

CRESCENT GROUP



CRESCENT JUTE  
PRODUCTS LTD.

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**Reviewed Condensed Interim Financial Statements  
For The Half Year Ended 31 December 2019  
(Un-Audited)**

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**CRESCENT JUTE  
PRODUCTS LTD.**

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# **CRESCENT JUTE PRODUCTS LTD. FINANCIAL STATEMENTS**

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CRESCENT JUTE  
PRODUCTS LTD.

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## COMPANY INFORMATION

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### BOARD OF DIRECTORS

Mr. Khurram Mazhar Karim	Chairman - Non-Executive Director
Mr. Humayun Mazhar	Chief Executive Officer - Executive Director
(In alphabetic order)	
Mr. Shehryar Mazhar	Non-Executive Director
Mr. Shahjahan Mazhar Karim	Non-Executive Director
Mr. Shameel Mazhar	Non-Executive Director
Mr. Saif Ullah	Executive Director
Syed Raza Abbas Jaffery	Independent - Non Executive Director

### AUDIT COMMITTEE

Syed Raza Abbas Jaffery	Chairman
Mr. Shehryar Mazhar	Member
Mr. Shahjahan Mazhar Karim	Member

### HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Shehryar Mazhar	Chairman
Syed Raza Abbas Jaffery	Member
Mr. Saif Ullah	Member

### COMPANY SECRETARY / CFO

Mr. Saif Ullah

### HEAD OF INTERNAL AUDIT

Mr. Tahir Hussain

### AUDITORS

M/s Riaz Ahmad & Company  
Chartered Accountants Faisalabad  
Name of Engagement Partner: Mr. Liaquat Ali Panwar

### LEGAL ADVISOR

Mr. Shahid Mahmood Baig  
Advocate High Court

### BANKERS

The Bank of Punjab  
Crescent Standard Modaraba  
MCB Bank Limited  
Dubai Islamic Bank  
Haibib Metropolitan Bank Limited

### REGISTERED OFFICE

1st Floor, 65-XX, Khayaban-e-Iqbal Road,  
Phase - III, DHA, Lahore - 54792, Pakistan.  
Tel: + 92-42-37186438-9

### SHARE REGISTRAR

Corptec Associates (Pvt.) Ltd.  
503-E, Johar Town, Lahore  
Tel : +92-42-35170336-7



**CRESCENT JUTE  
PRODUCTS LTD.**

## **DIRECTORS REPORT TO THE SHAREHOLDERS**

Accounts for the half year ended December 31, 2019 show a loss of Rupees 4.21 million, as compared to loss of Rupees 30.75 million in the corresponding period in 2018. This loss is primarily attributed to diminution in value of Investments, legal expenses and the cost of minimum staff required for the managing the corporate and financial affairs of the company.

The management is in the process of implementing the closure plan approved by the BOD and Shareholders. There were two parts of this plan i.e. Disposal of Assets and Future Business plan. As far as the Disposal of Assets is concerned, all the payments against disposal of fixed assets have been realized.

With regards to the Future Business Plan it was contingent upon settlement of liabilities with financial institutions and any surplus realized thereof. In this regard the progress has been very slow as we are still under litigation with the concerned financial institutions. This inordinate delay in settlement of liabilities has not only resulted in non-implementation of the business plan but has also resulted in additional operational costs without any business activity. Although, our Legal advisors are fairly optimistic on a favorable outcomes in all pending cases the timelines for the same are very difficult to predict. In view the same, the implementation of any future business plan will be explored on realization of any surplus of funds, after full and final settlement all outstanding liabilities with the financial institutions.

The below table will clear more situation about the closure plan approved by the BOD and shareholders in their meetings.

Book value of assets sold so far Rs. in million	24.902
Sale proceed received Rs. in million	499.271
Gain on sale of assets Rs. in million	192.336
Utilization of disposal proceed	Funds utilized for the repayment of loan Rs.46 Million, mark up Rs.60.30 Million and Rs. 120 Million deposited with the Deputy Registrar Lahore High Court against BOP loan. The balance was used for the repayment of director loan and to meet administrative and other expenses.
Book value of remaining assets to be sold	All assets have been sold

In the meanwhile, we remain focused on cost controls and every possible effort is being made to curtail and keep the expenses to a minimum level.

For and on behalf of the Board

(Humayun Mazhar)  
Chief Executive Officer

Khurram Mazhar Karim  
Director

Lahore: February 28, 2020.



