

CRESCENT GROUP



CRESCENT JUTE
PRODUCTS LTD.

**Reviewed Condensed Interim Financial Statements
For The Half Year Ended 31 December 2020
(Un-Audited)**



**CRESCENT JUTE
PRODUCTS LTD.**

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**CRESCENT JUTE
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COMPANY INFORMATION

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Shehryar Mazhar	Chairman
Syed Raza Abbas Jaffery	Member
Miss Rijah Khurram Mazhar	Member

COMPANY SECRETARY / CFO

Mr. Saif Ullah

HEAD OF INTERNAL AUDIT

Mr. Tahir Hussain

AUDITORS

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

LEGAL ADVISOR

Mr. Shahid Mahmood Baig
Advocate High Court

BANKERS

The Bank of Punjab
B.R.R. Guardian Modaraba
MCB Bank Limited
Dubai Islamic Bank
Haibib Metropolitan Bank Limited

REGISTERED OFFICE

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

SHARE REGISTRAR

CorpTec Associates (Pvt.) Ltd.

503-E, Johar Town, Lahore
Tel : +92-42-35170336-7



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PRODUCTS LTD.**

DIRECTORS REPORT TO THE SHAREHOLDERS

Accounts for the half year ended December 31, 2020 show a loss of Rupees 1.63 million, as compared to loss of Rupees 4.21 million in the corresponding period in 2019. This loss has been reduced by rupees 6.00 Million on account of appreciation in rupees against US Dollars resulting its impact on our liabilities with financial institution. This loss is primarily attributed due to the borrowing cost, legal and professional expenses and the cost of minimum staff required for the managing the corporate and financial affairs of the company.

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

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

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

For and on behalf of the Board

(Humayun Mazhar)
Chief Executive Officer

Khurram Mazhar Karim
Director

Lahore: February 18, 2021



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DIRECTORS REPORT TO THE SHAREHOLDERS

حصص داران کو ڈائریکٹرز کی رپورٹ

31 دسمبر 2020ء کو اختتام پذیر نصف سال کے لئے کھاتوں میں سال 2019ء کی اسی مدت میں 4.21 ملین روپے خسارہ کے مقابلہ میں 1.63 ملین روپے کا خسارہ ظاہر کرتے ہیں۔ یہ خسارہ 6.00 ملین روپے سے کم دیکھا گیا ہے۔ جس کی وجہ امریکی ڈالر کے مقابلے میں روپے کی قدر میں اضافہ ہوا اور جس کا اثر ہمارے مالیاتی اداروں کے واجبات پر ہوا۔ یہ خسارہ قرضوں پر سود کا بوجھ قانونی اخراجات اور کمپنی کے کاروباری اور انتظامی امور کو سنبھالنے کے لئے کم از کم ضروری سٹاف پر اخراجات کی وجہ سے سامنے آیا۔

انتظامیہ بورڈ آف ڈائریکٹرز اور حصص داران کی منظوری سے گلوزر پلان کے اطلاق کے عمل میں ہے۔ اس منصوبہ کے دو حصے تھے یعنی اثاثہ جات کی فروخت اور آئندہ کاروباری منصوبے۔ جہاں تک اثاثہ جات کی فروخت کا تعلق ہے ان کی فروخت سے تمام رقم حاصل کر لی گئی ہیں۔

جہاں تک مستقبل کے کاروباری منصوبہ کا تعلق ہے یہ مالی اداروں کے واجبات اور بقایا جات کی ادائیگی سے مشروط ہے۔ چونکہ ہم مالیاتی اداروں کے ساتھ قانونی جنگ میں ہیں لہذا اس سلسلہ میں پیش رفت بہت سست ہے۔ بقایا جات کی ادائیگی میں اس نامناسب تاخیر کی وجہ سے نہ صرف ہمارے کاروباری منصوبہ پر عملدرآمد مشکل ہو چکا ہے بلکہ کاروباری سرگرمیاں غیر فعال ہونے کی وجہ سے اضافی آپریشنل لاگت برداشت کرنا پڑ رہی ہے۔ اگرچہ ہمارے قانونی مشیر تمام زیر التوا مقدمات میں مثبت نتائج کے لئے پر امید ہیں لیکن حتمی فیصلہ کے وقت کا تعین کرنا بہت مشکل ہے۔ مذکورہ بالا کو مد نظر رکھتے ہوئے فنڈز کے بقایا جات کی وصولی اور مالی اداروں کے تمام واجبات کی مکمل ادائیگی تک مستقبل میں کسی بھی کاروباری منصوبہ پر عمل درآمد ممکن نہ ہے۔

