

Crescent Jute Products Limited

Annual Report 2000

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COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Zahid Hussain (Chairman)
Mazhar Karim (Chief Executive)

(in alphabetic order)

A. H. Zaidi
A. Rashid M. Hanif
Anjum M. Saleem
Khalid Bashir
Anis Wahab Zuberi (Nominee NIT)
Riaz Masood
Saif Ullah Khan (Nominee PICIC)
Shaukat Shafi

CORPORATE SECRETARIES:

Zaheer A. Sheikh
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
E-mail: rashid.sadiq@cressoft.com.pk

WORKS:

Jute Unit, Jaranwala.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 36th Annual General Meeting of the Shareholders of CRESCENT JUTE PRODUCTS LIMITED will be held on Tuesday February 27, 2001 at 10.00 a.m. at Registered Office, 83-Babar Block, New Garden Town, Lahore to transact the following business:

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2000 together with the Directors' and Auditors' Reports thereon.
2. To appoint Auditors for the year 2000-2001 and fix their remuneration.

BOOK CLOSURE

The share transfer books of the company will remain closed from February 21, 2001 to February 27, 2001 (both days inclusive).

By order of the Board

Registered Office:

83-Babar Block, New Garden Town, Lahore.

Tel: 5881974-75, Fax No: 5881976

Email: rashid.sadiq@cressoft.com.pk

Dated: January 26, 2001

(Rashid Sadiq)
Corporate Secretary

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.

DIRECTOR'S REPORT TO THE SHAREHOLDERS

Your directors have the pleasure in presenting their 36th Annual Report together with the Audited Accounts of the Company for the year ended 30th June, 2000.

Accounts for the year ended 30th June, 2000 show profit of Rupees 53.928 million after adjustment of profit of Rupees 161.713 million on sale of cotton unit. Your company suffered loss of Rupees 107.785 million from operations during the year.

REASONS FOR INCURRING LOSS FROM OPERATIONS

Acute shortage of working capital resulting in excessive borrowing and financial charges thereon is the prime reason for incurring loss for the year. Production was curtailed at 25% of installed capacity due to shortage of Raw Material.

DEFAULT IN DEBTS, IF ANY

Overdue of 110.350 million and Default of Rupees 9.450 million are reported in Credit Information Bureau Report as on 30th June, 2000. Negotiations are being made with the banks for re-scheduling.

AUDITORS

The present Auditors Messrs. A.F. Ferguson & Company, Chartered Accountants retire and being eligible offer them for re-appointment.

REVIEW OF OPERATIONS

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

AUDITOR'S OBSERVATIONS

The auditors in their report have shown reservations regarding:

1. Amount receivable from Crescent Group Services (Pvt) Limited (CGSL) aggregating Rupees 243.6 million. CGSL is projecting an approximate losses Rupees 100 million subject to favourable settlement of legal suits and claim filed against WAPDA Rs. 1 million and realizable value of the assets Rupees 50 million. The recoverability of the amount due from CGSL is dependent upon its ability to successfully realize the claim and sale proceeds of its assets.

Further Monopoly Control Authority (MCA) in its order dated November 20, 2000 has directed the company to recover the amount due from CGSL alongwith interest by December 31, 2002. The company had stopped charging interest on the advance since 1995.

The company is contesting the decision and has filed a writ petition in the Lahore High Court that has not yet been admitted.

Management is of the view that:

- Order of MCA is contrary to law of the image having the force of law.
 - Order has failed to determine issue of law and usage having force of law.
 - There has been substantial error/defect in following the procedure provided in the Ordinance,
 - The writ will be admitted and favourably decided.
2. Various factors and accounting ratios raising sub-stancial doubts that the company will be able to continue as a going concern. To enable the company to continue as a going concern. The management further intends to restructure its credit facilities and arrange alternative funding to reduce the debt burden to attain satisfactory levels of profitability and meet other operational requirements.

As indicated some plans are under consideration of management. Hopefully these plans will be implemented and the company will come out of the financial problem and continue as going concern.

The directors thank the Shareholders, bankers and Customers who continue to extend their cooperation in days of our crisis.

For and on behalf of the Board

(Mazhar Karim)
Chief Executive
 Lahore

Date: January 26, 2001

CHIEF EXECUTIVE REVIEW**JUTE UNIT**

Company faces acute shortage of working capital. The banks have not renewed their lines of credit for running finance and Import Letters of credits. We could not import raw jute sufficient to keep the mills running at full capacity. Production of Jute Unit decreased from 9123 tons in 1998-99 to 5983 tons in 1999-00. Sales quantity decreased from 10043 tons in 1998-99 to 6192 tons in 1999-00. Sale price of Hessian decreased by 15% while sale price of Sacking and Twine also declined by 2-3% respectively. On the other hand Jute prices increased by 20%.

Other costs remained well with in control.

COTTON UNIT

We had better cotton crop after many years. Average rate of cotton decreased from 64.33 Kg-in 1998-99 to 49.11 per Kg in 1999-00. Production increased by more than 18%. Although there has been general reduction in sale price of yarn in sympathy with the decrease in cotton prices, sales increased by 58 million. Administrative and Selling & Distribution expenses remained within control. Cotton unit showed profit of Rupees 39.281 million for the year.

CONSOLIDATED

Consolidated accounts for the year show loss of Rupees 107.785 million from operations compared to the loss of Rupees 132.225 million in 1998-99. Loss for the year is converted into profit of Rupees 53.928 million by the profit of Rupees 161.713 million from sale of cotton unit.

	<i>1999-00</i>	<i>1998-99</i>
	<i>Rupees in '000'</i>	<i>Rupees in '000'</i>
Jute Unit	(143,566)	(87,928)
Cotton Unit	39,281	(38,773)
Sub Total	(104,285)	(126,701)
Provision for Taxation	(3,500)	(5,524)
Loss from Operations	(107,785)	(132,225)
Profit on sale of Cotton Unit	161,713	0
Profit & Loss for the year	53,928	(132,225)

Main problem of Crescent Jute lies in accumulated losses resulting in excessive borrowings and high financial charges. Our main thrust at present is to cut down our borrowings and reduce the financial charges.

With this aim in view Cotton Unit (Crescent Cotton Products) has been sold out to an Associated Company: Crescent Steel & Allied Products for 220.132 million at a profit of Rupees 161.713 million. Details are as follow:

* Sale of Fixed Assets	220,621,464
* Long Term Security	706,162
* Stores & Spares	8,418,474

	229,746,100
* Surplus on Revaluation Transfer	171,327,845

	58,418,255
* Profit on Sale of Project	161,713,745

* Sale Price	220,132,000
	=====

Sale price includes PICIC loan of Rupees 91,713,526 taken over by Crescent Steel. Balance price has been paid in Cash.

In addition Stocks of Rupees 31.697 million held by cotton unit as on 30-06-2000 have been subsequently sold at a profit of Rupees 9.227 million for Rupees 40.925 million.

This has helped the company reduction in borrowing from banks and financial charges. In addition to reduction of long term loan of Rupees 91.713 million that has been transferred to buyers with the sale of cotton unit at the year end there has been reduction of 171 million in average borrowings from banks and a reduction of Rupees 37 million in financial charges during the year. Further reduction is also expected in subsequent period.