CRESCENT JUTE  
PRODUCTS LTD.

## DIRECTORS REPORT TO THE SHAREHOLDERS

### حصص داران کو ڈائریکٹرز کی رپورٹ

31 دسمبر 2019ء کو اختتام پذیر نصف سال کے اکاؤنٹس 4.21 ملین روپے کا خسارہ ظاہر کرتے ہیں جب کہ سال 2018ء کی اسی مدت میں یہ خسارہ 30.75 ملین روپے تھا۔ یہ خسارہ عموماً سرمایہ داری کی قدر میں کمی، قانونی اخراجات اور کمپنی کے کاروباری اور مالیاتی امور کو چلانے کے لئے کم از کم مطلوب عملہ پر اخراجات سے منسوب ہے۔

انتظامیہ بورڈ آف ڈائریکٹرز اور حصص داران سے منظور شدہ کلوزر پلان کے اطلاق کے عمل سے گزر رہی ہے۔ اس پلان کے دو حصے یعنی اثاثہ جات کی فروخت اور مستقبل کا کاروباری منصوبہ ہیں۔ جہاں تک اثاثہ جات کی فروخت کا تعلق ہے غیر منقولہ اثاثہ جات کی فروخت پر تمام رقم حاصل کر لی گئی ہیں۔

مستقبل کے کاروباری منصوبہ مالیاتی اداروں کے واجبات اور ان پر سربلس کی ادائیگی سے مشروط ہے۔ اس تناظر میں پیش رفت بہت سست ہے اور ان مالیاتی اداروں کے ساتھ کئی قانونی معاملات زیر التوا ہیں۔ واجبات کی ادائیگی میں یہ حد درجہ تاخیر نہ صرف کاروباری پلان پر عمل درآمد میں بڑی رکاوٹ ہے بلکہ بغیر کسی کاروباری سرگرمی کے اضافی آپریشنل لاگت کی باعث ہے۔ اگرچہ ہمارے قانونی مشیر تمام زیر التوا میں مثبت نتائج کے لئے پرامید ہیں لیکن اس کے وقت کا تعین کرنا بہت مشکل ہے۔ اسی طرح سے، مستقبل کے کسی بھی قسم کے کاروباری منصوبہ پر عمل درآمد کے سربلس کے وصولی اور مالیاتی اداروں کے واجبات کی حتمی ادائیگی سے مشروط ہے۔

درج ذیل جدول بورڈ آف ڈائریکٹرز اور حصص داران کے اجلاس میں منظور شدہ کلوزر پلان کی صورتحال واضح کرتا ہے:

24.902	فروخت شدہ اثاثہ جات کی حالیہ بیک ویلیو (ملین روپوں میں)
499.271	فروخت پر وصول رقم (ملین روپوں میں)
192.336	اثاثہ جات کی فروخت پر آمدنی (ملین روپوں میں)
یہ رقم 46 ملین روپے قرضہ اور 60.30 ملین روپے مارک اپ کی ادائیگی کے لئے استعمال کی گئیں جب کہ BOP قرضہ کی مد میں ڈپٹی رجسٹرار لاہور ہائی کورٹ کو 120 ملین روپے جمع کرائے گئے۔ بقایا رقم ڈائریکٹرز کے قرضہ کی ادائیگی اور انتظامی اور دیگر اخراجات پورے کرنے کے لئے استعمال کی گئی۔	فروخت پر حاصل رقم کا استعمال
تمام اثاثہ جات فروخت کر دیئے گئے ہیں۔	قابل فروخت باقیہ اثاثہ جات کی بیک ویلیو

دوسری جانب، ہم کاسٹ کنٹرول پر بھرپور توجہ دے رہے ہیں اور اخراجات کو کم از کم سطح پر رکھنے کے لئے ہر ممکن کوشش کی جا رہی ہے۔

خرم مظہر کریم  
ڈائریکٹر

برائے/مخاطب بورڈ آف ڈائریکٹرز

*Humayun Farooq*

ہمایوں مظہر

چیف ایگزیکٹو آفیسر

لاہور: 28 فروری 2020ء



**CRESCENT JUTE  
PRODUCTS LTD.**

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## **INDEPENDENT AUDITOR'S REVIEW REPORT**

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### **TO THE MEMBERS OF CRESCENT JUTE PRODUCTS LTD. REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS**

#### **Introduction**

We have reviewed the accompanying condensed interim statement of financial position of CRESCENT JUTE PRODUCTS LIMITED as at 31 December 2019 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the condensed interim financial statements half year then ended (here-in-after referred to as "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review. The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarters ended 31 December 2019 and 31 December 2018 have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the half year ended 31 December 2019.

