



**Crescent
Fibres**



**Half Yearly Report
December 31, 2018**



COMPANY INFORMATION

Board of Directors	Khawar Maqbool	(Chairperson, Non-Executive Director)
	Imran Maqbool	(Chief Executive, Executive Director)
	Humayun Maqbool	(Executive Director)
	Jahanzeb Saeed Khan	(Independent, Non-Executive Director)
	Nadeem Maqbool	(Non-Executive Director)
	Naila Humayun Maqbool	(Non-Executive Director)
	Mansoor Riaz	(Non-Executive Director)

Chief Financial Officer Kamran Rasheed

Company Secretary Javaid Hussain

Audit Committee	Jahanzeb Saeed Khan	(Chairman)
	Nadeem Maqbool	(Member)
	Naila Humayun Maqbool	(Member)

Human Resources & Remuneration Committee	Jahanzeb Saeed Khan	(Chairman)
	Nadeem Maqbool	(Member)
	Naila Humayun Maqbool	(Member)

Auditors BDO Ebrahim & Company
Chartered Accountants

Legal Advisor Mohsin Tayebally & Sons

Share Registrar Vision Consulting Limited
1st Floor, 3-C, LDA Flats,
Lawrence Road, Lahore.

Registered Office 104 Shadman 1,
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Tel : (042) 35960871-4 Lines
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Website: www.crescentfibres.com

DIRECTORS' REPORT

The Company made a profit of Rs. 33.1 million in the second quarter of the fiscal year, which when combined with a profit of Rs.50 million in the first quarter, resulted in a net profit of Rs. 83.1 million for the six months ended December 31, 2018. The earnings per share for the period under review was Rs. 6.69 as compared Rs. 1.19 for the period ended December 31, 2017.

The textile industry in Pakistan has been going through a prolonged recessionary period characterized by weak demand, low end-product prices and eroding margins. Factors contributing to this include high cost of doing business, increased financial and commodity market volatility and low domestic cotton yield and quality.

Sales for the period under review were 23% higher than the corresponding period, due to improvement in end-product prices. In the period under review, the gross margin increased to 9.1 % as compared to 5.6% in the corresponding period. Owing to cost controls, selling, administrative and other costs remained more or less unchanged as a percentage of sales. The operating margin for the period under review increased to 6.5% as compared to 3.2% for the period ended December 31, 2017. Financial charges at Rs. 45.5 million were 1.8% of sales as compared to 1.7% in the corresponding period. This is attribute to higher short-term borrowing caused by higher raw material prices and the increase in interest rates due to tightening of monetary policy by the State Bank. Overall, the net margin was 3.3% as compared 0.7% in the previous period.

Though yarn prices have shown some improvement in the recent past, we expect the profitability of the textile industry to remain under pressure. The uncertain global economic situation, particularly the slowdown in China, is likely to keep demand for end products weak. Apart from market dynamics, the Pakistani textile industry faces several other challenges. These include continued shortfalls in cotton production, high cost of doing business, and high local taxes and surcharges. The situation is further exacerbated by the strong government support being offered to our regional competitors in the form of subsidies and export incentives. Recently, the Government has announced support to the textile industry in the form of competitively priced energy and this combined with the recent adjustment to the exchange rate to bring it to realistic levels will make the textile industry more competitive. However, the Government must take immediate steps to improve cotton yields and production and also release long delayed income tax, sales tax and other rebates to improve liquidity to enable the industry to modernize and compete on the global stage.

The Management will continue to strive to maintain profitability through improved efficiency and productivity and sound, low risk decision-making.

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



IMRAN MAQBOOL
Chief Executive

February 28, 2019



NADEEM MAQBOOL
Director

کمپنی نظام (ڈائریکٹران) کی رپورٹ:

کمپنی کو مالی سال کی دوسری سہ ماہی میں 33.1 ملین روپے کا منافع ہوا جو کہ پہلی سہ ماہی کے منافع 50 ملین روپے کے ساتھ شامل کرنے کے نتیجے میں 31 دسمبر 2018 کو چھ ماہ کے لئے 83.1 ملین روپے کا منافع ہوا۔ 31 دسمبر 2017ء کی مدت کے لئے 1.19 روپے منافع کے مقابلے میں زیر جائزہ مدت کے لئے فی حصہ آمدنی 6.69 روپے تھی۔

