



**Crescent  
Fibres**



**Quarterly Report  
September 30, 2019**

## COMPANY INFORMATION

<b>Board of Directors</b>	Nadeem Maqbool	(Chairman, Non-Executive Director)
	Imran Maqbool	(Chief Executive, Executive Director)
	Humayun Maqbool	(Executive Director)
	Naila Humayun Maqbool	(Non-Executive Director)
	Mansoor Riaz	(Non-Executive Director)
	Jahanzeb Saeed Khan	(Independent, Non-Executive Director)
	S.M. Ali Asif	(Independent, Non-Executive Director)

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<b>Chief Financial Officer</b>	Kamran Rasheed
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<b>Company Secretary</b>	Javaid Hussain
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<b>Audit Committee</b>	Jahanzeb Saeed Khan	(Chairman)
	Nadeem Maqbool	(Member)
	Naila Humayun Maqbool	(Member)

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<b>Human Resources &amp; Remuneration Committee</b>	S.M. Ali Asif	(Chairman)
	Nadeem Maqbool	(Member)
	Naila Humayun Maqbool	(Member)

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<b>Auditors</b>	BDO Ebrahim & Company Chartered Accountants
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<b>Legal Advisor</b>	Mohsin Tayebally & Sons
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<b>Share Registrar</b>	Vision Consulting Limited 1st Floor, 3-C, LDA Flats, Lawrence Road, Lahore.
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<b>Registered Office</b>	104 Shadman 1, Lahore - 54000 Tel : (042) 35960871-4 Lines Fax : (042) 35960004
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<b>E-mail:</b>	lo@crescentfibres.com
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<b>Website:</b>	www.crescentfibres.com
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## DIRECTORS' REPORT

The Company reported a net profit of Rs. 36.3 million for the quarter ended September 30, 2019 as compared to a profit of Rs. 49.9 million for the quarter ended September 30, 2018. The earnings per share for the period under review was Rs.2.93.

The textile industry in Pakistan faces significant challenges due to weak global demand and high cost of doing business. Factors contributing to this include a global growth slow down, the US-China trade war and a total lack of attention by policy makers to the challenges facing the industry including the high cost of doing business, lack of clarity on energy pricing, liquidity crunch due imposition of sales tax and non-issuance of refunds and non-existence of a cotton crop management policy.

Sales for the period under review were 7.2% higher than the corresponding period, primarily due to an improvement in end product prices witnessed in the first quarter of the financial year. Gross margin for the first quarter ended September 30, 2019 was 9.3% as compared to 9.7% for the quarter ended September 30, 2018. Owing to the general inflationary trend, administrative, general and other expenses, as a percentage of sales, were slightly higher at 2.6% as compared to 2.3% in the corresponding period. The operating margin for the period under review was 6.5% as compared to 7.1% for the quarter ended September 30, 2018. Financial charges, as a percentage of sales, were higher at 2.3% as compared to 1.6% for the corresponding period. This is attributable to the sharp increase in interest rates arising from the contractionary monetary policy stance adopted by the State Bank of Pakistan. Overall, the net margin was 2.6% as compared to 3.9% in the previous period.

With escalating trade tensions and market pressures on the economies with weaker fundamentals, the global economic outlook is looking uncertain. *Avoiding protectionist measures and finding a cooperative solution that promotes continued growth in goods and services trade remain essential to preserve the global expansion.*

The uncertain global economic situation and the contraction in Pakistan's economy are likely to ensure that the outlook for textile remains negative. Even though the sector is the country's largest export earner and employer, it is suffering from a lack of attention from policy makers and faces several challenges. These include continued shortfalls in cotton production due to non-existence of a crop management policy which leads to crop sizes being consistently short of the domestic requirements; high cost of doing business; uncertainty with regard to energy pricing; high local taxes and surcharges; severe working capital shortfall due to imposition of sales tax and non-issuance of income and sale tax refunds by the Government, and sharp increase in interest rates. The incumbent Government had announced a commitment to support exporters, however, so far, no clear policy direction or implementation has materialized. We expect margin to remain under pressure for the balance of the financial year.

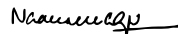
The Management will continue to strive to maintain profitability through improved efficiency and productivity and sound, low risk decision-making.