THE WAY FORWARD

We have been negotiating with the Banks for restoration of our L.C. Limits so that import of Raw Jute could be made without any hindrance at proper time and at a right price. Hopefully this will be finalized very soon. We expect to

boost up our production and bring it to normal production capacity. There is sufficient demand for jute goods though seasonal in nature. We have to produce and keep the goods in stock in anticipation of demand.

Now the most of the management plans have been implemented and some more are in progress, we are sure that the results will start to show gradual improvement in the future years.

(Mazhar Karim)
Chief Executive
Lahore

Date: January 26, 2001

FORM '34'
PATTERN OF HOLDING OF SHARES
HELD BY SHAREHOLDERS AS AT 30TH JUNE, 2000

<i>Shareholders</i>	<i>From</i>	<i>To</i>	<i>Total Shares held</i>
576	1	100	18,988
510	101	500	132,136
212	501	1000	148,348
215	1001	5000	507,467
64	5001	10000	464,676
27	10001	15000	336,621
12	15001	20000	215,798
11	20001	25000	256,349
7	25001	30000	199,724
9	30001	35000	289,491
2	35001	40000	74,764
4	40001	45000	167,180
2	45001	50000	96,901
3	50001	55000	154,788
1	55001	60000	55,345
3	60001	65000	184,877
2	65001	70000	132,715
1	90001	95000	92,812
1	95001	100000	97,152
1	100001	105000	100,001
1	145001	150000	149,221
1	150001	155000	151,420
2	155001	160000	312,335
3	200001	205000	606,453
1	260001	265000	263,366
1	275001	280000	278,266
1	305001	310000	309,375
1	365001	370000	367,224
1	535001	540000	538,417
1	685001	690000	686,489
1	1715001	1720000	1,716,683
1	2745001	2750000	2,747,211
1	3210001	3215000	3,210,372
-----			-----
1,679			15,063,468
=====			=====

<i>Categories of Shareholders</i>	<i>Numbers</i>	<i>Shares held</i>	<i>Percentage</i>
Financial Institution	12	3,703,787	24.59
Individual	1621	3,683,237	24.45
Insurance Companies	9	726,905	4.83
Investment Companies	3	287,472	1.91
Joint Stock Companies	22	6,136,940	40.74
Other	12	525,127	3.48
-----			-----
TOTAL	1679	15,063,468	100.00
=====			=====

Others			
Abandoned Property	1	1,106	0.01
Government Authorities	1	1	0.00
Modaraba	5	176,302	1.16
Non Resident	1	309,375	2.05
Trust	4	38,343	0.25

TOTAL	12	525,127	3.48
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Crescent Jute Products Limited as at June 30, 2000 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1954. 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 and 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 verification, we report that:

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

(b) in our opinion

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change in accounting policy referred to in note 2.4 and 2.11 to the accounts, with which we concur;

(ii) the expenditure incurred during the year was for the purpose of 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) as explained in note 20.3, the accounts include an amount receivable from Crescent Group Services (Pvt) Limited (CGSL), an associated company, aggregating Rs. 243.6 million. The recoverability of this amount is dependent on certain factors more fully explained in note 12.1 to the accounts. Subsequent to June 30, 2000, Monopoly Control Authority (MCA) in its order dated November 20, 2000 has directed the company to recover the balance due from CGSL alongwith interest by December 31, 2002. The company had stopped charging interest on the advance since 1995. The company is contesting the decision and has filed a writ petition in the Lahore High Court against the order of MCA. The petition however has not yet been admitted. Pending the outcome of these matters, no adjustments have been made in these accounts which may be required, consequent to the outcome of the uncertainties.

Except for the effect of adjustments, if any, which may be required on the settlement of matter referred to in the paragraph above in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2000 and of the profit, its cash flow 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.

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. 107.8 million during the year and has accumulated losses of Rs. 547 million as at June 30, 2000. As of that date the company's current liabilities exceeded its current assets by Rs. 166 million. These factors raise substantial doubt that the company will be able to continue as a going concern. Management's plan in regard to this matter is also discussed in note 2.1 to the accounts. Consequently these accounts do not include any adjustments relating to the recoverability and classification of the recorded assets amount and classification of liabilities that might result should the company not be able to continue as a going concern and therefore may be unable to realise its assets or discharge its liabilities in the normal course of business.

Lahore:

A.F. Ferguson & Co.,

February 02, 2001

Chartered Accountants

FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30, 2000

BALANCE SHEET AS AT JUNE 30, 2000

	Notes	2000 Rupees	1999 Rupees
SHARE CAPITAL AND RESERVES			
Authorised capital 20,000,000 (1999: 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	138,767,584
Accumulated loss		(547,025,216)	(600,953,394)
		(257,622,952)	(311,551,130)
SURPLUS ON REVALUATION OF FIXED ASSET REDEEMABLE CAPITAL	5	177,240,705	348,568,550
Long term running finances - secured	6	35,324,198	35,256,481
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	7	505,633	--
DEBENTURES AND LONG-TERM LOANS	8	30,432,833	173,508,191
DEFERRED LIABILITIES	9	12,109,187	9,200,000
CURRENT LIABILITIES			
Current portion of			
Long term running finances	6	22,629,904	4,670,000
Liabilities against assets subject to finance lease	7	152,226	118,851
Debentures and long term loans	8	60,977,047	46,282,442
Short term running finances	10	292,130,882	225,781,437
Creditors, accrued and other liabilities	11	243,408,749	313,204,414
		619,298,808	590,057,144
CONTINGENCIES AND COMMITMENTS			
	12	617,288,412	845,039,236
Mazhar Karim Chief Executive			
FIXED CAPITAL EXPENDITURE			
Operating fixed assets - tangible	13	160,507,163	418,698,491
Assets subject to finance lease	14	601,040	205,312
		161,108,203	418,903,803
LONG-TERM INVESTMENT	15	2,570,000	2,570,000
LONG-TERM DEPOSITS		1,031,091	1,258,491
CURRENT ASSETS			
Stores and spares	16	12,842,999	22,995,441
Stock-in-trade	17	35,087,549	72,408,342
Short term investments	18	43,067,630	41,145,681
Trade debts	19	5,705,492	7,757,206
Advances, deposits, prepayments and other receiv	20	277,791,969	269,701,533
Income tax recoverable		3,484,825	3,102,422
Cash and bank balance	21	74,598,654	5,196,317
		452,579,118	422,306,942
		617,288,412	845,039,236

The annexed notes form an integral part of these accounts.

Anjum M. Saleem
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 20, 2000

	<i>Notes</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
Sales	22	649,253,186	747,720,741
Cost of goods sold	23	575,578,954	653,272,809
Gross profit		73,674,232	94,447,932
Administration expenses	24	49,429,214	46,319,817
Selling and distribution expenses	25	9,648,782	17,048,891
		59,077,996	63,368,708
Operating profit		14,596,236	31,079,224
Other income	26	6,394,586	4,684,661
		20,990,822	35,763,885
Financial charges	27	125,276,046	162,465,216
		(104,285,224)	(126,701,331)
Net gain on disposal of cotton unit	1	161,713,749	--
		57,428,525	(126,701,331)
Taxation	28	3,500,347	5,523,913
Profit/(Loss) after taxation		53,928,178	(132,225,244)
Accumulated (loss) brought forward		(600,953,394)	(468,728,150)
Accumulated (loss) carried forward		(547,025,216)	(600,953,394)
Earning per share	35	3.81	(8.41)

The annexed notes form an integral part of these accounts.

