

Crescent Sugar Mills & Distillery Limited

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### CRESCENT SUGAR MILLS & DISTILLERY LIMITED AND ITS SUBSIDIARIES

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Crescent Sugar Mills & Distillery Limited

#### GENERAL INFORMATION

##### PRINCIPAL & REGISTERED OFFICE

New Lahore Road,

Nishatabad,

Faisalabad.

Phones : (041)752111-4

Fax : (041) 750366

E-mail : csmd@brain.net.pk

##### KARACHI OFFICE

Office # 409, Business Avenue,

Plot # 26-A, Block # 6, P.E.C.H.S.,

Shahrah-e-Faisal,

Karachi - Pakistan.

Phones :

(021)4387315-7

Fax : (021) 4387318

##### WORKS

Sugar Division

New Lahore Road,

Nishatabad, Faisalabad.

Phones : (041)752111-4

E-mail : csmd@brain.net.pk

Distillery Division

New Lahore Road,

Nishatabad, Faisalabad.

Phones : (041)752111-4

E-mail : csmd@brain.net.pk

Textile Division

Kotla Kahlon,

8/9 Kilometers from

Shahkot towards Sheikupura,

Shahkot Distt. Sheikupura.

Phones : (04955) 71622 & 71700

Fax : (04955) 71700

SUBSIDIARIES  
CRESCOT MILLS LIMITED  
PRINCIPAL & REGISTERED OFFICE

108-109, 1st Floor,  
Park Avenue, Block-6,  
P.E.C.H.S., Shahrah-e-Faisal,  
Karachi - Pakistan.  
Phones : (021) 4310826  
Fax : (021) 4310827

Works

B-10, SITE, Kotri.

Phones : (0221)

870027 Fax :

(0221) 870322

Company Activities

Spinning Unit

Chief Executive Officer

Mr. Naveed Gulzar

KARACHI BULK STORAGE &  
TERMINALS (PVT) LIMITED  
PRINCIPAL & REGISTERED OFFICE

3rd Floor,  
OIU rIOO, The  
Cotton Exchange  
Building,  
I.I. Chundrigar Road, Karachi.

Phones : (021) 2415501-4

Telex :21028 MAMBPK

Fax : (021)2412275

Works

60/1-A, Oil Installation

Area, Keamari, Karachi

Company Activity

Export of Molasses and General Trading

Also offers facility of Storage

Chief Executive

Mr. Nadeem Maqbool

COMPANY PROFILE

BOARD OF DIRECTORS

Mr. Mazhar Karim (Chairman)

Mr. Muhammad Arshad (Chief Executive Officer)

DIRECTORS

(In alphabetical order)

Mr. Abid Mehmood

Mr. Khalid Bashir

Mr. Muhammad Anwar

Mr. Muhammad Rafi

Mr. Shahid Anwar (Nominee NIT)

AUDIT COMMITTEE

Mr. Abid Mehmood (Chairman)

Mr. Khalid Bashir

Mr. Muhammad Anwar

COMPANY SECRETARY

Mr. Sami Ullah Chaudhry

BANKERS

Muslim Commercial Bank  
National Bank of Pakistan  
United Bank Limited  
Saudi Pak Commercial Bank Limited

AUDITORS

Messrs Riaz Ahmad & Company  
Chartered Accountants

NOTICE OF ANNUAL  
GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 45th Annual General Meeting of the shareholders of CRESCENT SUGAR MILLS & DISTILLERY LIMITED will be held at the Registered Office of the Company on Friday the January 30, 2004 at 10:30 a.m. to transact the following business:-

1. To receive, consider and adopt Annual Audited Accounts and consolidated Accounts of the Company for the year ended September 30, 2003 together with the Directors' and Auditors' Reports thereon.
2. To appoint External Auditors and fix their remuneration.
3. To transact any other business with the permission of the Chair.

On Behalf Of The Board

(Sami Ullah Ch.)  
Company Secretary

REGISTERED OFFICE:

In the premises of

Crescent Sugar Mills & Distillery Limited

New Lahore Road, Nishatabad,

Faisalabad.

Phones : 752111-14

Fax : 750366

Dated: December 30, 2003

Notes:

1. The Share Transfer Books of the Company will remain closed from January 22,2004 to January 30,

2004 (both days inclusive).

A member eligible to attend and vote at this meeting

may appoint another member as proxy to attend and vote in the meeting. Proxies in order to be effective must be received by the company at the Registered Office not later than 48 hours before the time of holding the meeting.

3. CDC account holders will further have to follow the under mentioned guidelines as laid down in Circular No. 1 dated January 26, 2000 of the Securities and Exchange Commission of Pakistan:

a. For attending the meeting:

i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account; and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original Nation Identity Card (NIC) or original passport at the time of attending the meeting. The shareholders registered on CDC are also requested to bring their Participants I.D. numbers and account numbers in CDC.

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

b. For appointing proxies:

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

ii) The proxy form shall be witnessed by two persons whose names and NIC Nos. shall be mentioned on the form.

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

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

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

#### PRODUCTION DATA

1994-2003

SEASON	SUGAR		SUGAR PRODUCED (NITONS)	RECOVERY (PERCENT)	PROCESS LOSSES (PERCENT)	MOLASSES PRODUCED (M.TONS)	INDUSTRIAL ALCOHOL DAYS	INDUSTRIAL ALCOHOL PRODUCED (LITRES)	COTTON YARN DAYS	COTTON YARN PRODUCED CONVERTED INTO 20/S (KGS.)
	DURATION OF SEASON (DAYS)	CANE CRUSHED (M. TONS)								
2002-2003	156	331,960	24,685	7.43	3.12	15,250	79	992,065	364	13,387,517

2001-2002	141	336,664	26,778	7.97	3.04	16,148	111	1,710,132	364	12,291,150
2000-2001	136	252,756	17,618	7	3.08	12,205	137	1,846,228	364	12,304,790
1999-2000	122	218,481	14,983	6.86	2.73	10,350	98	1,321,571	366	12,060,898
1998-1999	157	392,193	27,922	7.12	2.62	18,494	148	2,097,185	365	12,273,302
1997-1998	161	415,979	31,834	7.68	2.63	19,493	68	954,642	365	12,303,704
1996-1997	171	385,071	28,709	7.46	2.74	18,052	129	2,261,027	364	12,318,774
1995-1996	144	341,828	26,445	7.76	2.7	15,190	170	2,644,156	365	10,470,408
1994-1995	157	423,994	34,473	8.12	2.6	19,725	172	2,575,601	357	10,575,475
1993-1994	186	467,110	36,983	7.93	2.62	21,818	180	3,257,528	359	9,766,406

## VISION

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

## MISSION

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

## DIRECTORS' REPORT TO THE SHARE HOLDERS

The Directors of your Company feel pleasure in presenting the annual report and audited financial statements for the year ended September 30,2003.

### Financial Results

The financial results of the Company are summarized below:

	(RUPEES IN THOUSAND)	
	2003	2002
Profit/(loss) before taxation	-18,901	83,187
Provision fortaxation	-6,665	-35,696
Profit/(loss) after taxation	-25,566	47,491
Unappropriated profit brought forward	764	35,776
Profit/(loss) available for appropriation	-24,802	83,267
AoDroDrations		
General reserve	-	54,000
Proposed dividend	-	28,503
	-	82,503
Unappropriated profit/(loss)	-24,802	764

Due to loss the directors have not recommended any dividend during the year.

### Statement on Corporate and financial reporting framework

- The financial statements, prepared by the management of the Company, present fairly it's state of affairs, the result of it's operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements except for the changes as explained in note 2.3 to the accounts and accounting estimates are based on reasonable and prudent judgement.

%- Intfrntaiaal Accounting Standard^ as applicable in Pakistan, have been followed in

preparation of financial statements and any departure there from has been adequately disclosed.

- The system of internal control is sound in design and is being consistently reviewed by the internal audit and other such procedures. The process of review will continue and any weakness in controls will be removed.
- There are no significant doubts upon the Company's ability to continue as a going concern.

There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Details of significant deviations in the Company's operating results during the current year are stated in the Chief Executive Officer's Review.

Summarized key operating and financial data for last six years is annexed.

The value of investments of provident fund based on audited accounts of September 30, 2002 was Rupees 118.237 Million.

There have been four (4) Board Meetings during the year and attendance of each director is stated under:-

NAME OF DIRECTOR (In alphabetical order)	MEETINGS ATTENDED
Mr.AbidMehmood	4
Mr. Khalid Bashir	3
Mr. MazharKarim	2
Mr. Muhammad Anwar	4
Mr. Muhammad Arshad	4
Mr. Muhammad Rafi	2
Mr. Shahid Anwar (Nominee NIT)	3

#### Auditors' Qualification

The Auditors have reported that balance of Rs. 23 950 million due from Crescent Boards Limited has not been provided for. Management is fully confident for the recovery of the amount as Crescent Boards Limited is also running spinning units as well and good results are expected. Therefore, no provision for doubtful debts is made in the accounts for the year ended September 30,2003.

#### Pattern of Shareholding

The pattern of shareholding as per section 236 of the Companies Ordinance, 1984 is attached.

During the year the detail of shares purchased /sold by Directors and their spouses and minor children is as under-

SR.#	NAME OF DIRECTOR/SPOUSE	SHARES PURCHASED
1	Mr. Khalid Bashir (Director)	5,000
2	Mrs. Tanveer Khalid Bashir (W/o. Mr. Khalid Bashir)	8,500
3	Mst Salma Parveen (W/o. Mr. Muhammad Arshad)	26,700
4	Mr. UmairAbid(S/o.AbidMahmood)	6,500
SR.#	NAME OF DIRECTOR/SPOUSE	SHARES SOLD
1	Mr. Muhammad Rafi (Director)	100

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

#### Statement of compliance with best practices on transfer pricing

The company has fully complied with the best practices on Transfer Pricing as contained in the Listing Regulation No. 38 of the Karachi Stock Exchange.

#### Auditors

The code of Corporate Governance requires all the listed companies to change their external auditors

after every five years. The present external auditors M/s. Riaz Ahmad and Company, Chartered Accountants would retire at the conclusion of the annual general meeting and are not eligible for re-appointment according to the provisions of the Code. Based on the suggestion of the audit committee, the Board would recommend appointment of external auditors for the year ended Spetember 30,2004.

For and on behalf of  
The Board of Directors

CHIEF EXECUTIVE  
OFFICER'S REVIEW

On behalf of the Board of Directors, I have great pleasure in welcoming you to the 45<sup>th</sup> Annual General Meeting of the Company. It is, indeed an honor for me to present the Annual Report of the Company together with the Audited Accounts for the year ended September 30,2003.

#### OVERALL PERFORMANCE

Despite stable economic condition, the Company was not able to maintain its satisfactory position attained during the last year. This was due to the fact that both key manufacturing areas of the Company ie. Sugar and Textile remained under severe pressure, which eroded profitability.

The Sugar Division did not perform well owing to high raw material cost and low selling price of end-product ie. sugar, the recovery percentage during the year also remained low as compared to last year. This industry needs support of the Government to run efficiently, although Government did lend support to sugar industry but did not take timely decisions and whatever supportive decision it took, did not help to revive the industry.

In our Textile Division, our performance is better than our Sugar Division. This is despite the fact that the price of Raw Material i.e. Cotton and Polyester remained highly erratic in the year under review. The constant rise in the Power Rates coupled with hike in Wages and Salaries increased the cost of production thereby reduced the profitability. However, Management is taking all prudent measures to increase profitability which is discussed in detail in Textile Out Look.

For the review period, the loss before tax was Rs. 18.901 Million as against earning of Rs. 83.187 Million last year. The total sales were Rs. 1,192.014 Million thereby showing decline of around 18% over Rs. 1,452.264 Million lastyear.

Out of the total turnover, the sugar and distillery division revenues were Rs. 237.836 Million where as, the textile division's contribution was Rs. 954.178 Million. The Administrative and General Expenses remained in line with what we have normally been incurring in the previous years.

However, the Selling and Distribution expenses declined by almost 46% and stood at a level of Rs. 14.271 Million (2002: Rs. 26.740 Million).

Financial and Other Charges have slightly

increased in the review period. These charges, which stood at Rs. 32.715 Million in 2002 have increased by almost 9% to Rs. 35.963 Million this year.

## SUGAR

### CANE CRUSHING SEASON 2002-2003

The crushing campaign for the period under review commenced on November 04, 2002 and after running for 156 days, the season ended on April 08, 2003. The sugar division milled 331,960 M. Tons of sugarcane for the season 2002-2003 (2002: 336,664 M. Tons) and produced 24,685 M.Tons of white sugar (2002: 26,778 M.Tons). The recovery ratio for the said year is around 7.430% which reflects slight decline when compared to the recovery ratio of 7.966% achieved during the last year.

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

	2002-2003	2001-2002	2000-2001
<b>Cane Crushed</b>			
(M.tons)	331,960	336,664	252,756
<b>White Sugar</b>			
<b>Produced</b>			
(M.tons)	24,685	26,778	17,618
Recovery (%)	7.43	7.97	7.00

The crushing campaign started earlier in the year under review which has effected the recovery percentage to a great extent. The production of sugar in the country is more than its consumption and the sugar industry can not export its production in the international market due to high production cost and low international prices, therefore it has to sell all its production in the domestic market, which always remains depressed owing to more supply than demand. The average selling price achieved during the year was much less than the last year and it is going down every year.

The sugar factory milled less sugarcane this year and this combined with lower recovery and low

selling price of sugar contributed to loss in this division.

During the current season, the company produced 15,250 M. Tons of molasses as against 16,148 M. Tons produced last year. The average selling price of molasses per ton was much less this year when compared to what was achieved during the same period of last year.

## DISTILLERY

The Distillery Division worked 79 days during this year and produced 0.992 Million Liters at an

average recovery of 7.98% whereas, during the last year, the division worked for 111 days and produced 1.710 Million Liters at an average recovery of 8.13%. The average price of distillate sold this year was relatively higher.