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

October 30, 2019



**NADEEM MAQBOOL**  
Director



## کمپنی نفعاء (ڈائریکٹران) کی رپورٹ:

کمپنی نے 30 ستمبر 2019 کو ختم ہونے والے سہ ماہی کے لئے 36.3 ملین روپے خالص منافع حاصل کیا جس کے مقابلے میں 30 ستمبر 2018 کو ختم ہونے والے سہ ماہی کا منافع 49.9 ملین روپے تھا۔ کمپنی کی آمدنی اس مدت میں 2.93 روپے فی حصہ رہی۔

پاکستان میں ٹیکسٹائل کی صنعت کو کمزور عالمی طلب اور کاروبار کرنے میں زیادہ لاگت کی وجہ سے نمایاں چیلنجز کا سامنا ہے۔ اس میں اہم کردار ادا کرنے والے عوامل میں عالمی ترقی میں سست روی، امریکہ چین تجارتی جنگ اور پالیسی سازوں کی جانب سے صنعت کو درپیش چیلنجوں کی طرف توجہ دینے کی کھل کی جس میں کاروبار کرنے کی اعلیٰ قیمت، توانائی کی قیمتوں کے بارے میں وضاحت کا فقدان، لیکویڈیٹی بحران کی وجہ سے سیلزنگس کا نفاذ اور رقوم کی واپسی کا اجراء اور روٹی کے انتظام کی پالیسی میں عدم موجودگی شامل ہیں۔

زیر جائزہ مدت کیلئے مالیت فروخت میں اسی عرصے کے مقابلے میں 7.2 فیصد زیادہ تھی۔ جس کی بنیاد وجہ مالیاتی سال کی پہلی سہ ماہی میں اختتامی مصنوعات کی قیمتوں میں بہتری تھی۔ 30 ستمبر 2019 کو ختم ہونے والی پہلی سہ ماہی کے لئے مجموعی منافع 9.3 فیصد تھا جبکہ 30 ستمبر 2018 کو ختم ہونے والی سہ ماہی کے دوران 9.7 فیصد تھا۔ جزیئر کے افراط زر کے رجحان کی وجہ سے، انتظامی، عمومی اور دیگر اخراجات جو فروخت کے فیصد کے حساب سے اسی عرصہ میں 2.3 فیصد کے مقابلے میں تھوڑا سا زیادہ 2.6 فیصد رہے۔ زیر جائزہ مدت کے لئے آپریٹنگ منافع 30 ستمبر 2018 کو ختم ہونے والی سہ ماہی کے 7.1 فیصد کے مقابلے میں 6.5 فیصد تھا۔ مالیاتی اخراجات، اسی مدت میں 1.6 فیصد کے مقابلے میں فروخت کے فیصد کے حساب سے 2.3 فیصد زیادہ تھے۔ اس کی وجہ سے نیٹ بک آف پاکستان کی مالیاتی پالیسی اور شرح سود میں تیزی سے اضافہ ہے۔ مجموعی طور پر اس مدت میں خالص منافع 3.9 فیصد کے مقابلے میں 2.6 فیصد رہا۔

کمزور بنیادی اصولوں کے ساتھ معیشتوں پر بڑھتے ہوئے تجارتی تناؤ اور مارکیٹ کے دباؤ سے عالمی معاشی نقطہ نظر غیر یقینی نظر آتا ہے۔ تحفظ پسندانہ اقدامات سے گریز کرنا اور تعاون پر مبنی حل تلاش کرنا جو اشیاء کی تجارت اور خدمات میں مسلسل اضافے کو فروغ دیتا ہے عالمی ترقی کو برقرار رکھنے کیلئے ضروری ہے۔

