

*In the Name of Allah, Who is most merciful
the Compassionate*

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

شروع اللہ کے نام سے
جو بڑا مہربان نہایت رحم والا ہے



C O N T E N T S

CRESCENT SUGAR MILLS & DISTILLERY LIMITED

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CRESCENT SUGAR MILLS & DISTILLERY LIMITED AND ITS SUBSIDIARIES

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FORM OF PROXY



GENERAL INFORMATION

PRINCIPAL & REGISTERED OFFICE

New Lahore Road,
Nishatabad,
Faisalabad.
Phones : (041) 8752111-4
Fax : (041) 8750366
E-mail : csmd@brain.net.pk
URL : www.crescentsugar.com

KARACHI OFFICE

Office # 409, Business Avenue,
Plot # 26-A, Block # 6, P.E.C.H.S.,
Shahrah-e-Faisal,
Karachi - Pakistan.
Phones : (021) 4387315-7
Fax : (021) 4387318

WORKS

Sugar Division

New Lahore Road,
Nishatabad, Faisalabad.
Phones : (041) 8752111-4
E-mail : csmd@brain.net.pk

Distillery Division

New Lahore Road,
Nishatabad, Faisalabad.
Phones : (041) 8752111-4
E-mail : csmd@brain.net.pk

Textile Division

Kotla Kahlon,
8/9 Kilometers from
Shahkot towards Sheikupura,
Shahkot Distt. Sheikupura.
Phones : (0563) 721622 & 721700
Fax : (0563) 721700

SUBSIDIARIES

CRESCOT MILLS LIMITED

PRINCIPAL & REGISTERED OFFICE

Office # 409, Business Avenue,
Plot # 26-A, Block # 6, P.E.C.H.S.,
Shahrah-e-Faisal,
Karachi - Pakistan.
Phones : (021) 4387315-7
Fax : (021) 4387318

Works

B-10, S.I.T.E., Kotri.
Phones : (0221) 870027
Fax : (0221) 870322

Company Activities

Spinning Unit

Chief Executive Officer

Mr. Naveed Gulzar

KARACHI BULK STORAGE & TERMINALS (PVT) LIMITED

PRINCIPAL & REGISTERED OFFICE

3rd Floor,
The Cotton Exchange Building,
I.I. Chundrigar Road, Karachi.
Phones : (021) 2415501-4
Telex : 21028 MAMB PK
Fax : (021) 2412275

Works

60/1-A, Oil Installation
Area, Keamari, Karachi

Company Activity

Engaged in the business of imports,
exports and storage of molasses,
tallow, edible oil etc.

Chief Executive

Mr. Nadeem Maqbool



COMPANY PROFILE

BOARD OF DIRECTORS

Mr. Mazhar Karim (Chairman)
Mr. Muhammad Arshad (Chief Executive Officer)

DIRECTORS

(In alphabetical order)

Mr. Abid Mehmood
Mr. Jamal Nasim (Nominee NIT)
Mr. Khalid Bashir
Mr. Muhammad Anwar
Mr. Salman Rafi

AUDIT COMMITTEE

Mr. Abid Mehmood (Chairman)
Mr. Khalid Bashir
Mr. Muhammad Anwar

COMPANY SECRETARY

Mr. Sami Ullah Chaudhry

BANKERS

Habib Metropolitan Bank Limited
MCB Bank Limited
National Bank of Pakistan
Saudi Pak Commercial Bank Limited
Saudi Pak Industrial And Agricultural Investment Company (Pvt.) Limited

AUDITORS

Messrs Ford Rhodes Sidat Hyder & Company
Chartered Accountants



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 48th Annual General Meeting of the shareholders of **CRESCENT SUGAR MILLS & DISTILLERY LIMITED** will be held at the Registered Office of the Company on Thursday the March 29, 2007 at 10:30 a.m. to transact the following business:-

1. To confirm the minutes of the Extra Ordinary General Meeting of the Company held on August 05, 2006.
2. To receive, consider and adopt Annual Audited Financial Statements and consolidated Financial Statements of the Company for the year ended September 30, 2006 together with the Directors' and Auditors' Reports thereon.
3. To appoint External Auditors and fix their remuneration.
4. To transact any other business with the permission of the chair.

On Behalf Of The Board

**(Sami Ullah Ch.)
Company Secretary**

REGISTERED OFFICE:

Crescent Sugar Mills & Distillery Limited
New Lahore Road, Nishatabad,
Faisalabad.
Phones : (041) 8752111-13
Fax : (041) 8750366

Dated: February 28, 2007

NOTE:

1. The Share Transfer Books of the Company will remain closed from March 22, 2007 to March 30, 2007 (both days inclusive).
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 of holding the meeting.
3. CDC account holders will further have to follow the under mentioned guidelines as laid down in Circular No.1 dated January 26, 2000 of 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 identity by showing his original National Identity Card (NIC) or original passport at the time of attending the meeting. The shareholders registered on CDC are also requested to bring their Participants I.D. numbers and account numbers in CDC.

ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

b. For appointing proxies:

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

ii) The proxy form shall be witnessed by two persons whose names and NIC Nos. 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 signature of the nominee shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.

NOTICE TO THE SHAREHOLDERS U/S 253 OF THE COMPANIES ORDINANCE, 1984

In pursuance of Section 253(2) of the Companies Ordinance, 1984 the members are hereby notified that we have received a notice from a shareholder under section 253(1) of the Companies Ordinance, 1984 proposing the name of M/s. Riaz Ahmed & Company, Chartered Accountants of Faisalabad for appointment as external auditors of the Company for the year ended September 30, 2007 in place of the retiring auditors M/s. Ford Rhodes Sidat Hyder & Company, Chartered Accountants of Lahore.



PRODUCTION DATA 1997-2006

| SEASON | SUGAR | | | | | MOLASSES | INDUSTRIAL ALCOHOL | | COTTON YARN | |
|-----------|---------------------------|------------------------|--------------------------|--------------------|--------------------------|-----------------------------|--------------------|--------------------------------------|-------------|---|
| | DURATION OF SEASON (DAYS) | CANE CRUSHED (M. TONS) | SUGAR PRODUCED (M. TONS) | RECOVERY (PERCENT) | PROCESS LOSSES (PERCENT) | MOLASSES PRODUCED (M. TONS) | DAYS | INDUSTRIAL ALCOHOL PRODUCED (LITRES) | DAYS | COTTON YARN PRODUCED CONVERTED INTO 20/S (KGS.) |
| 2005-2006 | 153 | 286,013 | 20,487 | 7.18 | 2.37 | 14,347 | 52 | 790,418 | 365 | 18,756,471 |
| 2004-2005 | 146 | 290,213 | 23,211 | 8.00 | 2.47 | 13,200 | 27 | 420,769 | 365 | 19,498,458 |
| 2003-2004 | 118 | 265,343 | 21,583 | 8.15 | 2.95 | 12,430 | 83 | 1,172,200 | 365 | 18,367,671 |
| 2002-2003 | 156 | 331,960 | 24,685 | 7.43 | 3.12 | 15,250 | 79 | 992,065 | 364 | 13,387,517 |
| 2001-2002 | 141 | 336,664 | 26,778 | 7.97 | 3.04 | 16,148 | 111 | 1,710,132 | 364 | 12,291,150 |
| 2000-2001 | 136 | 252,756 | 17,618 | 7.00 | 3.08 | 12,205 | 137 | 1,846,228 | 364 | 12,304,790 |
| 1999-2000 | 122 | 218,481 | 14,983 | 6.86 | 2.73 | 10,350 | 98 | 1,321,571 | 366 | 12,060,898 |
| 1998-1999 | 157 | 392,193 | 27,922 | 7.12 | 2.62 | 18,494 | 148 | 2,097,185 | 365 | 12,273,302 |
| 1997-1998 | 161 | 415,979 | 31,834 | 7.68 | 2.63 | 19,493 | 68 | 954,642 | 365 | 12,303,704 |
| 1996-1997 | 171 | 385,071 | 28,709 | 7.46 | 2.74 | 18,052 | 129 | 2,261,027 | 364 | 12,318,774 |



VISION

To continue to hold a highly prestigious profile amongst the national as well as international industry through producing international quality sugar, industrial alcohol, yarn and by products, while ever endeavoring for a sustainable growth of the Company.

MISSION

The company's primary mission is to be a profitable performance proven leader in sugar, industrial alcohol and yarn manufacturing, with recognition coming from our customers, our equity holders, our employees and the public at large. The company seeks to accomplish this in a manner that contributes to the strengthening of the free enterprise system, to the development and growth of its employees, and to the goals of the country and the community towards fulfilling its social responsibilities/obligations in a befitting manner.



DIRECTORS' REPORT TO THE SHARE HOLDERS

The Directors of your Company present the annual report and audited financial statements for the year ended September 30, 2006.

FINANCIAL RESULTS

The financial results of the Company are summarized below:

| | (RUPEES IN THOUSAND) | |
|-------------------------------|----------------------|----------|
| | 2006 | 2005 |
| Profit (Loss) before taxation | (36,127) | 63,839 |
| Provision for taxation | 23,047 | 9,753 |
| Profit (Loss) after taxation | (59,174) | 54,086 |
| Loss brought forward | (13,114) | (67,200) |
| Loss carried forward | (72,288) | (13,114) |

Due to loss the board has not recommended any dividend during the year.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and is being consistently reviewed by the internal audit and other such procedures. The process of review will continue and any weakness in controls will be removed.

- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Details of significant deviations in the Company's operating results during the current year are stated in the Chief Executive Officer's Review.
- Summarized key operating and financial data for last six years is annexed.
- The value of investments of provident fund based on audited accounts of September 30, 2005 is Rupees 137.409 Million.
- There have been four (4) Board Meetings during the year and attendance of each director is stated under :-

NAME OF DIRECTOR

(In alphabetical order)

| NAME OF DIRECTOR | MEETINGS ATTENDED |
|-------------------------------|-------------------|
| Mr. Abid Mahmood | 4 |
| Mr. Khalid Bashir | 4 |
| Mr. Mazhar Karim | 2 |
| Mr. Muhammad Anwar | 4 |
| Mr. Muhammad Arshad | 4 |
| Mr. Salman Rafi | Nil |
| Mr. Jamal Nasim (Nominee NIT) | 3 |

AUDITORS' QUALIFICATION

The Auditors have reported that balance of Rs. 23.950 million due from Crescent Fibers Limited (formerly Crescent Boards Limited) has not been provided for. Management is fully confident for the recovery of the amount as Crescent Fibers Limited is running spinning units as well and good results are expected. Therefore, no provision for doubtful debts is made in the accounts for the year ended September 30, 2006.

PATTERN OF SHAREHOLDING

The pattern of shareholding as per section 236 of the Companies Ordinance, 1984 is attached. During the year the detail of shares purchased/sold by Directors and their spouses and minor children is as under:-



Crescent Sugar Mills & Distillery Limited

| SR.# | NAME OF DIRECTOR/ SPOUSE/MINOR | SHARES PURCHASED | STATEMENT OF COMPLIANCE WITH BEST PRACTICES ON TRANSFER PRICING |
|------|---|---------------------|---|
| 1. | Mrs. Shireen Abid (W/o Mr. Abid Mehmood) | 2,624 | The company has fully complied with best practices on Transfer Pricing as contained in Listing Regulation No. 38 of the Karachi Stock Exchange. |
| 2. | Mr. Muhammad Arshad | 63,500 | |

Except that of the above directors/spouses/minor children, remaining directors, CEO, CFO, Company Secretary and their spouses and minor children have not traded in the shares of the Company.

RELATED PARTIES

The transactions between the related parties were carried out at arm's length prices determined in accordance with the comparable uncontrolled prices method. The Company has fully complied with the best practices on Transfer Pricing as contained in the Listing Regulations of Stock Exchanges in Pakistan.

Corporate Governance

The Statement of Compliance with the best practices of Code of Corporate Governance is annexed.

Audit Committee

The board of directors in compliance with the Code of Corporate Governance has established an Audit Committee. The names of its members are given in the company profile.

Meetings of the Shareholders

Two Extra Ordinary General meetings of the members of the company were held on February 28, 2006 and August 05, 2006 for approval of investment in right shares of Shakarganj Mills Limited and Crescent Steel and Allied Products Limited.

External Auditors

On the request of a member and based on the suggestion of the audit committee, the Board has recommended appointment of M/s. Riaz Ahmad & Company, Chartered Accountants as external auditors for the year ending September 30, 2007.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements with accompanying information have been annexed as required under section 237 of the Companies Ordinance, 1984.

Crescot Mills Limited

The auditors have drawn attention that the company has ceased its production activities since August 1998 and has disposed of major part of plant and machinery. Accordingly, the company is no more a going concern. Voluntary De-listing Committee of Karachi Stock Exchange (KSE) approved the offer of the sponsors to buy back the shares from minority shareholders for de-listing of the company. The sponsors have made the buy back of shares and the company has been de-listed from KSE with effect from 28 July 2005.

**For and on behalf of
the Board of Directors**

MUHAMMAD ARSHAD
CHIEF EXECUTIVE OFFICER

Faisalabad
February 22, 2007



CHIEF EXECUTIVE OFFICER'S REVIEW

SUGAR OPERATIONS

CANE CRUSHING SEASON 2005-2006

The crushing campaign for the current year season commenced on October 20, 2005 and ended on March 21, 2006. During the review period, the Factory milled 286,013 M. Tons of sugarcane and produced 20,487 M. Tons of white sugar at an average recovery of 7.18%. In comparison, during the corresponding period of last year, 23210 M. Tons of sugar was produced after milling 290,213 M. Tons of sugarcane at an average recovery of 8%.

For a last couple of years, we are experiencing a declining trend in the Country's overall sugar production. One of the major reason contributing to this shortfall is the curtailment in the area under sugarcane cultivation. This year, the situation has been further triggered with a frost attack in Punjab, which severely damaged the standing sugarcane crop thus reducing the sucrose contents.

As the shareholders are well aware that due to expansion of the city of Faisalabad, our mills is now situated right in the heart of the city. We are therefore in an area which is a sugarcane deficit area and are forced to buy sugarcane from the far flung areas which results in heavy cost of transportation and ultimately affects the profitability of the company.

For the period under review, as reported earlier, there was an overall shortage of sugarcane in the country. The mill was forced to operate intermittently and far below its capacity. This not only resulted in low recovery ratio due to frequent operational halts but also increasing the cost of manufacturing because of heavy fuel costs and the other fixed expenses. The lesser crop resulted in unhealthy competition among the mills in our adjoining areas for the procurement of sugarcane. The farmers and traders fully exploited situation by deliberately slowing down the sugarcane supply to the factories. This created a panic in the sugar mills and the procurement staff of the neighboring mills adopted all available means and sources to procure maximum quantity of sugarcane. We were also left with no other option but to adopt the same course of action in order to function our production facilities and the sugarcane had to be procured at a price which was way higher than the sugarcane support prices fixed by the Government.

The production results of last three years are summarized as under:-

| | 2005-2006 | 2004-2005 | 2003-2004 |
|--------------------------------|-----------|-----------|-----------|
| Cane Crushed (M. tons) | 286,013 | 290,213 | 265,343 |
| White Sugar Produced (M. tons) | 20,487 | 23,211 | 21,583 |
| Recovery (%) | 7.18 | 8.00 | 8.15 |

Despite operating in adverse circumstances, we were hoping that the price of sugar would compensate to our company to some extent as there was a global rise in the sugar prices. But the situation turned to entire dismal proportion as the government intervened in order to check the rising domestic price of sugar. The negative publicity campaign carried out in the newspapers played a pivotal role in spurring this stern action by the Government.

Instead of letting the market forces to determine the price of commodity based on demand supply equilibrium, the sugar shortfall was replenished through free market imports at zero duty. Huge quantities of sugar was imported by the TCP and sold it through Utility Stores at a subsidized price. In addition to this, the government imposed cash margin on financing provided against sugar and put a deadline as to when these finances were to be repaid to the banks. These measures created uncertainty in the market and led to a crash in local prices. Sugar had to be sold below cost to comply with the margin conditions and repay the bank loans. The overall profitability of the company was suffered due to the multiple affects of all these factors.

We feel that there is a need to effectively probe into the causes responsible for the ills of such an important industry as sugar and suggest some effective measures to revolutionize and reactivate it.

This prolonged crisis in the sugar industry is not only causing huge losses to the national exchequer but is also creating liquidity problems for the Industry. What we require is to find a collective solution to help all the stakeholders including growers, industry and the consumers.

Molasses

The selling price of molasses remained favorable than the previous year. The average selling price of molasses was Rs. 4,519/= per metric ton as compared to Rs. 3,539/= during the last year.

DISTILLERY OPERATIONS

The Distillery division after working for 52 days produced 790,418 Liters at an average recovery of 9.312% whereas, during the last year, the division



worked for 27 days and produced 420,769 Liters at an average recovery of 8.58%. The average price of distillate sold this year was relatively higher.

PROSPECT FOR THE CURRENT YEAR

For the crushing season of 2006-2007, the Punjab Government announced the minimum sugarcane procurement price at Rs. 60 per 40 kg, thereby raising it by more than 33% from the previous year's level of Rs. 45 per 40 kg. This will have a telling affect on the production cost. In relation to this, the prices of the end product has not reflected any remarkable improvement and we fear that this heavy cost would not be absorbed by the selling price of sugar in the domestic market. There is a huge buffer stock available with the TCP which is being dumped through utility stores at subsidized rates. The price of sugar is under continuous pressure as the sugar mills are regularly offloading their stocks in the domestic market in order to generate funds to make payment to the growers. The farmers and the middle men are again resorting to the same tactics as was evident during the last year and have been slowing down the supply of sugarcane in order to attract better prices for the sugarcane and in spite of the unprecedented hike in the sugarcane price by the Punjab Government, we are again experiencing difficulties in getting regular supply to our factory. The member mills are again engaged in the rat race for the sugarcane procurement which we fear that it would again result in heavy raw material cost burden on this industry. We are again experiencing intermittent operations in our sugar division which not only has a negative impact on the recovery percentage due to start stop operations but also leads to heavy fuel costs. The member mills are in regular consultation with each other in order to halt this price hike but so far, no concrete strategy has been formulated to counter this mad race. We hope that consensus would be achieved soon which would end this unhealthy competition. The price of sugar in the domestic market remains to be under pressure as the dealers are having a negative outlook as far as the future price of this commodity is concerned. The government wants to give some relief to this industry and have committed not to intervene if the price of sugar reaches certain level but due to demand and supply situation, the price of sugar is at a lower level. Under these circumstances, we are not foreseeing a better year for this industry.

TEXTILE OUTLOOK

The year under review has been a very difficult year for the Textile Industry of Pakistan. The cotton crop was much lesser than the Country's requirement and Pakistan had to import cotton to cover the deficit. The interest rates saw massive rise and minimum wages were also increased by the Government. The prices of various inputs that are consumed in the Textile Sector also showed a rising trend due to rise in the International Oil prices. The multiple affect of all these factors has been a substantial increase in the cost of production for the entire

industry.

Due to the world wide recession for the textile goods and lesser demand for Pakistani Textile good, the market remained depressed and we were not been able to achieve the right price for our product. WAPDA once again resorted to massive load shedding which greatly affected the production of our Units. We hope to overcome this problem with functioning of our Captive Power Generation Unit.

FUTURE PROSPECTS OF TEXTILE

The future outlook of this division is not very encouraging. Once again, the cotton production of the country is less than the overall requirement and for this reason; the prices of the cotton in the domestic as well as in the international market remained high. The mark-up rates have also reached to new heights and we are once again experiencing low demand of yarn due to international recession.

SUBSIDIARIES

CRESCOT MILLS LIMITED

As already reported, the company has ceased all its production activities and during the period under review, the company earned a profit of Rs. 1.209 Million compared to loss of Rs. 0.615 Million sustained last year. The company has been delisted from the Karachi Stock Exchange with effect from July 28, 2005.

KARACHI BULK STORAGE & TERMINALS (PVT.) LIMITED

The company earned a profit of Rs. 0.551 Million as compared to Rs. 28.622 Million during the same period of last year.

INDUSTRIAL RELATIONS

The industrial relations remained cordial throughout the year and the above results were achieved with the whole-hearted co-operation of employees at all level.

ACKNOWLEDGEMENT

The Board of Directors of the Company, wish to place on record their thanks and appreciation to all workers, staff members and executives for their contribution towards the operations of the company. The Directors are thankful to the bankers, financial institutions for their continued support to the company. The Directors also place on record sincere thanks to the shareholders for their continued support, co-operation and confidence in the management of the company.

