

CRESCENT JUTE PRODUCTS LTD.

ANNUAL REPORT 1997

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CRESCENT UJALA LIMITED

CRESCENT FINANCIAL SERVICES (PVT) LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS

Azhar I. Jaffery (Chairman)
Mazhar Karim (Chief Executive)

(In alphabetic order)

A.H. Zaidi

A. Rashid M. Hanif

Anjum M. Saleem

Khalid Bashir

Razi-ur-Rahman Khan (Nominee NIT)

Riaz Masood

Sail Ullah Khan (Nominee PICIC)

Shaukat Shaft

CORPORATE SECRETARIES

Zaheer A. Shaikh

Rashid Sadiq

AUDITORS

A. F. Ferguson & Co.

Chartered Accountants

REGISTERED OFFICE:

83-Babar Block,

New Garden Town, Lahore

Tel: (042) 5881974-75

Fax: (042) 5881976

WORKS:

Jute Unit, Jaranwala

Cotton Spinning Unit, Jaranwala

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have the pleasure in presenting their 33rd Annual Report together with the Audited Accounts of the Company for the year ended June 30, 1997.

Your company's operations for the year resulted in a loss of Rs. 185,498,369.

REASONS FOR INCURRING OPERATIONAL LOSS

Abnormal increase in cotton price, frequent and phenomenal increases in input costs, continued depletion in the value of Rupees, extra depreciation on revalued assets, spiraling inflation and acute shortage of working capital necessary for uninterrupted operations are the major reasons for incurring loss for the year.

DEFAULT IN DEBTS, IF ANY

Overdues of Habib Bank Limited, Circular Road, Faisalabad Rs. 2 million and United Bank Limited, Dayal Singh Mansion, Lahore Rs. 1 Million are reported in Credit Information Bureau Report as on June 30, 1997. Both the dues have been cleared and certificate obtained from the Banks.

AUDITOR

The present Auditors Messors A.F. Ferguson & Company, Chartered Accountants retire and being eligible offer themselves for reappointment.

REVIEW OF OPERATIONS

The Directors of the Company endorse the contents of the Chief Executive's Review of operations on the next pages which deals with the Company's activities, its performance and future prospects.

The Directors thank the Shareholders, Bankers and Customers who are co-operating with us in the days of crisis.

CHIEF EXECUTIVE'S REVIEW

Severe economic conditions prevailed in the country throughout the year under review. Long and anxiously awaited upturn in the economy has still not materialized. In these circumstances the best possible action has been to tighten our belts and rifle out this extremely long period of recession in the country.

The management has been constantly focused in making sure that manufacturing units keep operating despite acute shortage of working capital. Seasonal nature of raw material for both cotton and jute units and sales of jute products means that the company needs to keep a very high inventory to run efficiently. The acute paucity of short term funding forced the company to operate at less than ideal capacity and efficiency.

PRODUCTION AND SALES

Total sales marginally reduced by Rupees 3.367 million that is about 0.48% or last year sales.

Production of Jute Unit decreased from 11,656 tons in 1996 to 11,025 tons in 1997. Jute unit sales decreased by Rupees 7.06 million. Because of regular demand of jute products from Government Agencies there has been significant change in the sale mix during the year. Sacking sales that is comparatively cheaper than Hessian increased from 49.7% of total sales in 1996 to 84.9% of total sales in 1997 whereas sale of Hessian which constituted 27.4% of sales in 1996 was only 7.3% of total sales in 1997. Similarly Sale of twine also decreased from 22.9% of total sales in 1996 to 7.8% in 1997. There has been increase in Sale price of all the products. Sales increased by Rupees 53.406 million due to increase in prices. This increase was, however, offset by decrease in quantity from 11,355 tons in 1996 to 10,129 tons in 1997.

Production of cotton unit converted into count of 20's decreased from 3711.7 tons in 1996 to 3664.7 tons in 1997. Although our total quantity sold decreased by 280 tons we were in a position to fetch higher price for our products. Sales analysis shows favourable price variance of Rupees 29.222 million which is partly offset by unfavourable quantity variance of Rupees 22.645 million. Total sales increased by Rupees 6.577 million during the year.

Sales of Rupees 1 million were also made from existing stocks of Garment Factory, which is now closed.

COST OF SALES

Cost of sales of Jute Unit decreased by 1.26% from 86.48% of sales in 1996 to 85.22% of sales in 1997. This is after absorbing extra depreciation of Rupees 14.6 million arising due to revaluation of assets on 30th June 1996.

Cost of sales of Cotton units excluding depreciation decreased by 2.95% from 90.74% of sales in 1996, to 87.79% of sales in 1997. This decrease was negated by charge of extra depreciation Rupees 13 million resulted due to revaluation of assets on June 30, 1997 and net increase of 1% was recorded in the total cost of sales that increased from 96.96% of sales in 1996 to 97.96% of sales in 1997.

Cotton purchase price increased from Rupees 54.49 per Kg in 1996 to Rupees 61.70 per Kg in 1997. Electricity charges increased by Rupees 5.8 million. That includes increase of Rupees 1.4 million on electricity surcharge and increase of Rupees 3.5 million in the cost of Diesel Oil used for generation of own electricity -- all increases due to government action. Other costs remained under control.

GROSS PROFIT

Consolidated Gross profit of existing units increased by 0.6% from Rupees 56.214 million in 1996 to Rupees 59.417 million in 1997.

OPERATING EXPENSES

Management is exercising strict control over administrative expenses. Despite annual increase in the staff salaries and other increases due to inflationary trend in the country there has been increase of Rupees 1.37 million only in the administrative expenses.

However, as a result of provision of Rupees 4.2 million made in provision for retirement benefits payable to officers on retirement, total administrative expenses increased by Rupees 5.57 million during the year. On the other hand selling expenses decreased by Rupees 1.19 million during the year.

OTHER INCOME

Other income decreased from Rupees 52.836 million in 1996 to Rupees 8.664 million during the year. This is mainly because

income for 1996 included Rupees 11.9 million on account of exchange claim recovered previously charged off and profit of Rupees 31.1 million on sale of investment. Dividend income also decreased by Rupees 1.47 million during the year.

FINANCIAL CHARGES

In view of the continued losses company is very much short of working capital. It has to resort to short term borrowings from Banks and other financial institutions. Long term loan from PICIC was rescheduled during the year. Charge Rupees 2.7 million on processing of various loans were also paid during the year. Management plans to generate additional working capital through sale of its short-term investment. The plan could not be implemented for the reason that price of shares held by the company are understated on stock exchange compared to their inherent strength. Some other steps have, however, been taken in July 1997 that will have positive impact in reduction of the financial charges.

OTHER CHARGES

This includes provision of Rupees 24.59 million to cover the diminution in the breakup value of long term investment and in market value of short-term investment at the close of business as on 30th June 1997.

GARMENT UNIT

Garment unit is closed for the last 2 years. Efforts to sell out the project did not materialize. There is no buyer in the market. In the process of winding up of the project Machinery has been sold on written down value and part of the stocks valued at Rupees 3 million lying in depleted conditions have been sold for 1.1 million. A provision of Rupees 1.5 million has also been made for diminution in the value of quota held on 30th June 1997. Loss of the project for the year under review amounted to Rupees 8.704 million.

THE WAY FORWARD

The effect of a prolonged down turn in the economic conditions has taken a serious toll on the health of the company. A number of measures have been taken to ensure that the company is able to get out of these difficult conditions. As with any long term policy changes, the effects of these measures would start reflecting in the accounts gradually.

The company as a whole is experiencing a considerable change in its working environment changes in role and responsibilities of the employees. The management is putting its best efforts to manage the crisis faced by the company. The mainstay of these efforts is the elaborate restructuring plan approved by the Board of Directors last year.

Implementation of this plan is underway but the progress in this regard was somewhat hampered by the economic and political uncertainties prevailing in the country. The speed by which the company can be brought back to its past performance is directly linked with the speed of economic recovery in the country.

We have started seeing the effects of our plans and policies in the operations of the company. I must, however, point out that this is going to be a long-term process. We should start noticing a gradual improvement in overall results of the company in future year.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 33rd Annual General Meeting of the shareholders of CRESCENT JUTE PRODUCTS LIMITED will be held on Wednesday, the December 31, 1997 at 11:00 a.m. at Registered Office, 83-Babar Block, New Garden Town, Lahore to transact the following business:

1. To receive and adopt the Audited Accounts of the Company for the year ended June 30, 1997 together with the Directors' and Auditors' reports thereon.
2. To appoint Auditors and fix their remuneration. The retiring Auditors M/S A.E Ferguson & Company, Chartered Accountants, being eligible have offered themselves for reappointment.

The share transfer books of the company shall remain closed from December 29, 1997 to January 05, 1998 (both days inclusive).

Registered Office:
83-Babar Block, New Garden Town,
LAHORE.

Phone No. 5881974-75
Fax No. 5881976
Dated: December 08, 1997

NOTES:

1. 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 at the Registered Office not later than 48 hours before the time for holding the Meeting,
2. Shareholders are requested to immediately notify the change in address, if any.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Crescent Jute Products Limited as at June 30, 1997 and the related profit and loss account and the cash flow statement, 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 and, after due verification thereof, we report that:

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

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

(iii) the business conducted, investments made and 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 and the cash flow statement, together with the notes forming part thereof, 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, 1997 and of the loss and cash flows for the year then ended; and

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

Without qualifying our opinion, we draw attention to note 2.1 to the accounts which states that these accounts have been prepared assuming that the company will continue as a going concern. As explained in note 2.1 to the accounts the company has suffered a loss of Rs 185.5 million during the year and has accumulated losses of Rs 372.8 million as at June 30, 1997. As of that date the company's current liabilities exceeded its current assets by Rs 143.74 million and its long term debt to equity ratio further deteriorated during the year. These factors raise doubt that the company may be able to continue as a going concern. Management's plan in regard to this matter are also discussed in note 2.1 to the accounts. These accounts do not include any adjustments that might result from the outcome of this uncertainty.