دوسری جانب ہم لاگت کو کنٹرول کرنے، قانونی مقدمات کے فوری فیصلہ اور اخراجات کو کم ترین سطح پر رکھنے کے لئے ہر ممکن کوشش میں مصروف رہے۔

برائے/مخائب بورڈ آف ڈائریکٹرز

Hussain Hossain

ہمایوں مظہر

چیف ایگزیکٹو آفیسر

لاہور: 18 فروری 2021ء

خرم مظہر کریم
ڈائریکٹر



**CRESCENT JUTE
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INDEPENDENT AUDITOR'S REVIEW REPORT

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

Introduction

We have reviewed the accompanying condensed interim statement of financial position of CRESCENT JUTE PRODUCTS LIMITED (the Company) as at 31 December 2020 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the accounts for the six-month period then ended (here-in-after referred to as "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review. The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarters ended 31 December 2020 and 31 December 2019 have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the six-month period ended 31 December 2020.

Scope of Review

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

Conclusion

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

Emphasis of Matter Paragraphs

We draw attention to the following matters:

1. Note 1.1 to the condensed interim financial statements, which states that the Company is no longer a going concern,



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therefore, these condensed interim financial statements have been prepared on the basis of estimated realizable / settlement values of assets and liabilities respectively.

2. Based on advice of the legal counsel, the Company has not recognized excess amounts of principal and mark-up confirmed by the bank against borrowings as given in Note 3.1. Moreover, the Company has not charged further mark-up on the borrowings given in Note 3.1 and Note 3.2 as per the advice of legal counsel.

Our report is not qualified in respect of above matters.

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

RIAZ AHMAD & COMPANY
Chartered Accountants

Faisalabad

Date: February 18, 2021



CRESCENT JUTE
PRODUCTS LTD.


CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020 (Un-audited)

	NOTE	Un-audited	Audited
		31 December 2020	30 June 2020
		RUPEES	RUPEES
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
30 000 000 (30 June 2020: 30 000 000)			
ordinary shares of Rupees 10 each		300,000,000	300,000,000
Issued, subscribed and paid-up share capital		237,634,680	237,634,680
Capital reserves		35,633,084	35,633,084
Accumulated loss		(559,897,895)	(559,735,372)
Total equity		(286,630,131)	(286,467,608)
LIABILITIES			
CURRENT LIABILITIES			
Accrued liabilities and other payables		10,906,887	10,368,703
Accrued mark-up		139,822,369	138,546,132
Borrowings	3	261,505,329	262,983,088
Unclaimed dividend		337,312	337,312
Provision for taxation		216	446
TOTAL LIABILITIES		412,572,113	412,235,681
CONTINGENCIES AND COMMITMENTS			
	4	125,941,982	125,768,073
TOTAL EQUITY AND LIABILITIES			
ASSETS			
NON-CURRENT ASSETS			
Operating fixed assets	5	2,715,557	2,861,734
Long term investments		-	-
		2,715,557	2,861,734
CURRENT ASSETS			
Security deposits		120,037,500	120,037,500
Prepayments and other receivables		181,819	85,093
Short term investments		2,972,647	2,670,531
Cash and bank balances		34,459	113,215
		123,226,425	122,906,339
TOTAL ASSETS		125,941,982	125,768,073

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


Humayun Mazhar
Chief Executive Officer


Khurram Mazhar Karim
Director


Saif Ullah
Chief Financial Officer



CRESCENT JUTE
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CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS

FOR THE HALF YEAR ENDED 31 DECEMBER 2020 (Un-audited)

