

# THE CRESCENT TEXTILE MILLS LIMITED.

## Annual Reports 2003

### CONTENTS

Company Information  
Notice of Annual General Meeting  
Mission, Vision and Values  
Directors' Report to the Shareholders  
Chairman's Review  
Summarized Financial Data of Last Six Years  
Statement of Compliance with best practices of Code of  
Corporate Governance and Auditors' Review Report  
Pattern of Shareholding  
Auditors' Report to the Members  
Balance Sheet  
Profit & Loss Account  
Cash Flow Statement  
Statement of Changes in Equity  
Notes to the Accounts

### COMPANY INFORMATION

#### Board of Directors

Mr. Muhammad Anwar	Chairman & Chief Executive Director
Mr. Anjum M. Saleem	Director
Mr. Asif Jameel (Nominee: NIT)	Director
Mr. Humayun Mazhar	Director
Mr. Javed Omer Vohra	Director
Mr. Khalid Bashir	Director
Mr. Muhammad Arshad	Director
Mr. Nasir Shafi	Director

#### Audit Committee

Mr. Khalid Bashir	Chairman
Mr. Anjum M. Saleem	Member
Mr. Nasir Shafi	Member

#### Chief Financial Officer

Mr. Saeed Ahmad Jabal

#### Head of Internal Audit

Mr. Sadiq Saleem

#### Corporate Secretary

Mr. Ghulam Muhammad

#### Auditors

Riaz Ahmad & Company  
Chartered Accountants

#### Legal Advisor

Mr. Fazal Din Faiz Hassan & Hassan	Advocate Advocates
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#### Stock Exchange Listing

The Crescent Textile Mills Limited is a listed Company  
and its shares are traded on all three stock Exchanges  
in Pakistan.

The Company's shares are quoted in leading dailies  
under textile composite sector.

### NOTICE OF ANNUAL GENERAL MEETING

#### Bankers

Al Baraka Investment Bank B.S.C (E.C)  
Allied Bank of Pakistan Limited  
Bank Al-Falah Limited  
Faysal Bank Limited  
Habib Bank Limited  
Industrial Development Bank of Pakistan  
Meezan Bank Limited  
National Bank of Pakistan  
Pakistan Industrial Credit & Investment  
Corporation Limited  
Saudi Pak Industrial & Agricultural Investment  
Company (Private) Limited  
Saudi Pak Commercial Bank Limited  
Union Bank Limited  
United Bank Limited

#### Registered Office & Share Department

40-A, Off: Zafar Ali Road, Gulberg-V,  
Lahore. Pakistan  
T+ 92-42-111-245-245  
F + 92-42-111-222-245  
E-mail: mailho@crescentbahuman.com

#### Mills

Sargodha Road,  
Faisalabad. Pakistan  
T + 92-41-111-105-105  
F + 92-41-111-103-104  
E-mail: crestex@ctm.com.pk  
Web Site: www.ctm.com.pk  
Liaison Office  
8th Floor, Sidco Avenue Centre,  
Stratchen Road,  
Karachi. Pakistan  
T + 92-21-111-105-105 F + 92-21-111-103-104  
E-mail: ctmkhi@fascom.com

Notice is hereby given that the 54th Annual General Meeting of the shareholders of The Crescent Textile Mills Limited will be held on Saturday the January 31, 2004 at 11:00 a.m. at the Registered Office of the Company, 40-A, Off: Zafar Ali Road, Gulberg-V, Lahore to transact the following business:-

1. To receive, consider and adopt the Audited Accounts and Consolidated Accounts of the Company for the year ended September 30, 2003 together with the Directors' and Auditors' Reports thereon.
2. To approve, as recommended by the Directors, the payment of cash dividend @ 10% i.e. Rs. 1.00 per share for the year ended September 30, 2003.
3. To appoint Auditors for the year ending September 2004 and fix their remuneration. The present Auditors M/S Riaz Ahmad and Company, Chartered Accountants retire. The Board of Directors on recommendation of audit Committee have recommended their reappointment after rotating the partner incharge of the Riaz .Ahmad & Company Chartered Accountants subject to the approval by Securities and Exchange Commission of Pakistan.

By order of the Board

Ghulam Muhammad  
Corporate Secretary

**Registered Office:**

40-A, Off: Zafar Ali Road, Gulberg-V,  
Lahore. Pakistan  
T + 92-42-111-245-245  
F + 92-42-111-222-245  
E-mail: mailho@crescentbahuman.com  
Dated: 30 December 2003

Note: I. The Member's Register will remain closed from January 16, 2004 to January 31, 2004 (both days inclusive). Transfers received at the Registered Office of the Company by the close of business on January 15, 2004 will be treated in time for the purpose of payment of cash dividend to the transferees.

2. A member eligible to attend and vote at this meeting may appoint another member as proxy to attend and vote in the meeting. 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.
3. Shareholders are requested to immediately notify the change in address, if any.
4. CDC account holders will further have to follow the guidelines as laid down in circular Mo. 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan:
  - a. For Attending the Meeting
    - i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his original National Identity Card (NIC) or original passport at the time of attending the meeting.
    - ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
  - b. For Appointing Proxies
    - i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
    - ii) The proxy form shall be witnessed by two persons whose name, address and NIC numbers shall be mentioned on the form.

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

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

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

## MISSION, VISION AND VALUES

### Vision Statement

We, at Crescent Textile, will continue forever to excel in producing quality textile products while maintaining our position as industry leaders in setting standards for Professional, Human and Structural Capital.

### Mission Statements

Our Mission as team of The Crescent Textile Mills Limited is to accomplish our vision through:

- Investment in new technologies for increase in production resources and consequently the profitability of the company for the benefit of the shareholders
- Creating new and exciting textile based products
- Training and retaining of Professionals to uphold a strong and healthy organizational set up
- Retaining of traditional customer base while exploring and expanding into new markets
- Helping the community to keep the environment clean and healthy, and
- Improving the quality of life of the community.

### Directors' Report to the Shareholders

The Directors of your Company feel pleasure in presenting the annual report and audited financial statements along with auditors' report thereon for the year ended 30 September 2003.

#### 1. Financial Results

Your Company's operations for the year resulted in post tax profit of Rupees 81.596 million after charging Rupees. 43.030 million for current year's taxation. Earning per share after tax is Rupees 2.01 (Rs. 4.56 last year).

The Directors recommend appropriation of profits as follows:

	(Rupees in Thousand)
Profit available for appropriation	86,279
Appropriations:	
Transfer to general reserve	40,000
Proposed dividend	40,669
	80,669
Unappropriated profit	5,610

Your Directors recommended cash dividend at the rate of 10% which is Rs. 1.00 per share.

#### 2. Auditors

The present auditors M/s. Riaz Ahmad and Company, Chartered Accountants retire. The Audit Committee has recommended their reappointment after rotating the partner incharge of the Riaz Ahmad & Company Chartered Accountants subject to the approval by Securities and Exchange Commission of Pakistan.

#### 3. Review of Financial Affairs and Future Prospects

The Chairman's Review provides details of the financial affairs and the future prospects of the Company.

4. Pattern of Shareholding

The pattern of shareholding as required by Section 236 of the Companies Ordinance, 1984 is attached to this report.

5. Statement pursuant to clause XIX of Corporate Governance

a) The financial statements of the Company present fairly its state of affairs, the results

of its operations, cash flows and changes in equity.

b) proper books of account of the Company have been maintained.

c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d) International accounting standards as applicable in Pakistan have been followed in the preparation of financial statements and any departure there from has been adequately disclosed.

e) The system of internal control is sound in design and is being consistently reviewed by the internal audit and other procedures and will continue to be reviewed and any weakness in the system will be eliminated.

Directors' Report to the Shareholders

f) There are no significant doubts upon the Company ability to continue as going concern.

g) There has been no material departure form the best practices of Corporate Governance as detailed in listing regulations.

h) Details of reduction in operating results of the Company compared to last year have

been explained in Chairman's review.

l) The key operating and financial data for the last six year is annexed.

j) Value of investments of provident fund was Rupees 103.706 million as on September

30, 2001 per its audited accounts,

k) Attendance at 5 meetings of the Board of Directors held during the year under review

were as under:

Name of Director	Meetings attended
Mr. Muhammad Anwar	5
Mr. Anjum M. Saleem	4
Mr. Asif Jameel	3
Mr. Humayun Mazhar	2
Mr. Khalid Bashir	4
Mr. Muhammad Arshad	5
Mr. Nasir Shafi	5
Mr. Javed Omer Vohra	2

l) No trading in the shares of the Company was carried out by the Directors, CEO, CFO and Company Secretary, their spouses and minor children.

m) A sum of Rupees 8.343 million in respect of excise duty on loan is provided for and is outstanding. A case in respect of this issue is pending before the Supreme Court.

For and on behalf  
the Board of Directors

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Faisalabad

(Muhammad Anwar)

30 December 2003

Chairman & Chief Executive

#### Chairman's Review

It is my pleasure to welcome you in the 54<sup>th</sup> Annual General Meeting of the Company. We are passing through an era of rapidly changing international economic environment. Our Textile industry needs to respond quickly to the current global changes in business, production and its management strategies to supporting its pace to face the challenges of technology based production competition and efficiency, quality of human resources and environmental protections. The ensuing few years will ascertain Pakistan's textile industry's capabilities of grabbing the opportunities that will coming across. The management of your company is focusing on these issues and is setting its benchmarks for the coming years.

Review of the affairs of your company for the year ended 30th September, 2003 is given hereunder:

#### Financial

The financial year 2003 led by squeezed sale margin has proven a difficult year for textile industry. Demand for yarn and fabric remain sluggish during the year for one reason or the other. Strengthening of Pak Rupee further eroded the profit margins. Substantial cut down in mark up rates could not counter-act squarely the reduced sales margins.

As a result of aforesaid factors, your company has been able to achieve post tax profit of Rs. 81.596 million compared to post tax profit of Rs. 185.383 million during the corresponding year.

Turnover at Rs. 4,660.592 million posted a growth of 3.65% against Rs. 4,496.610 million in the same period last year. Export sales at Rs. 3,148.019 million showed an increase of 6.59% against Rs. 2,953.482 million performed in financial year 2002. Local sale stood at Rs. 1,494.573 million compared to Rs. 1,479.844 million during the year 2002 (increase of 1.0%). Raw material cost increased by Rs. 208.609 million (15.43%) to Rs. 1,560.846 million in financial year 2003 from Rs. 1,352.237 million last year due mainly to increase in raw material and other input costs which could not be passed on to the customers due to suppressed market conditions. Consequently gross profit decreased by Rs. 178.112 million (24.38%) to Rs. 552.344 million in current year from Rs. 730.456 million in year 2002. Operating expenses reduced to Rs. 308.700 million in financial year 2003 from Rs. 322.858 million in financial year 2002. Financial expenses decreased by Rs. 72.462 million (28.53%) to Rs. 181.534 million in 2003 from Rs. 253.996 million in financial year 2002 due to substantial decrease in mark up rates.

#### Spinning Division.

During the year under review, 23.642 million kgs of yam of 29.16 average count were produced as compared to 22.40 million kgs of 30.14 average count last year.

In terms of 20/1 counts, an output of 34.467 million kgs was obtained during the current year compared to 33.749 million kgs during the past year.

Balancing Modernization and Replacement (BMR) plan continued as usual to upgrade the production facilities of this division, ring frames, cone- winders and uster tester were installed during the year to replace the older versions.

#### Weaving Division.

Actual production of this division in converted average 50 picks stood at 53.699 million square meters including production of wholly owned subsidiary compared to 47.604 million square meters in the corresponding year. Another 36 sulzer looms of this division were replaced with better version and models and a sizing machine of latest technology was also added to increase the sizing capacity. .

#### Processing Division.

A quantity of 37.029 million linear meters of white, dyed and printed fabric was finished in processing division against 39.730 million linear meters during the last year. Manual color kitchen system of processing division was replaced with latest digital system.

A wider width shrinking range of latest model was also added in this division to meet the customer's requirements. Letter of credit has been established for import of stentering machine to enhance the finishing capacity of this division.

#### Home Textile

Production of this division was 9.436 million linear meters compared to 9.902 million linear meters during the previous financial year. Marketing efforts continued to enhance the volume of this division. More sewing machines were added during the year to increase the capacity of this division.

#### Safety, Health and Environment

The issues of safety, health and environment are assuming increasing importance in companies the world over. Your company continued to maintain its commitment towards safety, health and environmental performance in all its operations. Installation of an effluent water treatment plant is one of the commitment to recognize the environmental risks. Dedicated efforts have commenced to identify and prevent health and hazards and establish safety standards. Free of cost Hepatitis B & C test of all employees were carried out. Your company also achieved certification of ISO 9001, 14001 of Quality and Environmental Management Systems and OEKO Tex Standard 100. .

#### Future Outlook

Anticipated Chinese poor cotton crop output during the season 2003-04 forced them to actively buy cotton from international market to cover the domestic shortfall. Aggressive Chinese buying during October 2003 thus had a profound impact on international cotton value, pushing up New York cotton outlook to a five year high. Reports of our domestic cotton crop damages due to acute pest attacks and consequential to rising international prices also soared domestic cotton prices at all times record of touching Rs. 3600 per maund and PSF prices also showed upward trend. Yam and fabric prices also registered significant increases to equilibrate the sharp increase in raw material cost but failing to compensate the increase in material costs. The demand for textile products is likely to remain suppressed in the first quarter of next financial year.

CAPEX Plan for Balancing Modernization and Replacement (BMR) has been earmarked in financial budget for ensuing year for investment in all of the sectors of the company for up-gradation and balancing of the existing facilities. .

#### Acknowledgment.

I would like to take the opportunity to extend my sincere! thanks to the other Directors for their continued support and guidance. I am grateful to our customers, the bankers and all agencies who have directly and/or indirectly helped us in our growth and achievements. I would also like to express my appreciation for the continued interest and support of all the shareholders. I also express my appreciations for team work,

discipline of the employees of the company who have made it fine place to work.

Muhammad Anwar  
**Chairman and Chief Executive Officer**

#### Summarized Financial Data of Last Six Years

	Rs. in Mln	1998	1999	2000	2001	2002	2003
Paid up Capital	-do-	387.33	406.69	406.69	406.69	406.69	406.69
Reserves and Surplus	-do-	865.49	885.01	1,019.22	1,185.57	1,489.58	1,899.94
Shareholders' Equity	-do-	1,252.82	1,291.70	1,425.91	1,592.26	1,896.27	2,306.63
Long Term Liabilities	-do-	691.94	547.42	400.79	382.03	667.27	1,059.61
Investments	-do-	478.25	478.05	478.55	478.55	478.55	478.05
Market Value of Investments	-do-	435.12	259.53	244.34	161.92	338.45	716.71
Current Assets	-do-	2,052.87	2,690.75	2,333.25	2,393.88	2,395.24	2,754.97
Total Assets	-do-	3,730.94	4,090.02	4,481.17	4,867.52	5,343.59	5,989.20
Turnover	-do-	3,611.39	3,897.04	4,632.52	5,470.48	4,496.61	4,660.59
Cost of Sales	-do-	3,096.04	3,185.71	3,788.29	4,437.53	3,766.15	4,108.25
Gross Profit	-do-	515.35	711.32	844.23	1,032.95	730.46	552.34
Profit Before Taxation	-do-	213.29	186.75	329.35	355.38	247.38	124.63
Profit After Taxation	-do-	183.29	145.23	246.04	280.23	185.38	81.6
Break up Value of Rupees 10 Share	Rupees	32.35	31.76	35.06	39.15	46.63	56.72
Earning Per Share (Pretax)	-do-	5.51	4.59	8.1	8.74	6.08	3.06
Earning Per Share (After Tax)	-do-	4.73	3.57	6.05	6.89	4.56	2.01
Gross Profit to Sales	Percent	14.27	18.25	18.22	18.88	16.24	11.85
Profit Before Tax to Sales	-do-	5.91	4.79	7.11	6.5	5.5	2.67
Dividend Per Share	Rupees	1.9	2	2.75	2.8	2	1
Bonus Shares	Percent	5	-	-	-	-	-
Debt Equity Ratio	Times	0.36	0.3	0.22	0.19	0.26	0.31
Current Ratio	-do-	1.15	1.2	0.89	0.84	0.87	1.05
Financial Charges Coverage	-do-	1.89	1.78	2.41	2.24	1.97	1.69
Stock Turnover	-do-	6	5.36	7.79	7.24	6.25	6.55
Short Term Borrowing to Sales	-do-	0.34	0.38	0.36	0.35	0.4	0.42

#### Statements of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in regulation No.37 of listing regulation of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a company is managed in compliance with the best practices of Corporate Governance.