Without qualifying our opinion, we draw attention to note 20 to the accounts which includes an amount receivable from an associated company aggregating Rs 252.3 million. The recoverability of this amount is dependent on certain factors more fully explained in note 11.1 to the accounts. Pending the outcome of the matters referred to note 11.1, no provision that might result from the outcome of this uncertainty has been made in the accounts in respect of the balance due.

A.F. Ferguson & Co.

Lahore: December 8, 1997

Chartered Accountants

BALANCE SHEET AS AT 30 JUNE 1997

	Note	1997 Rupees	1996 Rupees
CAPITAL AND RESERVES			
Authorized capital			
20,000,000 ordinary shares of Rs. 10 each		200,000,000	200,000,000
		=====	=====
Issued, subscribed and paid up capital	3	150,634,680	150,634,680
Reserves	4	138,767,584	138,767,580
Accumulated (loss)		(372,839,071)	(187,340,702)
		-----	-----
		(83,436,807)	102,061,562
SURPLUS ON REVALUATION OF FIXED ASSETS			
	5	348,568,550	348,568,550
REDEEMABLE CAPITAL			
Long-term running finances-secured	6	-	-

LIABILITIES AGAINST ASSETS SUBJECT

TO FINANCE LEASE	7	5,439,700	12,839,211
DEBENTURES AND LONG TERM LOANS	8	101,041.60	102.640.883
CURRENT LIABILITIES			
Current portion of			
Long-term running finances	6	17,203,176	17,203,176
Liabilities against assets subject to finance lease	7	7,758,964	9,970,959
Debentures and long-term loans	8	20,537,199	6,247,363
Short-term running finances	9	601,287,100	551,071,479
Creditors' accrued and other liabilities	10	253,827,382	242,922,314
Provision for taxation		1,410,109	-
		902,023,930	827,415,291
CONTINGENCIES AND COMMITMENTS	11		
		-----	-----
		1,273,636,973	1,393,525,497
		=====	=====

The annexed notes form an integral part of these accounts.

FIXED CAPITAL EXPENDITURE

Operating fixed assets	12	501,813,361	556,013,357
Assets subject to finance lease	13	4,468,265	6,580,954
		-----	-----
		506,281,626	562,594,311

LONG-TERM INVESTMENTS

14	5,050,000	7,250,000
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**LONG-TERM SECURITY DEPOSITS
AND DEFERRED COSTS**

15	4,021,835	7,006,079
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CURRENT ASSETS

Stores and spares	16	31,505.24	30,299,508
Stock-in-trade	17	111,709,748	97,764,399
Short term investments	18	306,186,122	330,589,995
Trade debts	19	23,222,753	17,104,563
Advances, deposits, prepayments and other receivable	20	283,337,428	332,618,679
Cash and bank balances	21	2,322,221	8,297,963
		758,283,512	816,675,107
		-----	-----
		1,273,636,973	1,393,525,497
		=====	=====

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 1997

	Note	1997 Rupees	1996 Rupees
Sales	22	699,605,921	1,041,512,226
Cost of Sales	23	640,189,360	961,790,693
		-----	-----
Gross profit		59,416,561	79,721,533
Administration expenses	24	41,468,821	42,285,314
Selling and distribution expenses	25	17,767,918	18,693,969
		-----	-----
		59,236,739	60,979,283
Operating profit		179,822	18,742,250
Other income	27	8,664,632	52,836,163
		-----	-----
		8,844,454	71,578,413
Financial charges	28	166,733,880	161,748,152

Other charges	29	24,825,467	73,327
		-----	-----
		191,559,347	161,821,479
(Loss) before taxation		(182,714,893)	(90,243,066)
Gain on sale of cotton unit at Jhang		-	164,616,602
		-----	-----
(Loss)/profit before taxation		(182,714,893)	74,373,536
Taxation	30	2,783,476	6,298,164
		-----	-----
(Loss)/profit after taxation		(185,498,369)	68,075,372
		-----	-----
Accumulated (loss) brought forward		(187,340,702)	(251,000,261)
Less: Adjustment to deferred costs on account of change in accounting policy		-	4,415,813
		-----	-----
		(187,340,702)	(255,416,074)
		-----	-----
Accumulated (loss) carried forward		(372,839,071)	(187,340,702)
		=====	=====

The annexed notes form an integral part of these accounts.

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 1997

	Note	1997 Rupees	1996 Rupees
Cash inflow/(outflow) from operating activities			
Cash generated from operations	31	79,407,652	61,854,055
Financial charges paid		(150,983,842)	(155,747,646)
Income taxes paid		(1,183,995)	(275,348)
Proceed on sale of export quotas		356,352	397,393
Long term security deposits and deferred costs		1,127,892	786,936
		-----	-----
Net cash (outflow) from operating activities		(71,275,941)	(92,984,610)
Cash inflow/(outflow) from investing activities			
Fixed capital expenditure		(1,685,363)	(11,507,716)
Proceeds on sale of fixed assets		7,959,697	1,689,578
Proceeds on sale of investments		2,955,874	55,910,730
Dividends received		2,775,323	4,264,680
Interest received		-	4,242
		-----	-----
Net cash inflow from investing activities		12,005,531	60,398,514
Cash inflow/(outflow) from financing activities			
Long term borrowings		12690,553	4,599,357
Repayments of finance leases		(9,611,506)	(10,856,207)
		-----	-----
Net cash inflow/(outflow) from financing activities		3,079,047	(6,256,850)
Net (decrease) in cash and cash equivalents		(56,191,363)	(38,842,946)
Cash and cash equivalents at the beginning of year		(542,773,516)	(503,930,570)
		-----	-----
Cash and cash equivalents at the end of year	32	(598,964,879)	(542,773,516)
		=====	=====

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1997

1. The company was incorporated in Pakistan and is listed on the Karachi, Islamabad and Lahore Stock Exchanges and is currently engaged in manufacture and sale of jute bags, cotton yarn and export of garn-ents.

2. SUMMARY OF SIGNIFICANT POLICIES

2.1 BASIS OF ACCOUNTING

The company has incurred a net loss of Rs 185,498,369 for the year ended June 30, 1997 and has accumulated losses of Rs 372,839,071 as of that date. The company's current liabilities exceeded its current assets by Rs 143,740,418. These factors raise doubts that the company will be able to continue as a going concern. In order for the company to continue as a going concern the management approved a plan for restructuring the company which involved:

- * sale of certain assets
- * arrangements of additional financing facilities
- * conversion of short term debt to long term debt.

As part of the plan, during the year the long term loan payable to PICIC was restructured and the balance is now payable over a period upto 2003. In addition, the management of the company intends to dispose off its shareholding in Crescent Ujala/_, limited, a wholly owned subsidiary, to various group companies by June 30, 1998. As such the investment has been included in short term investments. Additionally, to further improve the liquidity position of the company, the management also intends to sell its investn-enls in quoted shares by June 30, 1998. As a result, these accounts have been prepared on the assumption that based on the management's plan for restructuring, the company will continue as a going concern and consequently do not include any adjustments that might result should the company not be able to continue as a going concern.

2.2 ACCOUNTING CONVENTION

The accounts have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets referred to in note 2.5.

2.3 TAXATION

The provision for current taxation is based on taxable income at the current rates of taxation after taking into account available tax rebates and credits.

The company accounts for deferred taxation, using the liability method, on all major timing differences.

2.4 STAFF RETIREMENT BENEFIT

The company operates an approved funded pension scheme for all officers of its Joint Unit. The actuarial valuation of the scheme is carried out once in every two years with the most recent valuation being carried out as at June 30, 1995. The fair value of the fund's assets and liabilities at the latest valuation date were Rs 1.518 million and Rs 13.637 million respectively. Monthly contributions to fund the future liability is to be made to this fund on the basis of actuarial recommendation at the rate of 14 percent of basic salaries, while the deficit is amortised in ten equal installments of Rs 2 million. Accrued benefit cost is based on the following significant assumptions, is used for valuation of this fund:

Expected rate of increase in salary level 10 percent per annum

Expected rate of return of 12 percent per annum.

2.5 FIXED CAPITAL EXPENDITURE AND DEPRECIATION

Freehold land and buildings thereon, plant and machinery and electrical installations as at June 30, 1996 have been revalued by an independent valuer as of that date and are shown at net revalued figures. These assets were revalued with reference to the net current replacement costs. All other operating fixed assets are stated at cost less accumulated depreciation. Capital work-in-progress, is stated at cost. Depreciation on operating fixed assets is charged to profit on the reducing balance method at the rates given in note 12 except for computer equipment which are depreciated on the straight line method at the rate of 33% per annum.

The full annual rate of depreciation is applied to the cost of additions, except major additions or extension to production facilities excluding exchange differences, while no depreciation is charged on assets deleted during the year. Major additions or extensions to production facilities are depreciated on a pro-rata basis for the period of use during the year.

Net exchange differences and exchange risk fees relating to foreign currency loans obtained to acquire fixed assets are amortised in approximately equal annual installments over the remaining useful life of the assets.

2.6 ASSETS SUBJECT TO FINANCE LEASE

Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligations of the lease are accounted for as liabilities.

Assets acquired under a finance lease are amortised over the useful life of the assets on a reducing balance method at the rates given in note 12. Amortisation of leased assets is charged to profit.

2.7 DEFERRED COSTS

The amount paid on purchase of export quota is deferred and amortised over a period of five years.

2.8 INVESTMENTS

- (a) Long term investments are stated at cost less any permanent diminution in value of investment.
 (b) Short term investments are stated at lower of cost and market value on an aggregate portfolio basis.

2.9 STORES AND SPARES

These are valued at moving average cost less provision for obsolescence except for items in transit which are valued at cost comprising invoice values plus other charges paid thereon.