پاکستان میں ٹیکسٹائل کی صنعت طویل عرصہ سے اتہری کا شکار رہی۔ چیدہ چیدہ محرکات میں ٹیکسٹائل مصنوعات کی طلب میں کمی ہونا، مصنوعات کی قیمت فروخت میں کمی، صنعت کو متعلقہ فوائد کے حصول میں رکاوٹ، کاروبار کی اخراجات میں اضافہ، اسکے علاوہ مالیاتی اور مصنوعات کی مارکیٹ میں عدم استحکام میں اضافہ اور کم ملکی کپاس کی پیداوار اور کواٹٹی وغیرہ ہے۔

زیر جائزہ مدت کے لئے مالیت فروخت میں اسی مدت کے مقابلے میں 23 فیصد زیادہ تھی، جس کی وجہ اختتامی مصنوعات کی قیمتوں میں بہتری تھی۔ زیر جائزہ مدت میں مجموعی منافع میں اسی مدت میں 5.6 فیصد کے مقابلے میں 9.1 فیصد اضافہ ہوا۔ لاگت کنٹرولز کی وجہ سے فروخت، انتظامی اور دیگر اخراجات میں کوئی خاص تبدیلی نہیں ہوئی۔ زیر جائزہ مدت کے لئے آپریٹنگ منافع میں 31 دسمبر 2017ء کی مدت کے لئے 3.2 فیصد کے مقابلے میں 6.5 فیصد اضافہ ہوا۔ مالیاتی اخراجات 45.5 ملین روپے تھے جو اسی عرصے میں 1.7 فیصد کے مقابلے میں فروخت 1.8 فیصد تھے۔ اس کی وجہ مختصر مدت کے قرضوں میں زیادہ شرح سود، خام مال کی قیمتوں میں اضافہ اور سٹیٹ بینک کی طرف سے سخت مالیاتی پالیسی شامل ہیں۔ مجموعی طور پر پچھلے عرصے میں خالص منافع 0.7 فیصد کے مقابلے میں 3.3 فیصد تھا۔

اگرچہ دھماگے کی قیمتوں میں ماضی قریب میں کچھ بہتری دکھائی دی ہے۔ ہمیں ٹیکسٹائل کی صنعت کے منافع کو دباؤ میں رہنے کی توقع ہے۔ اس وقت عالمی غیر یقینی اقتصادی حالات کے بعد قابل ذکر عوامل مثلاً چین کی کرنی کا گرنہ ہماری سیل پر منفی اثر ڈالے گا۔ اس کے علاوہ پاکستانی ٹیکسٹائل صنعت کو کئی دیگر چیلنج درپیش ہیں جس میں کپاس کی پیداوار میں آفس ناک حد تک کمی، کاروباری معاملات کے اخراجات میں اضافے کا زحمان اور غیر مناسب ٹیکسوں اور سرچارج کا بوجھ۔ اس پر ترمیم کی حکومت ٹیکسٹائل سے مقابلہ کرنے والی صنعتوں کو رعایت اور ایکسپورٹ سہولیات فراہم کر رہی ہے۔ حال ہی میں حکومت نے ٹیکسٹائل انڈسٹری کو رعایتی قیمت پر توانائی کی فراہمی کا اعلان کیا ہے اور حقیقت میں یہ فیصلہ روپے کی شرح تبادلہ میں تبدیلی کی وجہ ہے تاکہ ٹیکسٹائل انڈسٹری زیادہ مقابلہ کر سکے۔ تاہم حکومت کپاس کی پیداوار کے ساتھ کواٹٹی کو بہتر بنانے کے فوری اقدامات لازمی کرے اور عالمی سطح پر جدید مقابلہ کرنے اور صنعت کو چالو رکھنے کیلئے آگم ٹیکس اور سٹریٹجک ریفیوڈ میں طویل تاخیر ختم کرے اور دیگر رعایت کو بھی جاری رکھے۔

کمپنی انتظامیہ بہتر کارکردگی اور پیداوار کی بہتر کواٹٹی اور لاگت میں کمی کے ذریعے منافع حاصل کرنے کی کوشش جاری رکھے گی۔