#### **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 condensed interim financial statements 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.

#### **Basis for qualified conclusion**

Security deposits as at 31 December 2019 include Rupees 120 million (30 June 2019: Rupees 120 million) deposited with Deputy Registrar (Judicial) of the Lahore High Court, Lahore as per its order dated 09 October 2013 regarding the issuance of No Objection Certificate by The Bank of Punjab (Note 5.1). We have not received confirmation of this deposit. In the absence of the confirmation, adjustments, if any, cannot be quantified and incorporated in these condensed interim financial statements.

#### **Qualified Conclusion**

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.



**CRESCENT JUTE  
PRODUCTS LTD.**

**Emphasis of Matter Paragraphs**

We draw attention to the following matters:

- 1) Note 1.1 to the condensed interim financial statements, which states that the Company is no longer a going concern, therefore, these condensed interim financial statements have been prepared on the basis of estimated realizable / settlement values of assets and liabilities respectively.
- 2) Based on advice of the legal counsel, the Company has not recognized excess amounts of principal and mark-up confirmed by the bank against borrowings (Note 3.1 to these condensed interim financial statements). Moreover the Company has not charged further mark-up on the borrowings given in Note 3.1 and Note 3.2 as per the advice of legal counsel.

Our report is not qualified in respect of these matters.

The engagement partner on the review resulting in this independent auditor's review report is Liaqat Ali Panwar.

**RIAZ AHMAD & COMPANY**  
Chartered Accountants

Faisalabad  
Date: February 28, 2020



CRESCENT JUTE  
PRODUCTS LTD.

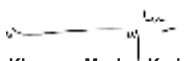
## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019 (UN-AUDITED)

		Un-audited	Audited
		31 December 2019	30 June 2019
		RUPEES	RUPEES
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>	<b>NOTE</b>		
<b>Authorized share capital</b>			
30 000 000 (30 June 2019: 30 000 000) ordinary shares of Rupees 10 each		<u>300,000,000</u>	<u>300,000,000</u>
<b>Issued, subscribed and paid-up share capital</b>		237,634,680	237,634,680
<b>Capital reserve</b>			
Share premium		35,767,584	35,767,584
<b>Accumulated loss</b>		<u>(544,309,113)</u>	<u>(539,967,570)</u>
<b>Total equity</b>		<u>(270,906,849)</u>	<u>(266,565,306)</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accrued liabilities and other payables		10,463,776	11,452,198
Accrued mark-up		172,594,088	171,317,856
Borrowings	3	259,837,230	276,697,044
Unclaimed dividend		337,312	337,312
Provision for taxation		367	689
<b>TOTAL LIABILITIES</b>		<u>443,232,773</u>	<u>459,805,099</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	4		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>172,325,924</u>	<u>193,239,793</u>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Operating fixed assets	5	3,028,058	3,194,381
Long term investments		-	134,500
		<u>3,028,058</u>	<u>3,328,881</u>
<b>CURRENT ASSETS</b>			
Loans and advances		261,541	270,002
Security deposits		120,037,500	120,037,500
Prepayments		136,762	18,750
Other receivables	6	46,669,391	66,672,747
Short term investments		1,976,967	2,597,519
Cash and bank balances		215,705	314,394
		<u>169,297,866</u>	<u>189,910,912</u>
<b>TOTAL ASSETS</b>		<u>172,325,924</u>	<u>193,239,793</u>

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

  
Humayun Mazhar  
Chief Executive Officer

  
Khurram Mazhar Karim  
Director

  
Saif Ullah  
Chief Financial Officer



CRESCENT JUTE  
PRODUCTS LTD.

## CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019 (UN-AUDITED)

	Half year ended		Quarter ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	-----RUPEES-----			
INCOME	3,744,462	150,392	684,194	148,004
ADMINISTRATIVE EXPENSES	(6,046,411)	(9,731,562)	(3,162,299)	(5,727,808)
OTHER EXPENSES	(620,552)	(13,213,620)	(80,577)	(11,822,859)
FINANCE COST	(1,284,175)	(1,280,898)	(641,457)	(642,781)
LOSS BEFORE TAXATION	<u>(4,206,676)</u>	<u>(24,075,688)</u>	<u>(3,200,139)</u>	<u>(18,045,444)</u>
TAXATION	(367)	(534)	(367)	(534)
LOSS AFTER TAXATION	<u>(4,207,043)</u>	<u>(24,076,222)</u>	<u>(3,200,506)</u>	<u>(18,045,978)</u>
LOSS PER SHARE - BASIC AND DILUTED	<u>(0.18)</u>	<u>(1.29)</u>	<u>(0.13)</u>	<u>(0.90)</u>

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

Humayun Mazhar  
Chief Executive Officer

Khurram Mazhar Karim  
Director

Saif Ullah  
Chief Financial Officer

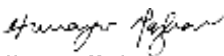


CRESCENT JUTE  
PRODUCTS LTD.


**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2019 (UN-AUDITED)**

	Half year ended		Quarter ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	----- (RUPEES) -----			
LOSS AFTER TAXATION	(4,207,043)	(24,076,222)	(3,200,506)	(18,045,978)
OTHER COMPREHENSIVE LOSS				
<b>Items that will not be reclassified subsequently to profit or loss:</b>				
Unrealised loss on remeasurement of investment at fair value through other comprehensive income	(134,500)	-	(134,500)	-
<b>Items that may be reclassified subsequently to profit or loss</b>				
	(134,500)	-	(134,500)	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(4,341,543)</u>	<u>(24,076,222)</u>	<u>(3,335,006)</u>	<u>(18,045,978)</u>

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

  
Humayun Mazhar

Chief Executive Officer

  
Khurram Mazhar Karim

Director

  
Saif Ullah

Chief Financial Officer



**CRESCENT JUTE  
PRODUCTS LTD.**


## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

**FOR THE HALF YEAR ENDED 31 DECEMBER 2019 (UN-AUDITED)**

	SHARE CAPITAL	CAPITAL RESERVES			Accumulated loss	TOTAL EQUITY
		Share premium	Surplus on revaluation of freehold land	Sub total		
----- (RUPEES) -----						
Balance as at 30 June 2018 - (Audited)	237,634,680	35,767,584	181,783,274	217,550,858	(708,640,792)	(253,455,254)
Loss for the half year ended 31 December 2018	-	-	-	-	(24,076,222)	(24,076,222)
Other comprehensive income for the half year ended 31 December 2018	-	-	-	-	-	-
Total comprehensive loss for the half year ended 31 December 2018	-	-	-	-	(24,076,222)	(24,076,222)
Balance as at 31 December 2018 - (Un-audited)	237,634,680	35,767,584	181,783,274	217,550,858	(732,717,014)	(277,531,476)
Transfer from surplus on revaluation of freehold land	-	-	(181,783,274)	(181,783,274)	181,783,274	-
Profit for the half year ended 30 June 2019	-	-	-	-	10,966,170	10,966,170
Other comprehensive income for the half year ended 30 June 2019	-	-	-	-	-	-
Total comprehensive income for the half year ended 30 June 2019	-	-	-	-	10,966,170	10,966,170
Balance as at 30 June 2019 - (Audited)	237,634,680	35,767,584	-	35,767,584	(539,967,570)	(266,565,306)
Loss for the half year ended 31 December 2019	-	-	-	-	(4,207,043)	(4,207,043)
Other comprehensive loss for the half year ended 31 December 2019	-	-	-	-	(134,500)	(134,500)
Total comprehensive loss for the half year ended 31 December 2019	-	-	-	-	(4,341,543)	(4,341,543)
Balance as at 31 December 2019 - (Un-audited)	237,634,680	35,767,584	-	35,767,584	(544,309,113)	(270,906,849)

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

  
**Humayun Mazhar**  
 Chief Executive Officer

  
**Khurram Mazhar Karim**  
 Director

  
**Saif Ullah**  
 Chief Financial Officer



CRESCENT JUTE  
PRODUCTS LTD.