NOTE	Half year ended		Quarter ended		
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	
	-----RUPEES-----				
OTHER INCOME	6	6,310,670	3,744,462	4,533,924	1,059,820
ADMINISTRATIVE EXPENSES		(5,193,889)	(6,046,411)	(3,222,043)	(3,162,299)
OTHER EXPENSES		-	(620,552)	-	(80,577)
FINANCE COST		(1,279,088)	(1,284,175)	(638,737)	(641,457)
(LOSS) / PROFIT BEFORE TAXATION		(162,307)	(4,206,676)	673,144	(2,824,513)
TAXATION		(216)	(367)	(216)	(367)
(LOSS) / PROFIT AFTER TAXATION		(162,523)	(4,207,043)	672,928	(2,824,880)
(LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED		(0.01)	(0.18)	0.03	(0.12)

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

Humayun Mazhar
Chief Executive Officer

Khurram Mazhar Karim
Director

Saif Ullah
Chief Financial Officer



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CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2020 (Un-audited)

Half year ended		Quarter ended	
31 December 2020	31 December 2019	31 December 2020	31 December 2019

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

(LOSS) / PROFIT AFTER TAXATION (162,523) (4,207,043) 672,928 (2,824,880)

OTHER COMPREHENSIVE LOSS

**Items that will not be reclassified
subsequently to profit or loss:**

Deficit arising on remeasurement of
investment at fair value through other
comprehensive income

**Items that may be reclassified
subsequently to profit or loss**

Other comprehensive loss for the period

-	(134,500)	-	(134,500)
-	-	-	-
-	(134,500)	-	(134,500)

TOTAL COMPREHENSIVE (LOSS) /

INCOME FOR THE PERIOD

(162,523) (4,341,543) 672,928 (2,959,380)

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

Humayun Mazhar
Chief Executive Officer

Khurram Mazhar Karim
Director

Saif Ullah
Chief Financial Officer




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**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2020 (Un-audited)**

SHARE CAPITAL	CAPITAL RESERVES			Accumulated loss	TOTAL EQUITY
	Share premium	Fair value reserve on FVTOCI investments	Sub total		
----- (RUPEES) -----					
Balance as at 30 June 2019 - (Audited)	237,634,680	35,767,584	35,767,584	(539,967,570)	(266,565,306)
Loss for the half year ended 31 December 2019	-	-	-	(4,207,043)	(4,207,043)
Other comprehensive loss for the half year ended 31 December 2019	-	-	(134,500)	-	(134,500)
Total comprehensive loss for the half year ended 31 December 2019	-	-	(134,500)	(4,207,043)	(4,341,543)
Balance as at 31 December 2019 - (Un-audited)	237,634,680	35,767,584	35,633,084	(544,174,613)	(270,906,849)
Loss for the half year ended 30 June 2020	-	-	-	(15,560,759)	(15,560,759)
Other comprehensive income for the half year ended 30 June 2020	-	-	-	-	-
Total comprehensive loss for the half year ended 30 June 2020	-	-	-	(15,560,759)	(15,560,759)
Balance as at 30 June 2020 - (Audited)	237,634,680	35,767,584	35,633,084	(559,735,372)	(286,467,608)
Loss for the half year ended 31 December 2020	-	-	-	(162,523)	(162,523)
Other comprehensive income for the half year ended 31 December 2020	-	-	-	-	-
Total comprehensive loss for the half year ended 31 December 2020	-	-	-	(162,523)	(162,523)
Balance as at 31 December 2020 - (Un-audited)	237,634,680	35,767,584	35,633,084	(559,897,895)	(286,630,131)

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


Humayun Mazhar
Chief Executive Officer


Khurram Mazhar Karim
Director


Saif Ullah
Chief Financial Officer



CRESCENT JUTE
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CONDENSED INTERIM STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2020 (Un-audited)

	Half year ended	
	31 December 2020	31 December 2019
	RUPEES	RUPEES
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(162,307)	(4,206,676)
Adjustments for non-cash charges and other items:		
Depreciation	146,177	166,323
Profit on bank deposits	(4,353)	(42,292)
Exchange gain	(6,002,759)	(3,699,814)
Net un-realized (gain) / loss on remeasurement of investments at fair value through profit or loss	(302,116)	620,552
Finance cost	1,279,088	1,284,175
	(5,046,270)	(5,877,732)
Working capital changes		
(Increase) / decrease in prepayments and other receivables	(92,577)	19,901,966
Increase / (decrease) in accrued liabilities and other payables	538,184	(988,422)
	445,607	18,913,544
Cash (utilized in) / generated from operations	(4,600,663)	13,035,812
Finance cost paid	(2,851)	(7,943)
Income tax paid	(4,526)	(9,228)
Net cash (utilized in) / generated from operating activities	(4,608,040)	13,018,641
CASH FLOWS FROM INVESTING ACTIVITIES		
Profit on bank deposits received	4,284	42,670
Net cash from investing activities	4,284	42,670
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings-net	4,525,000	(13,160,000)
Net cash from / (used in) financing activities	4,525,000	(13,160,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(78,756)	(98,689)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	113,215	314,394
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	34,459	215,705