کمپنی کی انتظامیہ عملی مسلسل محنت اور جذبے پر اچھے تعلقات کا اعتراف کرتی ہے اور کمپنی ڈائریکٹرز، مینجرز اور حصہ داران کا بھی مسلسل حمایت پر شکر یہ ادا کرتی ہے۔

Nasir Ahmad
ندیم مقبول
ڈائریکٹر

Imran Masood
عمران مقبول
چیف ایگزیکٹو

تاریخ: 28 فروری 2019ء

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE MEMBERS**Introduction**

We have reviewed the accompanying condensed interim statement of financial position of CRESCENT FIBRES LIMITED ("the Company") as at December 31, 2018 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in equity and notes to the condensed interim financial information for the six-month period then ended (here-in-after referred as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at and for the six months period ended December 31, 2018 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

The figures for the quarters ended December 31, 2018 and December 31, 2017 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

KARACHI

DATED: 28 February 2019

CHARTERED ACCOUNTANTS

Engagement Partner: Zulfikar Ali Causer

BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018 (UN-AUDITED)

		December 31, 2018 (Un-audited) Rupees	June 30, 2018 (Audited) Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	6	1,358,473,379	1,401,920,366
Capital work-in-progress		<u>13,697,687</u>	<u>13,697,687</u>
		1,372,171,066	1,415,618,053
Investment property		1,728,028,250	1,728,028,250
Long term investments		474,863	539,563
Long term deposits		<u>16,477,178</u>	<u>16,699,378</u>
		3,117,151,357	3,160,885,244
CURRENT ASSETS			
Stores, spares and loose tools		73,149,017	63,232,678
Stock in trade	7	914,672,560	563,098,872
Trade debts		842,802,729	686,410,603
Loans and advances		12,342,153	6,080,593
Trade deposits and short term prepayments		16,258,512	15,550,130
Other receivables		2,025,626	1,165,395
Short term investments		146,999,013	155,986,700
Tax refunds due from Government		116,380,955	116,460,589
Cash and bank balances		<u>147,161,550</u>	<u>104,475,891</u>
		2,271,792,115	1,712,461,451
		<u>5,388,943,472</u>	<u>4,873,346,695</u>
TOTAL ASSETS			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
15,000,000 ordinary shares of Rs. 10/- each		<u>150,000,000</u>	<u>150,000,000</u>
Issued, subscribed and paid-up capital			
12,417,876 ordinary shares of Rs. 10/- each		124,178,760	124,178,760
Capital reserves			
Surplus on revaluation of property, plant and equipment		1,993,825,768	1,993,825,768
Unrealized gain on available for sale investment		84,841,744	81,069,736
		2,078,667,512	2,074,895,504
Revenue reserves			
Unappropriated profit		952,053,644	868,985,305
		3,154,899,916	3,068,059,569
NON CURRENT LIABILITIES			
Long term financing	8	204,339,718	252,406,925
Liabilities against assets subject to finance leases		8,162,233	11,095,895
Deferred gain on sale and leaseback		299,073	388,797
Deferred taxation		<u>115,993,393</u>	<u>125,746,510</u>
		328,794,417	389,638,127
CURRENT LIABILITIES			
Trade and other payables		1,006,557,216	702,325,345
Unclaimed dividend		2,514,374	2,515,149
Interest and mark-up accrued		37,429,840	34,122,217
Short term borrowings	9	726,751,052	544,092,662
Taxation - net		16,363,706	4,960,127
Current portion of long term liabilities		<u>115,632,951</u>	<u>127,633,499</u>
		1,905,249,139	1,415,648,999
CONTINGENCIES AND COMMITMENTS			
	10		
TOTAL EQUITY AND LIABILITIES		<u>5,388,943,472</u>	<u>4,873,346,695</u>

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.