#### PROSPECT FOR THE CURRENT YEAR

In view of huge carry over stocks of sugar, Pakistan Sugar Mills Association decided that crushing operation will not commence until Government of Pakistan lifts 200,000 Tons of sugar from them through Trading Corporation of Pakistan. After negotiations, it was decided in November that Government will lift 100,000 tons through Tender immediately and balance in January and then PSMA decided to start the operations of crushing.

Our Mills started its operation on December 17, 2003 due to some technical problems and have milled only 15,109 M.Tons at average recovery of 7.41 % till filing of this report.

The crop is reported to be in good condition and due to late start of crushing campaign it is expected that recovery percentage would be better this year. However, the price of sugar remains very depressed and if prices do not improve we do not hope bright future for this Industry.

The year under review witnessed at least two major international events which effected the entire Textile Industry. The outbreak of SARS epidemic in China and other Far Eastern countries in the beginning of year 2003 slowed down the textile trade to a great extent. Our major yarn market is Hong Kong and, in fact, it had negative growth during the outbreak of SARS epidemic and demand for yarn had been

minimal. This resulted in a wide gap between supply and demand and put pressure on yarn prices, which remained depressed.

The second major event which effected the Textile Industry was the war in Iraq. As U.S.A. deployed its Forces on Iraq's Border, the prices of Oil and its by-products increased which resulted in massive escalation in the price of Polyester Fiber, the price increased rapidly and the Textile Industry could not absorb the shock and crumbled once again.

The above two major events effected the Industry and this resulted in low margins on sales but despite these ups and downs in the international and domestic market, your company pursued its effective marketing policies and penetrated its sale to diversified customers.

We have initiated a continuous Balancing, Modernization and Replacement programme in our Textile Division which will, not only, upgrade our facilities further but will also balance our Project and lower our cost of production. We are hopeful that our Textile Division will be able to survive easily in the coming post-quota regime.

During the period under review, the Textile Division

produced 13,387,517 Kgs of yarn converted at 20s count as compared to 12,291,150 Kgs produced during the last year.

#### FUTURE OUTLOOK

The unprecedented rise in the cotton prices this year has shaken the entire Textile Industry. Short crop in China and Pakistan fueled the International Market of cotton and this resulted in massive escalation of prices in the domestic market. This year the cotton prices increased almost 50% than the prevailing prices of last year.

The upsurge in the prices was very rapid and sudden. We witnessed a huge escalation in the prices of Raw Cotton at the start of cotton season, which disrupted the entire Textile Trade. Although there has been increase in the price of our end product i.e. yarn but it did not match the increase in the price of raw material.

The Management of your Company is fully aware of the changing scenario and taking all steps to minimize

the effect of intense cotton prices to the profitability of this Unit.

#### SUBSIDIARIES

##### CRESCOT MILLS LIMITED

As reported last year, the company has ceased all its production activities and during the period under review, the company sustained a post tax loss of Rs. 2.603 Million (2002: Rupees 2.206 Million).

##### KARACHI BULK STORAGE & TERMINALS (PVT.) LIMITED

The operating profit for the current year was Rs. 2.348 Million (2002 : Rupees 8.116 Million) and if we add to it the Financial and other charges, the total loss for the current year of operation was Rs. 13.847 Million (2002: Loss of Rupees 5.909 Million).

#### INDUSTRIAL RELATIONS

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

#### ACKNOWLEDGMENT

The Board of Directors of the Company, wish to place on record their thanks and appreciation to all Workers, Staff Members and Executives for their contribution towards the operations of the company. The Directors are thankful to the Bankers, Financial Institutions for their continued support to the company. The Chief Executive Officer would also like to place on record sincere thanks to the shareholders for their continued support, co-operation and confidence in the management of the company.

For & on Behalf of the  
Board of Directors

MUHAMMAD ARSHAD Faisalabad

CHIEF EXECUTIVE OFFICER December 30,2003

#### FINANCIAL RESULTS

	2003	2002	2001	2000	1999	1998	1997
<b>FROM THE STATEMENT OF INCOME</b>							
Sales	1,192.01	1,452.26	1,361.01	1,318.60	1,281.51	1,421.19	1,360.76
Increase/(decrease) percent	-17.9	6.7	3.2	2.9	-9.8	4.4	8.6
Cost of sales	1,138.89	1,283.15	1,245.38	1,093.55	1,160.79	1,329.91	1,185.83
Operating expenses	53.43	64.14	67.61	65.71	54.1	55.12	48.98
Operating profit/(loss)	-0.31	104.97	48.02	159.34	66.62	36.16	125.95
Interest expenses	35.06	28	44.2	52.83	64.58	72.32	85.1
Other charges	0.9	4.72	0.83	29.92	0.43	10	14.73
Other income net	17.37	10.93	12.2	18.34	6.15	7.19	4.43
Income/(loss) before taxes	-18.9	83.19	15.19	94.94	7.76	-38.97	30.55
Change percent	-122.72	447.66	-84	1,123.45	-119.91	-227.56	-21.67
Percentage of sales	-1.6	5.7	1.1	7.2	0.6	-2.7	2.2
Income/(loss) after taxes (Net)	-25.57	47.49	6.22	80.23	1.36	-40.21	14.94
Percentage of sales	-2.1	3.3	0.5	6.1	0.1	-2.8	1.1
<b>FROM THE BALANCE SHEET</b>							
Current assets	396.44	266.09	288.67	326.81	382.76	337.03	372.58
Tangible fixed assets	400.05	292.25	281.35	276.82	292.08	308.45	334.83
Other assets	231.22	131.07	89.02	37.08	45.93	45.94	55.18
Total assets	1,027.70	689.41	659.04	640.71	720.77	691.42	762.59
Increase/(decrease) percent	49.1	4.6	2.9	-11.1	4.2	-9.3	6.2
Current portion of long term liabilities	43.5	14.64	14.51	14.93	41.05	44.31	80.45
Other current liabilities	455.05	255.68	282.71	279.94	382.73	315.15	288.27
Long term debts	82.52	38.54	52.13	43.15	58.91	95.3	111.61
Non-current liabilities	34.36	34.82	24.94	24.16	16.03	15.98	21.37
Share holders' equity	412.28	345.73	284.75	278.53	222.05	220.68	260.89
Total liabilities & share holders' equity	1,027.70	689.41	659.04	640.71	720.77	691.42	762.59
<b>FROM THE STATEMENT OF CHANGES IN FINANCIAL POSITION</b>							
Internal sources of funds	3.69	129.2	36.2	137.81	33.47	3.36	73.26
External sources of funds	0	0	18.06	0.1	0.81	13.1	37.72
Total sources of funds	3.69	129.2	54.26	137.91	34.28	16.46	110.98
Capital expenditure (Net)	44.11	40.04	26.85	14.98	15.74	14.44	9.66
Other applications	53.49	25.37	33.26	41.89	40.4	64.45	79.71
Increase/(decrease) in working capital	-93.91	63.79	-5.85	81.04	-21.86	-62.43	21.61
Total application of funds	3.69	129.2	54.26	137.91	34.28	16.46	110.98
<b>OTHERS</b>							
Depreciation and Amortization	28.7	29.14	30.59	30.22	31.96	40.31	51.33
Break-up value per share	21.7	18.19	14.98	15.91	11.69	11.61	15.1
Earning/(loss) per share after taxes	-1.35	2.5	0.33	4.22	0.07	-2.12	0.87
Dividend per share	0	1.5	0	1.25	0	0	0
Debt equity ratio	0.31	0.15	0.23	0.21	0.45	0.63	0.74
Current ratio	0.87	1.04	1.02	1.17	1	1.07	1.29

	2003	2002	2001	2000	1999	1998	1997
<b>BREAK UP OF REVENUE</b>							
Sales							
Sugar	208.53	484.374	327.599	319.827	398.879	560.798	515.304
Yarn							
Local	657.502	510.904	347.158	314.901	450.107	421.908	534.66
Export	287.537	406.701	648.033	663.187	409.057	396.674	269.403
	945.039	917.605	995.191	978.088	859.164	818.582	804.063
Distillate	18.239	35.141	33.515	25.834	14.889	21.545	34.204
Molasses	11.46	16.99	3.994	4.91	4.583	20.116	5.324
Waste	18.801	15.82	26.549	11.869	17.686	13.931	13.57
	1,202.07	1,469.93	1,386.85	1,340.53	1,295.20	1,434.97	1,372.47
Less' Commission to selling agents	10.055	17.666	25.834	21.927	13.686	13.784	11.703
Sales revenue	1,192.01	1,452.26	1,361.01	1,318.60	1,281.52	1,421.19	1,360.76

FINANCIAL AND OPERATION DATA  
FOR PAST EARNINGS

	(RUPEES IN THOUSAND)						
Sales	1,192,014	1,452,264	1,361,014	1,318,601	1,281,515	1,421,188	1,360,762
% Increase/(decrease) over previous y-18			3	5	-12	4	9
Gross profit	53,128	169,111	115,628	225,051	120,720	91,275	174,932
as % to sales	4	12	8	17	10	6	13
Operating expenses	53,434	64,142	67,607	65,711	54,100	55,125	48,986
as % to sales	4	4	5	5	4	4	4
Operating profit/(loss)	-306	104,969	48,021	159,340	66,620	36,150	125,946
as % to sales	0	7	4	12	5	3	9
financial charges	35,064	27,998	44,180	52,828	64,577	72,322	85,104
as % to sales	3	2	3	4	5	5	6
% Increase/(decrease) over previous y25		-37	-16	-18	-11	-15	-6
Other income	17,367	10,933	12,202	18,344	6,148	7,197	4,439
Other charges	900	4,717	855	29,916	434	10,002	14,730
Net profit/(loss) before tax	-18,903	83,187	15,188	94,940	7,757	-38,977	30,551
as % to sales	-2	6	1	7	1	-3	2
Taxation	-6,665	35,696	8,969	14,707	6,392	1,231	15,607
profit/(loss) after tax	-25,568	47,491	6,219	80,233	1,365	-40,208	14,944

Form '34'

## PATTERN OF HOLDING OF SHARES

HELD BY SHAREHOLDERS AS AT SEPTEMBER 30, 2003.

Shareholders	From	To	Total Shares
496	1	100	16436
482	101	500	125189
194	501	1000	135302
286	1001	5000	641904
39	5001	10000	274429
29	10001	15000	370596
10	15001	20000	189960
12	20001	25000	263897
11	25001	30000	306952
12	30001	35000	387663
8	35001	40000	296777
7	40001	45000	291889
7	45001	50000	338774
8	55001	60000	456213
1	65001	70000	67118
2	70001	75000	146110
6	75001	80000	466269
2	80001	85000	164333
1	85001	90000	87762
2	90001	95000	185024
3	95001	100000	289813
1	110001	115000	113094
1	115001	120000	117583
1	125001	130000	129034
2	130001	135000	264651
1	135001	140000	138369
3	145001	150000	447205
2	150001	155000	301608
1	185001	190000	188725
2	190001	195000	388546
1	195001	200000	199056
2	200001	205000	407968
1	210001	215000	210035
1	225001	230000	228858
1	245001	250000	247141
1	255001	260000	258208
1	270001	275000	270254
1	295001	300000	299332
1	J50001	355000	353716
1	385001	390000	386796
1	440001	445000	442754

1	450001	455000	453868
1	475001	480000	477939
1	490001	495000	494406
1	495001	500000	499829
1	525001	530000	527996
1	530001	535000	530544
1	865001	870000	867506
1	955001	960000	955848
1	1030001	1035000	1034244
1	2260001	2265000	2264680
1,654			19002203

Categories of Shareholders	Numbers	Shares Held	Percentage
FINANCIAL INSTITUTIONS	13	2,591,237	13.64
INDIVIDUALS	1,584	10,760,301	56.63
INSURANCE COMPANIES	7	1,264,816	6.66
INVESTMENT COMPANIES	4	41,204	0.21
JOINT STOCK COMPANIES	32	2,721,976	14.32
OTHERS	14	1,622,669	8.54
TOTAL	1,654	19,002,203	100
OTHERS			
ABANDOND PROPERTY	1	55,309	0.29
ASSOCIATION	1	144	0
GOVERNMENT AUTHORITY	1	1	0
MODARABAS	5	505,837	2.66
TRUST	5	1,059,378	5.58
CLOTH COMPANY	1	2,000	0.01
TOTAL	14	1,622,669	8.54

## PATTERN OF HOLDING OF SHARES

Held By Shareholders as at September 30, 2003

Categories of sh Numbers of Shares held

a) Directors, Chief Executive Officer, Their Spouse And Minor Children	
Chief Executive Officer/Director	
Mr. Muhammad Arshad	150,630
Directors:	
Mr. Muhammad Anwar	527,996
Mr. Khalid Bashir	7,561
Mr. MazharKarim	247,141
Mr. Muhammad Rafi	494,506
Mr. Abid Mahmood	76,769
Directors' Spouse and Their Minor Children	
Mrs. Salma Parveen	353,716
Mrs. Abida Anwar	95,120
Mrs. AbidaMazhar	55,485
Mrs. Tanveer Khalid Bashir	92,015
Mrs. MussaratRafi	55,165
Master Umair Abid	92,985
	2,249,089
b) Associated Companies Undertaking & Related Parties	
The Crescent Textile Mills Limited	867,506
Shakarganj Mills Limited	955,848
Crescent Jute Products Limited	72,828
First Equity Maaaraba	300,512
Shams Textile Mills Limited	148,253
The Premier Insurance Co. Of Pakistan Limited	170,500
	2,515,447
C) NIT & ICP	
Investment Corporation Of Pakistan Limited	51,259
National Bank Of Pakistan, Trustee Wing.	2,264,680
	2,315,939
d) Banks, DFIs, NBFIs	275,298
e) Insurance Companies	1,094,316
f) Modarabas	205,325
g) Other Companies (Public Sector Co. & Corporation)	1,835,577
h) General Public (Local)	7,913,158

i) Executives	598,054
Shareholder More Than 10%	19,002,203
National Bank of Pakistan, Trustee Wing.	2,264,680

#### STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

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

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

The company encourages representation of independent non-executive directors.  
At present there is no independent non-executive director.

The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.

