CRESCENT GROUP

ANNUAL REPORT 2010

CRESCENT JUTE PRODUCTS LIMITED

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Mazhar Karim	(Chairman)
Mr. Humayun Mazhar	(Chief Executive Officer)

(In alphabetic order)

Mr. A. Rashid M. Hanif	
Mr. Khalid Bashir	
Mr. Khurram Mazhar Karim	
Syed Raza Abbas Jaffery	(Nominee NIT)
Mr. Zaheer Abbas Fida	

AUDIT COMMITTEE

Mr. Khalid Bashir	(Chairman)
Mr. Khurram Mazhar Karim	
Mr. Zaheer Abbas Fida	

COMPANY SECRETARY

Mr. Qamar Nawaz Qureshi

CHIEF FINANCIAL OFFICER

Mr. Saif Ullah

AUDITORS

M/s Riaz Ahmad & Company
Chartered Accountants
Faisalabad

LEGAL ADVISORS

Mr. Shahid Mahmood Baig
M/s. Affridi Shah & Minallah

BANKERS

The Bank of Punjab
Crescent Standard Modaraba
MCB Bank Limited
Bank Alfalah Limited (Islamic Banking)
United Bank Limited
National Bank of Pakistan

REGISTERED OFFICE

306, 3rd Floor, Siddiq Trade Centre,
72-Main Boulevard, Gulberg, Lahore.
Tel: (042) 35787592-93
Fax: (042) 35787594

WORKS

Unit, Jaranwala

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT 46th Annual General Meeting of CRESCENT JUTE PRODUCTS LIMITED will be held on Saturday the October 30, 2010 at 11:00 a.m. at 306, 3rd Floor, Siddiq Trade Centre, 72-Main Boulevard, Gulberg, Lahore, to transact the following business:-

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2010 together with the Directors' and Auditors' Reports thereon.

2. To appoint Auditors for the year 2010-2011 and fix their remuneration.

3. To transact any other business with permission of the chair.

REGISTERED OFFICE:
306, 3rd Floor, Siddiq Trade Centre,
72-Main Boulevard, Gulberg, Lahore.
Telephone No. (042) 35787592,
Fax No. (042) 35787594
Dated: September 30, 2010.

BY ORDER OF THE BOARD

QAMAR NAWAZ QURESHI
COMPANY SECRETARY

Notes:

1. The Members' Register will remain closed from October 25, 2010 to October 31, 2010 (both days inclusive). Transfers received at the Registered Office of the Company by the close of business on October 24, 2010.

2. A member eligible to attend and vote at this Meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received by the Company Registered Office not later than 48 hours before the time for holding the Meeting.

3. CDC account holders will further have to follow the guidelines as laid down in circular No.1 dated January 26, 2000 issued by 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/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

      ii) In case of corporate entity, the Board of directors' resolution/power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the 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, addresses and NIC numbers 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 CNIC 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 signatures shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Accounts for the year ended June 30, 2010 show a loss of Rupees 82.76 million, as compared to profit of Rupees 14.13 million in corresponding periods in 2009.

This loss is primarily attributed to the Ban imposed by Bangladesh Government on export of raw Jute coupled with extra ordinary increase in the price of raw Jute in the subsequent period. This forced us initially to curtail our production and eventually to shut down operations for a period of more than five months.

The future outlook, at best, looks mixed at the moment. On the Raw Jute front the prices showed a downward trend at the start of the season, however, subsequent lack of rain has resulted in increase in prices and they are inching up to last year level. On the demand side, despite the floods, we expect a bumper rice crop. Similarly, very high sowing and procurement targets have been set up for wheat crop and this should result into an increased demand for our products.

Therefore, and at best, we remain, cautiously, optimistic! In the meanwhile we remain focused on cost controls and further development of export and local markets. In the meanwhile, every possible effort is being made to curtail and keep the expenses to a minimum level.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

1. These financial statements prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
2. Proper books of accounts of the Company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4. International Accounting Standards, as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.

KEY OPERATING AND FINANCIAL DATA

Key operating and financial data of the Company for the last six years in summarized form is annexed.

DIVIDEND

Due to continued losses it was not possible for the Company to declare and pay any dividend to its shareholders.

STATUTORY PAYMENTS

No statutory payments on account of taxes, duties, levies and charges other than those under appeals are outstanding.

SIGNIFICANT PLANS AND DECISIONS

1) To run the plant at optimum capacity utilization.

2) To overcome the production loss due to frequent power outages we plan to install gas based captive power generation.

3) The Plant & Machinery is very old and requires major maintenance. The maintenance will significantly enhance the productivity of the machines, reduction in operational cost and also increase production capacity.

4) Addition of new machinery to improve productivity and enhance production.

CHANGES IN THE BOARD OF DIRECTORS

Mr. Zaheer Abbas Fida co-opted Director in place of Mr. Amir Hasnain Zaidi who expired on January 26, 2010. Company has seven Directors on its Board.

The term of office of present Board will expire on March 25, 2011.

Board Meetings and Attendance by Directors

During the year, four meetings of the Board of Directors were held. Attendance by each director was as follows:

	Names of Directors in alphabetic order	Meetings held in their tenure.	No of Meetings attended
1	Mr. Amir Hasnain Zaidi (late)	4	2
2	Mr. A. Rashid M. Hanif	4	0
3	Mr. Humayun Mazhar	4	4
4	Mr. Khalid Bashir	4	4
5	Mr. Khurram Mazhar Karim	4	4
6	Mr. Mazhar Karim	4	1
7	Syed Raza Abbas Jaffery	4	3
8	Mr. Zaheer Abbas Fida	4	1

The Board granted Leave to Directors who could not attend some of the Board Meetings.

PATTERN OF SHAREHOLDING

Pattern of Shareholding is attached to the report.

TRADES IN THE SHARES OF THE COMPANY

The Directors, CFO, Company Secretary and their spouses and minor children did not carry out any transaction in the shares of the Company during the year.

DEFAULT IN DEBTS, IF ANY

After settlement with the Banks our report over dues is cleared from CIB default list.

AUDITORS OBSERVATION

1) The auditors have commented that the financial statements indicating that the Company has incurred a net loss of Rupees 82.764 million during the year ended June 30, 2010. The Company has accumulated losses and negative equity of Rupees 405.733 million and Rupees 132.331 million respectively as at June 30, 2010. These conditions alongwith other matters as set forth in Note 1.1 to the financial statements indicate the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. These financial statements have, however, been prepared on a going concern basis on the grounds of continued financial support by lending institutions and sponsors.

The main cause of this loss is primarily attributed to the Ban imposed by Bangladesh Government on export of raw Jute coupled with extra ordinary increase in the price of raw Jute in the subsequent period. This forced us initially to curtail our production and eventually to shut down operations for a period more than five months.

2) The financial statements include an amount receivable from Crescent Group Services (Pvt) Limited (CGSL), an associated company aggregating Rupees 5.627 million. The Company has not charged mark-up on this advance since 1995. Competition Commission of Pakistan (CCP) previously Monopoly Control Authority through its order dated 30 November 2000 has directed the Company to recover the balance due from CGSL along with mark-up by 31 December 2002. The Company has filed an appeal in the Supreme Court of Pakistan, against the order of CCP. Pending the outcome of this matter, no adjustment has been made in these financial statements, which may be required consequent to the outcome of the aforesaid uncertainty.

Management is of the view that the writ will be decided in our favour for the reason that:

- Order of the High Court is contrary to law or the usage having the force of law
- Order has failed to determine material issue of law and usage having force of law
- There has been substantial error/defects in following the procedure provided in the Ordinance.

Management is confident that Company will utilize its production facilities at optimum level and will enhance its profitability. There is nothing doubtful about going concern of the Company.

AUDITORS

The auditors M/s Riaz Ahmed & Company retire and being eligible offers for re-appointment. As required by Code of Corporate Governance, the Audit Committee has recommended appointment of M/s Riaz Ahmed & Company, Chartered Accountants as auditors of the Company for ensuing year.