For & on Behalf of the Board of Directors

MUHAMMAD ARSHAD
CHIEF EXECUTIVE OFFICER

Faisalabad
February, 22, 2007



SUMMARIZED KEY OPERATING FINANCIAL DATA

(RUPEES IN MILLION EXCEPT PER SHARE)

| | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
|--|----------|----------|----------|----------|----------|----------|----------|
| FROM THE STATEMENT OF INCOME | | | | | | | |
| Sales | 2,130.87 | 2,085.49 | 1,765.55 | 1,192.01 | 1,452.26 | 1,361.01 | 1,318.60 |
| Increase/(decrease) percent | 2.20 | 18.04 | 48.21 | (17.90) | 6.70 | 3.20 | 2.90 |
| Cost of sales | 2,008.64 | 1,907.31 | 1,757.08 | 1,138.89 | 1,283.15 | 1,245.38 | 1,093.55 |
| Operating expenses | 93.69 | 80.93 | 61.20 | 53.43 | 64.14 | 67.61 | 65.71 |
| Operating profit/(loss) | 28.55 | 97.24 | (53.61) | (0.31) | 104.97 | 48.02 | 159.34 |
| Interest expenses | 74.31 | 53.39 | 35.04 | 35.06 | 28.00 | 44.20 | 52.83 |
| Other charges | 0.00 | 0.00 | 2.06 | 0.90 | 4.72 | 0.83 | 29.92 |
| Other income (Net) | 9.63 | 19.99 | 24.11 | 17.37 | 10.93 | 12.20 | 18.34 |
| Income/(loss) before taxes | (36.13) | 63.84 | (64.54) | (18.90) | 83.19 | 15.19 | 94.94 |
| Change percent | (156.59) | (198.92) | 241.46 | (122.72) | 447.66 | (84.00) | 1,123.45 |
| Percentage of sales | (1.74) | 3.06 | (3.70) | (1.60) | 5.70 | 1.10 | 7.20 |
| Income/(loss) after taxes (Net) | (59.17) | 54.09 | (42.40) | (25.57) | 47.49 | 6.22 | 80.23 |
| Percentage of sales | (2.81) | 2.59 | (2.40) | (2.10) | 3.30 | 0.50 | 6.10 |
| FROM THE BALANCE SHEET | | | | | | | |
| Current assets | 657.69 | 655.45 | 782.73 | 396.44 | 266.09 | 288.67 | 326.81 |
| Tangible fixed assets | 481.61 | 416.02 | 427.52 | 400.05 | 292.25 | 281.35 | 276.82 |
| Other assets | 30.53 | 99.14 | 105.93 | 231.22 | 131.07 | 89.02 | 37.08 |
| Total assets | 1,169.83 | 1,170.60 | 1,316.19 | 1,027.70 | 689.41 | 659.04 | 640.71 |
| Increase/(decrease) percent | (0.10) | (11.06) | 28.10 | 49.10 | 4.60 | 2.90 | (11.10) |
| Current portion of long term liabilities | 36.04 | 62.28 | 61.32 | 43.50 | 14.64 | 14.51 | 14.93 |
| Other current liabilities | 605.26 | 510.48 | 694.75 | 455.05 | 255.68 | 282.71 | 279.94 |
| Long term debts | 118.18 | 51.65 | 83.01 | 82.52 | 38.54 | 52.13 | 43.15 |
| Non-current liabilities | 25.19 | 15.36 | 9.86 | 34.36 | 34.82 | 24.94 | 24.16 |
| Shareholders' equity | 385.17 | 530.84 | 467.26 | 412.28 | 345.73 | 284.75 | 278.53 |
| Total liabilities & shareholders' equity | 1,169.83 | 1,170.60 | 1,316.19 | 1,027.70 | 689.41 | 659.04 | 640.71 |
| FROM THE STATEMENT OF CHANGES IN FINANCIAL POSITION | | | | | | | |
| Internal sources of funds | 16.80 | 114.20 | (26.24) | 3.69 | 129.20 | 36.20 | 137.81 |
| External sources of funds | 115.66 | 3.00 | 28.25 | 0.00 | 0.00 | 18.06 | 0.10 |
| Total sources of funds | 132.45 | 107.20 | 2.01 | 3.69 | 129.20 | 54.26 | 137.91 |
| Capital expenditure (Net) | 109.76 | 36.50 | 59.36 | 44.11 | 40.04 | 26.85 | 14.98 |
| Other applications | 89.77 | 32.26 | 30.16 | 53.49 | 25.37 | 33.26 | 41.89 |
| Increase/(decrease) in working capital | (67.07) | 48.44 | (87.51) | (93.91) | 63.79 | (5.85) | 81.04 |
| Total application of funds | 132.45 | 117.20 | 2.01 | 3.69 | 129.20 | 54.26 | 137.91 |
| OTHERS | | | | | | | |
| Depreciation and amortization | 42.88 | 46.29 | 46.95 | 28.70 | 29.14 | 30.59 | 30.22 |
| Break-up value per share | 18.02 | 27.94 | 24.59 | 21.70 | 18.19 | 14.98 | 15.91 |
| Earning/(loss) per share after taxes | (2.77) | 2.85 | (2.23) | (1.35) | 2.50 | 0.33 | 4.22 |
| Dividend per share | 0.00 | 0.00 | 0.00 | 0.00 | 1.50 | 0.00 | 1.25 |
| Debt equity ratio | 0.40 | 0.21 | 0.31 | 0.31 | 0.15 | 0.23 | 0.21 |
| Current ratio | 1.09 | 1.28 | 1.13 | 0.87 | 1.04 | 1.02 | 1.17 |



Crescent Sugar Mills & Distillery Limited

(RUPEES IN MILLION)

| | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
|------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| BREAK UP OF REVENUE | | | | | | | |
| Sales (Net) | | | | | | | |
| Sugar | 565.802 | 508.973 | 382.999 | 208.530 | 484.374 | 327.599 | 319.827 |
| Yarn | | | | | | | |
| Local | 1,046.967 | 1,059.071 | 932.269 | 657.502 | 510.904 | 347.158 | 314.901 |
| Export | 418.221 | 433.816 | 408.372 | 287.537 | 406.701 | 648.033 | 663.187 |
| | 1,465.188 | 1,492.877 | 1,340.641 | 945.039 | 917.605 | 995.191 | 978.088 |
| Distillate | 9.219 | 21.615 | 15.900 | 18.239 | 35.141 | 33.515 | 25.834 |
| Molasses | 59.819 | 48.727 | 11.080 | 11.460 | 16.990 | 3.994 | 4.910 |
| Waste | 35.581 | 29.400 | 27.933 | 18.801 | 15.820 | 26.549 | 11.869 |
| Embroidery | 10.294 | - | - | - | - | - | - |
| | 2,145.903 | 2,101.602 | 1,778.553 | 1,202.069 | 1,469.930 | 1,386.848 | 1,340.528 |
| Less: Commission to selling agents | 15.029 | 16.115 | 12.998 | 10.055 | 17.666 | 25.834 | 21.927 |
| Sales revenue | 2,130.874 | 2,085.487 | 1,765.555 | 1,192.014 | 1,452.264 | 1,361.014 | 1,318.601 |

FINANCIAL AND OPERATING DATA FOR PAST EARNINGS

(RUPEES IN THOUSAND)

| | | | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Sales | 2,130.874 | 2,085,487 | 1,765,555 | 1,192,014 | 1,452,264 | 1,361,014 | 1,318,601 |
| % Increase/(decrease) over previous year | 2.00 | 18.00 | 48.21 | (18.00) | 7.00 | 3.00 | 5.00 |
| Gross profit | 122.234 | 178,173 | 8,479 | 53,128 | 169,111 | 115,628 | 225,051 |
| as % to sales | 6.00 | 9.00 | 0.55 | 4.00 | 12.00 | 8.00 | 17.00 |
| Operating expenses | 93.688 | 80,931 | 62,090 | 53,434 | 64,142 | 67,607 | 65,711 |
| as % to sales | 4.00 | 4.00 | 3.58 | 4.00 | 4.00 | 5.00 | 5.00 |
| Operating profit/(loss) | 28.546 | 97,242 | (53,611) | (306) | 104,969 | 48,021 | 159,340 |
| as % to sales | 1.00 | 5.00 | (3.03) | 0.00 | 7.00 | 4.00 | 12.00 |
| Financial charges | 74.306 | 53,394 | 35,037 | 35,063 | 27,998 | 44,180 | 52,828 |
| as % to sales | 3.00 | 3.00 | 1.98 | 3.00 | 2.00 | 3.00 | 4.00 |
| % Increase/(decrease) over previous year | 39.00 | 49.00 | (0.07) | 25.00 | (37.00) | (16.00) | (18.00) |
| Other income | 9.633 | 19,991 | 24,109 | 17,368 | 10,933 | 12,202 | 18,344 |
| Other charges | 0 | 0 | 0 | 900 | 4,717 | 855 | 29,916 |
| Net profit/(loss) before tax | (36.127) | 63,839 | (64,539) | (18,901) | 83,187 | 15,188 | 94,940 |
| as % to sales | (2.00) | 3.00 | (3.65) | (2.00) | 6.00 | 1.00 | 7.00 |
| Taxation | 23.047 | 9,753 | (22,141) | 6,665 | 35,696 | 8,969 | 14,707 |
| profit/(loss) after tax | (59.174) | 54,086 | (42,398) | (25,566) | 47,491 | 6,219 | 80,233 |



Form '34'
PATTERN OF HOLDING OF SHARES
HELD BY SHAREHOLDERS AS AT SEPTEMBER 30, 2006

| Shareholders | From | To | Total Shares |
|--------------|---------|---------|-------------------|
| 536 | 1 | 100 | 17,974 |
| 489 | 101 | 500 | 123,111 |
| 194 | 501 | 1000 | 134,612 |
| 250 | 1001 | 5000 | 523,434 |
| 49 | 5001 | 10000 | 340,075 |
| 24 | 10001 | 15000 | 309,771 |
| 9 | 15001 | 20000 | 150,913 |
| 8 | 20001 | 25000 | 182,632 |
| 5 | 25001 | 30000 | 136,373 |
| 12 | 30001 | 35000 | 388,933 |
| 8 | 35001 | 40000 | 305,714 |
| 7 | 40001 | 45000 | 290,777 |
| 4 | 50001 | 55000 | 210,702 |
| 3 | 55001 | 60000 | 167,458 |
| 7 | 60001 | 65000 | 435,592 |
| 4 | 65001 | 70000 | 265,289 |
| 2 | 70001 | 75000 | 148,127 |
| 2 | 80001 | 85000 | 165,732 |
| 4 | 85001 | 90000 | 349,550 |
| 1 | 90001 | 95000 | 90,920 |
| 1 | 95001 | 100000 | 99,000 |
| 2 | 100001 | 105000 | 207,059 |
| 1 | 105001 | 110000 | 109,002 |
| 1 | 110001 | 115000 | 113,094 |
| 1 | 115001 | 120000 | 119,616 |
| 1 | 125001 | 130000 | 127,215 |
| 1 | 130001 | 135000 | 134,501 |
| 6 | 135001 | 140000 | 822,219 |
| 2 | 140001 | 145000 | 285,102 |
| 1 | 145001 | 150000 | 145,540 |
| 1 | 150001 | 155000 | 150,525 |
| 3 | 165001 | 170000 | 504,855 |
| 1 | 170001 | 175000 | 173,500 |
| 2 | 175001 | 180000 | 360,000 |
| 1 | 195001 | 200000 | 200,000 |
| 1 | 215001 | 220000 | 219,344 |
| 1 | 220001 | 225000 | 223,938 |
| 1 | 225001 | 230000 | 225,192 |
| 1 | 235001 | 240000 | 236,289 |
| 1 | 255001 | 260000 | 257,465 |
| 1 | 275001 | 280000 | 278,033 |
| 1 | 285001 | 290000 | 285,014 |
| 1 | 295001 | 295000 | 290,484 |
| 3 | 300001 | 305000 | 909,727 |
| 1 | 315001 | 320000 | 319,093 |
| 1 | 395001 | 400000 | 397,930 |
| 1 | 415001 | 420000 | 419,062 |
| 1 | 460001 | 465000 | 462,195 |
| 1 | 495001 | 500000 | 499,829 |
| 1 | 500001 | 505000 | 504,000 |
| 1 | 510001 | 515000 | 510,600 |
| 1 | 555001 | 560000 | 556,206 |
| 1 | 570001 | 575000 | 573,003 |
| 1 | 595001 | 600000 | 596,862 |
| 1 | 975001 | 980000 | 975,944 |
| 1 | 1005001 | 1010000 | 1,008,425 |
| 1 | 1210001 | 1215000 | 1,211,224 |
| 1 | 2125001 | 2130000 | 2,128,702 |
| 1,668 | | | 21,377,478 |

| Categories of Shareholders | Numbers | Shares Held | Percentage |
|----------------------------|--------------|-------------------|---------------|
| FINANCIAL INSTITUTIONS | 15 | 2,917,625 | 13.65 |
| INDIVIDUALS | 1,604 | 12,363,400 | 57.83 |
| INSURANCE COMPANIES | 6 | 1,223,318 | 5.72 |
| MUTUAL FUND | 2 | 1,009,130 | 4.72 |
| JOINT STOCK COMPANIES | 31 | 2,541,119 | 11.89 |
| OTHERS | 10 | 1,322,886 | 6.19 |
| TOTAL | 1,668 | 21,377,478 | 100.00 |
| OTHERS | | | |
| ABANDOND PROPERTY | 1 | 62,222 | 0.29 |
| OTHERS | 2 | 16,250 | 0.08 |
| GOVERNMENT AUTHORITY | 1 | 1 | 0.00 |
| MODARABAS | 1 | 365 | 0.00 |
| TRUST | 5 | 1,244,048 | 5.82 |
| TOTAL | 10 | 1,322,886 | 6.19 |



PATTERN OF HOLDING OF SHARES

Held By Shareholders as at September 30, 2006

| Categories of shareholders | Numbers of Shares held | % |
|---|------------------------|---------------|
| a) Directors, Chief Executive Officer, Their Spouse And Minor Children | | |
| Chief Executive Officer / Director | | |
| Mr. Muhammad Arshad | 319,093 | 1.49 |
| Directors: | | |
| Mr. Muhammad Anwar | 31,495 | 0.15 |
| Mr. Khalid Bashir | 7,381 | 0.03 |
| Mr. Mazhar Karim | 278,033 | 1.30 |
| Mr. Salman Rafi | 88,202 | 0.41 |
| Mr. Abid Mahmood | 86,365 | 0.40 |
| Directors' Spouse and Their Minor Children | | |
| Mrs. Salma Parveen | 397,930 | 1.86 |
| Mrs. Abida Anwar | 39,510 | 0.18 |
| Mrs. Abida Mazhar | 62,420 | 0.29 |
| Mrs. Tanveer Khalid Bashir | 103,516 | 0.48 |
| Mrs. Shireen Abid | 14,119 | 0.07 |
| | 1,428,064 | 6.68 |
| b) Associated Companies, Undertaking & Related Parties | | |
| The Crescent Textile Mills Limited | 975,944 | 4.57 |
| Shakarganj Mills Limited | 61,404 | 0.29 |
| Crescent Jute Products Limited | 81,931 | 0.38 |
| Jubilee Spinning & Weaving Mills Limited | 510,600 | 2.39 |
| Shams Textile Mills Limited | 166,784 | 0.78 |
| The Premier Insurance Co. of Pakistan Limited | 7,875 | 0.04 |
| | 1,804,538 | 8.44 |
| c) NIT & ICP | | |
| Investment Corporation of Pakistan Limited | 51,321 | 0.24 |
| National Bank of Pakistan, Trustee Wing. | 2,547,764 | 11.92 |
| | 2,599,085 | 12.16 |
| d) Banks, DFIs, NBFIs | 318,540 | 1.49 |
| e) Insurance Companies | 1,215,443 | 5.69 |
| f) Modarabas | 365 | 0.00 |
| g) Other Companies (Public Sector Co. & Corporation) | 822,929 | 3.85 |
| h) General Public (Local) | 9,944,612 | 46.52 |
| i) Executives | 990,724 | 4.63 |
| j) Trust | 1,244,048 | 5.82 |
| k) Mutual Fund | 1,009,130 | 4.72 |
| | 21,377,478 | 100.00 |
| Shareholder More Than 10% | | |
| National Bank of Pakistan, Trustee Wing. | 2,547,764 | |



STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance as contained in the listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

- The company encourages representation of independent non-executive directors. At present there is one independent non-executive director.
- The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
- All resident directors of the company are registered as taxpayers and none of them has personally defaulted in payment of any loan to a banking company, a DFI or an NBFIs. None of them is a member of stock exchange.
- No casual vacancy occurred in the Board during the year ended September 30, 2006.
- The company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the company.
- The Board has developed a vision/mission statement, overall corporate strategy, and significant policies of the company.
- The company is in process of getting significant policies formally approved by the Board.
- All powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and an Executive Director have been taken by the Board.
- The meetings of the Board were presided over by the Chairman and in his absence, by a director proposed by the Board for this purpose. The Board met once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- The Board is arranging orientation course for its directors.
- The Board has approved appointment of CFO/Company Secretary and the Head of Internal Audit, including their remuneration and terms and conditions of employment, as recommended by CEO.
- The Directors' Report for the year ended September 30, 2006 has been prepared in compliance with the requirements of the Code and it fully describes the salient matters required to be disclosed.
- The financial statements of the company were duly endorsed by the CEO and CFO before approval by the Board.
- The directors, CEO, and executives of the company do not hold any interest in the shares of the company, other than that disclosed in the pattern of shareholding.
- The company has complied with all the corporate and financial reporting requirements of the code.
- The Board has formed an audit committee. It comprises of three members, of whom two are non-executive directors.
- 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.
- The Board has setup an effective internal audit function.
- The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.



- The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- We confirm that all other material principles contained in the Code have been complied with.

**For and on behalf of the
Board of Directors**

MUHAMMAD ARSHAD
CHIEF EXECUTIVE OFFICER

Faisalabad
February 22, 2007



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


We have reviewed the statement of compliance with the best practices contained in the code of corporate governance prepared by the Board of Directors of **CRESCENT SUGAR MILLS AND DISTILLERY LIMITED** to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange, chapter XIII of the Lahore Stock Exchange and chapter XI of the Islamabad Stock Exchange respectively where the Company is listed.

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

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

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

best practices contained in the code of corporate governance as applicable to the company for the year ended September 30, 2006


Chartered Accountants
(Ford Rhodes Sidat Hyder & Co.)

Lahore
February 22, 2007



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **CRESCENT SUGAR MILLS AND DISTILLERY LIMITED** as at **September 30, 2006** 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) unsecured balance of Rupees 23.950 million due from Crescent Fibers Limited, considered good by the management, as referred to in Note 23.2 to the financial statements, is outstanding since long. This balance is doubtful of recovery but no provision for doubtful receivables has been made in the books of accounts;

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

c) 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 expect for the changes as stated in Note 4.5 and 4.17 to the financial statements with which we concur;


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

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

d) in our opinion and to the best of our information and according to the explanations given to us, except for the effect on the financial statements of the matter stated in the paragraph (a) above, 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 **September 30, 2006** and of the loss, its cash flows and changes in equity for the year then ended; and

e) 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.

Lahore
February 22, 2007


(Ford Rhodes Sidat Hyder & Co.)
Chartered Accountants



BALANCE SHEET AS AT

| EQUITY AND LIABILITIES | NOTE | (RUPEES IN THOUSAND) | |
|--|------|-------------------------|-------------------------|
| | | 2006 | 2005 |
| Share capital and reserves | | | |
| Authorized share capital 30,000,000 (2005: 30,000,000) ordinary shares of Rupees 10 each | | <u>300,000</u> | <u>300,000</u> |
| Issued, subscribed and paid up share capital | 5 | 213,775 | 190,022 |
| Capital reserves | | 17,496 | 17,496 |
| Revenue reserves | | 28,700 | 111,627 |
| Unrealized gain on revaluation of investments | | <u>125,198</u> | <u>211,692</u> |
| Total equity | | 385,169 | 530,837 |
| Non-current liabilities | | | |
| Long term financing | 6 | 112,475 | 23,508 |
| Liabilities against assets subject to finance lease | 7 | 5,708 | 28,138 |
| Deferred tax | 8 | 17,977 | 8,971 |
| Employees' retirement benefits | 9 | 7,209 | 6,384 |
| | | 143,369 | 67,001 |
| Current liabilities | | | |
| Trade and other payables | 10 | 143,686 | 143,572 |
| Accrued interest on loans and other payables | 11 | 14,081 | 15,771 |
| Short term borrowings | 12 | 410,332 | 326,787 |
| Current portion of long term liabilities | 13 | 36,038 | 62,281 |
| Workers' Profit Participation Fund | 14 | - | 1,236 |
| Provision for taxation | | 37,156 | 23,116 |
| | | 641,293 | 572,763 |
| Total liabilities | | 784,662 | 639,764 |
| Contingencies and commitments | 15 | | |
| TOTAL EQUITY AND LIABILITIES | | <u>1,169,831</u> | <u>1,170,601</u> |

The annexed notes from 1 to 45 form an integral part of these financial statements.

MUHAMMAD ARSHAD
CHIEF EXECUTIVE OFFICER



30 SEPTEMBER 2006

| | NOTE | (RUPEES IN THOUSAND) | |
|---|------|----------------------|------------------|
| | | 2006 | 2005 |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 16 | 481,609 | 416,018 |
| Long term investments | 17 | 25,387 | 83,258 |
| Long term deposits | | 5,147 | 15,880 |
| | | 512,143 | 515,156 |
| Current assets | | | |
| Stores, spares and loose tools | 18 | 57,746 | 51,758 |
| Stock-in-trade | 19 | 203,171 | 206,457 |
| Trade debts | 20 | 56,737 | 52,151 |
| Advances | 21 | 12,504 | 14,878 |
| Prepayments and balances with statutory authorities | 22 | 46,049 | 35,990 |
| Other receivables | 23 | 30,932 | 39,223 |
| Short term investments | 24 | 231,383 | 242,801 |
| Cash and bank balances | 25 | 19,166 | 12,187 |
| | | 657,688 | 655,445 |
| TOTAL ASSETS | | 1,169,831 | 1,170,601 |


ABID MEHMOOD
DIRECTOR



PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED SEPTEMBER 30, 2006

| | NOTE | (RUPEES IN THOUSAND) | |
|--|------|----------------------|-----------|
| | | 2006 | 2005 |
| SALES-NET | 27 | 2,130,874 | 2,085,487 |
| COST OF SALES | 28 | 2,008,640 | 1,907,314 |
| GROSS PROFIT | | 122,234 | 178,173 |
| OPERATING EXPENSES | | | |
| - DISTRIBUTION COST | 29 | 20,105 | 20,388 |
| - ADMINISTRATIVE EXPENSES | 30 | 59,318 | 54,628 |
| - OTHER OPERATING EXPENSES | 31 | 14,265 | 5,915 |
| | | 93,688 | 80,931 |
| OPERATING PROFIT | | 28,546 | 97,242 |
| OTHER OPERATING INCOME | 32 | 9,633 | 19,991 |
| FINANCE COST | 33 | 38,179 | 117,233 |
| | | 74,306 | 53,394 |
| (LOSS)/ PROFIT BEFORE TAX | | (36,127) | 63,839 |
| TAXATION | 34 | 23,047 | 9,753 |
| (LOSS)/ PROFIT AFTER TAX | | (59,174) | 54,086 |
| (LOSS)/ EARNINGS PER SHARE BASIC AND DILUTED (RUPEES) | 37 | (2.77) | 2.53 |

The annexed notes from 1 to 45 form an integral part of these financial statements.

MUHAMMAD ARSHAD
CHIEF EXECUTIVE OFFICER

ABID MEHMOOD
DIRECTOR



CASH FLOW STATEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2006

(RUPEES IN THOUSAND)

CASH FLOWS FROM OPERATING ACTIVITIES

| | 2006 | 2005 |
|--|----------|---------|
| (Loss) /Profit before tax | (36,127) | 63,839 |
| Adjustment for non cash charges and other items: | | |
| Depreciation | 42,884 | 46,287 |
| Impairment loss on investment | 6,090 | - |
| Provision for gratuity | 3,718 | 5,359 |
| Loss/ (Gain) on disposal of operating fixed assets | 232 | (1,283) |
| Liabilities written back | (5,883) | (3,334) |
| Finance cost | 74,306 | 53,394 |

**CASH FLOWS FROM OPERATING ACTIVITIES
BEFORE WORKING CAPITAL CHANGES**

| | |
|--------|---------|
| 85,220 | 164,262 |
|--------|---------|

WORKING CAPITAL CHANGES

(INCREASE)/ DECREASE IN CURRENT ASSETS:

| | | |
|---|---------|---------|
| Stores, spares and loose tools | (5,988) | (1,105) |
| Stock in trade | 3,286 | 161,937 |
| Trade debts | (4,586) | (2,055) |
| Advances | 2,374 | (4,165) |
| Prepayments and balances with statutory authorities | 2,609 | 1,235 |
| Other receivables | 8,291 | (2,099) |

INCREASE/ (DECREASE) IN CURRENT LIABILITIES:

| | | |
|------------------------------------|---------|-----------|
| Trade and other payables | 5,997 | (48,875) |
| Short term borrowings | 83,545 | (140,084) |
| Workers' Profit Participation Fund | (1,236) | 1,232 |

NET CASH FLOWS FROM/(USED IN) WORKING CAPITAL CHANGES

| | |
|--------|----------|
| 94,292 | (33,979) |
|--------|----------|

CASH GENERATED FROM OPERATIONS

| | |
|---------|---------|
| 179,512 | 130,283 |
|---------|---------|

| | | |
|---|---------------|---------------|
| Financial charges paid | (75,996) | (54,353) |
| Income tax paid | (12,668) | (9,816) |
| Gratuity paid | (2,893) | (1,860) |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 87,955 | 64,254 |



| | (RUPEES IN THOUSAND) | |
|--|-----------------------------|-------------|
| | 2006 | 2005 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital expenditure on property, plant and equipment | (109,756) | (36,502) |
| Proceeds from sale of property, plant and equipment | 2,045 | 3,002 |
| Decrease in long term investments | 20,685 | - |
| Increase in short term investments | (43,980) | - |
| Decrease in long term deposits | 37 | - |
| NET CASH USED IN INVESTING ACTIVITIES | (130,969) | (33,500) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from long term financing | 113,574 | - |
| Repayment of long term financing | (45,329) | (4,710) |
| Repayment of finance lease liabilities | (18,252) | (25,688) |
| NET CASH GENERATED FROM/ (USED IN) FINANCING ACTIVITIES | 49,993 | (30,398) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 6,979 | 356 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 12,187 | 11,831 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 19,166 | 12,187 |

The annexed notes from 1 to 45 form an integral part of these financial statements.