غیر یقینی عالمی معاشی صورتحال اور پاکستان کی معیشت میں کمی کی وجہ سے قوی امکان ہے کہ ٹیکسٹائل کیلئے مستقبل منفی رہے گا۔ اگرچہ یہ شعبہ ملک کا سب سے بڑاآمد کرنے والا اور آج ہے۔ لیکن یہ پالیسی سازوں کی توجہ کے فقدان کا شکار ہے اور اسے کئی چیلنجوں کا سامنا ہے۔ ان میں فصلوں کے انتظام کی پالیسی کے عدم موجودگی کی وجہ سے روٹی کی پیداوار میں مسلسل کمی شامل ہے جس کی وجہ سے فصلوں کی پیداوار ملکی ضروریات سے مستقل طور پر کم رہتے ہیں۔ کاروبار کرنے کی اعلیٰ قیمت، توانائی کی قیمتوں سے متعلق غیر یقینی صورتحال؛ اعلیٰ مقامی ٹیکس اور سرچارجز۔ حکومت کی جانب سے سیلزنگس کے نفاذ اور انکم سیلزنگس رقوم کی واپسی کا اجراء کرنے کی وجہ سے کام کرنے والے سرمائے کی شدید قلت اور شرح سود میں تیزی سے اضافہ شامل ہیں۔ موجودہ حکومت نے برآمد کنندگان کی حمایت کرنے کے عہد کا اعلان کیا تھا، تاہم اب تک، پالیسی کی کوئی واضح سمت یا عمل درآمد نہیں ہوا۔ ہم توقع کرتے ہیں کہ مالی سال کے توازن کیلئے منافع دباؤ میں رہے گا۔

کمپنی انتظامیہ بہتر کارکردگی اور پیداوار کی بہتر کوالٹی 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، مینیجرز اور حصہ داران کا بھی مسلسل حمایت پر شکریہ ادا کرتی ہے۔

Naamunap  
ندیم مقبول  
ڈائریکٹر

Imam Map - 1

عمران مقبول

چیف ایگزیکٹو

تاریخ 130 اکتوبر 2019ء

# CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2019 (UN-AUDITED)

		September 30, 2019 (Un-audited) Rupees	June 30, 2019 (Audited) Rupees
	Note		
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment			
Operating fixed assets	6	1,366,091,430	1,392,445,602
Capital work-in-progress		38,187,864	-
		1,404,279,294	1,392,445,602
Investment property		1,733,087,677	1,733,087,677
Long term investments		341,194	376,294
Long term deposits		18,488,965	18,476,765
		3,156,197,130	3,144,386,338
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		73,741,737	68,999,382
Stock in trade	7	392,923,101	651,679,222
Trade debts		984,815,966	878,576,549
Loans and advances		3,834,572	11,744,451
Trade deposits and short term prepayments		22,576,361	15,224,278
Other receivables		1,443,129	2,916,597
Short term investments		98,634,315	110,601,113
Tax refunds due from Government		87,674,081	133,586,217
Cash and bank balances		148,513,192	132,762,450
		1,814,156,454	2,006,090,259
<b>TOTAL ASSETS</b>		<b>4,970,353,584</b>	<b>5,150,476,597</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital			
15,000,000 ordinary shares of Rs. 10/- each		150,000,000	150,000,000
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		39,319,555	50,296,215
		2,033,145,323	2,044,121,983
Revenue reserves			
Unappropriated profit		1,018,506,807	982,179,728
		3,175,830,890	3,150,480,471
<b>NON CURRENT LIABILITIES</b>			
Long term financing	8	207,366,177	226,628,927
Liabilities against assets subject to finance leases		4,862,976	5,876,586
Deferred gain on sale and leaseback		164,488	209,349
Deferred taxation		106,860,068	105,063,037
		319,253,709	337,777,899
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,075,675,530	949,901,943
Unclaimed dividend		2,509,359	2,509,359
Interest and mark-up accrued		36,867,121	41,632,158
Short term borrowings	9	231,037,656	543,072,421
Taxation - net		12,771,477	12,119,583
Current portion of long term liabilities		116,407,842	112,982,763
		1,475,268,985	1,662,218,227
<b>CONTINGENCIES AND COMMITMENTS</b>	10		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,970,353,584</b>	<b>5,150,476,597</b>

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

Quarterly Report

*Imran Maqbool*

**IMRAN MAQBOOL**  
Chief Executive

*Naadeem Maqbool*

**NADEEM MAQBOOL**  
Director

*Kamran Rasheed*

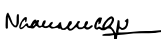
**KAMRAN RASHEED**  
Chief Financial Officer