ACKNOWLEDGEMENT

The directors thank the Shareholders, Bankers and Customers for their continued patronage, understanding and co-operation. We also assure them that the confidence and the trust they have reposed in Cres Jute is appreciated and we will endeavor to come up to their expectations.

For and on behalf of the Board

(Humayun Mazhar)
Chief Executive Officer

Lahore

Dated: September 30, 2010

KEY OPERATING AND FINANCIAL DATA OF LAST SIX YEARS

	Year ending 30th June					
	2009	2008	2007	2006	2005	2004
PRODUCTION CAPACITY BASED ON SHIFT WORKING IN METRIC TONS						
Jute Unit	23,000	23,000	23,000	23,000	23,000	23,000
Cotton Unit	-	-	-	-	-	-
ACTUAL PRODUCTION IN METRIC TONS						
Jute Unit	12,775	14,229	9,783	10,566	9,336	12,027
Cotton Unit	-	-	-	-	-	
OPERATING RESULTS - RUPEES IN 000						
Net Sales	999,999	710,864	460,717	443,420	424,357	301,488
Cost of Sales	871,545	657,281	478,045	433,416	408,163	289,830
Operating Expenses	87,250	10,058	73,048	65,148	51,266	32,171
Other Income	(5,220)	81,384	296,768	56,227	84,139	40,095
Financial Charges	30,776	17,618	45,562	58,702	54,056	65,826
Other Charges	-	-	-	-	-	-
Gain on Sale of Unit	-	-	-	-	-	-
Taxation	9,032	4,141	3,113	2,609	2,351	1,507
Net Income / (Loss)	14,130	26,396	157,717	(59,965)	(7,340)	(47,752)
Earning per share - Rupees	0.59	1.39	10.47	(3.63)	9.73	(3.17)
FINANCIAL POSITION - RUPEES IN 000						
Equity	(66,397)	(91,925)	(232,853)	(405,537)	(351,238)	(504,747)
Effect of change in accounting policy relating to prior years					-	-
Incremental depreciation transferred from revaluation surplus	8,963	11,399	13,470	14,967	5,665	6,988
Total	(57,434)	(80,526)	(219,383)	(390,570)	(345,573)	(497,759)
Revaluation of Fixed Assets	384,119	394,540	174,482	230,143	250,672	92,221
Participatory Redeemable Capital	-	-	40,000	40,000	40,000	40,000
Sponsors Loan	7,966	7,966	123,421	36,420	36,420	-
Long Term Running Finance	72,658	75,803	55,139	55,139	55,139	924
Finance Lease	-	-	-	-	-	-
Debenture/Long Term Loans	-	-	-	-	-	-
Deferred Liabilities	70,941	76,552	-	-	-	
Current Liabilities	255,252	349,096	237,875	545,304	556,553	778,064
	733,501	823,431	411,534	516,436	593,211	413,450
Fixed Capital Expenditure	488,474	513,232	203,220	259,543	274,098	115,084
Long Term Investment	553	135	135	135	135	135
Long Term Loan	186					
Long Term Deposits	3,188	2,627	2,627	2,625	1,941	1,827
Current Assets	241,100	307,437	205,552	254,133	317,037	296,404
	733,501	823,431	411,534	516,436	593,211	413,450

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THE COMPANIES ORDIANCE 1984
(Section 236(1) and 464)

PATTERN OF SHAREHOLDING

1. Incorporation Number: 0001959

2. Name of the Company: Crescent Jute Products Limited

3. Pattern of holding of the shares held by the shareholders as at 30 06 2010

4.

No. of shareholders	Shareholdings	Total shares held
620	Shareholding from 1 to 100 shares	20,752
530	Shareholding from 101 to 500 shares	141,971
220	Shareholding from 501 to 1000 shares	158,692
268	Shareholding from 1001 to 5000 shares	676,483
71	Shareholding from 5001 to 10000 shares	527,820
33	Shareholding from 10001 to 15000 shares	407,974
23	Shareholding from 15001 to 20000 shares	408,095
13	Shareholding from 20001 to 25000 shares	308,019
13	Shareholding from 25001 to 30000 shares	365,515
15	Shareholding from 30001 to 35000 shares	486,738
6	Shareholding from 35001 to 40000 shares	226,888
5	Shareholding from 40001 to 45000 shares	207,514
5	Shareholding from 45001 to 50000 shares	237,162

1	Shareholding from 50001 to 55000	54,902
4	Shareholding from 60001 to 65000	245,177
3	Shareholding from 65001 to 70000	203,735
2	Shareholding from 70001 to 75000	144,071
2	Shareholding from 75001 to 80000	156,000
1	Shareholding from 80001 to 85000	80,565
1	Shareholding from 85001 to 90000	86,154
1	Shareholding from 90001 to 95000	91,300
1	Shareholding from 95001 to 100000	97,152
1	Shareholding from 100001 to 105000	101,386
1	Shareholding from 105001 to 110000	105,844
1	Shareholding from 110001 to 115000	111,923
1	Shareholding from 115001 to 120000	119,525
1	Shareholding from 140001 to 145000	141,725
2	Shareholding from 150001 to 155000	302,997
1	Shareholding from 155001 to 160000	157,314
1	Shareholding from 160001 to 165000	161,555
1	Shareholding from 195001 to 200000	200,000
2	Shareholding from 200001 to 205000	405,087
1	Shareholding from 215001 to 220000	216,874
1	Shareholding from 245001 to 250000	245,375
1	Shareholding from 310001 to 315000	314,853
1	Shareholding from 535001 to 540000	537,717
1	Shareholding from 670001 to 675000	671,489
1	Shareholding from 1395001 to 1400000	1,395,788
1	Shareholding from 1715001 to 1720000	1,716,683

1	Shareholding from 2735001 to 2740000	2,738,487
1	Shareholding from 8785001 to 8790000	87,86,167
1859	Total	23,763,468

5.	Categories of shareholders	Share held	Percentage
5.1	Directors, Chief Executive Officer, and their spouse and minor children.	9,000,149	37.87
5.2	Associated Companies, undertakings and related parties.	3,707,528	15.60
5.3	NIT, NBP and IDBP(ICP)	1,697,070	07.14
5.4	Banks Development Financial Institutions, Non Banking Financial Institutions.	1,336,789	5.63
5.5	Insurance Companies.	579,657	2.44
5.6	Modarabas and Mutual Funds.	103,824	0.44
5.7	Share holders holding 10% refer to 5.1 and 5.2.	11,533,325	48.53
5.8	General Public		
	a. Local	5,080,565	21.38
	b. Foreign	245,375	1.03
5.9	Others (to be specified) Joint Stock Companies, Trust & Govt Authorities.	2,012,511	8.47

6.	Signature of Chief Executive/ Secretary	
7.	Name of Signatory	Qamar Nawaz Qureshi
8.	Designation	Company Secretary
9.	CNIC Number	33100-3953467-1
10.	Date	Day: 3 0 Month: 0 6 Year: 2 0 1 0

Associated Companies, undertakings and related parties (Name wise details)

1.	Crescent Sugar Mills & Distillery Limited	201,933
2.	Crescent Foundation	4,621
3.	Crescent Powertec Limited	80,000
4.	Crescent Steel & Allied Products Limited	91,300
5.	Muhammad Amin Muhammad Bashir Limited	990
6.	Premier Insurance Limited	31,333
7.	Shams Textile Mills Limited	12,476
8.	Shakarganj Mills Limited	537,717
9.	The Crescent Textile Mills Limited	2,747,158
	Total	**3,707,528**

NIT & ICP (Name wise details)

1.	National Bank of Pakistan - Trustee Wing	101,386
2.	National Investment Trust Limited	38,341
3.	NBP Trustee Department NI (U) T Fund	1,395,788
4.	IDBP (ICP UNIT)	161,555
	Total	**1,697,070**

Directors, CEO and their spouse and minor children (name wise details)
Chief Executive/Director