All resident directors of the company are registered as taxpayers and none of them has personally defaulted in payment of any loan to a banking company, a DFI or an NBFIs. None of them is a member of stock exchange.

No casual vacancy occurred during the year ended September 30, 2003.

The company has prepared a "Statement of Ethics and business Practices", which has been signed by all the directors and employees of the company.

The Board has developed a vision/mission statement, overall over all corporate strategy, and significant policies of the company.

The company is in process of getting significant policies formally approved by the Board.

All powers of the Board have been fully exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and an Executive Director have been taken by the Board.

The meetings of the board were presided over by the Chairman and in his absence, by a director elected by the Board for his purpose and the Board met once in every quarter. Written notices of the Board meetings, along with agenda and working papers, working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

The Board is arranging orientation course for its directors.

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

The Directors' Report for the year ended September 30, 2003 has been prepared in compliance with the requirements of the Code and it fully describes the salient matters required to be disclosed.

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

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

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

The Board has formed an audit committee. It comprises of three members, of whom two are non-executive directors including the Chairman of the Committee.

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

The Board has setup an effective internal audit function.

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

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

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

For and on behalf of  
the Board of Directors

MUHAMMAD ARSHAD

FAISALABAD

CHIEF EXECUTIVE OFFICER

DECEMBER 30, 2003

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

We have reviewed the statement of compliance with the best practices contained in the code of corporate governance prepared by the Board of Directors of CRESCENT SUGAR MILLS AND DISTILLERY LIMITED to comply with the Listing Regulation No. 37 (Chapter XI) of the Karachi Stock Exchange, Listing Regulation No. 43 (Chapter XIII) of the Lahore Stock Exchange and Listing Regulations No. 36 (Chapter XI) of the Islamabad Stock Exchange where the company is listed.

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

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

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

Faisalabad

(RIAZ AHMAD AND COMPANY)

December 30, 2003

Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of CRESCENT SUGAR MILLS AND DISTILLERY LIMITED as at

30 September 2003 and the related profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained

all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that unsecured balance of Rupees 23.950 million due from Crescent Boards Limited, considered good by the management, (Note 18.2 to the financial statements) is outstanding since long. This balance is doubtful of recovery but no provision for doubtful receivables has been made in the books of account. Except for the failure to provide for aforesaid doubtful receivables in the accounts, we report that:

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

b) in our opinion:

i) the balance sheet and profit and loss account, together with the notes thereon, have been drawn

up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as disclosed in note 2.3 to the financial statements with which we concur;

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

iii) the business conducted, investments made and the expenditure incurred during the year were in

accordance with the objects of the company;

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

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

Faisalabad

RIAZ AHMAD AND COMPANY

December 30, 2003

Chartered Accountants

#### BALANCE SHEET

	NOTE	(RUPEES IN THOUSAND)	
		2003	2002
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital			
30 000 000 ordinary shares of Rupees 10 each		300,000	300,000
Issued, subscribed and paid up share capital	3	190,022	190,022
Capital reserves		122,319	30,206
Revenue reserves		124,741	124,741
Unappropriated profit/(loss)		-24,802	764
		412,280	345,733
<b>NON-CURRENT LIABILITIES</b>			
Redeemable capital	,4	23,871	36,166

Liability against assets subject to finance lease	5	58,649	2,369
Deferred taxation		31,622	31,622
Employees' retirement gratuity		2,736	3,198
		116,878	73,355
<b>CURRENT LIABILITIES</b>			
Current portion of long term liabilities	6	43,495	14,635
Short term finances	7	295,526	53,950
Creditors, accrued and other liabilities	8	133,134	101,160
Workers' participation fund	9	6,418	7,991
Provision for taxation		15,235	62,955
Proposed dividend		-	28,503
Unclaimed dividend		4,735	1,127
		498,543	270,321
<b>CONTINGENCIES AND COMMITMENTS</b>			
	10	1,027,701	689,409

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

MUHAMMAD ARSHAD  
CHIEF EXECUTIVE OFFICER

	NOTE	(RUPEES IN THOUSAND)	
		2003	2002
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Tangible fixed assets			
Operating fixed assets	11	249,189	259,296
Asset subject to finance lease	12	13,586	7,569
Capital work-in-progress	13	137,274	25,380
		400,049	292,245
Equity investments	14	219,190	127,077
Long term deposits		12,025	4,002
		631,264	423,324
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	15	54,197	55,118
Stock-in-trade	16	251,377	82,473
Trade debts	17	21,629	14,982
Advances, deposits, prepayments and other receivables	18	65,359	108,871
Cash and bank balances	19	3,875	4,641
		396,437	266,085
		1,027,701	689,409

#### PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2003

	NOTE	(RUPEES IN THOUSAND)	
		2003	2002
SALES	20.1	1,192,014	1,452,264
COST OF GOODS SOLD	20.2	1,138,886	1,283,153
GROSS PROFIT		53,128	169,111
<b>OPERATING EXPENSES</b>			
Administrative and general	20.3	39,163	37,402
Selling and distribution	20.4	14,271	26,740
		53,434	64,142
OPERATING PROFIT/(LOSS)		-306	104,969
OTHER INCOME	21	17,368	10,933
		17,062	115,902
FINANCIAL AND OTHER CHARGES	22	35,963	32,715
PROFIT/(LOSS) BEFORE TAXATION		-18,901	83,187
PROVISION FOR TAXATION	23	-6,665	-35,696
PROFIT/(LOSS) AFTER TAXATION		-25,566	47,491
UNAPPROPRIATED PROFIT BROUGHT FORWARD		764	35,776
PROFIT/(LOSS) AVAILABLE FOR APPROPRIATION		-24,802	83,267

APPROPRIATIONS		
General reserve	-	54,000
Proposed dividend	-	28,503
	-	82,503
UNAPPROPRIATED PROFIT/(LOSS)	-24,802	764
	( R U P E	E S )
EARNffig/(LOSSJ PER SHARE	26	-1.35
DIVIDEND PER SHARE - PROPOSED		1.5

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

#### CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2003

	(RUPEES IN THOUSAND)	
	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	-18,901	83,187
Adjustments to reconcile profit to net cash provided by operating activities		
Depreciation and amortization	28,704	29,144
Provision for gratuity	557	1,270
Credit balances added back	-966	-
Financial charges	35,063	27,998
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES	44,457	141,599
CASH FLOWS FROM WORKING CAPITAL CHANGES (INCREASE)/DECREASE IN CURRENT ASSETS		
Stores, spare parts and loose tools	921	-1,046
Stock in trade	-168,904	35,305
Trade debts	-6,647	14,686
Advances, deposits, prepayments and other receivables	5,961	-11,185
INCREASE/(DECREASE) IN CURRENT LIABILITIES		
Short term finances	241,576	-31,161
Creditors, accrued and other liabilities	22,951	-35,758
Workers' participation fund	-1,573	1,199
NET CASH FLOWS FROM WORKING CAPITAL CHANGES	94,285	-27,960
CASH FLOWS FROM OPERATING ACTIVITIES	138,742	113,639
Financial charges paid	-25,074	-37,251
income tax paid	-16,834	-16,650
Gratuity paid	-1,019	-511
Dividend paid	-24,895	-7,149
NET CASH FLOWS FROM OPERATING ACTIVITIES	70,920	52,078
	2003	2002
CASH FLOWS FROM INVESTING ACTIVITIES		
Operating fixed assets acquired	-44,106	-40,038
Long term deposits	-8,023	-55
NET CASH USED IN INVESTING ACTIVITIES	-52,129	-40,093
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of redeemable capital	-2,335	-10,905
Repayment of lease liabilities	-17,222	-2,553
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	-19,557	-13,458
NET DECREASE IN CASH AND CASH EQUIVALENTS	-766	-1,473
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	4,641	6,114
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3,875	4,641

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

#### STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2003

	SHARE		CAPITAL RESERVES			REVENUE RESERVES			UNAPPRO-	TOTAL
	CAPITAL	Preimum	Plant		Sub-Total	General	Dividend	Sub-Total	PRIATED PROFIT	
		on issue	modern-	Fair value			equali-		./(LOSS)	
		of shares	isation	adjustment			zation			
Balance as on 30 September 2001	190,022	5,496	12,000	-	17,496	66,741	4,000	70,741	6,486	284,745
Effect of adoption of IAS 39			-	-18,605	-18,605				29,290	10,685
Adjusted balance as on 01 October 2001	190,022	5,496	12,000	-18,605	-1,109	66,741	4,000	70,741	35,776	295,430
Net profit for the year	-	-	-	-	-	-	-	-	47,491	47,491
Transfer to general reserve	-	-	-	-	-	54,000	-	54,000	-54,000	-
Proposed dividend	-	-	-	-	-	-	-	-	-28,503	-28,503
Fair value gain	-	-	-	31,315	31,315	-	-	-	-	31,315
Balance as at 30 September 2002	190,022	5,496	12,000	12,710	30,206	120,741	4,000	124,741	764	345,733
Net loss for the year	-	-	-	-	-	-	-	-	-25,566	-25,566
Fair value gain	-	-	-	92,113	92,113	-	-	-	-	92,113
Balance as at 30 September 2003	190,022	5,496	12,000	104,823	122,319	120,741	4,000	124,741	-24,802	412,280

#### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2003

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

Crescent Sugar Mills and Distillery Limited is a public limited company incorporated in Pakistan under the Companies Act, 1913 (Now Companies Ordinance, 1984). Shares of the company are quoted on Stock Exchanges of Pakistan. The company is engaged in manufacturing and sale of sugar, distillate and yarn.

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

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

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

###### 2.2 Accounting convention

These financial statements have been prepared under the historical cost convention adjusted to the extent of exchange differences capitalized and valuation of investment at fair value as referred to in note No. 2.5, 2.6 and 2.8.

###### 2.3 Staff retirement benefits

The company operates a funded provident fund scheme covering all permanent employees of sugar and distillery units. Equal monthly contribution are made both by the company and the employees at the rate of 10 percent of basic pay. The company also operates an unfunded gratuity scheme for the employees of spinning units. Provision for gratuity is made in the accounts on the basis of actuarial computation.

Previously, provision for gratuity was made under West Pakistan Industrial and Commercial Employment (Standing orders) Ordinance, 1968. The change has been made to comply with the requirements of IAS-19 "Employee Benefits". Had there been no change in accounting policy, gratuity expense for the year would have been higher by Rupees 0.486 million.

###### 2.4 Taxation

###### Current

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

## Deferred

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

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

### 2.5 Foreign currencies

Assets and liabilities in foreign currencies are translated at the rates of exchange prevailing at balance sheet date or at the contracted rates while foreign currency transactions are recorded at the rates of exchange prevailing at the transaction date or at the contracted rates. Exchange gains and losses are charged to income except those referred to in Note 2.6.

### 2.6 Tangible fixed assets and depreciation

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

Depreciation is charged to income on reducing balance method to write off the cost of operating fixed assets including the related currency exchange rate differences over their expected useful life at the rates mentioned in Note 11.

Full year's depreciation is charged on additions, while no depreciation is charged on assets deleted during the year.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Gain or loss on disposal of operating fixed assets is included in current year's income.

### 2.7 Assets subject to finance lease

These are stated at the lower of present value of minimum lease payments and the fair value of assets acquired. Aggregate amount of obligation relating to assets subject to finance lease are accounted for at net present value of liabilities. Assets so acquired are amortized over their expected useful life at the rates mentioned in note No. 12. Amortization of leased assets is charged to current year's income.

### Held to Maturity

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

### Held for Trading

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

### Available for Sale

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

### 2.9 Stores, spare parts and loose tools

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

#### 2.10 Stock-in-trade

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

#### 2.11 Borrowing cost

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

#### 2.12 Provisions

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

#### 2.13 Impairment

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

#### 2.14 Trade debts

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

#### 2.15 Related party transactions

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

#### 2.16 Revenue recognition

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

#### 2.17 Financial instruments

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

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

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

#### 2.18 Offsetting

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

#### 2.19 Cash and cash equivalents

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

(Note 19).

	2003	2002
3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL		
5 509 767 (2002: 5 509 767) ordinary shares of Rupees 10 each fully paid up in cash	55,098	55,098
13 334 422 (2002: 13 334 422) ordinary shares of Rupees 10 each issued as fully paid bonus shares	133,344	133,344
158 014(2002: 158 014) ordinary shares of Rupees 10 each issued as fully paid up to Pakistan Industrial Credit and Investment Corporation Limited against their right of option for conversion of collateral security debentures pursuant to the loan agreement	1,580	1,580
	190,022	190,022
3.1 2 515 447 (2002: 2 534 001) ordinary shares of Rupees 10 each are held by associated undertakings.		
4. REDEEMABLE CAPITAL		
United Bank Limited (Note 4.1)	32,765	32,765
National Bank of Pakistan BMR Loan (Note 4.2)	12,741	15,076
	45,506	47,841
Current portion (Note 6)		
Payable within one year	12,274	11,675
Over due installments	9,361	-
	21,635	11,675
	23,871	36,166

4.1 This represents demand finance from United Bank Limited created due to non payment of term finance loan for supplier's credit of Spinning Unit No.2. According to revised repayment schedule, loan is repayable in 14 half yearly equal installments with grace period of one year from 30 June 1998. The finance is secured by hypothecation and floating charge on the movable assets, first registered mortgage on buildings, plant and machinery valuing Rupees 183.895 million and personal guarantee of all the directors. It carries mark-up at the rate of 20 percent per annum with 6 percent per annum rebate for prompt payments.

4.2 This represents finance obtained from National Bank of Pakistan for balancing, modernization and replacement of machinery. It is repayable in 20 equal quarterly installments commencing from 28 September 2002 and carries markup at the rate of 10 percent to 16 percent per annum. The finance is secured by way of exclusive charge on the machinery to be imported, second charge on the fixed assets replaceable with the first charge and personal guarantee of all the directors.