2.10 STOCK-IN-TRADE

Stock-in-trade is stated at the lower of cost and net realisable value. Cost in relation to stock of raw materials for the cotton units represent the actual cost of specific lots and for the jute unit, the annual average cost. Cost in relation to work-in-process and finished goods comprises cost of direct materials, labour and appropriate manufacturing overheads, and for goods purchased for resale the moving average cost.

Cost of goods-in-transit of raw materials and goods purchased for resale comprises invoice values plus other charges paid thereon.

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

2.11 EXCHANGE DIFFERENCES

Assets and liabilities in foreign currencies are translated into rupees at the rates of exchange ruling at the balance sheet date and in case of forward contracts at the committed rates. Gains or losses on exchange are charged to income.

2.12 REVENUE RECOGNITION

Sales are recognised on despatch of goods to the customers. Investment income is recognised on receipt basis.

	1997 Rupees	1996 Rupees
3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
7,023,741 ordinary shares of Rs. 10 each fully paid in cash	70,237,410	70,237,410
8,039,727 ordinary shares of Rs. 10 each issued as fully paid bonus shares	80,397,270	80,397,270
	-----	-----
	150,634,680	150,634,680
	=====	=====

4. RESERVES

Movement and composition of reserves is as follows:

Capital reserve		
Share premium account	35,767,584	35,767,584
Plant modernisation reserve	25,500,000	25,500,000
General reserve	77,500,000	77,500,000
	-----	-----
	138,767,584	138,767,584
	=====	=====

5. SURPLUS ON REVALUATION OF FIXED ASSETS

This represents surplus over book values resulting from the revaluation of the following fixed assets:

Operating fixed assets - note 12	362,914,256	362,914,256
Assets subject to finance - note 13	(14,345,706)	(14,345,706)
	-----	-----
	348,568,550	348,568,550
	=====	=====

6. LONG-TERM RUNNING FINANCES-SECURED

Running finance

- 1	9,601,587	9,601,587
- 2	7,601,589	7,601,589
	-----	-----
	17,203,176	17,203,176
	=====	=====

Less: Current portion including overdue installments Rs1 17,203,176 (1996 Rs. 10,667,336) shown under current liabilities

17,203,176	17,203,176
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 =====

Running finances 1 and 2 represent liabilities in respect of machinery and building under financing agreement with a financial institution. The balance alongwith mark up is overdue. Running finance 1 is secured against a bank guarantee froin an investmct bank given on behalf of the company, while running finance 2 is secured by pledge of investments owned by the company referred to in note 18.

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Present value of' minimum lease rental payments	13,198,664	22,810,170
Less: Current portion shown under current liabilities	7,758,964	9,970,959
	-----	-----
	5,439,700	12,839,211
	=====	=====

The value of the minimum lease rental payments has been discounted at implicit interest rates ranging from 15.9% to 26.77% to arrive at their present value. The balance rentals due under the lease agreements aggregate to Rs 10, 130,771 (1996: Rs 21,554.970) and are payable in equal monthly or quarterly instilln-ents plus lump sum payments of Rs 4,031,899 (1996: Rs 4,779,96h) for residual values between September 1997 and December 1999. Taxes, repair and insurance costs are to be borne by the lessee. In case of termination of the agreement the lessee is to pay the entire rent for the unexpired period of the lease agreement. The lease agreements are renewable at the option of the lessor and on such terms as ma.y be agreed upon. The liability is partly secured by deposit of Rs 3,611,958 (1996: Rs 4,406,427) included in long tel'm security deposits and current assets.

8. DEBENTURES AND LONG TERM LOANS-SECURED

Debenture	- secured note 8.1	1,981,098	-
Long term loans	- secured note 8.2	119,597,701	108,888,246
		-----	-----
		121,578,799	108,888,246
		=====	=====
Less: Current maturity shown under current liabilities:		496,410	-
- Debentures			
- Long term loans	- note 8.2	20,04,789	16,247,363
		20,537,199	6,247,363
		-----	-----
		101,041,600	102,640,883
		=====	=====

8. DEBENTURES - SECURED

The custom debentures are payable in four equal annual installments by November 2000. The surcharge on the balance outstanding is payable annually at 14% per annum. Debentures are secured against a bank guarantee furnished by a financial institutitm on behalf of the company.

8.2 LONG-TERM LOANS - SECURED

These are composed of

	Lender	Currency	Currency Balance		Rupees Equivalent	
			1997	1996	1997 Rupees	1996 Rupees
1	Standard Chartered Bank	Swiss Francs (CHF)	-	334,425	-	4,247,363
2	PICIC	-Loan A - Loan B			57,253,648 62,344,053	- -
					----- -----	----- -----
					119,597,701	104,640,883
					-----	-----
					119,597,701	108,888,246
Less: Current maturity shown under current liabilities					20,040,789	6,247,363
					-----	-----
					99,556,912	102,640,883
					=====	=====

TERMS OF REPAYMENT

LOAN 1

The loan was repaid during the year.

LOAN 2

The outstanding balance of the loan plus the mark up has been restructured and converted into loans A. and B. Under the restructuring scheme, loan A is repayable in 13 unequal half yearly installments commencing December 1997 with interest at 14% per annum. Loan B is repayable in 36 monthly installments commencing July 1997 with interest at 18% per annum payable monthly. In the event of failure to pay principal or interest on the due dates, additional interest is chargeable at 5% per annum above the applicable rate on the overdue amount.

Under the terms and conditions of the loan company can not without prior written consent of PLCIC, declare or pay any dividend or issue bonus shares or advance any fund by way of loan or investment in its subsidiaries, associated undertakings or to its directors.

SECURITY

Loan 2 is secured by an equitable mortgage of the company's property situated in Jaranwala and a first charge over all fixed and current assets of the company ranking pari passu with charges referred to in note 9 below:

	1997 Rupees	1996 Rupees
9. SHORT TERM RUNNING FINANCES AND OTHER		
CREDIT FACILITIES - SECURED		
Running finances under mark up arrangements obtained from:		
- Banks and financial institutions	338,827,856	486,971,029
- Associated financial institutions	262,459,244	64,100,450
	-----	-----
	601,287,100	551,071,479
	=====	=====

Finances available from banks and financial institutions including associated financial institutions amount to Rs 538 million (1996: Rs 557 million). Mark up on finances obtained from banks and financial institution is charged at rates ranging from Re 0.48 to Re 0.60 per Rs 1,000 per diem or part thereof and from associated undertakings at rates ranging from Re 0.50 to Re 0.67 per Rs 1,000 per diem or part thereof on the balance outstanding.

The aggregate short-term running finances from banks and financial institutions are secured by hypothecation of stocks of raw materials, work-in-process and finished goods, stores and spares, book debts, pledge of investments, guarantees from banks, first and second floating charge over the present and future immovable property of the company ranking pari passu with charges referred to in note 8.2 above. The short-term running finances from associated financial institutions are secured by guarantees from banks, hypothecation of stocks of raw materials, work-in-process and finished goods, book debts and pledge of investments.

Of the aggregate facility of Rs 65 million (1996: Rs 65 million) for opening letters of credit and Rs 89.39 million (1996: Rs 107.87 million) for guarantees, the amount utilised at June 30, 1997 was Rs 13.96 million (1996: Rs 24.91 million) and Rs 89.12 million (1996: Rs 106.18 million) respectively.

	1997 Rupees	1996 Rupees
10. CREDITORS, ACCRUED AND OTHER LIABILITIES		
Creditors	33,336,531	25,859,708
Accrued liabilities	31,639,625	32,573,994
Bills payable	32,066,844	54,558,255
Deposits, interest free repayable on demand	546,616	3,200,799
Advances from customer	963,979	5,560,911
Mark-up accrued on running finances-secure		
- Long term	6,222,223	3,243,202
- Short term	44,990,855	34,125,603
Excise duty	16,388,173	9,922,696
Custom duties and surcharge	174,714	2,578,453
Due to associated companies	50,656,328	66,123,961
Sales tax	3,084,934	249,419
Loan from provident fund	30,470,000	-
Mark-up accrued on loan from provident fund	1,905,765	-
Workers' participation fund	558,785	558,785
Workers' welfare fund	-	48,022
Unclaimed dividends	341,437	341,853
Others	480,573	3,976,653
	-----	-----

253,827,382 242,922,314
 ===== =====

11. CONTINGENCIES AND COMMITMENTS

11.1 Included in amounts due from associated undertakings in note 20 is a sum of Rs 252.3 million receivable from an associated company. The associated company to whom these sums were advanced was executing certain construction contracts for WAPDA.

The associated company is projecting a loss of Rs 90 million at the conclusion of these contracts. This loss has been arrived at after considering the following:

	(Rupees in million)
Legal suits filed against WAPDA	157.60
Sale value of fixed assets at end of contracts	30.00

The recoverability of the amount due from the associated company is dependent upon its ability to successfully realise these amounts and recoupment of the balance loss of Rs 90 million through new contracts.

In case the amounts referred to above are not realised, it is expected that the associated company's share capital will be restructured through injection of further capital by its shareholders to reimburse the amounts due to this company. Pending the outcome of these matters, it is not possible at this stage to estimate the loss or provision, if any, required against the amount due from the associated company.

11.2 Commitments in respect of letters of credit other than for capital expenditure Rs 13.96 million (1996: Rs 24.91 million).