The company has applied the principles contained in the Code in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes 6 independent non-executive directors and no directors representing minority shareholders as the election of Directors was held before implementation of Code of Corporate Governance.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DPI or an NBFI or, being member of a stock exchange, has been declared as defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year.
5. The company has prepared a statement of Ethics and Business practices' which has been signed by all the directors and employees of the Company.
6. The board has developed a Vision/Mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decision on material transactions, including

appointment and determining of remuneration and terms and condition of employment of the CEO and other executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.

9. The Board arranged an orientation course of its directors during the year to apprise them of their duties and responsibilities.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.

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

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

13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee. It comprises 3 members, of whom 2 are non- executive directors including the chairman of the committee.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has set-up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company and they are involved in the internal audit function on full time basis.

18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

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

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

Sd/-

(Ghulam Muhammad)  
NIC 33100-0760252-7

Review Report to the Members on Statement of

Compliance with Best Practices of Code of

Corporate Governance

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of THE CRESCENT TEXTILE MILLS LIMITED to comply with the Listing Regulation No. 37 (Chapter XI) of the Karachi Stock Exchange, Listing Regulation No. 43 (Chapter XIII) of the Lahore Stock exchange and Islamabad Stock Exchange where the company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of



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

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

Based on our review, nothing has come to our attention which causes us to believe that the statement of compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

(Riaz Ahmad and Company)

Faisalabad: 30 December 2003

Chartered Accountants

Pattern of Shareholding - (Form "34")  
as at 30 September 2003

No. of Shareholders	Shareholding From	To	Total Shares held	No. of Shareholders	Shareholding From	To	Total Shares held
440	1	100	16,749	4	180001	185000	728,907
568	101	500	157,564	1	185001	190000	186,388
258	501	1000	194,642	1	190001	195000	190,998
468	1001	5000	1,123,762	2	200001	205000	403,008
133	5001	10000	954,333	1	205001	210000	210,000
39	10001	15000	456,572	1	210001	215000	213,277
23	15001	20000	415,400	1	215001	220000	216,825
18	20001	25000	399,665	1	235001	240000	237,992
10	25001	30000	279,037	1	240001	245000	244,704
20	30001	35000	642,362	2	245001	250000	494,663
13	35001	40000	473,176	2	270001	275000	546,862
10	40001	45000	416,140	1	275001	280000	278,783
12	45001	50000	577,956	1	285001	290000	285,709
5	50001	55000	262,877	2	315001	320000	634,346
1	55001	60000	58,482	1	325001	330000	326,140
5	60001	65000	311,937	3	335001	340000	1,011,425
2	65001	70000	136,028	1	360001	365000	362,587
5	70001	75000	362,275	1	365001	370000	366,555
3	75001	80000	231,009	1	370001	375000	373,868
3	80001	85000	250,541	1	375001	380000	378,883
1	85001	90000	89,642	1	380001	385000	383,221
3	90001	95000	277,693	1	385001	390000	385,200
5	95001	100000	487,958	1	415001	420000	419,896
3	100001	105000	306,871	1	430001	435000	434,606
4	105001	110000	433,710	2	440001	445000	883,713
1	110001	115000	110,077	1	455001	460000	456,401
3	115001	120000	347,348	1	550001	555000	550,929
4	130001	135000	529,427	1	585001	590000	585,618
2	135001	140000	274,671	1	850001	855000	851,952
4	140001	145000	566,378	2	915001	920000	1,837,500
2	145001	150000	296,160	1	975001	980000	978,602
1	150001	155000	152,044	1	1050001	1055000	1,050,937
1	155001	160000	158,850	1	1490001	1495000	1,494,500
4	165001	170000	672,774	1	1685001	1690000	1,685,957
2	170001	175000	344,509	1	1860001	1865000	1,860,400
3	175001	180000	528,707	1	2215001	2220000	2,216,427
				1	3600001	3605000	3,604,253
				2,127			40,669,358

Categories of Shareholders	Number	Shares Held	Percentage
Financial Institutions	55	6,165,824	15.16
Individuals	2,010	25,793,770	63.42
Insurance Companies	5	2,002,964	4.93
Investment Companies	5	4,653,997	11.44

Joint Stock Companies	21	121,113	0.3
Modarabas and Mutual funds	7	658,285	1.62
Others	24	1,273,405	3.13
	2,127	40,669,358	100
Others			
Abandoned Property	2	576	0
Association	1	11	0
Non Resident	17	1,248,609	3.07
Trust	4	24,209	0.06
	24	1,273,405	3.13

## Pattern of Shareholding

as at 30 September 2003

Held by Shareholders as at September 30, 2003

Categories of Shareholder

Number of  
shares held

a) Directors, Chief Executive Officer, Their Spouse and Minor Children		
Chief Executive/ Director		
Mr. Muhammad Anwar	168,161	
Directors		
Mr. Anjum M. Saleem	326,140	
Mr. Humayun Mazhar	88,216	
Mr. Javed Omer Vohra	2,525	
Mr. Khalid Bashir	4,998	
Mr. Muhammad Arshad	175,217	
Mr. Nasir Shafi	180,361	
	945,618	
Director's Spouse and Their Minor Children		
Mrs. Abida Anwar	64,234	
Mrs. Shaheen Nasir	6,742	
Mrs. Salma Parveen	131,567	
Mrs. Tanveer Khalid Bashir	48,598	
Mrs. Fauzia Parveen Vohra	500	
	251,641	
B) Associated Companies, Undertaking & Related Parties		
Crescent Sugar Mills & Distillery Limited	2,216,427	
Crescent Foundation	851,952	
The Premier Insurance Company of Pakistan Limited	567,352	
Crescent Powertec Limited	373,868	
Shakarganj Mills Limited	216,825	
Crescent Steel and Allied Products Limited	17,750	
Ahsan Associates (Pvt) Limited	1,292	
Crescent Group Services (Pvt) Limited	57	
	4,245,523	
c) NIT&ICP		
National Bank of Pakistan, Trustee Department	3,604,253	
Investment Corporation of Pakistan (Semf)	1,049,744	
	4,653,997	

## Pattern of Shareholding

as at 30 September 2003

Number of  
shares held

d) Banks, DFIs, NBFIs	6,165,824
e) Insurance Companies	2,002,964
f) Modarabas and Mutual Funds	658,285
g) Trusts	24,209
h) Other Companies (public Sector Company & Corporations)	1,494,216
l) Non Residents	1,248,609
j) General Public	18,971,297
k) Executives, Their Spouse and Minor Children	7,175
	40,669,358
18 Shareholders More Than 10%	Nil

Auditors' Report to the Members

We have audited the annexed balance sheet of THE CRESCENT TEXTILE MILLS LIMITED

as at 30 September 2003 and the related profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

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

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 September 2003 and of the profit and its cash flows and changes in equity for the year then ended; and

d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

FAISALABAD: 30 December 2003

(Riaz Ahmad and Company)

Chartered Accountants

Balance Sheet as at 30 September 2003

	Note	(Rupees in thousand)	
		2003	2002
<b>EQUITY AND LIABILITIES</b>			
Share capital and reserves			
Authorized share capital			
100 000 000 ordinary shares of Rupees 10 each		1,000,000	1,000,000
Issued, subscribed and paid up share capital	3	406,693	406,693
Reserves		1,853,659	1,484,893
Unappropriated profit		5,610	4,683
		2,265,962	1,896,269
Deferred income on sale and lease back of operating fixed assets		2,186	-

Non-current liabilities			
Redeemable capital	4	550,000	134,949
Long term loan	5	150,000	-
Liabilities against assets subject to finance lease	6	268,305	358,050
Deferred taxation		38,588	32,733
		1,006,893	525,732
Current liabilities			
Current portion of long term liabilities	7	91,306	174,266
Short term finances	8	1,980,485	1,812,479
Creditors, accrued and other liabilities	9	501,732	647,411
Workers' participation fund	10	11,201	17,727
Provision for taxation		82,979	182,950
Proposed dividend		40,669	81,339
Unclaimed dividend		5,788	5,416
		2,714,160	2,921,588
Contingencies and commitments	11		
		5,989,201	5,343,589

The annexed notes form an integral part of these financial statements

(Muhammad Anwar)  
Chairman & Chief Executive

	Note	(Rupees in thousand)	
		2003	2002
<b>ASSETS</b>			
Non-current assets			
Tangible fixed assets			
Operating fixed assets	12	777,591	641,061
Assets subject to finance lease	13	370,218	397,356
Capital work-in-progress	14	1,537	117,484
		1,149,346	1,155,901
Equity investments	15	636,841	338,445
Long term loans and advances	16	1,411,731	1,412,143
Long term security deposits		36,310	41,864
		3,234,228	2,948,353
Current assets			
Stores, spare parts and loose tools	17	110,048	114,971
Stock in trade	18	711,196	719,876
Trade debts	19	1,134,350	832,517
Advances, deposits and prepayments	20	410,105	402,076
Other receivables	21	288,675	251,129
Short term Investments	22	79,870	-
Cash and bank balances	23	20,729	74,667
		2,754,973	2,395,236
		5,989,201	5,343,589

(Khalid Bashir)  
Director

#### Profit and Loss Account for the Year Ended 30 September 2003

	Note	(Rupees in thousand)	
		2003	2002
Sales	24	4,660,592	4,496,610
Cost of goods sold	25	4,108,248	3,766,153
Gross profit		552,344	730,457
Operating expenses			
Administrative and general	26	130,052	102,889
Selling and distribution	27	178,648	219,970
		308,700	322,859
Operating profit	28	243,644	407,598
Other income	29	78,026	109,144
		321,670	516,742
Financial and other charges			
Financial charges	30	181,534	253,996

Other charges	31	15,510	15,363
		197,044	269,359
Profit before taxation		124,626	247,383
Provision for taxation	32	43,030	62,000
Profit after taxation		81,596	185,383
Unappropriated profit brought forward		4,683	350,639
Profit available for appropriation		86,279	536,022
Appropriations			
General reserve		40,000	450,000
Proposed dividend		40,669	81,339
		80,669	531,339
Unappropriated profit		5,610	4,683
		(Rupees)	
Earning per share	35	2.01	4.56
Dividend per share		1	2

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

(Muhammad Anwar)

(Khalid Bashir)

Chairman & Chief Executive

Director

Cash Flow Statement for the Year Ended 30 September 2003

Note	(Rupees in thousand)	
	2003	2002
Cash flows from operating activities		
Profit before taxation	124,626	247,383
Adjustments to reconcile profit to net cash provided by operating activities		
Depreciation	95,442	71,550
Amortization	41,387	45,135
Credit balances added back	-12	-320
Gain on disposal of operating fixed assets	-11,789	-2,720
Amortization of deferred income on sale and lease back of operating fixed assets	-547	-
Financial charges	181,534	253,996
Cash flows from operating activities before working capital changes	430,641	615,024
Cash flows from working capital changes		
(Increase)/decrease in current assets		
Stores, spare parts and loose tools	4,956	-15,692
Stock in trade	8,680	36,043
Trade debts	-301,833	104,722
Advances, deposits and prepayments	-30,493	-55,207
Other receivables	-37,546	52,085
Increase/ (decrease) in current liabilities		
Short term finances	168,006	-84,315
Creditors, accrued and other liabilities	12,564	-26,111
Workers' participation fund	-6,526	-5,242
Net cash flows from working capital changes	-182,192	6,283
Cash flows from operating activities	248,449	621,307
Financial charges paid	-189,765	-278,614
Income tax paid	-114,682	-98,443
Dividend paid	-80,967	-115,906
Net cash (used in)/flows from operating activities	-136,965	128,344

Cash Flow Statement for the Year Ended 30 September 2003

Note	(Rupees in thousand)	
	2003	2002
Cash flows from investing activities		
Fixed assets acquired	-152,680	-53,021
Sale proceeds of operating fixed assets	38,557	31,604
Investments sold	500	-
Investments made	-50,000	-

Long term loans and advances	412	-26,583
Long term security deposits	5,554	-19,610
Net cash used in investing activities	-157,657	-67,610
Cash flows from financing activities		
Redemption of redeemable capital	-175,804	-58,356
Redeemable capital acquired	550,000	100,000
Repayment of long term loan	-25,603	-22,156
Repayment of finance lease liabilities	-107,909	-55,361
Net cash flows from/(used in) financing activities	240,684	-35,873
Net increase/(decrease) in cash and cash equivalents	-53,938	24,861
Cash and cash equivalents at the beginning of the year	74,667	49,806
Cash and cash equivalents at the end of the year	20,729	74,667

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

#### Statement of Changes in Equity for the Year Ended 30 September 2003

	Share capital	Capital Fair value	Reserves		(Rupees in thousand)		Total
			Revei Dividend equalization	ue General	Total	Un-appropriated profit	
Balance as at 30 September 2001	406,693	-	30,000	1,145,000	1,175,000	10,571	1,592,264
Effect of adoption of IAS 39	-	-208,355	-	-	-208,355	340,068	131,713
Adjusted balance as at 01 October 2001	406,693	-208,355	30,000	1,145,000	966,645	350,639	1,723,977
Fair Value gain	-	68,248	-	-	68,248	-	68,248
Net profit for the year	-	-	-	-	-	185,383	185,383
Transfer to general reserve	-	-	-	450,000	450,000	-450,000	-
Proposed dividend	-	-	-	-	-	-81,339	-81,339
Balance as at 01 October 2002	406,693	-140,107	30,000	1,595,000	1,484,893	4,683	1,896,269
Fair value gain	-	328,766	-	-	328,766	-	328,766
Net profit for the year	-	-	-	-	-	81,596	81,596
Transfer to general reserve	-	-	-	40,000	40,000	-40,000	-
Proposed dividend	-	-	-	-	-	-40,669	-40,669
Balance as on 30 September 2003	406,693	188,659	30,000	1,635,000	1,853,659	5,610	2,265,962

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

(Muhammad Anwar)

Chairman & Chief Executive

(Khalid Bashir)

Director

#### Notes to the Financial Statements for the Year Ended 30 September 2003

##### 1. The Company and its activities

The Crescent Textile Mills Limited is a public limited company incorporated in Pakistan under the Companies Act, 1913 (Now Companies Ordinance, 1984). Its shares are quoted on the Stock Exchanges in Pakistan. The company is engaged in business of textile manufacturing comprising spinning, combing, weaving, dyeing, bleaching, printing, buying, selling and otherwise dealing in yarn, cloth and other goods and fabrics made from raw cotton and synthetic fiber(s). The Company also operates a cold storage.

##### 2. Summary of significant accounting policies

###### 2.1 Basis of preparation of financial statements

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or

directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

## 2.2 Accounting convention

These accounts have been prepared under the historical cost convention as adjusted to the extent of exchange differences and fair valuation of investments as referred to in Note 2.4 and 2.9.

## 2.3 Staff retirement benefits

The company operates a funded Provident Fund Scheme for its permanent employees. Equal monthly contributions are made both by the company and employees at the rate of 6.25 percent of basic pay.

## 2.4 Foreign currency

Assets and liabilities in foreign currency are translated into Pak Rupees at the rates of exchange ruling at the balance sheet date or at exchange rates booked with commercial bank(s). Exchange gain or loss on translation of foreign currency loans is adjusted against the cost of tangible fixed assets acquired from respective loans. Exchange risk fee and exchange gain or loss on translation of foreign bills under collection at the year end are charged to current year's income.

## 2.5 Taxation

### Current

Charge for current taxation is based on taxable income at current tax rates after taking into account applicable tax rebates and credits, if any, or minimum tax at the rate of 0.5 percent of the turnover, whichever is higher.

## Notes to the Financial Statements for the Year Ended 30 September 2003

### Deferred

Deferred tax is accounted for by using the liability method on all timing differences between the carrying amounts of assets and liabilities in the financial statements and their tax base. Deferred tax liabilities are recognized for all taxable temporary differences. The Company recognizes deferred tax assets on all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which these deductible temporary differences can be utilized. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

## 2.6 Tangible fixed assets and depreciation

Operating fixed assets are stated at cost less accumulated depreciation. Freehold land and capital work-in-progress are stated at cost. Cost of tangible fixed assets consists of historical cost, applicable exchange differences, borrowing cost pertaining to the construction/erection period and directly attributable cost of bringing the assets to working condition.