IMRAN MAQBOOL
Chief Executive


NADEEM MAQBOOL
Director


KAMRAN RASHEED
Chief Financial Officer

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED DECEMBER 31, 2018 (UN-AUDITED)**

	Half year ended		Quarter ended	
	December 31,	December 31,	December 31,	December 31,
	2018	2017	2018	2017
Note	Rupees	Rupees	Rupees	Rupees
Sales - net	2,550,112,759	2,074,072,221	1,271,222,891	1,050,933,564
Cost of sales	11 (2,318,520,060)	(1,958,748,750)	(1,163,936,994)	(986,664,192)
Gross profit	231,592,699	115,323,471	107,285,896	64,269,372
Selling and distribution expenses	(9,000,997)	(8,951,824)	(4,557,168)	(4,767,540)
Administrative and general expenses	(58,549,455)	(52,625,507)	(29,210,636)	(26,422,503)
Other operating expenses	(13,320,317)	(2,639,018)	(7,312,861)	(2,326,518)
Other operating income	15,600,733	15,196,240	9,263,019	4,516,857
Operating profit	166,322,663	66,303,362	75,468,251	35,269,668
Finance cost	(45,424,513)	(35,039,530)	(24,944,402)	(18,900,885)
Share of loss from associate	(64,700)	(110,132)	(18,450)	(72,632)
Profit before taxation	120,833,450	31,153,700	50,505,399	16,296,151
Taxation	12 (37,765,111)	(16,399,285)	(17,356,563)	(6,368,152)
Profit for the period	83,068,339	14,754,415	33,148,835	9,927,999
Earnings per share - basic and diluted (Rupees)	13 6.69	1.19	2.67	0.80

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.


IMRAN MAQBOOL
Chief Executive


NADEEM MAQBOOL
Director


KAMRAN RASHEED
Chief Financial Officer

Half Yearly Report

**CONDENSED INTERIM STATEMENT CASH FLOW (UN-AUDITED)
FOR THE PERIOD ENDED DECEMBER 31, 2018**

	December 31, 2018 Rupees	December 31, 2017 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	120,833,450	31,153,700
Adjustment for non cash charges and other items:		
Depreciation	53,043,342	57,551,584
Gain on disposal of operating fixed assets	(1,773,652)	-
Gain on sale and leaseback	(89,722)	(59,816)
Capital gain on sale of investments	(250,051)	(5,659,460)
Unrealized gain on remeasurement of investments at fair value through profit or loss - held for trading	3,664,885	1,270,471
Share of loss from associate	64,700	110,132
Finance cost	45,424,513	35,039,530
	100,084,015	88,252,441
(Increase) / decrease in current assets		
Stores, spares and loose tools	(9,916,339)	7,856,962
Stock in trade	(351,573,688)	(223,743,080)
Trade debts	(156,392,126)	(21,446,442)
Loans and advances	(6,261,560)	(982,167)
Trade deposits and short term prepayments	(708,382)	(7,484,732)
Other receivables	(860,231)	(5,659,453)
Tax refund due from Government	79,634	(14,835,148)
	(525,632,692)	(266,294,060)
Increase in current liabilities		
Trade and other payables	304,231,871	161,218,931
Cash (used in) / generated from operations	(483,356)	14,331,012
Income tax paid	(36,114,654)	(19,631,891)
Finance cost paid	(42,116,890)	(35,739,688)
Net cash used in operating activities	(78,714,900)	(41,040,567)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(13,601,700)	(4,645,832)
Proceeds from disposal of operating fixed assets	5,779,000	16,150,000
Short term investments	9,344,861	15,850,155
Long term deposits	222,200	(4,001,815)
Net cash generated from investing activities	1,744,361	23,352,508
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing - net	(59,976,655)	(64,498,542)
Repayment of liabilities against assets subject to finance leases	(3,024,762)	(1,771,254)
Unclaimed dividend	(775)	-
Short term borrowings	182,658,390	109,546,077
Net cash generated from financing activities	119,656,198	43,276,281
Net increase in cash and cash equivalents	42,685,659	25,588,222
Cash and cash equivalents at the beginning of the period	104,475,891	69,421,095
Cash and cash equivalents at the end of the period	147,161,550	95,009,317

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.