1.	Mr. Mazhar Karim	54,902
2.	Mr. A. Rashid M. Hanif	4,339
3.	Mr. Humayun Mazhar	8,786,167
4.	Mr. Khurram Mazhar Karim	86,154
5.	Mr. Khalid Bashir	14,077
	Total	**8,945,639**

Spouse and Minor Children

1.	Mrs. Abida Mazhar	4,561
2.	Mrs. Aysha Khurram Mazhar	2,475
3.	Mrs. Mehrin Humayun Mazhar	47,474

Public Sector Companies and Corporations	**2,012,511**
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds.	**2,020,270**
Excluded Midland Bank Offshore Limited (Foreigner)	**245,375**

Shareholders holding ten percent or more voting interest (name wise details)

1.	Mr. Humayun Mazhar	8,786,167
2.	The Crescent Textile Mills Limited	2,747,158
	Total	**11,533,325**

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERANCE

This statement is being presented to comply with the Code of Corporate Governance as contained in Regulation No. 35 (previously Regulation No.37) of the Listing Regulations of the Karachi Stock Exchange and Chapter XIII of Listing Regulation of Lahore Stock Exchange and Chapter XI of Listing Regulation of Islamabad Stock Exchange 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 principals contained in the Code in the following manner:-

1. The Company encourages representation of independent non-executive directors. At present the Board has one independent non-executive directors.
2. The Directors have confirmed that non of them is serving as a Director in more than ten listed companies, including this Company.
3. All the resident Directors of the Company are registered as Tax payers and non of them has defaulted in payment of any Loan to a banking company, a DFI or an NDFI or, being a member of a Stock Exchange has been declared as a defaulter by that stock exchange.
4. Casual vacancy occurred during the year ended 30-06-2010 due to death of Mr. Amir Hasnain Zaidi who had died on January 26, 2010 which were filled on co-option of Mr. Zaheer Abbas Fida
5. The Company has prepared a "Statement of Ethics and Business Practices" which has been signed by all the Directors and Employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy; significant policies of the Company are being developed.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) and an executive director have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and in his absence, by a Director elected by the Board for this purpose and the Board met once in every quarter during the year ended 30-06-2010. Written notices of the Board Meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Orientation course for its Directors has been arranged during the year to apprise them of their duties and responsibilities.
10. 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.
11. The Director's Report for the year ended 30-06-2010 has been prepared in compliance with the requirements of the Code and it fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval by the Board.
13. The related party transactions have been placed before the audit committee and approved by the board of Directors with necessary justifications for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those prevail in the arm's length transactions only if such terms can be substantiated.
14. The Directors, CEO and Executives do not hold any interest in the shares of the Company, other than that disclosed in the pattern of share holding.
15. The Company has complied with the corporate and financial reporting requirements of the Code.

16. The Board has formed an audit committee. It comprises of three members, two of whom are non-executive directors including the Chairman of the Committee. The Audit Charter of the Company requires that at least two members of the Audit Committee must be financially literate.

17. 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.

18. The Board has set-up an effective internal audit function by appointing full-time Head of Internal Audit. The day to day operations of this function have been out sourced to Tahir Consulting (Private) Limited, Chartered Accountants, who are considered suitably qualified and experienced for the purpose.

19. 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.

20. The statutory auditors of 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.

21. We confirm that all other material principals contained in the Code have been complied with.

By Order of the Board

(Humayun Mazhar)
Chief Executive Officer

September 30, 2010

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 JUTE PRODUCTS LIMITED ("the Company") for the year ended 30 June 2010, to comply with the Listing Regulations of the respective Stock Exchanges, 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 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 systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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 as applicable to the Company for the year ended 30 June 2010.

Faisalabad: October 01, 2010.

Riaz Ahmad & Company
Chartered Accountants

Name of engagement partner:
Liaqat Ali Panwar

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of CRESCENT JUTE PRODUCTS LIMITED as at 30 June 2010 and the related profit and loss account, statement of comprehensive income, 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:

(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 changes as stated in Note 2.1 (d)(i) 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, statement of comprehensive income, 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 June 2010 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and

(d) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

(e) Without qualifying our opinion, we draw attention to

i) Note 1.1 to the financial statements which indicates that the company has incurred a net loss of Rupees 82.764 million during the year ended 30 June 2010. The company has accumulated losses and negative equity of Rupees 405.733 million and Rupees 132.331 million respectively as at 30 June 2010. These conditions alongwith other matters as set forth in Note 1.1 to the financial statements indicate the existence of material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. These financial statements have, however, been prepared on the going concern basis on the grounds of continued financial support by lending institutions and sponsors.

ii) Note 21.1 to the financial statements which states that the company has advanced amount of Rupees 5.627 million to Crescent Group Services (Private) Limited (CGSL), an associated company. The company has not charged mark-up on this advance since 1995. Competition Commission of Pakistan (CCP) through its order dated 30 November 2000 has directed the company to recover the balance due from CGSL along with mark-up by 31 December 2002. The company has filed an appeal in the Supreme Court of Pakistan, against the order of CCP. Pending the outcome of this matter, no adjustment has been made in these financial statements, which may be required consequent to the outcome of the aforesaid uncertainty.

Faisalabad: October 01, 2010.

Riaz Ahmad & Company
Chartered Accountants

Name of engagement partner:
Liaqat Ali Panwar

CRESCENT JUTE PRODUCTS LTD.

Audited Financial Statements
For the Year Ended June 30, 2010

BALANCE SHEET

	NOTE	2010 RUPEES	2009 RUPEES
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
30 000 000 (2009: 30 000 000) ordinary shares of Rupees 10 each		300,000,000	300,000,000
Issued, subscribed and paid up share capital	3	237,634,680	237,634,680
Capital Reserves	4	35,767,584	35,767,584
Accumulated loss		(405,733,009)	(330,836,054)
Total equity		(132,330,745)	(57,433,790)
Surplus on revaluation of property, plant and equipment - net of deffered tax	5	602,997,349	384,119,224
NON-CURRENT LIABILITIES			
Loan from sponsor / director	6	62,565,994	7,965,994
Long term financing	7	68,822,488	72,657,683
Deferred tax liability	8	187,786,780	70,940,505
		319,175,262	151,564,182
CURRENT LIABILITIES			
Trade and other payables	9	35,932,279	32,387,607
Accrued mark up	10	39,566,236	30,852,227
Short term borrowings	11	415,816,206	188,534,050
Current portion of long term financing	7	3,835,195	3,145,175
Provision for taxation		2,930,694	332,804
		498,080,610	255,251,863
TOTAL LIABILITIES		817,255,872	406,816,045
CONTINGENCIES AND COMMITMENTS	12		
TOTAL EQUITY AND LIABILITIES		1,287,922,476	733,501,479

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

Humayun Mazhar
Chief Executive Officer

as at 30 June, 2010

	NOTE	2010 RUPEES	2009 RUPEES
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	745,005,824	488,473,866
Long term investments	14	134,500	552,685
Long term loans	15	381,000	186,490
Long term security deposits		1,951,500	3,187,971
		747,472,824	492,401,012
CURRENT ASSETS			
Stores and spare parts	16	7,795,756	7,053,339
Stock-in-trade	17	255,896,670	143,146,161
Trade debts	18	142,284,450	29,113,190
Loans and advances	19	17,608,359	8,488,898
Short term deposits and prepayments	20	10,840,242	13,266,597
Other receivables	21	14,486,519	13,641,101
Short term investments	22	931,241	1,142,062
Cash and bank balances	23	14,777,830	25,249,119
Non-current assets held for sale	24	75,828,585	-
		540,449,652	241,100,467
TOTAL ASSETS		1,287,922,476	733,501,479