	2003	2002
5. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
The amount of future rentals and periods during which they fall due are as under:		
30 September 2003		3,555
30 September 2004	29,333	2,481
30 September 2005	28,774	-
30 September 2006	19,651	-
30 September 2007	14,180	-
30 September 2008	4,828	-
Balance rentals as at 30 September	96,766	6,036
Less: Financial charges	16,257	707
Present value of minimum lease payments	80,509	5,329
Less: Current portion (Note 6)	21,860	2,960
	58,649	2,369

5.1 The value of minimum lease payments has been discounted at an implicit interest rate between 9.30 percent and 17.98 percent. The rentals are payable monthly. The lease agreement carry purchase option at the end of lease period and the company has the intention to exercise such an option. Repairs and insurance costs are borne by the company. In case of termination of agreement, the company shall pay entire amount of rentals for unexpired period of lease agreement. The lease is partly secured by deposit of Rupees 9.173 included in long term deposits and 1.000 million included in advances, deposits, prepayments and other receivables (Note 18).

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

	2003 Within One year	More than one year but less than five years	2002 Within One year	More than one year but less than five years
Total of minimum lease payments	29,333	67,433	3,555	2,481
Less • Financial charges	7,473	8,784	595	112
Present value of minimum lease payments	21,860	58,649	2,960	2,369

	2003	2002
6. CURRENT PORTION OF LONG TERM LIABILITIES		
Redeemable capital (Note 4)	21,635	11,675
Liabilities against assets subject to finance lease (Note 5)	21,860	2,960
	43,495	14,635
7. SHORT TERM FINANCES		
Secured:		
Banking companies		
Cash finance (Note 7.1)	132,551	9,769
Foreign currency finance (Note 7.2)	14,733	29,725
	147,284	39,494
Unsecured- Unpresented cheques	148,242	14,456
	295,526	53,950

7.1 These form part of total credit facility of Rupees 150 million (2002: Rupees 140 million). Mark-up is paid at the rate of paisas 11 to 34 per Rupees 1,000 per day. These are secured against pledge and hypothecation of stocks of raw material, work in process, finished goods, stores and spares, personal guarantee of directors and mortgage charge on fixed assets of the company ranking pari passu with other creditors.

7.2 Limit of foreign currency finance of US Dollars 1.000 million, (2002: US Dollars 0.500 million) was availed during the year at mark-up of LIBOR plus 2 percent per annum on maturity of finance or at the time of adjustment of finance. These finances are secured against registered charge on stock in trade, book debts, other current assets of the company and personal guarantee of Directors.

	2003	2002
9. WORKERS' PARTICIPATION FUND		
Balance as at 01 October	7,991	6,792
Add: Profit allocation for the year	.	4,415
Interest accrued	136	704
	136	5,119
	8,127	11,911
Less: Payments made during the year	1,709	3,920
	6,418	7,991

9.1 The company retains Workers' Participation Fund for its business operations till the date of allocation to workers. Interest is provided at prescribed rate under the Act.

#### 10. CONTINGENCIES AND COMMITMENTS

Contingencies:

There was no contingent liability/asset as at 30 September 2003 (2002: Nil).

Commitments:

Contracts for capital expenditure are amounting to Rupees 33.311 million (2002: Rupees 63.228 million). Commitments for expenditure other than capital are amounting to Rupees 2.498 million (2002: Rupees 4.848 million).

#### 11. OPERATING FIXED ASSETS

DESCRIPTION	COST			DEPRECIATION			BOOK VALUE AS AT 30 September 2003	DEPRECIATION RATE %
	As at 01 October 2002	Additions	As at 30 September 2003	As at 01 October 2002	Charge for the year	As at 30 September 2003		
Land - Freehold	5,335		5,335				5,335	
Buildings and roads on freehold land	103,965	210	104,175	63,887	3,332	67,219	36,956	5-10

Plant and machinery	619,014	14,413	633,427	425,422	20,800	446,222	187,205	10
Electric installations	15,102	603	15,705	9,734	597	10,331	5,374	10
Tools and equipments	17,199	444	17,643	11,822	604	12,426	5,217	10-12
Vehicles	12,180	628	12,808	7,145	1,133	8,278	4,530	20
Furniture and ft'	5,750	581	6,331	3,616	272	3,888	2,443	10
Office er	4,733	134	4,867	2,454	362	2,816	2,051	15
Sf jipments	1,452	-	1,452	1,354	20	1,374	78	10-25
-	784,730	17,013	801,743	525,434	27,120	552,554	249,189	
2002	769,260	15,470	784,730	497,131	28,303	525,434	259,296	

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

(RUPEES IN THOUSAND)

	2003	2002
Cost of goods sold (Note 20.2)	24,367	25,383
Administrative and general expenses (Note 20.3)	2,731	2,919
Petrol pump	2	1
	27,120	28,303

## 12. ASSETS SUBJECT TO FINANCE: LEASE

DESCRIPTION	COST		AMORTIZATION			BOOK VALUE	AMORTIZATION
	As at 01 October 2002	Additions	As at 30 September 2003	As at 01 October 2002	Charge for the year	As at 30 September 2003	AS AT 30 SEPTEMBER 2003 RATE %
Plant and machinery	9,345	6,931	16,276	1,776	1,450	3,226	13,050 10
Vehicles		670	670		134	134	536 20
2003	9,345	7,601	16,946	1,776	1,584	3,360	13,586
2002	9,345		9,345	935	841	1,776	7,569

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

	2003	2002
Cost of goods sold (Note 20.2)	1,450	841
Administrative and general expenses (Note 20.3)	134	-
	1,584	841

## 13. CAPITAL WORK-IN-PROGRESS

Buildings	1,013	275
Plant and machinery	107,431	19,866
Advances to suppliers	28,830	5,239
	137,274	25,380

	2003	2002
--	------	------

## 14. EQUITY INVESTMENTS Available for Sale

QUOTED SUBSIDIARY COMPANY: Crescot Mills Limited 1 932 187 (2002: 1 932 187) ordinary shares of Rupees 10 each fully paid	22,182	22,182
Equity held 66.15% (2002:66.15%) ASSOCIATED UNDERTAKINGS: Shakarganj Mills Limited 1 915496(2002:1 915 496) ordinary shares of Rupees 10 each fully paid	15,421	15,421
The Crescent Textile Mills Limited 2 216 427 (2002:2 216 427) ordinary shares of Rupees 10 each fully paid	17,909	17,909
Crescent Jute Products Limited 201 933 (2002:201 933) ordinary shares of Rupees TO each fully paid	1,293	1,293
Crescent Steel and Allied Products Limited 707182 (2002:707182) ordinary shares of Rupees 10 each fully paid	3,720	3,720
The Premier Insurance Company of Pakistan Limited 138 532 (2002:138 532) ordinary shares of Rupees 5 each fully paid	75	75
OTHERS:		

Jubilee Spinning and Weaving Mills Limited 474 323 (2002:474 323) ordinary shares of Rupees 10 each fully paid	1,229	1,229
Mashreq Bank Pakistan Limited 4 529333(2002:1 919 209 shares of Crescent Investment Bank Limited) ordinary shares of Rupees 10 each fully paid (Note 14.3)	20,685	20,685
Crescent Boards Limited 68 400 (2002:68 400) ordinary shares of Rupees 10 each fully paid	711	711
Crescent Spinning Mills Limited 696 000 (2002:696 000) ordinary shares of Rupees 10 each fully paid	6,960	6,960
Security Papers Limited 81 756 (2002:81 756) ordinary shares of Rupees 10 each fully paid	47	47
	2003	2002
UNQUOTED		
SUBSIDIARY COMPANY:		
Karachi Bulk Storage and Terminals (Private) Limited 999 997 (2002:999 997) ordinary shares of Rupees 10 each fully paid	10,000	10,000
Equity held 99.99% (2002:99.99%) Break-up value as per last audited accounts for the year ended 30 June 2002 was Rupees zero per share		
ASSOCIATED UNDERTAKING:		
Crescent Bahuman Limited 1 043 988 (2002:1 043 988) ordinary shares of Rupees 10 each fully paid	10,440	10,440
Break-up value as per last available audited accounts for the year ended 30 September 2002 was Rupees zero per share		
Premier Financial Services (Private) Limited 2 500 (2002:2 500) ordinary shares of Rupees 1,000 each fully paid	2,500	2,500
Break-up value as per audited accounts of 30 June 2003 was Rupees 1,931 (2002: Rupees 1,918) Equity held 11.11% (2002:11.11%) Chief Executive Mr. Adil A. Ghaffar		
OTHER:		
Crescent Modaraba Manangement Company Limited 119480 (2002:119 480) ordinary shares of Rupees 10 each fully paid	1,195	1,195
Break-up value as per last available audited accounts for the year ended 30 June 2002 was Rs. 1.35 per share	114,367	114,367
Add: Fair value adjustment under IAS 39	104,823	12,710
	219,190	127,077

14.1 Aggregate market value of quoted investments as at 30 September 2003 was Rupees 214.201 million (2002: Rupees 122.143 million).

14.2 Investments in shares having face value of Rupees 2.249 million (2002: Rupees 2.249 million) are deposited with banks and financial institutions.

14.3 4 529 333 fully paid ordinary shares of Mashreq Bank Pakistan Limited have been received against 1919 209 shares of Crescent Investment Bank Limited after the merger. The shares were received at a swap ratio of 2.36 shares of Mashreq Bank Pakistan Limited against 1 share of Crescent Investment Bank Limited. Company will deposit these shares of Mashreq Bank Pakistan Limited in the form of jumbo certificate with State Bank of Pakistan (SBP) as per the terms and conditions mentioned in SBP's license No.BL-01 dated 10 March 2003 in the capacity of its sponsor.

	2003	2002
15. STORES, SPARE PARTS AND LOOSE TOOLS		
Stores	29,770	29,157
Spare parts	24,341	25,724
Loose tools	86	237
	54,197	55,118

16. STOCK-IN-TRADE

Raw material	48,501	56,758
Work-in-process	10,445	9,481
Finished goods	185,231	13,391
Waste/By-products	6,992	2,703
Other stocks	208	140
	251,377	82,473

## 17. TRADE DEBTS-CONSIDERED GOOD

Secured against letters of credit	13,820	11,931
Unsecured	7,809	3,051
	21,629	14,982

## 18. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

## Advances Considered good:

Employees Interest free	4,368	1,176
Suppliers/contractors	5,153	10,701
Income tax	12,989	50,540
Letters of credit	1,719	3,066
Others	145	948
	24,374	66,431

## Deposits:

Sales tax/excise duty	1,858	5,549
Short term security deposit	1,000	-
Short term prepayments	1,118	1,196
Due by associated undertaking/subsidiary (Note 18.1)	4,890	3,527
-----Export rebate-dstms -----	3,839	5,391

## Other receivables:

Considered good (Note 18.2)	28,280	26,777
Considered doubtful	11,760	11,760
Less: Provision for doubtful	11,760	11,760
	-	-
	65,359	108,871

2003 2002

## 18.1 DUE BY ASSOCIATED UNDERTAKING/SUBSIDIARY

Shams Textile Mills Limited	178	175
Karachi Bulk Storage and Terminals (Private) Limited	3,352	3,352
The Crescent Textile Mills Limited	1,360	-
	4,890	3,527

18.2 Included therein is unsecured balance of Rupees 23.950 million (2002: Rupees 23.950 million) due from Crescent Boards Limited.

## 19. CASH AND BANK BALANCES

Cash in hand	716	382
Cash with banks:		
Current accounts	3,154	4,253
Deposit accounts	5	6
	3,159	4,259
	3,875	4,641

## 20. OPERATING RESULTS

	NOTE	SUGAR UNIT		DISTILLERY UNIT		(RUPEES IN THOUSAND) SPINNING UNIT		TOTAL		
		2003	2002	2003	2002	2003	2002	2003	2002	
Sales	20.1	219,626	501,239	18,210	32,906	954,178	918,119	1,192,014	1,452,264	
Cost of goods sold	20.2	282,112	462,391	13,179	28,047	843,595	792,715	1,138,886	1,283,153	
Gross profit/(loss)		-62,486	38,848	5,031	4,859	110,583	125,404	53,128	169,111	
OPERATING EXPENSES										
Administrative and general	20.3	27,787	26,601	61	83	11,315	10,718	39,163	37,402	
Selling and distribution	20.4	792	985	545	678	12,934	25,077	14,271	26,740	
		28,579	27,586	606	761	24,249	35,795	53,434	64,142	
OPERATING PROFIT/(LOSS)		-91,065	11,262	4,425	4,098	86,334	89,609	-306	104,969	
20.1 SALES										
Main products:										
Local		208,530	4,843,741	18,239	35,141	657,502	5,109,041	8,842,711	1,030,419	
Export		-	-	-	-	287,537	406,701	287,537	406,701	
		208,530	484,374	18,239	35,141	945,039	917,605	1,171,808	1,437,120	