## CONDENSED INTERIM STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019 (UN-AUDITED)

	NOTE	Half year ended	
		31 December 2019	31 December 2018
		RUPEES	RUPEES
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from / (utilised in) operations	7	13,035,812	(78,221)
Finance cost paid		(7,943)	(4,664)
Income tax paid		(9,228)	(4,937)
<b>Net cash generated from / (utilised in) operating activities</b>		<u>13,018,641</u>	<u>(87,822)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Profit on bank deposits received		<u>42,670</u>	<u>13,072</u>
<b>Net cash from investing activities</b>		42,670	13,072
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Borrowings-net		<u>(13,160,000)</u>	<u>6,501,000</u>
<b>Net cash (used in) / from financing activities</b>		<u>(13,160,000)</u>	<u>6,501,000</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		(98,689)	(245,545)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		314,394	384,808
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<u><u>215,705</u></u>	<u><u>139,263</u></u>

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

  
Humayun Mazhar  
Chief Executive Officer

  
Khurram Mazhar Karim  
Director

  
Saif Ullah  
Chief Financial Officer



**CRESCENT JUTE  
PRODUCTS LTD.**

## **SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE HALF YEAR ENDED 31 DECEMBER 2019 (UN-AUDITED)**

### **1. THE COMPANY AND ITS OPERATIONS**

Crescent Jute Products Limited is a public limited company incorporated in Pakistan on 19 September 1964 under the Companies Act, 1913 (Now Companies Act, 2017) and listed on Pakistan Stock Exchange Limited (PSX). Its registered office is situated at 1st Floor, 65-XX, Khayaban-e-Iqbal Road, Phase-III, DHA, Lahore while a liaison office is situated at 8th Floor, Main Habib Bank Limited Building, Faisalabad. The Company was engaged in manufacturing and sale of jute products including jute bags.

Executive Director, Corporate Supervision Department, Company Law Division, Securities and Exchange Commission of Pakistan (SECP) has issued Order under section 309 read with section 305 of the repealed Companies Ordinance, 1984 and in exercise of the powers conferred on him under Section 309 of the repealed Companies Ordinance, 1984 have authorized the Registrar, Company Registration Office, SECP, Lahore to present a petition before Lahore High Court, Lahore for winding up of the Company on the ground that the Company's business has been suspended since 02 May 2011. The Company's appeal before the Appellate Bench, SECP against the aforesaid Order was unsuccessful and afterwards the Company appealed against the aforesaid Order in Lahore High Court, Lahore. That appeal was later withdrawn on 29 March 2018 by the Company and a writ petition has been filed by the Company against the above mentioned Order which is pending in Lahore High Court, Lahore. Moreover, as per Notice no. PSX/N-1573 dated 06 December 2019 issued by PSX, the Company's shares were suspended for trading for another period of sixty days effective from 08 December 2019 due to the issuance of the Order by SECP as mentioned above. The first notice by PSX in this regard was issued on 18 December 2017.

#### **1.1 Non-going concern basis of accounting**

Shortage of working capital and reduction in demand of finished goods resulted in the closure of Company's operations since 02 May 2011. The Company in its Annual General Meeting on 31 October 2011 decided to dispose of the property, plant and equipment of the Company. Whole of the property, plant and equipment have been disposed of uptill 30 June 2019. During the period ended 31 December 2019, the Company has loss after taxation of Rupees 4.207 million. The Company has suffered accumulated loss of Rupees 544.309 million as on 31 December 2019 which has turned equity into negative balance of Rupees 270.907 million.

In view of the aforesaid reasons, the Company is not considered a going concern. These condensed interim financial statements have been prepared using the non-going concern basis of accounting on the basis of estimated realizable / settlement values of the assets and liabilities respectively.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the audited annual financial statements of the Company for the year ended 30 June 2019.



**CRESCENT JUTE  
PRODUCTS LTD.**

## **2.1 Basis of preparation**

### **2.1.1 Statement of compliance**

- a) These condensed interim financial statements 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 Reporting', issued by the International Accounting Standards 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.

- b) These condensed interim financial statements do not include all the information required for full financial statements, and should be read in conjunction with the Company's annual audited financial statements for the year ended 30 June 2019. These condensed interim financial statements are un-audited, however, have been subjected to limited scope review by the auditors and are being submitted to the shareholders as required by the Listed Companies (Code of Corporate Governance) Regulations, 2017 and section 237 of the Companies Act, 2017.

### **2.1.2 Accounting convention**

These condensed interim financial statements have been prepared using the non-going concern basis of accounting on the basis of estimated realizable / settlement values of the assets and liabilities respectively. In realizable / settlement value basis, assets are carried at amount of cash and cash equivalents that could currently be obtained by selling the assets in an orderly disposal. Liabilities are carried at their settlement values, that is the undiscounted amounts of cash or cash equivalents expected to be paid to satisfy the liabilities in the normal course of business.