11.3 Commitments in respect of lease arrangements executed by the company are as follows:

Year	Rupees
1997-98	671,580
1998-99	615,615

12. FIXED ASSETS - TANGIBLE

12.1 The following is a statement of the tangible fixed assets

	Revalued amount/ Cost as at June 30, 1996	Additions/ (deletions)	Revalued amount/ Cost as at June 30, 1997	Accumulated depreciation as at June 30, 1996	Depreciation (deletions)	Depreciation charge for the year	Accumulated depreciation as at June 30, 1997	Book value as at June 30, 1997	Annual rate of depreciation %
Freehold land	38,092,501	-	37,407,908	-	-	-	-	37,407,918	-
		(684,593)							
Building on freehold land	128,720,500	-	128,720,500	-	-	12,872,050	12,872,050	115,848,450	10
Building on leasehold land	3,516,416	-	2,420,443	1,738,045	(802,068)	148,447	1,084,424	1,336,019	5-10
		(1,095,973)							
Plant and machinery	354,066,521	220,000	352,689,944	-	-	35,268,994	35,268,994	317,420,950	
		(1,596,577)							
Non-operating looms	1,497,611	-	1,497,611	1,042,465	-	-	1,042,465	455,146	-
Electrical installation	19,365,412	394,440	19,759,852	-	-	2,410,984	2,410,984	17,348,868	10-33
Ancillary equipment	6,653,022	(6,653,022)	-	6,653,022	(6,653,022)	-	-	-	10
Furniture and fixture	15,097,314	611,121	15,708,435	6,826,429	-	885,726	7,712,155	7,996,280	10
Vehicles	14,567,854	555,235	11,708,489	9,303,832	(2,595,018)	999,935	7,708,749	3,999,740	20
		(3,414,600)							
	-----	-----	-----	-----	-----	-----	-----	-----	
Rupees in 1997	581,577,151	1,780,796	569,913,182	25,563,703	(10,050,108)	52,586,136	68,099,821	501,813,361	
		(13,444,765)							
	=====	=====	=====	=====	=====	=====	=====	=====	
Rupees in 1996	770,670,215	25,479,629	581,577,151	339,432,890	876,744	23,550,935	25,563,793	556,013,357	
		(214,572,693)			(338,296,776)				
	=====	=====	=====	=====	=====	=====	=====	=====	

Included in additions are assets aggregating Rs. 496.435 (1996: Rs. 14,095,169) which were originally acquired under a finance lease and have been transferred to fixed assets during the year at the end of their lease term.

1997 1996
 Rupees Rupees

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

Cost of goods sold	- note 23	50,131,246	20,824.31
Administration expenses	- note 24	2,454,890	2,726,622
		-----	-----
		52,586,136	23,550,935
		=====	=====

12.3 Had there been no revaluation, the cost, accumulated depreciation and book values of the revalued assets would have been as follows:

	Cost as at June 30, 1997	Accumulated depreciation as at June 30, 1997	Book value as at June 31, 1997
Freehold land	1,629,304	-	1,629,304
Building on freehold land	21,406,303	2,140,630	19,265,673
Plant and machinery	145,383,568	14,538,357	130,845,211
Electrical installation	7,244,773	1,159,476	6,085,297

12.4 Disposal of fixed assets

Particulars of assets sold to:	Cost Rupees	Accumulated depreciation/ amortisation Rupees	Book value Rupees	Sale proceeds Rupees	Mode of disposal
Employees					
Motor Cycle Sharafat Bajwa	31,800	18,774	13,026	31,800	Negotiation
-do- Muhammad Shaukat	34,700	20,487	14,213	34,700	-do-
-do- Abdul Hameed	35,500	20,959	14,541	35,500	-do-
-do- Sarwar	31,900	21,447	10,453	31,900	-do-
-do- Zafar Iqbal	29,700	19,968	9,732	31,000	-do-

Particulars of assets sold to:	Cost Rupees	Accumulated depreciation/ amortisation Rupees	Book value Rupees	Sale proceeds Rupees	Mode of disposal
Others					
Plant and machinery Mr. Abdul Aziz	400,334	-	400,334	500,000	Negotiation
-do- -do-	374,653	-	374,653	800,00	-do-
-do- -do-	563,052	-	563,052	800,000	-do-
Motor vehicle Anjum Motors	950,000	751,250	198,750	300,000	-do-
-do- -do-	310,000	228,735	81,265	200,000	-do-

Associated undertakings

Land Crescent Steel & Allied Products Limited	684,593	-	684,593	747,094	-do-
Building -do	1,095,973	802,068	293,905	2,200,000	-do-
Plant and machinery Crescent Knitwear Limited	258,538	-	258,538		
-do- -do-	1,476,225	-	1,476,225		
-do- -do-	1,734,763	-	1,734,763	1,734,764	-do-
Motor Vehicle Crescent Knitwear Limited	590,000	435,335	154,665	175,000	-do-
-do- -do-	1,235,000	976,002	258,998	275,000	-do-
-do- -do-	166,000	102,061	63,939	63,939	-do-

13. ASSETS SUBJECT TO FINANCE LEASES:

The following is a statement, of assets acquired under finance lease:

Revalued amount/ Cost as at	Revalued amount/ Cost as at	Accumulated amortisation	Book value as at	Amortisation
-----------------------------------	-----------------------------------	-----------------------------	---------------------	--------------

	June 30, 1996	Additions/ (transfers)	June 30, 1997	as at June 30, 1997	June 30, 1997	charge for the year
Plant and machinery	6,084,519	(1,476,225)	4,608,294	460,829	4,147,465	460,829
Vehicles	1,515,000	401,000 (1,515,000)	401,000	80,200	320,800	80,200
Rupees in 1997	7,599,519	401,000 (2,991,225)	5,009,294	541,029	4,468,265	541,029
Rupees in 1996	29,726,586	- (22,127,067)	7,599,519	1,018,565	6,580,954	2,394,134

Transfers represent assets transferred at the expiry of lease terms to tangible fixed assets, note 12.1.

		1997 Rupees	1996 Rupees
13.1 Amortisation during the year has been allocated as follows:			
Cost of goods sold	- note 24	460,829	2,270,025
Administration expenses	-note 25	80,200	124,109
		-----	-----
		541,029	2,394,134
		=====	=====

13.2 Had there been no revaluation, the cost, accumulated amortisation and book value of plant and machinery would have been as follows:

	Cost as at June 30, 1997	Accumulated depreciation as at June 30, 1997	Book value as at June 30, 1997	1997 Rupees	1996 Rupees
Plant and machinery	18,954,000	1,895,399	17,058,601		

**14. LONG-TERM INVESTMENTS - AT COST
UNQUOTED**

IN SUBSIDIARY COMPANY

Crescent Financial Services (Private) Limited
2,480 (1996: 2,480) fully paid ordinary shares of Rs. 1000 each 2,480,000 2,480,000
Value of investment based on the net assets shown in the audited account for the year ended June 30, 1996 Rs. 2,068,211 (1995: Rs. 2,103,040)

IN ASSOCIATED UNDERTAKINGS

Crescent Venture International Limited
157,000 (1996:157,000) fully paid ordinary shares of Rs. 10 each 1,570,000 1,570,000
Equity held 31.4% (1996: 31.4%)
Value of investment based on the net assets shown in the audited account for the year ended June 30, 1996 Rs. 1,755,310 (1995: Rs. 1,755,310)

Crescent Group Services (Private) Limited
220,000 (1996: 220,000) fully paid ordinary shares of Rs. 10 each 2,200,000 2,200,000
Equity held 19% (1996: 19%)
Value of investment based on the net assets shown in the audited account for the year ended June 30, 1996 Rs. Nil (1996: Rs. Nil)
Less: Provision for permanent diminution in the value of investments (2,200,000) -

IN OTHERS

Crescent Modaraba Management Company Limited
100,000 (1996:100,000) fully paid ordinary shares of Rs. 10 each 1,000,000 1,000,000

5,050,000 7,250,000
=====

15. LONG TERM DEPOSITS AND DEFERRED COSTS

Long term deposits	3,569,631	4,697,523
Deferred costs		

- Export quota	2,308,556	4,474,765
- Sold during the year	(56,352)	(397,393)
	-----	-----
	1,952,204	4,077,372
Amortisation charge for year	(1,500,000)	(1,768,816)
	-----	-----
	452,204	2,308,556
	-----	-----
	4,021,835	7,006,079
	=====	=====

16. STORES AND SPARES

Store and Spares [including ill transit Rs. 241,165 '1996: Rs. 363,726]	34,408,114	33,202,383
Less: Provision for obsolescence	2,902,874	2,902,875
	-----	-----
	31,505,240	30,299,508
	=====	=====

17. STOCK-IN-TRADE

Raw materials 1996: Rs. 22,242,858]	42,584,668	62,222,450
Work-in-process	13,994,890	11,828,274
Finished goods	57,848,485	26,200,406
Waste cotton	281,705	513,269
	-----	-----
	114,709,748	100,764,399
Less: Provision lbr obsolescence	3,000,000	3,000,000
	-----	-----
	111,709,748	97,764,399
	=====	=====

18. SHORT TERM INVESTMENTS**QUOTED****IN ASSOCIATED UNDERTAKINGS****Shakarganj Mills Limited**

2,380,631 (1996: 2,178,538) fully paid ordinary shares of Rs. 10 each	29,866,595	30,122,393
Equity held 9.80% (1996: 10.23)		
Market value 22,020,837 (1996: 34,638,754)		

Premier Insurance Company of Pakistan

45,193 (1996: 50,193) fully paid ordinary shares of Rs. 10 each	690,966	767,412
Market value of Rs. 316,351 (1996: 479,814)		

Crescent Sugar Mills & Distillery Limited

66,208 (1996: 79,292) fully paid ordinary shares of Rs. 10 each	1,598,883	2,202,051
Market value Rs. 642,218 (1996: 872,212)		

Crescent Boards Limited

16,666 (1996: 31,664) fully paid ordinary shares of Rs. 10 each	173,244	329,148
Market value Rs. 45,832 (1996: Rs. 118,440)		

The Crescent Textile Mills Limited

100,942 (1996: 94,948) fully paid ordinary shares of Rs. 10 each	1,856,329	1,927,376
Market value Rs. 1,584,789 (1996: Rs. 1,424,220)		

Crescent Steel and Allied Products Limited

318,837 (1996: 346,250) fully paid ordinary shares of Rs. 10 each	3,234,540	4,039,530
Market value Rs. 9,086,855 (1996: 16,273,750)		