Mazhar Karim
Chief Executive

Anjum M. Saleem
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2000

	<i>Notes</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
Cash flow from operating activities			
Cash generated from operations	29	75,933,609	148,347,795
Financial charges paid		(169,515,572)	(142,647,885)
Income tax paid		(3,882,750)	(6,680,766)
Long term security deposits and deferred costs		227,400	2,190,328
Net cash (outflow)/inflow from operating activities		(97,237,313)	1,209,472
Cash flow from investing activities			
Fixed capital expenditure		(2,143,612)	(1,768,085)
Proceeds on sale of fixed assets		325,000	759,240
Proceeds on sale of investments		--	250,680,000
Proceeds from sale of cotton unit		211,007,363	--
Dividends received		915,583	1,099,983
Net cash inflow from investing activities		210,104,334	250,771,138
Cash inflow/(outflow) from financing activities			
Net repayments/adjustments of long term borrowings		(110,353,137)	1,143,120

Receipts/(repayments) of finance leases	539,008	(5,320,848)
Net cash (outflow)/inflow from financing activities	(109,814,129)	(4,177,728)
Net increase in cash and cash equivalents	3,052,892	247,802,882
Cash and cash equivalents at the beginning of the year	(220,585,120)	(488,388,002)
Cash and cash equivalents at the end of the year	30 (217,532,228)	(220,585,120)

The annexed notes form an integral part of these accounts.

Mazhar Karim
Chief Executive

Anjum M. Salaam
Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2000

	<i>Share Capital Rupees</i>	<i>Reserves Rupees</i>	<i>Accumulated loss Rupees</i>	<i>Total Rupees</i>
Balance as on June 30, 1998	150,634,680	138,767,584	(468,728,150)	(179,325,886)
Loss for the year	--	--	(132,225,244)	(132,225,244)
Balance as on June 30, 1999	150,634,680	138,767,584	600,953,394	(311,551,130)
Profit for the year	--	--	53,928,178	53,928,178
Balance as on June 30, 2000	150,634,680	138,767,584	(547,025,216)	(257,622,952)

The annexed notes form an integral part of these accounts.

Mazhar Karim
Chief Executive

Anjum M. Saleem
Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2000

1. Legal status and nature of business

1.1 The company is incorporated in Pakistan and listed on Karachi, Lahore and Islamabad Stock Exchanges. It is currently engaged in manufacture and sale of jute bags.

1.2 The company sold the fixed assets of its cotton spinning unit of 14,400 spindles along with certain other assets on June 30, 2000 to Crescent Steel and Allied Products Limited (CSAPL) an associated company. The cotton spinning activity was carried out by the company under the name and title of "Crescent Cotton Products a division of Crescent Jute Products Limited". A basic agreement has been entered into, however, transfer of legal title is in the process of being completed. The consideration for this sale was Rs. 221,713,527 while the gain amounts to Rs. 161,713,749 inclusive of revaluation surplus of Rs. 171,327,845 realised on the sale. The gain has been recognised as income during the period.

2. Summary of significant accounting policies

2.1 Basis of accounting

2.1.1 The company has incurred a net loss of Rs. 107 million before gain on sale of cotton unit for the year ended June 30, 2000 and has accumulated losses of Rs. 547 million as at that date. The company's current liabilities exceeded its current assets by Rs. 167 million. Furthermore as referred to in note 10, financial limits of Rs. 13613 million expired during the year and have not been renewed. These factors raise substantial doubts that the company will be able to continue as a going concern and therefore may be unable to realise its assets or discharge its liabilities in the normal course of business.

The management in prior years approved a plan for restructuring the company. As part of this plan, Loan payable to PICIC was restructured last year and the shareholding in Crescent Ujala Limited was sold. During the year the company sold its cotton unit as referred to in note 1.2 above. To enable the company to continue as a going concern the management further intends to restructure its credit facilities and arrange alternative funding to reduce the debt burden to attain satisfactory levels of profitability and meet other operational requirements. These accounts have been prepared on a going concern basis on the assumption that credit facilities will be restructured and additional funding will be arranged. Without such restructuring and arrangement of additional funding, the ability of the company to continue as a going concern is doubtful. Consequently these financial statements do not include adjustments relating to the recoverability and classification of recorded assets amount and classification of liabilities,

that may be necessary should the company not be able to continue as a going concern.

2.1.2 These accounts have been prepared in accordance with the requirements of Companies Ordinance, 1984 and International Accounting Standards, as applicable in Pakistan in all material respects.

2.2 Accounting convention

The accounts have been prepared under the historical cost convention, modified by capitalisation of exchange differences 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, if any.

The company accounts for deferred taxation, using the liability method, on all major timing differences. While the company recognises any deferred tax debit balance only if it is likely to reverse in the foreseeable future.

2.4 Employee benefits

2.4.1 Pension

The company operates an approved pension scheme for officers of its jute unit. The actuarial valuation of the scheme is carried out every year. The most recent valuation being carried out as at June 30, 2000. The fair value of fund's assets and liabilities at the latest valuation date were Rs. 1.561 million and Rs. 15.621 million respectively. Monthly contribution to fund the future liabilities is to be made to this fund on the basis of actuarial recommendation. The projected unit credit method based on the following significant assumption, 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 on active and 9 percent per annum on pensioners fund
- * Actual return on plant assets Rs. 483,031

Consequent to adoption of IAS 19 (revised 1998) the actuarial valuation has been conducted in accordance with the IAS 19 (revised 1998), resulting in a transitional liability of Rs. 1,942,903 as at July 1, 1999.

As permitted in the IAS the transitional liability is being recognised over period of five years. The unrecognized portion of the transitional liability as at June 30, 2000 is Rs. 1,554,333.

2.4.2 Provident fund

The company operates a defined contribution provident fund for all permanent employees. During the year Rs. 1.9 million (1999: Rs. 1.7 million) has been recognised as an expense by the company.

2.4.3 Compensated absences

IAS 19 (revised 1998) requires that liability in respect of compensated absences of employee should be accounted for in the period in which these absences are earned. According to the previous policy of the company, these absences were accounted for on payment basis. Accordingly, the management has decided to change the accounting policy and has made a total provision of Rs. 374,763 in the current year's profit and loss account, in respect of the accumulated compensated absences as at June .30, 2000. The change has been applied retrospectively using the alternative treatment permitted under IAS 8. However, additional performance comparative information has not been prepared as it is impracticable. Had such a policy not been changed the profit after tax for the year ended June 30, 2000 would have been higher by Rs. 374,763.

2.5 Fixed capital expenditure and depreciation

Freehold land and buildings thereon, plant and machinery and electrical installations as at June 30, 1996 were revalued by an independent valuer as of that date and are shown at net revalued figures. The assets were revalued with reference to the net current replacement costs. All other operation 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 reducing balance method at the rates given in note 13 except for computer equipment which are depreciated on the straight line method at the rate of 33 percent 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 except major deletions on which depreciation is charged to the date of disposal. 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 approximately in 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 payment under the lease agreement 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 asset on a straight line method at the rates given in note 14. Amortisation of leased assets is charged to profit.

2.7 Investments

Long term investments are stated at cost. Provision is made for any diminution in value which is considered

permanent.