### **2.1.3 Critical accounting estimates, judgments and financial risk management**

The preparation of these condensed interim financial statements requires management to make judgments, estimates and assumptions which affect the application of accounting policies and the reported amounts. Actual results may differ from these judgments, estimates and assumptions.

During the preparation of these condensed interim financial statements, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the audited annual financial statements of the Company for the year ended 30 June 2019.

Analysis of upside not recognized in the profit or loss on assets during the period:



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Expected profit on disposal of operating fixed assets (Note 5) of the Company shall be Rupees 0.392 million. Hence, there is an upside of Rupees 0.392 million not recognized in the profit or loss on operating fixed assets.

The Company have no items that it plans to sell that the Company have not previously recognized in these condensed interim financial statements.

- 2.1.4 The Company's financial risk management objectives and policies are consistent with those disclosed in the audited annual financial statements of the Company for the year ended 30 June 2019.

	<b>Un-audited 31 December 2019 RUPEES</b>	<b>Audited 30 June 2019 RUPEES</b>
<b>3. BORROWINGS</b>		
<b>From banking company and financial institution - secured</b>		
The Bank of Punjab (Note 3.1)	138,081,554	141,781,368
B.R.R. Guardian Modaraba (Note 3.2)	33,810,398	33,810,398
<b>Unsecured</b>		
<b>Related party</b>		
Crescent Ventures (Private) Limited	10,262,000	23,422,000
<b>Others</b>		
Innovative Investment Bank Limited	18,083,326	18,083,326
Loan from sponsor	4,461,237	4,461,237
Crescent Jute Mills Limited	55,138,715	55,138,715
	<u>259,837,230</u>	<u>276,697,044</u>

- 3.1 As per the terms of the respective sanction advice, the borrowing facilities from The Bank of Punjab were expired on 31 July 2011 and not renewed. The Bank has filed a suit in Lahore High Court, Lahore against the Company for the recovery of principal amount and accrued mark-up of these facilities. However with reference to Note 5.1, the Bank has provided No Objection Certificate (NOC) for vacation of charge on assets. The Bank in its direct balance confirmation letter to the auditors as at 30 June 2019 have claimed principal balance outstanding of Rupees 146,746,920 against Rupees 141,781,368 appearing in books of account of the Company as at 30 June 2019 and claimed mark-up payable on borrowings of Rupees 68,891,639 against Rupees 63,745,054 appearing in books of account of the Company as at 30 June 2019. Hence, the Bank has claimed Rupees 4,965,552 excess on account of principal outstanding and Rupees 5,146,585 on account of mark-up payable from the Company. The Company has not recognized the excess claims of the Bank in these condensed interim financial statements based on opinion of its legal advisor. As per legal advisor of the Company, even in worst scenario, if the suit of Bank is decreed, even then the same cannot be decreed beyond the claimed amount of Bank as stated in the Bank's recovery suit. Moreover, the Bank is not entitled to any mark-up from the date of default as alleged in the plaint of its recovery suit and at the most Bank can be granted cost of funds at the rate of State Bank of Pakistan's provided rate of cost of funds. Therefore any exaggerated claim of Bank more than its claimed amount in suit, is untenable at this moment.



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Furthermore in view of this opinion by the legal advisor, the Company has not charged further mark-up on these borrowings from the year ended 30 June 2019.

Another writ petition was filed by the Company against the indulgence of National Accountability Bureau (NAB) by The Bank of Punjab in Lahore High Court, Lahore. That writ petition was allowed by Lahore High Court, Lahore on 24 December 2018. However NAB has challenged this judgment of Lahore High Court, Lahore before the Supreme Court of Pakistan on 09 March 2019 which is pending for decision.

- 3.2 This facility was obtained from B.R.R. Guardian Modaraba which was repayable up to 30 June 2012, but the Company could not pay the balance uptill the expiry of the prescribed date. Therefore B.R.R. Guardian Modaraba filed a suit in Modaraba Tribunal against the Company for the recovery of above mentioned principal amount and mark-up amounting to Rupees 15.290 million previously waived off. The case has been decided against the Company.

Now the Company has filed an appeal in Lahore High Court, Lahore against the Order of Modaraba Tribunal. Moreover B.R.R. Guardian Modaraba has obtained a decree for the attachment of the freehold land previously held by the Company, from the Banking Court, Lahore against the principal and mark-up mentioned above. The Company has filed an objection petition against this decree. Furthermore as per the advice of the legal counsel of the Company, further mark-up is not being charged on the principal amount from the financial year ended 30 June 2019 as the case is pending before Lahore High Court, Lahore and at most B.R.R. Guardian Modaraba can be granted cost of funds.