Crescent Investment Bank Limited

690,000 (1996: 690,000) fully paid ordinary shares of Rs. 10 each	12,297,857	12,297,857
Market value Rs. 9,901,500 (1996: Rs. 11,730,000)		

Pakistan Industrial Leasing Corporation Limited

1,150,045 (1996: 1,150,045) fully paid ordinary shares of Rs. 10 each	20,199,290	20,199,290
Market value Rs. 15,525,608 (1996: Rs. 16,675,653)		

IN OTHERS**Crescent Spinning Mills Limited**

639,500 (1996: 690,000) fully paid ordinary shares of 10 each	6,395,000	6,960,000
Market value Rs. 4,476,500 (1996: Rs. 4,176,653)		

ICI Pakistan Limited

67,970 (1996: 15,993) fully paid ordinary shares of Rs. 10 each	764,308	244,538
Market value Rs. 1,648,273 (1996: 847,629)		

Shahzad Textiles Mills Limited

60 (1996: 60) fully paid ordinary shares of Rs. 10 each	400	400
Market value Rs. 360 (1996: Rs. 264)		

UNQUOTED**IN SUBSIDIARY COMPANY****Crescent Ujala Limited**

25,150,000 (1996: 25,150,000) fully paid ordinary share of Rs. 10 each	251,500,000	251,500,000
Value of investment based on net assets of the company shown in the audited accounts as at September 30, 1996 Rs. 240,937,000		

Less: Provision for diminution in the value of investments	(22,391,290)	-
	-----	-----
	306,186,122	330,589,995
	=====	=====

19. TRADE DEBTS

Trade debts

- Considered good	23,222,753	17,104,563
- Considered doubtful	3,56,056	-
	-----	-----
	23,578,809	17,104,563

Less: Provision for bad and doubtful debts	356,056	-
	-----	-----
	23,222,753	17,104,563
	=====	=====

20. ADVANCES, DEPOSITS, PREPAYMENTS**AND OTHER RECEIVABLES**

Advances-considered good	2,362,294	4,456,269
Deposits-trade and others	3,726,252	9,034,196
Short-term prepayments	363,000	209,192
Balances with statutory authorities for		
Sales tax	145,734	2,718,039
- Excise duty	-	30
Guarantees, margin deposits, letter of credit-opening charges etc.	21,904	42,177
Insurance claim	151,531	82,446
Due from associated Companies - note 11.1	273,069,776	305,854,394
Claims receivable from Government		
- Export rebate receivable	2,618,080	4,047,349
- Octroi	488,614	604,513
- Income tax	-	189,372
- Others	383,593	-
	-----	-----
	3,490,287	4,841,234

Exchange difference on foreign currency loan repayments receivables from State Bank of Pakistan	-	5,300,689
Other receivables	6,650	80,013
	-----	-----
	283,337,428	332,618,679
	=====	=====

20.1 The maximum aggregate amount due from associated companies at the end of any month during the year was Rs. 354,048,183 (1996: Rs. 325,544,147).

21. CASH AND BANK BALANCES

Balances with banks on current accounts	1,818,135	7,503,809
Cash in hand	504,086	794,154
	-----	-----

2,322,221 8,297,963
 =====

22 SALES

Sales are exclusive of sales tax of Rs. 93,040,432 (1996: Rs. 50,790,656)

23 COST OF GOODS SOLD

Raw and packing materials consumed	457,228,192	690,798,965
Stores and spares consumed	19,915,572	29,334,295
Fuel and power	58,824,870	86,884,449
Wages, allowances and benefits	72,772,232	86,943,372
Repairs and maintenance	9,099,920	14,391
Insurance	3,219,484	3,262,383
Jute development expenses	108,262	94,622
Cotton cess	252,043	527,328
Depreciation	50,131,246	20,824,313
Amortisation of assets subject to financ	460,829	2,270,025
Amortisation of deferred costs	1,500,000	1,768,816
Excise duty	-	18,605,877
Garments manufacturing expenses	-	525,020
Provision for slow moving and obsolete stock	-	3,000,000
Other expenses	259,840	588,462
	-----	-----
(Increase) in work-in-process	673,772,490	959,819,189
	(2,166,616)	(886,676)
Cost of goods manufactured	671,605,874	958,932,513
(Increase)/Decrease in finished goods	(31,416,514)	2,858,180
	-----	-----
	640,189,360	961,790,693
	=====	=====

24 ADMINISTRATION EXPENSES

Salaries, allowances and benefits	22,056,568	15,604,073
Rent, rates and taxes	916,334	1,072,769
repairs and maintenance	2,436,757	3,438,543
Insurance	770,322	984,062
Printing and stationery	470.52	669,724
postage, telephone and telegram	2,386,966	2,526,452
Vehicle running expenses	5,351,226	4,326,120
Travelling, conveyance and entertainment	2,550,971	6,079,240
Subscriptions	50,400	141,816
Legal and professional charges	832,140	1,406,575
Depreciation	2,454,890	2,726,622
Amortisation of assets subject to finance lease	80,200	124,109
Corporate service charges	841,951.00	1,231,649
Provision for doubtful debts	356,056	-
Bad debts written off	862,764	631,396
other expenses	1,252,156	1,322,164
Less: recoveries from associated company	(2,201,397)	-
	-----	-----
	41,468,821	42,285,314
	=====	=====

24.1 LEGAL AND PROFESSIONAL CHARGES

Legal and professional charges include the following in respect of auditor's services:

Statutory audit	125,000	125,000
Accounting service charges	25,000	25,000
Excise duty	-	15,000
Out of pocket expenses	10,000	40,000
	-----	-----
	160,000	205,000
	=====	=====

25 SELLING AND DISTRIBUTION EXPENSES

Salaries, allowance and benefits	1,438,229	1,726,308
Forwarding and other expenses	15,528,827	15,994,183

Insurance	539,668	622,316
Others	261,194	351,162
	-----	-----
	17,767,918	18,693,969
	=====	=====

**26 SUMMARISED WORKING RESULTS OF LINES OF BUSINESS REPRESENTING MORE THAN
20% OF THE TOTAL TURNOVER OF THE COMPANY**

	Jute		Cotton		Others		Total	
	1997 Rupees	1996 Rupees	1997 Rupees	1996 Rupees	1997 Rupees	1996 Rupees	1997 Rupees	1996 Rupees
Sales	381,543,031	389,368,488	316,952,317	346,467,833	1,110,573	5,675,905	699,605,921	1,041,512,226
Cost of goods sold-note 26.1	325,139,862	336,724,327	310,470,846	613,601,659	4,578,652	11,464,707	640,189,360	961,790,693
	-----	-----	-----	-----	-----	-----	-----	-----
	56,403,169	52,644,161	6,481,471	(267,133,826)	(3,468,079)	(5,788,802)	59,416,561	(79,721,533)
Administration expenses- note 26.2	31,790,083	28,949,410	7,961,471	12,122,179	1,717,469	1,213,725	41,468,821	42,285,314
Selling and distribution expenses - note 26.3	16,583,391	15,040,137	1,146,615	3,402,509	37,912	251,323	17,767,918	18,693,969
	-----	-----	-----	-----	-----	-----	-----	-----
	48,373,474	43,989,547	9,107,884	15,524,688	1,755,381	1,465,048	59,236,739	60,979,283
	-----	-----	-----	-----	-----	-----	-----	-----
Operating profit(loss)	8,029,695	8,654,614	(2,626,413)	(282,658,514)	(5,233,460)	(7,253,850)	179,822	(18,742,250)
	=====	=====	=====	=====	=====	=====	=====	=====

Working results of Cotton business for 1996 include the operation of Ujala Cotton Mills, which was disposed off on June 30, 1996.

26.1 COST OF GOODS SOLD

Raw and packing materials consumed	220,647,902	236,634,913	236,580,290	452,397,386	-	1,766,666	457,228,192	690,798,965
Stores and spares consumed	12,309,813	9,117,637	7,605,759	19,399,201	-	817,457	19,915,572	29,334,295
Fuel and power	27,070,887	25,884,440	31,721,983	61,000,009	32,000	-	58,824,870	86,884,449
Wages, allowances and benefits	61,558,362	61,400,182	11,167,218	25333581.00	46,652	209,609	72,772,232	86,943,372
Repairs and maintenance	7,647,174	13,250,115	1,452,746	1,141,147	-	-	9,099,920	14,391,262
Insurance	2,214,460	1,511,475	1,005,024	1,750,908	-	-	3,219,484	3,262,383
Jute development expenses	108,262	94,622	-	-	-	-	108,262	94,622
Cotton cess	-	-	252,043	527,328	-	-	252,043	527,328
Depreciation	17,907,402	1,483,937	32,223,844	19,147,624	-	192,572	50,131,246	20,824,313
Amortisation of assets subject to finance lease	460,829	2,270,025	-	-	-	-	460,829	2,270,025
Excise duty	-	-	-	18,605,877	-	-	-	18,605,877
Other expenses	259,810	376,835	30	1,141	1,500,000	5,504,322	1,759,840	5,882,298
	-----	-----	-----	-----	-----	-----	-----	-----
	350,184,901	352,024,181	322,008,937	599,304,202	1,578,652	8,490,806	673,772,490	959,819,189
(Increase)/decrease in work-in-process	(1,604,331)	163,338	(562,285)	(1,050,014)	-	-	(2,166,616)	(886,676)
	-----	-----	-----	-----	-----	-----	-----	-----
Cost of goods manufactured	348,580,570	352,187,519	321,446,652	598,254,188	1,578,652	8,490,806	671,605,874	958,932,513
(Increase)/decrease in finished goods	(23,440,708)	(15,463,192)	(10,975,806)	15,347,471	3,000,000	2,973,901	(31,416,514)	2,858,180
	-----	-----	-----	-----	-----	-----	-----	-----
	325,139,862	336,724,327	310,470,846	613,601,659	4,578,652	11,464,707	640,189,360	961,790,693
	=====	=====	=====	=====	=====	=====	=====	=====