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2019**

		September 30, 2019	September 30, 2018
	Note	Rupees	Rupees
Sales - net		1,371,608,658	1,278,889,869
Cost of sales	11	(1,244,696,104)	(1,154,583,066)
Gross profit		126,912,554	124,306,803
Selling and distribution expenses		(4,464,925)	(4,443,829)
Administrative and general expenses		(35,409,111)	(29,338,819)
Other operating expenses		(5,447,793)	(6,007,456)
Other operating income		7,683,231	6,337,714
Operating profit		89,273,956	90,854,413
Finance cost		(31,229,413)	(20,480,111)
Share of loss from associate		(35,100)	(46,250)
Profit before taxation		58,009,443	70,328,052
Taxation	12	(21,682,364)	(20,408,548)
Profit for the period		36,327,079	49,919,504
Earnings per share - basic and diluted (Rupees)	13	2.93	4.02

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

Quarterly Report

**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2019**

	September 30, 2019 Rupees	September 30, 2018 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	57,919,721	70,328,052
Adjustment for non cash charges and other items:		
Depreciation	26,354,172	26,353,376
Deferred gain on sale and leaseback	(44,861)	-
at fair value through profit or loss - held for trading	990,138	-
Share of loss from associate	35,100	46,250
Finance cost	31,229,413	20,480,111
	58,563,962	46,879,737
<b>(Increase) / decrease in current assets</b>		
Stores, spares and loose tools	(4,742,355)	(2,778,775)
Stock in trade	258,756,121	113,319,327
Trade debts	(106,239,417)	(81,864,630)
Loans and advances	7,909,879	(328,841)
Trade deposits and short term prepayments	(7,352,083)	(5,350,260)
Other receivables	1,473,468	711,246
Tax refund due from Government	45,912,136	(9,325,904)
	195,717,749	14,382,162
<b>Increase in current liabilities</b>		
Trade and other payables	125,773,587	170,344,567
Cash (used in) / generated from operations	437,947,412	301,934,518
Income tax paid	(19,233,438)	(8,730,214)
Finance cost paid	(35,994,450)	(19,632,795)
Net cash used in operating activities	382,836,853	273,571,509
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(38,187,864)	-
Long term deposits	(12,200)	-
Net cash generated from investing activities	(38,200,064)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term financing - net	(15,771,435)	(17,741,366)
Repayment of liabilities against assets subject to finance leases	(1,079,846)	(1,163,355)
Short term borrowings	(312,034,765)	(244,477,899)
Net cash generated from financing activities	(328,886,046)	(263,382,619)
Net increase / (decrease) in cash and cash equivalents	(15,750,743)	10,188,890
Cash and cash equivalents at the beginning of the period	132,762,450	104,475,891
Cash and cash equivalents at the end of the period	148,513,193	114,664,780

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

*Imran Maqbool*

**IMRAN MAQBOOL**  
Chief Executive

*Nadeem Maqbool*

**NADEEM MAQBOOL**  
Director

*Kamran Rasheed*

**KAMRAN RASHEED**  
Chief Financial Officer

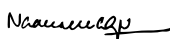
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE PERIOD ENDED SEPTEMBER 30, 2019**

	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, 2018	124,178,760	81,069,736	1,993,825,768	868,985,305	3,068,059,569
<b>Total comprehensive income for the period</b>					
Profit for the period ended September, 2018	-	-	-	49,919,504	49,919,504
Other comprehensive loss	-	(13,830,099)	-	-	(13,830,099)
	-	(13,830,099)	-	49,919,504	36,089,405
Balance as at September 30, 2018	124,178,760	67,239,637	1,993,825,768	918,904,809	3,104,148,974
Balance as at July 1, 2019	124,178,760	50,296,215	1,993,825,768	982,179,728	3,150,480,471
<b>Total comprehensive income for the year</b>					
Profit for the period ended September, 2019	-	-	-	36,327,079	36,327,079
Other comprehensive loss	-	(10,976,660)	-	-	(10,976,660)
	-	(10,976,660)	-	36,327,079	25,350,419
Balance as at September 30, 2019	124,178,760	39,319,555	1,993,825,768	1,018,506,807	3,175,830,890