Short term investments are stated at lower of cost and market value on an aggregate portfolio basis.

2.8 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 value plus other charges paid thereon.

2.9 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 unit represents 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 moving average cost. Cost of goods-in-transit 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 a sale.

2.10 Foreign currencies

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

2.11 Revenue recognition

Revenue from sales is recognised on despatch of goods to the customers.

Consequent upon the Institute of Chartered Accountants of Pakistan's circular no. 06/2000 dated March 31, 2000, effective July 1, 1999, the dividend income is recognized when the right to receive is established i.e. at the book closure date of the company declaring the dividend Upto June 30, 1999 the dividend was recognized on actual receipt basis. The policy has been changed to account for such dividend income on an accrual basis. The policy has been applied prospectively. Had the policy of recognition not been changed, the profit after tax for the year would have been lower by Rs 1,024,920 whereas the effect of such change on the accounts of the company for the year ended June 30, 1999 is not material.

	2000	1999
	Rupees	Rupees
3. Issued, subscribed and paid up capital		
7,023,741 (1999: 7,023,741) ordinary share of Rs. 10 each fully paid in cash	70,237,410	70,237,410
8,039,727 (1999: 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

Composition of reserves in as follows:

Capital		
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

Balance as at July 1	348,568,550	348,568,550
Less: Surplus realised on sale of cotton unit and other fixed assets	171,327,845	--
	-----	-----
Balance as at June 30	177,240,705	348,568,550
	=====	=====

This represents surplus over book values resulting from the revaluation of certain assets of the company referred to in note 2.5 and note 13.3 to these accounts.

6. Long term running finances

Running finance		
Finance 1 - unsecured	38,995,845	36,876,481
Finance 2 - secured	1,100,000	3,050,000
Finance 3 - secured	17,858,257	--
	-----	-----
	57,954,102	39,926,481
Less: Current portion shown under current liabilities including Overdue installments Rs. 2,154,032	22,629,904	4,670,000

-----	-----
35,324,198	35,256,481
=====	=====

Finance 1 has been obtained from an associated financial institution. The outstanding balance was rescheduled during the year. Under the new repayment schedule the balance is repayable in 39 monthly installments commencing April 1, 2000. However the company has not paid the three installments due on April 1, May 1, and June 1, 2000. Mark-up is charged at the rate of Re.-0.57 per Rs. 1000 per diem.

Finance 2 has been obtained from a commercial bank and balance is repayable in equal monthly installments of Rs.150,000. Mark up is charged at the rate of Re. 0.41 per Rs. 1000 per diem. Mark up is payable quarterly. The finance is secured by a ranking charge on stocks.

Finance 3 has been obtained from a commercial bank and balance is repayable in 24 equal monthly installments, comprising principal and mark-up thereon. Mark up is charged at the rate of Re. 0.47 per Rs. 1,000 per diem. The finance is secured by a first pari passu charge on stock of raw jute, goods in process, finished goods and stores and spares.

7. Liabilities against assets subject to finance lease

Lease rental payments falling due in

Year to June 30, 2000	--	118,851
Year to June 30, 2001	232,860	--
Year to June 30, 2002	232,860	--
Year to June 30, 2003	318,036	--
	-----	-----
	783,756	118,851
Financial charge not yet due	125,897	--
	-----	-----
	657,859	118,851
Less: Current portion shown under current liabilities	152,226	118,851
	-----	-----
	505,633	--
	=====	=====

The value of the minimum lease rental payments has been discounted at an implicit interest rate of 23% to arrive at its present value. The balance rentals due under the lease agreements aggregate to Rs. 783,756 (1999: Rs. 118,851) and are payable in equal monthly installments from November 1999 to October 2003. Taxes, repair and insurance costs are to 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 may be agreed upon. The liability is partly secured by deposit of Rs. 240, 416 (1999: Rs. 40,100) included in current assets.

8. Debentures and long term loans

Debentures - secured	- note 8.1	494,896	989,792
Long term loans	- note 8.2	90,914,984	218,800,841
		-----	-----
		91,409,880	219,790,633
Less:			
Current portion shown under current liabilities			
-- Debentures		494,896	14,948,961
-- Long term loans	- note 8.2	60,482,151	45,787,546
		-----	-----
		60,977,047	46,282,442
		-----	-----
		30,432,833	173,508,191
		=====	=====

8.1 Debentures-secured

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

8.2 Long term loans

These are composed of

Loan 1	Secured	-- Loan A	--	51,368,648
		-- Loan B	--	40,344,879
		-- Loan C	16,568,487	22,000,000
			-----	-----
			16,568,487	113,713,527
Loan 2	Secured		27,724,000	36,600,000
Loan 3	Unsecured		32,635,748	47,941,117
Loan 4	Unsecured		13,986,749	20,546,197

		90,914,984	218,800,841
		=====	=====
Less:	Current maturity shown under current liabilities		
	Including overdue installments of Rs. 7,972,500	60,482,151	45,787,546
		-----	-----
		30,432,833	173,013,295
		=====	=====

Loan 1

Balance of loan A and B amounting to Rs. 91,713,527 has been taken over by Crescent Steel and Allied Limited as part of the acquisition of the cotton unit and certain other related assets.

During the year Loan C which has been obtained from a financial institution was restructured and is now repayable in 24 monthly installments. Interest is payable monthly at the rate of 18% per annum.

In case of default of any two consecutive monthly installments of the above loan, the financial institution may withdraw the whole restructuring arrangements and reinstate loan liabilities retrospectively. In the event of failure to pay principal or interest on the due dates additional interest is chargeable at 5-7% per annum.

Under the terms and conditions of the loan, company without prior written consent of financial institution cannot 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.

The loan 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.

Loan 2

Loan 2 has been obtained from a commercial bank and was converted from a short term running finance into a demand finance in March 1999. The balance along with interest at the rate of 16% per annum was repayable in 24 equal monthly installments. It is secured by a ranking charge over the fixed and the current assets of the company. Under the agreement commencing July 1, 1999 in case if two consecutive installments are not paid on due dates the facility shall stand cancelled automatically. However, as at June 30, 2000 five installments amounting to Rs. 7,972,550 were overdue, while the balance is repayable in twelve equal monthly installments by June 30, 2001.

Loan 3 and 4

Loan 3 and 4 have been obtained from associated companies. The balances alongwith mark up are repayable in 7 equal quarterly installments. Interest is charged at 14.5% per annum.

9. Deferred liabilities

These comprise:

Accumulating compensated absences	374,763	--
Liability for pens - note 9.1	11,734,424	9,200,000
	-----	-----
	12,109,187	9,200,000
	=====	=====

2000

Rupees

9.1 Liability for pension obligations

Present value of defined benefit obligation	15,621,030
Less:	
Fair value of assets	1,561,588
Past service cost to be recognised in later period	793,362
Actuarial losses/(gains) to be recognised in later pe	(22,667)
Liability from application of revised IAS to be recognised in later period	1,554,323

	3,886,606
Liability as at June 30	11,734,424
	=====
Liability as at July 1	9,200,000
Charge for the year	2,637,391
Contribution made during the year	(102,967)

Liability as at June 30	11,734,424
	=====

9.2 Charge for the year

Current service cost	717,730
Interest cost	1,574,007

Expected return on assets	(131,077)
Past service cost	88,151
Liability/(asset) due to application of revised IAS 19	388,580

Total amount chargeable to the profit and loss account	2,637,391
	=====

	2000	1999
	Rupees	Rupees

10. Short term running finances and other Credit facilities- secured

Running finances under mark up arrangements obtained from:

-- Banks and financial institutions	161,312,208	218,431,340
-- Associated financial institutions	130,818,674	7,350,097
	-----	-----
	292,130,882	225,781,437
	=====	=====

Finances available from bank and financial institutions including associated financial institutions amount to Rs. 156 million (1999: Rs 225 million). Mark up on finances obtained from banks and financial institutions including associated financial institutions is charged at rates ranging from Re 0.46 to Re. 0.60 per Rs. 1,000 per diem or part thereof on the balance outstanding. Credit limits amounting to Rs 136.13 million have expired and have not been renewed.