#### **4. CONTINGENCIES AND COMMITMENTS**

##### **4.1 Contingencies**

- i. The Commissioner Inland Revenue raised demand for sales tax amounting to Rupees 34.022 million (2018: Rupees 34.022 million) along with additional tax and penalty in respect of sales tax not charged on sale of fixed assets, sale of scrap, disputed inputs claimed, etc. Then Company filed appeals before the Appellate Tribunal Inland Revenue and subsequently in Lahore High Court, Lahore which were decided against the Company. Afterwards, the Company has filed an appeal in Supreme Court of Pakistan in 2013 against the decision of Lahore High Court, Lahore. However subsequent to the reporting date, on 10 February 2020, Supreme Court of Pakistan dismissed the appeal. The Company is planning to file a review petition in Supreme Court of Pakistan against this decision. Moreover, the Company also approached Federal Board of Revenue (FBR) for a decision by Alternate Dispute Resolution Committee (ADRC). The Committee has given its recommendations to FBR. Based on the advice of legal counsel, the management is of the view that there are strong grounds about the decision of the case in favour of the Company, therefore, no provision has been made in these condensed interim financial statements.
- ii) Deputy Commissioner Inland Revenue, Lahore ordered on 19 June 2017 for recovery of sales tax amounting to Rupees 934,414 along with penalty of Rupees 97,962. The Company filed an



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appeal against this order to Commissioner Inland Revenue (Appeals), Lahore on 14 July 2017. However on 20 June 2018, the appeal was disposed of by Commissioner Inland Revenue (Appeals), Lahore and the case was remanded back to Deputy Commissioner Inland Revenue, Lahore. Based on the advice of legal counsel, the management is of the view that there are strong grounds about the decision of the case in favour of the Company. Therefore, the related provision is not made in these condensed interim financial statements.

- iii) As per press release of Supreme Court of Pakistan dated 17 May 2018, a two member bench, headed by Chief Justice of Pakistan, heard Suo Moto Case No. 26 of 2007 with HR Cases and Constitution Petition No. 64 of 2009 regarding Deadbeats got loans of Rupees 54 billion written off. The case was heard on 13 May 2018 at Supreme Court of Pakistan and the Bench passed the following order:

As per Report of the Commission constituted by this Court, action against 222 individuals / companies (Page No. 107 of Vol-I of the Commission's Report) has been recommended on account of the fact that the loans were not written off in accordance with law.

Let notice be issued to all 222 individuals / companies as per detail provided in Part-II of Volume-II of the Report of the "Commission on Written-off Loan" against whom action recommended for further action; ensure their presence on the next date of hearing and to submit their replies before such date. Offices directed to issue a press release in this behalf.

The case was adjourned several times uptill 31 December 2019.

The name of the Company, under the heading of National Bank of Pakistan (NBP), is included in the list of 222 individuals / companies. On 10 August 2018, NBP through a letter demanded Rupees 25.858 million (US Dollars 212,654.94) against the principal and mark-up balances of FE-25 loan along with mark-up on other adjusted loans. The Company denies any of the claims made by NBP and has filed a case in Lahore High Court, Lahore against the demand raised by NBP. Another writ petition has also been filed by the Company against Bank's threat of indulging NAB, which was allowed by Lahore High Court, Lahore on 24 December 2018. However, NAB has challenged this judgment of Lahore High Court, Lahore before Supreme Court of Pakistan on 09 March 2019 which is pending for decision. Based on advice of legal counsel, no provision has been made in these condensed interim financial statements as the management believes the Company has strong grounds about the decision of the case in favour of the Company.

#### 4.2 Commitments

There was no capital or other commitment as at 31 December 2019 (30 June 2019: Rupees Nil).

	<b>Un-audited 31 December 2019</b>	<b>Audited 30 June 2019</b>
	<b>RUPEES</b>	<b>RUPEES</b>
<b>5. OPERATING FIXED ASSETS</b>		
Opening book value	3,194,381	3,573,748
Less: Depreciation charged for the period / year	<u>166,323</u>	<u>379,367</u>
	<u><b>3,028,058</b></u>	<u><b>3,194,381</b></u>



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- 5.1 The Bank of Punjab had previously first pari passu charge over land, building, plant and machinery of the Company for Rupees 300 million through registered mortgage. However as per the order of Lahore High Court, Lahore dated 09 October 2013, No Objection Certificate (NOC) was given by the Bank on deposit of Rupees 120 million with the Deputy Registrar (Judicial) of the Lahore High Court, Lahore.