Khurram Mazhar Karim
Director

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2010

	NOTE	2010 RUPEES	2009 RUPEES
SALES	25	566,001,815	999,998,526
COST OF SALES	26	(525,658,401)	(871,654,477)
GROSS PROFIT		40,343,414	128,344,049
DISTRIBUTION COST	27	(8,966,109)	(17,399,767)
ADMINISTRATIVE EXPENSES	28	(60,633,541)	(69,850,542)
OTHER OPERATING EXPENSES	29	(16,234,445)	(7,755,239)
		(85,834,095)	(95,005,548)
		(45,490,681)	33,338,501
OTHER OPERATING INCOME	30	604,588	2,535,487
(LOSS)/PROFIT FROM OPERATIONS		(44,886,093)	35,873,988
FINANCE COST	31	(39,182,735)	(30,776,083)
(LOSS)/PROFIT BEFORE TAXATION		(84,068,828)	5,097,905
PROVISION FOR TAXATION	32	1,305,204	9,032,358
(LOSS)/PROFIT AFTER TAXATION		(82,763,624)	14,130,263
(LOSS)/ EARNINGS PER SHARE - BASIC AND DILUTED	33	(3.48)	0.59

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

Humayun Mazhar
Chief Executive Officer

Khurram Mazhar Karim
Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2010

	2010 RUPEES	2009 RUPEES
(LOSS) / PROFIT AFTER TAXATION	(82,763,624)	14,130,263
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR	(82,763,624)	14,130,263

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

Humayun Mazhar
Chief Executive Officer

Khurram Mazhar Karim
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	NOTE	2010 RUPEES	2009 RUPEES
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	34	(333,006,856)	133,515,255
Finance cost paid		51,751,569	(18,592,710)
Income tax paid		(4,859,541)	(4,519,805)
Net Increase in long term loans		(194,510)	(186,490)
Net decrease / (increase) in long term deposits		1,236,471	(561,453)
Net cash (used in) / generated from operating activities		(285,072,867)	109,654,797
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant & equipment		34,000	1,052,900
Dividend received		261	-
Investments made		(10,400)	(418,185)
Capital expenditure on property, plant and equipment		(304,439)	(4,467,805)
Net cash used in investing activities		(280,578)	(3,833,090)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from director's loan		54,600,000	-
Repayment of long term financing		(7,000,000)	(6,999,998)
Short term borrowings - net		227,282,156	(76,527,407)
Net cash from / (used in) financing activities		274,882,156	(83,527,405)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(10,471,289)	22,294,302
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		25,249,119	2,954,817
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 23)		14,777,830	25,249,119

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

Humayun Mazhar
Chief Executive Officer

Khurram Mazhar Karim
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2010

	SHARE CAPITAL	CAPITAL RESERVE Share Premium	ACCUMULATED LOSS	TOTAL EQUITY
	--------------------------------------	Rupees	--------------------------------------	
Balance as at 01 July 2008	237,634,680	35,767,584	(353,929,188)	(80,526,924)
Transfer from surplus on revaluation of operating fixed assets - net of deferred tax	-	-	8,962,871	8,962,871
Total Comprehensive income for the year ended 30 June 2009	-	-	14,130,263	14,130,263
Balance as at 30 June 2009	237,634,680	35,767,584	(330,836,054)	(57,433,790)
Transfer from surplus on revaluation of operating fixed assets - net of deferred tax	-	-	7,866,669	7,866,669
Total Comprehensive loss for the year ended 30 June 2010	-	-	(82,763,624)	(82,763,624)
Balance as at 30 June 2010	237,634,680	35,767,584	(405,733,009)	(132,330,745)

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

Humayun Mazhar
Chief Executive Officer

Khurram Mazhar Karim
Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

1. THE COMPANY AND ITS OPERATIONS

Crescent Jute Products Limited is a public limited company incorporated on 19 September 1964 under the Companies Act, 1913 (Now Companies Ordinance, 1984) and listed on all stock exchanges in Pakistan. Its registered office is situated at 306, 3rd Floor, Siddiq Trade Centre, Gulberg, Lahore. The company is engaged in manufacturing and sale of jute products including jute bags.

1.1 Going concern assumption

'During the year ended 30 June 2010, the Company has incurred a net loss of Rupees 82.764 million. The Company has suffered accumulated losses of Rupees 405.733 million as on 30 June 2010 which has turned equity into negative balance of Rupees 132.331 million. However, the Company has almost finalized the sale of its surplus land measuring 26 acres located at 128 G.B., Tehsil Jaranwala, District Faisalabad which will generate funds exceeding Rupees 76 million for repayment of financing and use in operations. Financial institutions have expressed their comfort on financial position and viabjlity of the Company through additional funds amounting to Rupees 227.282 million during the year. Overdue financing has been rescheduled subsequent to the reporting date. The Company faced problems in import of raw jute which also effected utilization of plant capacity. However, letters of credit amounting to Rupees 88.968 million for import of raw material will help in increasing production. Continued financial support from sponsors, directors and financial institutions would provide relief to the Company's liquidity and would help in carrying out operations smoothly and in debt servicing. Therefore, these financial statements have been prepared on going concern basis and do not include any adjustments that may be required if the Company is unable to continue as going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated:

2.1 Basis of Preparation

a) Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

b) Accounting Convention

These financial statements have been prepared under the historical cost convention, modified by revaluation of certain fixed assets and measurement of financial instruments carried at fair value.

c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

i) Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

ii) Taxation

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

iii) Provision for doubtful debts

The Company reviews its receivable balances against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

d) Amendments to published approved accounting standards that are effective in current year

i) Changes in accounting polices and disclosures arising from amendments to published approved accounting standards that are effective in the current year

IAS 1 (Revised) 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2009).The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Company presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

IFRS 7 (Amendment) 'Financial instruments: Disclosures' (effective for annual periods beginning on or after 01 January 2009). This amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value asurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

ii) Other amendment to published approved accounting standard that is effective in the current year

IAS 23 (Amendment) 'Borrowing Costs' (effective for annual periods beginning on or after 01 January 2009). It requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The Company's accounting policy on borrowing cost, as disclosed in note 2.9, complies with the above mentioned requirements to capitalize borrowing cost and hence this change has not impacted the Company's accounting policy.

e) Standards, interpretations and amendments to published approved accounting standards that are effective in current year but not relevant

There are other new standards, interpretations and amendments to the published approved accounting standards that are mandatory for accounting periods beginning on or after 01 July 2009 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

f) Standards and amendments to published approved accounting standards that are not yet effective but relevant

Following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2010 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2013). IFRS 9 has superseded the IAS 39 'Financial Instruments: Recognition and Measurement'. It requires that all equity investments are to be measured at fair value while eliminating the cost model for unquoted equity investments. Certain categories of financial instruments available under IAS 39 will be eliminated. Moreover, it also amends certain disclosure requirements relating to financial instruments under IFRS 7. The management of the Company is in the process of evaluating impacts of the aforesaid standard on the Company's financial statements.

There are other amendments resulting from annual improvements projects initiated by International Accounting Standards Board in April 2009 and May 2010, specifically in IFRS 7 'Financial Instruments: Disclosures', IAS 1 'Presentation of Financial Statements', IAS 7 'Statement of Cash Flows', IAS 24 'Related Party Disclosures' and IAS 36 'Impairment of Assets' that are considered relevant to the Company's financial statements. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

g) **Standards, interpretations and amendments to published approved accounting standards that are not effective in current year and not considered relevant**

There are other accounting standards, amendments to published approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after 01 July 2010 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Employee Retirement Benefits

The Company curtailed its employees' retirement benefit scheme effective from 01 November 2002. Since February 2003, the Company started hiring of employees on contractual basis after re-start of its discontinued operations. Now, the contract of service is renewable at the option of the Company.

2.3 Taxation

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from difference between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.4 Foreign currencies

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currency during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. The Company charges all the exchange differences to profit and loss account.

2.5 Property, plant, equipment and depreciation

Owned

All operating fixed assets are stated at cost less accumulated depreciation and any identified impairment loss, except those subject to revaluation which are stated at revalued amount less accumulated depreciation and any identified impairment loss. Freehold land is stated at revalued amount less any identified impairment loss. Cost in relation to property, plant and equipment comprises of historical cost, revalued amount and borrowing costs referred in Note 2.9.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.