Depreciation on operating fixed assets is charged to income on reducing balance method to write-off the cost including related exchange differences over their expected useful life at the rates mentioned in Note 12. Full year's depreciation is charged on assets added while no depreciation is charged on assets deleted during the year.

Maintenance and normal repairs are charged to current year's income. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Gain or loss on disposal of operating fixed assets is included in current year's income.

## 2.7 Assets subject to finance lease

These are stated at lower of present value of minimum lease payments under the

lease agreements and fair value of assets. Aggregate amount of obligations relating to assets subject to finance lease are accounted for at net present value of the liabilities. Assets so acquired are amortized over their expected useful life at the rates mentioned in Note No. 13. Amortization of leased assets is charged to current year's income.

#### 2.8 Assets subject to operating lease

Land of cold storage has been acquired under lease agreement termed as operating lease for a period of 51 years commencing from August 1981. Lease rentals of Rupees 3,000 per annum are subject to 10 percent increase after every three years and are charged to current year's income.

#### 2.9 Equity Investments

Investments are initially recognized on trade-date at cost, comprising of consideration paid and cost of transaction. For listed securities, closing quotations of stock exchanges on last working day of the accounting year are considered for determining fair value, while for unquoted securities, fair value is determined considering break up value of the securities. Its classification is made on the basis of intended purpose for holding such investments. These are measured at the balance sheet date on the following basis:

Notes to the Financial Statements for the Year Ended 30 September 2003  
Held-to-maturity

These are stated at amortized cost less impairment loss, if any, recognized to reflect irrecoverable amounts. Impairment losses are charged to profit and loss account.

Held for trading

These are recognized at fair value and changes in carrying values are included in profit and loss account.

Available for sale

These are stated at fair value and changes in carrying values are recognized in equity until investment is sold or determined to be impaired at which time the cumulative gain or loss previously recognized in equity is included in profit and loss account for the year.

#### 2.10 Store, spare parts and loose tools

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

#### 2.11 Stock-in-trade

Stock-in-trade is valued at lower of average cost and net realizable value except waste which is valued at net realizable value determined on the basis of contract prices. Average cost and net realizable value are defined as under:

Average cost		
For raw materials	-	Weighted average cost.
For work-in-process finish good	-	Production cost including a proportion of overheads.
Net realizable value	-	Selling prices in ordinary course of business less incidental selling expenses.

#### 2.12 Borrowing cost

Interest, mark-up and other charges on long term liabilities are capitalized up to the date of commissioning of respective fixed assets acquired out of the proceeds of such long term liabilities. All other interest, mark-up and other charges are charged to income.

#### 2.13 Provisions



Provisions are recognized in the balance sheet when the company has a legal or constructive obligation as a result of past events, and it is probable that outflow of economic benefits will be required to settle the obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

#### 2.14 Impairment

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated and impairment losses are recognized in the profit and loss account.

### Notes to the Financial Statements for the Year Ended 30 September 2003

#### 2.15 Trade debts

Trade debts originated by the company are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. Known bad debts are written off and provision is made against debts considered doubtful when collection of the full amount is no longer probable.

#### 2.16 Related party transactions

Transactions and contracts with related parties are carried out at arms length prices determined in accordance with comparable uncontrolled price method.

#### 2.17 Revenue recognition

Revenue from sales is recognized on delivery of goods to customers. Dividend income is recognized when right to receive the dividend is established.

#### 2.18 Financial instruments

Financial assets and liabilities are recognised at cost that is the fair value of the consideration given or received at the time when the Company becomes a party to the contractual provisions of the instrument by following trade date accounting.

A financial asset or part thereof is de-recognised when the Company loses control of the contractual right that comprises the financial asset or part thereof. Such control is deemed to be lost if the Company realizes the rights to the benefits specified in the contracts, the rights expire or the Company surrenders those rights. A financial liability or part thereof is removed from the balance sheet when it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired.

Any gain or loss on subsequent measurement and de-recognition is charged to income.

#### 2.19 Offsetting

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

#### 2.20 Cash and cash equivalents

Cash and cash equivalents of the Company consist of cash in hand and balances with banks (Note 23).

	Note	(Rupees in thousand)	
		2003	2002
3. Issued, subscribed and paid up share capital			
19 781 136(2002: 19 781 136) ordinary shares of Rupees 10 each fully paid up in cash		197,811	197,811
20 888 222 (2002: 20 888 222) ordinary shares of Rupees 10 each issued as fully paid bonus shares		208,882	208,882
		406,693	406,693

3.1 4 245 523 (2002: 3 967 170) ordinary shares of Rupees 10 each are held by associated undertakings.

Notes to the Financial Statements for the Year Ended 30 September 2003

	Note	(Rupees in thousand)	
		2003	2002
4. Redeemable capital			
United Bank Limited (Note 4.1)		550,000	-
Habib Bank Limited		-	58,083
Allied Bank of Pakistan Limited		-	17,721
Saudi Pak Industrial and Agricultural Investment Company (Pvt) Limited		-	100,000
		550,000	175,804
Less: Current portion (Note 7)		-	40,855
		550,000	134,949
4.1 Syndicate loan facility of Rupees 550 million has been obtained from United Bank Limited (UBL) for Balancing, Modernization and Replacement (BMR) of existing facilities of the company and is convertible into privately placed term finance certificates having face value of Rupees 5,000 each. It carries mark-up at the rate of 6 months treasury bills determined at last working day at the beginning of each semi-annual period plus 1.85 percent per annum and is secured by first pari passu charge over fixed assets of the company. The principal amount will be redeemed in 11 equal semi-annual installments after grace period of 18 months.			
5. Long term loan			
Pakistan Industrial Credit and Investment Corporation Limited IBRD-3019		-	25,603
Loan from subsidiary company (Note 5.1)		150,000	-
		150,000	25,603
Less: Current portion (Note 7)		-	25,603
		150,000	-
5.1 The amount payable on account of electricity supply by Crescent Energy Limited - wholly owned subsidiary company has been reclassified as interest free long term loan. It is unsecured and is repayable in six half yearly equal installments with grace period of one year.			
6. Liabilities against assets subject to finance lease			
The amounts of future payments and periods during which they fall due are as under:			
30 September 2003		-	164,101
30 September 2004		119,214	129,085
30 September 2005		113,420	122,520
30 September 2006		101,973	107,113
30 September 2007		73,429	89,380
30 September 2008		9,924	-
Balance rentals as at 30 September		417,960	612,199
Less: Financial charges		58,349	146,341
Present value of minimum lease payments		359,611	465,858
Less: Current portion (Note 7)		91,306	107,808
		268,305	358,050

Notes to the Financial Statements for the Year Ended 30 September 2003

6.1 The value of the minimum lease payments has been discounted at an implicit interest rate ranging from 7.50 to 20 percent. The balance rentals are payable in monthly/quarterly installments and in case of default of any payment an additional charge at the rate of 1 to 2 percent per annum shall be paid. Taxes, repairs and insurance costs are to be borne by the company. In case of termination of the agreement, the company shall pay entire amount of rentals for un-expired period of lease agreement.

The lease agreements are renewable at the option of the lessor on such terms as

may be agreed upon. Liabilities are secured against deposit of Rupees 35,842 million and Rupees 0.210 million (2002: Rupees 34,530 million and Rupees 6,666 million) included in long term security deposits and advances, deposits and prepayments respectively.

6.2 Minimum lease payments and their present values are regrouped as under:

	2003		2002	
	Within one year	More than one year but less than five year	Within one year	More than one year but less than five year
Total of minimum lease payments	119,214	298,746	164,101	448,098
Less: Financial charges	27,908	30,441	562,913	90,048
Present Value of minimum lease payments	91,306	268,305	107,803	358,050

	Note	(Rupees in thousand)	
		2003	2002
7. Current portion of long term liabilities			
Redeemable capital		-	40,855
Long term loan		-	25,603
Liabilities against assets subject to finance lease (Note 6)		91,306	107,808
		91,306	174,266
8. Short term finances			
Secured:			
Banking companies and financial institutions:			
Cash finance (Note 8.1 and 8.2)		225,943	407,523
Export refinance scheme (Note 8.1 and 8.3)		285,000	595,639
Foreign Currency Finance (Note 8.1 and 8.4)		1,469,542	743,125
Usance export bills (Note 8.1 and 8.5)		-	66,192
		1,980,485	1,812,479

Notes to the Financial Statements for the Year Ended 30 September 2003

8.1 The aggregate short term finances are secured by way of joint pari passu hypothecation agreement dated 15 February 1999 signed by the company and the consortium banks against charge and hypothecating of all present and future current assets of the company, wherever situated, lien on export letters of credit or firm contracts including but not limited to stores, spare parts and loose tools, stock-in-trade, trade debts, advances, deposits and prepayments, other receivables, cash and bank balances and personal guarantee of the directors.

8.2 Finances aggregating total facility of Rupees 1,240 million (2002: Rupees 950 million) are available under mark-up agreements and carry mark-up ranging from paisas 6.16 to 36.99 per Rupees 1000 per day.

8.3 Export refinances have been obtained from banking companies under State Bank of Pakistan's refinance scheme on which a service charges at the rate of 3 percent to 8 percent per annum are payable. These form part of aggregate borrowing limits of Rupees 730.325 million (2002: Rupees 905.270 million).

8.4 Limits of Rupees 1,640.195 million (2002: Rupees 743.125 million) were availed during the year at mark up at LIBOR plus 1.25 to 2.25 percent per annum on maturity of finance or at the time of adjustment of finance.

8.5 Limits of Rupees 459 million (2002: Rupees 775 million) were available against usance export bills at mark-up ranges between 6 to 17.50 percent per annum.

	Note	(Rupees in thousand)	
		2003	2002
9. Creditors, accrued and other liabilities			
Creditors		299,890	313,962
Advances from customers		9,195	3,269
Retention money due to contractors		2,050	694
Accrued expenses		125,091	141,436
Mark-up/interest accrued on finances-secured			
Redeemable capital		53	6,404

Long term loan	-	961
Short term finances	17,587	18,204
Charges on finance lease liabilities	3,017	3,319
Excise duty on loans	8,343	8,343
Due to associated undertakings	21,930	136,885
Workers' welfare fund	8,858	8,858
Income tax deducted at source	865	2,454
Due to Employees' provident fund trust	4,853	2,622
	501,732	647,411

## Notes to the Financial Statements for the Year Ended 30 September 2003

	Note	(Rupees in thousand)	
		2003	2002
10. Workers' participation fund			
Balance as at 01 October		17,727	22,969
Allocation for the year		6,588	13,185
Interest accrued		545	1,618
		24,860	37,772
Less: payments made to fund during the year		13,659	20,045
		11,201	17,727

10.1 Interest is paid at the prescribed rate under the Act on the funds utilized by the company till the date of allocation to workers.

## 11. Contingencies and commitments

## Contingencies

K1 The Company is contingently liable to the sum of US\$ 3.500 million to International Finance Corporation (IFC) and Euro 3.784 million (DM 7.400 million) to Deutsche Investitions UND Entwicklungs Gesellschaft MBH (DEC) in case of loan installment payment default by Crescent Bahuman Limited (formerly Crescent Greenwood Limited), CBL, under revised Project Finance Agreement (PFA) for restructuring of CBL (2002: US\$ 3.500 million to IFC and Euro 3.784 million (DM 7.400 million) to Deutsche Investitions UND Entwicklungs Gesellschaft MBH (DEG)).

(ii) The Company is also contingently liable for the sum of Rupees 5.270 million (2002: Rupees 135.350 million) in respect of tax under section 12(9) of the Income Tax Ordinance, 1979 levied by the Income Tax Department. An Appeal has been filed with the Commissioner of Income Tax (Appeals) there against, which is still pending. No provision has been made against the demand raised by department. According to management of the Company there are meritorious grounds that the ultimate decision would be in the Company's favour.

## Commitments

Contracts for capital expenditures are Rupees 81.027 million (2002: Rupees 45.585 million). Letters of credit other than for capital expenditure are Rupees 27.636 million (2002: Rupees 33.040 million).

## Notes to the Financial Statements for the Year Ended 30 September 2003

## 12. Operating fixed assets

Description	(Rupees in thousand)									
	As at 01 October 2002	Cost Additions/ (Deletions)	As at 30 September 2003	As at 01 October 2002	Depreciation Adjustments	Charge for the year	As at 30 September 2003	Book value as at 30 September 2003	Depreciation rate %	
Land - Freehold	6,503	1,977	8,480					8,480		
Buildings on freehold land	195,707	11,141	206,848	131,751		6,398	138,149	68,699	5-10	
Buildings on leasehold land	4,156	-	4,156	3,697	-	46	3,743	413	10	
Plant and Machinery	1,175,503	215,807	1,371,018	650,877	-3,765	72,391	719,503	651,515	10	
		-20,292								
Factory tools and equipments	15,570	953	16,523	9,349	-	1,435	10,784	5,739	20	
Gas and electric installations	43,579	2,134	45,703	30,053	-8	3,132	33,177	12,526	20	

Vehicles	21,849	19,674	35,760	8,897	-1,203	5,613	13,307	22,453	20
		-5,763							
Furniture and fixtures	10,626	179	3,721	6,110	-4,620	446	1,936	1,785	20
		-7,084							
Office equipments	18,334	3,660	21,994	10,032		5,981	16,013	5,981	50
2003	1,491,827	255,525	1,714,203	850,766	-9,596	95,442	936,612	777,591	
		-33,149							
2002	1,508,097	25,810	1,491,827	792,412	-13,196	71,550	850,766	641,061	
		-42,080							

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

	Note	(Rupees in thousand)	
		2003	2002
Cost of goods sold			
Textile (Note 25.1)		82,201	65,075
Cold Storage (Note 25.2)		91	101
Administrative and general expenses - Textile (Note 26.1)		13,150	6,374
		95,442	71,550

12.2 During the year, the Company has revised depreciation rates considering the useful life of some of the operating fixed assets. Had the rates not been revised, the profit for the year would have been higher by Rupees 6.694 million. Categories of the assets with previous and revised rates are given below:

Description	Depreciation rates	
	2003	2002
	%	%
Factory tools and equipments	20	10
Gas and electric installations	20	10
Furniture and fixtures	20	10
Office equipments	50	15

Notes to the Financial Statements for the Year Ended 30 September 2003

12.3 Disposal of operating fixed assets

Description	Qty.	Cost	Ace. top.	Book value	Sate proceeds	Mode of disposal	Particular of purchaser
Mant Machinery							
Colour Despencing	1	10,200	1,020	9,180	11,912	Sale and lease back	Bank Limited, Serena Hotel Complex, Fsd.
olding Machine	1	60	34	26	42	Negotiation	Crescent Hate limited, 49 Phase III, Hate.
Julzer Looms 110"	11	3,091	587	2,504	3,300	Negotiation	Amir Weaving, Chak »7, Small Industrial toad, Fsd.
Julzer Looms 110"	1	283	54	229	300	Negotiation	Amir Weaving, Chak #17, Small Industrial Road, Fsd.
Julzer Looms 110"	15	4,243	806	3,437	4,500	Negotiation	Muhammad Nasir, Chak 1 119 IB, Samana M, Sargodha Road, Fsd,
let Dying Machine	1	406	373	33	75	Negotiation	Abad AS, P-334, Samundri Road, Fsd.
lone Winder	1	300	184	116	500	Negotiation	Imrarn Brother, Street # 2, Samundri Road, Fsd.
Zone Winder	1	659	227	432	600	Negotiation	Khawar Manzoor, P-13, Kabar Market, Jhang Road, Fsd,
Mr Compressor	1	93	57	36	200	Negotiation	Crescent Hattar United, 49 Phase III, Hattar.
lvr Compressor	1	78	48	30	200	Negotiation	Crescent Hatare Limited, 49 Phase III, Hattar.
Zone Winder	2	61	35	26	2,400	Negotiation	Al-ahmad Textile Mills, 6/10, Sharja Trade Center, New Chali, Khi
lone Winder	1	659	227	432	508	Negotiation	Shaheen Perviz, 26-D, Dar-ul-IhsanTown, Samundri Road, Fsd.
lone Winder	1	31	17	14	1,200	Negotiation	Chirag Textile Mills, Suite 1 10, 2nd Floor, Shan Arcade, Barkat Market, Lhr,
Sulzer Looms	6				1,200	Negotiation	Unity Textile Mills, F-20, Main Boulevard, Gulberg III, Lhr.
Sulzer Looms	10			-	3,000	Negotiation	Khuram Gul Weaving, lamia Ashrafia Street, Sargodha Road, Fsd.
Gas & Electric Installations							
Air Conditioner	1	10	8	2	3	Negotiation	Arfat Trading Corporation, 958/9, Dastgir Society, Khi.
Vehicles							
Honda Civic	AB 3839	284	168	116	325	Negotiation	Rashid Jalil, Company's employee.
Kia Pride	LXA7595	246	145	101	165	Negotiation	Rana Faiz Siddique, Sidhupura, Fsd.
Suzuki Pick up	FDD 5184	110	100	10	60	Negotiation	Muhammad Ibrahim, 425, Block D, Ghulam Muhammad Abad, Fsd.
Suzuki 800 C.C.	FDV 5417	126	46	80	170	Negotiation	Mohsin Fiaz, 36-C, Muslim Town, Fsd.
Suzuki 800 C.C.	FDV 5419	127	45	82	176	Negotiation	KhalaKhan,49-G-7,Isd.
Suzuki 1000 C.C.	FDV 6605	168	60	108	208	Negotiation	Tariq Mehmood, 55-A, Ali Housing, Jhang Road, Fsd.
Suzuki 800 C.C.	FDV 4452	129	47	82	173	Negotiation	Habib Ahmad, 474-A, Peoples Colony, Fsd.
Suzuki 800 C.C.	FDV 2092	126	46	80	170	Negotiation	Tanveer Ahmad, 142-B, Jinnah Colony, Fsd.