26.2 ADMINISTRATION EXPENSES

Salaries, allowances and benefits	18,805,759	11,338,187	3,190,864	4,051,233	59,945	214,653	22,056,568	15,604,073
Rent rates and taxes	801487.00	712,120	104,077	359,132	10,770	1,517	916,334	1,072,769
Repairs and maintenance	2055895.00	2,032,945	376,012	1,393,996	4,850	11,602	2,436,757	3,438,543
Insurance	687,050	700,019	83,272	284,043	-	-	770,322	984,062
Printing and stationery	281,346	479,540	189,090	167,805	81	22,379	470,517	669,724
Postage, telephone and telegram	1928290.00	1,371,115	415,691	1,066,830	42,985	88,507	2,386,966	2,526,452
Vehicle running expenses	4,343,493	3,187,542	1,007,733	1,138,578	-	-	5,351,226	4,326,120
Travelling, conveyance and entertainment	1,882,655	3,152,487	610,459	2,757,085	57,857	169,668	2,550,971	6,079,240
Subscriptions	-	-	50,400	141,816	-	-	50,400	141,816
Legal and professional charges	726205.00	1,304,700	105,935	101,875	-	-	832,140	1,406,575
Description	1,513,616	2,610,664	915,007	70,350	26,267	45,608	2,454,890	2,726,622
Amortisation of assets subject finance lease	80,200	124,109	-	-	-	-	80,200	124,109

Corporate service charges	420,976	831,649	420,975	400,000	-	-	841,951	1,231,164
Provision for doubtful debts	-	-	-	-	356,056	-	356,056	-
Bad debts written off	-	-	-	-	862,764	631,396	862,764	631,396
Other expenses	464,508	1,104,333	491,754	189,436	295,894	28,395	1,252,156	1,322,164
Less: Recoveries from associated company	(2,201,397)	-	-	-	-	-	(2,201,397)	-
	-----	-----	-----	-----	-----	-----	-----	-----
	31,790,083	28,949,410	7,961,269	12,122,179	1,717,469	1,213,725	41,468,821	42,285,314
	=====	=====	=====	=====	=====	=====	=====	=====

26.3 SELLING AND DISTRIBUTION EXPENSES

Salaries, allowances and benefits	1,231,888	1,497,000	206,341	229,308	-	-	1,438,229	1,726,308
Forwarding and other expenses	14,605,361	12,744,215	917,381	3,153,595	6,085	96,373	15,528,827	15,994,183
Insurance	516,962	605,110	22,706	17,206	-	-	539,668	622,316
Others	229180	193,812	187	2,400	31,827	154,950	261,194	351,162
	-----	-----	-----	-----	-----	-----	-----	-----
	16,583,391	15,040,137	1,146,615	3,402,509	37,912	-	17,767,918	18,693,969
	=====	=====	=====	=====	=====	=====	=====	=====

1997 **1996**
Rupees **Rupees**

27 OTHER INCOME

Mark up on:								
Bank deposits			-	41,242				
Balances with associated undertakings			1,476,497	1,585,000				
Dividend income	- Associated undertakings	- note 27.1	2,747,335	4,239,690				
	- Others		27,988	24,900				
Profit on sale of fixed assets			3,088,814	1,953,690				
Profit on sale of investments			943,291	31,142,358				
Sale of scrap			-	698,955				
Miscellaneous			380,707	-				
Export quota rental			-	495.16				
Bad debts recovered			-	707.76				
Exchange claim recovered previously charged off			-	11,947,312				
			-----	-----				
			8,664,632	52,836,163				
			=====	=====				

27.1 DIVIDEND INCOME FROM ASSOCIATED UNDERTAKINGS

It is composed of the following:

Crescent Steel and Allied Products Limited	415,875	-
Premier Insurance Company of Pakistan Limited	31,370	22,815
Crescent Investment Bank	-	1,717,500
Pakistan Industrial Leasing Corporation	2,300,090	2,499,375
	-----	-----
	2,747,335	4,239,690
	=====	=====

28 FINANCIAL CHARGES

Interest on long-term loans-secured	17,270,994	16,018,429
Surcharge on custom debentures-secured	526,379	-
Mark up on:		
Balances with associated undertakings	10,696,268	9,444,368
Employees' Provident Fund	301,400	110,444
Loan from Provident Fund	1,905,765	-
	-----	-----
	12,903,433	9,554,812
Mark up on running finances - secured		
Long-term	2,752,508	3,404,942
Short-term	120,408,522	116,414,247
	-----	-----
	123,161,030	119,819,189

Financial charges on assets subject to finance lease	2,560,762	4,704,515
Bank guarantee	926,652	1,534,360
Bank charges	705,644	1,199,183
Excise duty on bank borrowings	5,923,720	7,652,220
Miscellaneous	2,755,266	1,265,444
	-----	-----
	166,733,880	161,748,152
	=====	=====

29. OTHER CHARGES

Donations - note 29.1	144,000	45,705
Provision for diminution in the value of investments - note 14 and 18	24,591,290	-
Others	90,177	27,622
	-----	-----
	24,825,407	73,327
	=====	=====

29.1 DONATIONS

None of the directors or their spouses have any interest in any of the donees.

30. TAXATION

For the year - current	3,500,001	5,500,000
Prior year - current	(716,524)	798.16
	-----	-----
	2,783,470	6,298,164
	=====	=====

In view of available tax losses no provision for current taxation is required. The provision for current taxation represents the minimum tax due under section 80(D) of the Income Tax Ordinance, 1979.

For purposes of current taxation the tax losses available for carry forward at June 30, 1997 are estimated at approximately Rs. 416 million (1996: Rs. 248 million). In view of available tax losses, no provision is considered necessary for deferred taxation.

31. CASH GENERATED FROM OPERATIONS

(Loss)/Profit before tax	(182,714,893)	74,373,536
Adjustments for non cash charges and other items		
Depreciation on fixed assets	52,586,136	23,550,935
Amortisation of deferred cost	1,500,000	1,768,816
Amortisation of lease(I assets	541,029	2,394,134
Profit on sale of fixed assets	(3,088,814)	(1,953,690)
Profit on sale of cotton unit at Jhang	-	(164,616,602)
Profit on sale of long term investments	-	(31,142,358)
Profit on sale of short term investments	(943,291)	-
Provision for bad and doubtful debts	3563)56	-
Provision for slow moving stock	-	(31,142,358)
Financial charges	166,733,880	161,748,152
Interest income	-	(4,264,680)
Dividend income	(2,775,323)	(4,264,680)
Provision for diminution in the value of investments	24,591,290	-
Working capital changes - note 31.1	22,621,582	(2,962,946)
	-----	-----
	79,407,652	61,854,055
	=====	=====

31.1 WORKING CAPITAL CHANGES

(Increase)/decrease in current assets	(1,205,732)	771,186
Stores and spares	(13,945,349)	(6,098,017)
Stock in trade	(6,988,017)	(22,410,193)
Trade debts	(6,474,246)	(22,410,193)
Advances, deposits, prepayments and other receivables	49,091,879	(662,963)
	27,466,552	(28,399,987)
(Decrease)/increase in current liabilities		
Creditors accrued and other liabilities	(4,844,970)	25,437,041
	-----	-----
Net effect of working capital changes	22,621,582	(2,962,946)
	=====	=====

32. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following items as included in the balance sheet.

Cash and bank balances	2,322,221	8,297,963
Short term running finances	(601,287,100)	(551,071,479)
	-----	-----
	(598,964,879)	(542,773,516)
	=====	=====

33 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS ETC.

31.1 The aggregate amount charged in the accounts for remuneration, including certain benefits to the chief executive, working directors and other executives of the company was as follows:

	Chief Executive		Directors		Other Executives	
	1997 Rupees	1996 Rupees	1997 Rupees	1996 Rupees	1997 Rupees	1996 Rupees
Number of persons	1	1	3	3	22	29
Managerial remuneration	1,500,000	1,185,000	1,835,220	1,482,216	4,617,507	5,210,527
House allowance	-	-	788,100	666,990	1,626,536	1,755,506
Contribution to provident fund	150,000	122,000	183,528	150,728	362,691	390,734
Utilities	385,158	406,740	183,480	116,844	461,738	413,460
Medical expenses	-	34,312	-	27,263	82,656	55,429
Servants' salary	42,000	42,000	42,000	42,000	-	-
Other expenses	7,757	6,516	22,268	16,161	78,096	88,497
	-----	-----	-----	-----	-----	-----
	2,084,915	1,796,568	3,054,596	2,502,202	7,229,224	7,914,153
	=====	=====	=====	=====	=====	=====

In addition the Chief Executive and Directors are provided with free furnished accommodation, free use of the company cars and residential telephones. Other executives are provided with free use of company cars.

33.2 Remuneration to other directors

The aggregate amount charged in the accounts for the year for fee to 6 directors (1996: 6 directors) was Rs. 3,500 (1996: Rs 6,500).

34. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS DURING THE YEAR

The company purchased from and sold to associated undertakings goods and service aggregating Rs. 9,708,166 (1996: Rs. 2,358,600) and Rs. 13,730,570 (1996: Rs. 34,039,000) respectively. Information regarding mark-up receivable from and payable to the associated undertakings is given in notes 27 and 28 respectively.

	1997	1996
	Rupees	Rupees

35. SEGMENT ASSETS

Segment wise aggregate assets are as follows:

Jute unit	924,821,734	1,009,857,803
Cotton unit	342,933,374	368,773,578
Others	5,881,865	14,894,116
	-----	-----
	1,273,636,973	1,393,525,497
	=====	=====

36. PLANT CAPACITY AND ACTUAL PRODUCTION

	Capacity based on 3 shift working in Kgs.		Actual production Kgs.	
	1997	1996	1997	1996
Jute Project				
Sacking including twine	18,500,000	18,500,000	10,622,602	8,978,994
Hessian	4,500,000	4,500,000	402,198	2,677,991

Cotton project in 20's count

Jaranwala	4,750,974	4,750,974	3,664,663	3,711,702
-----------	-----------	-----------	-----------	-----------

Under utilization of available capacity of the jute project was due to shortage of skilled labour and raw material. Under utilizations of cotton projects was due to un-economical operations as a result of high prices of cotton.