Increase in the carrying amount arising on revaluation of property, plant and equipment are credited to surplus on revaluation of property, plant and equipment. Decreases that offset previous increases of the same assets are charged against this surplus, all other decreases are charged to income. Each year the difference between depreciation based on revalued carrying amount of the asset (the depreciation charged to the income) and depreciation based on the assets' original cost is transferred from surplus on revaluation of property, plant and equipment to unappropriated profit / (accumulated loss). All transfers to/from surplus on revaluation of property, plant and equipment are net of applicable deferred taxation.

Depreciation

Depreciation is charged to income on reducing balance method at the rates given in Note 13 except for computers which are depreciated on the straight line method at the rate of 33 percent per annum to write off the cost over estimated remaining useful life of assets without taking into account any residual value. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from operating fixed assets. Full month's depreciation is charged on additions during the the month in which asset is acquired while no depreciation is charged in the month of disposal.

Change in accounting estimate

Previously depreciation on the buildings on freehold land was being charged at the rate of 10%. Now the Company has changed its accounting estimate to charge depreciation at the rate of 5% as a result of annual review of useful lives of assets. The change in accounting estimate has been applied prospectively in accordance with IAS 8 'Accounting policies, Changes in Accounting Estimates and Errors'. Had there been no change in this accounting estimate, the figures recognized in these financial statements would have been different as follows:

	RUPEES
Net book value of property, plant and equipment would have been lower by	1,488,923
Stock-in-trade would have been higher by	2,419,635
Loss after taxation would have been higher by	3,913,795
Loss per share would have been higher by	0.17

Capital work-in-progress

Capital work-in-progress is stated at cost less identified impairment losses and is transferred to the operating fixed assets as and when asset is available for use.

De-recognition

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit and loss account in the year the asset is de-recognized.

2.6 Investments

Classification of an investment is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for "Investments at fair value through profit or loss" which is measured initially at fair value.

The Company assess at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exists, the Company applies the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' to all investments, except investments in subsidiaries, which are tested for impairment in accordance with the provisions of IAS 36 'Impairment of Assets'.

a) Investments at fair value through profit or loss

Investment classified as held-for-trading and those designated as such are included in this category. Investments are classified as held-for-trading if these are acquired for the purpose of selling in the short term. Gains or losses on investments held-for-trading are recognized in profit and loss account.

b) Held-to-maturity

Investments with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held to maturity are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization, using the effective interest method, of any difference between the initially recognized amount and the maturity amount. For investments carried at amortized cost, gains and losses are recognized in profit and loss account when the investments are de-recognized or impaired, as well as through the amortization process.

c) Investment in subsidiaries

Investments in subsidiaries are stated at cost less impairment loss, if any, in accordance with the provisions of IAS 27, " Consolidated and Separate Financial Statements".

d) Available-for-sale

Investments intended to be held for an indefinite period of time, which may be sold in response to need for liquidity, or changes to interest rates or equity prices are classified as available-for-sale. After initial recognition, investments which are classified as available-for-sale are measured at fair value. Gains or losses on available-for-sale investments are recognized directly in statement of other comprehensive income until the investment is sold, de-recognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in statement of other comprehensive income is included in profit and loss account. These are sub-categorized as under:

Quoted

For investments that are actively traded in organized capital markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the balance sheet date.

Unquoted

The investments that do not have a quoted market price in an active market and whose fair value can not be reliably measured, subsequent to initial recognition are carried at cost less impairment loss, if any.

2.7 Stores, spare parts and loose tools

These are valued at lower of cost and net realizable value. Cost is calculated using moving average method except for items in transit which are valued at cost comprising invoice value plus other charges paid thereon till the balance sheet date. Provision is made against obsolete items.

2.8 Stock-in-trade

Stock in trade is stated at the lower of cost and net realizable value. Stock of raw materials is valued at weighted average cost. Cost in relation to work-in-process and finished goods comprises cost of direct materials, labour and attributable manufacturing overheads. Cost of goods in transit comprises invoice value plus other charges paid thereon till the balance sheet date. Stock of waste material is stated at net realizable value.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessarily to make a sale.

2.9 Borrowing cost

Interest, mark-up and other charges on long-term finances are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long-term finances. All other interest, mark-up and other charges are recognized in profit and loss account.

2.10 Revenue recognition

Revenue from different sources is recognized as under:

- Revenue from sale of goods is recognized on delivery of goods to the customers.
- Dividend on equity investments is recognized when right to receive the dividend is established.
- Profit on deposits with banks is recognized on time proportion basis taking into account the amounts outstanding and rates applicable thereon.

2.11 Financial instruments

Financial instruments carried on the balance sheet include investments, deposits, trade debts, loans and advances, other receivables, cash and bank balances, long-term financing, short-term borrowings, accrued mark-up and trade and other payables etc. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for "financial instrument at fair value through profit or loss" which is measured initially at fair value.

Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available-for-sale investments) and de-recognition is charged to the profit or loss currently. The particular measurement methods adopted are disclosed in the following individual policy statements associated with each item and in the accounting policy of investments.

a) **Trade and other receivables**

Trade debts and other receivables are carried at original invoice value less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

b) **Borrowings**

Borrowings are recognized initially at the proceeds received and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

c) **Trade and other payables**

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

2.12 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made.

2.13 Impairment

The carrying amounts of assets are reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

2.14 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legal 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.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

2.16 Non-current assets held for sale

Non-current assets classified as held for sale are stated at the lower of carrying amount and fair value less cost to sell if their carrying amount is recoverable principally through a sale transaction rather than through continuing use.

2.17 Related party transactions and transfer pricing

Transactions and contracts with the related parties are carried out at an arm's length price determined in accordance with comparable uncontrolled price method.

2.18 Dividend and other appropriations

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved and other appropriations are recognized in the period in which these are approved by the Board of Directors.

3 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2010	2009		2010	2009
(NUMBER OF SHARES)			RUPEES	RUPEES
15 723 741	15 723 741	Ordinary shares of Rupees 10 each fully paid in cash	157,237,410	157,237,410
8 039 727	8 039 727	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	80,397,270	80,397,270
23 763 468	23 763 468		237,634,680	237,634,680

3.1 Ordinary shares of the Company held by the associated undertakings:

	2010	2009
	(NUMBER OF SHARES)	
Crescent Sugar Mills and Distillery Limited	201 933	201 933
Crescent Group Services (Private) Limited	-	79
Crescent Foundation	4 621	4 621
Crescent Powertec Limited	80 000	80 000
Crescent Steel and Allied Products Limited	91 300	91 300
Jubilee Spinning and Weaving Mills Limited	-	1 716 683
Muhammad Amin Muhammad Bashir Limited	990	990
Premier Insurance Limited	31 333	32 333
Shams Textile Mills Limited	12 476	12 476
Shakarganj Mills Limited	537 717	537 717
The Crescent Textile Mills Limited	2 747 158	2 747 211
	3 707 528	5 425 343

		2010 RUPEES	2009 RUPEES
4.	**CAPITAL RESERVES**		
	Share premium (Note 4.1)	35,767,584	35,767,584

4.1 This reserve can be utilised by the Company only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

5. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF DEFERRED TAX

	2010 RUPEES	2009 RUPEES
Surplus on revaluation of property, plant and equipment as at 01 July	384,119,224	394,540,222
Add: Surplus on revaluation of freehold land, building, plant and machinery (Note 5.1)	347,826,967	-
Less: Related deferred tax liability	121,082,173	-
Adjustment of surplus on sale of machinery - net of deferred tax	-	1,458,127
Transferred to accumulated loss in respect of incremental depreciation charged during the year - net of deferred tax	7,866,669	8,962,871
	128,948,842	10,420,998
	602,997,349	384,119,224

5.1 Freehold land, building thereon, plant and machinery of the Company was revalued by an independent valuer on 28 June 2010. The revaluation exercise was carried out by Messrs Jasper and Jasper by reference to their prevailing market prices. The aggregate net surplus resulted from the revaluation was credited to surplus on revaluation of property, plant and equipment account to comply with the requirements of section 235 of the Companies Ordinance, 1984.