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


Humayun Mazhar
Chief Executive Officer


Khurram Mazhar Karim
Director


Saif Ullah
Chief Financial Officer



**CRESCENT JUTE
PRODUCTS LTD.**

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2020 (Un-audited)

1. THE COMPANY AND ITS OPERATIONS

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

Executive Director, Corporate Supervision Department, Company Law Division, Securities and Exchange Commission of Pakistan (SECP) has issued Order under section 309 read with section 305 of the repealed Companies Ordinance, 1984 and in exercise of the powers conferred on him under Section 309 of the repealed Companies Ordinance, 1984 have authorized the Registrar, Company Registration Office, SECP, Lahore to present a petition before Lahore High Court, Lahore for winding up of the Company on the ground that the Company's business has been suspended since 02 May 2011. The Company's appeal before the Appellate Bench, SECP against the aforesaid Order was unsuccessful and afterwards the Company appealed against the aforesaid Order in Lahore High Court, Lahore. That appeal was later withdrawn on 29 March 2018 by the Company and a writ petition has been filed by the Company against the above mentioned Order which is pending in Lahore High Court, Lahore. Moreover, as per Notice no. PSX/N-1336 dated 02 December 2020 issued by PSX, the Company's shares were suspended for trading for another period of sixty days effective from 02 December 2020 due to the issuance of the Order by SECP as mentioned above. The first notice by PSX in this regard was issued on 18 December 2017.

1.1 Non-going concern basis of accounting

Shortage of working capital and reduction in demand of finished goods resulted in the closure of Company's operations since 02 May 2011. The Company in its Annual General Meeting on 31 October 2011 decided to dispose of the property, plant and equipment of the Company. Whole of the property, plant and equipment have been disposed of uptill 30 June 2019. During the period ended 31 December 2020, the Company has loss after taxation of Rupees 0.163 million. The Company has suffered accumulated loss of Rupees 559.898 million as on 31 December 2020 which has turned equity into negative balance of Rupees 286.630 million.

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



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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the audited financial statements of the Company for the year ended 30 June 2020.

2.1 Basis of preparation

2.1.1 Statement of compliance

- a) These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:
- International Accounting Standard (IAS) 34 'Interim Financial Reporting', issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
 - Provisions of and directives issued under the Companies Act, 2017.

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

- b) These condensed interim financial statements do not include all the information required for full financial statements, and should be read in conjunction with the Company's audited financial statements for the year ended 30 June 2020.

2.1.2 Accounting convention

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

2.1.3 Critical accounting estimates, judgments and financial risk management

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



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During the preparation of these condensed interim financial statements, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the audited financial statements of the Company for the year ended 30 June 2020.

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

Expected profit on disposal of operating fixed assets (Note 5) of the Company shall be Rupees 0.250 million. Hence, there is an upside of Rupees 0.250 million not recognized in the profit or loss on operating fixed assets.

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

2.1.4 Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in the audited financial statements of the Company for the year ended 30 June 2020.

	Un-audited 31 December 2020 RUPEES	Audited 30 June 2020 RUPEES
3. BORROWINGS		
From banking company and financial institution - secured		
The Bank of Punjab (Note 3.1)	142,196,653	148,199,412
B.R.R. Guardian Modaraba (Note 3.2)	33,810,398	33,810,398
Unsecured		
Related party		
Crescent Ventures (Private) Limited	7,815,000	3,290,000
Others		
Innovative Investment Bank Limited	18,083,326	18,083,326
Loan from sponsor	4,461,237	4,461,237
Crescent Jute Mills Limited	55,138,715	55,138,715
	<u>261,505,329</u>	<u>262,983,088</u>

- 3.1** As per the terms of the respective sanction advice, the borrowing facilities from The Bank of Punjab were expired on 31 July 2011 and not renewed. The Bank has filed a suit in Lahore High Court, Lahore against the Company for the recovery of principal amount and accrued mark-up of these facilities. However, the Bank has provided No Objection Certificate for vacation of charge on assets, as per the order of Lahore High Court, Lahore dated 09 October 2013 on deposit of Rupees 120 million with Deputy Registrar (Judicial) of Lahore High Court, Lahore.