37. CORRESPONDING FIGURES

Corresponding figures for 1996, where necessary, have been re-arranged for purposes of comparison and include the corresponding figures of the cotton unit situated in Jhang, now converted as a wholly owned subsidiary.

**ACCOUNTS OF
SUBSIDIARIES
COMPANIES**

CRESCENT UJALA LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors have the pleasure in presenting 1st Annual report together with the Audited Accounts of the company for the period from June 30, 1996 to September 30, 1996.

Your Company's operations for the period resulted in loss of Rs. 10,396,029.00. After providing lbr taxation accumulated loss of Rs. 10,573,284.00 has been carried to Balance Sheet.

The mills being uneconomical, was closed for 49 days from July 27, 1996 to September 13, 1996. Cost of closure is estimated at 6.83 million.

AUDITORS

The Auditors Khalid Majid Hussain Rehman, Chartered Accountants retire and being eligible offer themselves l'or reappointment.

Review of Operations

The Directors of the Company endorse the contents of the Chief Executive's Review of operations on the next page which deals with the Company's activities, its performance and future prospects.

The management thanks the Shareholders, Bankers, Customers and the Staff for their cooperation.

CHIEF EXECUTIVE'S REVIEW

Crescent Ujala Limited-incorporated on May 13, 1996 was granted certificate of commencement of business on June 19, 1996. The company under the law will close its financial year on September 30 each year. Therefore 1st accounts are made up for the period from May 13, 1996 to September 30, 1996.

On June 29, 1996 Crescent Ujala Limited took over fi'om Crescent Jute Products Ltd., Building and Machinery comprising of 25376 spindles and other: current assets and liabilities excluding any long term/short term loan from banks at a price of 261.0 million. The company issued shares of Rs. 251 million to Crescent Jute Products Ltd., in settlement of purchase price. Balance Rs. 10.6 million has been routed through current account.

By virtue of pattern of holding of its shares, Crescent Ujala Ltd., is wholly owned subsidiary company of Crescent Jute Products Ltd.

The company faced set back in the beginning and had to close Mills operations for 49 days during the period from July 27, 1996 to September 13, 1996 as it was not considered economically feasible to run the Mills. After that Mills is running at normal capacity level. Cost of the closure is estimated at Rs. 6.8 million.

Average cost of cotton purchased during the period amounted to Rs. 56.63 per' Kg and fatched sale price of yarn at 86.49 Kg. Expenditure under Administrative and Selling Expenses is under strict control and being kept at minimum level.

We are negotiating line of credit for purchase of cotton from a number of banks. The expense is likely to increase in future.

Prices in post balance sheet period are stable. With the changes in political set up we foresee marked improvement in the textile sector. We are quite optimistic about the future.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of CRESCENT UJALA LIMITED as at September 30, i 996 and the related profit and loss account, and statement of changes in financial position, together with the notes forming part thereof, for the period 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 and,

after due verification thereof, 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 notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

(iii) the business conducted, and the expenditure incurred during the period 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 and the statement of changes in financial position, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and give a true and fair view of the state of the company's affairs as 'at September 30, 1996 and of the loss for the period then ended; and

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

Khalid Majid Hussain Rahman
Chartered Accountants

Lahore: March 4, 1997

STATEMENT UNDER SECTION 237 OF THE COMPANIES ORDINANCE, 1984

**Crescent Crescent
Financial Ujala Limited
Services (Pvt) Limited**

STATEMENT UNDER SUB-SECTION (1) (E) 99% 100%

a) Extent of the interest of Crescent Jute Products Limited (the holding Company) in the equity of subsidiary as at the end of the last of the financial years of the subsidiary.

b) The net aggregate amount of revenue profits, less losses, of the subsidiary company so far as these concern members of the holding company and has not been dealt with in the accounts of the holding company for year ended June 30, 1996 are

i) for the last of the financial years of the subsidiary	(Rs. 13,407)	(Rs. 10,573,284)
ii) for the previous years but subsequent to the acquisition of the controlling interest by the holding company	(Rs. 411,789)	N/A

c) The net aggregate amount of profits, less losses of the subsidiary companies so far as these have been dealt with or provision made for losses in the accounts of the holding company for the year ended June 30, 1996 are:

i) for the last of the financial years of the subsidiary	Nil	N/A
ii) for the previous years but subsequent to the acquisition of the controlling interest by the holding company.	Nil	N/A

Statement under Sub-Section (1) clauses (f) & (g)	N/A	N/A
---	-----	-----

Balance Sheet as at September 30 1996

	1996
Note	Rupees
CAPITAL AND LIABILITIES	

SHARE CAPITAL AND RESERVES

Authorized capital		
30,000,000 ordinary shares of Rs. 10 each		300,000,000
		=====
Issued, subscribed and paid up capital	3	251,500,000
Accumulated (loss)		(10,573,284)
		240,926,716

CURRENT LIABILITIES

Due to associated companies		4,854,224
Creditors, accrued and other liabilities	4	16,301,241
Pro-ision for taxation		176,175
		21,331,640

		262,258,356
		=====

The annexed notes form an intcgral part oil these accounts.

PROPERTY AND ASSETS

OPERATING FIXE1) ASSETS - TANGIBLE	5	245,978,191
LONG-TERM DEPOSITS		134,926
CURRENT ASSETS		
Stores and spares		
Stock in trade		3,321,690
Trade debts	6	9,799,898
Advances, deposits, propayments	7	146
and other receivables	8	2,448,589
Cash and bank balances	9	574,916
		16,145,239

		262,258,356
		=====

PROFIT & LOSS ACCOUNT

FOR THE PERIOD FROM MAY 13, 1996 TO SEPTEMBER 30, 1996

	Note	1996 Rupees
Sales	10	35,227,484
Cost of Sales	11	42,919,162
Gross profit / (loss)		(7,691,678)
Operating Expenses		
Administration expenses	12	1,929,383
Selling and distribution expenses	13	243,461
		2,172,844
Operating loss		(9,864,522)
Other income	14	142,175
		(9,722,347)
Financial Charges	15	673,682
Loss before taxation		(10,396,029)
Provision for taxation	16	177,255
Loss after taxation		(10,573,284)

Accumulated loss carried forward to balance sheet		10,573,284
		=====

The annexed noles tbrm an integral part of these accounts.

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)**

FOR THE PERIOD ENDED MAY 13, 1996 TO SEPTEMBER 30, 1996**CASH FROM OPERATING ACTIVITIES**

Note	1996 Rupees
Loss before tax	10,396,029)
Adjustments for non cash items:	
Profit on sale of fixeel assets	(48,735)
Depreciation f)n fixed assets	6,857,028
Financial charges	52,404
	6,860,697
Operating loss before working capital changes	(3,535,332)
Working Capital Changes	
(Increase) in current assets	
Stores and spares	(3,321,690)
Slock in tracte	(9,799,898)
Trade debts	(146)
Advances, deposit, prepayments and other receivables	2,449,669)
Increase in current liabilities	
Credilors, accurcol and other liabilities	16,248,837
Due to associated companies	4,854,224
Net (Increase)/decrease in working capital	5,531,658
Net cash flow from operating activities	1,996,326
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of operating fixed assets	(1,916,484)
Longterm deposits	(134,926)
Proceeds on sale of operating fixed assets	130,000
Net cash used in investing activities	(1,921,410)
CASH FROM FINANCING ACTIVITIES	
Shares issued for cash	500,000
Net Cash inflow from financing activities	500,000

NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	574,916 =====
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	574,916 =====

1. Crescent Ujala Limited is a public company, limited by shares and, incorporated in Pakistan, on May 13, 1996. The company was granted Certificate of Commencement of Business on June 19, 1996. The company is presently engaged in the manufacture and sale of cotton yarn. It is wholly owned subsidiary of Crescent Jute Products Limited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**2.1 ACCOUNTING CONVENTION**

These accounts have been prepared under the historical cost convention.

2.2 TAXATION

The provision for current taxation is based on laxable interne at the current rates of taxation after taking into account available tax rebates and credits.

The company accounts for deferred taxation, using the liability method, on all maior timing differences.

2.3 STAFF RETIREMENT BENEFIT

Tim company operates a contributory provident fund scheme for all permanent employees. Equal monthly contributions are made by the employer and the employees to the fund.

2.4 FIXED CAPITAL EXPENDITURE AND DEPRECIATION

All operating fixed assets are stated at cost less accumulated depreciation. Depreciation on operating fixed assets is charged to profit on the reducing balance method at the rates given in note 5.

The full annual rate of depreciation is applied to the cost of additions, except major additions or extensions to production facilities, while no depreciation is charged on assets deleted during the year. Major additions or extension to production facilities are depreciated on a pro-rata basis for the period of use during Ihe year.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Gains and losses on disposal of fixed assets are included in income currently.

2.5 STORES AND SPARES

These are valued at moving average cost less provision for obsolescence except for items in transit which are valued at cost comprising invoice values plus other charges paid thereon.

2.6 STOCK-IN-TRADE

Stock-in-trade, including goods in transit, is valued at the lower of cost and net realisable value. Cost in relation to stock of raw material represents the actual cost of specific lots. Cost in relation to work-in-progress and finished goods comprises cost of direct material, labour and appropriate manufacturing overheads. Cost of goods-in-transit of raw material comprises invoice values plus other charges paid thereon. Net realisable value signifies the estimated selling price in the ordinary course of business less cost of completion and less costs necessary to be incurred in order to make the sale.

2.7 REVENUE RECOGNITION

Sales are recognised on despatch of goods to the customers.