Suzuki 800 C.C.	FDV 5328	130	46	84	170	Negotiation	Qudrat Ullah, House # 220, Street # 7, Nisar Colony, Fsd.
Suzuki 800 C.C.	FDV 5329	129	47	82	180	Negotiation	Shahzad Haider, Company's employee.
Suzuki 1000 C.C.	FDV 5318	183	66	117	220	Negotiation	Muhammad Akram, Chak No. 102 G, District Sargodha.
Suzuki 800 C.C.	FDW 8160	118		118	205	Negotiation	Khyzer Islam, Company's employee.
Motor Cycle	KVA 4891	69	14	55	69	Insurance claim	The Premier Insurance Co, of Pak, Ltd., 1st Floor, Regency Plaza, Fsd.
Suzuki 800 C.C.	FDV 6418	127	45	82	131	Negotiation	Faiz All, House # 16, Street # 5, Taj Colony, Fsd.
Suzuki 800 C.C.	FDV 4594	129	47	82	133	Negotiation	Yasar Iqbal, 19-Block, Sargodha.
Suzuki 800 C.C.	FDV 2096	145	52	93	159	Negotiation	Imran Hafeez, Street * 14, Jaranwala Road, Fsd.
Toyota Corolla.	FDV 9787	479	173	306	500	Negotiation	M. Adeel, P-240, Street * 9, Tariq Abad, Fsd.
Mercedes Benz	ACM 774	2,560		2,560	3,800	Insurance claim	The Premier Insurance Co, of Pak. Ltd, 1st Floor, Regency Plaza, Fsd.
Suzuki Van	FDS 3095	96	56	40	50	Negotiation	Crescent Hattar Limited, 49 Phase III, Hattar.
Toyota Corolla	FDW 4825	282		282	450	Negotiation	Mian Amjid Saeed, 460-B, Peoples Colony, Fsd.
Furniture & Fixture							
Furniture & Fixture		7,084	4,620	2,464			Old furniture and fixture written off
		33,021	9,500	23,521	37,554		

### 13. Assets subject to finance lease

Description	Cost		As at		Amortization		Book value		Amortization rate
	As at 01 October 2002	Additions/ (Deletions)	As at 30 September 2003	As at 01 October 2002	Adjustments	Charge for the year	As at 30 September 2003	as at 30 September 2003	
Plant and machinery	473,650	85,909	458,888	83,384	-33,835	40,934	90,483	368,405	10
Vehicles	14,118	-100,671	3,759	7,028	-5,535	453	1,946	1,813	20
2003	487,768	85,909	462,647	90,412	-39,370	41,387	92,429	370,218	
2002	251,908	-111,030	487,768	45,637	-360	45,135	90,412	397,356	
		236,860							
		-1,000							

13.1 Amortization of leasehold assets for the year has been allocated as follows:

	(Rupees in thousand)		
	Note	2003	2002
Cost of goods sold - Textile (Note 25.1)		40,934	43,363
Administrative and general expenses - Textile (Note 26.1)		453	1,772
		41,387	45,135

### 13.2 Disposal of assets subject to finance lease

Description	Cost	Amortization	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
Suzuki 800 C.C. LXL9138	288	170	118	300	Insurance claim	The Premier Insurance Co. of Pak. Ltd, 1st Floor Regency Plaza, Fsd.
Toyota Motor Car FDW 7655	969	572	397	703	Negotiation	Saudi Pak Leasing Co. Ltd, 6th Floor, Lakson Square Building 1, SaiwarShaheedRoad, Khi.
	1,257	742	515	1,003		

### 13.3 Deletion of remaining assets represent assets purchased at the expiry of lease term an transferred to fixed assets

	(Rupees in thousand)		
	Note	2003	2002
14. Capital work-in-progress			
Land		119	1,498
Building		-	8,655
Plant and machinery		1,418	103,230
Advances to suppliers		-	4,101
		1,537	117,484

	(Rupees in thousand)		
	Note	2003	2002
15. Equity investments - available for sale			
Quoted			
Associated undertakings			
Crescent Jute Products Limited			
2 736 847 (2002: 2 736 847) fully paid ordinary			



26 826 433 (2002: 26 826 433) fully paid ordinary shares of rupees 10 each.	268,264	268,264
Equity held 19.57% (2002: 19.57%)		
Break-up value as per audited accounts for the year ended 30 September 2002 was Rupees zero per share.		
Subsidiary companies		
Crescent Energy Limited		
2 000 000 (2002: 2 000 000) fully paid ordinary shares of rupees 10 each.	20,000	20,000
Equity held 100%		
Break-up value as per audited accounts for the year ended 30 June 2003 was Rupees 94.01 per share.		

	(Rupees in thousand)	
	2003	2002
Crescent (Hattar) Limited (formerly SAC Group of Industries Limited) 5 700 000 ( 2002: 5 700 000) fully paid ordinary shares of Rupees 10 each.	2,000	2,000
Equity held 100%		
Break-up value as per audited accounts for the year ended 30 September 2002 was Rupees 1.10 per share.		
Others		
Taxmac Services (Private) Limited Nil (2002: 50 000) fully paid ordinary shares of Rupees 10 each.	-	500
Chief Executive Mr. Muhammad Rafi Premier Financial Services (Private) Limited 500 (2002: 500) fully paid ordinary shares of Rupees 1,000 each.	500	500
Chief Executive Mr. Adil A. Ghaffar		
	478,052	478,552
Revaluation gain/(defidt)	158,789	-140,107
	636,841	338,445

15.1 Aggregate market value of investments of quoted companies was Rupees 441.593 million (2002: Rupees 168.424 million).

15.2 12 632 485 fully paid ordinary shares of MashreqBank Pakistan Limited have been received against 5 352 748 shares of Crescent Investment Bank Limited after the merger. The shares were received at a swap ratio of 2.36 shares of MashreqBank Pakistan Limited against 1 share of Crescent Investment Bank Limited. Company will deposit these shares of MashreqBank Pakistan Limited in the form of jumbo certificate with State Bank of Pakistan (SBP) as per the terms and conditions mentioned in SBP's license No. BL-01 dated 10 March 2003 in the capacity of its sponsor.

16. Long term loans and advances		
Loans - Considered good:		
Subsidiary company (Note 16.1)	29,042	58,083
Associated company (Note 16.2)	1,410,416	1,381,500
Employees (Note 16.3)	2,338	3,256
Commission on bank guarantees	237	300
Long term prepayments	672	-
	1,442,705	1,443,139
Less: Current portion		
Loan to subsidiary company	29,042	29,042
Loans to employees	1,578	1,740
Commission on bank guarantees	179	214
Long term prepayments	175	-
	30,974	30,966
	1,411,731	1,412,143

16.1 It is due by Crescent (Hattar) Limited (formerly SAC Group of Industries Limited), a wholly owned subsidiary company. It was utilized to repay its loan obligation due to Muslim Commercial Bank Limited and Al-Faysal Investment Bank Limited under SBP scheme. It carries mark up @ 8.50 to 16.75 percent per annum and is repayable in 11 equal half yearly installments commenced from 01 July 1999.

16.2 This represents balance transferred from current account of CBL as at 30



September 2000 and further Long term convertible loan contributed under the Restructuring of CBL, Memorandum of Understanding (MOU) that had been signed on 25 January 2001 amongst the Crescent Textile Mills Limited (CTM), CBL, International Finance Corporation (IFC) and other Senior Lenders for revival of the project. Under the restructuring arrangements the Company has provided the following advances to CBL: — ...

	Note	(Rupees in thousand)	
		2003	2002
a) Principal (short term converted advance)		428,400	428,400
b) Accrued mark up		504,000	504,000
c) Long term convertible subordinated loan		342,000	342,000
d) Mark up accrued on principal portion of Short term converted advance		136,016	107,100
		1,410,416	1,381,500

The loans including accrued mark up are unsecured and subordinated to all loans owed by CBL or to be obtained by CBL under the Restructuring plan for repayment. The principal portion of Rupees 428.400 million short term converted advance carries mark up at the rate of 6.75% (Commercial banks lending rate) while all other advances are mark up free. The advances are outstanding for period exceeding 3 years.

16.3 These are interest free loans to company's employees against cycles, fans, sewing machines and computers, which are secured against provident fund contribution and considered good. Loans are recoverable in fortnightly/monthly installments. No amount is out standing for period exceeding 3 years.

	Note	(Rupees in thousand)	
		2003	2002
17. Stores, spare parts and loose tools			
Stores		85,655	78,224
Store-in-transit		1,286	7,927
Spare parts		22,851	28,686
Loose tools		223	134
Scraped machinery		33	-
		110,048	114,971
18. Stock-in-trade			
Raw materials		106,486	118,501
Work-in-process		45,073	35,048
Finished goods		558,265	563,623
Waste		1,372	2,704
		711,196	719,876

	Note	(Rupees in thousand)	
		2003	2002
19. Trade debts			
Considered good:			
Secured - against letters of credit		276,626	114,941
Unsecured (Note 19.1)		857,724	717,576
		1,134,350	832,517
Considered doubtful (Note 19.2)		29,677	29,677
Less: Provision for doubtful		29,677	29,677
		1,134,350	832,517

19.1 It includes Rupees 77.960 million receivable from Crescent Bahuman Limited (2002: Rupees 65.894 million).

19.2 It is receivable from Crescent Knitwear Limited - associated undertaking (2002: Rupees 29.677 million).

	Note	(Rupees in thousand)	
		2003	2002
20. Advances, deposits and prepayments			
Loans and advances:			
Considered good			
Employees (Note 20.1)		2,253	2,580
Suppliers		17,585	15,283
Crescent Bahuman Limited (Note 20.2)		60,000	60,000
Current portion of long term loan		29,042	29,042
		108,880	106,905

Considered doubtful	2,596	2,596
Less: Provision for doubtful	2,596	2,596
	108,880	106,905
Income Tax	239,868	262,332
Letters of credit	50,025	13,455
	398,773	382,692
Deposits		
Securities-Trade and others	9,416	3,397
Excise duty	45	45
Margin deposit	47	13,651
	9,508	17,093
Short term prepayments	1,824	2,291
	410,105	402,076

20.1 The maximum aggregate amount due from employees at the end of any month during the year was Rupees 8.293 million (2002: Rupees 5.227 million) and aggregate balances due at the end of financial year was Rupees 1.590 million (2002: Rupees 2.265 million).

20.2 It represents standby working capital loan facility to Crescent Bahuman Limited under Memorandum of Understanding of restructuring of CBL

		(Rupees in thousand)	
		2003	2002
21.	Other receivables		
	Considered good:		
	Due from associated undertakings (Note 21.1)	129,866	78,970
	Export rebates	31,903	38,323
	Sales tax refundable	119,598	117,038
	Dividend receivable	4,543	5,384
	Miscellaneous	2,765	11,414
		288,675	251,129
21.1	Due from associated undertakings		
	Crescent Jute Products Limited	119	997
	Shams Textile Mills Limited	-	14
	Crescent (Hattar) Limited	87,343	36,733
	Elite Textile Mills Limited	41,727	40,494
	Crescent Industrial Chemicals Limited	400	448
	Crescent Ujala Limited	-	6
	Crescent Group Services (Pvt) Limited	277	278
		129,866	78,970
22.	Short term investments - available for sale		
	Quoted		
	Associated undertakings		
	Crescent Steel and Allied Products Limited		
	840 222 fully paid ordinary shares of Rs. 10 each	33,105	-
	Trust Investment Bank Limited		
	2 521 680 fully paid ordinary shares of Rs. 10 each	16,895	-
		50,000	-
	Fair value adjustment	29,870	-
		79,870	-

22>1 Aggregate market value of quoted investments as at 30 September 2003 was Rupees 79.870 million (2002: Rupees Nil).

		(Rupees in thousand)	
		2003	2002
23.	Cash and bank balances		
	Cash with banks on:		
	Current accounts	20,141	23,474
	Deposit accounts	-	50,000
		20,141	73,474
	Cash in hand	588	1,193
		20,729	74,667
24.	Sales		
	Textile:		
	Local	1,494,573	1,479,844

	Export	3,148,019	2,953,482
	Waste-	28,386	17,679
	Processing Income	60,427	113,859
		4,731,405	4,564,864
	Less: Commission paid to selling agents	-76,999	-74,467
		4,654,406	4,490,397
	Cold Storage:		
	Ice	1,127	1,369
	Warehousing income	5,059	4,844
		6,186	6,213
		4,660,592	4,496,610
25.	Cost of goods sold		
	Textile (Note 25.1)	4,104,107	3,761,990
	Cold storage (Note 25.2)	4,141	4,163
		4,108,248	3,766,153

(Rupees in thousand)

	Note	2003	2002
25.1	Cost of good sold - textile		
	Raw materials		
	Opening stock	118,501	163,775
	Purchases	1,548,831	1,306,963
		1,667,332	1,470,738
	Closing stock	-106,486	-118,501
	Raw material consumed	1,560,846	1,352,237
	Cloth and yarn purchased	778,612	754,039
	Store, spare parts and loose tools	277,658	320,883
	Packing materials	94,356	88,545
	Processing and weaving charges	453,425	425,313
	Salaries, wages and other benefits	285,223	268,675
	Fuel and power	477,329	407,615
	Repairs and maintenance	40,298	36,519
	Insurance	10,386	4,920
	Depreciation (Note 12.1)	82,201	65,075
	Amortization (Note 13.1)	40,934	43,363
	Other factory overheads	6,174	4,037
		4,107,442	3,771,221
	Work-in-process		
	Opening stock	35,048	38,452
	Closing stock	-45,073	-35,048
		-10,025	3,404
	Cost of goods manufactured	4,097,417	3,774,625
	Finished goods		
	Opening stock	566,327	553,692
	Closing stock	-559,637	-566,327
		6,690	-12,635
		4,104,107	3,761,990

(Rupees in thousand)

	Note	2003	2002
25.2	Cost of goods sold - cold storage		
	Ammonia gas consumed	35	65
	Stores	55	71
	Salaries, wages and other benefits	216	211
	Fuel and Power	3,454	3,419
	Repairs and maintenance	252	268
	Insurance	20	20
	License fee and professional tax	13	3
	Depreciation (Note 12.1)	91	101
	Lease money	5	5
		4,141	4,163
26.	Administrative and general expenses		
	Textile (Note 26.1)	129,624	102,456
	Cold storage (Note 26.3)	428	433
		130,052	102,889
26.1	Administrative and general expenses - textile		
	Salaries, Wages and other benefits	67,544	53,778