**6. OTHER RECEIVABLES**

These include Rupees 46.666 million receivable from Mrs. Saima Yousaf against sale of land. During the period Rupees 20 million was received on 14 October 2019 against total receivable of Rupees 66.666 million. The remaining amount of Rupees 46.666 million has been received on 11 January 2020, subsequent to the period ended 31 December 2019.

**7. CASH GENERATED FROM /  
(UTILISED IN) OPERATIONS**

(Un-audited)	
Half year ended	
31 December 2019	31 December 2018

	RUPEES	RUPEES
<b>Loss before taxation</b>	(4,206,676)	(24,075,688)
<b>Adjustments for non-cash charges and other items:</b>		
Depreciation	166,323	189,684
Profit on bank deposits	(42,292)	(15,502)
Exchange (gain) / loss	(3,699,814)	13,213,620
Net un-realized loss / (gain) on remeasurement of investments at fair value through profit or loss	620,552	(131,328)
Finance cost	1,284,175	7,952,693
Working capital changes (Note 7.1)	18,913,544	2,788,300
	<u>13,035,812</u>	<u>(78,221)</u>

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(Un-audited)	
Half year ended	
31 December 2019	31 December 2018

**7.1 Working capital changes**

Decrease / (increase) in current assets:

Loans and advances	17,000	(30,500)
Prepayments	(118,012)	(33,625)
Other receivables	20,002,978	-
	19,901,966	(64,125)

(Decrease) / increase in accrued liabilities and other payables

	(988,422)	2,852,425
	<u>18,913,544</u>	<u>2,788,300</u>

**8. TRANSACTIONS WITH RELATED PARTIES**

The related parties comprise of associated companies, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions and balances with related parties is as follows:



(Un-audited)		(Un-audited)	
Half year ended		Quarter ended	
31 December 2019	31 December 2018	31 December 2019	31 December 2018

**i) Transactions**

------(RUPEES)-----

**Associated companies**

Loan received	1,840,000	6,501,000	250,000	2,301,000
Loan repaid	15,000,000	-	15,000,000	-
Expenses paid and reimbursed	259,519	-	105,590	-

**Directors**

Remuneration and meeting fee of directors	1,131,600	1,114,100	559,550	569,550
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Un-audited  
31 December  
2019  
RUPEES

Audited  
30 June  
2019  
RUPEES

**ii) Period end balances**

Borrowings			10,262,000	23,422,000
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**9. RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS**

**(I) Fair value hierarchy**

The judgments and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in these condensed interim financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into three levels. An explanation of each level follows underneath the table:

	Level 1	Level 2	Level 3	Total
----- RUPEES -----				
<b>Recurring fair value measurements</b>				
<b>At 31 December 2019 (Un-audited)</b>				
<b>Financial assets</b>				
At fair value through profit or loss	1,976,966		-	1,976,966
<b>Total financial assets</b>	<u>1,976,966</u>			<u>- 1,976,966</u>
<b>At 30 June 2019 (Audited)</b>				
<b>Financial assets</b>				
At fair value through profit or loss	2,597,519		-	2,597,519
At fair value through other comprehensive income			134,500	134,500
<b>Total financial assets</b>	<u>2,597,519</u>		<u>134,500</u>	<u>2,732,019</u>

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the half year ended 31 December 2019. Further there was no transfer in and out of level 3 measurements.

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

**Level 1:** The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.



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**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

**(ii) Valuation technique used to determine fair values**

Valuation technique implemented to value financial instruments is the use of quoted market prices.

**10. DATE OF AUTHORIZATION FOR ISSUE**

These condensed interim financial statements were approved by the Board of Directors and authorized for issue on February 28, 2020.

**11. CORRESPONDING FIGURES**


In order to comply with the requirements of IAS 34, the condensed interim statement of financial position and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim statement of profit or loss, condensed interim statement of comprehensive income and condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison, however, no significant re-arrangements have been made.

**12. GENERAL**

Figures have been rounded off to the nearest Rupee unless otherwise stated.

  
**Humayun Mazhar**  
Chief Executive Officer

  
**Khurram Mazhar Karim**  
Director

  
**Saif Ullah**  
Chief Financial Officer

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