IMRAN MAQBOOL
Chief Executive


NADEEM MAQBOOL
Director


KAMRAN RASHEED
Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE PERIOD ENDED DECEMBER 31, 2018**

	Issued, subscribed and paid-up capital	Capital Reserve		Revenue Reserves	Total
		Unrealized gain / (loss) on available for sale investment	Surplus on revaluation of property, plant and equipment	Unappropriated profit	
Balance as at July 1, 2017	124,178,760	129,864,631	-	801,055,828	1,055,099,219
Total comprehensive income for the period					
Profit for the period ended December 31, 2017	-	-	-	14,754,415	14,754,415
Other comprehensive loss	-	(38,666,749)	-	-	(38,666,749)
	-	(38,666,749)	-	14,754,415	(23,912,334)
Balance as at December 31, 2017	<u>124,178,760</u>	<u>91,197,882</u>	-	<u>815,810,243</u>	<u>1,031,186,885</u>
Balance as at July 1, 2018	124,178,760	81,069,736	1,993,825,768	868,985,305	3,068,059,569
Total comprehensive income for the period					
Profit for the period ended December 31, 2018	-	-	-	83,068,339	83,068,339
Other comprehensive income	-	3,772,008	-	-	3,772,008
	-	3,772,008	-	83,068,339	86,840,347
Balance as at December 31, 2018	<u>124,178,760</u>	<u>84,841,744</u>	<u>1,993,825,768</u>	<u>952,053,644</u>	<u>3,154,899,916</u>

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED DECEMBER 31, 2018 (UN-AUDITED)**

	Half yearly ended		Quarter ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	Rupees	Rupees	Rupees	Rupees
Profit for the period	83,068,339	14,754,415	33,148,835	9,927,999
Other comprehensive income				
Items that will be reclassified to profit and loss account subsequently				
Unrealized gain / (loss) on remeasurement of available-for-sale investments	3,772,008	(32,087,935)	17,602,107	(24,952,967)
Transfer to profit and loss account on disposal of available-for-sale investments	-	(6,578,814)	-	-
	<u>3,772,008</u>	<u>(38,666,749)</u>	<u>17,602,107</u>	<u>(24,952,967)</u>
Total comprehensive income / (loss) for the period	<u>86,840,347</u>	<u>(23,912,334)</u>	<u>50,750,942</u>	<u>(15,024,968)</u>

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.


IMRAN MAQBOOL
Chief Executive


NADEEM MAQBOOL
Director


KAMRAN RASHEED
Chief Financial Officer

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018 (UN-AUDITED)

1 THE COMPANY AND ITS OPERATIONS

Crescent Fibres Limited ("the Company") was incorporated in Pakistan on August 06, 1977 under the Companies Act, 1913 (repealed by Companies Ordinance, 1984) as a public limited company. The Company's shares are listed on the Pakistan Stock Exchange. The principal business of the Company is manufacture and sale of yarn.

2 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

The registered office of the Company is situated at 104 Shadman 1, Lahore. The Company's manufacturing facilities are located at Plot No. B/123, Road No. D-7, Industrial Area Nooriabad, District Dadu, in the Province of Sindh and at 17-KM, Faisalabad Road, Bhikhi, District Sheikhupura in the Province of Punjab.

3 BASIS OF PREPARATION

3.1 Statement of compliance

This condensed interim financial information is unaudited but subject to the limited scope review by auditors and is being submitted to the shareholders as required under section 237 of the Companies Act, 2017.

This condensed interim financial information of the Company for the half year ended December 31, 2018 have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of :

- International Accounting Standard (IAS) 34, Interim Financial Principal Reporting, issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017; and - Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

This condensed interim financial information does not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company as at and for the year ended June 30, 2018 which have been prepared in accordance with approved accounting standards as applicable in Pakistan.

The comparative statement of financial position presented in this condensed interim financial information has been extracted from the annual audited financial statements of the Company for the year ended June 30, 2018, whereas the comparative condensed interim profit and loss accounts, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity are extracted from the unaudited condensed interim financial information for the half year ended December 31, 2017.

3.2 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention except for certain investments and certain items of property, plant and equipment which are carried at fair value.

This condensed interim financial information is prepared following accrual basis of accounting except for cash flow information.

3.3 Functional and presentation currency

This condensed interim financial information has been presented in Pak Rupees, which is the functional and presentation currency of the Company.