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The Bank in its direct balance confirmation letter to the auditors as at 30 June 2020 have claimed principal balance outstanding of Rupees 153,165,844 against Rupees 148,199,412 appearing in books of account of the Company as at 30 June 2020 and claimed mark-up payable on borrowings of Rupees 97,825,835 against Rupees 63,745,054 appearing in books of account of the Company as at 30 June 2020. Hence, the Bank has claimed Rupees 4,966,342 excess on account of principal outstanding and Rupees 34,080,781 on account of mark-up payable from the Company. The Company has not recognized the excess claims of the Bank in these condensed interim financial statements based on opinion of its legal advisor. As per legal advisor of the Company, even in worst scenario, if the suit of Bank is decreed, even then the same cannot be decreed beyond the claimed amount of Bank as stated in the Bank's recovery suit. Moreover, the Bank is not entitled to any mark-up from the date of default as alleged in the plaint of its recovery suit and at the most Bank can be granted cost of funds at the rate of State Bank of Pakistan's provided rate of cost of funds. Therefore any exaggerated claim of Bank more than its claimed amount in suit, is untenable at this moment. Furthermore in view of this opinion by the legal advisor, the Company has not charged further mark-up on these borrowings from the year ended 30 June 2019.

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

- 3.2** This facility was obtained from B.R.R. Guardian Modaraba which was repayable up to 30 June 2012, but the Company could not pay the balance uptill the expiry of the prescribed date. Therefore B.R.R. Guardian Modaraba filed a suit in Modaraba Tribunal against the Company for the recovery of above mentioned principal amount and mark-up amounting to Rupees 15.290 million previously waived off. The case has been decided against the Company. Now the Company has filed an appeal in Lahore High Court, Lahore against the Order of Modaraba Tribunal. Moreover B.R.R. Guardian Modaraba has obtained a decree for the attachment of the freehold land previously held by the Company, from the Banking Court, Lahore against the principal and mark-up mentioned above. Furthermore B.R.R. Guardian Modaraba has filed an execution petition before the Modaraba Tribunal. The Company has filed an objection petition against this decree and execution petition mentioned above. Moreover as per the advice of the legal counsel of the Company, further mark-up is not being charged on the principal amount from the financial year ended 30 June 2019 as the case is pending before Lahore High Court, Lahore and at most B.R.R. Guardian Modaraba can be granted cost of funds.

4. CONTINGENCIES AND COMMITMENTS

4.1 Contingencies

- i) The Commissioner Inland Revenue raised demand for sales tax amounting to Rupees 34.022 million (2019: Rupees 34.022



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along with additional tax and penalty in respect of sales tax not charged on sale of fixed assets, sale of scrap, disputed inputs claimed, etc. Then Company filed appeals before the Appellate Tribunal Inland Revenue and subsequently in Lahore High Court, Lahore which were decided against the Company. Afterwards, the Company has filed an appeal in Supreme Court of Pakistan in 2012 against the decision of Lahore High Court, Lahore. Moreover, the Company also approached Federal Board of Revenue (FBR) for a decision by Alternate Dispute Resolution Committee (the Committee). The Committee has given its recommendations to FBR. However, on 10 February 2020, Supreme Court of Pakistan dismissed the appeal. Then the Company filed review petition on 10 March 2020 in Supreme Court of Pakistan against this judgment. Pending decisions of the Supreme Court and FBR, no provision has been made in these condensed interim financial statements. Based on the advice of legal counsel, the management is of the view that there are strong grounds about the decision of the case in favour of the Company.