	Directors' meeting fee	165	93
	Traveling, conveyance and entertainment	9,217	9,266
	Rent, rates and taxes	1,770	1,658
	Repairs and maintenance	6,429	6,913
	Insurance	988	1,294
	Printing and stationery	7,710	6,470
	Communication	6,782	6,622
	Subscription	1,365	952
	Software development expenses	7,248 -	
	Legal and professional charges (Note 26.2)	4,681	5,103
	Depreciation (Note 12.1)	13,150	6,374
	Amortization (Note 13.1)	453	1,772
	Other charges	2,122	2,161
		129,624	102,456
26.2	Legal and professional charges include the following in respect of auditors' services for:		
	Statutory audit	325	325
	Corporate governance compliance review and other certifications	25 -	
	Out of pocket expenses	34	12
		384	337

		(Rupees in thousand)	
		2003	2002
26.3	Administrative expenses - cold storage		
	Salaries, wages and other benefits	387	395
	Traveling and conveyance	2	4
	Communication	22	17
	Others	17	17
		428	433
27.	Selling and distribution expenses		
	Textile:		
	Freight and shipment	156,778	177,097
	Distribution	21,639	42,683
	Advertisement	231	190
		178,648	219,970
28.	Operating profit		
	Textile (Note 28.1)	242,027	405,981
	Cold storage (Note 28.2)	1,617	1,617
		243,644	407,598
28.1	Operating profit - textile		
	Sales (Note 24)	4,654,406	4,490,397
	Cost of goods sold (Note 25.1)	4,104,107	3,761,990
	Gross profit	550,299	728,407
	Operating expenses		
	Administrative and general (Note 26.1)	129,624	102,456
	Selling and distribution (Note 27)	178,648	219,970
		308,272	322,426
		242,027	405,981
28.2	Operating profit - cold storage		
	Sales (Note 24)	6,186	6,213
	Cost of goods sold (Note 25.2)	4,141	4,163
	Gross profit	2,045	2,050
	Administrative and general expenses (Note 26.3)	428	433
		1,617	1,617

		(Rupees in thousand)	
		2003	2002
29.	Other Income		
	Mark- up on advances to associated undertakings	39,329	80,798
	Dividend income (Note 29.1)	17,706	11,788
	Sale of empties and scrap	6,360	5,262
	Rental income	254	268
	Gain on disposal of operating fixed assets	11,789	2,720
	Amortization of deferred income on sale and lease back of operating fixed assets	547 -	

	Service charges	1,560	1,560
	Lease rent	469	469
	Interest on deposit account	-	3,949
	Exchange gain	-	2,010
	Credit balances added back	12	320
		78,026	109,144
29.1	Dividend income		
	Associated undertakings:		
	The Premier Insurance Company of Pakistan Limited	54	48
	Pakistan Industrial Leasing Corporation Limited	-	749
	Crescent Steel and Allied Products Limited	9,984	6,160
	Shams Textile Mills Limited	386	1,015
	Shakarganj Mills Limited	4,604	2,423
	Crescent Sugar Mills and Distillery Limited	1,236	-
	Premier Financial Services (Private) Limited	244	-
	Other:		
	Pakistan Industrial Credit and Investment Corporation Limited	1,198	1,393
		17,706	11,788
30.	Financial charges		
	Interest on:		
	Long term loan	1,955	5,532
	Provident Fund Trust	2,183	7,860
	Workers' Participation Fund	545	1,618
	Mark up on:		
	Redeemable capital	11,959	20,036
	Short term finances	112,609	176,248
	Charges on finance lease liabilities	47,021	36,356
	Lease agreement fee	736	2,028
	Bank charges and commission	4,526	4,318
		181,534	253,996

(Rupees in thousand)

	Note	2003	2002
31.	Other Charges		
	Workers' welfare fund	-	1,500
	Donations (Note 31.1)	3,142	678
	Exchange Loss	5,780	-
	Workers' participation fund	6,588	13,185
		15,510	15,363
31.1	The directors and their spouse have no interest in donees' funds.		
32.	Taxation		
	Charge for the year:		
	Current (Note 32.1)	37,175	59,336
	Prior years	-	2,664
		37,175	62,000
	Deferred (Note 32.2)	5,855	-
		43,030	62,000

32.1 This represents tax liability of the company on export sales u/s 169, minimum tax on turnover u/s 113 and tax on dividend income u/s 5 of Income Tax Ordinance, 2001. No other provision for current tax is required keeping in view the presumptive and minimum tax. Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is not required in view of minimum and presumptive taxation.

32.2 Deferred tax effect due to timing differences of:

	Tax depreciation allowance	37,194	28,964
	Finance lease arrangements	1,394	3,769
		38,588	32,733
	Less: Opening balance	32,733	32,733
		5,855	-

Deferred tax expense relating to origination and reversal of temporary differences is calculated at Rupees 3.650 million while due to change in tax rate Rupees 2.205 million.

## 33. Directors and Executives' Remuneration

The aggregate amount charged in the accounts for remuneration, allowances including all benefits to the Chief Executive and other Executives of the company are as follows:

Description	2003		2002	
	Chief Executive	Executives	Chief Executive	Executives
Managerial remuneration	4,536	58,440	2,891	39,224
Contribution to employees' provident fund trust	169	2,485	133	1,809
Housing	1,215	9,183	959	6,429
Reimbursable expenses	650	670	599	6,294
	6,570	70,778	4,582	53,756
No. of persons	1	206	1	142

33.1 70 Executives are provided with free accommodation and 38 executives are provided free use of company's vehicles. The Chief Executive is provided free use of the company's maintained vehicles and residential telephone.

33.2 The aggregate amount charged in these accounts for the year for fees to six directors for four Board meetings and five Audit Committee meetings was Rupees 165,000 (2002: Rupees 92,500).

## 34. Transactions with Associated undertakings/related parties

The Company purchased from and sold to associated undertakings materials, goods and services in the aggregate sum of Rupees 423.185 million (2002: Rupees 509.762 million) and Rupees 181.447 million (2002: Rupees 155.504 million) respectively. Purchases/sales of goods and services are made at arms length prices determined in accordance with comparable uncontrolled price method. Mark-up is received/paid on advances at rate of 6.75 to 16.75 percent (Note 29).

The maximum aggregate amount due from associated undertakings/subsidiary company at the end of any month during the year was Rupees 1,745.405 million (2002: Rupees 1,640.018 million).

## 35. Earning Per Share

There is no dilutive effect on the basic earnings per share, which is based on:

Profit attributable to ordinary Shareholders	Note	(Rupees in thousand)	
		2003	2002
(Rupees in thousand)		81,596	185,383
Weighted average number of ordinary shares outstanding during the year		40,669,358	40,669,358
Earning per share - Basic	(Rupees)	2.01	4.56

## 36. Financial instruments and related disclosures

## 36.1 Financial assets and liabilities

	2003			Sub-total	Non interest bearing			Sub-total	Total
	Interest rates range %	Interest/mark-up bearing Maturity within one year	Maturity more than one year but less than five year		Maturity within one year	Maturity more than one year but less than five year			
Financial Assets									
Long term investments		-	-	-	-	189,242	189,242	189,242	189,242
Long term loans and advances	6.75 to 16.75	29,042	428,400	457,442	1,578	982,776	984,354	1,441,796	
Long term security deposits		-	-	-	-	36,310	36,310	36,310	
Trade debts		-	-	-	1,134,350	-	1,134,350	1,134,350	
Advances and deposits		-	-	-	70,956	-	70,956	70,956	
Other receivables	6.75	41,727	-	41,727	95,447	-	95,447	137,174	
Short term investments		-	-	-	79,870	-	79,870	79,870	

Cash and bank balances		-	-	20,729	-	20,729	20,729
	70,769	428,400	499,169	1,402,930	1,208,328	2,611,258	3,110,427
Financial Liabilities							
Redeemable capital	3.25	550,000	550,000	-	-	-	550,000
Long term loan	-	-	-	-	150,000	150,000	150,000
Liabilities against assets subject to finance lease	7.50 to 20	91,306	268,305	359,611	-	-	359,611
Short term finances	3 to 17.5	1,980,485	1,980,485	1,980,485	-	-	1,980,485
Creditors, accrued and other liabilities		-	-	469,619	-	469,619	469,619
Contingencies		-	-	-	458,519	458,519	458,519
Commitments against letters of credit		-	-	108,663	-	108,663	108,663
	2,071,791	818,305	2,890,096	578,282	608,519	1,186,801	4,076,897

## 2002

	Interest rates range %	Interest/mark-up bearing Maturity		Sub-total	Non interest bearing Maturity		Sub-total	Total
		within one year	Maturity more than one year but less than five year		within one year	Maturity more than one year but less than five year		
Financial Assets								
Long term investments		-	-	-		23,904	23,904	23,904
Long term loans and advances	12.50 to 16.75	29,042	457,441	486,483	1,740	953,100	954,840	1,441,323
Long term security deposits		-	-	-	-	41,864	41,864	41,864
Trade debts		-	-	-	832,517	-	832,517	832,517
Advances and deposits		-	-	-	66,022	-	66,022	66,022
Other receivables	16.5	40,494	-	40,494	55,274	-	55,274	95,768
Cash and bank balances	10	50,000	50,000	50,000	24,667	-	24,667	74,667
		119,536	457,441	576,977	980,220	1,018,868	1,999,088	2,576,065
Financial Liabilities								
Redeemable capital	15.50 to 16.25	40,855	134,949	175,804	-	-	-	175,804
Long term loan	15	25,603	-	25,603	-	-	-	25,603
Liabilities against assets subject to finance lease	13 to 21	107,808	358,050	465,858	-	-	-	465,858
Short term finances	8 to 17.50	1,812,479	-	1,812,479	-	-	-	1,812,479
Creditors, accrued and other liabilities		-	-	-	626,941	-	626,941	626,941
Contingencies		-	-	-	-	422,675	422,675	422,675
Commitments against letters of credit		-	-	-	78,625	-	78,625	78,625
		1,986,745	492,999	2,479,744	705,566	422,675	1,128,241	3,607,985

## 36.2 Financial instruments and risk management policies

The company issues financial instruments mainly to finance its operations. In addition financial instruments such as trade receivables and trade payables arise directly from the company's operation.

The company finances its operations primarily by a mixture of issued share capital, retained profits, long term and short term loans and liabilities. The company borrows funds in local currency usually at fixed rate of interest/mark-up.

Overall risks arising from the company's financial instruments are limited.

## (a) Interest rate risk

Since the company borrows funds usually at fixed interest rates, therefore, the risk occurrence is minimal.

## (b) Foreign exchange risk management

Foreign currency risk on financial instruments, receivables or payables in foreign currency is also not material as trend of devaluation of Pak Rupees on export based industry is stable. In case of appreciation of Pak Rupee the company recognizes the foreign receivables/payables at their fair values.

## (c) Credit risk

The company deals mostly with regular and permanent customers who pay

the instrument on due dates, company considers the credit risk as minimal.

(d) **Fair value of financial assets and liabilities**

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values including for equity investments which is stated at fair value/break-up value. Market value is also disclosed in Note 15.1.

	Note	(Rupees in thousand)	
		2003	2002
37. Employees' retirement benefits			
Contribution to Employees's Provident Fund		9,486	8,703
Contribution to Employees's Old age Benefit Institution		7,490	7,186
		16,976	15,889
Number of Employees		4565	4835

		(Figures in Thousand)	
		2003	2002
38. Plant capacity and actual production			
Spinning:			
Spindle installed (Numbers)		117,472	113,872
Murata Jet Spinning (MJS) Spindles		288	288
Rotar installed		1000	1000
Production at normal capacity in 20s count based on 3 shifts per day (kgs.)		34121	33009
Actual production converted to 20s count based on 3 shifts per day (kgs.)		34467	33 749
Weaving:			
Sulzer looms installed (Numbers)		187	199
Production at normal capacity in 50 picks based on 3 shifts per day (Sqr. Mtrs.)		38899	37326
Actual production at normal capacity converted to 50 picks based on 3 shifts per day (Sqr. Mtrs.)		32923	31580
Towel:			
Towel air jet looms (Numbers)		12	12
Production at normal capacity based on 3 shifts per day (Kgs.)		654	654
Actual production at normal capacity based on 3 shifts per day (Kgs.)		489	361

38.1 Reason for low production

Under utilization of available capacity of weaving section is due to normal maintenance down time and narrower width fabric orders. Production of towel is low due to short orders.

	Note	(Rupees in thousand)	
		2003	2002
39. Segment assets			
The composition of assets of textile and cold storage units is as follows:			
Textile		5,982,845	5,337,112
Cold storage		6,356	6,477
		5,989,201	5,343,589

40. Date of authorization

These accounts have been authorised for issue by the Board of Directors of the company on 30 December 2003.

41. Figures

- Corresponding figures have been re-arranged and regrouped wherever necessary for the purpose of comparison. No significant reclassification has been made.

- Figures have been rounded off to the nearest thousand Rupees.

(Muhammad Anwar)

(Khalid Bashir)

Chairman & Chief Executive

Director



THE CRESCENT TEXTILE MILLS LIMITED AND ITS SUBSIDIARIES  
Financial Statements with Accompanying Information  
For the Year ended 30 September 2003.

THE CRESCENT TEXTILE MILLS LIMITED AND ITS SUBSIDIARIES  
CONTENTS

Auditors' Report to the Members  
Balance Sheet  
Profit & Loss Account  
Cash Flow Statement  
Statement of Changes in Equity  
Notes to the Accounts

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of The Crescent Textile Mills Limited and its Subsidiary Companies as at 30

September 2003 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity, together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of The Crescent Textile Mills Limited and its Subsidiary Companies. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of The Crescent Textile Mills Limited and its Subsidiary Companies as at 30 September 2003 and the results of their operations for the year then ended.

Faisalabad: 30 December 2003

(Riaz Ahmad and Company)

Chartered Accountants

THE CRESCENT TEXTILE MILLS LIMITED AND ITS SUBSIDIARIES  
Consolidated Balance Sheet as at 30 September 2003

	Note	(Rupees in thousand)	
		2003	2002
<b>EQUITY AND LIABILITIES</b>			
Share capital and reserves			
Authorized share capital			
100 000 000 ordinary shares of Rupees 10 each		1,000,000	1,000,000
Issued, subscribed and paid up share capital	3	406,693	406,693
Reserves		1,905,405	1,747,777
Accumulated loss		-151,643	-189,197
		2,160,455	1,965,273
Deferred income on sale and lease back of operating fixed assets			
		2,186	-
Non-current liabilities			
Redeemable capital	4	550,000	134,949
Liabilities against assets subject to finance lease	5	325,298	358,050
Deferred taxation		38,588	32,733
Provision for gratuity		-	1,966
		913,886	527,698
Current liabilities			
Current portion of long term liabilities	6	105,872	174,266
Short term finances	7	1,980,485	1,812,479
Creditors, accrued and other liabilities	8	507,959	528,929
Workers' participation fund	9	12,789	19,397
Provision for taxation		84,556	183,946
Proposed dividend		40,669	81,339

Unclaimed dividend		5,788	5,416
		2,738,118	2,805,772
Contingencies and commitments	10	5,814,645	5,298,743

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

(Muhammad Anwar)  
Chairman & Chief Executive

	Note	(Rupees in thousand)	
		2003	2002
<b>Assets</b>			
Non-current assets			
Tangible fixed assets			
Operating fixed assets	11	898,933	761,802
Assets subject to finance lease	12	446,039	397,356
Capital work-in-progress	13	1,537	126,930
		1,346,509	1,286,088
Equity investments	14	337,184	233,745
Long term loans and advances	15	1,411,731	1,383,102
Long term security deposits		41,831	42,920
		3,137,255	2,945,855
<b>Current assets</b>			
Stores, spare parts and loose tools	16	133,840	131,942
Stock-in-trade	17	713,720	721,589
Trade debts	18	1,135,932	832,916
Advances, deposits and prepayments	19	385,908	375,382
Other receivables	20	201,526	215,549
Short term investments	21	84,034	-
Cash and bank balances	22	22,430	75,510
		2,677,390	2,352,888
		5,814,645	5,298,743