Molasses (By-Product) - Local	11,460	16,990	-	-			11,460	16,990
Waste:								
Local	-	-	-	-	18,055	14,799	18,055	14,799
Export	-	-	-	-	746	1,021	746	1,021
					18,801	15,820	18,801	15,820
	219,990	501,364	18,239	35,141	963,840	933,425	1,202,069	1,469,930
Less: Commission/rebate to selling agents	364	125	29	2,235	9,662	15,306	10,055	17,666
	219,626	501,239	18,210	32,906	954,178	918,119	1,192,014	1,452,264
<b>20.2 COST OF GOODS SOLD</b>								
Raw material consumed	348,899	347,708			630,316	529,375	979,215	877,083
Molasses (transfer)/consumed	-7,408	-15,056	7,408	15,056	-	-	-	-
Salaries, wages and other benefits	30,137	33,547	1,795	2,105	41,402	40,660	73,334	76,312
Store, spare parts and loose tools	27,207	25,322	2,552	3,192	29,060	31,350	58,819	59,864
Fuel and cower	40,482	*5,196	34	2,955	110,142	99,039	150,658	127,190
Other manufacturing overheads	2,316	881	-	-	576	496	2,692	1,377
Insurance	219	249	36	122	1,594	1,005	1,849	1,376
Repair and maintenance	10,440	4,436	912	86	1,372	3,437	12,724	7,959
Depreciation »id amortization	6,193	5,772	148	165	19,496	20,287	25,837	26,224
	458,485	428,055	12,885	23,681	833,958	725,649	1,305,328	1,177,385
Work-in-process								
Opening stock	4,974	4,511			4,507	5,509	9,481	10,020
Closing stock	(4,318)	(4,974)			(6,127)	(4,507)	(10,445)	(9,481)
	656	(463)	-		(1,620)	1,002	(964)	539
Cost of goods manufactured	459,141	427,592	12,885	23,681	832,338	726,651	1,304,364	1,177,924
Cost of goods purchased	-	-			10,651	50,168	10,651	50,168
	459,141	427,592	12,885	23,681	842,989	776,819	1,315,015	1,228,092
Finished goods								
Opening stock	3,169	37,968	6,195	10,561	6,730	22,626	16,094	71,155
Closing stock	(180,198)	(31,691)	(5,901)	(6,195)	(6,124)	(6,730)	(192,223)	(16,094)
#####	(177,029)	34,799	294	4,366	606	15,896	(176,129)	55,061
	282,112	462,391	13,179	28,047	843,595	792,715	1,138,886	1,283,153
<b>20.3 ADMINISTRATIVE AND GENERAL EXPENSES</b>								
Salaries, wages and other benefits	13,980	12,901			6,241	5,702	20,221	18,603
Workers' welfare	1,031	1,426	1	19	286	247	1,318	1,692
Travelling and conveyance	1,183	665	2	9	664	560	1,849	1,234
Insurance	477	564			199	50	676	614
Rent, rates and taxes	737	697	33	31	46	102	816	830
Entertainment	574	597	17	18	304	243	895	858
Subscription	291	209			121	121	412	330
Communication	935	1,108	-	-	493	620	1,428	1,728
Vehicles' running	1,067	1,223	-	-	499	303	1,566	1,526
Advertisement	60	47	2	1	-	-	62	48
Repair and maintenance	3,851	4,081	-	-	738	680	4,589	4,761
Printing and stationery	332	393	2	2	341	393	675	788
Books and periodicals	25	28			9	9	34	37
Auditor's Remoneration								
Annual audit fee	150	150			85	85	235	235
Half yearly review fee	50				-	-	50	-
Out of pocket expenses	10	10			-	-	10	10
	210	160			85	85	295	245
Legal and professional	795	301			138	178	933	479
Miscellaneous	328	143	2	1	199	566	529	710
Depreciation	1,911	2,058	2	2	952	859	2,8b5	2,919
	27,787	26,601	61	83	11,315	10,718	39,163	37,402
<b>20.4 SELLING AND DISTRIBUTION EXPENSES</b>								
Insurance	100	324	86		181	95	367	419
Freight and forwarding	542	468	459	496	12,542	24,563	13,543	25,527
Others	150	193	-	182	211	419	361	794
	792	985	545	678	12,934	25,077	14,271	26,740

**51. OTHER INCOME**

	2003	2002
Dividend income (Note 21.1)	14,201	9,609
Stores, scrap and mud sales	1,922	1,316
Profit on short term deposits	55	

Profit from petrol pump forgrowers	116 -	
Exchange gain	154 -	
Miscellaneous income	43	
Credit balances added back	966 _	
	17,36810,933	
<b>21.1 DIVIDEND INCOME</b>		
Associated undertakings:		
Crescent Steel and Allied Products Limited	5,657	1,061
The Crescent Textile Mills Limited	4,433	6,206
Shakarganj Mills Limited	2,874	1,437
The Premier Insurance Company of Pakistan Limited	121	104
Premier Financial Services (Private; Limited	625 -	
Other:		
Security Papers Limited	491	801
	14,201	9,609
<b>&gt;2. FINANCIAL AND OTHER CHARGES</b>		
Financial:		
Interest/Mark-up on:		
Workers' participation fund	136	704
Employees' provident fund trust	1,676	171
Redeemable capital	12,502	7,769
Short term finances	17,182	14,422
Financial charges on liabilities against asset subject to finance lease	720	991
Bank charges and commission	2,847	3,775
Exchange loss	-	166
	35,063	27,998
Others		
Workers' Participation Fund		4,415
Loss from petrol pump forgrowers	-	2
Lease rental	900	300
	35,963	32,715
	2003	2002
<b>23. PROVISION FOR TAXATION</b>		
Tax charged for the year		
Current<Note23.1)	6,665	26,019
Prioryear	-	562
	6,665	26,581
Deferred	-	9,115
	6,665	35,696

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

23.2 While framing assessment orders for the years 1999-2000 and 2000-2001, the assessing officer has made additions on various grounds, which have increased the tax income by Rupees 121.573 million. The company, being aggrieved, has filed appeals with the Commissioner of Income Tax (Appeals) which are still pending. Therefore, no provision has been made in the books of account against the aforesaid add backs.

#### 24. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS / SUBSIDIARY COMPANIES

Maximum aggregate amount due from associated/subsidiary undertakings at the end of any month during the year was Rupees 39.276 million (2002: Rupees 37.115 million).

The company purchased from and sold to associated/subsidiary undertakings materials, goods, fixed assets and services at the market prices in aggregate sum of Rupees 2.969 million and Rupees 25.909 . million respectively (2002: Rupees 0.895 million and Rupees 65.792 million respectively). Commission of Rupees 0.055 million (2002: Rupees 0.160 million) was paid at the rate of 0.25 percent on cotton purchased through Messrs Riaz and Company (1962, Private) Limited (Associated undertaking).

#### 25. CHIEF EXECUTIVE OFFICER, DIRECTORS<sup>1</sup> AND EXECUTIVES' REMUNERATION

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

DESCRIPTION	2 0 0 3		2 0 0 2	
	CHIEF EXECUTIVE OFFICER	EXECUTIVES	CHIEF EXECUTIVE OFFICER	EXECUTIVES
Managerial remuneration	2,520	6,961	2,201	5,596
Housing	1,134	2,986	1,006	2,087
Company's contribution to employees' provident fund trust	252	667	220	494
Group insurance	-	47	-	45
Reimbursable expenses	193	531	97	745
	4,099	11,192	3,524	8,967
Number of persons	1	14	1	18

25.1 The aggregate amount charged in the accounts for the year for fee to 5 directors in respect of 4 meetings is Rupees 70,000 (2002: Rupees 37,500 to 3 directors for 3 meetings).

25.2 The Chief Executive and the six Executives of the company have been provided free maintained vehicles.

## 26. EARNINGS/(LOSS) PER SHARE

There is no dilutive effect on the basic earnings/(loss) per share, which is based on:

	2003	2002
Profit/(loss) attributable to ordinary shareholders (Rupees in thousand)	-25,566	47,491
Number of ordinary shares	19002203	19002203
Earnings/(loss) per share- Basic (Rupees)	-1.35	2.5

## 27. EMPLOYEES' RETIREMENT BENEFITS

	2003	2002
Contribution to Employees' Provident Fund	2,231	2,268
Provision for gratuity (Note 27.1)	557	1,270
Contribution to Employees' Oldage Benefit	700	2,195
	3,488	5,733
Number of employees	1649	1528

27.1 Relevant disclosures regarding provision for gratuity are given below:

	2003	2002
Charge to income		
Current service cost	827	-
Interest cost	216	-
Liability reduced due to application of IAS-19	-486	-
	557	-

Movement in obligation:

	2003	2002
Balance as at 01 October 2002	3,198	-
Liability reduced due to application of IAS-19	-486	-
Interest cost	216	-
Current service cost	827	-
Benefits paid during the year	-1,019	-
Present value of defined benefit obligations as at 30 September 2003	2,736	-

Principal Actuarial Assumptions:

	2003	2002
Discount rate	8%	-
Expected rate of increase in salary in future years	7%	-
Average expected remaining life time of employees	10 Years	-

## 28. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### 28.1 Interest/Mark-up rate

The company's exposure to interest/mark-up rate risk and effective rates on its financial assets and financial liabilities are summarised as follows:

Interest	2 0 0 3		Sub	Non Interest/Mark-up Bearing		Sub	Total
	Interest Maturity	Bearing Maturity more		Maturity	Maturity more		

	rates range%	within one year	than one year but less than five years	Total	within one year	than one year but less than five years	Total
<b>Financial Assets</b>							
Long term investments			-	-	-	12,948	12,948
Long term deposits			-	-	-	12,025	12,025
Trade debts			-	-	21,629	-	21,629
Advances, deposits, prepayments and other receivables			-	-	42,522	-	42,522
Cash and bank balances		5	-	5	3,870	-	3,870
		5	-	5	68,021	24,973	92,994
<b>Financial Liabilities</b>							
Redeemable capital	10 to 20	21,635	23,871	45,506	-	-	45,506
Liabilities against assets subject to finance lease	9.30 to 17.98	21,860	58,649	80,509	-	-	80,509
Short term finances	4 to 12.50	295,526	-	295,526	-	-	295,526
Creditors, accrued and other liabilities		-	-	-	121,061	-	121,061
Commitments		-	-	-	35,809	-	35,809
		339,021	82,520	421,541	156,870	-	578,411

	Interest rates range%.	Interest/Mark-up Maturity within one year	Bearing Maturity more than one year but less than five years	2 0 0 2	Sub Total	Non Interest/Mark-up Maturity within one year	Bearing Maturity more than one year but less than five years	Sub Total	Total
<b>Financial Assets</b>									
Long term investments		-	-	-	-	-	8,409	8,409	8,409
Long term deposits		-	-	-	-	-	4,002	4,002	4,002
Trade debts		-	-	-	-	14,982	-	14,982	14,982
Advances, deposits, prepayments and other receivables		-	-	-	-	37,819	-	37,819	37,819
Cash and bank balances	4	6	-	6	4,635	57,436	12,411	69,847	4,641
		6	-	6	57,436	12,411	-	69,847	69,853
<b>Financial Liabilities</b>									
Redeemable capital	14 to 16	11,675	36,166	47,841	-	-	-	-	47,841
to finance lease	17.98	2,960	2,369	5,329	-	-	-	-	5,329
Short term finances	12 to 17	53,950	-	53,950	-	-	-	-	53,950
Creditors, accrued and other liabilities		-	-	-	98,394	-	-	98,394	98,394
Commitments		-	-	-	64,011	-	-	64,011	64,011
		68,585	38,535	107,120	162,405	-	-	162,405	269,525

## 28.2 Financial instruments and risk management policies

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

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

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

### (a) Interest rate risk

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

### (b) Foreign exchange risk management

Foreign currency risk on financial instruments, receivables or payables in foreign currency is also not material.

### (c) Credit risk

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

(d) Fair value of financial assets and liability

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values including for equity investments which are stated at fair value/break-up value. Market value is also disclosed in Note 14.1.

	(RUPEES 2003	IN THOUSAND) 2002
29. SEGMENT ASSETS AND OTHER INFORMATION		
Segment assets:		
Sugar unit	486,818	288,706
Distillery unit	4,822	4,718
Spinning unit	536,061	395,985
	1,027,701	689,409

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

		2003	2002
30. PLANT CAPACITY AND ACTUAL PRODUCTION			
Working based on 3 shifts			
SUGAR UNIT:			
Capacity	M.Tons	23 167	23 167
Actual production	M.Tons	24 685	26 778
DISTILLERY UNIT:			
Capacity	Litres	2 727 000	2 727 000
Actual production	Litres	992 065	1 710 132
SPINNING UNIT:			
Yarn production			
Capacity converted at 20s count	Kgs.	13 598 348	12 884 594
Actual production			
Converted at 20s count	Kgs.	13 387 517	12 291 150

30.1 Reason for Low Production

Sugar

Bnder utilization of available capacity is due to normal maintenance down time.

Distillery

Operated below capacity due to lesser molasses available because of reduced quantum of sugarcane.

Spinning

Under utilization of available capacity is due to normal maintenance.

31. DATE OF AUTHORISATION

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

32. FIGURES

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

Figures have been rounded off to the nearest thousand rupees.

CRESCENT SUGAR MILLS AND DISTILLERY  
LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS  
WITH ACCOMPANYING INFORMATION

YEAR ENDED 30 SEPTEMBER 2003

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of CRESCENT SUGAR MILLS AND DISTILLERY LIMITED AND ITS SUBSIDIARY COMPANIES as at 30

September 2003 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity, together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Crescent Sugar Mills and Distillery Limited and its subsidiary company Crescot Mills Limited while the other subsidiary company Karachi Bulk Storage and Terminals (Private) Limited was audited by the other firm of auditors whose report has been furnished to us and our opinion in so far as it relates to the amounts included for such company, is based solely on the report of such other auditors. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

- unsecured balance of Rupees 23.950 million due from Crescent Boards Limited, considered good by the management (Note 19.2 to the financial statements), is outstanding since long. This balance is doubtful of recovery but no provision for doubtful receivables has been made in the books of account.
- Crescot Mills Limited has ceased its production activities since August 1998 and has disposed of major part of plant and machinery. Accordingly, the company is no more a going concern. The financial statements do not include any adjustment required to record assets at realisable value and classification of its liabilities.
- physical verification of stores, spare parts and loose tools of Crescot Mills Limited could not be carried out due to lack of arrangements. We are unable to satisfy ourselves as to their quantities and physical condition in the absence of appropriate records.
- without qualifying the opinion, auditors of Karachi Bulk Storage Terminals (Private) Limited have drawn attention to Note 1.3 to the financial statements. The company has incurred a net loss of Rupees 13.927 million during the year ended 30 June 2003 and, as of that date, the company's current liabilities exceeded its current assets by Rupees 48.502 million and its total liabilities exceeded its total assets by Rupees 89.016 million. These factors alongwith other matters as set forth in the aforesaid note raise substantial doubt that the company will be able to continue as going concern.