The aggregate short term running finances and other credit facilities from banks, financial institutions including associated financial institution are secured by hypothecation of current assets, pledge of investments and stocks, guarantees from banks and a second floating charge over the present and future immovable property of the company.

Of the aggregate facility of Rs Nil (1999: Rs 60 million) for opening letters of credit and Rs 5 million (1999: Rs 5 million) for guarantees, the amount utilised at June 30, 2000 was Rs Nil (1999: Rs 38.6 million) and Rs 1.3 million (1999: Rs 1.3 million) respectively.

11. Creditors, accrued and other liabilities

Creditors	47,129,697	46,431,664
Accrued liabilities	12,381,116	12,730,654
Bills payable	5,753,758	677,168
Deposits, interest free repayable on demand	756,930	697,965
Advance from customers	175,945	531,301
Interest/mark up payable on		
-- Long term loans	2,949,654	3,603,805
-- Short term running finance	32,499,695	80,725,650
-- Long term running finance	3,791,403	869,528
-- Crescent Foundation	--	4,680,000
Excise duty	9,618,525	13,499,189
Due to associated companies - note 11.1	34,073,388	33,067,804
Sales tax payable	5,359,817	2,727,621
Loan from provident fund - note 11.2	30,470,000	30,470,000
Mark up accrued on loan from provident fund	21,406,565	15,007,865
Workers' profit participation fund	558,785	558,785
Unclaimed dividends	337,705	341,410
Due to Cres Foundation	--	26,000,000
Others - note 11.3	36,145,766	40,584,005
	-----	-----
	243,408,749	313,204,414
	=====	=====

11.1 Certain associated companies are charging mark up at rates ranging from 16.50% per annum to 21% per annum.

11.2 Mark up at the rate of 21% per annum is being charged by the provident fund on the loans balance.

11.3 Included in other liabilities is Rs. 32,763,949 representing overdue usance bills payable to a commercial bank.

12. Contingencies and commitments

12.1 Included in amounts due from associated companies referred to in note 20 is Rs. 243,658 thousand 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 an approximate loss of Rs. 100 million at the settlement of claims resulting

from those contracts. This loss has been arrived at after considering the following:

Rupees in million

Legal suits and claims filed against WAPDA	158
Realisable value of the assets	50

No new contracts are expected to be undertaken by the company. The recoverability of the amount due from the associated company is dependent upon its ability to successfully realise these amounts. 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.

12.2 During the year company sold the fixed assets of its cotton unit alongwith certain other assets to Crescent Steel and Allied Products Limited (CSAPL). The sale was executed under a basic irrevocable agreement effective June 30, 2000. Under this agreement the company was to obtain No Objection Certificates (NOCs) from certain creditors having charge over the fixed assets of the company for the execution of the sale transaction envisaged in the agreement. The company is in the process of obtaining these NOCs. Under the terms of the agreement in the event these NOCs are not obtained, CSAPL would have the right to have the agreement specifically performed at the cost of the company without prejudice to any other legal right and remedies.

13. Operating fixed assets - tangible

13.1 The following is a statement of operating fixed assets

	<i>Revalued Amount/cost as at July 1, 1999</i>	<i>Additions/ Adjustment* (deletions)</i>	<i>Revalued amount/cost as at June 30, 2000</i>	<i>Accumulated depreciation as at July 1, 1999</i>	<i>Depreciation charge for the year</i>	<i>Depreciation (deletions)</i>	<i>Accumulated depreciation as at June 30, 2000</i>	<i>Book value as at June 30 2000</i>	<i>Annual rate of depreciation %</i>
Freehold land	37,407,907	--	30,861,675	--	--	--	--	30,861,675	--
		(6,546,232)							
Buildings on freehold land	128,720,501	--	103,966,537	34,883,257	9,007,312	(8,136,461)	35,754,108	68,212,429	10
		(24,753,964)							
Buildings on leasehold land	2,420,444	--	2,420,444	1,338,268	108,218	--	1,446,486	973,958	5 - 10
Plant and machinery	356,422,662	--	75,546,900	95,952,246	26,047,042	(96,593,175)	25,406,113	50,140,787	10
		(280,875,762)							
Electrical installation	21,050,302	254,550	2,470,290	6,724,470	1,814,802	(6,617,969)	1,921,303	548,987	10 - 33
		(18,834,562)							
Furniture and fixtures	17,079,092	222,162	16,943,464	9,454,787	784,647	(201,049)	10,038,385	6,905,079	10
		(357,790)							
Vehicles	11,838,703	1,120,912	11,365,312	8,343,238	916,525	(758,699)	8,501,064	2,864,248	20
		(1,594,303)							
Non operating looms	1,497,611	--	1,497,611	1,042,465	455,146	--	1,497,611	--	--
Rupees in 2000	576,437,222	1,597,624	245,072,233	157,738,731	39,133,692	(112,307,353)	84,565,070	160,507,163	
		(332,962,613)							
Rupees in 1999	571,950,944	5,500,803	576,437,222	114,881,206	43,223,173	(365,648)	157,738,731	418,698,491	
		(1,104,525)							

Included in additions are assets aggregating Rs. 205,312 (1999: Rs. 3,732,718) 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.

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

		<i>2000 Rupees</i>	<i>1999 Rupees</i>
Cost of goods sold	- note 23	36,994,197	41,017,170
Administration expenses	- note 24	2,139,495	2,206,003
		-----	-----
		39,133,692	43,223,173
		=====	=====

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

<i>Cost as at June 30,</i>	<i>Accumulated depreciation</i>	<i>Book value as at June</i>
--------------------------------	-------------------------------------	----------------------------------

	2000	as at June	30, 2000
	Rupees	Rupees	Rupees
Freehold land	1,530,476	--	1,530,476
Building on freehold land	3,997,501	447,843	3,549,658
Plant and machinery	13,260,719	3,985,896	9,274,823
Electrical installation	298,363	102,608	195,755

13.4 Disposal of fixed assets

Particulars of assets	Revalued amount/Cost Rupees	Accumulated depreciation Rupees	Book value Rupees	Sale proceeds Rupees	Sold to	Mode of disposal
Vehicles	57,050	48,962	8,088	10,000	Mr. Rashid Ahmad House # P 15/1 St. 10, Model Town, Faisalabad.	Negotiation
	35,515	9,802	25,713	315,000	Ms. Tazeen Asghar House # 21/96 Murshadabad, Ram Garh, Lahore	Negotiation
Cotton unit						
Land and building	31,300,196	8,136,461	23,163,735	--	Crescent Steel and	Negotiation
Plant and machinery	280,875,762	96,593,175	184,282,587	--	Allied Products	
Electrical installation	18,834,562	6,617,969	12,216,593	--	Limited-83, Babar	
Furniture and fixture	357,790	201,049	156,741	--	Block, New Garden	
Vehicles	1,501,738	699,935	801,803	--	Town, Lahore	
	332,870,048	112,248,589	220,621,459	211,007,363		