MUHAMMAD ARSHAD
CHIEF EXECUTIVE OFFICER


ABID MEHMOOD
DIRECTOR



STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED SEPTEMBER 30, 2006

(RUPEES IN THOUSAND)

| | SHARE CAPITAL | CAPITAL RESERVES | | | REVENUE RESERVES | | | | Unrealized Gain on Revaluation of Investments | TOTAL EQUITY |
|---|---------------|----------------------------|---------------------|-----------|------------------|-----------------------|------------------|-----------|---|--------------|
| | | Premium on issue of shares | Plant modernisation | Sub Total | General reserve | Dividend equalization | Accumulated loss | Sub-Total | | |
| Balance as at October 01, 2004 | 190,022 | 5,496 | 12,000 | 17,496 | 120,741 | 4,000 | (67,200) | 57,541 | 202,198 | 467,257 |
| Net profit for the year | - | - | - | - | - | - | 54,086 | 54,086 | - | 54,086 |
| Unrealized gain on revaluation of investments | - | - | - | - | - | - | - | - | 9,494 | 9,494 |
| Balance as at September 30, 2005 | 190,022 | 5,496 | 12,000 | 17,496 | 120,741 | 4,000 | (13,114) | 111,627 | 211,692 | 530,837 |
| Issuance of bonus shares | 23,753 | - | - | - | (23,753) | - | - | (23,753) | - | - |
| Net loss for the year | - | - | - | - | - | - | (59,174) | (59,174) | - | (59,174) |
| Unrealized loss on revaluation of investments | - | - | - | - | - | - | - | - | (86,494) | (86,494) |
| Balance as at September 30, 2006 | 213,775 | 5,496 | 12,000 | 17,496 | 96,988 | 4,000 | (72,288) | 28,700 | 125,198 | 385,169 |

The annexed notes from 1 to 45 form an integral part of these financial statements.

MUHAMMAD ARSHAD
CHIEF EXECUTIVE OFFICER

ABID MEHMOOD
DIRECTOR



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2006

1. COMPANY AND ITS OPERATIONS

Crescent Sugar Mills and Distillery Limited (the Company) is a public limited company incorporated in March, 1959 in Pakistan under the provisions of Companies Act, 1913 (Now Companies Ordinance, 1984). Shares of the Company are quoted on all Stock Exchanges in Pakistan. The Company is engaged in manufacturing and sale of sugar, distillate and yarn. The Company has also started an embroidery unit during the year. The registered office of the Company is located at New Lahore Road, Nishatabad, Faisalabad.

2. STATEMENT OF COMPLIANCE

2.1 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 Financial Reporting Standards (IFRSs) 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 Standards, interpretations and amendments to published approved accounting standards that are yet not effective

The following IASs, which have been published, have been revised and the amendments are applicable to the financial statements of the Company covering accounting periods beginning on January 01, 2006 or later periods:

| | |
|--|---------------------------------|
| A) IAS-1 Presentation of financial statements-Capital disclosure | Effective from January 01, 2007 |
| B) IAS-19 (Amendments) Employee benefits | Effective from January 01, 2006 |
| C) IAS-39 Financial Instruments: Recognition and Measurement | Effective from January 01, 2006 |
| - Fair value option | |
| - Cash Flow Hedge Accounting of Forecast Intergroup Transactions | |

Adoption of the above amendments would result in an impact to the extent of disclosures presented in the future financial statements of the Company.

3. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention, except as modified by recognition of certain employee benefits at present value and financial instruments carried at their fair value.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Long term and short term finances

Loans and borrowing are recorded at the proceeds received. Finance charges are accounted for on an accrual basis and are either added to the carrying amount of the instrument or included in accrued liabilities to the extent of the amount remaining unpaid. Exchange gains and losses arising in respect of loans or borrowing in foreign currency are added to the carrying amount of the loan/instrument.

4.2 Employees' retirement benefits

The main features of the schemes operated by the Company for its employees are as follows:

Defined benefit plan - Gratuity

The Company operates an unfunded gratuity scheme for all employees of spinning unit, subject to a minimum qualifying period of service.

Provisions are made annually to cover the obligations under the scheme on the basis of actuarial valuations and are charged to income. The most recent valuation was carried out as at September 30, 2006 using the projected unit credit method.

The amount recognized in the balance sheet represents the present value of the defined benefit obligations as adjusted for current service cost and benefits paid during the year.



Cumulative net unrecognized actuarial gains and losses at the end of previous years which exceeds 10% of the present value of the Company's obligations are amortized over the expected average working lives of the participatory employees.

The principal actuarial assumptions used in valuation as at September 30, 2006 were as follows:

| | |
|---|------------------------------|
| - Discount rate | 9 (2005:9) percent per annum |
| - Expected rate of eligible salary increase in future years | 8 (2005:8) percent per annum |
| - Average expected remaining working life time of employees | 11 (2005: 10) years |

Defined contribution plan - Provident fund

The Company operates a funded provident fund scheme for employees of sugar and distillery divisions by the name of Crescent Sugar Mills and Distillery Limited-Employees provident fund trust. Equal monthly contributions are made to the fund by the Company and employees at the rate of 10% of basic salary.

4.3 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 temporary timing differences between the carrying amount 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 asset is recognized for the carry forward of unused tax losses and unused tax credits to the extent it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits 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. Deferred tax is charged to/ credited in the income statement except in the case of items credited or charged to equity in which case it is included in the equity.

4.4 Foreign currencies

The financial statements are presented in Pak Rupees, which is the Company's reporting and functional currency. Assets and liabilities in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date while foreign currency transactions are recorded at the rates of exchange prevailing at the transaction date. Exchange gains and losses are charged to income currently.

4.5 Property, plant and equipment

Tangible fixed assets are stated at cost less accumulated depreciation except freehold land and capital work-in-progress, which are stated at cost. Cost of tangible fixed assets consists of historical cost and directly attributable cost of bringing the assets to working condition. Borrowing cost relating to the construction/erection period upto the date of completion is capitalized as part of historical cost.

Depreciation is charged to income on reducing balance method to write off the cost of operating fixed assets over their expected useful life at the rates mentioned in Note 16.1.

Depreciation on additions is charged from the date when the asset is available for use and on deletions up to the date when the asset is disposed off.

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

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits



are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

Change in accounting estimate

Until previous years, the Company used to charge full year depreciation on assets added during the year, while no depreciation was charged in the year of disposal. Pursuant to change in IAS-16 "Property, plant and equipment", the Company has changed its policy for charging depreciation. Under the new treatment, depreciation charge commences from the date when the asset is available for use and continues until the date of disposal. This change has been accounted for as a change in accounting estimate whereby current and future periods are corrected. Had there been no change in accounting estimate, the depreciation charge for the year would have been higher by Rs. 0.216 million while carrying value of property, plant and equipment and equity shall be lower by the same amount. Due to impracticability, the future impact is not disclosed.

4.6 Assets subject to finance lease

These are stated at the lower of present value of minimum lease payments and the fair value of assets acquired. Aggregate amount of obligation relating to assets subject to finance lease are accounted for at net present value of liabilities. Assets so acquired are depreciated over their expected useful life at the rates mentioned in Note 16.2. Depreciation of leased assets is charged to current year's income.

4.7 Investments

Investments are initially recognised on trade-date at fair value. 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. The 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:

Available for Sale

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

The management intends to dispose off the company's investment described in Note 17.1 to the financial statements in the next twelve months from the balance sheet date. Therefore, the same have been shown under current assets as paragraph 2(B)(d) of Part II of the Fourth Schedule to the Companies Ordinance, 1984 requires that only available for sale investments which are not intended to be sold within the next twelve months can be included under long term investments.

4.7.1 Investment in associates

The Company's investment in its associates is accounted for as "available for sale".

4.7.2 Investment in subsidiaries

The Company's investment in its subsidiaries is accounted for as "available for sale".

4.8 Stores, spares and loose tools

Stores, spares and loose tools are valued at lower of cost and net realizable value calculated on moving average basis except goods-in-transit which are stated at invoice value plus other charges paid thereon upto the balance sheet date.



4.9 Stock-in-trade

Stock-in-trade is valued at the lower of cost and net realizable value except molasses (By-product) and waste which are valued at net realizable value. Goods in transit are stated at invoice value plus other charges paid thereon upto the balance sheet date. Cost in relation to work-in-process and finished goods consist of average material cost, proportionate direct labour and factory overheads. Cost in relation to items at fair price shop and diesel represents the average invoice value plus other charges paid thereon. Net realizable value is determined on the basis of prevailing market prices less selling expenses incidental to sales.

4.10 Trade debts

Trade debts originated by the Company are recognised 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.

4.11 Cash and cash equivalents

Cash and cash equivalents of the Company consist of cash in hand and balances with banks.

4.12 Revenue recognition

Revenue from local sales is recognized on delivery of goods to customers. Revenue from export sales is recognized when goods are shipped on board.

Dividend income is recognized when right to receive the dividend is established.

Profit on bank deposits is recognized on accrual basis.

4.13 Borrowing cost

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

4.14 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.

4.15 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 recoverable amount of the asset is estimated and impairment loss is recognized in the profit and loss account.

4.16 Related party transactions

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



4.17 Financial instruments

Financial assets and liabilities are recognised at fair value which 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 the contractual right of 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.

Change in accounting policy

During the year, pursuant to change in IAS- 39 'Financial Instruments- Recognition and Measurement', the Company has changed its policy with respect to initial recognition of financial assets and liabilities. Previously, IAS-39 required initial recognition of financial assets and liabilities at cost, whereas the revised IAS- 39 requires it to be measured at fair value.

However such change has no effect on the figures recognized in the current and other period presented in these financial statements.

4.18 Trade and other payable

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

4.19 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.

4.20 Dividend and other operations

Dividend distribution to the shareholders and other appropriations to the reserves are accounted for in the period in which they are approved by the shareholders.

4.21 Critical accounting estimates and judgments

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

- Employees' retirement benefits (Note 4.2);
- Taxation (Note 4.3);
- Useful life of the assets (Note 4.5); and
- Provision for doubtful debts (Note 4.10).



| 5. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL | | (RUPEES IN THOUSAND) | |
|---|------------|---|---------|
| | | 2006 | 2005 |
| 2006 | 2005 | | |
| (Number of share) | | | |
| 5,509,767 | 5,509,767 | Ordinary shares of Rupees 10 each fully paid in cash | 55,098 |
| | | Ordinary shares of Rupees 10 each issued as fully paid bonus shares | 55,098 |
| 13,334,422 | 13,334,422 | - Opening balance | 133,344 |
| 2,375,275 | - | - Issued during the year | 23,753 |
| 15,709,697 | 13,334,422 | | 157,097 |
| | | Ordinary shares of Rupees 10 each issued as fully paid up Pakistan Industrial Credit and Investment Corporation Limited against their right of option for conversion of debentures pursuant to a loan agreement | 133,344 |
| 158,014 | 158,014 | | 1,580 |
| 21,377,478 | 19,002,203 | | 213,775 |
| | | | 190,022 |

5.1 Ordinary shares of the Company held by associated undertakings are as follows. These undertakings are associated to the Company only by way of common directorship:

| | Note | 2006 | 2005 |
|---|------|-------------------|-----------|
| | | (Number of share) | |
| The Crescent Textile Mills Limited | | 975,944 | 867,506 |
| Shakarganj Mills Limited | | 61,404 | 54,581 |
| Crescent Jute Products Limited | | 81,931 | 72,828 |
| Jubilee Spinning & Weaving Mills Limited | | 510,600 | 453,868 |
| Shams Textile Mills Limited | | 166,784 | 148,253 |
| The Premier Insurance Company of Pakistan Limited | | 7,875 | 7,000 |
| | | 1,804,538 | 1,604,036 |

6. LONG TERM FINANCING - SECURED
From banking companies:

| | | | |
|-------------------------|-------|---------|--------|
| Demand Finance | (6.1) | - | 32,765 |
| Term Finance - 1 | (6.2) | 2,614 | 6,416 |
| Term Finance - 2 | (6.3) | 20,663 | 26,175 |
| Term Finance - 3 | (6.4) | 35,750 | - |
| Term Finance - 4 | (6.5) | 74,574 | - |
| | | 133,601 | 65,356 |
| Less: current portion | | | |
| Payable within one year | | 21,126 | 32,487 |
| Over due installments | | - | 9,361 |
| | (13) | 21,126 | 41,848 |
| | | 112,475 | 23,508 |



- 6.1** During the year, demand finance payable to United Bank Limited alongwith markup accrued thereon has been swapped with a term finance payable to National Bank of Pakistan. It carried mark-up at 20 percent per annum with 6 percent per annum rebates for prompt payment.
- 6.2** This represents finance obtained for Balancing, Modernization and Replacement (BMR) of machinery. It is repayable in 20 equal quarterly installments commencing from September 28, 2002 and carries markup at the rate of 7% per annum (2005: 7% per annum). The finance is secured by way of exclusive charge on the imported machinery, second charge over the fixed assets replaceable with the first charge and personal guarantees of all the directors.
- 6.3** This represents a term finance obtained against sanctioned limit of Rupees 29 million and is repayable in 20 equal quarterly installments with grace period of one year starting from April 10, 2004 and carries markup @ 6 months KIBOR plus 3% per annum with a floor of 7% per annum (2005: 8% per annum). The finance is secured by way of exclusive charge on the imported machinery, second charge over the fixed assets replaceable with the first charge valuing Rupees 95 million and personal guarantees of all the directors.
- 6.4** This represents term finance from National Bank of Pakistan. It is repayable in 12 equal quarterly installments with a grace period of one quarter starting from March 10, 2006 and carries markup @ 6 months KIBOR plus 3% per annum with a floor of 7% per annum. The finance is secured by way of charge over the fixed assets valuing Rupees 67 million and personal guarantee of all the directors.
- 6.5** This represents a finance obtained against sanctioned limit of Rupees 93 million for BMR and installation of gas generators. It carries markup @ 6 months KIBOR plus 3% per annum with a floor of 7% per annum. The finance is secured by way of exclusive charge over imported machinery for BMR, gas generators and first charge over the fixed assets amounting to Rupees 316 million and personal guarantee of all directors.

| 7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE | 2006 | 2005 |
|---|-------------|-----------------------------|
| | Note | (Rupees in thousand) |
| The amount of future rentals and periods during which they fall due are as under: | | |
| Not later than one year | | 22,783 |
| Later than one year and but not later than five years | | 30,344 |
| | | <u>53,127</u> |
| Less: Future financial charges | | 4,556 |
| Net lease obligation | (7.1) | 48,571 |
| Less: current portion taken as current liability | (13) | 20,433 |
| | | <u>28,138</u> |

7.1 Break up of net lease obligation

| | | |
|--------------------------|---------------|---------------|
| Within one year | 14,912 | 20,433 |
| Within two to five years | 5,708 | 28,138 |
| | <u>20,620</u> | <u>48,571</u> |

- 7.2** The value of minimum lease payments has been discounted at an implicit interest rate ranging from 7% per annum to 14.85% per annum (2005: 7% per annum to 14.85% per annum). The rentals are payable monthly. The lease agreements carry purchase option at the end of lease period and the Company has the intention to exercise such option. Repairs and insurance costs are borne by the Company. In case of termination of agreement, the Company shall pay entire amount of rentals for unexpired period of lease agreement. The lease is partly secured by personal guarantees of directors.



| 8. DEFERRED TAX | (RUPEES IN THOUSAND) | |
|---|--|-----------------|
| | 2006 | 2005 |
| The liability for deferred tax comprises temporary differences relating to: | | |
| Taxable temporary differences | | |
| Accelerated depreciation for tax purposes | 52,360 | 49,399 |
| Effect of leased assets | 15,881 | 10,078 |
| | 68,241 | 59,477 |
| Deductible temporary differences | | |
| Provision for gratuity that are only deductible for tax purposes only when paid | (1,054) | (1,788) |
| Provision for doubtful debts and receivables that are deductible for tax purposes only when written off | (4,116) | (4,116) |
| Losses available for offset against future taxable income | (45,094) | (44,602) |
| | (50,264) | (50,506) |
| Net deferred tax liability at the year end | 17,977 | 8,971 |
| 9. EMPLOYEES' RETIREMENT BENEFITS | | |
| Present value of defined benefit obligations | 9,012 | 7,189 |
| Unrecognized actuarial losses | (1,803) | (805) |
| Balance sheet liability at the end of the year | 7,209 | 6,384 |
| Movement in the net liability recognized in the balance sheet: | | |
| Opening net liability | 6,384 | 2,886 |
| Interest cost | 647 | 284 |
| Current service cost | 3,062 | 2,952 |
| Benefits paid during the year | (2,893) | (1,860) |
| Increase in present value of defined benefit obligations due to change in benefit during the year | - | 2,122 |
| Actuarial loss recognized | 9 | - |
| | 7,209 | 6,384 |
| 10. TRADE AND OTHER PAYABLES | | |
| Creditors | 82,688 | 80,431 |
| Advances from customers (10.1) | 3,227 | 3,319 |
| Security deposits– Interest free | 239 | 239 |
| Due to related parties (10.2) | - | 2,979 |
| Sales tax payable | 4,610 | 2,255 |
| Income tax deducted at source | 444 | 1,158 |
| Employees' Provident Fund Trust | 1,654 | 2,147 |
| Unclaimed dividend | 1,861 | 1,866 |
| Accrued liabilities (10.3 & 10.4) | 37,484 | 37,699 |
| Other liabilities (10.5) | 11,479 | 11,479 |
| | 143,686 | 143,572 |
| 10.1 | This includes Rupees 1.943 (2005: Rupees Nil) million payable to Shams Textile Mills Limited and Rupees 0.064 (2005: Rupees Nil) million to Suraj Cotton Mills Limited, the related parties. | |
| 10.2 | It represents payable to Riaz and Company 1962 (Private) Limited, a related party. | |
| 10.3 | This includes insurance premium of Rupees 6.983 million (2005: Rupees: 5.791 million) due to a related party. | |
| 10.4 | This includes rental for leasehold premises of Rupees 0.075 million (2005: Rupees Nil) due to Crescot Mills Limited, a related party. | |



Crescent Sugar Mills & Distillery Limited

10.5. This represents payable to the parties towards disputed further tax.

| | | (RUPEES IN THOUSAND) | |
|---|---|----------------------|----------------|
| | | 2006 | 2005 |
| 11. ACCRUED INTEREST ON LOANS AND OTHER PAYABLES | | | |
| Mark-up accrued on long term finances | | 5,097 | 11,762 |
| Mark-up accrued on short term borrowings | | 8,953 | 3,982 |
| Financial charges payable on finance lease liabilities | | 31 | 27 |
| | | <u>14,081</u> | <u>15,771</u> |
| 12. SHORT TERM BORROWINGS | | | |
| Banking companies- <i>Secured</i> | | | |
| Cash finance | (12.1) | 374,381 | 294,929 |
| Related Parties- <i>Unsecured</i> | (12.2) | 35,951 | 31,858 |
| | | <u>410,332</u> | <u>326,787</u> |
| 12.1 | These form part of total credit facility of Rupees 915 million (2005: Rupees 1,040 million) and carries mark-up ranging from KIBOR plus 2% to 5% per annum (2005: KIBOR plus 2% to 5% per annum). These are secured against pledge and hypothecation of stocks of raw material, work in process, finished goods, stores and spares, personal guarantees of directors and mortgage charge over fixed assets of the Company ranking pari passu with other creditors. | | |
| 12.2 | These represent interest free loans from chief executive, director and executives which is repayable on demand. | | |
| 13. CURRENT PORTION OF LONG TERM LIABILITIES | | | |
| Long term financing | (6) | 21,126 | 41,848 |
| Liabilities against assets subject to finance lease | (7) | 14,912 | 20,433 |
| | | <u>36,038</u> | <u>62,281</u> |
| 14. WORKERS' PROFIT PARTICIPATION FUND | | | |
| Balance as at October 01 | | 1,236 | 4 |
| Profit allocation for the year | | - | 3,512 |
| | | 1,236 | 3,516 |
| Less: Payments made during the year | | 1,236 | 2,280 |
| Balance as at September 30 | | <u>-</u> | <u>1,236</u> |
| 14.1 | The company retains Workers' Profit Participation Fund for its business operations till the date of allocation to workers. Interest is provided at the rate prescribed under the Companies Profits (Workers' Participation) Act, 1968. | | |
| 15. CONTINGENCIES AND COMMITMENTS | | | |
| Contingencies: | Certain additions have been made by the assessing officer for the assessment years 1993-1994 to 1998-1999 on various grounds, which have increased the taxable income by Rupees 35.494 million (2005: Rupees 35.494 million). The Company, being aggrieved, has filed appeals with the Honourable High Court which are still pending. No provision has been made in the books of account against the aforesaid add backs as the management is hopeful for positive outcome of the appeals preferred by the Company. | | |
| Commitments: | Contracts for capital expenditure as at balance sheet date amount to Rupees 0.102 million (2005: Rupees 7.371 million). Commitments for expenditure other than capital amount to Rupees 1.991 million (2005: Rupees 12.274 million). | | |
| 16. PROPERTY, PLANT AND EQUIPMENT | | | |
| Operating fixed assets - <i>Tangible</i> | (16.1) | 319,344 | 325,305 |
| Assets Subject to finance lease | (16.2) | 76,638 | 84,563 |
| Capital work-in-progress | (16.3) | 85,627 | 6,150 |
| | | <u>481,609</u> | <u>416,018</u> |