In our opinion, except for the failure to provide for the effects of the adjustments in the recorded assets and classification of liabilities and other matters as referred to in preceding paragraphs, the consolidated financial statements present fairly the financial position of Crescent Sugar Mills and Distillery Limited and its Subsidiary Companies as at 30 September 2003 and the results of their operations for the year

## CONSOLIDATED BALANCE SHEET

	NOTE	(RUPEES IN THOUSAND)	
		2003	2002
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital			
30 000 000 ordinary shares of Rupees 10 each		300,000	300,000
Issued, subscribed and paid up share capital	3	190,022	190,022
Capital reserves		20,995	16,994
Revenue reserves		72,728	72,728
Accumulated profit		-24,753	4,848
		258,992	284,592
Surplus on revaluation of operating fixed assets		8,763	8,763
<b>NON-CURRENT LIABILITIES</b>			
Redeemable capital	4	23,871	36,166
Long term loans	5	49,054	52,501
Liabilities against assets subject to finance lease	6	58,649	2,369
Deferred taxation		31,622	31,622
Employees' retirement gratuity		4,168	4,915
		167,364	127,573
<b>CURRENT LIABILITIES</b>			

Current portion of long term liabilities	7	57,443	25,136
Short term finances	8	329,489	91,119
Creditors, accrued and other liabilities	9	200,279	162,569
Workers' participation fund	10	6,418	7,991
Provision for taxation		17,259	63,371
Proposed dividend		-	28,503
Unclaimed dividend		4,789	1,181
		615,677	379,870
CONTINGENCIES AND COMMITMENTS	11		
		1,050,796	800,798

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

	NOTE	(RUPEES IN THOUSAND)	
		2003	2002
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Tangible fixed assets			
Operating fixed assets	12	264,957	276,383
Assets subject to finance lease	13	13,586	7,569
Capital work-in-progress	14	137,274	25,380
		415,817	309,332
Equity investments	15	170,174	160,509
Long term deposits		13,355	5,332
		599,346	475,173
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools	16	59,244	60,085
Stock-in-trade	17	252,960	83,511
Trade debts	18	39,540	37,165
Advances, deposits, prepayments and other receivables	19	89,925	134,679
Cash and bank balances	20	9,781	10,185
		451,450	325,625
		1,050,796	800,798

#### CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2003

	NOTE	(RUPEES IN THOUSAND)	
		2003	2002
<b>SALES</b>			
SALES	21	1,192,014	1,471,968
<b>COST OF GOODS SOLD</b>			
COST OF GOODS SOLD	22	1,138,898	1,298,864
GROSS PROFIT		53,116	173,104
<b>OPERATING EXPENSES</b>			
Administrative and general	23	52,584	51,308
Selling and distribution	24	15,009	27,462
		67,593	78,770
OPERATING PROFIT/(LOSS)		-14,477	94,334
OTHER INCOME	26	19,546	20,378
		5,069	114,712
FINANCIAL AND OTHER CHARGES	27	52,695	49,752
		-47,626	64,960
SHARE OF PROFIT/(LOSS) OF ASSOCIATED COMPANIES		26,205	-5,557
PROFIT/(LOSS) BEFORE TAXATION		-21,421	59,403
PROVISION FOR TAXATION	28	-8,180	62,933
LOSS AFTER TAXATION		-29,601	-3,530
ACCUMULATED PROFIT BROUGHT FORWARD		4,848	90,881
PROFIT/(LOSS) AVAILABLE FOR APPROPRIATION		-24,753	87,351
<b>APPROPRIATIONS</b>			
General reserve		-	54,000
Proposed dividend		-	28,503
		-	82,503
ACCUMULATED PROFIT/(LOSS)		-24,753	4,848
LOSS PER SHARE	31	1.56	0.19

## DIVIDEND PER SHARE - PROPOSED

- 1.5

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

## CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2003

	(RUPEES IN 2003	THOUSAND) 2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(loss) before taxation	-21,421	59,403
Adjustments to reconcile profit/(loss) to net cash provided by operating activities		
Depreciation and amortization	30,485	30,809
Provision for gratuity	807	1,270
Loss on sale of investment	1,294	-
Dividend from associated companies	13,710	9,493
Income/(loss) from investments in associated companies	-26,205	5,557
Credit balances added back	-966	-
Financial charges	50,629	44,083
<b>CASH FLOWS FROM OPERATING ACTIVITIES BEFORE WORKING CAPITAL CHANGES</b>	<b>48,333</b>	<b>150,615</b>
<b>CASH FLOWS FROM WORKING CAPITAL CHANGES (INCREASE)/DECREASE IN CURRENT ASSETS</b>		
Stores, spare parts and loose tools	841	-1,008
Stock in trade	-169,449	51,655
Trade debts	-2,375	18,169
Advances, deposits, prepayments and other receivables	8,100	-10,619
<b>INCREASE/(DECREASE) IN CURRENT LIABILITIES</b>		
Short term finances	238,370	-50,454
<b>NET CASH FLOWS FROM WORKING CAPITAL CHANGES</b>	<b>91,572</b>	<b>-33,605</b>
<b>CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>139,905</b>	<b>117,010'</b>

	(RUPEES IN 2003	THOUSAND) 2002
Financial charges paid	-29,611	-46,480
Income tax paid	-17,639	-16,089
Gratuity paid	-1,554	-750
Dividend paid	-24,895	-7,149
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>66,206</b>	<b>46,542</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investment	5,538	-
Operating fixed assets acquired	-44,568	-34,140
Long term deposit	-8,023	-55
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>-47,053</b>	<b>-34,195</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Redemption of redeemable capital	-2,335	-10,905
Repayment of lease liabilities	-17,222	-2,553
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>-19,557</b>	<b>-13,458</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>-404</b>	<b>-1,111</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>10,185</b>	<b>11,296</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>9,781</b>	<b>10,185</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2003

	SHARE CAPITAL	CAPITAL RESERVES		Plant moderni- sation	Sub Total	REVENUE RESERVES	ACCUMUL LATED PROFIT/ (LOSS)	TOTAL
		Premium on issue of shares	Fair value adjust- ment					
Balance as on 30 September 2001	190,022	5,496	-	12,000	17,496	18,728	80,441	306,687
Effect of adoption of IAS-39			-3,976		-3,976		10,440	6,464

Adjusted balance as at									
01 October 2001	190,022	5,496	-3,976	12,000	13,520	18,728	90,881	313,151	
Fair value gain	-	-	3,474	-	3,474	-	-	3,474	
Net loss for the year	-	-	-	-	-	-	-3,530	-3,530	
Transfer to general reserve	-	-	-	-	-	54,000	-54,000	-	
Proposed dividend	-	-	-	-	-	-	-28,503	-28,503	
Balance as at 30 September 2002	190,022	5,496	-502	12,000	16,994	72,728	4,848	284,592	
Fair value gain	-	-	4,001	-	4,001	-	-	4,001	
Net loss for the year	-	-	-	-	-	-	-29,601	-29,601	
Balance as at 30 September 2003	190,022	5,496	3,499	12,000	20,995	72,728	-24,753	258,992	

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

#### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2003

##### 1. THE GROUP AND ITS ACTIVITIES

###### The Holding Company

Crescent Sugar Mills and Distillery Limited is a public limited company incorporated in Pakistan under the Companies Act, 1913 (Now Companies Ordinance, 1984). Shares of the company are quoted on stock exchanges of Pakistan. The company is engaged in manufacturing and sale of sugar, distillate and yarn.

###### The Subsidiary Companies

1.1 Crescot Mills Limited is public company limited by shares incorporated in Pakistan on 12 February 1970 under the Companies Act, 1913 (Now Companies Ordinance, 1984) and quoted at Karachi Stock Exchange. Principal business of the company is manufacture and sale of yarn. The mills is located at Kotri Industrial and Trading Estate in the Province of Sindh. A special resolution has been passed in the general meeting of the members on 28 September 1998 authorizing the Board of Directors to dispose off the plant and machinery of the company.

The company has ceased all production activities since August 1998 and has disposed of major part of the plant and machinery. The company intends to implement the merger scheme with the holding company and has leased out its remaining plant and machinery to the holding company till the finalisation of merger scheme.

1.2 Karachi Bulk Storage and Terminals (Private) Limited was incorporated in Pakistan on 31 August 1981 under the Companies Act, 1913 (now Companies Ordinance, 1984). The company is engaged in the business of imports, exports and storage of Molasses, Tallow and Edible oil etc. The terminals are located at oil installation area, Kemari, Karachi.

1.3 Karachi Bulk Storage and Terminals (Private) Limited has incurred net loss of Rupees 13.927 million during the year ended 30 June 2003 and as of that date the company's current liabilities exceed its current assets by Rupees 48.502 million and its total liabilities exceeded its total assets by Rupees 89.016 million. The company has also defaulted in payment and renewal of loan and running finances of financial institutions.

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

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

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

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

###### 2.2 Accounting convention

These financial statements have been prepared under the historical cost convention adjusted to the extent of exchange differences capitalized, revaluation of certain fixed assets of Crescot Mills Limited and valuation of investments at fair value as referred to in note No. 2.6, 2.7 and 2.9.

## 2.3 Basis of consolidation

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

Financial yearending on:

1. Crescot 30 September 2003
2. Karachi B 30 June 2003

Proportionate share of accumulated losses relating to the minority share holders has been increased than their respective share capital. Therefore, losses excess than share capital of minority shareholders are absorbed by the group. Intercompany transactions have been eliminated.

## 2.4 Staff retirement benefits

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

Crescent Sugar Mills and Distillery Limited holding company

The company operates a funded provident fund scherm covering all permanent employees of sugar and distillery units. Equal monthly contributions are made both by the company and the employees at the rate of 10 percent of basic pay. The company also operates an unfunded gratuity scheme for the employees of spinning units. Provision for gratuity is made in the accounts on the basis of actuarial computation.

Previously, provision for gratuity was made under West Pakistan Industrial and Commercial Employment (Standing orders) Ordinance, 1968. The change has been made to comply with the requirements of IAS-19 "Employee Benefits". Had there been no change in accounting policy, gratuity expense for the year would have been higher by Rupees 0.486 million.

Crescot Mills Limited and Karachi Bulk Storage and Terminals (Private) Limited

Provision for gratuity payable under the West Pakistan Industrial and Commercial Employment (Standing Orders) Ordinance, 1968 is made in the accounts.

2F TaxatLao.  
Current

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

Deferred

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

## 2.6 Foreign currencies

Assets and liabilities in foreign currencies are translated at the rates of exchange prevailing at balance sheet date or at the contracted rates while foreign currency transactions are recorded at the rates of exchange prevailing at the transaction date or at the contracted rates. Exchange gains and losses are charged to income except those referred to in Note 2.7.

## 2.7 Tangible fixed assets and depreciation

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

Depreciation is charged to income on reducing balance method to write off the cost of operating fixed assets including the related currency exchange rate differences over their expected useful life at the rate stated in Note 12.

Full year's depreciation is charged on additions, while no depreciation is charged on assets deleted during the year.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Gain or loss on disposal of operating fixed assets is included in current year's income.

## 2.8 Assets subject to finance lease

These are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of assets acquired on lease. Aggregate amount of obligations relating to assets subject to finance lease is accounted for at net present value of liabilities. Assets so acquired are amortized over the useful life of assets at the rate stated in Note 13. Amortization of lease hold assets is charged to current year's income. Profit on sale and lease back of operating fixed assets is amortized to income over the lease term.

## 2.9 Equity investments

### 2.9.1 Associated undertakings

Investments in associated undertakings are stated using equity method.

### 2.9.2 Other investments

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

#### Held-to-Maturity

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

#### Held for Trading

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

#### Available for Sale

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

## 2.10 Stores, spare parts and loose tools

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

## 2.11 Stock-in-trade

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

## 2.12 Provisions

xe recagsuzed, in. <sup>th</sup>e balance sheet when, there is a Legal or constructive obligation as a result of past events, and it is probable that outflow of economic benefits will be required to settle the obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

#### 2.13 Impairment

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

#### 2.14 Trade debts

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

#### 2.15 Borrowing cost

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

#### 2.16 Related party transactions

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

#### 2.17 Revenue recognition

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

#### 2.18 Financial instruments

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

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

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

#### 2.19 Offsetting

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

#### 2.20 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with banks (Note 20).

	(RUPEES IN 2003	THOUSAND 2002
3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL		
5 509 767 (2002: 5 509 767) ordinary shares of Rupees 10 each fully paid up in cash	55,098	55,098
13 334 422 (2002: 13 334 422) ordinary shares of Rupees 10 each issued as fully paid bonus shares	133,344	133,344

158 014(2002:158 014) ordinary shares of Rupees 10 each fully paid up issued to Pakistan Industrial Credit and Investment Corporation Limited against their right of option for conversion of collateral security debentures pursuant to the loan agreement	1,580	1,580
	190,022	190,022

3.1 2 515 447 (2002: 2 534 001) ordinary shares of Rupees 10 each are held by associated companies.

#### 4. REDEEMABLE CAPITAL

United Bank Limited (Note 4.1)	32,765	32,765
National Bank of Pakistan BMR Loan (Note 4.2)	12,741	15,076
	45,506	47,841
Current portion (Note 7)		
Payable within one year	12,274	11,675
Over due installments	9,361	-
	21,635	11,675
	23,871	36,166

4.1 This represents demand finance from United Bank Limited created due to non payment of term finance loan for supplier's credit of Spinning Unit No.2. According to revised repayment schedule, loan is repayable in 14 half yearly equal installments with grace period of one year from 30 June 1998. The finance is secured by hypothecation and floating charge on the movable assets, first registered mortgage on buildings, plant and machinery valuing Rupees 183.895 million and personal guarantee of all the directors. It carries mark-up at the rate of 20 percent per annum with 6 percent per annum rebate for prompt payments.

4.2 This represents finance obtained from National Bank of Pakistan for balancing, modernization and -----replacement of machinery. It is repayable in 20 equal quarterly .installments commencing from 23

September 2002 and carries markup at the rate of 10 percent to 16 percent per annum. The finance is secured by way of exclusive charge on the machinery to be imported, second charge on the fixed assets replaceable with the first charge and personal guarantee of all the directors.

	2003	2002
5. LONG TERM LOANS		
Financial institution (Note 5.1)	5,000	5,000
Investment bank (Note 5.2)	56,802	56,802
Director loan-Unsecured (Note 5.3)	1,200	1,200
	63,002	63,002
Current portion (Note 7)		
Payable within one year	3,447	3,644
Over due installments	10,501	6,857
	13,948	10,501
	49,054	52,501

5.1 Finance is secured against promissory notes. It carries mark-up at the rate of 12 percent per annum.

5.2 This loan is secured against pari passu charged on fixed assets, hypothecation of stocks and personal guarantees of directors. It is payable in 40 equal quarterly installments from 03 October 2001 to 03 July 2011 and carries mark-up at the rate of 16 percent per annum.