Previously these assets were revalued by independent valuers on 30 June 1996, 30 June 2005 and 31 December 2007.

6. LOAN FROM SPONSOR AND DIRECTOR

This represents interest free loan obtained from sponsor and directors having no defined repayment terms but is not repayable within next twelve months, hence has been classified as non-current.

		2010 RUPEES	2009 RUPEES
7.	**LONG TERM FINANCING**		
	Secured		
	Financing from banking companies (Note 7.1)	17,518,968	20,664,143
	Unsecured		
	Crescent Jute Mills Limited (Note 7.2)	55,138,715	55,138,715
		72,657,683	75,802,858
	Less: Current portion shown	3,835,195	3,145,175
		68,822,488	72,657,683

7.1 This represents interest free loan obtained from Innovative Investment Bank Limited with sixty equal monthly installments commenced on 01 January 2009 and ending on 01 December 2013. The loan is secured against the personal guarantees of one sponsor and one director alongwith demand promissory note of Rupees 127,619,771 and trust receipt dated 02 June 1998. The Company has determined the amortized cost of this loan using the effective interest method in the financial year ended 30 June 2009. The reconciliation of principal amount and carrying value is given hereunder:

Principal outstanding	31,500,002	38,500,000
Effect of adjustment	(10,835,859)	(14,968,498)
Amortization charged to profit and loss account using the effective interest method (Note 31)	3,854,825	4,132,639
	24,518,968	27,664,141
Less: Repayments during the year	7,000,000	6,999,998
Carrying amount as at 30 June	17,518,968	20,664,143

7.2 This represents interest free loan obtained from Crescent Jute Mills Limited (CJML) with whom the Company had approved the scheme of merger in the annual general meeting held on 31 October 2005. The time limit allowed in the scheme of merger has lapsed on 01 January 2008, and no agreement for further period has been executed by the Company with CJML. However, CJML showed its interest to convert this loan into equity on 28 November 2008. The matter is still pending on behalf of the Company.

8. DEFERRED TAX LIABILITY

Opening balance	70,940,505	76,551,813
Add: Transferred from surplus on revaluation of property, plant and equipment	121,082,173	-
Less: Deferred tax liability of assets sold during the year	-	785,146
Deferred tax liability on incremental depreciation charged during the year transferred to profit and loss account	4,235,898	4,826,162
	4,235,898	5,611,308
	187,786,780	70,940,505

8.1 The Company has accumulated tax losses of Rupees 156.663 million including unabsorbed depreciation as at 30 June 2010 (2009: Rupees 114.368 million). The related deferred income tax asset has not been recognized in these financial statements as sufficient tax profits would not be probably available to set off these in the foreseeable future.

9. TRADE AND OTHER PAYABLES	2010 RUPEES	2009 RUPEES
Creditors (Note 9.1)	11,768,527	16,314,743
Accrued liabilities	10,661,468	13,980,655
Advances from customers	12,220,931	937,069
Security deposits	840,000	440,000
Workers' profit participation fund	-	273,787
Workers' welfare fund	104,041	104,041
Unclaimed dividend	337,312	337,312
	35,932,279	32,387,607

9.1 This includes amounts in aggregate of Rupees 6,212,184 (2009: 4,213,083) due to associated undertakings.

10. ACCRUED MARKUP

This head represents accrued mark-up on short term borrowings. This includes mark-up payable to Crescent Foundation (associated undertaking) amounting to Rupees 29,524,928 (2009: Rupees 24,962,736).

11. SHORT TERM BORROWINGS

	2010 RUPEES	2009 RUPEES
From banking companies and financial institutions - secured		
Short term cash finance:		
The Bank of Punjab (Note 11.1)	69,897,166	49,678,202
National Bank of Pakistan (Note 11.2)	78,850,976	-
Other short term finances (Note 11.3)	180,857,666	88,145,450
Murabaha facility (Note 11.4)	40,210,398	50,710,398
Unsecured		
From associated undertaking (Note 11.5)	46,000,000	-
	415,816,206	188,534,050

11.1 This finance is obtained from The Bank of Punjab under mark-up arrangement at the rate of average 3 months KIBOR plus 3 percent per annum with no floor or cap (2009: Average 3 months KIBOR plus 3 percent with the floor of 12% per annum) and is secured against effective pledge of finished goods with 25% margin or raw materials with 10% margin of invoice value. The rate of mark-up ranges from 15.09 percent to 15.60 percent (2009: 15.77 percent to 18.52 percent).

11.2 This finance is obtained from National Bank of Pakistan under mark-up at the rate of average 3 months KIBOR plus 3 percent per annum or matching LIBOR plus 2.5 percent per annum whichever is higher (2009: Nil) and is secured against effective pledge of raw jute and jute bags and first parri passu charge on fixed and current assets of the Company aggregating to Rupees 200 million and personal guarantee of sponsor directors of the Company. The rate of mark-up ranges from 15.09 percent to 15.60 percent (2009: 15.77 percent to 18.52 percent).

11.3 These finances are obtained from banking companies under mark-up on FIM-180 days at the rate of average 3 months KIBOR plus 3 percent with no floor or cap per annum (2009: Average 3 months KIBOR plus 3 percent with the floor of 12% per annum). The rate of mark-up ranges from 15.09 percent to 15.60 percent (2009: 15.77 percent to 18.52 percent). Mark-up on FE-25 was charged at the rate of average 6 months LIBOR plus 3.50 percent (2009: Average 6 months LIBOR plus 2.50 percent). These are secured against pledge of imported raw jute and personal guarantee of sponsor directors of the Company.

11.4 This facility is obtained from Crescent Standard Modaraba which was repayable upto 30 June 2010, but the Company could not pay the balance uptill the expiry of the prescribed date. This facility was secured against pledge of stocks of raw jute and hessian cloth and in case of default carried mark-up at the rate of 18% per annum on the outstanding balance (2009: 18% per annum). However, the agreement was renewed after the reporting date on 06 August 2010. On that date, the Company entered into Murabaha Facility Agreement with Crescent Standard Modaraba (CSM) for settlement of its outstanding balance of Rupees 40.210 million. As agreed, the Company will pay Rupees 1 million per month in twelve equal installments and the balance amount of Rupees 28.210 million will be settled by 30 June 2011. CSM has agreed to waive off mark up on default amounting to Rupees 32.541 million subject to liquidation of entire murabaha facility by the aforesaid settlement date. In case the Company fails to pay the said amount as agreed, the waiver given to the Company will be withdrawn by CSM.

11.5 This represents loan obtained from Crescent Foundation (associated undertaking) during the year. It carries mark up at the rate of 10 percent per annum (2009: 10 percent per annum).

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies:

12.1.1 The Collector Sales Tax raised demand for sales tax amounting to Rupees 37.699 million (2009: Rupees 37.699 million) along with additional tax and penalty in respect of sales tax not charged on sale of fixed assets, sale of scrap, disputed inputs claimed, etc. The Company filed an appeal before the Sales Tax Appellate Tribunal which was decided against the Company. The Company has now filed an appeal in Lahore High Court against the decision of the Tribunal. Pending decision of the court, no provision has been made in these financial statements. The management is of the view, based on the advice of legal counsel, there are strong grounds that the case will be decided in favour of the Company.

12.1.2 The Company has recoverable balance of Rupees 5.627 million (2009: Rupees 5.655 million) advanced to Crescent Group Services (Private) Limited (CGSL) for executing certain construction contracts for WAPDA. Competition Commission of Pakistan (CCP) through its order dated 30 November 2000 has directed the Company to recover the balance due from CGSL along with markup at the prevailing market rates by 31 December 2002. No mark-up was charged on the amount advanced to CGSL as per decision of the Board of Directors.

However, the Company has filed an appeal in the Supreme Court of Pakistan against the order of CCP. Pending the outcome of this matter, no adjustment has been made in these financial statements, which may be required consequent to the outcome of the aforesaid uncertainty (Note 21.1).

12.1.3 Bank Guarantee of Rs.4.043 million (2009: Nil) has been given to Sui Northern Gas Pipelines Limited against gas connection.