	1996 Rupees
3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL	
25,100,000 ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash	251,000,000
50,000 ordinary shares of Rs. 10 each fully paid in cash	500.00

	251,000,000
	=====
4. CREDITORS, ACCRUED AND OTHER LIABILITIES	
Creditors	6,658,037
Security deposits	25,000
Accrued liabilities	7,245,093
Accrued mark up on Associated Companies Balances	597,088
Advance from Customers	784,164
Other payable	991,859

	16,301,241
	=====
5. OPERATING FIXED ASSETS - TANGIBLE - (SEE ANNEXED SCHEDULE)	
6. STOCK-IN-TRADE	
Raw material	774,312
Work-in-process	3,105,170
Finished goods	5,506,698
Waste cotton	413,718

	9,799,898
	=====
7. TRADE DEBTS	
'Frade debts - unsecured and considered good	146
	=====
8. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	
Advances-considered good	12,434
Short term prepayments	1,380,780
Balance with statutory authorities against sales tax	276,007
Other receivable	779,368

	2,448,589
	=====
9. CASH AND BANK BALANCES	
Bank - current accounts	428,604

Cash in hand	146,312

	574,916
	=====

	Note	1996 Rupees
10. SALES		
Sale of yarn		38,901,007
Sale of wastes		319,280
		39,220,287
Less Sales tax		3,565,472
Commission		427,331
		3,992,803

		35,227,484
		=====

11. COSTS OF SALES		
Raw material consumed	11.1	15,271,628
Opening stock		26,340,628
Purchases		31,612,256
Less: closing stock		774,312
		30,837,944
Stores and spares consumed		1,263,475
Fuel and power		5,958,973
Packing material consumed		671,645
Cotton cess		34,350
Wages, allowances and benefits		3,438,509
Repair and maintenance		143,725
Travelling and conveyance		38,027
Waste handling expenses		13,085
Rent, rates and taxes		9,481
Insurance		310,670
Depreciation		5,875,025

		48,594,909

Add:		
Opening Work-in-process	11.1	2,843,696]
Closing Work-in-process		(3,105,170)

		(261,474)
Less:		
Cost (if goods manufactured)		48,333,435
Add:		
Opening stock - Finished goods	11.1	506,143
Closing Stock - Finished goods		(5,920,416)

		(5,414,273)

		42,919,162
		=====

11.1 Opening stock of raw material, work-in-process and finished goods, represents values of stocks acquired from Crescent Jute Products Limited.

	Note	1996 Rupees
12. ADMINISTRATION EXPENSES		
Salaries, allowances and benefits		164,911
Rent, rates and taxes		87,933
Repair and maintenance		5,268

Insurance	14,233
Electricity	30,077
Printing and stationery	41,944
Postage, telephone and telegram	23,055
Vehicle running expenses	
Travelling, conveyance and entertainment	28,246
Subscription and donation	18,575
Legal and professional charges	49,000
Depreciation	982,005
Preliminary expenses written off	482,601
Other charges	1,535

	1,929,383
	=====

13. SELLING AND DISTRIBUTION EXPENSES

Salaries, allowances and benefits	17,249
Forwarding and other expenses	221,938
Insurance	4,274

	243,461
	=====

14. OTHER INCOME

Scrap sales	84,930
Profit on sale of fixed assets	48,735
Miscellaneous receipts	8,510

	142,175
	=====

15. FINANCIAL CHARGES

Mark up on provident fund	52,404
Mark up on balance due to associated companies	597,088
Bank charges	24,190

	673,682
	=====

Mark up on balance due to associated companies have been charged @ 63 paisas per thousand per day.

16. TAXATION

For the period - current	177,255
	=====

In view of available tax losses, no provision for current taxation has been made in these accounts. The provision for current taxation represents the minimum tax due under Section 80 (D) of the Income Tax Ordinance, 1979.

17. GENERAL

17.1 Cash and cash equivalents comprise of cash and bank balances as included in the balance sheet.

17.2 Figures have been rounded off to the nearest of rupees.

5. OPERATING FIXED ASSETS - TANGIBLE

	Acquired from CJPL	COST Addition/ (Deletion)	As on September 30, 1996	Rate %	DEPRECIATION		Written Down Value
					For the period ended September 30, 1996	Accumulated As on September 30, 1996	
Building on lease hold land							
Factory	30,291,641		30,291,641	10	757,291	757,291	29,534,350.00
Others	16,400,390		16,400,390	5	820,019	820,019	15,580,371
Plant and machinery	191,556,541	390,000	191,946,541	10	4,798,664	4,798,664	187,147,877
Tools and equipments	12,751,428	11,322	12,762,750	10	319,069	319,069	12,443,681
Office equipment	409,384	18,394	427,778	10	42,778	42,778	385,000
Furniture and fixtures	820,164		820,164	10	82,016	82,016	738,148

Vehicles	267,220	(81,265)	185,955	20	37,191	37,191	148,764
	-----	-----	-----	-----	-----	-----	-----
	252,496,768	338,451	252,835,219		6,857,028	6,857,028	245,978,191
	=====	=====	=====	=====	=====	=====	=====

**1996
Rupees**

5.1 The depreciation charge for the period has been allocated as follows:

Cost of sales	5,875,023
Administration expenses	982,005

	6,857,028
	=====

5.2 Building on leasehold land, plant and machinery, and tools and equipments are acquired on June 30, 1996 from Crescent Jute Products Limited for Rs. 251 Million against issuance of shares of the company of the same amount. Other fixed assets acquired from Crescent Jute Products Ltd. are on values appearing in the books of Crescent Jute Products Limited's books as on June 30, 1996.

CRESCENT FINANCIAL SERVICES (PRIVATE) LIMITED

AUDITOR'S REPORT OF THE MEMBERS

We have audited the annexed balance sheet of Crescent Financial Services (Private) Limited as at June 30, 1997 and the related profit and loss account, 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 and, after due verification thereof, we report that:

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

(b) in our opinion:

i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii. the expenditure incurred during the year was for the purpose of the Company's business; and

iii. the 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 and profit and loss account together with the notes forming part thereof, 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, 1997 and of the loss for the year then ended; and

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

Balance Sheet as at 30 June 1997

	1997 Rupees	1996 11upccs
SHARE CAPITAL		
Authorized		
30,000 ordinary shares of Rs. 1,000/- each	30,000,000	30,000,000
	=====	=====
Issued, subscribed and paid up		
2,500 Ordinary Shares of Rs. 1,000/- each fully paid in cash	2,500,000	2,500,000
Accumulated loss	(428,625)	(415,110)
	-----	-----

2,071,375 2,084,890

CURRENT LIABILITIES

Due to Crescent Jute Products Limited	472,585	472,585
Accrued charges	6,615	13,100
	-----	-----
	479,200	485,685
	-----	-----
	2,550,575	2,570,575
	=====	=====

The annexed notes from 1 to 3 form an integral part of these accounts.

CURRENT ASSETS

Advance to associated undertaking unsecured-interest free considered good	2,503,500	2,503,500
Cash in hand	20,000	20,000
Cash at bank in current account	27,075	47,075
	-----	-----
	2,550,575	2,570,575
	-----	-----
	2,550,575	2,570,575
	=====	=====

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1997**

	1997 Rupees	1996 Rupees
Expenses		
Audit fee	3,000	3,000
Fees and subscription	10,515	32,200
Bank charges	-	1,000
	-----	-----
	13,515	36,200
Loss brought forward	415,110	378,910
	-----	-----
Accumulated loss carried to Balance Sheet	428,625	415,110
	=====	=====

The annexed notes from 1 to 3 form an integral part of these accounts.

NOTES TO THE ACCOUNTS - JUNE 30, 1997

1. STATUS AND ACTIVITIES

The Company is limited by shares incorporated in Pakistan of February 20, 1991. It is subsidiary company of Crescent Jute Products Limited. The main object of the Company is to manage and float Modarabas.

In view of the ur-favourable conditions in the capital market, the Management has deferred the floatation of a Modaraba.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared on the basis of historical cost convention.

3. FIGURES

Have been rounded off nearest to the Rupees.

CRESCENT JUTE PRODUCTS LIMITED

FORM '34"

**Pattern of holding of shares
Held by the Shareholders as at 30th June 1997**

No. of Shareholders	--Shareholding--		Total Shares Held
	From	To	
568	1	100	18504
513	101	500	132084
214	501	1000	150240
216	1001	5000	508100
67	5001	10000	485076
24	10001	15000	304867
11	15001	20000	195758
12	20001	25000	271494
7	25001	30000	198095
9	30001	35000	291201
2	35001	40000	74744
4	40001	45000	166689
2	45001	50000	96901
3	50001	55000	154788
1	55001	60000	55345
4	60001	65000	246797
1	65001	70000	67650
1	90001	95000	92812
1	95001	100000	97152
1	145001	150000	149724
1	150001	155000	151420
2	155001	160000	312335
2	200001	205000	405087
1	225001	230000	225366
1	260001	265000	263366
1	275001	280000	278266
1	305001	310000	309375
1	365001	370000	367224
1	540001	545000	540117
1	685001	690000	686480
1	1155001	1160000	11556611
1	1715001	1720000	1716683
1	2145001	2150000	2146848
1	2745001	2750000	2747211
-----	-----	-----	-----
1677			15,063,468
=====	=====	=====	=====

Categories of shareholders	Number	Shares Held	Percentage
Individuals	1622	3716055	24.67
Investment Companies	6	385201	2.56
Insurance Companies	9	726905	4.83
Joint Stock Companies	20	6045369	40.13
Financial Institution	12	3703154	24.58
Others	8	486784	3.23
-----	-----	-----	-----
TOTAL	1677	15063468	100.00
=====	=====	=====	=====
Others			
Abandoned Property	1	1106	0.01
Govt. Authorities	1	1	-
Modarabas	5	176302	1.17
Non-Resident	1	309375	2.05
-----	-----	-----	-----
TOTAL	8	486,784	3.23
=====	=====	=====	=====