5.3 The loan from Director has been received in accordance with the provisions of loan agreement with Pakistan Industrial Credit and Investment Corporation Limited.

#### 6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The amount of future rentals and periods during which they fall due are as under:

30September2003	-	3,555
30 September 2004	29,333	2,481
30 September 2005	28,774-	
30September2006	19,651-	
30 September 2007	14,180-	
30 September 2008	4,828-	
Balance rentals as at 30 September	96,766	6,036
Less: Financial charges	16.257	707

Present value of minimum lease payments	80,509	5,329
Less: Current portion (Note 7)	21.86	2.96
	58,649	2,369

6.1 The value of minimum lease payments has been discounted at an implicit interest rate between 9.30 percent and 17.98 percent. The rentals are payable in monthly installments. The lease agreement carry purchase option at the end of lease period and the company has the intention to exercise such an option. Repairs and insurance costs are borne by the company. In case of termination of agreement, the company shall pay entire amount of rentals for unexpired period of lease agreement. The lease is partly secured by deposit of Rupees 9.173 million shown in long term deposits and Rupees 1.000 million shown in advances, deposits, prepayments and other receivables.

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

(Rupees in thousand)

	Within One year	2003 More than one year but less than five years	2002 Within One year	More than one year but less than five years
Total of minimum lease payments	29,333	67,433	3,555	2,481
Less: Financial charges	7,473	8,784	595	112
Present value of minimum lease payments	21,860	58,649	2,960	2,369
			2003	2002
<b>7. CURRENT PORTION OF LONG TERM LIABILITIES</b>				
Redeemable capita!			21,635	11,675
Long term loans			13,948	10,501
Liabilities against assets subject to finance lease			21.86	2,960
			57,443	25,136
<b>8. SHORT TERM FINANCES</b>				
Secured:				
Banking companies				
Cash/Running finance (Note 8.1)			142,158	22,758
Foreign currency finance (Note 8.2)			14,733	29,725
Refinance under mark-up arrangements (Note 8.3)			24,356	24,180
			181,247	76,663
Unsecured - Unpresented cheques			148,242	14,456
			329,489	91,119

8.1 These form part of total credit facility of Rupees 159.589 million (2002: Rupees 149.589 million). Mark-up is paid at the rate of paisas 11 to 49.5 per Rupees 1,000 per day. These are secured against pledge and hypothecation of stocks of raw material, stock in process, finished goods, stores and spares, personal guarantee of directors and mortgage charge on fixed assets of the group companies ranking pari passu with other creditors.

8.2 Limit of foreign currency finance of US Dollars 1.000 million was availed during the year at mark-up of finance. These finances are secured against registered charge on stock in trade, book debts and other current assets of the company and personal guarantee of Directors.

8.3 These represent the refinance facilities with United Bank Limited (UBL) and National Bank of Pakistan (NBP). The facility expires on 30 June every year and gets renewed for a further period of one year. These are secured against hypothecation of stocks of Karachi Bulk Storage and Terminals (Private) Limited. Rate of mark-up is from paisas 46 to 49.50 per Rupees 1,000 per day.

	2003	2002
<b>9. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>		
Creditors	79,500	59,186
Advances from customers	6,473	3,497
Security deposits repayable on completion of contracts-Interest free	239	429

Due to associated undertakings	14,234	20,871
Income tax deducted at source	340	438
Mark-up accrued on redeemable capital-secured	22,552	12,081
Finance charges payable on lease liability	10	22
Employees' provident fund trust	1,676	1,442
Interest on long term liabilities-secured	4,752	4,174
Mark-up accrued on short term finances	33,472	23,491
Other accrued liabilities	37,031	36,938
	200,279	162,569
<b>10. WORKERS<sup>1</sup> PARTICIPATION FUND</b>		
Balance as at 01 October	7,991	6,792
Add: Profit allocation for the year	-	4,415
interest accrued	136	704
	136	5,119
	8,127	11,911
Less: Payments made to workers	1,709	3920
	6,418	7,991

10.1 The company retains Worker's Participation Fund for its business operations till the date of allocation to workers. Interest is provided at prescribed rate under the Act.

#### 11. CONTINGENCIES AND COMMITMENTS

Contingencies:  
Holding company

There was no contingent liability as on 30 September 2003 (2002: Rupees Nil).

Subsidiary companies

i) Guarantees to the amount of TK Rupees 4.8 million (zuuz: Kupees^aa minion; nave issuecn5y"

the bank and insurance company in favour of the collector of customs on behalf of the companies against valuation of custom duty on export of molasses and card clothing machine. The matter is still under negotiation.

ii) Union Bank has filed a case for recovery of Rupees 80 million (2002: Rupees 80 million)

against Karachi Bulk Storage and Terminals (Private) Limited and the directors. The case is pending before special court (offences in banks), Karachi.

Commitments:

Contracts for capital expenditure are amounting to Rupees 33.311 million (2002: Rupees 63.228 million). Letters of credit other than for capital expenditure are of Rupees 2.498 million (2002: Rupees 4.848 million).

#### 12. OPERATING FIXED ASSETS

DESCRIPTION	COST/RE-ASSESSED VALUE		DEPRECIATION			As at 30 September 2003	BOOK VALUE AS AT 30 September 2003	DEPRECIATION RATE	
	As at 01 October 2002	Additions/ (Deletions)	As at 01 September 2003	As at 01 October 2002	Adjust- ments			Charge for the year	Holding company %
Land - Freehold	5,335		5,335	-	-		5,335	-	
Land-Leasehold	1,968	-	1,968				1,968	-	
Buildings and roads on freehold land	103,965	210	104,175	63,910	3,425	67,335	36,840	5-10	
Buildings and roads on leasehold land	18,393		18,393	14,245	378	14,623	3,770	-	5-10
Plant and machinery	653,432	14,849	668,281	451,162	21,712	472,874	195,407	10	10
Electric installations	18,694	611	19,305	12,669	664	13,333	5,972	10	10
Tools and equipments	19,979	455	20,434	14,201	776	14,977	5,457	10-12	10-15
Vehicles	15,497	628	16,125	9,925	1,240	11,165	4,960	20	20
Furniture and fixtures	6,879	588	7,467	4,496	296	4,792	2,675	10	10
Office equipments	5,544	134	5,678	2,787	389	3,176	2,502	15	10
Service equipments	1,452		1,452	1,360	21	1,381	71	10-25	
2003	851,138	17,475	868,613	574,755	28,901	603,656	264,957		
2002	841,566	9,572	851,138	544,787	29,968	574,755	276,383		

12.1 The book value of plant and machinery of Crescot Mills Limited on cost basis is Rupees 2.886 million (2002 : Rupees 2.886 million)

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

	(RUPEES IN THOUSAND)	
	2003	2002
Cost of goods sold (Note 22)	24,387	25,383
Administrative and general expenses (Note 23)	3,740	3,332
Others charges (Note 27)	772	1,252
Petrol pump	2	1
	28,901	29,968

### 13. ASSET SUBJECT TO FINANCE LEASE

DESCRIPTION	COST			AMORTIZATION		As at 30 September 2003	BOOK VALUE AS AT 30 September 2003	AMORTIZATION RATE %
	As at 01 October 2002	Additions	As at 30 September 2003	As at 01 October 2002	Charge for the year			
Plant and machinery	9,345	6,931	16,276	1,776	1,450	3,226	13,050	10
Vehicles	-	670	670	-	134	134	536	20
2003	9,345	7,601	16,946	1,776	1,584	3,360	13,586	
2002	9,345	-	9,345	935	841	1,776	7,569	

13.1 Amortization charge for the year has been allocated as follows:

	(RUPEES IN THOUSAND)	
	2003	2002
Cost of goods sold (Note 22)	1,450	841
Administrative and general expenses (Note 23)	134	-
	1,584	841

  

14. CAPITAL WORK-IN-PROGRESS		(RUPEES IN THOUSAND)	
Buildings		1,013	275
Plant and machinery		107,431	19,866
Advances to suppliers		28,830	5,239
		137,274	25,380

### 15. EQUITY INVESTMENTS

	COST		2003 SHARE OF POST ACQUISITION PROFIT/(LOSS)		2002 SHARE OF POST ACQUISITION PROFIT/(LOSS)	
			NET	COST	NET	
ASSOCIATED UNDERTAKINGS:						
QUOTED						
Shakarganj Mills Limited 1 915 496 (2002:1 915 496) ordinary shares of Rupees 10 each fully paid	15,421	14,458	29,879	15,421	7,907	23,328
Shams Textile Mills Limited 774 000 (2002: 274 000) ordinary shares of Rupees 10 each fully paid	-	-	-	5,404	1,428	6,832
The Crescent Textile Mills Limited 2 216 427 (2002:2 216 427) ordinary shares of Rupees 10 each fully paid	17,909	56,075	73,984	17,909	57,470	75,379
Crescent Jute Products Limited 201 933 (2002:201 933) ordinary shares of Rupees 10 each fully paid	1,293	278	1,571	1,293	347	1,640
Crescent Steel and Allied Products Limited 707 182 (2002: 707182) ordinary shares of Rupees 10 each fully paid	3,720	20,607	24,327	3,720	16,258	19,978
The Premier Insurance Company of Pakistan Limited 138 532 (2002:138 532) ordinary shares of Rupees 5 each fully paid	75	787	862	75	62B	703

## UNQUOTED

Crescent Bahuman Limited

1 043 988 (2001: 1 043 988) ordinary shares of

Rupees 10 each fully paid 10.44 -10,043 397 10,440 -10,440

Break-up value as per last available audited accounts for the year ended 20 September 2002 was

Rupees zero per share

Premier Financial Services (Private) Limited

7 500 (2002: 2 500) ordinary shares of

Rupees 1,000 each fully paid 2,500 2,328 4,828 2,500 2,295 4,795

Break-up value as per audited accounts of 30 June 2003 was Rupees 1,931 (2001: Rupees 1,918)

Equity held 11.11%

Chief Executive Mr. Adil A. Ghaffar

51,358 84,490 135,848 56,762 75,893 132,655

## OTHERS:

## QUOTED

Jubilee Spinning and Weaving Mills Limited

474 323 (2002:474 323) ordinary shares of

Rupees 10 each fully paid 1,229 1,229 1,229 -1,229

Mashreq Bank Pakistan Limited

4 529 333 (2002:1 919 209 shares of Crescent

Investment Bank Limited) ordinary shares of

Rupees 10 each fully paid (Note 15.3) 20,685 - 20,685 20,685 -1,242 19,443

Crescent Boards Limited

68 400 (2002:68 400) ordinary shares of

Rupees 10 each fully paid 711 711 711 711

Crescent Spinning Mills Limited

696 000 (2002:696 000) ordinary shares of

Rupees 10 each fully paid - 6,960" 5,960 6,960

Security Papers Limited

Rupees 10 each fully paid 47 47 47 47

## UNQUOTED

Crescent Modaraba Management Company Limited

119 480 (2002:119 480) ordinary shares of

Rupees 10 each fully paid 1,195 1,195 1,195 1,195

Break-up value as per last available audited accounts for the year ended 30 June 2002 was Rupees 1.35 per share

82,185 84,490 166,675 87,589 73,422 161,011

Fair value adjustment under IAS-39

3,499 -502

170,174 160,509

15.1 Aggregate market value of quoted investments as at 30 September 2003 was Rupees 214.201 million (2002: Rupees 122.143 million).

15.2 Investments in shares having face value of Rupees 2.249 million (2002: Rupees 2.249 million) are deposited with banks as security against guarantees.

15.3 4 529 333 fully paid ordinary shares of Mashreq Bank Pakistan Limited have been received against 1919 209 shares of Crescent Investment Bank Limited after the merger. The shares were received at a swap ratio of 2.36 shares of Mashreq Bank Pakistan Limited against 1 share of Crescent Investment Bank Limited. Company will deposit these shares of Mashreq Bank Pakistan Limited in the form of jumbo certificate with State Bank of Pakistan (SBP) as per the terms and conditions mentioned in SBP's license No.BL-01 dated 10 March 2003 in the capacity of its sponsor.