Crescent Sugar Mills & Distillery Limited

16.1 OPERATING FIXED ASSETS - *Tangible*

| DESCRIPTION | (RUPEES IN THOUSAND) | | | | | | | | | |
|--------------------------------------|--------------------------------|--------------------------|----------------|--------------------------|--|---------------------|----------------------------------|--------------------------|----------------|---------------------|
| | Balance as at October 01, 2005 | | | Movement during the year | | | Balance as at September 30, 2006 | | | DEPRECIATION RATE % |
| | COST | Accumulated Depreciation | Net Book Value | Additions/ Transfers* | DISPOSAL Cost / (Accumulated depreciation) | Depreciation Charge | COST | Accumulated Depreciation | Net Book Value | |
| Land - Freehold | 5,335 | - | 5,335 | - | - | - | 5,335 | - | 5,335 | - |
| Buildings and roads on freehold land | 125,148 | 76,983 | 48,165 | - | - | 4,210 | 125,148 | 81,193 | 43,955 | 5-10 |
| Plant and machinery | 746,120 | 502,710 | 243,410 | 25,944 | 3,767 | 25,741 | 768,297 | 526,467 | 241,830 | 10 |
| | | | | | (1,984) | | | | | |
| Electric installation | 24,045 | 12,793 | 11,252 | 428 | - | 1,164 | 24,473 | 13,957 | 10,516 | 10 |
| Tools and equipment | 20,937 | 13,869 | 7,068 | 1,011 | - | 818 | 21,948 | 14,687 | 7,261 | 10-12 |
| Furniture and fixtures | 6,897 | 4,440 | 2,457 | 329 | - | 260 | 7,226 | 4,700 | 2,526 | 10 |
| Vehicles | 13,940 | 7,508 | 6,432 | 1,882 | 613 | 1,353 | 15,209 | 8,430 | 6,779 | 20 |
| | | | | | (431) | | | | | |
| Office equipment | 5,413 | 4,278 | 1,135 | 685 | - | 719 | 6,098 | 4,997 | 1,101 | 15-50 |
| Service equipment | 1,452 | 1,401 | 51 | - | - | 10 | 1,452 | 1,411 | 41 | 10-25 |
| 2006: | 949,287 | 623,982 | 325,305 | 30,279 | 4,380 | 34,275 | 975,186 | 655,842 | 319,344 | |
| | | | | | (2,415) | | | | | |
| 2005: | | | | 30,352 | 4,922 | | | | | |
| | | | | 9,345* | (3,203) | 36,768 | | | | |

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

| | (RUPEES IN THOUSAND) | | |
|-------------------------|----------------------|---------------|---------------|
| | 2006 | 2005 | |
| Cost of sales | (28) | 31,123 | 32,888 |
| Administrative expenses | (30) | 3,152 | 3,880 |
| | | <u>34,275</u> | <u>36,768</u> |

16.1.2 The following assets were disposed off during the year

| DESCRIPTION | COST | Accumulated depreciation | BOOK VALUE | Sale proceeds | Profit/ (loss) | Mode of disposal | Particulars of buyers | (RUPEES IN THOUSAND) | |
|----------------------------|--------------|--------------------------|--------------|---------------|----------------|------------------|---|----------------------|--|
| | | | | | | | | | |
| Plant and machinery | | | | | | | | | |
| Card machine | 561 | 414 | 147 | 875 | 728 | Negotiation | Mr. Muhammad Hussain, Chak # 199 RB, Faisalabad | | |
| Ring frames | 3,206 | 1,568 | 1,638 | 330 | (1,308) | Negotiation | Mr. Malik Hameed, Samundri Road, Faisalabad | | |
| | <u>3,767</u> | <u>1,982</u> | <u>1,785</u> | <u>1,205</u> | <u>(580)</u> | | | | |
| Vehicles | | | | | | | | | |
| Hyundai Santro-FDY 9099 | 340 | 183 | 157 | 215 | 58 | Negotiation | Mr. Muhammad Hussain, Chak # 199 RB, Faisalabad | | |
| Hyundai Santro-FDZ 1189 | 330 | 177 | 153 | 215 | 62 | Negotiation | Mr. Muhammad Hussain, Chak # 199 RB, Faisalabad | | |
| Hyundai Shahzore-FDX 7750 | 613 | 431 | 182 | 410 | 228 | Negotiation | M/s Famous Engineering Company, Faisalabad | | |
| | <u>1,283</u> | <u>791</u> | <u>492</u> | <u>840</u> | <u>348</u> | | | | |
| | <u>5,050</u> | <u>2,773</u> | <u>2,277</u> | <u>2,045</u> | <u>(232)</u> | | | | |

16.2 ASSETS SUBJECT TO FINANCE LEASE - *Tangible*

| DESCRIPTION | (RUPEES IN THOUSAND) | | | | | | | | | |
|---------------------|--------------------------------|--------------------------|----------------|--------------------------|--|---------------------|----------------------------------|--------------------------|----------------|---------------------|
| | Balance as at October 01, 2005 | | | Movement during the year | | | Balance as at September 30, 2006 | | | DEPRECIATION RATE % |
| | COST | Accumulated Depreciation | Net Book Value | Additions/ Transfers* | DISPOSAL Cost / (Accumulated depreciation) | Depreciation Charge | COST | Accumulated Depreciation | Net Book Value | |
| Plant and machinery | 103,999 | 20,322 | 83,677 | - | - | 8,368 | 103,999 | 28,690 | 75,309 | 10 |
| Vehicles | 1,518 | 632 | 886 | 994 | 670 | 241 | 1,842 | 513 | 1,329 | 20 |
| | | | | | (360) | | | | | |
| 2006: | 105,517 | 20,954 | 84,563 | 994 | 670 | 8,609 | 105,841 | 29,203 | 76,638 | |
| | | | | | (360) | | | | | |
| 2005: | | | | | 9,345 | | | | | |
| | | | | - | (3,214) | 9,519 | | | | |



Crescent Sugar Mills & Distillery Limited

| | | (RUPEES IN THOUSAND) | |
|--------|---|----------------------|--------------|
| | | 2006 | 2005 |
| 16.2.1 | Depreciation charge for the year has been allocated as follows: | | |
| | Cost of sales | (28) 8,368 | 9,298 |
| | Administrative expenses | (30) 241 | 221 |
| | | <u>8,609</u> | <u>9,519</u> |
| 16.3 | CAPITAL WORK-IN-PROGRESS | | |
| | Plant and machinery | 76,065 | 6,150 |
| | Building | 50 | - |
| | Advances to suppliers | 9,512 | - |
| | | <u>85,627</u> | <u>6,150</u> |
| 17. | LONG TERM INVESTMENTS - Available for sale RELATED PARTIES: | | |
| | QUOTED | | |
| | Crescent Jute Products Limited 201,933 (2005: 201,933) ordinary shares of Rupees 10 each fully paid | 1,293 | 1,293 |
| | The Premier Insurance Company of Pakistan Limited 199,485 (2005: 166,238) ordinary shares of Rupees 5 each fully paid | 75 | 75 |
| | Jubilee Spinning and Weaving Mills Limited 474,323 (2005: 474,323) ordinary shares of Rupees 10 each fully paid | 1,229 | 1,229 |
| | UNQUOTED | | |
| | Crescot Mills Limited 1,932,187 (2005: 1,932,187) ordinary shares of Rupees 10 each fully paid Equity held: 66.15% (2005: 66.15%) | 22,182 | 22,182 |
| | Karachi Bulk Storage and Terminals (Private) Limited 999,997 (2005: 999,997) ordinary shares of Rupees 10 each fully paid Equity held: 99.99% (2005: 99.99%) | 10,000 | 10,000 |
| | Crescent Bahuman Limited Nil (2005: 1,043,988) ordinary shares of Rupees 10 each fully paid | - | 10,440 |
| | Premier Financial Services (Private) Limited 2,500 (2005: 2,500) ordinary shares of Rupees 1,000 each fully paid Equity held : 11.11% (2005: 11.11%) | 2,500 | 2,500 |



(RUPEES IN THOUSAND)

| | 2006 | 2005 |
|---|---------------|---------------|
| OTHERS: | | |
| QUOTED | | |
| Crescent Commercial Bank Limited | | |
| Nil (2005: 4,529,333) ordinary shares of Rupees 10 each fully paid (17.1) | - | 20,685 |
| Crescent Fibers Limited | | |
| 68,400 (2005: 68,400) ordinary shares of Rupees 10 each fully paid | 711 | 711 |
| Crescent Spinning Mills Limited | | |
| 696,000 (2005: 696,000) ordinary shares of Rupees 10 each fully paid | 6,960 | 6,960 |
| Less: Impairment | (6,090) | - |
| | 870 | 6,960 |
| Security Papers Limited | | |
| 106,282 (2005: 81,756) ordinary shares of Rupees 10 each fully paid | 47 | 47 |
| UNQUOTED | | |
| Crescent Modaraba Management Company Limited | | |
| 119,480 (2005: 119,480) ordinary shares of Rupees 10 each fully paid | 1,195 | 1,195 |
| Crescent Bahuman Limited | | |
| 1,043,988 (2005: Nil) ordinary shares of Rupees 10 each fully paid | 10,440 | - |
| | 50,542 | 77,317 |
| Add: Unrealized gain on revaluation of investments | (25,155) | 5,941 |
| | <u>25,387</u> | <u>83,258</u> |

- 17.1** The investment in Crescent Commercial Bank Limited has been reclassified from long term to short term as explained in detail in Note 4.7 to the financial statements.
- 17.2** During the year the classification of Crescent Bahuman Limited has been changed from a related party to others.
- 17.3** Aggregate market value of quoted investments in associates as at September 30, 2006 was Rupees 6.994 million (2005: Rupees 7.338 million).
- 17.4** Investments in shares having face value of Rupees 1.645 million (2005: Rupees 1.645 million) are pledged with banks and financial institutions.



| | | (RUPEES IN THOUSAND) | |
|--|--|----------------------|----------------|
| 18. STORES, SPARES AND LOOSE TOOLS | | 2006 | 2005 |
| Stores | | 35,459 | 30,500 |
| Spares | | 22,058 | 21,070 |
| Loose tools | | 229 | 188 |
| | | <u>57,746</u> | <u>51,758</u> |
| 19. STOCK-IN-TRADE | | | |
| Raw material | | 62,703 | 96,786 |
| Work-in-process | | 23,318 | 19,522 |
| Finished goods | | 114,338 | 87,442 |
| Waste/ By-products | | 2,762 | 2,540 |
| Other stocks | | 50 | 167 |
| | | <u>203,171</u> | <u>206,457</u> |
| 20. TRADE DEBTS - Considered good | | | |
| Secured against letters of credit | | 9,845 | 10,438 |
| Unsecured | | 46,892 | 41,713 |
| | | <u>56,737</u> | <u>52,151</u> |
| 20.1 | This includes Rupees 22 thousand (2005: 14 thousand) due from Shakarganj Mills Limited, a related party. | | |
| 21. ADVANCES | | | |
| Advances - Considered good | | | |
| Employees- Interest free | | 2,592 | 3,076 |
| Suppliers/ contractors | | 9,890 | 9,165 |
| Others | | - | 1,875 |
| | | <u>12,482</u> | <u>14,116</u> |
| Letters of credit | | 22 | 762 |
| | | <u>12,504</u> | <u>14,878</u> |
| 22. PREPAYMENTS AND BALANCES WITH STATUTORY AUTHORITIES | | | |
| Prepayments | (22.1) | 762 | 2,852 |
| Balances with statutory authorities: | | | |
| Income tax | | 44,156 | 31,488 |
| Sales tax/ excise duty | | 1,131 | 1,650 |
| | | <u>45,287</u> | <u>33,138</u> |
| | | <u>46,049</u> | <u>35,990</u> |
| 22.1 | This includes Rupees Nil (2005: Rupees 1.985 million) paid to Crescot Mills Limited, a related party, as rental for lease hold premises. | | |
| 23. OTHER RECEIVABLES | | | |
| Due from related parties | (23.1) | 3,352 | 3,409 |
| Export rebate claims | | - | 2,425 |
| Other receivables: | | | |
| Considered good | (23.2) | 27,580 | 33,389 |
| Considered doubtful | | 11,760 | 11,760 |
| Less: Provision for doubtful receivables | | 11,760 | 11,760 |
| | | <u>-</u> | <u>-</u> |
| | | <u>30,932</u> | <u>39,223</u> |



Crescent Sugar Mills & Distillery Limited

| | | (RUPEES IN THOUSAND) | |
|---------------|---|-----------------------|----------------|
| | | 2006 | 2005 |
| 23.1 | Due from related parties - Considered good | | |
| | Shams Textile Mills Limited | - | 57 |
| | Karachi Bulk Storage and Terminals (Private) Limited | (23.1.1) <u>3,352</u> | <u>3,352</u> |
| | | <u>3,352</u> | <u>3,409</u> |
| 23.1.1 | This represents principal including accrued mark up, considered good by the management of the Company. | | |
| 23.2 | Included herein is unsecured balance of Rupees 23.950 million (2005: Rupees 23.950 million) due from Crescent Fibers Limited. | | |
| 24. | SHORT TERM INVESTMENTS – Available for sale | | |
| | RELATED PARTIES: | | |
| | QUOTED | | |
| | Shakarganj Mills Limited | | |
| | 2,681,692 (2005: 1,915,496) ordinary shares of Rupees 10 each fully paid | 27,393 | 15,421 |
| | The Crescent Textile Mills Limited | | |
| | 2,216,427 (2005: 2,216,427) ordinary shares of Rupees 10 each fully paid | 17,909 | 17,909 |
| | Crescent Steel and Allied Products Limited | | |
| | 1,232,193 (2005 : 1,026,828) ordinary shares of Rupees 10 each fully paid | 3,720 | 3,720 |
| | OTHERS: | | |
| | QUOTED | | |
| | Crescent Commercial Bank Limited | | |
| | 5,661,666 (2005: Nil) ordinary shares of Rupees 10 each fully paid | (17.1) 32,008 | - |
| | | <u>81,030</u> | <u>37,050</u> |
| | Add: Unrealized gain on revaluation of investments | <u>150,353</u> | <u>205,751</u> |
| | | <u>231,383</u> | <u>242,801</u> |
| 24.1 | Aggregate market value of quoted investments in associates as at September 30, 2006 was Rupees 154.951 million (2005: Rupees 242.801 million). | | |
| 24.2 | Investments in shares having face value of Rupees 0.604 million (2005: Rupees 0.604 million) are pledged with banks and financial institutions. | | |
| 25. | CASH AND BANK BALANCES | | |
| | Cash in hand | 249 | 518 |
| | Cash with banks: | | |
| | Current accounts | <u>18,914</u> | <u>11,666</u> |
| | Deposit accounts | <u>3</u> | <u>3</u> |
| | | <u>18,917</u> | <u>11,669</u> |
| | | <u>19,166</u> | <u>12,187</u> |



Crescent Sugar Mills & Distillery Limited

26. OPERATING RESULTS

| | | (RUPEES IN THOUSAND) | | | | | | | |
|---------------------------------|------|----------------------|-----------------|-----------------|--------------|---------------|----------------|---------------|----------------|
| | | SUGAR UNIT | | DISTILLERY UNIT | | TEXTILE UNITS | | TOTAL | |
| NOTE | | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Sales | (27) | 624,934 | 557,360 | 9,219 | 21,262 | 1,496,721 | 1,506,865 | 2,130,874 | 2,085,487 |
| Cost of sales | (28) | 641,268 | 544,757 | 6,499 | 16,161 | 1,360,873 | 1,346,396 | 2,008,640 | 1,907,314 |
| Gross (loss)/ profit | | (16,334) | 12,603 | 2,720 | 5,101 | 135,848 | 160,469 | 122,234 | 178,173 |
| Distribution cost | (29) | 525 | 464 | 570 | 337 | 19,010 | 19,587 | 20,105 | 20,388 |
| Administrative expenses | (30) | 29,603 | 28,575 | 76 | 78 | 29,639 | 25,975 | 59,318 | 54,628 |
| | | 30,128 | 29,039 | 646 | 415 | 48,649 | 45,562 | 79,423 | 75,016 |
| OPERATING (LOSS)/ PROFIT | | (46,462) | (16,436) | 2,074 | 4,686 | 87,199 | 114,907 | 42,811 | 103,157 |

27. SALES-net

| | | | | | | | | | |
|--|--|---------|---------|--------|--------|-----------|-----------|-----------|-----------|
| Main products: | | | | | | | | | |
| Local | | 647,763 | 585,319 | 10,602 | 25,968 | 1,057,260 | 1,168,541 | 1,715,625 | 1,779,828 |
| Export | | - | - | - | - | 418,221 | 409,587 | 418,221 | 409,587 |
| | | 647,763 | 585,319 | 10,602 | 25,968 | 1,475,481 | 1,578,128 | 2,133,846 | 2,189,415 |
| Molasses (By-Product) - Local | | 67,070 | 57,037 | - | - | - | - | 67,070 | 57,037 |
| Waste: | | | | | | | | | |
| Local | | - | - | - | - | 35,009 | 28,350 | 35,009 | 28,350 |
| Export | | - | - | - | - | 573 | 3,660 | 573 | 3,660 |
| | | - | - | - | - | 35,582 | 32,010 | 35,582 | 32,010 |
| | | 714,833 | 642,356 | 10,602 | 25,968 | 1,511,063 | 1,610,138 | 2,236,498 | 2,278,462 |
| Less: | | | | | | | | | |
| - Commission/ rebate to selling agents | | 687 | 340 | - | 353 | 14,342 | 15,422 | 15,029 | 16,115 |
| | | 714,146 | 642,016 | 10,602 | 25,615 | 1,496,721 | 1,594,716 | 2,221,469 | 2,262,347 |
| - Sales tax | | 89,212 | 84,656 | 1,383 | 4,353 | - | 112,079 | 90,595 | 201,088 |
| | | 624,934 | 557,360 | 9,219 | 21,262 | 1,496,721 | 1,482,637 | 2,130,874 | 2,061,259 |
| Trading goods - export | | - | - | - | - | - | 24,228 | - | 24,228 |
| | | 624,934 | 557,360 | 9,219 | 21,262 | 1,496,721 | 1,506,865 | 2,130,874 | 2,085,487 |

28. COST OF SALES

| | | | | | | | | | |
|---|----------|----------|----------|----------|---------|-----------|-----------|-----------|-----------|
| Raw material consumed | | 544,946 | 395,417 | - | - | 1,029,491 | 964,872 | 1,574,437 | 1,360,289 |
| Molasses (transfer)/ consumed | | (14,864) | (6,670) | 14,864 | 6,670 | - | - | - | - |
| Salaries, wages and benefits | | 25,179 | 26,979 | 1,655 | 1,796 | 88,865 | 78,796 | 115,699 | 107,571 |
| Stores, spares and loose tools consumed | | 28,069 | 32,509 | 1,468 | 2,154 | 49,666 | 51,962 | 79,203 | 86,625 |
| Fuel and power | | 42,346 | 32,038 | 57 | 14 | 160,616 | 164,645 | 203,019 | 196,697 |
| Other manufacturing overheads | | 1,566 | 1,648 | - | - | 2,404 | 2,703 | 3,970 | 4,351 |
| Insurance | | 319 | 303 | 48 | 47 | 2,058 | 2,286 | 2,425 | 2,636 |
| Repair and maintenance | | 13,589 | 16,197 | 354 | 693 | 2,099 | 2,411 | 16,042 | 19,301 |
| Depreciation | (16.1.1) | 7,488 | 8,040 | 108 | 120 | 31,895 | 34,026 | 39,491 | 42,186 |
| | | 648,638 | 506,461 | 18,554 | 11,494 | 1,367,094 | 1,301,701 | 2,034,286 | 1,819,656 |
| Work-in-process | | | | | | | | | |
| Opening stock | | 6,264 | 4,808 | - | - | 13,258 | 13,051 | 19,522 | 17,859 |
| Closing stock | | (10,189) | (6,264) | - | - | (13,129) | (13,258) | (23,318) | (19,522) |
| | | (3,925) | (1,456) | - | - | 129 | (207) | (3,796) | (1,663) |
| Cost of goods manufactured | | 644,713 | 505,005 | 18,554 | 11,494 | 1,367,223 | 1,301,494 | 2,030,490 | 1,817,993 |
| Cost of goods purchased | | - | - | - | - | 5,107 | 23,187 | 5,107 | 23,187 |
| | | 644,713 | 505,005 | 18,554 | 11,494 | 1,372,330 | 1,324,681 | 2,035,597 | 1,841,180 |
| Finished goods | | | | | | | | | |
| Opening stock | | 54,990 | 94,742 | 2,917 | 7,584 | 32,075 | 53,790 | 89,982 | 156,116 |
| Closing stock | | (58,435) | (54,990) | (14,972) | (2,917) | (43,532) | (32,075) | (116,939) | (89,982) |
| | | (3,445) | 39,752 | (12,055) | 4,667 | (11,457) | 21,715 | (26,957) | 66,134 |
| | | 641,268 | 544,757 | 6,499 | 16,161 | 1,360,873 | 1,346,396 | 2,008,640 | 1,907,314 |



Crescent Sugar Mills & Distillery Limited

(RUPEES IN THOUSAND)

| | SUGAR UNIT | | DISTILLERY UNIT | | TEXTILE UNIT | | TOTAL | |
|------------------------------|------------|------------|-----------------|------------|---------------|---------------|---------------|---------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| 29. DISTRIBUTION COST | | | | | | | | |
| Insurance | 104 | 44 | 9 | 9 | 115 | 160 | 228 | 213 |
| Freight and forwarding | 232 | 239 | 561 | 323 | 15,197 | 15,661 | 15,990 | 16,223 |
| Others | 189 | 181 | - | 5 | 3,698 | 3,766 | 3,887 | 3,952 |
| | 525 | 464 | 570 | 337 | 19,010 | 19,587 | 20,105 | 20,388 |

30. ADMINISTRATIVE EXPENSES

| | | | | | | | | |
|---|---------------|---------------|-----------|-----------|---------------|---------------|---------------|---------------|
| Salaries, wages and benefits | 17,300 | 15,727 | - | - | 16,782 | 13,227 | 34,082 | 28,954 |
| Workers' welfare | 619 | 557 | 12 | - | 704 | 820 | 1,335 | 1,377 |
| Travelling and conveyance | 577 | 950 | 2 | 4 | 1,067 | 1,125 | 1,646 | 2,079 |
| Insurance | 341 | 398 | - | - | 349 | 170 | 690 | 568 |
| Rent, rates and taxes | 912 | 732 | 42 | 50 | 1,441 | 1,319 | 2,395 | 2,101 |
| Entertainment | 1,045 | 909 | 14 | 19 | 709 | 556 | 1,768 | 1,484 |
| Subscription | 469 | 368 | - | - | 121 | 153 | 590 | 521 |
| Communication | 934 | 994 | - | - | 1,027 | 1,258 | 1,961 | 2,252 |
| Vehicles' running | 1,723 | 451 | - | - | 1,686 | 1,395 | 3,409 | 1,846 |
| Advertisement | 93 | 189 | - | - | - | - | 93 | 189 |
| Repair and maintenance | 2,378 | 2,731 | - | - | 1,639 | 2,006 | 4,017 | 4,737 |
| Printing and stationery | 189 | 197 | 4 | 3 | 509 | 449 | 702 | 649 |
| Books and periodicals | 27 | 26 | - | - | 21 | 28 | 48 | 54 |
| Auditors' remuneration: | | | | | | | | |
| Statutory audit | 150 | 150 | - | - | 85 | 85 | 235 | 235 |
| Other certifications including half yearly review | 65 | 40 | - | - | 10 | 10 | 75 | 50 |
| Out of pocket expenses | 10 | 10 | - | - | - | - | 10 | 10 |
| | 225 | 200 | - | - | 95 | 95 | 320 | 295 |
| Legal and professional | 746 | 1,458 | - | - | 33 | 70 | 779 | 1,528 |
| Miscellaneous | 327 | 485 | - | - | 1,763 | 1,408 | 2,090 | 1,893 |
| Depreciation | (16) | 2,203 | 2 | 2 | 1,693 | 1,896 | 3,393 | 4,101 |
| | 29,603 | 28,575 | 76 | 78 | 29,639 | 25,975 | 59,318 | 54,628 |