14. Assets subject to finance lease

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

	Cost as at July 1, 1999	Additions/ (deletions)	Cost as at June 30, 2000	Accumulated depreciation as at July 1, 1999	Transfer deletions during the year	Depreciation charge for the year	Accumulated depreciation as at June 30, 2000	Book value as at June 30, 2000	Annual rate of depreciation %
Vehicles	401,000	751,300 (401,000)	751,300	195,688	(195,688)	150,260	150,260	601,040	20
Rupees in 2000	401,000	350,300	751,300	195,688	(195,688)	150,260	150,260	601,040	
Rupees in 1999	5,009,294	(4,608,294)	410,000	1,019,936	(875,576)	51,328	195,688	205,312	

2000 Rupees	1999 Rupees
150,260	51,328
150,260	51,328

14.1 The depreciation during the year has been allocated as follows:

Cost of goods sold	- note 23	--	--
Administration expenses	- note 24	150,260	51,328
		150,260	51,328

15. Long term investments**In associated undertakings****Crescent Venture International Limited**

Equity held 31.4% (1999: 31.4%) 157,000 (1999: 157,000) fully paid ordinary shares of Rs. 10 each
Value of investment based on the assets shown in the audited Accounts for the year ended June 30, 1999 Rs. 1,731,146 (1999: Rs. 1,731,146)

Crescent Group Services (Private) Limited

Equity held 8.21% (1999: 8.21%) 220,000 (1999: 220,000) fully paid ordinary shares of Rs. 10 each
Value of investment based on the assets shown in the audited Accounts for the year ended June 30, 2000 Rs. Nil (1999: Rs. Nil)

In others**Crescent Modaraba Management Company (Private) Limited**

100,000 (1999: 100,000) fully paid ordinary shares of Rs. 10 each (Chief Executive Mr. Mahmood Ahmad)	1,000,000	1,000,000
	-----	-----
	4,770,000	4,770,000

Less: Provision for permanent diminution in the Value of investments	2,200,000	2,200,000
	-----	-----
	2,570,000	2,570,000
	=====	=====

16. Stores and spares

Stores and spares [including in transit Rs. 19,872 (1999: Rs. 815,080)]	20,093,462	30,245,904
Less: Provision for obsolescence	(7,250,463)	(7,250,463)
	-----	-----
	12,842,999	22,995,441
	=====	=====

Most of the items of stores and spares are of interchangeable nature and cannot be distinguished until their actual consumption.

17. Stock-in-trade

Raw materials [including in transit RS. Nil (1999: Rs. 32,433,461)]	26,145,480	49,140,098
Work-in-process	2,530,453	8,571,808
Finished goods	6,120,289	13,767,333
Waste cotton	291,327	929,103
	-----	-----
	35,087,549	72,408,342
	=====	=====

18. Short term investments**In associated undertakings****Quoted****Shakarganj Mills Limited**

2,623,084 (1999: 2,023,684) fully paid ordinary share of Rs. 10 each Market value Rs. 13,115,420 (1999: Rs. 19,673,130)	29,866,595	29,866,595
--	------------	------------

Premier Insurance Company of Pakistan

54,231 (1999: 45,193) fully paid ordinary shares of Rs. 10 each Market value Rs. 352,502 (1999: Rs. 293,755)	690,966	690,966
---	---------	---------

Crescent Sugar Mills & Distillery Limited

72,828 (1999: 72,828) fully paid ordinary shares of Rs. 10 each Market value Rs. 473,382 (1999: Rs. 473,382)	1,598,883	1,598,883
---	-----------	-----------

Crescent Boards Limited

16,666 (1999: 16,666) fully paid ordinary shares of Rs. 10 each Market value Rs. 34,165 (1999: Rs. 24,166)	173,244	173,244
---	---------	---------

The Crescent Textile Mills Limited

111,288 (1999:111,288) fully paid ordinary shares of Rs 10 each Market value Rs 1,736,093 (1999:Rs. 834,660)	1,856,329	1,856,329
---	-----------	-----------

Crescent Steel and Allied Products Limited

366,662 (1999: 366,662) fully paid ordinary shares of Rs 10 each Market value Rs 6,049,923(1999: Rs. 5,499,930)	3,234,540	3,234,540
--	-----------	-----------

Pakistan Industrial Leasing Corporation Limited

528,054, (1999: 528,054) fully paid ordinary shares of Rs. 10 each Market value Rs. 3,696,378 (1999: Rs. 2,640,270)	7,728,912	7,728,912
--	-----------	-----------

Unquoted**Crescent Ujala Limited**

330,000 (1999: 330,000) fully paid ordinary shares of Rs. 10 each	3,300,000	3,300,000
---	-----------	-----------

Value of investment based on the assets of the company shown in the latest available audited accounts as at September 30, 1999
Rs. 2,198,227 (1999: Rs. 2,531,905)

In others - quoted

Crescent Investment Bank Limited

807,300 (1999: 690,000) fully paid ordinary shares of Rs. 10 each 12,297,857 12,297,857
Market value Rs. 11,705,850 (1999: Rs. 5,865,000)

Crescent Spinning Mills Limited

639,500 (1999: 639,500) fully paid ordinary shares of Rs. 10 each 6,395,000 6,395,000
Market value Rs. 2,685,900 (1999: Rs. 3,133,550)

ICI Pakistan Limited

67,970 (1999: 67,970) fully paid ordinary shares of Rs. 10 each 764,308 764,308
Market value Rs. 1,019,550 (1999: Rs. 601,535)

Shahzad Textile Mills Limited

60 (1999: 60) fully paid ordinary shares of Rs. 10 each 400 400
Market value Rs. 240 (1999: Rs. 282)

	67,907,034	67,907,034
Provision for diminution in the value of investments	(24,839,404)	(26,761,353)
	43,067,630	41,145,681

Of these, investments having a cost of Rs. 39.18 million are pledged as securities for short term running finances referred to in note 10 of these accounts.

19. Trade debts

Trade debts		
-- Considered good	5,705,492	7,757,206
-- Considered doubtful	--	1,704,294
	5,705,492	9,461,500
Less: Provision for doubtful debts	--	1,704,294
	5,705,492	7,757,206

20. Advances, deposits, prepayments and other receivables

Advances to employees - considered good	294,609	377,124
Advances to suppliers - considered good	3,172,055	581,801
Deposits - trade and others	4,836,969	2,776,500
Short term prepayments	328,224	491,821
Guarantees, margin deposits letter of credit - opening charges etc.	6,180	182,270
Insurance claim	1,106,669	996,515
Due from associated companies - note 20.1	257,474,737	252,818,577
Sale tax receivable	--	365,282
Other receivables	10,572,526	11,111,643
	277,791,969	269,701,533

20.1 Due from associated companies

Crescent Group Services (Private) Limited	243,657,896	248,565,879
Crescent Knitwear Limited	--	1,933,936
Crescent Marketing Services Limited	2,733,731	--
Crescent Steel And Allied Products Limited	11,083,110	--
Crescent Ujala Limited	--	2,318,762
	257,474,737	252,818,577

20.2 The maximum aggregate amount due from associated companies at the end of any month during the year was
Rs. 259,383,281 (1999: Rs. 321,981,161).