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

Quarterly Report



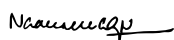
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2019 (UN-AUDITED)**

	September 30, 2019 Rupees	September 30, 2018 Rupees
Profit for the period	36,327,079	49,919,504
Other comprehensive income		
Items that will be reclassified to profit and loss account subsequently		
Unrealized loss on remeasurement of available-for-sale investments	(10,976,660)	(7,251,285)
Transfer to profit and loss account on disposal of available-for-sale investments	-	(6,578,814)
Surplus on revaluation of fixed assets	-	1,866,050,556
	<u>(10,976,660)</u>	<u>1,852,220,457</u>
Total comprehensive income for the period	<u>25,350,419</u>	<u>1,902,139,961</u>

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

Quarterly Report

  
**IMRAN MAQBOOL**  
 Chief Executive

  
**NADEEM MAQBOOL**  
 Director

  
**KAMRAN RASHEED**  
 Chief Financial Officer

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE PERIOD ENDED SEPTEMBER 30, 2019 (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, Sheikhpura in the province of Punjab.

### 3 BASIS OF PREPARATION

#### 3.1 Statement of compliance

This condensed interim financial information is unaudited and is being submitted to the shareholders as required under section 237 of the Companies Act, 2017.

These condensed interim financial information of the Company for the three months period ended September 30, 2019 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, 2019 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, 2019, 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 period ended September 30, 2019.

#### 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 has been 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 the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the preceding audited annual financial statements of the company for the year ended June 30, 2019, except for changes resulting from initial application of standards, amendments or interpretations to existing standards. However, amendments / improvements and new interpretations of approved accounting standards effective during the period, were not relevant to the companies operations and do not have any material impact on the accounting policies of the company.

### 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.

		September 30, 2019 (Un-audited) Rupees	June 30, 2019 (Audited) Rupees
<b>6 OPERATING FIXED ASSETS</b>	<b>Note</b>		
Opening net book value (NBV)		1,392,445,602	1,401,920,366
Transfer from capital work in progress (at cost)	6.1	-	27,221,118
Additions (at cost) during the period / year	6.2	-	76,263,682
		<u>1,392,445,602</u>	<u>1,505,405,166</u>
Disposals (at NBV) during the period / year	6.3	-	4,912,924
Depreciation charged during the period / year		<u>26,354,172</u>	<u>108,046,640</u>
		<u>26,354,172</u>	<u>112,959,564</u>
Closing net book value (NBV)		<u>1,366,091,430</u>	<u>1,392,445,602</u>

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE PERIOD ENDED SEPTEMBER 30, 2019 (UN-AUDITED)

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		
Plant and machinery		55,390,582
Vehicles		20,873,100
	-	76,263,682

6.3 Details of disposals (at NBV) during the period / year are as follows:

Owned		
Vehicles	-	4,912,924
	-	4,912,924

### 7 STOCK IN TRADE

Raw material:		
In hand	214,830,910	537,034,562
Work-in-process	86,458,157	83,313,557
Finished goods	91,634,035	31,331,103
	392,923,101	651,679,222

### 8 LONG TERM FINANCING

From banking companies - secured		
Balance as at July 01	335,040,530	375,593,904
Obtained during the period / year	-	82,957,400
	335,040,530	458,551,304
Repayments made during the period / year	(15,771,435)	(123,510,774)
	319,269,095	335,040,530
Less: Current portion shown under current liabilities	(111,902,918)	(108,411,603)
	207,366,177	226,628,927

### 9 SHORT TERM BORROWINGS

From banking companies - secured		
Running / cash finance	219,037,656	532,092,662
Bill discounting	9.1 12,000,000	12,000,000
Temporary Overdraft	-	12,000,000
	231,037,656	556,092,662

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.

## 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, 2019 : Rs. 66.914 million).
- b) Crescent Cotton Mills 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 derives 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, during the 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.