(RUPEES IN THOUSAND)

30.1 Salaries, wages and benefits charged to cost of sales and administrative expenses include the following:

| | 2006 | 2005 |
|---|--------------|--------------|
| Gratuity | | |
| Current service cost | 3,062 | 2,952 |
| Interest charged | 647 | 284 |
| Actuarial loss recognized | 9 | - |
| Charge due to change in benefits | - | 2,123 |
| | 3,718 | 5,359 |
| Contribution to Employees' Provident Fund Trust | 2,023 | 2,012 |
| | <u>5,741</u> | <u>7,371</u> |

31. OTHER OPERATING EXPENSES

| | | |
|--|---------------|--------------|
| Workers' Profit Participation Fund | - | 3,512 |
| Exchange loss | 6,183 | 2,403 |
| Donations (31.1) | 346 | - |
| Receivables written off | 1,414 | - |
| Net loss on disposal of operating fixed assets | 232 | - |
| Impairment of investment | 6,090 | - |
| | <u>14,265</u> | <u>5,915</u> |

31.1 The directors and their spouses have no interest in donees' funds.

32. OTHER OPERATING INCOME

Income from financial assets

| | | |
|--|-------|-------|
| Dividend income from other investments | 245 | 408 |
| Return on bank deposits | - | 9 |
| Liabilities written back (32.1) | 5,883 | 3,334 |
| | 6,128 | 3,751 |

Income from investments in related parties

| | | |
|--|-----|--------|
| Dividend income from Crescent Steel and Allied Products Limited | - | 2,567 |
| Dividend income from The Crescent Textile Mills Limited | - | 4,433 |
| Dividend income from Shakarganj Mills Limited | - | 3,352 |
| Dividend income from The Premier Insurance Company of Pakistan Limited | 166 | 139 |
| | 166 | 10,491 |

Income from assets other than financial assets

| | | |
|--|--------------|---------------|
| Sale of scrap and mud | 2,980 | 4,440 |
| Net profit on disposal of operating fixed assets | - | 1,283 |
| Others | 359 | 26 |
| | 3,339 | 5,749 |
| | <u>9,633</u> | <u>19,991</u> |

32.1 This includes Rupees 2.911 million (2005: Rupees 3.002 million) representing reversal of accrued markup, considered no longer payable and Rupees 2.133 million (2005: Rupees Nil) payable to a related Party.



| 33. FINANCE COST | | (RUPEES IN THOUSAND) | |
|---|--------|-----------------------------|----------------------|
| | | 2006 | 2005 |
| Interest/ Mark-up on: | | | |
| Employees' Provident Fund Trust | | 1,276 | 1,559 |
| Long term financing | | 5,659 | 3,305 |
| Short term borrowings | | 54,120 | 36,858 |
| Financial charges on liabilities against assets subject to finance lease | | 3,484 | 5,149 |
| Bank charges and commission | | 9,767 | 6,523 |
| | | <u>74,306</u> | <u>53,394</u> |
| | | | |
| 34. TAXATION | | | |
| Current tax | | | |
| - Current year | (34.1) | 10,722 | 7,757 |
| - Prior year | | 3,319 | (3) |
| | | <u>14,041</u> | <u>7,754</u> |
| Deferred tax | | 9,006 | 1,999 |
| | | <u>23,047</u> | <u>9,753</u> |

34.1 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. Keeping in view the presumptive and minimum tax, no other provision for current tax is required. Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is not required in view of minimum and final tax regime.

35. RELATED PARTY TRANSACTIONS

The related parties and associated undertakings comprise associated companies, subsidiary companies, companies in which directors are interested, staff retirement funds, directors and key management personnel. Significant transactions with related parties and associated undertakings are as under:

| Relation with the Company | Nature of Transactions | | |
|----------------------------------|-------------------------------|----------------|----------------------|
| Associated Companies | Purchases | 2,000 | 2,643 |
| | Sales | 47,083 | 43,229 |
| | Dividend income | 166 | 10,491 |
| | Insurance charges | 3,325 | 2,635 |
| | Liabilities written back | 2,133 | - |
| Subsidiary Company | Rental expense | 900 | 900 |
| | | | (Number) |
| Associated Companies | Bonus shares received | 525,934 | 276,634 |
| | Investment in right shares | 478,874 | - |
| | | | (Rupees in thousand) |
| Employees' Provident Fund Trust | Amount contributed | 2,023 | 2,012 |
| | Interest accrued | 1,276 | 1,559 |

Directors and key management personnel Such transactions have been disclosed in Note 36.
The outstanding balances of such parties have been disclosed in respective notes to the financial statements.



36. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTOR AND EXECUTIVES

Aggregate amount charged in the financial statements for the year for remuneration, allowances and benefits to Chief Executive Officer, Director and Executives of the company are as follows:

(RUPEES IN THOUSAND)

| Description | Chief Executive Officer | | Director | | Executives | |
|---|-------------------------|--------------|--------------|--------------|---------------|--------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Managerial remuneration | 3,600 | 2,880 | 1,800 | 1,320 | 9,207 | 6,297 |
| Housing | 1,620 | 1,296 | 810 | 594 | 1,930 | 2,542 |
| Contribution to Employees' Provident fund Trust | 360 | 288 | 180 | 132 | 360 | 292 |
| Group Insurance | 51 | - | 7 | 7 | 21 | 22 |
| Reimbursable expenses | 264 | 168 | 366 | 183 | 326 | 242 |
| | <u>5,895</u> | <u>4,632</u> | <u>3,163</u> | <u>2,236</u> | <u>11,844</u> | <u>9,395</u> |
| Number of persons | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>7</u> | <u>6</u> |

36.1 The aggregate amount charged in these financial statements as fee to four directors for attending four Board meetings and five audit committee meetings is Rupees 115,000 (2005: Rupees 100,000 to six directors for attending four Board meetings and five audit committee meetings).

36.2 The Chief Executive Officer, director and executives of the Company have been provided with Company maintained vehicles.

37. (LOSS)/EARNINGS PER SHARE - BASIC AND DILUTED

Earnings per share are calculated by dividing the net (loss)/profit for the year by weighted average number of shares outstanding during the year as follows:

| | | 2006 | 2005 |
|---------------------------------------|----------------------|-------------------|-------------------|
| (Loss)/ Profit for the year after tax | (Rupees in thousand) | <u>(59,174)</u> | <u>54,086</u> |
| Average ordinary shares in issue | (Numbers) | <u>21,377,478</u> | <u>21,377,478</u> |
| (Loss)/ Earnings per share | (Rupees) | <u>(2.77)</u> | <u>2.53</u> |

37.1 Number of average ordinary shares in issue during the year ended September 30, 2005 has been restated for the effect of bonus shares issued during the year.

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



38.1 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 floating rate of interest/mark-up.

a) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Keeping in view the exposure of the Company in financial instruments denominated in foreign currency, the currency risk is not material.

b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company has long term Rupee based loans at variable rates which are linked with KIBOR along with floors. The company is therefore exposed to the risk of adverse movement in market interest rates.

c) Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Company's credit risk is primarily attributable to its receivables and its bank balances. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit rating. Moreover the Company deals mostly with regular and permanent customers who pay the instrument on due dates. Out of total financial assets of Rupees 383.161 million (2005: Rupees 462.211 million), the financial assets which are subject to credit risk amounted to Rupees 354.150 million (2005: Rupees 439.586 million). The Company believes that it is not exposed to major concentration of credit risk.

d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Company believes that it is not exposed to any significant level of liquidity risk.

38.2 Fair value of financial instruments

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Market value is also disclosed in Notes 17 and 24.

39. SEGMENT INFORMATION

| | (RUPEES IN THOUSAND) | | | | | | | |
|---------------------|----------------------|---------|-----------------|-------|---------------|---------|-----------|-----------|
| | SUGAR UNIT | | DISTILLERY UNIT | | SPINNING UNIT | | TOTAL | |
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Assets | 468,909 | 538,361 | 2,502 | 4,967 | 698,477 | 627,273 | 1,169,888 | 1,170,601 |
| Liabilities | 524,448 | 406,478 | 428 | 281 | 259,778 | 233,005 | 784,654 | 639,764 |
| Capital expenditure | 4,232 | 10,262 | - | - | 105,524 | 35,586 | 109,756 | 45,848 |

Molasses (By-product) of sugar is issued to distillery plant at average selling price.



40. DETAIL OF SUBSIDIARIES AND ASSOCIATES

| | Country of incorporation | Proportion of interest held | |
|--|--------------------------|-----------------------------|--------|
| | | 2006 | 2005 |
| (Percentage) | | | |
| 40.1 Subsidiaries: | | | |
| 1 Crescot Mills Limited | Pakistan | 66.15% | 66.15% |
| 2 Karachi Bulk & Storage Terminals (Private) Limited | Pakistan | 99.99% | 99.99% |
| 40.2 Associates: | | | |
| 1 Crescent Jute Products Limited | Pakistan | 1.34% | 1.34% |
| 2 The Premier Insurance Company of Pakistan Limited | Pakistan | 0.50% | 0.6% |
| 3 Jubilee Spinning and Weaving Mills Limited | Pakistan | 6.76% | 6.76% |
| 4 Premier Financial Services (Private) Limited | Pakistan | 11.11% | 11.11% |
| 5 Shakarganj Mills Limited | Pakistan | 4.10% | 4.93% |
| 6 The Crescent Textile Mills Limited | Pakistan | 5.49% | 5.49% |
| 7 Crescent Steel and Allied Products Limited | Pakistan | 2.64% | 2.93% |

41. PLANT CAPACITY AND ACTUAL PRODUCTION

| | | 2006 | 2005 |
|----------------------------------|---------|-------------------|------------|
| Working based on three shifts: | | | |
| SUGAR UNIT: | | | |
| Capacity | M. Tons | 23 167 | 23 167 |
| Actual Production | M. Tons | 20 487 | 23 210 |
| DISTILLERY UNIT: | | | |
| Capacity | Liters | 2 727 000 | 2 727 000 |
| Actual Production | Liters | 790 418 | 420 769 |
| SPINNING UNIT: | | | |
| Yarn production | | | |
| Capacity converted at 20/S count | Kgs. | 20 385 786 | 20 385 786 |
| Actual production | | | |
| Converted at 20/S count | Kgs. | 18 756 471 | 19 498 458 |

EMBROIDERY UNIT:

Capacity of such unit is indeterminable due to nature of its operations.



41.1 Reason for low production

Sugar

Operated below capacity due to less availability of sugar cane in Pakistan.

Distillery

Operated below capacity due to less availability of molasses as a result of less availability of sugar in Pakistan.

Spinning

Under utilization of available capacity is due to normal ongoing maintenance of the plant of the Company.

42. DATE OF AUTHORIZATION

These financial statements were authorized for issue on February 22, 2007 by the Board of Directors of the Company.

43. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and regrouped wherever necessary for the purpose of comparison. However, no significant rearrangement or reclassification has been made in these financial statements except as follows:

- Security deposits amounting to Rupees 10.7 million as at September 30, 2005 have been off-set against liabilities against assets subject to finance leases.

44. STATEMENT UNDER SECTION 237

Consolidated financial statements pursuant to section 237 of the Companies Ordinance, 1984 are attached.

45. GENERAL

Figures have been rounded off to the nearest thousand rupees.

MUHAMMAD ARSHAD
CHIEF EXECUTIVE OFFICER

ABID MEHMOOD
DIRECTOR

**CRESCENT SUGAR MILLS AND DISTILLERY
LIMITED AND ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
WITH ACCOMPANYING INFORMATION**

YEAR ENDED SEPTEMBER 30, 2006

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising the consolidated balance sheet of Crescent Sugar Mills & Distillery Limited and its Subsidiary Companies as at September 30, 2006 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 a separate opinion on the financial statements of the Crescent Sugar Mills and Distillery Limited, while the other subsidiary companies, Crescot Mills Limited & Karachi Bulk Storage and Terminals (Private) Limited were audited by other firms of auditors whose reports have been furnished to us and our opinion in so far as it relates to the amounts included for such companies, is based solely on the report of such other auditors. 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 International standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances and we report that:

a) Unsecured balance of Rupees 23.950 million due from Crescent Fibers Limited, considered good by the management as referred to in Note 25.2 to the financial statements, is outstanding since long. This balance is doubtful of recovery but no provision for doubtful receivables has been made in the books of account.

b) Auditors of Crescot Mills Limited have given an emphasis of matter paragraph pointing out that the Company has ceased its production activities since August 1998 and disposed of major part of plant and machinery. Accordingly, the Company is no more a going concern.

c) Auditors of the Karachi Bulk storage and Terminals (Private) Limited have qualified their opinion as to the following:

i) Balance amounting to Rupees 17.93 million, as referred to in Note 25.3 to the financial statements, remains unconfirmed; and

ii) The Company has incurred a cumulative loss of Rupees 61.2 million up to the year ended June 30, 2006 and as of that date the Company's liabilities exceeded its assets by Rupees 51.2 million. These facts raise substantial doubt about the Company's ability to continue as a going concern.

In our opinion, except for the effect on the financial statements of the matters referred to in paragraph (a) and (c) above, the consolidated financial statements present fairly the financial position of Crescent Sugar Mills and Distillery Limited and its subsidiary companies as at September 30, 2006 and the results of their operations for the year then ended.

Lahore
February 22, 2007



Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Crescent Sugar Mills & Distillery Limited And Its Subsidiaries

CONSOLIDATED BALANCE SHEET

| | NOTE | (RUPEES IN THOUSAND) | |
|---|------|-------------------------|-------------------------|
| | | 2006 | 2005 |
| EQUITY AND LIABILITIES | | | |
| Share capital and reserves | | | |
| Authorized share capital | | | |
| 30,000,000 (2005: 30,000,000) ordinary shares of Rupees 10 each | | <u>300,000</u> | <u>300,000</u> |
| Issued, subscribed and paid up share capital | 6 | 213,775 | 190,022 |
| Capital reserves | | 17,496 | 17,496 |
| Revenue reserves | | 48,335 | 121,935 |
| Unrealized gain on revaluation of investments | | 52,500 | 38,280 |
| Total equity | | 332,106 | 367,733 |
| Non-current liabilities | | | |
| Long term financing | 7 | 167,963 | 83,200 |
| Liabilities against assets subject to finance lease | 8 | 5,708 | 28,303 |
| Deferred tax | 9 | 17,977 | 8,971 |
| Employees' retirement benefits | 10 | 9,286 | 8,206 |
| | | 200,934 | 128,680 |
| Current liabilities | | | |
| Trade and other payables | 11 | 176,770 | 169,399 |
| Accrued interest on loans and other payables | 12 | 26,492 | 23,682 |
| Short term borrowings | 13 | 410,332 | 326,787 |
| Current portion of long term liabilities | 14 | 48,008 | 81,453 |
| Workers' Profit Participation Fund | 15 | - | 1,236 |
| Provision for taxation | | 43,486 | 29,403 |
| | | 705,088 | 631,960 |
| Total liabilities | | 906,022 | 760,640 |
| Contingencies and commitments | 16 | | |
| TOTAL EQUITY AND LIABILITIES | | <u>1,238,128</u> | <u>1,128,373</u> |

The annexed notes from 1 to 45 form an integral part of these financial statements.


MUHAMMAD ARSHAD
 CHIEF EXECUTIVE OFFICER

Crescent Sugar Mills & Distillery Limited And Its Subsidiaries

AS AT SEPTEMBER 30, 2006

| | NOTE | (RUPEES IN THOUSAND) | |
|---|------|-------------------------|-------------------------|
| | | 2006 | 2005 |
| ASSETS | | | |
| Non-Current assets | | | |
| Property, plant and equipment | 17 | 493,277 | 428,491 |
| Long term investments - associates | 18 | 173,683 | 153,567 |
| Long term investments - available for sale | 19 | 11,535 | 67,878 |
| Long term deposits | | 6,466 | 17,200 |
| | | 684,961 | 667,136 |
| CURRENT ASSETS | | | |
| Stores, spares and loose tools | 20 | 62,758 | 56,899 |
| Stock-in-trade | 21 | 204,730 | 208,016 |
| Trade debts | 22 | 72,023 | 67,845 |
| Advances | 23 | 12,707 | 15,130 |
| Prepayments and balances with statutory authorities | 24 | 51,151 | 41,568 |
| Other receivables | 25 | 48,513 | 56,415 |
| Short term investments | 26 | 76,432 | - |
| Cash and bank balances | 27 | 24,853 | 15,364 |
| | | 553,167 | 461,237 |
| TOTAL ASSETS | | <u>1,238,128</u> | <u>1,128,373</u> |


ABID MEHMOOD
 DIRECTOR

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED SEPTEMBER 30, 2006

| | NOTE | (RUPEES IN THOUSAND) | |
|---|------|----------------------|-----------|
| | | 2006 | 2005 |
| SALES AND SERVICES - NET | 28 | 2,152,632 | 2,101,320 |
| COST OF SALES | 29 | 2,008,640 | 1,907,314 |
| GROSS PROFIT | | 143,992 | 194,006 |
| OPERATING EXPENSES | | | |
| - DISTRIBUTION COST | 30 | 20,715 | 20,904 |
| - ADMINISTRATIVE EXPENSES | 31 | 74,468 | 64,896 |
| - OTHER OPERATING EXPENSES | 32 | 15,289 | 7,050 |
| | | 110,472 | 92,850 |
| OPERATING PROFIT | | 33,520 | 101,156 |
| OTHER OPERATING INCOME | 33 | 11,110 | 36,490 |
| | | 44,630 | 137,646 |
| FINANCE COST | 34 | 80,295 | 56,545 |
| | | (35,665) | 81,101 |
| SHARE OF PROFIT OF ASSOCIATED COMPANIES | | 8,947 | 20,158 |
| (LOSS)/ PROFIT BEFORE TAX | | (26,718) | 101,259 |
| TAXATION | 35 | (23,170) | (9,837) |
| (LOSS)/ PROFIT AFTER TAX | | (49,888) | 91,422 |
| (LOSS)/ EARNINGS PER SHARE - BASIC AND DILUTED (RUPEES) | 38 | (2.33) | 4.28 |

The annexed notes from 1 to 45 form an integral part of these financial statements.


MUHAMMAD ARSHAD
 CHIEF EXECUTIVE OFFICER


ABID MEHMOOD
 DIRECTOR

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED SEPTEMBER 30, 2006

(RUPEES IN THOUSAND)

| | 2006 | 2005 |
|--|-----------------|-----------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| (Loss)/ Profit before taxation | (26,718) | 101,259 |
| Adjustment for non cash charges and other items: | | |
| Depreciation | 44,332 | 47,636 |
| Impairment of investment | 6,090 | - |
| Provision for gratuity | 3,718 | 5,656 |
| Gain on disposal of operating fixed assets | (215) | (1,326) |
| Share of profit of associated companies | (8,947) | (20,158) |
| Liabilities written off | (7,128) | (29,218) |
| Fair value adjustment of interest free liabilities | 1,256 | 337 |
| Finance cost | 80,295 | 56,545 |
| CASH FLOWS FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES | 92,683 | 160,731 |
| WORKING CAPITAL CHANGES: | | |
| (INCREASE)/ DECREASE IN CURRENT ASSETS: | | |
| Stores, spares and loose tools | (5,859) | (1,217) |
| Stock-in-trade | 3,286 | 161,936 |
| Trade debts | (4,178) | (280) |
| Advances | 2,423 | (3,203) |
| Prepayments and balances with statutory authorities | 395 | 2,704 |
| Other receivables | 7,902 | (2,684) |
| INCREASE/ (DECREASE) IN CURRENT LIABILITIES: | | |
| Trade and other payables | 14,499 | (25,443) |
| Short term borrowings | 83,545 | (149,584) |
| Workers' Profit Participation Fund | (1,236) | 1,232 |
| NET CASH FLOWS FROM/ (USED IN) WORKING CAPITAL CHANGES | 100,777 | (16,539) |
| CASH GENERATED FROM OPERATIONS | 193,460 | 144,192 |

Crescent Sugar Mills & Distillery Limited And Its Subsidiaries

| | (RUPEES IN THOUSAND) | |
|--|----------------------|-----------------|
| | 2006 | 2005 |
| Finance cost paid | (77,485) | (91,261) |
| Income tax paid | (10,059) | (10,230) |
| Gratuity paid | (2,638) | (1,860) |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 103,278 | 40,841 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital expenditure on property, plant and equipment | (110,412) | (36,512) |
| Proceeds from sale of property, plant and equipment | 2,545 | 3,082 |
| Increase in investments - associates | (11,972) | - |
| Increase in investments - available for sale | (11,323) | - |
| Dividend from associated companies | 166 | 10,490 |
| Decrease in long term deposits | 37 | 98 |
| NET CASH USED IN INVESTING ACTIVITIES | (130,959) | (22,842) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from long term financing | 113,574 | 19,932 |
| Repayment of long term financing | (58,060) | (14,690) |
| Repayment of finance lease liabilities | (18,344) | (25,929) |
| NET CASH GENERATED FROM/ (USED IN) FINANCING ACTIVITIES | 37,170 | (20,687) |
| NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS | 9,489 | (2,688) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 15,364 | 18,052 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 24,853 | 15,364 |

The annexed notes from 1 to 45 form an integral part of these financial statements.


MUHAMMAD ARSHAD
 CHIEF EXECUTIVE OFFICER


ABID MEHMOOD
 DIRECTOR

Crescent Sugar Mills & Distillery Limited And Its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED SEPTEMBER 30, 2006

| NOTE | (RUPEES IN THOUSAND) | | | | | | | | | |
|--|----------------------------|---------------------|-----------|---------|-----------------------|--|-----------|----------|---|--------------|
| | SHARE CAPITAL | CAPITAL RESERVES | | | REVENUE RESERVES | | | | Unrealized gain on revaluation of investments | TOTAL EQUITY |
| | Premium on issue of shares | Plant modernisation | Sub Total | General | Dividend equalization | Unappropriated profit/(Accumulated loss) | Sub Total | | | |
| Balance as at October 01, 2004 as previously reported | 190,022 | 5,496 | 12,000 | 17,496 | 68,728 | 4,000 | (50,812) | 21,916 | 32,205 | 261,639 |
| Effect of change in accounting policy (5.17) | - | - | - | - | - | - | 8,597 | 8,597 | - | 8,597 |
| Balance as at October 01, 2004 as restated | 190,022 | 5,496 | 12,000 | 17,496 | 68,728 | 4,000 | (42,215) | 30,513 | 32,205 | 270,236 |
| Net profit for the year | - | - | - | - | - | - | 91,422 | 91,422 | - | 91,422 |
| Unrealized gain on revaluation of investments | - | - | - | - | - | - | - | - | 6,075 | 6,075 |
| Balance as at September 30, 2005 | 190,022 | 5,496 | 12,000 | 17,496 | 68,728 | 4,000 | 49,207 | 121,935 | 38,280 | 367,733 |
| Issuance of bonus shares | 23,753 | - | - | - | (23,753) | - | - | (23,753) | - | - |
| Reversal of realizable value adjustment | - | - | - | - | - | - | 41 | 41 | - | 41 |
| Net loss for the year | - | - | - | - | - | - | (49,888) | (49,888) | - | (49,888) |
| Unrealized gain on revaluation of investments | - | - | - | - | - | - | - | - | 14,220 | 14,220 |
| Balance as at September 30, 2006 | 213,775 | 5,496 | 12,000 | 17,496 | 44,975 | 4,000 | (640) | 48,335 | 52,500 | 332,106 |

The annexed notes from 1 to 45 form an integral part of these financial statements.