#### THE CRESCENT TEXTILE MILLS LIMITED AND ITS SUBSIDIARIES

##### **Consolidated Profit and Loss Account**

for the Year Ended 30 September 2003

	Note	(Rupees in thousand)	
		2003	2002
Sales	23	4,665,732	4,499,623
Cost of goods sold	24	4,073,603	3,721,370
Gross profit		592,129	778,253
Operating expenses			
Administrative and general	25	136,610	109,946
Selling and distribution	26	178,648	219,970
		315,258	329,916
Operating profit		276,871	448,337
Other income	27	61,839	84,891
		338,710	533,228
Financial and other charges			
Financial charges	28	190,866	254,137
Other charges	29	16,604	16,765
		207,470	270,902
		131,240	262,326
Share of profit/(loss) of associated companies		66,351	-61,543
Profit before taxation		197,591	200,783
Taxation	30	59,368	72,270
Profit after taxation		138,223	128,513
Unappropriated profit/(loss) brought			
Forward - adjusted		-189,197	223,629
Profit/(loss) available for appropriation		-50,974	352,142
Appropriations			
General reserve		60,000	460,000
Proposed dividend		40,669	81,339
		100,669	541,339
Accumulated loss		-151,643	-189,197

		(R	upees)
Earning per share	33	3.4	3.16
Dividend per share		1	2

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

(Muhammad Anwar)

(Khalid Bashir)

Chairman & Chief Executive

Director

#### THE CRESCENT TEXTILE MILLS LIMITED AND ITS SUBSIDIARIES

##### Consolidated Cash Flow Statement for the Year Ended 30 September 2003

Note	(Rupees in thousand)	
	2003	2002
Cash flows from operating activities		
Profit before taxation	197,591	200,783
Adjustments to reconcile profit to net cash provided by operating activities		
Depreciation	106,741	83,447
Amortization	49,812	45,135
Provision for gratuity	-	450
Credit balances added back	-12	-320
(Gain)/loss on disposal of operating fixed assets	-12,173	-2,720
Amortization of deferred income on sale and lease back of operating fixed assets	-547	-
Dividend from associated undertakings	10,249	10,395
Share of (profit)/loss of associated undertakings	-66,351	61,543
Financial charges	190,866	254,137
Cash flows from operating activities Before working capital changes	476,176	652,850
Cash flows from working capital changes		
(Increase )/decrease in current assets		
Stores, spare parts and loose tools	-1,865	-23,647
Stock in trade	7,869	36,786
Trade debts	-303,016	101,880
Advances, deposits and prepayments	-32,935	-54,194
Other receivables	14,023	76,716
Increase/(decrease) in current liabilities		
Short term finances	168,006	-84,315
Creditors, accrued and other liabilities	-12,745	-38,323
Workers' participation fund	-6,608	-4,830
Net cash flows from working capital changes	-167,271	10,073
Cash flows from operating activities	308,905	662,923
Financial charges paid	-199,079	-278,755
Income tax paid	-114,737	-100,788
Gratuity paid	-1,966	-235
Dividend paid	-80,967	-115,906
Net cash(used in)/flows from operating activities	-87,844	167,239

#### THE CRESCENT TEXTILE MILLS LIMITED AND ITS SUBSIDIARIES

##### Consolidated Cash Flow Statement for the Year Ended 30 September 2003

Note	(Rupees in thousand)	
	2003	2002
Cash flows from investing activities		
Fixed assets acquired	-155,307	-62,474
Sale proceeds of operating fixed assets	39,115	31,605
Investments sold	500	-
Investments made	-50,000	-
Long term loans and advances	-28,629	-55,625
Long term security deposits	1,089	-20,644
Net cash used in investing activities	-193,232	-107,138
Cash flows from financing activities		

Redemption of redeemable capital	-175,804	-58,356
Redeemable capital acquired	550,000	100,000
Repayment of long term loan	-25,603	-22,156
Repayment of finance lease liabilities	-120,597	-55,361
Net cash flows from/(used in) financing activities	227,996	-35,873
Net increase/(decrease) in cash and cash equivalents	-53,080	24,228
Cash and cash equivalents at the beginning of the year	75,510	51,282
Cash and cash equivalents at the end of the year	22,430	75,510

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

THE CRESCENT TEXTILE MILLS LIMITED AND ITS SUBSIDIARIES  
Consolidated Statement of Changes in Equity  
for the Year Ended 30 September 2003

	Share capital	Fair value adjustment	Dividend equalization	Reserves Revenue General	Total	Un-appropriated profit/(toss)	Total
Balance as at 30 September 2001	406,693	-	30,000	1,248,815	1,278,815	217,189	1,902,697
Effect of adoption of IAS-39	-	-2,082	-	-	-2,082	6,440	4,358
Adjusted balance as at 01 October 2001	406,693	-2,082	30,000	1,248,815	1,276,733	223,629	1,907,055
Fair value gain	-	11,044	-	-	11,044	-	11,044
Net profit for the year	-	-	-	-	-	128,513	128,513
Transfer to general reserve	-	-	-	460,000	460,000	-460,000	-
Proposed dividend	-	-	-	-	-	-81,339	-81,339
Balance as at 01 October 2002	406,693	8,962	30,000	1,708,815	1,747,777	-189,197	1,965,273
Fair value gain	-	97,628	-	-	97,628	-	97,628
Net profit for the year	-	-	-	-	-	138,223	138,223
Transfer to general reserve	-	-	-	60,000	60,000	-60,000	-
Proposed dividend	-	-	-	-	-	-40,669	-40,669
Balance as on 30 September 2003	406,693	106,590	30,000	1,768,815	1,905,405	-151,643	2,160,455

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

(Muhammad Anwar)

(Khalid Bashir)

Chairman & Chief Executive

Director

THE CRESCENT TEXTILE MILLS LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements for the Year Ended 30 September 2003

1. The group and its activities

The Crescent Textile Mills Group is engaged in business of textile manufacturing comprising spinning, combing, weaving, dyeing, bleaching, printing, buying, selling and otherwise dealing in yarn, cloth and other goods and fabrics made from raw cotton and synthetic fibers(s), electricity generation and cold storage.

2. **Summary of significant accounting policies**

2.1 Basis of preparation of financial statements

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Accounting convention

These accounts have been prepared under the historical cost convention as adjusted to the extent of exchange differences and fair valuation of equity investments as referred to in note 2.5 and 2.10.

### 2.3 Basis of consolidation

Consolidated financial statements include The Crescent Textile Mills Limited and following wholly owned subsidiary companies incorporated in Pakistan.

Financial year ending on:

#### 1. Crescent Hattar Limited (Formerly

SAC Group of Industries Limited) 30 September 2003

#### 2. Crescent Energy Limited 30 June 2003

The subsidiaries are consolidated using purchase method from the effective date of acquisition.

### 2.4 Staff retirement benefits

The group companies have different accounting policies for staff retirement benefits. The main feature of the scheme operated by group in holding company and subsidiaries are as follows:

The Crescent Textile Mills Limited - holding company

The company operates a Provident Fund Scheme for its permanent employees. Equal monthly contributions are made both by the company and employees at the rate of 6.25 percent of basic pay.

Crescent Hattar Limited (Formerly SAC Group of Industries Limited)

The company has started to operate provident fund scheme for its permanent employees since 01 October 2002 instead of gratuity scheme. Equal monthly contributions are made both by the company and employees at the rate of 6.25 percent of basic pay. Previously, provision was made for gratuity under the West Pakistan Industrial and Commercial Employment (Standing Orders) Ordinance, 1968. Payments have been made to employees against the outstanding balance of gratuity payable.

Crescent Energy Limited

Employees of The Crescent Textile Mills Limited provide service to Crescent Energy Limited under an agreement. No direct labour force is hired by Crescent Energy Limited.

### 2.5 Foreign currency

Assets and liabilities in foreign currency are translated into Pak Rupees at the rates of exchange ruling at the balance sheet date or at exchange rates booked with commercial bank(s). Exchange gain or loss on translation of foreign currency loans is adjusted against the cost of tangible fixed assets acquired from respective loans. Exchange risk fee and exchange gain or loss on translation of foreign bills under collection at the year end are charged to current year's income.

### 2.6 Taxation

Current

Charge for current taxation is based on taxable income at current tax rates after taking into account applicable tax rebates and credits, if any, or minimum tax at the rate of 0.5 percent of the turnover, whichever is higher.

Deferred

Deferred tax is accounted for by using the liability method on all timing differences between carrying amounts of assets and liabilities in the financial statements and their tax base. Deferred tax liabilities are recognized for all taxable temporary differences. The Company

recognizes deferred tax assets on all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which these deductible temporary differences can be utilized. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or liability is settled.

#### 2.7 Tangible fixed assets and depreciation

Operating fixed assets are stated at cost less accumulated depreciation. Freehold land and capital work-in-progress are stated at cost. Cost of tangible fixed assets consists of historical cost, applicable exchange differences, borrowing costs pertaining to the construction/erection period and directly attributable cost of bringing the assets to working condition.

Depreciation on operating fixed assets is charged to income on reducing balance method to write-off the cost including related exchange differences over their expected useful life at the rates mentioned in Note 11. Full year's depreciation is charged on the assets added while no depreciation is charged on the assets deleted during the year.

Maintenance and normal repairs are charged to current year's income. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Gain or loss on disposal of operating fixed assets is included in current year's income.

#### 2.8 Assets subject to finance lease

These are stated at lower of present value of minimum lease payments under the lease agreements and fair value of assets. Aggregate amount of obligations relating to assets subject to finance lease are accounted for at net present value of the liabilities. Amortization of leased assets is charged to current year's income. Assets acquired under finance lease are amortized over the useful life of assets.

#### 2.9 Assets subject to operating lease

The Crescent Textile Mills Limited - holding company

Land of cold storage has been acquired under lease agreement for a period of 51 years commencing from August 1981. Lease rentals of Rupees 3,000 per annum are subject to 10 percent increase after every three years and are charged against current year's income.

Crescent Hattar Limited (Formerly SAC Group of Industries Limited)

Land has been acquired under two lease agreements with Sarhad Development Authority for a period of 99 years commencing from March 1988 and November 1993. Leasehold land has been amortized over lease terms by charging to current year's income.

#### 2.10 Equity investments

Investment in associated undertakings

Investment in associated undertakings are accounted for by equity method.

Other investments

Investments are initially recognized on trade-date at cost, comprising of consideration paid and cost of transaction. For listed securities, closing quotations of stock exchanges on last working day of the accounting year are considered for determining fair value, while for unquoted securities, fair value is determined considering break up value of the securities. Its classification is made on the basis intended purpose for holding such investments. These are measured at the balance sheet date on the following basis.

Held to maturity

These are stated at amortized cost less impairment loss, if any, recognized to reflect irrecoverable amounts. Impairment losses are charged to profit and loss account.

Held for trading

These are recognized at fair value and changes in carrying values are included in profit and loss account.

#### Available for sale

These are stated at fair value and changes in carrying values are recognized in equity until investment is sold or determined to be impaired at which time the cumulative gain or loss previously recognized in equity is included in profit and loss account for the year.

#### 2.11 Borrowing cost

Interest, mark-up and other charges on long term liabilities are capitalized up to the date of commissioning of respective fixed assets acquired out of the proceeds of such long term liabilities. All other interest, mark-up and other charges are charged to income.

#### 2.12 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

#### 2.13 Store, spare parts and loose tools

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

#### 2.14 Stock-in-trade

Stock-in-trade is valued at lower of average cost and net realizable value except waste which is valued at net realizable value determined on the basis of contract prices. Average cost and net realizable value are defined as under:

##### Average Cost

- For raw materials - Weighted average cost.
- For work-in-process and finished goods - Production cost including a proportion of overheads.
- Net realizable value - Selling prices in the ordinary course of business

less incidental selling expenses.

#### 2.15 Trade debts

Trade debts originated by the company are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. Known bad debts are written off and provision is made against debts considered doubtful when collection of the full amount is no longer probable.

#### 2.16 Impairment

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated and impairment losses are recognized in the profit and loss account.

#### 2.17 Related party transactions

Transactions and contracts with related parties are carried out at arms length prices determined in accordance with comparable uncontrolled price method.

#### 2.18 Revenue recognition

Revenue from sales is recognized on delivery of goods to customers. Dividend income is recognized when right to receive the dividend is established.

## 2.19 Financial instruments

Financial assets and liabilities are recognised at cost that is the fair value of the consideration given or received at the time when the Company becomes a party to the contractual provisions of the instrument by following trade date accounting.

A financial asset or part thereof is de-recognised when the Company loses control of the contractual right that comprises the financial asset or part thereof. Such control is deemed to be lost if the Company realizes the rights to the benefits specified in the contracts, the rights expire or the Company surrenders those rights. A financial liability or part thereof is removed from the balance sheet when it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired.

Any gain or loss on subsequent measurement and de-recognition is charged to income.

## 2.20 Off setting

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

## 2.21 Cash and cash equivalents

Cash and cash equivalents of the Company consist of cash in hand and balances with banks (Note 22).

		(Rupees in thousand)	
Note		2003	2002
3.	Issued, subscribed and paid up share capital		
	19 781 136 (2002: 19 781 136) ordinary shares of Rupees 10 each fully paid in cash	197,811	197,811
	20 888 222 (2002: 20 888 222) ordinary shares of Rupees 10 each issued as fully paid bonus shares	208,882	208,882
		406,693	406,693
3.1	4 245 523 (2002: 3 967 170) ordinary shares of Rupees 10 each are held by associated undertakings.		
4.	Redeemable capital		
	United Bank Limited (Note 4.1)	550,000	-
	Habib Bank Limited	-	58,083
	Allied Bank of Pakistan Limited	-	17,721
	Saudi Pak Industrial and Agricultural Investment Company (Pvt) Limited	-	100,000
		550,000	175,804
	Less: Current portion (Note 6)	-	40,855
		550,000	134,949

4.1 Syndicate loan facility of Rupees 550 million has been obtained from United Bank Limited (UBL) for Balancing, Modernization and Replacement (BMR) of existing facilities of the company and is convertible into privately placed term finance certificates having face value of Rupees 5,000 each. It carries mark-up at the rate of 6 months treasury bills determined at last working day at the beginning of each semi-annual period plus 1.85 percent per annum and is secured by first pari passu charge over fixed assets of the company. The principal amount will be redeemed in 11 equal semi-annual installments after grace period of 18 months.

		(Rupees in thousand)	
Note		2003	2002
Liabilities against assets subject to finance lease			
The amounts of future rentals and periods during which they fall due are as under:			
	30 September 2003	-	164,101
	30 September 2004	140,043	129,085
	30 September 2005	134,249	122,520
	30 September 2006	122,802	107,113
	30 September 2007	97,836	89,380
	30 September 2008	9,924	-
	Balance rentals as at 30 September	504,854	612,199
	Less: financial charges	73,684	146,341



Present value of minimum lease payments	431,170	465,858
Less: Current portion (Note 6)	105,872	107,808
	325,298	358,050

5.1 The value of the minimum lease payments has been discounted at an implicit interest rate ranging from 7.50 to 20 percent. The balance rentals are payable in monthly/quarterly installments and in case of default of any payment an additional charge at the rate of 1 to 2 percent per annum shall be paid. Taxes, repairs and insurance costs are to be borne by the group. In case of termination of the agreement, the company shall pay entire amount of rentals for un-expired period of lease agreement. The lease agreements are renewable at the option of the lessor on such terms as may be agreed upon. Liabilities are secured against deposit of Rupees 39.442 million and Rupees 0.210 million (2002: Rupees 34.530 million and Rupees 6.666 million) included in long term security deposits and advances, deposits and prepayments respectively.

5.2 Minimum lease payments and their present values are regrouped as under:

	2003		2002	
	Within one year	More than one year but less than five year	Within one year	More than one year but less than five year
Total of minimum lease payments	140,043	364,811	164,101	448,098
Less: Financial charges	34,171	39,513	56,293	90,048
Present Value of minimum lease payments	105,872	325,298	107,808	358,050

	Note	(Rupees in thousand)	
		2003	2002
6. Current portion of long term liabilities			
Redeemable capital (Note 4)		-	40,855
Long term loans		-	25,603
Liabilities against assets subject to finance lease (Note 5)		105,872	107,808
		105,872	174,266
7. Short term finances			
Secured:			
Banking companies and financial institutions			
Cash finance (Note 7.1 and 7.2)		225,943	407,523
Export refinance scheme (Note 7.1 and 7.3)		285,000	595,639
Foreign currency finance (Note 7.1 and 7.4)		1,469,542	743,125
Usance export bills (Note 7.1 and 7.5)		-	66,192
		1,980,485	1,812,479

7.1 The aggregate short term finances are secured by way of joint pari passu hypothecation agreement dated 15 February 1999 signed by the company and the consortium banks against charge and hypothecating of all present and future current assets of the company, wherever situated, lien on export letters of credit or firm contracts including but not limited to stores, spare parts and loose tools, stock-in-trade, trade debts, advances, deposits and prepayments, other receivables, cash and bank balances and personal guarantee of the directors.