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE PERIOD ENDED SEPTEMBER 30, 2019 (UN-AUDITED)

### 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 Rs. 15.235 million (June 30, 2019: Rs. 48.347 million)
- b) The amount of future Ijarah rentals for Ijarah financing and the period in which these payments will become due are as follows:

	September 30, 2019 (Un-audited) Rupees	June 30, 2019 (Audited) Rupees
Not later than one year	371,780	545,379
Later than one year and not later than five years.	-	37,178
	<u>371,780</u>	<u>582,557</u>

### 11 COST OF SALES

	September 30, 2019 (Un-audited) Rupees	September 30, 2018 (Un-audited) Rupees
Materials consumed	897,488,671	859,959,197
Stores, spares and loose tools consumed	25,656,009	16,939,217
Packing material consumed	16,333,799	16,431,361
Salaries, wages and other benefits	103,097,982	100,193,949
Fuel and power	169,314,571	131,887,238
Insurance	2,815,000	2,800,000
Repairs and maintenance	813,344	727,282
Depreciation	23,892,187	24,182,099
Other manufacturing overheads	8,770,268	7,632,808
	<u>1,248,181,831</u>	<u>1,160,753,150</u>
Opening work in process	83,313,557	73,417,725
Closing work in process	(86,458,157)	(84,468,899)
	<u>(3,144,600)</u>	<u>(11,051,174)</u>
Cost of goods manufactured	1,245,037,231	1,149,701,976
Cost of goods purchased for trading	59,961,805	45,764,573
Opening stock of finished goods	31,331,103	59,344,315
Closing stock of finished goods	(91,634,035)	(100,227,798)
	<u>(60,302,932)</u>	<u>(40,883,483)</u>
	<u>1,244,696,104</u>	<u>1,154,583,066</u>

### 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.

### 13 EARNINGS PER SHARE -BASIC AND DILUTED

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

	September 30, 2019 (Un-audited)	September 30, 2018 (Un-audited)
Profit for the period (Rupees)	36,327,079	49,919,504
Weighted average number of ordinary shares	12,417,876	12,417,876
Earnings per share - basic and diluted (Rupees)	2.93	4.02

### 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	September 30, 2019 (Un-audited) Rupees	September 30, 2018 (Un-audited) Rupees
Associated companies	Sales of goods and services	29,470,300	30,870,400
	Insurance premium	11,554,082	9,608,617
	Donation paid	30,000	30,000
	Rent received	161,070	146,379
Retirement benefit plans	Contribution to staff retirement benefit plans	3,720,501	4,022,132
Directors	Rent paid	360,000	360,000
Others	Rent paid	645,000	645,000
Key management personnel	Remuneration and benefits	8,597,890	7,129,598

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE PERIOD ENDED SEPTEMBER 30, 2019 (UN-AUDITED)

		September 30, 2019 (Un-audited) Rupees	June 30, 2019 (Audited) Rupees
<b>14.1 Period / Year end balances</b>			
Associated company	Trade Debts	5,765,395	51,531
	Trade and other payables	19,649,195	12,888,879
Retirement benefit plans	Trade and other payables	7,574,297	2,086,902
Directors	Trade and other payables	10,932,882	10,932,882

**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 amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in an arm's length transaction.

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.

As at September 30, 2019, the Company held the following financial instruments measured at fair value:

	Level 1	Level 2	Level 3	Total
	----- Rupees -----			
<b>At fair value through other profit and loss</b>				
Short term investment	27,234,496	-	-	27,234,496
<b>At fair value through other comprehensive income</b>				
	70,140,070	-	59,750	70,199,820

As at June 30, 2019, the Company held the following financial instruments measured at fair value:

	Level 1	Level 2	Level 3	Total
	----- Rupees -----			
<b>At fair value through other profit and loss</b>				
Short term investment	28,224,634	-	-	28,224,634
<b>At fair value through other comprehensive income</b>				
Short term investment	81,176,480	-	59,750	81,236,230

#### **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.

	September 30, 2019 (Un-audited)	June 30, 2019 (Audited)
<b>17 NUMBER OF EMPLOYEES</b>		
a) Number of employees	1044	1047
Average number of employees	1034	1037
b) Number of factory employees	975	978
Average number of factory employees during the year	974	975

### **18 DATE OF AUTHORIZATION FOR ISSUE**

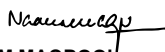
This condensed interim financial information was authorized for issue on October 30, 2019 by the Board of Directors of the Company.

### **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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