MUHAMMAD ARSHAD
CHIEF EXECUTIVE OFFICER


ABID MEHMOOD
DIRECTOR

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

1. THE GROUP AND ITS ACTIVITIES

The Holding Company

Crescent Sugar Mills and Distillery Limited is a public limited company incorporated in March, 1959 in Pakistan under the provisions of Companies Act, 1913 (Now Companies Ordinance, 1984) . Its shares are quoted on all Stock Exchanges of Pakistan. It is engaged in manufacturing and sale of sugar, distillate and yarn. Its registered office is located at New Lahore Road, Nishatabad, Faisalabad.

The Subsidiary Companies

- a) Crescot Mills Limited (CML) is a public company limited by shares incorporated in Pakistan on February 12, 1970 under the Companies Act, 1913 (Now Companies Ordinance, 1984). The Company holds 66.15 % equity of the CML. Principal business of CML is manufacturing and sale of yarn. The mill is located at Kotri Industrial and Trading Estate in the Province of Sindh. A special resolution was passed in the general meeting of the members on September 28, 1998 authorizing the Board of Directors to dispose off the plant and machinery of the Company.

The CML has ceased all production activities since August 1998 and has disposed off major part of the plant and machinery. The offer by the sponsors to buy back shares from minority shareholders was approved by Voluntary Delisting Committee of Karachi Stock Exchange (KSE) at minimum purchase price of Rupees 11 per share, subject to purchase of at least 45 percent shares held by the minority shareholders. Accordingly, the sponsors have made the buy back of shares from minority shareholders during the current and previous year and the CML has been de-listed from KSE with effect from July 28, 2005.

- b) Karachi Bulk Storage and Terminals (Private) Limited (KBST) was incorporated in Pakistan on August 31, 1981 under the Companies Act, 1913 (now Companies Ordinance, 1984). KBST is a wholly owned subsidiary of the company and engaged in the business of imports, exports and storage of molasses, tallow and edible oil etc. The terminals are located at oil installation area, Kemari, Karachi.

2. STATEMENT OF COMPLIANCE

- 2.1 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 Financial Reporting Standards (IFRSs) 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 **Standards, interpretations and amendments to published approved accounting standards that are yet not effective**

The following International Accounting Standards (IASs), which have been published, have been revised and the amendments are applicable to the financial statements of the Company covering accounting periods beginning on January 01, 2006 or later periods:

Crescent Sugar Mills & Distillery Limited And Its Subsidiaries

- | | | |
|----|--|---------------------------------|
| a) | IAS-1 Presentation of financial statements-Capital disclosure | Effective from January 01, 2007 |
| b) | IAS-19 (Amendments) Employee benefits | Effective from January 01, 2006 |
| c) | IAS-39 Financial Instruments: Recognition and Measurement | Effective from January 01, 2006 |
| | - Fair value option | |
| | - Cash Flow Hedge Accounting of Forecast Intergroup Transactions | |

Adoption of the above amendments would result in an impact to the extent of disclosures presented in the future financial statements of the Company.

3. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention, except as modified by recognition of certain employee benefits at present value, financial instruments carried at their fair value and assets and liabilities of CML are valued at their estimated realizable value.

4. BASIS OF CONSOLIDATION

4.1 Consolidated financial statements include Crescent Sugar Mills and Distillery Limited and following subsidiary companies incorporated in Pakistan:

1. Crescot Mills Limited
2. Karachi Bulk Storage and Terminals (Private) Limited

The financial statements of the subsidiaries are prepared upto June, 30 2006 using consistent accounting policies except as referred to in note 5.17.1 and are consolidated on line by line basis.

Subsidiaries are consolidated as from the date of acquisition using the purchase method. Details of subsidiaries are given in Note 43.

Proportionate share of accumulated losses relating to the minority share holders is more than their respective share capital. Therefore, losses in excess of share capital of minority shareholders are absorbed by the group. Inter Company transactions have been eliminated.

4.2. Modifications In Auditors' Reports Of Subsidiaries

Crescot Mills Limited *Emphasis*

Auditors of the company in their report have stated that the company is not a going concern due to the factors described in note 1 (a).

Karachi Bulk Storage and Terminals (Private) Limited

- *Qualification*

Auditors of the company in their report have drawn attention to the matter as stated in note 26.3 which represents unconfirmed balances amounting to Rupees 17.93 million.

Crescent Sugar Mills & Distillery Limited And Its Subsidiaries

- Emphasis

Auditors of the company have also stated that the Company has incurred a cumulative loss of Rupees 61.20 million up to the year ended June 30, 2006 and as of that date the Company's liabilities exceeded its assets by Rs. 51.2 million. These facts raise substantial doubt about the Company's ability to continue as a going concern.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Long term and short term finances

Loans and borrowings are recorded at the proceeds received. Finance charges are accounted for on an accrual basis and are either added to the carrying amount of the instrument or included in accrued liabilities to the extent of the amount remaining unpaid. Exchange gains and losses arising in respect of loans or borrowings in foreign currency are added to the carrying amount of the loan/ instrument.

5.2 Employees' retirement benefits

The group companies have different accounting policies for staff retirement benefits. The main features of the schemes operated by the companies for its employees are as follows:

Crescent Sugar Mills and Distillery Limited - holding company

Defined benefit plan - Gratuity

The Company operates an unfunded gratuity scheme for all employees of spinning unit, subject to a minimum qualifying period of service.

Provisions are made annually to cover the obligations under the scheme on the basis of actuarial valuations and are charged to profit. The most recent valuation was carried out as at September 30, 2006 using the projected unit credit method.

The amount recognized in the balance sheet represents the present value of the defined benefit obligations as adjusted for current service cost and benefits paid during the year. Cumulative net unrecognized actuarial gains and losses at the end of previous years which exceeds 10% of the present value of the Company's obligations are amortized over the expected average working lives of the participatory employees.

The principal actuarial assumptions used in valuation as at September 30, 2006 were as follows:

| | |
|---|-------------------------|
| Discount rate | 9 (2005: 9) % per annum |
| Expected rate of eligible salary increase in future years | 8 (2005: 8) % per annum |
| Average expected remaining working life time of employees | 11 (2005: 10) years |

Defined contribution plan -Provident fund

The Company operates a funded provident fund scheme for employees of sugar and distillery divisions by the name of Crescent Sugar Mills and Distillery Limited - Employees provident fund trust. Equal monthly contributions are made to the fund by the Company and employees at the rate of 10% of basic salary.

Karachi Bulk Storage and Terminals (Private) Limited - subsidiary company

The Company operates an unfunded gratuity scheme. Provision is made annually to cover obligations under the West Pakistan Industrial and Commercial Employment (Standing Orders) Ordinance, 1968. The management is of view that carrying amount of liability recognized at the balance sheet date is not less than the amount required to settle the liability.

Crescent Sugar Mills & Distillery Limited And Its Subsidiaries

5.3 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 temporary 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 asset is recognized for the carry forward of unused tax losses and unused tax credits to the extent it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits 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. Deferred tax is charged to or credited in the income statement except in the case of items credited or charged in equity in which case it is included in the equity.

5.4 Foreign currencies

The financial statements are presented in Pak Rupees, which is the Company's functional and reporting currency. Assets and liabilities in foreign currencies are translated at the rates of exchange prevailing at balance sheet date or at the contracted rates while foreign currency transactions are recorded at the rates of exchange prevailing at the transaction date or at the contracted rates. Exchange gains and losses are charged to income currently.

5.5 Property, plant and equipment

Tangible fixed assets are stated at cost less accumulated depreciation except freehold land and capital work-in-progress, which are stated at cost. Cost of tangible fixed assets consists of historical cost and directly attributable cost of bringing the assets to working condition. Borrowing cost relating to the construction/erection period upto the date of completion is capitalized as part of historical cost.

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

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

Depreciation

Depreciation is charged to income on reducing balance method to write off the cost of operating fixed assets over their expected useful life at the rates mentioned in Note 18.1.

Crescent Sugar Mills and Distillery Limited and Crescot Mills limited

Depreciation on additions is charged from the date when the asset is available for use and on deletion upto the date when the asset is disposed off.

Crescent Sugar Mills & Distillery Limited And Its Subsidiaries

Change in accounting estimate

Until previous years, the Companies used to charge full year depreciation on assets added during the year, while no depreciation was charged in the year of disposal. Pursuant to change in IAS-16 "Property, plant and equipment", the Companies have changed their policy for charging depreciation. Under the new treatment, depreciation charge commences from the date when the asset is available for use and continues until the date of disposal. This change has been accounted for as a change in accounting estimate whereby current and future periods are corrected. Had there been no change in accounting estimate, the depreciation charge for the year would have been higher by Rs. 0.216 million while carrying value of property, plant and equipment and equity shall be lower by the same amount. Due to impracticability, the future impact is not disclosed.

Karachi Bulk Storage and Terminals (Private) Limited

Full year's depreciation is charged on the assets added during the year, while no depreciation is charged on the assets disposed off during the year.

5.6 Assets subject to finance lease

These are stated at the lower of present value of minimum lease payments and the fair value of assets acquired. Aggregate amount of obligation relating to assets subject to finance lease are accounted for at net present value of liabilities. Assets so acquired are depreciated over their expected useful life at the rates mentioned in Note 18.2. Depreciation of leased assets is charged to current year's income. Profit on sale and leaseback of operating fixed assets is amortized to income over the lease term.

5.7 Investments

5.7.1 Associates

Investments in associates are stated using the equity method.

5.7.2 Other investments

Investments are initially recognised on trade-date at fair value. 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. The 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:

Available for Sale

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

The management intends to dispose off the company's investment described in Note 27 to the financial statements in the next twelve months from the balance sheet date. As the management intends to dispose the above shares within the next twelve months the same have been shown under current assets as paragraph 2(B)(d) of Part II of the Fourth Schedule to the Companies Ordinance, 1984 requires that only available for sale investments which are not intended to be sold within the next twelve months can be included under long term investments.

5.8 Stores, spares and loose tools

Stores, spares and loose tools are valued at the lower of cost and net realizable value calculated on moving average basis except goods-in-transit which are stated at invoice values plus other charges paid thereon to the balance sheet date.

Crescent Sugar Mills & Distillery Limited And Its Subsidiaries

5.9 Stock-in-trade

Stock-in-trade is valued at the lower of cost and net realizable value except molasses (By-product) and waste which are valued at net realizable value. Goods in transit are stated at invoice value plus other charges paid thereon upto the balance sheet date. Cost in relation to work-in-process and finished goods consists of average material cost, proportionate direct labour and factory overheads. Cost in relation to items at fair price shop and diesel represents the average invoice value plus other charges paid thereon. Net realizable value is determined on the basis of prevailing market prices less selling expenses incidental to sales.

5.10 Trade debts

Trade debts originated by the Company are recognised 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.

5.11 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

5.12 Revenue recognition

Revenue from local sales is recognized on delivery of goods to customers. Revenue from export sales is recognized when goods are shipped on board. Dividend income is recognized when right to receive the dividend is established. Profit on bank deposits is recognized on accrual basis.

5.13 Borrowing cost

Interest, mark-up and other charges on long term liabilities are capitalized upto 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.

5.14 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.

5.15 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.

5.16 Related party transactions

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

5.17 Financial instruments

Financial assets and liabilities are recognised at fair value which 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.

Crescent Sugar Mills & Distillery Limited And Its Subsidiaries

A financial asset or part thereof is de-recognised when the Company loses the contractual right of 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.

5.17.1 Change in accounting policy

During the year, pursuant to change in IAS- 39 'Financial Instruments- Recognition and Measurement', Crescent Sugar Mills And Distillery Limited has changed its policy with respect to initial recognition of financial assets and liabilities. Previously, IAS-39 required initial recognition of financial assets and liabilities at cost, whereas the revised IAS- 39 requires it to be measured at fair value.

a) Crescent Sugar Mills and Distillery Limited

Such change has no effect on the figures recognized in the current and other period presented in these financial statements.

b) Karachi Bulk Storage and Terminals (Private) Limited

Certain interest free long term loans as referred to in Notes 7.2, 7.7 and 7.8 to the financial statements have been carried out at fair value for the purpose of uniform accounting policies for consolidation purposes.

Had there been no change in the accounting policy, the figures recognized in these financial statements would have been different as follows:

| | 2006 | 2005 |
|--|----------------------|-------|
| | (Rupees in thousand) | |
| - Equity would have been lower by | 7,006 | 8,261 |
| - Long term financing would have been higher by | 7,006 | 8,261 |
| - Other operating charges would have been lower by | 1,256 | 336 |

5.18 Trade and other payable

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

5.19 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.

5.20 Dividend and other appropriations

Dividend distribution to the shareholders and other appropriations to the reserves are accounted for in the period in which they are approved by the shareholders.

5.21 Critical accounting estimates and judgments

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

- Employees' retirement benefits (Note 5.2);
- Taxation (Note 5.3);
- Useful life of the assets (Note 5.5); and
- Provision for doubtful debts (Note 5.10).

Crescent Sugar Mills & Distillery Limited And Its Subsidiaries

| 6. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL | | (RUPEES IN THOUSAND) | | |
|---|-------------------|---|----------------|----------------|
| 2006 (Number of share) | 2005 | Note | 2006 | 2005 |
| 5,509,767 | 5,509,767 | Ordinary shares of Rupees 10 each fully paid in cash | 55,098 | 55,098 |
| 13,334,422 | 13,334,422 | Ordinary shares of Rupees 10 each issued as fully paid bonus shares | 133,344 | 133,344 |
| 2,375,275 | - | - Opening balance | 23,753 | - |
| 15,709,697 | 13,334,422 | - Issued during the year | 157,097 | 133,344 |
| 158,014 | 158,014 | Ordinary shares of Rupees 10 each issued as fully paid to Pakistan Industrial Credit and Investment Corporation Limited against their right of option for conversion of debentures pursuant to a loan agreement | 1,580 | 1,580 |
| <u>21,377,478</u> | <u>19,002,203</u> | | <u>213,775</u> | <u>190,022</u> |

6.1 Ordinary shares of the Company held by associated undertakings are as follows. These undertakings are associated to the Company only by way of common directorship:

| | (Number of share) | |
|---|-------------------|------------------|
| The Crescent Textile Mills Limited | 975,944 | 867,506 |
| Shakarganj Mills Limited | 61,404 | 54,581 |
| Crescent Jute Products Limited | 81,931 | 72,828 |
| Jubilee Spinning and Weaving Mills Limited | 510,600 | 453,868 |
| Shams Textile Mills Limited | 166,784 | 148,253 |
| The Premier Insurance Company of Pakistan Limited | 7,875 | 7,000 |
| | <u>1,804,538</u> | <u>1,604,036</u> |

7. LONG TERM FINANCING

SECURED

From banking companies:

| | | | |
|----------------------------|--------|----------------|----------------|
| Demand finance | (7.1) | - | 32,765 |
| Restructured bank loan - 1 | (7.2) | 3,084 | 4,620 |
| Term finance - 1 | (7.3) | 2,614 | 6,416 |
| Term finance - 2 | (7.4) | 20,663 | 26,175 |
| Term finance - 3 | (7.5) | 35,750 | - |
| Term finance - 4 | (7.6) | 74,574 | - |
| Settled loan | (7.7) | 3,757 | 7,349 |
| Restructured bank loan - 2 | (7.8) | 47,301 | 54,301 |
| Overdue loan | (7.9) | 5,000 | 5,000 |
| Frozen markup | (7.8) | 6,878 | 6,226 |
| | | <u>199,621</u> | <u>142,852</u> |
| Less: current portion | | | |
| Payable within one year | | 32,858 | 51,491 |
| Over due instalments | | - | 9,361 |
| | | <u>32,858</u> | <u>60,852</u> |
| UN-SECURED | | 166,763 | 82,000 |
| From related parties: | | | |
| Director's loan | (7.10) | 1,200 | 1,200 |
| | | <u>167,963</u> | <u>83,200</u> |

Crescent Sugar Mills & Distillery Limited And Its Subsidiaries

- 7.1 During the year, demand finance payable to United Bank Limited alongwith markup accrued thereon has been swapped with a term finance payable to National Bank of Pakistan. It carried mark-up at 20 percent per annum with 6 percent per annum rebates for prompt payment.
- 7.2 This represents outstanding principal amounting to Rupees 9.500 million and markup of Rupees 5.983 million to United Bank Limited and was restructured in February 2005 and reduced to Rupees 6.375 million with 10% down payment, thereafter the remaining amount is payable in 36 equal monthly instalments starting from March 2005. This is interest free.
- 7.3 This represents finance obtained for Balancing, Modernization and Replacement (BMR) of machinery. It is repayable in 20 equal quarterly instalments starting from September 28, 2002 and carries markup @ 7% per annum (2005: 7% per annum). The finance is secured by way of exclusive charge on the imported machinery, second charge over the fixed assets replaceable with the first charge and personal guarantees of all the directors.
- 7.4 This represents a term finance obtained against sanctioned limit of Rupees 29 million and is repayable in 20 equal quarterly instalments with grace period of one year starting from April 10, 2004 and carries markup @ 6 months KIBOR plus 3% per annum with a floor of 7% per annum (2005: 8% per annum). The finance is secured by way of exclusive charge on the imported machinery, second charge over the fixed assets replaceable with the first charge valuing Rupees 95 million and personal guarantees of all the directors.
- 7.5 This represents term finance from National Bank of Pakistan. It is repayable in 12 equal quarterly instalments with a grace period of one quarter starting from March 10, 2006 and carries markup @ 6 months KIBOR plus 3% per annum with a floor of 7% per annum. The finance is secured by way of charge over the fixed assets valuing Rupees 67 million and personal guarantee of all the directors.
- 7.6 This represents a finance obtained against sanctioned limit of Rupees 93 million for BMR and installation of gas generators. It carries markup @ 6 months KIBOR plus 3% per annum with a floor of 7% per annum. The finance is secured by way of exclusive charge over imported machinery for BMR and Gas generators and first charge over the fixed assets amounting to Rupees 316 million and personal guarantees of all directors.
- 7.7 This represents a loan from National Bank of Pakistan settled under BPD circular 29 of State Bank of Pakistan. Total liability includes principal plus mark up settled at Rupees 16.973 million payable in 12 equal quarterly installments starting from April 01, 2004. This is markup free.
- 7.8 This represents a loan from Crescent Commercial Bank Limited, loan was restructured, whereby mark up was reduced from Rupees 30.333 million to Rupees 13.557 million and the principal amounting to Rupees 56.801 million remained same. Principal is payable in 88 monthly instalments starting from December 2004, mark up is payable against outstanding principal at KIBOR plus 1.5% (2005: KIBOR plus 1.5%) per annum. Frozen mark up will be payable from April 01, 2012 after settling the total liability in 25 equal monthly instalments.
- 7.9 This represents over due balance of long term loan from Crescent Commercial Bank Limited and is secured against demand promissory note and carries mark up @ 12% (2005: 12%) per annum.
- 7.10 The loan from a director has been received in accordance with the provisions of loan agreement with Pakistan Industrial Credit and Investment Corporation Limited.

| | | (RUPEES IN THOUSAND) | |
|---|-------|----------------------|---------------|
| 8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE | NOTE | 2006 | 2005 |
| The amount of future rentals and periods during which they fall due are as under: | | | |
| Not later than one year | | 16,496 | 22,972 |
| Later than one year and not later than five years | | 6,087 | 30,517 |
| | | <u>22,583</u> | <u>53,489</u> |
| Less: Future financial charges | | 1,725 | 4,585 |
| Net lease obligation | (8.1) | <u>20,858</u> | 48,904 |
| Less: Current portion taken as current liability | | 15,150 | 20,601 |
| Break up of net lease obligation | | <u>5,708</u> | <u>28,303</u> |
| Within one year | | 15,150 | 20,601 |
| Within two to five years | | 5,708 | 28,303 |
| | | <u>20,858</u> | <u>48,904</u> |

Crescent Sugar Mills & Distillery Limited And Its Subsidiaries

- 8.1** The value of minimum lease payments has been discounted at an implicit interest rate ranging from 7% and 14.85% (2005: 7% and 14.85%) per annum. The rentals are payable monthly. The lease agreements carry purchase option at the end of lease period and the company has the intention to exercise such options. Repairs and insurance costs are borne by the company. In case of termination of agreement, the Company shall pay entire amount of rentals for unexpired period of lease agreement. The lease is partly secured by personal guarantee of directors.

(RUPEES IN THOUSAND)

9. DEFERRED TAX

2006 2005

The liability for deferred tax comprises temporary differences relating to:

Taxable temporary differences

Accelerated depreciation for tax purposes
Effect of leased assets

| | |
|---------------|---------------|
| 52,360 | 49,399 |
| 15,881 | 10,078 |
| 68,241 | 59,477 |

Deductible temporary differences

Provision for gratuity that are only deductible for tax purposes only when paid
Provision for doubtful debts and receivables that are deductible for tax purposes only when written off
Losses available for offset against future taxable income

| | |
|-----------------|-----------------|
| (1,054) | (1,788) |
| (4,116) | (4,116) |
| (45,094) | (44,602) |
| (50,264) | (50,506) |

Net deferred tax liability at the year end

| | |
|---------------|--------------|
| 17,977 | 8,971 |
|---------------|--------------|

10. EMPLOYEES' RETIREMENT BENEFITS

Present value of defined benefit obligations
Unrecognized actuarial losses
Balance sheet liability at the end of the year

| | |
|--------------|--------------|
| 11,089 | 9,011 |
| (1,803) | (805) |
| 9,286 | 8,206 |

Movement in the net liability recognized in the balance sheet:

Opening net liability
Interest cost
Current service cost
Benefits paid during the year
Increase in present value of defined benefit obligations due to change in benefit during the year
Actuarial losses recognized
Balance sheet liability at the end of the year

| | |
|--------------|--------------|
| 8,206 | 4,410 |
| 647 | 284 |
| 3,062 | 3,250 |
| (2,638) | (1,860) |
| - | 2,122 |
| 9 | - |
| 9,286 | 8,206 |

11. TRADE AND OTHER PAYABLES

Creditors (11.1)
Advances from customers
Security deposits– Interest free
Due to related parties (11.2)
Sales tax payable
Income tax deducted at source
Employees' Provident Fund Trust
Unclaimed dividend
Unclaimed gratuity
Accrued liabilities (11.3 & 11.4)
Other liabilities (11.5)

| | |
|----------------|----------------|
| 88,842 | 92,763 |
| 5,270 | 5,362 |
| 239 | 239 |
| 12,514 | 9,862 |
| 4,610 | 2,255 |
| 444 | 1,158 |
| 1,654 | 2,147 |
| 1,861 | 1,920 |
| - | 50 |
| 49,857 | 42,164 |
| 11,479 | 11,479 |
| 176,770 | 169,399 |

Crescent Sugar Mills & Distillery Limited And Its Subsidiaries

11.1 This includes Rupees 1.943 (2005: Rupees Nil) million payable to Shams Textile Mills Limited and Rupees 0.064 (2005: Rupees Nil) million to Suraj Cotton Mills Limited, the related parties..