20.3 This represents amounts advanced to crescent Group Services (Private) Limited for executing certain contracts as fully explained in note 12.1 to the accounts. No interest was being charged on this amount as per decision of the Board of Directors. Monopoly Control Authority (MCA) through its order dated November 30, 2000 has held that these transactions constitute undue concentration of economic power and that within three months of the date of the order the

company will submit to MCA a time frame as to how the principal amount plus mark-up at the prevailing market rates will be recovered. According to the MCA order these recoveries should not go beyond December 31, 2002. However, the company is contesting this decision and has filed a writ petition in the Lahore High Court.

21. Cash and bank balances

Balances with banks on current accounts	73,709,521	4,531,346
Cash in hand	889,133	664,971
	-----	-----
	74,598,654	5,196,317
	=====	=====

	2000			1999		
	<i>Continued Operation</i>	<i>Dis-continued Operation</i>	<i>Total</i>	<i>Continued Operation</i>	<i>Dis-continued Operation</i>	<i>Total</i>
	<i>Jute Rupees</i>	<i>Cotton Rupees</i>		<i>Jute Rupees</i>	<i>Cotton Rupees</i>	
22. Sales	229,402,906	419,850,280	649,253,186	386,259,073	361,461,668	747,720,741

Sales are exclusive of sales tax of Rs. 97,078,812 (1999: Rs. 106,594,743).

23. Cost of goods sold

Raw and packing						
Materials consumed	115,274,107	254,460,280	369,734,387	140,429,387	280,384,381	420,813,768
Stores and spares consumed	8,418,159	11,377,006	19,795,165	11,322,674	9,024,860	20,347,534
Fuel and power	21,001,953	39,563,251	60,565,204	27,668,728	38,061,288	65,730,016
Wages, allowances and benefits	50,581,418	14,791,195	65,372,613	63,228,387	13,473,954	76,702,341
Repairs and maintenance	2,815,869	716,260	3,532,129	5,469,839	938,367	6,408,206
Insurance	2,729,864	1,651,862	4,381,726	2,045,583	1,387,750	3,433,333
Cotton cess	3,979	331,465	335,444	8,646	309,388	318,034
Depreciation	13,735,483	23,258,714	36,994,197	14,895,156	26,122,014	41,017,170
Other expenses	541,914	--	541,914	587,125	260	587,385
	-----	-----	-----	-----	-----	-----
	215,102,746	346,150,033	561,252,779	265,655,525	369,702,262	635,357,787
Decrease in work-in-process	2,339,095	3,702,260	6,041,355	2,103,088	1,321,694	3,424,782
	-----	-----	-----	-----	-----	-----
Cost of goods manufactured	217,441,841	349,852,293	567,294,134	267,758,613	371,023,956	638,782,569
(increase)/decrease in finished goods	5,800,949	2,483,871	8,284,820	21,132,926	(6,642,686)	14,490,240
	-----	-----	-----	-----	-----	-----
	223,242,790	352,336,164	575,578,954	288,891,539	364,381,270	653,272,809
	=====	=====	=====	=====	=====	=====

	2000			1999		
	<i>Continued Operation</i>	<i>Dis-continued Operation</i>	<i>Total</i>	<i>Continued Operation</i>	<i>Dis-continued Operation</i>	<i>Total</i>
	<i>Jute Rupees</i>	<i>Cotton Rupees</i>		<i>Jute Rupees</i>	<i>Cotton Rupees</i>	

24. Administration expenses

Salaries, allowance and benefits	22,506,216	4,926,073	27,432,289	18,057,405	4,480,565	22,537,970
Rent, rates and taxes	1,177,321	111,787	1,289,108	886,732	126,310	1,013,042
Repairs and maintenance	1,447,824	428,229	1,876,053	1,351,976	272,160	1,624,136
Insurance	776,816	48,007	824,823	800,445	52,760	853,205
Printing and stationery	306,625	281,863	588,488	326,135	266,672	592,807
Postage, telephone and telegram	1,627,173	427,442	2,054,615	1,575,717	408,594	1,984,311
Vehicle running expenses	3,947,682	1,329,460	5,277,142	3,973,814	885,657	4,859,471
Travelling, conveyance and entertainment	3,162,609	1,146,602	4,309,211	2,155,747	988,893	3,144,640
Subscriptions	--	50,400	50,400	--	50,400	50,400
Legal and professional Charges - note 24.1	769,088	80,000	849,088	1,074,413	282,603	1,357,016
Depreciation	1,857,345	282,150	2,139,495	989,158	1,216,845	2,206,003
Amortisation of assets subject to finance lease	75,130	75,130	150,260	25,664	25,664	51,328
Corporate Services	4,409,994	120,000	4,529,994	1,114,999	1,115,000	2,229,999
Provision for doubtful debts	--	--	--	1,704,294	--	1,704,294
Bad debts written off	--	--	--	3,059,280	--	3,059,280
Other expenses	561,644	682,203	1,243,847	627,434	719,444	1,346,878
Less: Recoveries from						

Associated company	(3,185,599)	--	(3,185,599)	(2,294,963)	--	(2,294,963)
	39,439,868	9,989,346	49,429,214	35,428,250	10,891,567	46,319,817

2000
Rupees

1999
Rupees

24.1 Legal and professional charges

Legal and professional charges include the following in respect of auditors' service:

Statutory audit	125,000	125,000
Accounting service charges	25,000	25,000
Out of pocket expenses	40,000	50,000
	190,000	200,000

2000

1999

<i>Continued Operation</i>		<i>Dis-continued Operation</i>	<i>Total</i>	<i>Continued Operation</i>		<i>Total</i>
<i>Jute</i>	<i>Cotton</i>	<i>Jute</i>		<i>Cotton</i>		
<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>

25. Selling and distribution expenses

Salaries, allowances and benefits	2,076,930	330,000	2,406,930	2,013,482	288,333	2,301,815
Forwarding and other expenses	5,849,658	1,064,823	6,914,481	13,481,087	888,375	14,369,462
Insurance	78,685	10,085	88,770	172,810	10,085	182,895
Other expenses	233,101	5,500	238,601	184,659	10,060	194,719
	8,238,374	1,410,408	9,648,782	15,852,038	1,196,853	17,048,891

2000
Rupees

1999
Rupees

26. Other income

Mark up on:		
-- Bank deposits	91,883	1,653
-- Balances with associated companies	1,283,762	1,467,169
Dividend income note 26.1	1,940,503	1,099,983
Profit on sale of fixed assets (excluding sale of cotton unit)	291,199	110,363
Provision written back no longer considered necessary	1,921,949	1,082,529
Others	865,290	922,964
	6,394,586	4,684,661

26.1 Dividend income from associated undertakings

It is composed of the following:

Crescent Steel and Allied Products Limited	183,331	916,655
Premier Insurance Company of Pakistan Limited	45,193	50,842
The Crescent Textile Mills Limited	291,018	132,486
Crescent Investment Bank Limited	928,395	--
Pakistan Industrial Leasing Corporation Limited	492,566	--
	1,940,503	1,099,983

27. Financial Charges

Surcharge on custom debentures - secured	93,393	163,248
Interest on long term loans	30,540,838	33,441,062

Mark up on:

-- Balances with associated undertakings	6,104,436	5,570,768
-- Employees' provident fund	687,350	431,090
-- Loan from provident fund	6,398,700	6,398,700

	13,190,486	12,400,558
Mark up on:		
-- Long term running finances	5,232,279	14,236,716
-- Short term running finances	74,808,521	99,960,980
	80,040,800	114,197,696
Financial charges on assets subject to finance lease	69,900	95,896
Bank guarantee	649,996	950,428
Bank charges	506,883	740,703
Miscellaneous	183,750	475,625
	125,276,046	162,465,216
	=====	=====
28. Taxation		
For the year - current	3,485,000	3,800,000
Prior years - current	15,347	1,723,913
	3,500,347	5,523,913
	=====	=====

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 80D of the Income Tax Ordinance, 1979.