12.2 Commitments

i) Letter of credit for capital expenditure is Nil (2009: Rupees 1.42 million).

ii) Letters of credit for import of raw material amounting to Rupees 88.968 million (2009: Rupees 37.986 million).

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings on freehold land	Plant and machinery	Electric installations	Furniture and fittings	Computers	Vehicles	Non-operating looms	Total
					RUPEES				
At 01 July 2008									
Cost / revalued amount	252,600,000	289,338,388	89,449,463	298,363	20,055,001	5,934,177	11,242,664	1,497,611	670,415,667
Accumulated depreciation	-	(90,003,166)	(57,494,313)	(214,097)	(13,965,181)	(4,772,566)	(4,098,358)	(1,497,611)	(172,045,292)
Net book value	252,600,000	199,335,222	31,955,150	84,266	6,089,820	1,161,611	7,144,306	-	498,370,375
Year ended 30 June 2009									
Opening net book value	252,600,000	199,335,222	31,955,150	84,266	6,089,820	1,161,611	7,144,306	-	498,370,375
Additions	-	-	17,953,870	-	850,000	125,250	400,000	-	19,329,120
Disposals									
Cost	-	-	(5,000,000)	-	-	-	-	-	(5,000,000)
Accumulated depreciation	-	-	2,079,185	-	-	-	-	-	2,079,185
			(2,920,815)	-	-	-		-	(2,920,815)
Depreciation charge		(19,933,522)	(3,365,400)	(8,427)	(686,898)	(1,043,856)	(1,266,711)	-	(26,304,814)
Closing net book value	252,600,000	179,401,700	43,622,805	75,839	6,252,922	243,005	6,277,595	-	488,473,866
At 30 June 2009									
Cost / revalued amount	252,600,000	289,338,388	102,403,333	298,363	20,905,001	6,059,427	11,642,664	1,497,611	684,744,787
Accumulated depreciation	-	(109,936,688)	(58,780,528)	(222,524)	(14,652,079)	(5,816,422)	(5,365,069)	(1,497,611)	(196,270,921)
Net book value	252,600,000	179,401,700	43,622,805	75,839	6,252,922	243,005	6,277,595	-	488,473,866
Year ended 30 June 2010									
Opening net book value	252,600,000	179,401,700	43,622,805	75,839	6,252,922	243,005	6,277,595	-	488,473,866
Effect of revaluation as at 28 June 2010	1,877,900	161,494,878	184,454,189	-	-	-	-	-	347,826,967
Additions		-	-	-	92,100	212,339	-	-	304,439
Classified as non-current asset held for sale	(75,400,000)	-			-	-		-	(75,400,000)
Disposals									
Cost	-	-	-	-	-	(60,000)	-	-	(60,000)
Accumulated depreciation	-	-	-	-	-	16,650	-	-	16,650
			-	-	-	(43,350)	-	-	(43,350)
Depreciation charge	-	(9,642,981)	(4,721,653)	(7,584)	(627,585)	(130,926)	(1,025,369)	-	(16,156,098)
Closing net book value	179,077,900	331,253,597	223,355,341	68,255	5,717,437	281,068	5,252,226		745,005,824
At 30 June 2010									
Cost / revalued amount	179,077,900	450,833,266	286,857,522	298,363	20,997,101	6,211,766	11,642,664	1,497,611	957,416,193
Accumulated depreciation	-	(119,579,669)	(63,502,181)	(230,108)	(15,279,664)	(5,930,698)	(6,390,438)	(1,497,611)	(212,410,369)
Net book value	179,077,900	331,253,597	223,355,341	68,255	5,717,437	281,068	5,252,226	-	745,005,824
Annual rate of depreciation (%)	-	5.10	10	10	10	33	20		

13.1 Had there been no revaluation the cost, accumulated depreciation and book value of the revalued assets as at 30 June 2010 would have been as follows:

	Cost	Accumulated Depreciation	Book Value
	Rupees	Rupees	Rupees
Freehold land	227,429	-	227,429
Building on freehold land	3,509,279	2,371,761	1,137,518
Plant and machinery	37,889,046	20,951,284	16,937,762

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

	2010	2009
	Rupees	Rupees
Cost of sales (Note 26)	14,372,218	23,307,349
Administrative expenses (Note 28)	1,783,880	2,997,465
	16,156,098	26,304,814

13.3 Aggregate of items of property, plant and equipment disposed of during the year is as follows:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds
		RUPEES		
Computers	60,000	16,650	43,350	34,000

		2010 RUPEES	2009 RUPEES
14.	**LONG TERM INVESTMENTS**		
	Subsidiary Company:		
	Crescent Agrifarms (Private) Limited (Note 14.1)		
	Nil (2009: 98) fully paid ordinary shares of Rupees 10 each		
	Equity held: Nil (2009: 98%)	-	980
	Add: Advance for purchase of shares	-	417,205
		-	418,185
	Available for sale		
	Associated Companies:		
	Un-quoted		
	Crescent Group Services (Private) Limited		
	220 000 (2009: 220 000) fully paid ordinary shares of Rupees 10 each		
	Equity held: 1.03% (2009: 1.03%)		
	Others:		
	Un-quoted		
	Crescent Modaraba Management Company Limited		
	100 000 (2009: 100 000) fully paid ordinary shares of Rupees 10 each	134,500	134,500
	Equity held: 5.45% (2009: 5.45%)		
		134,500	552,685

14.1 Crescent Agrifarms (Private) Limited (CAFL), a subsidiary of the Company was incorporated on 17 June 2009. CAFL has not yet started its operations and has incurred only preliminary expenses. Management has passed a resolution in the extra ordinary general meeting held on 01 June 2010 that it is not viable to operate CAFL due to high operational cost. Due to this reason, the management intends to liquidate this investment within twelve months. Consequently, this investment has been disclosed in these financial statements as 'Investment in subsidiary company held for sale' (Note 24.2).

15.	**LONG TERM LOANS**		
	To employees - considered good	513,000	394,630
	Less: Current portion shown under current assets (Note 19)	132,000	208,140
		381,000	186,490

15.1 These represent loans given to employees against their salaries. Interest is charged on car loans while other loans are interest free. All loans are recoverable in equal monthly installments.

15.2 The fair value adjustment in accordance with the requirements of IAS 39 'Financial Instruments: Recognition and Measurement' arising in respect of staff loans is not considered material and hence not recognized.

		2010 RUPEES	2009 RUPEES
16.	**STORES AND SPARE PARTS**		
	Stores	1,792,705	1,189,446
	Spare parts	6,461,898	6,332,437
		8,254,603	7,521,883
	Less: Provision for obsolete items	458,847	468,544
		7,795,756	7,053,339
17.	**STOCK-IN-TRADE**		
	Raw materials (Note 17.1)	85,598,839	61,716,835
	Work-in-process	19,120,035	15,232,324
	Finished goods	151,157,408	66,197,002
	Waste	20,388	-
		255,896,670	143,146,161

17.1 Raw materials include stock-in-transit of Nil (2009: Rupees 22,491,678).

18.	**TRADE DEBTS**		
	Considered good:		
	Un-secured (Note 18.1)	142,284,450	29,113,190

18.1 As at 30 June 2010, trade debts of Rupees 41.580 million (2009: Rupees 29.113 million) were past due but not impaired. These relate to an independent customer from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

Upto 1 month	-	19,995,000
1 to 6 months	41,580,000	9,118,190
	41,580,000	29,113,190

19.	**LOANS AND ADVANCES**		
	Considered good:		
	Employees	4,395,398	642,800
	Current portion of long term loans to employees (Note 15)	132,000	208,140
	Advances to suppliers	887,290	668,877
	Letters of credit	870,132	172,279
	Income tax	11,323,539	6,796,802
		17,608,359	8,488,898
20.	**SHORT TERM DEPOSITS AND PREPAYMENTS**		
	Deposits	10,314,750	12,779,560
	Prepayments	525,492	487,037
		10,840,242	13,266,597

21.	OTHER RECEIVABLES	2010 RUPEES	2009 RUPEES
	Considered good:		
	Sales tax refundable	8,527,534	7,985,645
	Due from related parties (Note 21.1)	5,627,256	5,655,456
	Others	331,729	-
		14,486,519	13,641,101

21.1 It represents the advance given to Crescent Group Services (Private) Limited (CGSL) for executing certain construction contracts for WAPDA. Contingency related to the balance receivable from CGSL is given in Note 12.1.2.