11.2 It includes payable to Riaz and Company 1962 (Private) Limited, a related party.

11.3 This includes insurance premium of Rupees 6.983 million (2005: Rupees: 5.791 million) due to Premier Insurance Company of Pakistan Limited, a related party.

11.4 This includes rental for leasehold premises of Rupees 0.075 million (2005: Rupees Nil) due to Crescot Mills Limited, a related party.

11.5 This represents payable to the parties towards disputed further tax.

(RUPEES IN THOUSAND)

12. ACCRUED INTEREST ON LOANS AND OTHER PAYABLES

| | 2006 | 2005 |
|--|---------------|---------------|
| Mark-up accrued on long term financing | 17,508 | 19,673 |
| Financial charges payable on finance lease liabilities | 31 | 27 |
| Mark-up accrued on short term borrowings | 8,953 | 3,982 |
| | <u>26,492</u> | <u>23,682</u> |

13. SHORT TERM BORROWINGS

| | | |
|-----------------------------------|--------|----------------|
| Banking companies- <i>Secured</i> | | |
| - Cash finance | (13.1) | 374,381 |
| Related Parties- <i>Unsecured</i> | (13.2) | 35,951 |
| | | <u>410,332</u> |
| | | <u>294,929</u> |
| | | <u>31,858</u> |
| | | <u>326,787</u> |

13.1 These form part of total credit facility of Rupees 915 million (2005: Rupees 1,040 million) and carries mark-up ranging from KIBOR plus 2% to 5% per annum (2005: KIBOR plus 2% to 5% per annum). These are secured against pledge and hypothecation of stocks of raw material, work in process, finished goods, stores and spares, personal guarantee of directors and mortgage charge over fixed assets of the Company ranking pari passu with other creditors.

13.2 These represent interest free loan from chief executive, director and executives of holding company, which is repayable on demand.

14. CURRENT PORTION OF LONG TERM LIABILITIES

| | | | |
|---|-----|---------------|---------------|
| Long term financing | (7) | 32,858 | 60,852 |
| Liabilities against assets subject to finance lease | (8) | 15,150 | 20,601 |
| | | <u>48,008</u> | <u>81,453</u> |

15. WORKERS' PROFIT PARTICIPATION FUND

| | | |
|-------------------------------------|--------------|--------------|
| Balance as at October 01 | 1,236 | 4 |
| Interest accrued | - | 3,512 |
| | <u>1,236</u> | <u>3,516</u> |
| Less: Payments made during the year | 1,236 | 2,280 |
| | <u>-</u> | <u>1,236</u> |

Crescent Sugar Mills & Distillery Limited And Its Subsidiaries

- 15.1 The company retains Workers' Profit Participation Fund for its business operations till the date of allocation to workers. Interest is provided at the rate prescribed under the Companies Profits (Workers' Participation) Act, 1968.

16. CONTINGENCIES AND COMMITMENTS

Contingencies:

Holding Company

Certain additions have been made by the assessing officer for the assessment years 1993-1994 to 1998-1999 on various grounds, which have increased the taxable income by Rupees 35.494 million (2005: Rupees 35.494 million). The Company, being aggrieved, has filed appeals with the Honourable High Court which are still pending. No provision has been made in the books of account against the aforesaid add backs as the management is hopeful for positive outcome of the appeals preferred by the Company.

Subsidiary Companies

- a) Guarantees amounting to the amount of Rupees 4.558 million (2005: Rupees 4.558 million) are issued by the bank and insurance company in favour of the collector of customs on behalf of the companies against valuation of custom duty on export of molasses and card clothing machine. The matter is still under negotiation.
- b) Mr. Hafeez Gul Kapoor has filed suit in the High Court for recovery of damages.

Commitments:

Contracts for capital expenditure as at balance sheet date amounts to Rupees 0.102 million (2005: Rupees 7.371 million). Commitments for expenditure other than capital amount to Rupees 1.991 million (2005: Rupees 12.274 million).

| | | (RUPEES IN THOUSAND) | |
|-----------------------------------|--------|----------------------|----------------|
| 17. PROPERTY, PLANT AND EQUIPMENT | | 2006 | 2005 |
| Operating fixed assets - Tangible | (17.1) | 330,710 | 337,400 |
| Assets Subject to finance lease | (17.2) | 76,940 | 84,941 |
| Capital work-in-progress | (17.3) | 85,627 | 6,150 |
| | | <u>493,277</u> | <u>428,491</u> |

Crescent Sugar Mills & Distillery Limited And Its Subsidiaries

17.1 OPERATING FIXED ASSETS - Tangible

(RUPEES IN THOUSAND)

| DESCRIPTION | Balance as at October 01, 2005 | | | Movement during the year | | | Balance as at September 30, 2006 | | | DEPRECIATION RATE % | |
|---------------------------------------|--------------------------------|--------------------------|----------------|--------------------------|--|---------------------|----------------------------------|--------------------------|----------------|---------------------|----------------------|
| | COST / REVALUED VALUE | Accumulated Depreciation | Net Book Value | Additions/ Transfers* | DISPOSAL Cost / (Accumulated depreciation) | Depreciation Charge | COST / REVALUED VALUE | Accumulated Depreciation | Net Book Value | Holding Company | Subsidiary Companies |
| Land - Freehold | 5,335 | - | 5,335 | - | - | - | 5,335 | - | 5,335 | - | - |
| Land- Leasehold | 1,968 | - | 1,968 | - | - | - | 1,968 | - | 1,968 | - | - |
| Buildings and roads on freehold land | 125,148 | 77,161 | 47,987 | - | - | 4,210 | 125,148 | 81,371 | 43,777 | 5-10 | - |
| Buildings and roads on leasehold land | 18,393 | 15,137 | 3,256 | - | - | 280 | 18,393 | 15,417 | 2,976 | - | 5-10 |
| Plant and machinery | 780,214 | 531,130 | 249,084 | 26,594 | 3,767 | 26,659 | 803,041 | 555,805 | 247,236 | 10 | 10 |
| | | | | | (1,984) | | | | | | |
| Electric installation | 27,645 | 15,932 | 11,713 | 428 | - | 1,228 | 28,073 | 17,160 | 10,913 | 10 | 10 |
| Tools and equipment | 23,743 | 16,607 | 7,136 | 1,017 | - | 848 | 24,760 | 17,455 | 7,305 | 10-12 | 10-15 |
| Furniture and fixtures | 8,033 | 5,379 | 2,654 | 329 | - | 278 | 8,362 | 5,657 | 2,705 | 10 | 10 |
| Vehicles | 16,845 | 10,183 | 6,662 | 1,882 | 1,228 | 1,403 | 17,499 | 10,553 | 6,946 | 20 | 20 |
| | | | | | (1,033) | | | | | | |
| Office equipments | 6,224 | 4,663 | 1,561 | 685 | - | 731 | 6,909 | 5,394 | 1,515 | 15-50 | 10 |
| Service equipments | 1,452 | 1,408 | 44 | - | - | 10 | 1,452 | 1,418 | 34 | 10-25 | - |
| 2006: | 1,015,000 | 677,600 | 337,400 | 30,935 | 4,995 | 35,647 | 1,040,940 | 710,230 | 330,710 | | |
| | | | | | (3,017) | | | | | | |
| 2005: | | | | 30,367 | 3,214 | | | | | | |
| | | | | 9,345* | (2,947) | | | | | | |
| | | | | | (3,386) | 38,023 | | | | | |

17.1.1 The book value of plant and machinery of Crescot Mills Limited on cost basis is Rupees 2.337 million (2005: Rupees 2.337 million).

(RUPEES IN THOUSAND)
2006 2005

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

| | | | |
|-------------------------|------|---------------|---------------|
| Cost of sales | (29) | 31,123 | 32,888 |
| Administrative expenses | (31) | 4,524 | 5,135 |
| | | <u>35,647</u> | <u>38,023</u> |

17.1.3 Revaluation of plant and machinery of Crescot Mills Limited has been carried out as on September 30, 1997 by M/s Razzaque Umerani and Co., Surveyors and Valuation consultants on the basis of depreciated replacement values.

17.1.4 The following assets were disposed of during the year:

(RUPEES IN THOUSAND)

| DESCRIPTION | Cost | Accumulated depreciation | Book value | Sale proceeds | Profit/ (Loss) | Mode of disposal | Particulars of buyers |
|----------------------------|--------------|--------------------------|--------------|---------------|----------------|------------------|---|
| Plant and machinery | | | | | | | |
| Card machine | 561 | 414 | 147 | 875 | 728 | Negotiation | Mr. Muhammad Hussain, Chak # 199 RB, Faisalabad |
| Ring frames | 3,206 | 1,568 | 1,638 | 330 | (1,308) | Negotiation | Mr. Malik Hameed, Samundri Road, Faisalabad |
| | 3,767 | 1,982 | 1,785 | 1,205 | (580) | | |
| Vehicles | | | | | | | |
| Hyundai Santro-FDY 9099 | 340 | 183 | 157 | 215 | 58 | Negotiation | Mr. Muhammad Hussain, Chak # 199 RB, Faisalabad |
| Hyundai Santro-FDZ 1189 | 330 | 177 | 153 | 215 | 62 | Negotiation | Mr. Muhammad Hussain, Chak # 199 RB, Faisalabad |
| Hyundai Shahzore-FDX 7750 | 613 | 431 | 182 | 410 | 228 | Negotiation | M/s Famous Engineering Company, Faisalabad |
| Toyota Corolla-AAX 893 | 615 | 562 | 53 | 500 | 447 | Negotiation | Mr. Ahmad Ali, Karachi |
| | 1,898 | 1,353 | 545 | 1,340 | 795 | | |
| | <u>5,665</u> | <u>3,335</u> | <u>2,330</u> | <u>2,545</u> | <u>215</u> | | |

Crescent Sugar Mills & Distillery Limited And Its Subsidiaries

17.2 ASSETS SUBJECT TO FINANCE LEASE - *Tangible*

(RUPEES IN THOUSAND)

| DESCRIPTION | Balance as at October 01, 2005 | | | Movement during the year | | | Balance as at September 30, 2006 | | | DEPRECIATION RATE % |
|---------------------|--------------------------------|--------------------------|----------------|--------------------------|--|---------------------|----------------------------------|--------------------------|----------------|---------------------|
| | COST | Accumulated Depreciation | Net Book Value | Additions | DISPOSAL Cost / (Accumulated depreciation) | Depreciation Charge | COST | Accumulated Depreciation | Net Book Value | |
| Plant and machinery | 103,999 | 20,322 | 83,677 | - | - | 8,368 | 103,999 | 28,690 | 75,309 | 10 |
| Vehicles | 2,108 | 844 | 1,264 | 994 | 670 (360) | 317 | 2,432 | 801 | 1,631 | 20 |
| 2006: | 106,107 | 21,166 | 84,941 | 994 | 670 (360) | 8,685 | 106,431 | 29,491 | 76,940 | |
| 2005: | | | | | 9,345 | | | | | |
| | | | | - | (3,214) | 9,613 | | | | |

(RUPEES IN THOUSAND)

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

| | NOTE | 2006 | 2005 |
|-------------------------|------|--------------|--------------|
| Cost of sales | (29) | 8,368 | 9,298 |
| Administrative expenses | (31) | 317 | 315 |
| | | <u>8,685</u> | <u>9,613</u> |

17.3 CAPITAL WORK-IN-PROGRESS

| | | |
|-----------------------|---------------|--------------|
| Plant and machinery | 76,065 | 6,150 |
| Building | 50 | - |
| Advances to suppliers | 9,512 | - |
| | <u>85,627</u> | <u>6,150</u> |

Crescent Sugar Mills & Distillery Limited And Its Subsidiaries

18. LONG TERM INVESTMENT IN ASSOCIATES

| | (RUPEES IN THOUSAND) | | | | | |
|--|----------------------|---|----------------|---------------|---|----------------|
| | 2006 | | | 2005 | | |
| | COST | SHARE OF POST ACQUISITION PROFIT/(LOSS) | NET | COST | SHARE OF POST ACQUISITION PROFIT/(LOSS) | NET |
| QUOTED: | | | | | | |
| Shakarganj Mills Limited | | | | | | |
| 2,681,692 (2005: 1,915,496) ordinary shares of Rupees 10 each fully paid | 27,393 | 31,349 | 58,742 | 15,421 | 25,262 | 40,683 |
| The Crescent Textile Mills Limited | | | | | | |
| 2,216,427 (2005: 2,216,427) ordinary shares of Rupees 10 each fully paid | 17,909 | 54,191 | 72,100 | 17,909 | 55,654 | 73,563 |
| Crescent Jute Products Limited | | | | | | |
| 201,933 (2005: 201,933) ordinary shares of Rupees 10 each fully paid | 1,293 | 1,215 | 2,508 | 1,293 | 1,603 | 2,896 |
| Crescent Steel and Allied Products Limited | | | | | | |
| 1,232,193 (2005: 1,026,933) ordinary shares of Rupees 10 each fully paid | 3,720 | 26,385 | 30,105 | 3,720 | 21,407 | 25,127 |
| The Premier Insurance Company of Pakistan Ltd | | | | | | |
| 199,485 (2005: 166,238) ordinary shares of Rupees 5 each fully paid | 75 | 2,885 | 2,960 | 75 | 1,902 | 1,977 |
| Jubilee Spinning and Weaving Mills Limited | | | | | | |
| 474,323 (2005: 474,323) ordinary shares of Rupees 10 each fully paid | 1,229 | (21) | 1,208 | 1,229 | 211 | 1,440 |
| UNQUOTED: | | | | | | |
| Crescent Bahuman Limited | | | | | | |
| Nil (2005: 1,043,988) ordinary shares of Rupees 10 each fully paid | - | - | - | 10,440 | (9,804) | 636 |
| Premier Financial Services (Private) Limited | | | | | | |
| 2,500 (2005: 2,500) ordinary shares of Rupees 1,000 each fully paid | 2,500 | 3,560 | 6,060 | 2,500 | 4,745 | 7,245 |
| | 54,119 | 119,564 | 173,683 | 52,587 | 100,980 | 153,567 |

18.1 Aggregate market value of quoted investments as at September 30, 2006 was Rupees 161.945 million (2005: Rupees 250.139 million).

18.2 The management intends to dispose of the investments in Shakarganj Mills Limited, The Crescent Textile Mills Limited and Crescent Steel and Allied Products Limited in next twelve months from the balance sheet date. However, these investments have been classified as long term in pursuant to International Accounting Standard IAS- 28, "Investment in Associates" which requires that investment in associates should be accounted for in consolidated financial statements under equity method except when the investment is acquired and held exclusively with a view to its subsequent disposal in the near future. As these investments were not acquired for disposal purposes, equity method of accounting has been applied and as per the requirement of IAS-28 the same have been shown under long term investments. In addition paragraph 2 (B)(d) of Part II of the Fourth Schedule to the Companies Ordinance, 1984 requires that the investments accounted under equity method should be classified as long term investments.

18.3 Investment in shares having face value of Rupees 0.645 million (2005: 0.645 million) are pledged with banks.

Crescent Sugar Mills & Distillery Limited And Its Subsidiaries

18.4 INFORMATION ABOUT ASSOCIATES

RUPEES IN THOUSAND

| | ASSETS | | LIABILITIES | | REVENUE | | PROFIT/(LOSS) AFTER TAX | |
|--|------------|------------|-------------|-----------|-----------|-----------|-------------------------|---------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| QUOTED | | | | | | | | |
| Shakarganj Mills Limited Nine months ended June 30 | 11,852,890 | 10,098,165 | 9,109,766 | 6,981,213 | 4,140,878 | 3,835,422 | 110,104 | 118,053 |
| The Crescent Textile Mills Limited Year ended June 30, 2006 | 7,131,757 | 6,852,661 | 4,669,938 | 4,402,049 | 4,973,370 | 4,117,125 | (57,020) | 254,485 |
| Crescent Jute Products Limited Year ended June 30, 2006 | 516,435 | 593,211 | 671,560 | 688,112 | 443,420 | 424,357 | (54,662) | (7,340) |
| Crescent Steel and Allied Products Limited Year ended June 30, 2006 | 3,714,749 | 2,569,754 | 1,677,051 | 709,222 | 1,707,132 | 2,686,600 | 259,619 | 312,395 |
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Premier Insurance Company of Pakistan Limited Year ended December 31 | 1,738,274 | 1,486,448 | 1,025,479 | 1,076,002 | 360,164 | 194,601 | 325,438 | 117,437 |
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Jubilee Spinning and Weaving Mills Limited Year ended June 30 | 760,758 | 414,414 | 516,608 | 516,729 | 578,112 | 381,703 | 1,832 | 3,209 |
| UNQUOTED | | | | | | | | |
| Premier Financial Services (Private) Limited Year ended June 30 | 86,863 | 90,280 | 25,145 | 17,901 | - | 23,876 | (10,661) | 16,221 |

(RUPEES IN THOUSAND)

19. LONG TERM INVESTMENTS - Available for sale

2006

2005

QUOTED

Crescent Commercial Bank Limited

Nil (2005: 4 529 333) ordinary shares of Rupees 10 each fully paid

- 20,685

Crescent Fibers Limited

68 400 (2005: 68 400) ordinary shares of Rupees 10 each fully paid

711 711

Crescent Spinning Mills Limited

696 000 (2005: 696 000) ordinary shares of Rupees 10 each fully paid
Less: Impairment

6,960
(6,090)

6,960
-

870

6,960

Security Papers Limited

81 756 (2005: 81 756) ordinary shares of Rupees 10 each fully paid

47

47

Crescent Sugar Mills & Distillery Limited And Its Subsidiaries

(RUPEES IN THOUSAND)

| UNQUOTED | 2006 | 2005 |
|---|----------------|----------------|
| Crescent Modaraba Management Company Limited 119,480 (2005: 119,480) ordinary shares of Rupees 10 each fully paid | 1,195 | 1,195 |
| Crescent Bahuman Limited 1,043,988 (2005: 1,043,988) ordinary shares of Rupees 10 each fully paid | 10,440 | - |
| Less: Share of losses upto discontinuance of equity method | (9,804) | - |
| | 636 | - |
| | 3,459 | 29,598 |
| Add: Unrealized gain on revaluation of investments | 8,076 | 38,280 |
| | <u>11,535</u> | <u>67,878</u> |
| 20. STORES, SPARES AND LOOSE TOOLS | | |
| Stores | 40,471 | 32,791 |
| Spares | 22,058 | 23,789 |
| Loose tools | 229 | 319 |
| | <u>62,758</u> | <u>56,899</u> |
| 21. STOCK-IN-TRADE | | |
| Raw material | 62,703 | 96,786 |
| Work-in-process | 23,318 | 19,522 |
| Finished goods | 115,897 | 89,001 |
| Waste/ By-products | 2,762 | 2,540 |
| Other stocks | 50 | 167 |
| | <u>204,730</u> | <u>208,016</u> |
| 22. TRADE DEBTS - Considered good | | |
| Secured against letters of credit | 9,845 | 10,438 |
| Unsecured (22.1) | 62,178 | 57,407 |
| | <u>72,023</u> | <u>67,845</u> |
| 22.1 This includes Rupees 0.022 million (2005: Rupees 0.014 million) due from Shakarganj Mills Limited, a related party. | | |
| 23. ADVANCES | | |
| Advances - Considered good | | |
| Employees- Interest free | 2,734 | 3,227 |
| Suppliers/ contractors | 9,951 | 9,266 |
| Others | - | 1,875 |
| Letters of credit | 22 | 762 |
| | <u>12,707</u> | <u>15,130</u> |

Crescent Sugar Mills & Distillery Limited And Its Subsidiaries

| | | (RUPEES IN THOUSAND) | |
|--|---|----------------------|--------|
| | NOTE | 2006 | 2005 |
| 24. PREPAYMENTS AND BALANCES WITH STATUTORY AUTHORITIES | | | |
| Prepayments | | 1,091 | 967 |
| Balances with statutory authorities: | | | |
| Income tax | | 48,929 | 38,951 |
| Sales tax/ excise duty | | 1,131 | 1,650 |
| | | 50,060 | 40,601 |
| | | 51,151 | 41,568 |
| 25. OTHER RECEIVABLES | | | |
| Due from related parties | (25.1) | - | 57 |
| Export rebate claims | | - | 2,425 |
| Other receivables: | | | |
| Considered good | (25.2 & 25.3) | 48,513 | 53,933 |
| Considered doubtful | | 11,760 | 11,760 |
| Less: Provision for doubtful | | 11,760 | 11,760 |
| | | - | - |
| | | 48,513 | 56,415 |
| 25.1 | This represents due from Shams Textile Mills Limited, a related party. | | |
| 25.2 | Included therein is unsecured balance of Rupees 23.950 million (2005: Rupees 23.950 million) due from Crescent Fibers Limited. | | |
| 25.3 | This also includes balance amounting to Rs. 17.93 million which remains unconfirmed. | | |
| 26. SHORT TERM INVESTMENTS - Available for sale | | | |
| QUOTED | | | |
| Crescent Commercial Bank Limited | | | |
| 5,661,666 (2005: Nil) ordinary shares of Rupees 10 each fully paid | | 32,008 | - |
| Add: Unrealized gain on revaluation of investment | | 44,424 | - |
| | | 76,432 | - |
| 26.1 | The investment has been reclassified from long term to short term as explained in detail in Note 5.7 to the financial statements. | | |
| 27. CASH AND BANK BALANCES | | | |
| Cash in hand | | 351 | 1,062 |
| Cash with banks | | | |
| Current accounts | | 21,699 | 11,499 |
| Deposit accounts | | 2,803 | 2,803 |
| | | 24,502 | 14,302 |
| | | 24,853 | 15,364 |
| 27.1 | Rate of profit on bank deposits is 6.5% (2005: 6.5%) per annum. | | |