7.2 Finances aggregating total facility of Rupees 1,240 million (2002: Rupees 950 million) are available under mark-up agreements and carry mark-up ranging from paisas 6.16 to 36.99 per Rupees 1000 per day.

7.3 Export refinances have been obtained from banking companies under State Bank of Pakistan's refinance scheme on which a service charges at the rate of 3 percent to 8 percent per annum are payable. These form part of aggregate borrowing limits of Rupees 730.325 million (2002: Rupees 905.270 million).

7.4 Limits of Rupees 1,640.195 million (2002: Rupees 743.125 million) were availed during the year at mark up at LIBOR plus 1.25 to 2.25 percent per annum on maturity of finance or at the time of adjustment of finance.

7.5 Limits of Rupees 459 million (2002: Rupees 775 million) were available against usance export bills at mark-up ranges between 6 to 17.50 percent per annum.

(Rupees in thousand)

8.	Note	2003	2002
Creditors, accrued and other liabilities			
Creditors		302,482	325,194
Advances from customers		9,195	3,269
Retention money due to contractors		2,150	794
Accrued expenses		131,043	146,194
Mark-up/interest accrued on finances-secured			
Redeemable capital		53	6,404
Long term loan		-	961
Short term finances		17,587	18,204
Charges on finance lease liabilities		3,035	3,319
Excise duty on loans		8,343	8,343
Due to associated undertakings		18,251	2,061
Workers' welfare fund		8,858	8,858
Income tax deducted at source		877	2,551
Sales tax		941	155
Due to Employees' provident fund trust		5,144	2,622
		507,959	528,929
9. Worker's Participation Fund			
Balance as at 01 October		19,397	24,227
Allocation for the year		7,682	14,525
Interest accrued		617	1,711
		27,696	40,463
Less: payments made to trust during the year		14,907	21,066
		12,789	19,397

9.1 Interest is paid at the prescribed rate under the Act on the funds utilized by group till the date of payment to the fund.

#### 10. Contingencies and commitments

##### Contingencies

The Company is contingently liable to the sum of US\$ 3.500 million to International Finance Corporation (IFC) and Euro 3.784 million (DM 7.400 million) to Deutsche Investitions UND Entwicklungs Gesellschaft MBH (DEG) in case of loan installment payment default by Crescent Bahuman Limited (formerly Crescent Greenwood Limited) CBL under revised Project Finance Agreement (PFA) for restructuring of CBL (2002: US\$ 3.500 million to IFC and Euro 3.784 million (DM 7.400 million) to Deutsche Investitions UND Entwicklungs Gesellschaft MBH (DEG)).

The Company is also contingently liable to the sum of Rupees 5.270 million (2002: Rupees 135.350 million) in respect of tax under Section 12(9) of the Income Tax Ordinance, 1979 levied by the Income Tax Department. An appeal has been filed with the Commissioner of Income Tax (Appeals) there against, which is still pending. No provision has been made against the demand raised by the Department. According to management of the Company there are meritorious grounds that the ultimate decision would be in the Company's favour.

##### Commitments

Contracts for capital expenditure are Rupees 81.027 million (2002: Rupees 45.585 million). Letters of credit other than for capital expenditure are Rupees 27.636 million (2002: Rupees 33.040 million).

#### 11. Operating fixed assets

Description	Cost		As at 30		Depreciation		Asat 30	Book value	Depreciation
	As at 01	Additions/ (Deletions)	September	October	Adjustments	Charge for the			
	October 2002		2003	2002		year	2003	September	%
Land - Freehold	6,503	1,977	8,480					8,480	
Land - Leasehold	4,719		4,719	513	-	48	561	4,158	
Buildings on freehold land	195,707	11,141	206,848	131,751	-	6,399	138,150	68,698	5-10
Buildings on leasehold land	36,883	12,000	48,883	16,317	-	1,651	17,968	30,915	5-10
Plant and Machinery	1,430,126	215,807	1,625,872	810,473	-3,626	81,902	888,749	737,123	10
		-20,061							
Factory tools and equipments	16,486	953	17,439	9,891	-	1,473	11,364	6,075	10-20
Gas and electric installations	43,842	2,134	45,966	30,216	-8	3,141	33,349	12,617	10-20
		-10							
Vehicles	23,107	19,674	36,065	9,780	-1,891	5,635	13,524	22,541	10-20
		-6,716							
Furniture and fixtures	11,088	179	4,183	6,408	-4,620	462	2,250	1,933	10-20
		-7,084							

Office equipments	19,267	3,733	23,000	10,577		6,030	16,607	6,393	10-50
2003	1,787,728	267,598	2,021,455	1,025,926	-10,145	106,741	1,122,522	898,933	
		-33,871							
2002	1,803,992	25,816	1,787,728	955,674	-13,195	83,447	1,025,926	761,802	
		-42,080							

11.1 Depredation charge for the year has been allocated as follows:

	Note	(Rupees in thousand)	
		2003	2002
Cost of goods sold (Note 24)		93,494	76,901
Administrative and general expenses (Note 25)		13,247	6,546
		106,741	83,447

11.2 During the year, the holding company has revised depreciation rates considering the useful life of some of the operating fixed assets. Had the rates not been revised, the profit for the year would have been higher by Rupees 6.694 million. Categories of the assets of holding company with previous and revised rates are given below:

Description	Depreciation rates	
	2003	2002
	%	%
Factory tools and equipments	20	10
Gas and electric installations	20	10
Furniture and fixtures	20	10
Office equipments	50	15

11.3 Disposal of operating fixed assets

Description	Qty.	Cost	Ace. dep.	Book value	Sate proceeds	Mode of disposal	Particulars of purchaser
Plant Machinery							
Colour Despensing System	1	10,200	1,020	9,180	11,912	Negotiation	Heezan Bank limited, Serena Hotel Complex, Fsd.
Sulzer Looms 110"	11	3,091	587	2,504	3,300	Negotiation	An* Weaving, Chak # 7, Sml Industrial toad, Fsd.
Sulzer Looms 110"	1	283	54	229	300	Negotiation	Amir Weaving, Chak #7, Small Industrial Road, Fsd.
Sulzer Looms 110"	15	4,243	806	3,437	4,500	Negotiation	Muhammad Nasir, Chak » 119 IB, Sainana Pull, Saigodha Road, Fsd.
Jet Dying Machine	1	406	373	33	75	Negotiation	Abad Ali, P-334, Samundri Road, Fsd.
Cone Winder	1	300	184	116	600	Negotiation	1mm Brother, Street f 2, Samundri Road, Fsd.
Cone Winder	1	659	227	432	600	Negotiation	Khawar Manzoor, P-13, Kabar Market, tag Road, Fsd.
Cone Winder	2	61	35	26	2,400	Negotiation	Al-ahmad Textile Mills, 6/10, Sharja Trade Center, New W, Khi.
Cone Winder	1	659	227	432	508	Negotiation	Shaheen Pewiz, 26-D, Dar-ul-Ihsan Town, Samundri Road, Fsd.
Cone Winder	1	31	17	14	1,200	Negotiation	Chirag Textile Mills, Suite * 10, 2nd Floor, Shan Arcade, Bariat Market, Lk
Sulzer Looms	6	-	-	-	1,200	Negotiation	Unity Textile Mills, F-20, Main Boulevard, Gulberg DI, Lhr.
Sulzer Looms	10	-	-	-	3,000	Negotiation	team Gul Weaving, Jamia Astiraia Street, Saigodha Road, Fsd.
Gas and Electric Installations							
Air Conditioner	1	10	8	2	3	Negotiation	Arfat Trading Corporation, 958/9, Dastgir Society, KM.
Vehicles							
Honda Civic	AB 3839	284	168	116	325	Negotiation	Rashid Jalil, Company's employee.
Kia Pride	LXA7595	246	145	101	165	Negotiation	RanaFaizSiddique, Sidhupura, Fsd.
Suzuki Pick up	FDD 5184	110	100	10	60	Negotiation	Muhammad Ibrahim, 425, Block D, Ghulam Muhammad AM, Fsd.
Suzuki 800 C.C.	FDV 5417	126	46	80	170	Negotiation	MohsinFiaz, 36-C, Muslim Town, Fsd.
Suzuki 800 C.C.	FDV 6419	127	45	82	176	Negotiation	KhalafKhan, 49-G-7, Isd.
Suzuki 1000 C.C.	FDV 6605	168	60	108	208	Negotiation	Tariq Mehmood, 55-A, Ali Housing, tag Road, Fsd.
Suzuki 800 C.C.	FDV 4452	129	47	82	173	Negotiation	Habib Ahmad, 474-A, Peopte Colony, Fsd.
Suzuki 800 C.C.	FDV 2092	126	46	80	170	Negotiation	Tanveer Ahmad, 142-B, Jinnah Colony, Fsd.
Suzuki 800 C.C.	FDV 5328	130	46	84	170	Negotiation	Quadrat Ullah, House » 220, Street 1 7, Nisar Colony, Fsd.
Suzuki 800 C.C.	FDV 5329	129	47	82	180	Negotiation	Shahzad Haider, Company's employee.
Suzuki 1000 C.C.	FDV 5318	183	66	117	220	Negotiation	Muhammad Akram, Chak No. 102 G, District Sargodha.
Suzuki 800 C.C.	FDW8160	118		118	205	Negotiation	Khyzer Islam, Company's employee.
Motor Cycle	KVA4891	69	14	55	69	Insurance claim	The Premier Insurance Co. of Pak. Ltd, 1st ROOT, Regency Plaza, Fsd.
Suzuki 800 C.C.	FDV 6418	127	45	82	131	Negotiation	Faiz Ali, House * 16, Street * 5, Taj Colony, Fsd.
Suzuki 800 C.C.	FDV 4594	129	47	82	133	Negotiation	YasarIqbal, 19-Block, Sargodha.
Suzuki 800 C.C.	FDV 2096	145	52	93	159	Negotiation	Imran Hafeez, Street # 14, Jaranwala Road, Fsd.
Toyota Corolla	FDV 9787	479	173	306	500	Negotiation	M. Adeel, P-240, Street it 9, Tariq Abad, Fsd.
Mercedes Benz	ACM 774	2,560	-	2,560	3,800	Insurance claim	The Premier Insurance Co. of Pak. Ltd, 1st ROOT, Regency Plaza, Fsd.
Toyota Corolla	FDW 4825	282	-	282	450	Negotiation	Mian Amjid Saeed, 460-B, Peoples Colony, Fsd.
Honda Civic	FDS 7070	848	626	222	500	Negotiation	Mansoor Riaz Siddique, 425, Gulshan Colony, Fsd.

Honda Accord Furniture and fixture	FDR 9090	201	118	83	550	Negotiation	Naseer Ahmad, 50-Jinnah Colony, Fsd.
Furniture and fixture		7,084	4,620	2,464			Old furniture and fixture written off
		33,743	10,049	23,694	38,112		

## 12. Assets subject to finance lease

Description	As at	Cost	As at	As at	Amortization Adjustments	Charge for the year	As at	Book value	Amortization rate %
	01 October 2002	Additions/ (Deletions)	30 September 2003	01 October 2002			30 September 2003	as at 30 September 2003	
Plant and machinery	473,650	170,155 -100,671	543,134	83,384	-33,835	49,359	98,908	444,226	10
Vehicles	14,118	-10,359	3,759	7,028	-5,535	453	1,946	1,813	20
2003	487,768	170,155 -111,030	546,893	90,412	-39,370	49,812	100,854	446,039	
2002	251,908	236,860 -1,000	487,768	45,637	-306	45,135	90,412	397,356	

12.1 Amortization of Leasehold assets for the year has been allocated as follows:

	(Rupees in thousand)		
	Note	2003	2002
Cost of goods sold (Note 24)		49,359	43,363
Administrative and general expenses (Note 25)		453	1,772
		49,812	45,135

## 12.2 Disposal of assets subject to finance lease

Description	Cost	Amortization	Book value	Sale Proceeds	Mode of Disposal	Particulars of purchaser
Suzuki 800 C.C LXL 9138	288	170	118	300	Insurance claim	The Premier Insurance Co, of Pak. Ltd., 1st Floor, Regency Plaza, Fsd.
Toyota Corolla FDW 7655	969	572	397	703	Negotiation	Saudi Pak Leasing Co. Ltd., 6th Floor, Lakson Square Building 1, SarwarShaheedRoad,Khi.
	1,257	742	515	1,003		

12.3 Deletion of remaining assets represent assets purchased at the expiry of lease term and transferred to operating fixed assets.

## 13. Capital work-in-progress

	(Rupees in thousand)		
	Note	2003	2002
Land		119	1,498
Building		-	18,101
Plant and machinery		1,418	103,230
Advances to suppliers		-	4,101
		1,537	126,930

## L4. Equity investments

	(Rupees in thousand)					
	Cost	2003 Share of post acquisition profit/(Ctoss)	Net	Cost	2002 Share of post acquisition profit/(loss)	Net
Quoted						
Associated undertakings:						
Crescent Jute Products Limited 2 736 817 (2002: 2 736 847) fully paid ordinary shares of Rupees 10 each. equity held 18.17% (2002: 18.17%)	20,359	-20,359	-	20,359	-20,359	-
Crescent Sugar Mills and Distillery Limited 867 506 (2002: 867 506) fully paid ordinary shares of Rupees 10 each.	5,854	5,013	10,867	5,854	4,079	9,933
Shams Textile Mills Limited						

406 080 (2002: 406 080) fully paid ordinary shares of Rupees 10 each. Shakarganj Mills Limited	5,029	7,631	12,660	5,029	4,615	9,544
3 230 648 (2002: 3 230 648) fully paid ordinary shares of Rupees 10 each. Equity held 11.03% (2002: 11.03%) Elite Textile Mills Limited	25,969	20,923	46,892	25,969	13,322	39,291
8 400 (2002: 8 400) fully paid ordinary shares of Rupees 10 each. The Premier Insurance Company of Pakistan Limited	40	-40		40	-40	
64 647 (2002: 64 647) fully paid ordinary shares of Rupees 5 each. Crescent Steel and Allied Products Limited	35	516	551	35	454	489
1 368 787 (2002: 1 368 787) fully paid ordinary shares of Rupees 10 each. Trust Investment Bank Limited	7,200	40,056	47,256	7,200	37,357	44,557
1 272 450 (2002: 1 272 450) fully paid ordinary shares of Rupees 10 each. Crescent Knitwear Limited	24,950	4,766	29,716	24,950	13,500	38,450
1 200 000 (2002: 1 200 000) fully paid ordinary shares of Rupees 10 each. Equity held 12.50% (2002: 12.50%) Others	12,000	-12,000		12,000	-12,000	-
MashreqBank Pakistan Limited 12 632 485 (2002: 5 352 748 share of Crescent Investment Bank Limited) fully paid ordinary shares of Rupees 10 each. (Note 14.2) Crescent Boards Limited	68,210	-	68,210	68,210	-733	67,477
334 912 (2002: 334 912) fully paid ordinary shares of Rupees 10 each. Jubilee Spinning and Weaving Mills Limited	3,130		3,130	3,130	-	3,130
182 629 (2002: 182 629) fully paid ordinary shares of Rupees 10 each. Pakistan Industrial Credit and Investment Corporation Limited	702		702	702	-	702
1 009 143 (2002: 851 598) fully paid ordinary shares of Rupees 10 each.	4,542		4,542	4,542	-	4,542

(Rupees in thousand)

Cost	2003 Share of post acquisition <b>profit/ (loss)</b>	Net	Cost	2002 Share of post acquisition profit/(loss)	Net
------	--	-----	------	--	-----

Crescent Spinning Mills Limited 556 800 (2002: 556 800) fully paid ordinary shares of Rupees 10 each	5,568		5,568	-	5,568
Unquoted Associated undertakings: Crescent Ventures International Limited ISO 000 (2002: 150 000) fully paid ordinary shares of Rupees 10 each. Equity held 30.03% (2002: 30.03%) Break-up value as per audited accounts for the year ended 30 June 2002 was Rupees zero per share. Crescent Group Services (Private) Limited 220 000 (2002: 220 000) fully paid ordinary shares of Rupees 10 each. Equity held 8.21% (2002: 8.21%) Break-up value as per audited accounts for the year ended 30 June 2002 was	183,588	46,506	230,094	40,195	223,783
	1,500	-1,500		-1,500	
	2,200	-2,200	-	-2,200	



machines and computers, which are secured against provident fund contribution and considered good. Loans are recoverable in fortnightly/monthly installments. No amount is outstanding for the period exceeding 3 years.