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the preparation of this condensed interim financial information is the same as those applied in the preparation of the financial statements for the year ended June 30, 2018, except for the adoption of IFRS 15 "Revenue from contracts with customers". The revised accounting policy adopted by the management is as follows:

4.1 IFRS 15 - Revenue from Contracts with Customers

IFRS 15 'Revenue from Contracts with Customers' supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Company has assessed that significant performance obligation in contracts with customers are closely related and, therefore, are discharged over the period of the relationship with relevant customers. Hence, the Company has concluded that it is in compliance with the requirements of the new accounting standard.

4.2 Applicability of IFRS 9 - Financial Instruments

On July 24, 2017, the International Accounting Standards Board (IASB) published IFRS 9 'Financial Instruments'. This standard was adopted locally by the Securities and Exchange Commission of Pakistan (SECP) through its S.R.O. 1007(I)/2017 dated October 04, 2017 and became effective for accounting periods beginning on or after July 1, 2018. Subsequent to the balance sheet date, SECP through its S.R.O. 229 (I)/2019 deferred the adoption of this standard and modified the effective date for applicability of this standard as reporting period / year ending on or after June 30, 2019. IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard will replace IAS 39 Financial Instruments: Recognition and Measurement.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018 (UN-AUDITED)

5 ESTIMATES

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and key sources of estimation of uncertainty are the same as those that were applied to the financial statements for the year ended June 30, 2018.

	December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
Note	Rupees	Rupees
6 OPERATING FIXED ASSETS		
Opening net book value (NBV)	1,401,920,366	1,217,342,358
Surplus on revaluation of fixed assets	6.1 -	1,993,825,768
Additions (at cost) during the period / year	6.2 13,601,700	60,458,323
	<u>1,415,522,066</u>	<u>3,271,626,449</u>
Disposals (at NBV) during the period / year	6.3 4,005,345	26,026,924
Transfer to investment property	-	1,728,028,250
Depreciation charged during the period / year	53,043,342	115,650,909
	<u>57,048,687</u>	<u>1,869,706,083</u>
Closing net book value (NBV)	<u>1,358,473,379</u>	<u>1,401,920,366</u>
6.1 This represents surplus resulting from revaluation of freehold land carried out by independent valuer Messrs. Evaluation Focused Consulting on September 27, 2017 and Messrs. Sardar Enterprises on November 6, 2017. The valuation was determined with respect to the present market value of similar properties.		
6.2 Details of additions (at cost) during the period / year are as follows:		
Owned		
Buildings on freehold land	-	2,689,312
Plant and machinery	-	29,850,511
Vehicles	13,601,700	10,518,500
	<u>13,601,700</u>	<u>43,058,323</u>
Leased		
Vehicles	-	17,400,000
	<u>13,601,700</u>	<u>60,458,323</u>
6.3 Details of disposals (at NBV) during the period / year are as follows:		
Owned		
Plant and machinery	-	9,110,490
Vehicles	4,005,345	16,916,434
	<u>4,005,345</u>	<u>26,026,924</u>
7 STOCK IN TRADE		
Raw material in hand	717,570,859	430,336,832
Work-in-process	93,949,473	73,417,725
Finished goods	103,152,228	59,344,315
	<u>914,672,560</u>	<u>563,098,872</u>
8 LONG TERM FINANCING		
From banking companies - secured		
Balance as at July 01	375,593,904	500,771,544
Obtained during the period / year	2,429,000	-
	<u>378,022,904</u>	<u>500,771,544</u>
Repayments made during the period / year	(62,405,655)	(125,177,640)
	<u>315,617,249</u>	<u>375,593,904</u>
Less: Current portion shown under current liabilities	(111,277,531)	(123,186,979)
	<u>204,339,718</u>	<u>252,406,925</u>
9 SHORT TERM BORROWINGS		
From banking companies - secured		
Running / cash finance	711,526,593	532,092,662
Bill discounting	9.1 12,000,000	12,000,000
Temporary overdraft	3,224,459	-
	<u>726,751,052</u>	<u>544,092,662</u>

9.1 The balance represents short term borrowings and markup accrued thereon payable to a financial institution. No provision for markup has been recorded on this balance since June 30, 2012. The Company has received a nil balance certificate from the Bank and no claim has been received in respect of the amount outstanding from this financial institution or third party. Management considers it necessary to retain the balance outstanding in the books as no settlement has taken place.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018 (UN-AUDITED)