	2003	2002
16. STORES, SPARE PARTS AND LOOSE TOOLS		
Stores	31,840	31,147
Spare parts	27,187	28,570
Loose tools	217	217
	59,244	60,085
17. STOCK-IN-TRADE		
Raw material	48,501	56,758
Work-in-process	10,445	9,481
Finished goods	186,790	14,404
Waste/By-products	7,016	2,728

Other stocks	208	140
	252,960	83,511
<b>18. TRADE DEBTS</b>		
Considered good:		
Secured against letters of credit	13,820	11,931
Unsecured	25.72	25.234
	39,540	37,165
	2003	2002
<b>19. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>		
Advances Considered good:		
Employees-Interest free	4,438	1,255
Suppliers/contractors	5,244	10,960
Income tax	18,012	54,666
Letters of credit	1,719	3,066
Others	145	23,971
	29,558	93,918
Deposits:		
Securities	1,700	717
Sales tax/excise duty	1,858	6,309
	3,558	7,026
Short term prepayments	1,118	1,266
Due by associated undertakings (Note 19.1)	1,538	175
Export rebates receivable	3,839	5,391
Other receivables:		
Considered good (Note 19.2)	50,314	26,903
Considered doubtful	11,760	11,760
Less: Provision for doubtful	11,760	11,760
	-	-
	89,925	134,679
<b>19.1 Due by associated undertakings</b>		
Shams Textile Mills Limited	178	175
The Crescent Textile Mills Limited	1.36	-
	1,538 —	175
<b>19.2 Included therein is unsecured balance of Rupees 23</b>	<b>950 million (2002: Rupees 23.950 million) due from</b>	
Crescent Boards Limited.		
<b>20. CASH AND BANK BALANCES</b>		
Cash in hand	902	460
Current accounts	6,073	6,919
Deposit accounts	2,806	2,806
	8,879	9,725
	9,781	10,185
	2003	2002
<b>21. SALES</b>		
Sugar	208,530	484,374
Yarn:		
Local	657,502	516,548
Export	287.537	406.701
	945,039	923,249
Distillate	18,239	35,141
Molasses (By-product)	11,460	31,050
Waste:		
Locai	18,055	14,799
Export	746	1,021
	18,801	15,820
	1,202,069	1,489,634
Less: Commission/rebate to selling agents	10.055	17.666
	1,192,014	1,471,968
<b>22. COST OF GOODS SOLD</b>		
Raw material consumed (Note 22.1)	979,215	877,083
Molasses purchased	-	981
Salaries, wages and other benefits	73,334	76,312
Store, spare parts and loose tools	58,819	59,864
Power and fuel	150,658	127,190
Other manufacturing expenses	2,892	1,377



## 25. SUMMERISED WORKING RESULT OF EACH LINE OF BUSINESS

	NOTE	SUGAR UNIT		DISTILLERY UNIT		SPINNING UNIT		BULK STORAGE		
		2003	2002	2003	2002	2003	2002	2003	2002	
Sales	25.1	219,626	501,239	18,210	32,906	954,178	923,763		14,060	
Cost of goods sold	25.2	282,112	462,391	13,179	28,047	843,607	798,075		10,351	
Gross profit(loss)		-62,486	38,848	5,031	4,859	110,571	125,688	-	3,709	
OPERATING EXPENSES										
Administrative and general	25.3	27,787	26,255 I	61	83	12,043 II	12,449	12,693 II	12,521	
Selling and distribution	25.4	792	986	545	678	I 12,9351[	25,110	737	688	
		28,579	27,241	606	761	24,978	37,559	13,430	13,209	
OPERATING PROFIT/(LOSS)		-91,065	11,607	4,425	4,098	85,593	88,129	-13,430	-9,500	
25.1 SALES										
Main products		208,530	484,374	18,239	35,141	945,039	923,249		14,060	
Molasses (By-Product)		11,460	16,990				-			
Waste						18,801	15,820			
		219,990	501,364	18,239	35,141	963,840	939,069		14,060	
Less: Commission to selling agents		364	125	29	2,235	9,662	15,306			
		219,626	501,239	18,210	32,906	954,178	923,763		14,060	

## 25.2 COST OF GOODS SOLD

	SUGAR UNIT		DISTILLERY UNIT		SPINNING UNIT		BULK STORAGE			
	2003	2002	2003	2002	2003	2002	2003	2002		
Raw material consumed	348,899	347,708	-		630,316	529,375				
Molasses transfer/purchased	-7,408	-15,056	7,408	15,056				980		
Salaries, wages and other benefits	30,137	33,547	1,795	2,105	41,402	40,660				
Store, spare parts and loose tools	27,207	25,322	2,552	3,192	29,060	31,350				
Fuel and power	40,482	25,196	34	2,955	110,142	99,039				
Other manufacturing overheads	2,316	881			576	496				
Insurance	219	249	36	122	1,594	1,005		-		
Repair and maintenance	10,440	4,436	912	86	1,372	3,437				
Depreciation and amortization	6,193	5,772	148	165	19,496	20,287				
	458,485	428,055	12,885	23,681	833,958	725,649		980		
Work-in-process .										
Opening stock	4,974	4,511 II		-	4,507	5,509	-1			
Closing stock	-4,318	(4,974)			(6,127)	(4,507)	-1			
	656	-463			-1,620	1,002				
Cost of goods manufactured	459,141	427,592	12,885	23,681	832,338	726,651		980		
Cost of goods purchased		-			7,745	48,551	-			
	459,141	427,592	12,885	23,681	840,083	775,202		980		
Opening stock										
Closing stock	-180,198	(3,169)	-5,901	-6,195	(6,148)	(9,672)	(1,559)	-1,559		
	-177.03	3.4 ?qq	294	4,366	3,524	22,873			9,371	
	282,112	462,391	13,179	28,047	843,607	798,075			10,351	

## 25.3 ADMINISTRATIVE AND GENERAL EXPENSES

	SUGAR UNIT		DISTILLERY UNIT		SPINNING UNIT		BULK STORAGE	
	2003	2002	2003	2002	2003	2002	2003	2002
Salaries, wages and other benefits	13,980	12,901			6,241	6,438	3,576	3,725
Workers' welfare	1,031	1,426	1	19	286	247		
Travelling and conveyance	1,183	665	2	9	669	580	100	115
Insurance	477	564			199	159	846	948
Rent, rates and taxes	737	697	33	31	276	203	859	861
Water, fuel and power							3,264	3,465
Entertainment	574	598	17	18	304	294	81	87
Subscription	291	209	-	-	174	160		
Communication	935	1,108			500	680	131	118
Vehicles' running	1,067	1,223			557	381		
Advertisement	60	47	2	1		18	10	
Repair and maintenance	3,851	4,081			738	763	2,204	668
Printing and stationery	332	393	2	2	385	441	63	68
Books and periodicals	25	28			10	12		
Auditors remuneration								
Annual audit fee	150	150	1	-1	110	110	35	35
Half yearly review fee	50	-	-	-	-	-	-	-

Out of pocket expenses	10	10	-1	-1	21	2	-	
	210	160			112	112	35	35
Legal and professional	795	301		-	246	273	280	845
Miscellaneous	328	142	2	1	199	782	430	874
Depreciation and amortization	1,911	1,712	2	2	1,147	906	814	712
	27,787	26,255	61	83	12,043	12,449	12,693	12,521

## 25.3 SELLING AND DISTRIBUTION EXPENSES

Insurance expenses	100	324	86		181	95		-
Freight and forwarding	542	468	459	496	12,543	24,595	710	653
Other expenses	150	194		182	211	420	27	35
	792	986	545	678	12,935	25,110	737	688

2003 2002

## 26. OTHER INCOME

Dividend income		491	801
Profit on short term deposits		117	498
Stores, scrap and mud sales		1,922	1,316
Profit from petrol pump-for growers		116	-
Exchange gain		154	-
Miscellaneous income		4	3
Handling and storage income		15,776	17,760
Credit balances added back		966	-
		19,546	20,378

2003 2002

## 27. FINANCIAL AND OTHER CHARGES

Financial:			
Interest/Mark-up on:			
Long term loans		9,722	900
Workers' participation fund		136	704
Redeemable capital		12,502	171
Employees' provident fund trust		1,676	7,769
Short term finances		22,868	29,304
Finance charges on lease liabilities		720	991
Exchange loss		-	166
Bank charges and commission		3,005	4,078
		50,629	44,083
Others:			
Workers' Participation Fund			4,415
Depreciation (Note 12.2)		772	1,252
Loss on sale of investment		1,294	-
Loss from petrol pump of growers		-	2
		52,695	49,752

## 28. PROVISION FOR TAXATION

Tax charged for the year			
Current		6,760	33,368
Prior year		1.42	20.45
		8,180	53,818
Deferred		-	9,115
		8,180	62,933

28.1 While framing assessment orders for the years 1999-2000 and 2000-2001, the assessing officer has made additions on various grounds, which have increased the tax income by Rupees 121.573 million. The holding company, being aggrieved, has filed appeals with the Commissioner of Income Tax (Appeals) which are still pending. Therefore, no provision has been made in the books of account against the aforesaid add backs.

30. CHIEF EXECUTIVE OFFICER, DIRECTORS<sup>1</sup> AND EXECUTIVES<sup>1</sup> REMUNERATION

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

DESCRIPTION	2 0 0 3		2 0 0 2	
	CHIEF EXECUTIVE OFFICER	EXECUTIVES	CHIEF EXECUTIVE OFFICER	EXECUTIVES

Managerial remuneration	2,520	7,499	2,201	6,134
Housing	1,134	3,026	1,006	2,127
Company's contribution to employees' provident fund trust	252	667	220	494
Group insurance	-	47-		45
Reimbursable expenses	193	531	97	745
	4,099	11,770	3,524	9,545
Number of persons	1	17	1	21

30.1 The aggregate amount charged in the accounts for the year for fee to 3 directors in respect of 4 meetings is Rupees 70,000 (2002: Rupees 37,500 to 3 directors for 3 meetings).

30.2 The Chief Executives and the 6 Executives of the holding company have been provided free maintained vehicles.

### 31 LOSS PERSHARE

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

	2003	2002
32. EMPLOYEES'RETIREMENT BENEFITS		
Contribution to:		
Employees' provident fund	2,231	2,268
Provision for gratuity (Note 32.1)	807	1,270
Contribution to Employees' Oldage Benefit	700	2,195
	3,738	5,733
Number of employees	1649	1528

32.1 .Relevant disclosures regarding provision for gratuity of the holding company are given below:

Charge to income		
Current service cost	827	-
Interest cost	216	-
Liability reduced due to application of IAS-19	-486	-
	557	-
Movement in obligation:		
Balance as at 01 October 2002	3,198	-
Liability reduced due to application of IAS-19	-486	-
Interest cost	216	-
Current service cost	827	-
Benefits paid during the year	-1,019	-
Present value of defined benefit obligations as at 30 September 2003	2,736	-
Principal Actuarial Assumptions:		
Discount rate	8%	-
Expected rate of increase in salary in future years	7%	-
Average expected remaining life time of employees	10 Years	-

### 33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

#### 33.1 Interest/Mark-up rate

The companies' exposure to interest/mark-up rate risk and effective rates on its financial assets and financial liabilities are summarised as follows:

	2 0 0 3							
	INTEREST/MARK-UP BEARING				• NON INTEREST BEARING			TOTAL
	Interest rates range %	Maturity within one year	Maturity more than one year but less than five years	Sub Total	Maturity within one year	Maturity more than one year but less than five years	Sub Total	
Financial Assets								
Long term investments	-	-	-	-	-	34,666	34,666	34,666
Long term deposits	-	-	-	-	-	13,355	13,355	13,355
Trade debts	-	-	-	-	39,540	-	39,540	39,540
Advances, deposits, prepayments and other receivables	-	-	-	-	61,974	-	61,974	61,974

Cash and bank balances	4	2,806		2,806	6,975	-	6,975	9,781
		2,806	-	2,806	108,489	48,021	156,510	159,316
Financial Liabilities								
Redeemable capital	14 to 16	21,635	23,871	45,506	-	-	-	45,506
Long term loans	08 to 18	13,948	49,054	63,002	-	-	-	63,002
Liabilities against assets subject to finance lease	9.30 to 17.98	21,860	58,649	80,509	-	-	-	80,509
Short term finances	4 to 18	329,489	-	329,489	-	-	-	329,489
Creditors, accrued and other liabilities			-	-	191,790	-	191,790	191,790
Contingencies			-	-	84,558	-	84,558	84,558
Commitments			-	-	35,809	-	35,809	35,809
		386,932	131,574	518,506	312,157	-	312,157	830,663

	Interest rates range %	INTEREST/MARK-UP BEARING			NON INTEREST BEARING			TOTAL
		Maturity within one year	Maturity more than one year but less than five years	Sub Total	Maturity within one year	Maturity more than one year but less than five years	Sub Total	
Financial Assets								
Long term investments		-	-	-	-	9,512	9,512	9,512
Long term deposits						5,332	5,332	5,332
Trade debts		-	-	-	37,165	-	37,165	37,165
Advances, deposits, prepayments and other receivables					58,412	-	58,412	58,412
Cash and bank balances	8	2,806	-	2,806	7,379	-	7,379	10,185
		2,806	-	2,806	102,956	14,844	117,800	120,606
—Redeemable capital	1+to16	11,675	36,166	47,841			-	47,841
Long term loans	08 to 18	5,000	1,200	6,200			-	6,200
Liabilities against assets subject to finance lease	17.98	2,960	2,369	5,329	-	-	-	5,329
Short term finances	1?to17	147,921	-	147,921	-	-	-	147,921
Creditors, accrued and other liabilities					157,192	-	157,192	157,192
Contingencies					84,558	-	84,558	84,558
Commitments					68,076	-	68,076	68,076
		167,556	39,735	207,291	309,826		309,826	517,117

### 33.2 Financial instruments and risk management policies

The group companies issue financial instruments mainly to finance their operations. In addition, financial instruments such as trade receivables and trade payables arise directly from the companies' operation.

The companies finance operation primarily by a mixture of issued share capital, retained profits, long term and short term loans and liabilities. The companies borrow funds in local currency usually at fixed rate of interest/mark-up.

Overall risks arising from the companies' financial instruments are limited.

#### (a) Interest rate risk

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

#### (b) Foreign exchange risk management

Foreign currency risk on financial instruments, receivables or payable in foreign currency is also not material.

#### (c) Credit risk

The companies deal mostly with regular and permanent customers who pay the instrument on due dates. Companies consider the credit risk as minimal.

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

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

	2003	2002
<b>34. SEGMENT ASSETS AND OTHER INFORMATION</b>		
Segment assets:		
Sugar unit	430,967	359,254
Distillery unit	4,822	4,718
Spinning unit	559,797	368,625
Bulk storage	55,210	68,201
	1,050,796	800,798

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

	2003	2002
<b>35. PLANT CAPACITY AND ACTUAL PRODUCTION</b>		
Working based on 3 shifts.		
THE HOLDING COMPANY:		
SUGAR UNIT:		
Capacity	M.Tons	23 167
Actual production	M.Tons	24 685
DISTILLERY UNIT:		
Capacity	Litres	2 727 000
Actual production	Litres	992 065
SPINNING UNIT:		
Yarn production		
Capacity converted at 20s count	Kgs.	13 598 348
Actual production		12 884 594
Converted at 20s count	Kgs.	13 387 517
		12 291 150

#### THE SUBSIDIARY COMPANY:

Crescot Mills Limited has ceased its production activities and in the process of disposing of plant and machinery.

#### 35.1 Reason for Low Production

##### Distillery

Operated below capacity due to lesser molasses available because of reduced quantum of sugarcane.

##### Spinning

Under utilization of available capacity is due to normal maintenance.

#### 36. DATE OF AUTHORISATION

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

#### 37. FIGURES

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

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