	Note	(Rupees in thousand)	
		2003	2002
16. Store, spare parts and loose tools			
Stores		106,134	84,484
Store-in-transit		1,286	7,927
Spare parts		26,143	39,397
Loose tools		244	134
Scraped machinery		33	-
		133,840	131,942
17. Stock-in-trade			
Raw materials		106,486	118,501
Work-in-process		45,390	35,517
Finished goods		560,472	564,867
Waste		1,372	2,704
		713,720	721,589
18. Trade Debts			
Considered good:			
Secured (Against letters of credit)		276,626	114,941
Unsecured (Note 18.1)		859,306	717,975
		1,135,932	832,916
Considered doubtful (Note 18.2)		29,677	29,677
Less: Provision for doubtful		29,677	29,677
		1,135,932	832,916

18.1 It includes Rupees 77.960 million (2002: Rupees 65.894 million) receivable from Crescent Bahuman Limited.

18.2 It is receivable from Crescent Knitwear Limited - associated undertaking (2002: Rupees 29.677 million).

	Note	(Rupees in thousand)	
		2003	2002
19. Advances, deposits and prepayments			
Loans and advances:			
Considered good:			
Employees (Note 19.1)		2,298	2,659
Suppliers		20,213	15,459
Crescent Bahuman Limited (Note 19.2)		60,000	60,000
		82,511	78,118
Considered doubtful		9,568	9,568
Less: Provision for doubtful		9,568	9,568
		82,511	78,118
Income Tax		241,938	264,347
Letters of credit		50,025	13,455
		374,474	355,920
Deposits			
Securities - trade and others		9,416	3,397
Excise duty		45	45
Margin deposit		47	13,651
		9,508	17,093
Short term prepayments		1,926	2,369
		385,908	375,382

19.1 The maximum aggregate amount due from employees at the end of any month during the year was Rupees 8.293 million (2002: Rupees 5.227 million) and aggregate balances due at the end of financial year was Rupees 1.590 million (2002: Rupees 2.265 million).

19.2 It represents standby working capital loan facility to Crescent Bahuman Limited under MOD of restructuring of CBL.

20. Other receivables			
Considered good:			
Due from associated undertakings (Note 20.1)		42,523	42,237

Export rebates	31,903	38,323
Sales tax refundable	119,602	117,946
Dividend receivable	-	5,384
Interest accrued on security deposit	190	-
Miscellaneous	7,308	11,659
	201,526	215,549

(Rupees in thousand)

2003 2002

	Note	2003	2002
20.1 Due From Associated Undertakings			
Crescent Jute Products Limited		119	997
Shams Textile Mills Limited		-	14
Elite Textile Mills Limited		41,727	40,494
Crescent Industrial Chemicals Limited		400	448
Crescent Group Services (Private) Limited		277	278
Crescent Ujala Limited		-	6
		42,523	42,237
21. Short term investments - available for sale			
Quoted			
Associated undertakings			
Crescent Steel and Allied Products Limited			
840 222 fully paid ordinary shares of Rupees 10 each		33,105	-
Trust Investment Bank Limited			
2 521 680 fully paid ordinary shares of Rupees 10 each		16,895	-
		50,000	-
Share in post acquisition profits		34,034	-
		84,034	-
21.1 Aggregate market value of quoted investments as at 30 September 2003 was Rupees 79.870 million (2002: Rupees Nil).			
22. Cash and bank balances			
Cash with banks on:			
Current accounts		21,751	24,084
Deposit account		-	50,000
		21,751	74,084
Cash in hand		679	1,426
		22,430	75,510
23. Sales			
Local		1,500,014	1,485,615
Export		3,148,019	2,953,482
Waste		30,028	18,996
Processing, weaving and warehousing income		64,670	115,997
		4,742,731	4,574,090
Less: Commission paid to selling agents		-76,999	-74,467
		4,665,732	4,499,623

(Rupees in thousand)

2003 2002

>4.	Note	2003	2002
Cost Of Goods Sold			
Raw materials			
Opening stock		118,501	163,775
Purchases		1,548,831	1,306,963
		1,667,332	1,470,738
Closing stock		-106,486	-118,501
Raw material consumed		1,560,846	1,352,237
Cloth and yarn purchased		778,612	754,039
Store, spare parts and loose tools		307,079	343,567
Packing materials		98,669	91,608
Processing and weaving charges		343,170	328,479
Salaries, wages and other benefits		301,665	281,905
Fuel and power		483,237	408,149
Repairs and maintenance		42,463	39,045
Insurance		11,733	5,611
Depreciation (Note 11.1)		93,494	76,901
Amortization (Note 12.1)		49,359	43,363
Electricity duty on power generation		1,230	900
Other factory overhead		6,192	4,054



	4,077,749	3,729,858
Work-in-process		
Opening stock	35,517	38,840
Closing stock	-45,390	-35,517
	-9,873	3,323
Cost of goods manufactured	4,067,876	3,733,181
Finished goods		
Opening stock	567,571	555,760
Closing stock	-561,844	-567,571
	5,727	-11,811
	4,073,603	3,721,370
25. Administrative and general expenses		
Salaries, wages and other benefits	70,399	56,681
Directors' meeting fee	180	104
Traveling, conveyance and entertainment	9,834	9,939
Rent, rates and taxes	2,480	2,616
Repairs and maintenance	6,842	7,309
Insurance	1,049	1,482
Printing and stationery	7,886	6,612
Communication	7,261	7,061
Subscription	1,410	982
Software development charges	7,248	-
Legal and professional charges (Note 25.1)	5,793	6,282
Depreciation (Note 11.1)	13,247	6,546
Amortization (Note 12.1)	453	1,772
Other charges	2,528	2,560
	136,610	109,946

(Rupees in thousand)

	Note	2003	2002
25.1	Legal and professional charges include the following in respect of auditors' services for:		j i
	Statutory audit	445	445
	Corporate governance compliance review and other certifications	25	-
	Reimbursable expenses	16	12
		486	457
26.	Selling and distribution expenses		
	Freight and shipment	156,778	177,097
	Distribution	21,639	42,683
	Advertisement	231	190
		178,648	219,970
27.	Other income		
	Mark- up on advances to associated undertakings	33,981	68,590
	Profit on deposit against bank guarantee	78	4,117
		34,059	72,707
	Sale of empties and scrap	7,337	5,473
	Dividend income - PICIC	7,457	1,393
	Rental income	254	268
	Exchange gain	-	2,010
	Gain on disposal of operating fixed assets	12,173	2,720
	Amortization of deferred income on sale and lease back of operating fixed assets	547	-
	Credit balances added back	12	320
		61,839	84,891
28.	Financial charges		
	Interest on:		
	Long term loan	1,955	5,532
	Provident Fund Trust	2,183	7,860
	Workers' Participation Fund	617	1,711
	Mark up on:		
	Redeemable capital	11,959	20,036
	Short term finances	112,609	176,248
	Charges on finance lease liabilities	56,200	36,356
	Lease agreement fee	736	2,028
	Bank charges and commission	4,607	4,366
		190,866	254,137

	Note	(Rupees in thousand)	
		2003	2002
19. Other charges			
Workers' welfare fund		-	1,500
Donations (Note 29.1)		3,142	678
Exchange loss		5,780	-
Workers' participation fund		7,682	14,526
Miscellaneous		-	61
		16,604	16,765
29.1 The directors and their spouse have no interest in donees funds.			
JO. Taxation			
Current:			
Group (Note 30.1)		37,756	59,837
Associates		15,757	8,414
		53,513	68,251
Deferred:			
Group (Note 30.2)		5,855	-
Prior Year:		-	4,019
Group		59,368	72,270

30.1 This represents tax liability of the company on export sales u/s 169, minimum tax on turnover u/s 113 and tax on dividend income u/s 5 of Income Tax Ordinance, 2001. No other provision for current tax is required keeping in view the presumptive and minimum tax. Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is not required in view of minimum and presumptive taxation.

30.2 Deferred tax effect due to timing differences of:

Tax depreciation allowance	37,194	28,964
Finance lease arrangements	1,394	3,769
	38,588	32,733
Less: Opening balance		
	32,733	32,733
	5,855-	

Deferred tax expense relating to origination and reversal of temporary differences is calculated at Rupees 3.650 million while due to change in tax rate Rupees 2.205 million.

### 31. Directors and executives' remuneration

The aggregate amount charged in the accounts for remuneration, allowances including all benefits to the Chief Executive, Directors and other Executives of the company are as follows:

Description	2003		2002	
	Chief Executive	Executives	Chief Executive	Executives
Managerial remuneration	4,536	59,415	2,891	40,515
Contribution to employees' provident fund trust	169	2,485	133	1,809
Gratuity	-	38	-	98
Housing	1,215	9,538	959	6,899
Reimbursable expenses	650	6,330	599	6,330
	6,570	77,806	4,582	55,651
Number of persons	1	210	1	147

31.1 70 Executives are provided with free accommodation while 38 executives are provided free use of company's vehicles. The Chief Executive is provided free use of the company's maintained vehicles and residential telephone.

31.2 The aggregate amount charged in these accounts for the year for fees to twelve directors for Eight Board meetings and five Audit Committee meetings was Rupees 180,000 (2002: Rupees 104,000).

### 32. Transactions with associated undertakings/related parties

The Group purchased from and sold to associated undertakings materials, goods and services in the aggregate sum of Rupees 171.582 million (2002: Rupees 265.932 million) and Rupees 156.994 million (2002 Rupees 128.470 million) respectively. Purchases/sales of goods and

services are made at arms length prices determined in accordance with comparable uncontrolled price method. Mark-up is received/paid on advances at rate of 6.75 percent per annum (Note 27).

The maximum aggregate amount due from associated undertakings at the end of any month during the year was Rupees 1,658.062 million (2002: Rupees 1,604.184 million).

### 33. Earning Per Share

There is no dilutive effect on the basic earnings per share, which is based on:

	2003	2002
Profit attributable to ordinary Shareholders (Rupees in thousand)	138,223	128,513
Number of ordinary shares	40 669 358	40 669 358
Earning per share - Basic (Rupees)	3.4	3.16

### 34. Financial instruments and related disclosures

#### 34.1 Financial assets and liabilities

	2003			Sub-total	Non interest bearing			Total
	Interest rates range %	Interest/ Maturity within one year	mark-up bearing Maturity more than one year but less than five year		Maturity within one year	Maturity more than one year but less than five year	Sub-total	
<b>Financial Assets</b>								
Long term investments		-				189,242	189,242	189,242
Long term loans and advances	6.75		428,400	428,400	1,578	983,536	985,114	1,413,514
Long term security deposits		-				41,831	41,831	41,831
Trade debts					1,135,932		1,135,932	1,135,932
Advances and deposits		-			71,001		71,001	71,001
Other receivables	6.75	41,727		41,727	8,294	-	8,294	50,021
Short term investments		-			79,870		79,870	79,870
Cash and bank balances			-		22,430		22,430	22,430
		41,727	428,400	470,127	1,319,105	1,214,609	2,533,714	3,003,841
<b>Financial Liabilities</b>								
Redeemable capital	3.25		555,000	555,000	-			555,000
Long term loan								
Liabilities against assets subject to finance lease	7.50 to 20	105,872	325,298	431,170				431,170
Short term finances	3 to 17.5	1,980,485		1,980,485				1,980,485
Creditors, accrued and other liabilities					474,602		474,602	474,602
Contingencies						458,519	458,519	458,519
Commitments against letters of credit			-		108,663		108,663	108,663
		2,086,357	880,298	2,966,655	583,265	458,519	1,041,784	4,008,439

	2002			Sub-Total	Non interest bearing			Total
	Interest rates range %	Interest/ Maturity within one year	mark-up bearing Maturity More Than one year and less than five year		Maturity within one year	Maturity More Than one year and less than five year	Sub-Total	
<b>Financial Assets</b>								
Long term investment		-				18,336	18,336	18,336
Long term loans and advances	12.5		428,400	428,400	1,740	954,616	956,356	1,384,756
Long term security deposits		-				42,920	42,920	42,920
Trade debts					832,916		832,916	832,916
Advances and deposits					66,056		66,056	66,056
Other receivables	16.5	40,494		40,494	57,109		57,109	97,603
Cash and bank balances	10	50,000		50,000	25,510		25,510	75,510
		90,494	428,400	518,894	983,331	1,015,872	1,999,203	2,518,097
<b>Financial Liabilities</b>								
Redeemable capital	12 to 16	40,855	134,949	175,804				175,804
Long term loans	15	25,603		25,603				25,603

Liabilities against assets subject to finance lease	13 to 21	107,808	465,858	573,666	-	-	573,666
Short term finances	8 to 18	1,812,479		1,812,479	-	-	1,812,479
Provision for gratuity		-		-	1,966	1,966	1,966
Creditors, accrued and other liabilities		-		514,180		514,180	514,180
Contingencies					422,675	422,675	422,675
Commitments against letters of credit			-	78,625		78,625	78,625
		1,986,745	600,807	2,587,552	592,805	424,641	3,604,998

#### 34.2 Financial instruments and risk management policies

The group issues financial instruments mainly to finance its operations. In addition, financial instruments such as receivables and payables arise directly from the group's operation.

The group finances its operations primarily by a mixture of issued share capital, retained profits, long term and short term loans and liabilities. Group borrows funds in local currency usually at fixed rate of interest/mark-up.

Overall risks arising from the group's financial instruments are limited.

##### (a) Interest rate risk

Since the group borrows funds usually at fixed interest/mark-up rates, therefore, the risk occurrence is minimal.

##### (b) Foreign exchange risk management

Foreign currency risk on financial instruments, receivables or payables in foreign currency is also not material as trend of devaluation of Pak Rupees on export based industry is positive. In case of appreciation of Pak Rupees, the group recognizes the foreign receivables/payables at their fair values.

##### (c) Credit risk

The group deals mostly with regular and permanent customers who pay the instrument on due dates. Group considers the credit risk as minimal.

##### (d) Fair value of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

	Note	(Rupees in thousand)	
		2003	2002
35. Employees' retirement benefits			
Gratuity		-	450
Contribution to Employees's Provident Fund		9,777	8,703
Contribution to Employees's Old age Benefit Institution		7,940	7,523
		17,717	16,676
Number of Employees		4854	5063

#### THE CRESCENT TEXTILE MILLS LIMITED AND ITS SUBSIDIARIES

#### Notes to the Consolidated Financial Statements for the Year Ended 30 September 2003

(Figures in thousand)

	2003	2002
36. Plant capacity and actual production		
Spinning:		
Spindle installed (Numbers)	117 472	113 872
Murata jet spinning (MJS) spindle	288	288
Rotar installed	1000	1000
Production at normal capacity in 20s count based on 3 shifts per day (Kgs.)	34009	33009
Actual production converted to 20s count based on 3		

shifts per day (Kgs.)	34467	33749
Weaving:		
Sulzer looms installed (Numbers)	187	199
Air jet looms installed (Numbers)	72	72
Production at normal capacity in 50 picks based on 3 shifts per day (Sqr. Mtrs.)	68262	58225
Actual production at normal capacity converted to 50 picks based on 3 shifts per day (Sqr. Mtrs.)	53699	47604
Towel:		
Towel air jet looms (Numbers)	12	12
Production at normal capacity based on 3 shifts per day (Kgs.)	654	654
Actual production at normal capacity based on 3 shifts per day (Kgs.)	489	361
Power generation:		
Normal capacity (Megawatt hours)	43200	43200
Actual generation (Megawatt hours)	32834	31817

#### 36.1 Reason for Low Production

Under utilization of available capacity is due to normal maintenance down time and narrower width fabric orders. Production of towel is low due to short orders.

#### 37. Date of authorisation

These accounts have been authorised for issue by the Board of Directors of the company on 30 December 2003.

#### 38. Figures

- Corresponding figures have been re-arranged and regrouped, wherever necessary, for the purpose of comparison. No significant rectification has been made.
- Figures have been rounded off to the nearest thousand rupees.

(Muhammad Anwar)

Chairman & Chief Executive

(Khalid Bashir)

Director