10 CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

- a) There is a contingent liability in respect of bank guarantees issued by the Company's bankers in the ordinary course of business aggregating to Rs. 66.914 million (June 30, 2018 : Rs. 66.914 million).
- b) Crescent Cotton Mills Limited (formerly Crescent Sugar Mills and Distillery Limited) has filed a case against Company for an amount of Rs. 53,850 million on the basis of case documents filed. The Company has a recorded liability of Rs. 17,542 million as the best estimate of amounts owed. No provision for the difference amount has been made as management is of the view that the basis is frivolous and in view of counter claims available with the Company is confident that the balance amount shall not be payable.
- c) Finance Act, 2017 introduced a new section 5A to the Income Tax Ordinance, 2001 on the subject of tax on undistributed profit, according to which for tax year 2017 and onward, a tax shall be imposed at the rate of 7.5% of its accounting profit before tax on every public company, other than a scheduled bank or a modaraba, that derives profit for a tax year but does not distribute at least 40% of its after tax profits within six months of the end of the tax year through cash or bonus shares.

Further, during the year, Finance Act, 2018 amend section 5A to the Income Tax Ordinance, 2001 on the subject of tax on undistributed profit, according to which for tax year 2018 and onward, a tax shall be imposed at the rate of 5% of its accounting profit before tax on every public company, other than a scheduled bank or a modaraba, that drives profit for a tax year but does not distribute at 20% of its after tax profits within six months of the end of the tax year through cash.

The Company reported profit after tax for Tax Year 2017 and Tax Year 2018 where the requisite dividend has not been distributed by the period end. However, prior year, the Company has filed a Constitutional Petition No. D-8409 against Finance Act, 2017 Section 5A with Honourable High Court of Sindh. On September 05, 2017, the Honourable High Court of Sindh granted stay to all petitioners including the Company in respect of this matter by virtue of which Tax Authorities have been restrained from taking any coercive actions against the Company in respect of section 5A of the Income Tax Ordinance, 2001. Accordingly, the Company has not recorded any provision against the said tax.

10.2 Commitments

The Company is committed as at balance sheet date as follows:

- a) The Company is committed as at the balance sheet date in respect of letters of credit against import of store and spares and raw material amounting to Rs. 62.032 million (June 30, 2018: Rs.53.657 million).
- b) The amount of future Ijarah rentals for Ijarah financing and the period in which these payments will become due are as follows:

	December 31, 2018	June 30, 2018
	(Un-audited) Rupees	(Audited) Rupees
Not later than one year	725,949	825,192
Later than one year and not later than five years.	249,795	563,148
	975,744	1,388,340

11 COST OF SALES

	Half year ended		Quarter ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	(Un-audited)			
	Rupees			
Materials consumed	1,721,065,944	1,322,193,236	861,106,747	669,241,937
Stores, spares and loose tools consumed	37,048,772	41,187,560	20,109,555	19,133,197
Packing material consumed	32,104,361	29,427,581	15,673,000	14,993,745
Salaries, wages and other benefits	192,361,001	183,593,719	92,167,052	94,850,536
Fuel and power	272,811,051	260,268,638	140,923,813	131,947,475
Insurance	5,609,708	5,273,243	2,809,708	2,364,455
Repairs and maintenance	2,044,856	3,124,401	1,317,574	1,477,615
Depreciation	48,364,198	53,286,399	24,182,099	26,696,799
Other manufacturing overheads	12,362,819	11,712,402	4,730,011	5,916,177
	2,323,772,710	1,910,067,179	1,163,019,560	966,821,336
Opening work in process	73,417,725	62,051,150	84,468,899	74,262,194
Closing work in process	(93,949,473)	(71,230,473)	(93,949,473)	(71,230,473)
	(20,531,748)	(9,179,323)	(9,480,574)	3,031,721
Cost of goods manufactured	2,303,240,962	1,900,887,856	1,153,538,986	969,653,657
Cost of goods purchased for trading	59,087,011	55,499,133	13,322,438	24,315,296
Opening stock of finished goods	59,344,315	68,929,561	100,227,798	59,263,040
Closing stock of finished goods	(103,152,228)	(66,567,800)	(103,152,228)	(66,567,800)
	(43,807,913)	2,361,761	(2,924,430)	(7,304,760)
	2,318,520,060	1,958,748,750	1,163,936,994	986,664,192