Crescent Sugar Mills & Distillery Limited And Its Subsidiaries

| | | (RUPEES IN THOUSAND) | |
|------------|--|----------------------|-----------|
| | | 2006 | 2005 |
| 28. | SALES AND SERVICES - net | | |
| | Sugar | 647,763 | 585,319 |
| | Yarn: | | |
| | Local | 1,057,260 | 1,168,541 |
| | Export | 418,221 | 409,587 |
| | | 1,475,481 | 1,578,128 |
| | Distillate | 10,602 | 25,968 |
| | Molasses (By-product) | 67,070 | 57,037 |
| | Waste: | | |
| | Local | 35,009 | 28,350 |
| | Export | 573 | 3,660 |
| | | 35,582 | 32,010 |
| | Handling and storage income | 21,758 | 15,833 |
| | | 2,258,256 | 2,294,295 |
| | Less: | | |
| | Commission/ rebate to selling agents | 15,029 | 16,115 |
| | Sales tax | 90,595 | 201,088 |
| | | 105,624 | 217,203 |
| | | 2,152,632 | 2,077,092 |
| | Trading goods - export | - | 24,228 |
| | | 2,152,632 | 2,101,320 |
| 29. | COST OF SALES | | |
| | Raw material consumed | 1,574,437 | 1,360,289 |
| | Salaries, wages and other benefits | 115,699 | 107,571 |
| | Store, spares and loose tools consumed | 79,203 | 86,625 |
| | Fuel and power | 203,019 | 196,697 |
| | Other manufacturing overheads | 3,970 | 4,351 |
| | Insurance | 2,425 | 2,636 |
| | Repair and maintenance | 16,042 | 19,301 |
| | Depreciation (17.1.2 & 17.2.1) | 39,491 | 42,186 |
| | | 2,034,286 | 1,819,656 |
| | Work-in-process | | |
| | Opening stock | 19,522 | 17,859 |
| | Closing stock | (23,318) | (19,522) |
| | | (3,796) | (1,663) |
| | Cost of goods manufactured | 2,030,490 | 1,817,993 |
| | Cost of goods purchased | 5,107 | 23,187 |
| | | 2,035,597 | 1,841,180 |
| | Finished goods | | |
| | Opening stock | 91,541 | 157,675 |
| | Closing stock | (118,498) | (91,541) |
| | | (26,957) | 66,134 |
| | | 2,008,640 | 1,907,314 |
| 30. | DISTRIBUTION COST | | |
| | Insurance expenses | 228 | 213 |
| | Freight and forwarding | 16,600 | 16,738 |
| | Other expenses | 3,887 | 3,953 |
| | | 20,715 | 20,904 |

Crescent Sugar Mills & Distillery Limited And Its Subsidiaries

| 31. ADMINISTRATIVE EXPENSES | NOTE | (RUPEES IN THOUSAND) | |
|------------------------------------|-------------------|----------------------|---------------|
| | | 2006 | 2005 |
| Salaries, wages and other benefits | | 38,461 | 32,947 |
| Workers' welfare | | 1,335 | 1,377 |
| Traveling and conveyance | | 1,728 | 2,172 |
| Insurance | | 1,724 | 1,211 |
| Rent, rates and taxes | | 2,381 | 2,452 |
| Water, fuel and power | | 2,827 | 1,942 |
| Entertainment | | 1,831 | 1,606 |
| Subscription | | 590 | 538 |
| Communication | | 2,090 | 2,387 |
| Vehicles' running | | 3,409 | 1,846 |
| Advertisement | | 100 | 261 |
| Repair and maintenance | | 7,074 | 5,376 |
| Printing and stationery | | 771 | 736 |
| Books and periodicals | | 48 | 54 |
| Auditors' remuneration | (31.1) | 404 | 388 |
| Legal and professional | | 1,139 | 1,689 |
| Miscellaneous | | 3,715 | 2,464 |
| Depreciation | (17.1.2 & 17.2.1) | 4,841 | 5,450 |
| | | <u>74,468</u> | <u>64,896</u> |

| 31.1 Auditors Remuneration | (RUPEES IN THOUSAND) | | | | | | | | | |
|-------------------------------|--|-----------|-----------|---------------|------------|--|-----------|------------|---------------|-------|
| | 2006 | | | | 2005 | | | | | |
| | Other certification including half yearly review | | | Out of Pocket | Total | Other certification including half yearly review | | | Out of Pocket | Total |
| | Fees | | | | Fees | | | | | |
| Ford Rhodes Sidat Hyder & Co. | 235 | 75 | 10 | 320 | 235 | 50 | 10 | 295 | | |
| Riaz Ahmad & Co. | 30 | - | 4 | 34 | 40 | - | 3 | 43 | | |
| Mushtaq & Company | 50 | - | - | 50 | 50 | - | - | 50 | | |
| | <u>315</u> | <u>75</u> | <u>14</u> | <u>404</u> | <u>325</u> | <u>50</u> | <u>13</u> | <u>388</u> | | |

31.2 Salaries, wages and benefits charged to cost of sales and administrative expenses include the following:

Gratuity

| | | |
|---|--------------|--------------|
| Current service cost | 3,318 | 3,250 |
| Interest cost | 647 | 284 |
| Actuarial loss recognized | 9 | - |
| Charge due to change in benefits | - | 2,123 |
| | <u>3,974</u> | <u>5,657</u> |
| Contribution to Employees' Provident Fund Trust | <u>2,023</u> | <u>2,012</u> |
| | <u>5,997</u> | <u>7,669</u> |

Crescent Sugar Mills & Distillery Limited And Its Subsidiaries

| | | (RUPEES IN THOUSAND) | |
|---|--|----------------------|---------------|
| 32. OTHER OPERATING EXPENSES | | 2006 | 2005 |
| Workers' Profit Participation Fund | | - | 3,512 |
| Exchange loss | | 6,183 | 2,403 |
| Donations | | 346 | - |
| Balances written off | | 1,414 | - |
| Impairment of investment | | 6,090 | - |
| Amortisation of interest free financial liabilities | | 1,256 | 1,135 |
| | | <u>15,289</u> | <u>7,050</u> |
| 32.1 | The directors and their spouses have no interest in donees' funds. | | |
| 33. OTHER OPERATING INCOME | | | |
| Income from financial assets | | | |
| Dividend income from other investments | | 245 | 408 |
| Return on bank deposits | | 183 | 255 |
| Fair value adjustment of interest free financial liability | | - | 798 |
| Liabilities written back | | 7,128 | 29,218 |
| | | <u>7,556</u> | <u>30,679</u> |
| Income from assets other than financial assets | | | |
| Sale of scrap and mud | | 2,980 | 4,459 |
| Net profit on disposal of operating fixed assets | | 215 | 1,325 |
| Others | | 359 | 27 |
| | | <u>3,554</u> | <u>5,811</u> |
| | | <u>11,110</u> | <u>36,490</u> |
| 33.1 | This includes Rs. 2.911 million (2005: Rs. 3.002 million) representing reversal of accrued markup, no longer payable, Rs. 2.133 million (2005: Rs. Nil) payable to a related party, and waiver of loan liability Rupees Nil (2005: Rupees 25.884). | | |
| 34. FINANCE COST | | | |
| Interest/ Mark-up on: | | 1,276 | 1,559 |
| Employees' Provident Fund Trust | | 11,559 | 6,364 |
| Long term financing | | 54,120 | 36,858 |
| Short term borrowings | | | |
| Financial charges on liabilities against assets subject to finance lease | | 3,484 | 5,149 |
| | | <u>9,856</u> | <u>6,615</u> |
| Bank charges and commission | | <u>80,295</u> | <u>56,545</u> |
| 35. TAXATION | | | |
| Current tax | | | |
| - Current year | | 10,845 | 7,841 |
| - Prior year | | 3,319 | (3) |
| | | <u>14,164</u> | <u>7,838</u> |
| Deferred tax | | 9,006 | 1,999 |
| | | <u>23,170</u> | <u>9,837</u> |

Crescent Sugar Mills & Distillery Limited And Its Subsidiaries

36. RELATED PARTY TRANSACTIONS

The related parties and associated undertakings comprises, associates, companies in which directors are interested, staff retirement funds, directors and key management personnel. Significant transactions with related parties and associated undertakings are as under:

| Relation with the Company | Nature of Transaction | 2006 | 2005 |
|---------------------------------|----------------------------|----------------------|---------|
| | | (Rupees in thousand) | |
| Associated Companies | Purchases | 5,325 | 2,782 |
| | Sales | 47,083 | 28,610 |
| | Dividend income | 166 | 10,491 |
| | Insurance charges | 3,325 | 2,635 |
| | | (Number) | |
| Associated Companies | Bonus shares received | 525,934 | 276,634 |
| | Investment in right shares | 478,874 | - |
| | | (Rupees in thousand) | |
| Employees' Provident Fund Trust | Amount contributed | 2,023 | 2,012 |
| | Interest accrued | 1,276 | 1,559 |

Key management personnel Such transactions have been disclosed in Note 37.

36.1 The outstanding balance of such parties have been disclosed in respective notes to the financial statements.

37. REMUNERATION OF CHIEF EXECUTIVE OFFICERS, DIRECTOR AND EXECUTIVES

Aggregate amount charged in the accounts for the year for remuneration, allowances and benefits to Chief Executive Officers and Executives of the holding company was as follows:

| DESCRIPTION | (Rupees in thousand) | | | | | |
|---|-------------------------|--------------|--------------|--------------|---------------|--------------|
| | CHIEF EXECUTIVE OFFICER | | DIRECTOR | | EXECUTIVES | |
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Managerial remuneration | 3,600 | 2,880 | 1,800 | 1,320 | 9,207 | 6,297 |
| Housing | 1,620 | 1,296 | 810 | 594 | 1,930 | 2,542 |
| Contribution to Employees' Provident Fund Trust | 360 | 288 | 180 | 132 | 360 | 292 |
| Group Insurance | 51 | - | 7 | 7 | 21 | 22 |
| Reimbursable expenses | 264 | 168 | 366 | 183 | 326 | 242 |
| | 5,895 | 4,632 | 3,163 | 2,236 | 11,844 | 9,395 |
| Number of persons | 1 | 1 | 1 | 1 | 7 | 6 |

37.1 The aggregate amount charged in the financial statements for the year against fees to four directors for four Board meetings and five audit committee meetings is Rupees 115,000 (2005: Rs. 100,000 to six directors for four Board meetings and five audit committee meetings).

37.2 The Chief Executive Officer, director and five executives of the company have been provided with company maintained vehicles.

38. (LOSS)/ EARNINGS PER SHARE - BASIC AND DILUTED

Earnings per share are calculated by dividing the net (loss)/profit for the year by the weighted average number of shares outstanding during the year as follows:

Crescent Sugar Mills & Distillery Limited And Its Subsidiaries

| | | | |
|---------------------------------------|----------------------|--------------------------|-------------------|
| | | 2006 | 2005 |
| (Loss)/ Profit for the year after tax | (Rupees in thousand) | (49,888) | 91,422 |
| Average ordinary shares in issue | (Numbers) | <u>21,377,478</u> | <u>21,377,478</u> |
| (Loss)/ Earnings per share | (Rupees) | <u>(2.33)</u> | <u>4.28</u> |

38.1 Number of average ordinary shares in issue during the year ended September 30, 2005 has been restated for the effect of bonus shares issued during the year.

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

39. SEGMENTS INFORMATION

The primary reporting format is determined to be business segments as the group's risks and rates of return affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The textile unit comprises of spinning and embroidery and otherwise dealing in yarn.

The group's geographical segments are based on the location of the group's assets.

39.1 INFORMATION ABOUT BUSINESS SEGMENTS

| PARTICULARS | SUGAR UNIT | | DISTILLERY UNIT | | SPINNING UNIT | | BULK STORAGE | | ELIMINATIONS | | CONSOLIDATED | |
|--|----------------|----------------|-----------------|---------------|------------------|------------------|---------------|---------------|---------------|--------------|------------------|------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| REVENUE | | | | | | | | | | | | |
| External sales | 624,934 | 557,360 | 9,219 | 21,262 | 1,496,721 | 1,503,709 | 21,758 | 15,833 | - | - | 2,152,632 | 2,098,164 |
| Inter-segment sales | 14,864 | 6,671 | | | | | | | 14,864 | 6,671 | - | - |
| Total revenue | <u>639,798</u> | <u>564,031</u> | <u>9,219</u> | <u>21,262</u> | <u>1,496,721</u> | <u>1,503,709</u> | <u>21,758</u> | <u>15,833</u> | <u>14,864</u> | <u>6,671</u> | <u>2,152,632</u> | <u>2,098,164</u> |
| RESULT | | | | | | | | | | | | |
| Segment result | (46,448) | 2,074 | 2,075 | 4,686 | 75,049 | 111,641 | 6,039 | 31,357 | - | - | 36,715 | 149,758 |
| Unallocated corporate expenses | | | | | | | | | | | (2,591) | (1,971) |
| Operating profit | | | | | | | | | | | 34,124 | 147,787 |
| Interest expense | | | | | | | | | | | (80,295) | (60,057) |
| Other income | | | | | | | | | | | 11,110 | 10,561 |
| Share of net profits of associates | 8,947 | 20,158 | - | - | - | - | - | - | - | - | 8,947 | 20,158 |
| Income taxes | | | | | | | | | | | (23,170) | (9,837) |
| Net profit after taxation | | | | | | | | | | | (49,284) | 108,612 |
| OTHER INFORMATION | | | | | | | | | | | | |
| Segment assets | 313,958 | 324,392 | 2,502 | 4,365 | 716,547 | 597,658 | 50,978 | 51,291 | - | - | 1,083,985 | 977,706 |
| Investment in equity method associates | 154,951 | 153,567 | - | - | - | - | - | - | - | - | 154,951 | 153,567 |
| Unallocated corporate assets | | | | | | | | | | | - | - |
| Consolidated total assets | | | | | | | | | | | <u>1,238,936</u> | <u>1,131,273</u> |
| Segment liabilities | 492,471 | 414,501 | 427 | 281 | 289,297 | 251,074 | 102,178 | 103,043 | - | - | 884,373 | 768,899 |
| Unallocated corporate liabilities | | | | | | | | | | | 22,031 | 362,374 |
| Consolidated total liabilities | | | | | | | | | | | <u>906,404</u> | <u>1,131,273</u> |
| Capital expenditure | 4,231 | 10,262 | - | - | 112,906 | 29,436 | 656 | 15 | - | - | 117,793 | 39,713 |
| Depreciation | 8,214 | 9,164 | 109 | 122 | 26,645 | 28,060 | 678 | 681 | - | - | 35,646 | 38,027 |

39.2 Geographical segments

The group operates in only one geographical segment i.e. Pakistan, as the group has no distinguishable component other than Pakistan that is engaged in providing products within a particular economic environment.

Crescent Sugar Mills & Distillery Limited And Its Subsidiaries

40. FINANCIAL INSTRUMENTS

(RUPEES IN THOUSAND)

| | 2 0 0 6 | | | | | | TOTAL |
|---|----------------------------|--|-----------|--------------------------------|--|-----------|---------|
| | Interest / Mark-up Bearing | | | Non Interest / Mark-up Bearing | | | |
| | Maturity within one year | Maturity more than one year but less than five years | Sub Total | Maturity within one year | Maturity more than one year but less than five years | Sub Total | |
| Financial Assets: | | | | | | | |
| Long term investments | - | - | - | - | 11,535 | 11,535 | 11,535 |
| Long term deposits | - | - | - | - | 6,466 | 6,466 | 6,466 |
| Trade debts | - | - | - | 72,023 | - | 72,023 | 72,023 |
| Advances | - | - | - | 2,734 | - | 2,734 | 2,734 |
| Other receivables | - | - | - | 60,273 | - | 60,273 | 60,273 |
| Cash and bank balances | 2,803 | - | 2,803 | 22,050 | - | 22,050 | 24,853 |
| | 2,803 | - | 2,803 | 157,080 | 18,001 | 175,081 | 177,884 |
| Off balance sheet | - | - | - | - | - | - | - |
| Total financial assets | 2,803 | - | 2,803 | 157,080 | 18,001 | 175,081 | 177,884 |
| Financial Liabilities: | | | | | | | |
| Long term financing | 32,858 | 167,963 | 200,821 | - | - | - | 200,821 |
| Liabilities against assets subject to finance lease | 15,150 | 5,708 | 20,858 | - | - | - | 20,858 |
| Trade and other payables | - | - | - | 154,967 | - | 154,967 | 154,967 |
| Accrued interest on loans and other payables | - | - | - | 26,492 | - | 26,492 | 26,492 |
| Short term borrowings | 374,381 | - | 374,381 | 35,951 | - | 35,951 | 410,332 |
| | 422,389 | 173,671 | 596,060 | 217,410 | - | 217,410 | 813,470 |
| Off balance sheet | - | - | - | - | - | - | - |
| Commitments for capital expenditure | - | - | - | 1,991 | - | 1,991 | 1,991 |
| Other commitments | - | - | - | 102 | - | 102 | 102 |
| | - | - | - | 2,093 | - | 2,093 | 2,093 |
| Total financial liabilities | 422,389 | 173,671 | 596,060 | 219,503 | - | 219,503 | 815,563 |

(RUPEES IN THOUSAND)

| | 2 0 0 5 | | | | | | TOTAL |
|---|----------------------------|--|-----------|--------------------------------|--|-----------|---------|
| | Interest / Mark-up Bearing | | | Non Interest / Mark-up Bearing | | | |
| | Maturity within one year | Maturity more than one year but less than five years | Sub Total | Maturity within one year | Maturity more than one year but less than five years | Sub Total | |
| Financial Assets: | | | | | | | |
| Long term investments | - | - | - | - | 67,878 | 67,878 | 67,878 |
| Long term deposits | - | - | - | - | 17,200 | 17,200 | 17,200 |
| Trade debts | - | - | - | 67,845 | - | 67,845 | 67,845 |
| Advances | - | - | - | 14,368 | - | 14,368 | 14,368 |
| Other receivables | - | - | - | 56,358 | - | 56,358 | 56,358 |
| Cash and bank balances | 2,803 | - | 2,803 | 12,561 | - | 12,561 | 15,364 |
| | 2,803 | - | 2,803 | 151,132 | 85,078 | 236,210 | 239,013 |
| Off balance sheet | - | - | - | - | - | - | - |
| Total financial assets | 2,803 | - | 2,803 | 151,132 | 85,078 | 236,210 | 239,013 |
| Financial Liabilities: | | | | | | | |
| Long term finances | 60,852 | 83,200 | 144,052 | - | - | - | 144,052 |
| Liabilities against assets subject to finance lease | 20,601 | 28,303 | 48,904 | - | - | - | 48,904 |
| Trade and other payables | - | - | - | 165,986 | - | 165,986 | 165,986 |
| Accrued interest on loans and other payables | - | - | - | 23,682 | - | 23,682 | 23,682 |
| Short term borrowings | 294,929 | - | 294,929 | 31,858 | - | 31,858 | 326,787 |
| | 376,382 | 111,503 | 487,885 | 221,526 | - | 221,526 | 709,411 |
| Off balance sheet | - | - | - | - | - | - | - |
| Commitments for capital expenditure | - | - | - | 7,371 | - | 7,371 | 7,371 |
| Other commitments | - | - | - | 12,274 | - | 12,274 | 12,274 |
| | - | - | - | 19,645 | - | 19,645 | 19,645 |
| Total financial liabilities | 376,382 | 111,503 | 487,885 | 241,171 | - | 241,171 | 729,056 |

The effective interest/ mark up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements

Crescent Sugar Mills & Distillery Limited And Its Subsidiaries

40.1 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. Company borrows funds in local currency usually at fixed rate of interest/mark-up.

a) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Keeping in view the exposure of the Company in financial instruments denominated in foreign currency, currency risk is not material.

b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company has long term Rupee based loans at fixed rates. Variable rate Rupee loans risks are minimized by instituting State Bank of Pakistan's discount rate along with caps and floors. This protects the Company against any adverse movement in market interest rates.

c) Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Company's credit risk is primarily attributable to its receivables and its bank balances. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit rating. Moreover the Company deals mostly with regular and permanent customers who pay the instrument on due dates. Out of total financial assets of Rs. 177.941 million (2005: Rs. 239.013 million), the financial assets which are subject to credit risk amounted to Rs. 143.243 million (2005: Rs. 213.211 million). The Company believes that it is not exposed to major concentration of credit risk.

d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Company believes that it is not exposed to any significant level of liquidity risk.

40.2 Fair value of financial instruments

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values including for equity investments, which are stated at fair value/ break-up value. Market value is also disclosed in Note 18.1, 19 & 26.

Crescent Sugar Mills & Distillery Limited And Its Subsidiaries

41. PLANT CAPACITY AND ACTUAL PRODUCTION

Working based on three shifts:

| | | 2006 | 2005 |
|----------------------------------|----------------|-------------------|------------|
| SUGAR UNIT: | | | |
| Capacity | M. Tons | 23 167 | 23 167 |
| Actual Production | M. Tons | 20 487 | 23 210 |
| DISTILLERY UNIT: | | | |
| Capacity | Liters | 2 727 000 | 2 727 000 |
| Actual Production | Liters | 790 418 | 420 769 |
| SPINNING UNIT: | | | |
| Yarn production | | | |
| Capacity converted at 20/S count | Kgs. | 20 385 786 | 20 385 786 |
| Actual production | | | |
| Converted at 20/S count | Kgs. | 18 756 471 | 19 498 458 |

EMBROIDERY UNIT:

Capacity of such unit cannot be determined due to nature of its activities.

41.1 Reason for Low Production

Sugar

Operated below capacity due to less availability of sugar cane.

Distillery

Operated below capacity due to less availability of molasses.

Spinning

Under utilization of available capacity is due to normal maintenance.

42. DATE OF AUTHORIZATION

These financial statements were authorized for issue on February 22, 2007 by the Board of Directors of the company.

| | 2006 | 2005 |
|---|----------------------|---------------|
| 43. DETAIL OF SUBSIDIARIES | | |
| Crescot Mills Limited | | |
| Accounting year end | June 30, 2006 | June 30, 2005 |
| Percentage of holding | 66.15% | 66.15% |
| Country of incorporation | Pakistan | Pakistan |
| Net assets as at June 30 (Rupees in thousand) | | |
| - at estimated realizable value | (10,106) | (11,356) |
| - at book value | (10,056) | (11,315) |

Crescent Sugar Mills & Distillery Limited And Its Subsidiaries

| | 2006 | 2005 |
|---|----------------------|---------------|
| Karachi Bulk and Storage Terminals (Private) Limited | | |
| Accounting year end | June 30, 2006 | June 30, 2005 |
| Percentage of holding | 99.99% | 99.99% |
| Country of incorporation | Pakistan | Pakistan |
| Net assets as at June 30 (Rupees in thousand) | (51,200) | (51,752) |

44. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and regrouped wherever necessary for the purpose of comparison. However, no significant rearrangement or reclassification has been made in these financial statements except as follows:

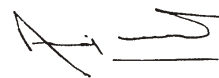
- Security deposits amounting to Rupees 10.7 million as at September 30, 2005 have been off-set against finance lease liabilities.

45. GENERAL

Figures have been rounded off to the nearest thousand rupees.



MUHAMMAD ARSHAD
CHIEF EXECUTIVE OFFICER



ABID MEHMOOD
DIRECTOR



Crescent Sugar Mills & Distillery Limited

CRESCENT SUGAR MILLS AND DISTILLERY LIMITED

FORM OF PROXY

I/We _____ of _____
 a member/members of the **Crescent Sugar Mills & Distillery Limited** and holder of
 _____ shares as per Registered Folio # _____/CDC
 participant's Identity Card No. _____ A/c No. _____
 do hereby appoint _____ of _____
 or failing him _____ of _____
 who is also a member of the Company vide Registered Folio No. _____ as
 my/our Proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General
 Meeting of the Company to be held at 10.30 a.m. on Thursday the March 29, 2007 at the Registered
 Office of the Company, New Lahore Road, Nishatabad, Faisalabad or at any adjournment thereof.

As witness my/our hand this _____ day of _____ 2007.

Member's Signature



Witness Signature

Place: _____

Date: _____

Note: A member eligible to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received by the company at the registered office not less than 48 hours before the time for holding the meeting.