For the purposes of current taxation the tax losses available for carry forward as at June 30, 2000 are estimated at approximately Rs. 360 million (1999: Rs. 460 million) including assessed losses of Rs 296 million.

The net timing differences due to accelerated tax depreciation and assessed and returned losses have resulted in deferred tax debit of Rs 131.0 million (1999: Rs 149.7 million). The company has not accounted for such deferred tax assets as it is considered that it is not likely to reserve in the foreseeable future.

29. Cash generated from operations

Profit/(loss) before taxation	57,428,525	(126,701,331)
Adjustments for non cash and other items:		
Depreciation on fixed assets	39,133,692	43,223,173
Provision for pension and compensated absences	2,909,187	--
Amortisation of leased assets	150,260	51,328
Profit on sale of fixed assets (excluding sale of Cotton unit)	(291,199)	(110,363)
Gain on disposal of cotton unit	(161,713,749)	--
Provision for bad and doubtful debts	--	1,704,294
Bad debts directly written off	--	3,059,280
Financial charges	125,276,046	162,465,216
Dividend income	(1,940,503)	(1,099,983)
Provisions no longer considered necessary	(1,921,949)	(1,082,529)
Working capital changes - note 29.1	16,903,299	66,838,710
	75,933,609	148,347,795
	=====	=====

29.1 Working capital changes

(Increase)/decrease in current assets:		
Stores and spares	10,152,442	4,042,573
Stock in trade	37,320,793	30,573,800
Trade debts	2,051,714	(1,461,750)
Advances, deposits, prepayments and other receivables	(7,065,516)	51,114,623
	42,459,433	84,269,246
(Decrease)/increase in current liabilities:		
Creditors accrued and other liabilities	(25,556,134)	(17,430,536)
	16,903,299	66,838,710
	=====	=====

30. Cash and cash equivalents

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

Cash and bank balances	74,598,654	5,196,317
Short term running finances	(292,130,882)	(225,781,437)
	(217,532,228)	(220,585,120)

31. Remuneration of Chief Executive, Directors and Executives

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

	<i>Chief Executive</i>		<i>Directors</i>		<i>Other Executives</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
Number of persons	1	1	3	3	38	34
Managerial remuneration	2,340,000	1,853,444	2,956,020	2,296,370	8,007,756	7,370,064
House allowance	--	--	972,420	983,567	2,834,549	2,592,905
Contribution to provident fund	234,000	185,344	271,416	229,637	819,098	633,954
Utilities	310,383	410,502	223,560	229,613	783,187	725,651
Medical expenses	--	--	--	--	186,073	146,309
Leave fare assistance	--	--	578,500	--	--	--
Servants' salary	42,000	42,000	42,000	42,000	--	--
Others expenses	6,276	6,776	34,334	30,569	79,119	79,804
Rupees	2,932,659	2,498,066	5,078,250	3,811,756	12,709,782	11,548,687

In addition the chief executive and a director is provided with free use of the company cars and residential telephones. Furthermore, the chief executive is also provided with free furnished accommodation and once in a two years a trip abroad along with dependents. Other executives are provided with free use of company cars.

31.2 The aggregate amount charged in the accounts for the year for fee to 5 directors (1999: 2 directors) was Rs 22,500 (1998: Rs 5,500).

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
32. Transactions with associated companies		
Sales and services	21,081,907	26,759,847
Mark up charged to associated companies/undertakings	1,283,762	1,467,169
Mark up charged by associated companies/undertakings	6,104,436	5,570,768

33. Financial assets and liabilities

	<i>Interest bearing</i>			<i>Non interest bearing</i>			<i>Total</i>	<i>Total</i>
	<i>Within one year</i>	<i>Over one year</i>	<i>Sub total</i>	<i>Within one year</i>	<i>Over one year</i>	<i>Sub total</i>		
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>2000</i>	<i>1999</i>
Assets								
Investment	--	--	--	15,411,540	1,000,000	16,411,540	16,411,540	10,600,367
Security deposits	--	--	--	--	1,031,091	1,031,091	1,031,091	1,258,491
Trade debts	--	--	--	5,705,492	--	5,705,492	5,705,492	7,757,206
Advances, deposits and other rec	--	--	--	16,516,164	--	16,516,164	16,514,164	14,884,658
Cash and bank balance	--	--	--	74,598,654	--	74,598,654	74,598,654	5,196,317
	--	--	--	112,231,850	2,031,091	114,262,941	114,262,941	39,697,039
Liabilities								
Debentures and long term loans	60,977,047	30,432,833	91,409,880	--	--	--	91,409,880	219,790,633
Liabilities against finance lease	152,226	505,633	657,859	--	--	--	657,859	118,851
Long term running finances	22,629,904	35,324,188	57,954,092	--	--	--	57,954,092	39,926,481
Short term running finances	292,130,882	--	292,130,882	--	--	--	292,130,882	225,781,437
Creditors, accrued and other liabilities	33,978,439	--	33,978,439	160,202,635	--	16,202,635	194,181,074	232,698,499
Contingencies	--	--	--	1,345,000	--	1,345,000	1,345,000	1,345,000
	409,868,498	66,262,654	476,131,152	161,547,635	--	161,547,635	637,678,787	719,660,901

33.1 Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs 114,263 the financial assets which are subject to credit risk amounted to Rs 113,374. The company believes that it is not exposed to major concentration of credit risk.

33.2 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Company obtain forward cover to manage foreign currency risk.

33.3 Fair value of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statement approximate their fair values except for long term investments, which are stated at cost.

34. Plant capacity and actual production

	<i>Capacity based on shift</i>		<i>Actual production Kgs.</i>	
	Working in Kgs.		<i>2000</i>	<i>1999</i>
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
Jute project				
Sacking including twine	18,500,000	18,500,000	5,375,426	8,343,804
Hessian	4,500,000	4,500,000	570,634	779,324
Cotton project in 20's count				
Jaranwala	4,750,974	4,750,974	4,460,657	3,688,596

The reason for decrease in production was the non availability of working capital.

35. Earning per share

Net profit/(loss) for the year	Rupees	57,428,525	(126,701,331)
Number of shares outstanding during the year	Numbers	15,063,468	15,063,468
Earning per share	Rupees	3.81	(8.41)

36. Corresponding figures

Prior year figures have been restated, wherever necessary, for the purposes of comparison.

Mazhar Karim
Chief Executive

Anjum M. Saleem
Director