12 TAXATION

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018 (UN-AUDITED)**

13 EARNINGS / (LOSS) PER SHARE -BASIC AND DILUTED

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

	Half year ended		Quarter ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	(Un-audited)			
	Rupees			
Profit for the period (Rupees)	83,068,339	14,754,415	33,148,835	9,927,999
Weighted average number of ordinary shares	12,417,876	12,417,876	12,417,876	12,417,876
Earnings per share - basic and diluted (Rupees)	6.69	1.19	2.67	0.80

14 TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise of group companies, other associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings are as under:

Relation with the Company	Nature of transaction	Half year ended		Quarter ended	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
		(Un-audited)			
		Rupees			
Associated companies	Sales of goods and services	55,794,750	36,742,450	24,924,350	15,354,000
	Insurance premium	9,644,917	14,654,796	36,300	14,636,050
	Donation paid	60,000	60,000	30,000	30,000
	Rent received	292,758	266,208	146,379	145,140
	Rent paid	2,010,000	2,010,000	1,005,000	1,005,000
Retirement benefit plans	Contribution to staff retirement benefit plans	7,163,602	6,436,982	3,141,470	2,804,684
Key management personnel	Remuneration and benefits	15,394,009	18,139,174	8,264,411	9,460,525
				December 31, 2018	June 30, 2018
				(Un-audited)	(Audited)
				Rupees	Rupees

14.1 Period / Year end balances

Receivable from associated company	12,598,593	7,442,256
Payable to associated company	16,872,134	15,384,612
Payable to provident fund	5,314,914	2,832,748
Due to Chief Executive and Directors	4,172,775	4,145,942

14.2 There are no transactions with key management personnel other than under their terms of employment.

14.3 The above transactions with related parties are based at arm's length at normal commercial rates.

15 FAIR VALUE MEASUREMENT - FINANCIAL INSTRUMENTS

The carrying values of all financial assets and liabilities reflected in the condensed interim financial information approximate their fair values. Fair value is the price that would be received to sell an assets or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018 (UN-AUDITED)**

As at December 31, 2018, the Company held the following financial instruments measured at fair value:

	Level 1	Level 2	Level 3	Total
	Rupees			
Held-for-trading	30,077,006	-	-	30,077,006
Available for sale	115,662,259	-	59,750	115,722,009

As at June 30, 2018, the Company held the following financial instruments measured at fair value:

	Level 1	Level 2	Level 3	Total
	Rupees			
Held-for-trading	42,836,700	-	-	42,836,700
Available for sale	111,890,362	-	59,638	111,950,000

Valuation techniques

For Level 3 available-for-sale investments, the Company values the investment at lower of carrying value and breakup value.

16 FAIR VALUE MEASUREMENT - NON FINANCIAL ASSET

Fair value is the price that would be received to sell an assets or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value of freehold land is based on the valuations carried out by an independent valuer M/s Evaluation Focused Consulting, Messrs. Sardar Enterprises and MYK Associates (Pvt) Ltd. on the basis of market value.

Fair value is based on the assumption considered to be level 2 in the fair value hierarchy due to significant observable inputs used in the valuation.

Valuation techniques used to determine level 2 fair values

Fair value of freehold land has been derived using a sales comparison approach. The most significant input in this valuation approach is price / rate per acre in particular locality. This valuation is considered to be level 2 in fair value hierarchy due to significant observable inputs used in the valuation.

17 NUMBER OF EMPLOYEES

	December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
a) Number of employees as at	1032	1,028
Average number of employees	1028	1,024
b) Number of factory employees as at	974	970
Average number of factory employees during the year	972	967

18 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on February 28, 2019 by the Board of Directors of the Company.

19 GENERAL

Amounts have been rounded off to the nearest of rupees unless otherwise stated.



IMRAN MAQBOOL
Chief Executive



NADEEM MAQBOOL
Director



KAMRAN RASHEED
Chief Financial Officer



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