- ii) Deputy Commissioner Inland Revenue, Lahore ordered on 19 June 2017 for recovery of sales tax amounting to Rupees 934,414 along with penalty of Rupees 97,962. The Company filed an appeal against this order to Commissioner Inland Revenue (Appeals), Lahore on 14 July 2017. However on 20 June 2018, the appeal was disposed of by Commissioner Inland Revenue (Appeals), Lahore and the case was remanded back to Deputy Commissioner Inland Revenue, Lahore. Based on the advice of legal counsel, the management is of the view that there are strong grounds about the decision of the case in favour of the Company. Therefore, the related provision is not made in these condensed interim financial statements.
- iii) As per press release of Supreme Court of Pakistan dated 17 May 2018, a two member bench, headed by Chief Justice of Pakistan, heard Suo Moto Case No. 26 of 2007 with HR Cases and Constitution Petition No. 64 of 2009 regarding Deadbeats got loans of Rupees 54 billion written off. The case was heard on 13 May 2018 at Supreme Court of Pakistan and the Bench passed the following order:

As per Report of the Commission constituted by this Court, action against 222 individuals / companies (Page No. 107 of Vol-I of the Commission's Report) has been recommended on account of the fact that the loans were not written off in accordance with law. Let notice be issued to all 222 individuals / companies as per detail provided in Part-II of Volume-II of the Report of the "Commission on Written-off Loan" against whom action recommended for further action; ensure their presence on the next date of hearing and to submit their replies before such date. Offices directed to issue a press release in this behalf.

The case was adjourned several times uptill 31 December 2020.

The name of the Company, under the heading of National Bank of Pakistan (NBP), is included in the list of 222 individuals /



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

4.2 Commitments

There was no capital or other commitment as at 31 December 2020 (30 June 2020: Rupees Nil).

	Un-audited 31 December 2020 RUPEES	Audited 30 June 2020 RUPEES
5. OPERATING FIXED ASSETS		
Opening book value	2,861,734	3,194,381
Depreciation charged for the period / year	(146,177)	(332,647)
	<u>2,715,557</u>	<u>2,861,734</u>

(Un-audited)		(Un-audited)	
Half year ended		Quarter ended	
31 December 2020	31 December 2019	31 December 2020	31 December 2019

6. OTHER INCOME

Income from financial assets

	------(RUPEES)-----			
Profit on deposits with banks	4,353	42,292	2,007	38,127
Dividend income	1,442	2,356	1,442	2,356
Un-realized gain on remeasurement of investments at fair value through profit or loss	302,116	-	302,116	-
	<u>307,911</u>	<u>44,648</u>	<u>305,565</u>	<u>40,483</u>

Income from non-financial assets

Exchange gain	6,002,759	3,699,814	4,228,359	1,019,337
	<u>6,310,670</u>	<u>3,744,462</u>	<u>4,533,924</u>	<u>1,059,820</u>

7. TRANSACTIONS WITH RELATED PARTIES

Detail of transactions and balances with related parties is as follows:

i) Transactions

Associated companies

Loan received	4,525,000	1,840,000	2,405,000	250,000
Loan repaid	-	15,000,000	-	15,000,000
Expenses paid and reimbursed	327,647	259,519	165,988	105,590

Directors

Remuneration and meeting fee of directors and executive	1,121,600	1,131,600	582,050	559,550
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	Un-audited 31 December 2020 RUPEES	Audited 30 June 2020 RUPEES
ii) Period end balance		
Borrowings	7,815,000	3,290,000

8. RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

(i) Fair value hierarchy

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

Recurring fair value measurements	Level 1	Level 2	Level 3	Total
At 31 December 2020 (Un-audited)	----- RUPEES -----			
Financial assets				
At fair value through profit or loss	2,972,647	-	-	2,972,647
At 30 June 2020 (Audited)				
Financial assets				
At fair value through profit or loss	2,670,531	-	-	2,670,531

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

There were no transfers between levels 1 and 2 for recurring fair value measurements during the half year ended 31 December 2020. Further there was no transfer in and out of level 3 measurements.

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

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. These instruments are included in level 1.

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



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

(ii) Valuation technique used to determine fair values

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

9. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were approved by the Board of Directors and authorized for issue on February 18, 2021 .

10. CORRESPONDING FIGURES

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

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison, however, no significant re-arrangements have been made except for 'Loans and Advances', 'Prepayments' and 'Other Receivables' which are now shown as 'Prepayments and Other Receivables' collectively.

11. GENERAL

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

Humayun Mazhar
Chief Executive Officer

Khurram Mazhar Karim
Director

Saif Ullah
Chief Financial Officer

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