22. **SHORT TERM INVESTMENTS – Investments at fair value through profit or loss**

Associated Company - Quoted:		
Shakarganj Mills Limited		
200 440 (2009: 200 440) fully paid ordinary shares of Rupees 10 each	1,022,244	3,832,413
Equity held: 0.29% (2009: 0.29%)		
Others - Quoted		
Crescent Fibres Limited		
17 499 (2009: 17 499) fully paid ordinary shares of Rupees 10 each	107,619	259,860
Equity held: 0.14% (2009: 0.14%)		
Shahzad Textile Mills Limited		
60 (2009: 60) fully paid ordinary shares of Rupees 10 each	117	360
Thal Limited		
261 (2009: 156) fully paid ordinary shares of Rupees 10 each	12,082	30,579
	1,142,062	4,123,212
Less: Impairment loss recognised	260,572	2,981,150
Add: Unrealised gain on remeasurement of investments	49,751	-
	931,241	1,142,062

22.1 Aggregate market value of quoted investments in associated company as at 30 June 2010 is Rupees 0.762 million (2009: Rupees 1.022 million).

22.2 Investments valuing Rupees 0.635 million (2009: Rupees 0.852 million) are pledged as security with The Bank of Punjab against short term borrowings.

		2010 RUPEES	2009 RUPEES
23.	**CASH AND BANK BALANCES**		
	With banks :		
	Current accounts	9,693,681	22,900,591
	Saving and deposit accounts (Note 23.1)	4,685,577	1,526,392
		14,379,258	24,426,983
	Cash in hand	398,572	822,136
		14,777,830	25,249,119

23.1 Rate of profit on saving and deposit accounts ranges from 4.50% to 10.25% per annum (2009: 4.50% to 5.00% per annum)

24. NON-CURRENT ASSETS HELD FOR SALE

The non-current assets held for sale under IFRS 5 'Non Current Assets Held For Sale and Discontinued Operations' in their respective categories are summarized hereunder:

	2010	2009
Freehold land (Note 24.1)	75,400,000	-
Investment in subsidiary company (Note 24.2)	428,585	-
	75,828,585	-

24.1 This freehold land has been presented as held for sale following the approval of the management of the Company and shareholders in extra ordinary general meeting dated 01 June 2010 to sale the land measuring 26 acres located at 128 G.B., Tehsil Jaranwala, District Faisalabad through competitive bidding. The completion of transaction is expected within 12 months from the balance sheet date.

24.2 Investment in subsidiary compnay classified as held for sale

Crescent Agrifarms (Private) Limited

	2010	2009
98 (2009: Nil) fully paid ordinary shares of Rupees 10 each Equity held: 98% (2009: Nil)	980	-
Add: Advance for purchase of shares	427,605	-
	428,585	-

		2010	2009
25.	**SALES**		
	Export	18,862,428	33,280,440
	Local (Note 25.1)	547,080,156	966,614,723
	Export rebate	59,231	103,363
		566,001,815	999,998,526
25.1	**Local sales**		
	Main product	546,429,600	965,266,484
	Waste	851,856	1,560,116
		547,281,456	966,826,600
	Less: Trade discount	201,300	211,877
		547,080,156	966,614,723

		2010	2009
26.	**COST OF SALES**	**RUPEES**	**RUPEES**
	Raw material consumed (Note 26.1)	446,813,123	565,922,821
	Salaries, wages and other benefits	98,333,010	175,941,130
	Stores and spare parts consumed	18,231,075	30,498,702
	Repair and maintenance	4,503,647	5,246,862
	Fuel and power	27,323,471	50,128,393
	Insurance	2,404,602	1,446,096
	Other factory overheads	2,545,760	2,466,028
	Depreciation (Note 13.2)	14,372,218	23,307,349
		614,526,906	854,957,381
	Work-in-process		
	Opening stock	15,232,324	9,777,666
	Closing stock	(19,120,035)	(15,232,324)
		(3,887,711)	(5,454,658)
	Cost of goods manufactured	610,639,195	849,502,723
	Finished goods		
	Opening stock	66,197,002	88,348,756
	Closing stock	(151,177,796)	(66,197,002)
		(84,980,794)	22,151,754
		525,658,401	871,654,477
26.1	**Raw material consumed**		
	Opening stock	39,225,157	60,065,552
	Add: Purchased during the year	493,186,805	545,082,426
		532,411,962	605,147,978
	Less: Closing stock	85,598,839	39,225,157
		446,813,123	565,922,821
27.	**DISTRIBUTION COST**		
	Salaries, allowances and other benefits	1,696,395	1,555,381
	Freight and handling	4,601,888	13,582,444
	Travelling and conveyance	586,190	905,988
	Commission to selling agents	512,423	-
	Entertainment	88,557	171,809
	Postage and telephone	44,469	56,724
	Printing and stationery	5,500	13,709
	Others	1,430,687	1,113,712
		8,966,109	17,399,767

		2010 RUPEES	2009 RUPEES
28.	**ADMINISTRATIVE EXPENSES**		
	Salaries, allowances and benefits	29,976,093	29,620,009
	Rent, rates and taxes	3,307,987	2,983,214
	Legal and professional	1,687,149	3,332,840
	Insurance	461,565	686,921
	Traveling and conveyance	5,618,281	11,966,435
	Vehicles' running	9,081,967	9,864,905
	Entertainment	1,324,529	1,210,656
	Auditors' remuneration (Note 28.1)	415,000	415,000
	Advertisement	147,850	108,500
	Postage and telephone	1,648,315	1,718,294
	Electricity, gas and water	2,561,428	2,175,192
	Printing and stationery	466,613	551,477
	Repair and maintenance	1,017,583	1,046,528
	Fee and subscription	90,340	33,600
	Depreciation (Note 13.2)	1,783,880	2,997,465
	Miscellaneous	1,044,961	1,139,506
		60,633,541	69,850,542

28.1 Auditors' remuneration:

	Riaz Ahmad and Company		
	Audit fee	300,000	300,000
	Half yearly review	80,000	80,000
	Reimbursable expenses	35,000	35,000
		415,000	415,000

29. OTHER OPERATING EXPENSES

	Workers' profit participation fund	-	273,787
	Workers' welfare fund	-	104,041
	Exchange loss	3,864,523	257,650
	Impairment loss on investments	260,572	2,981,150
	Debit balances written off	-	3,518,611
	Donations (Note 29.1)	100,000	620,000
	Loss on sale of property, plant and equipment	9,350	-
	Previously written back liability recognised (Note 29.2)	12,000,000	-
		16,234,445	7,755,239

29.1 There is no interest of any director or his spouse in donees' fund.

29.2 This represents amount paid to a banking company which was previously written back in the financial statements for the year ended 30 June 2007.

		2010 RUPEES	2009 RUPEES
30.	**OTHER OPERATING INCOME**		
	Income from financial assets		
	Profit on deposits with banks	200,189	136,199
	Dividend income on investment in other than related parties	261	-
	Un-realised gain on re-measurement of investments at fair value through profit or loss	49,751	-
	Income from non financial assets		
	Gain on sale of property, plant and equipment	-	375,358
	Scrap sales	4,902	147,903
	Credit balances added back	174,745	1,792,050
	Provision added back for stores and spares	9,697	35,120
	Others	165,043	48,857
		354,387	2,399,288
		604,588	2,535,487

31.	**FINANCE COST**		
	Mark-up on short term borrowings (Note 31.1)	34,685,016	25,709,885
	Amortized cost of long term financing	3,854,825	4,132,639
	Interest on worker's profit participation fund	18,771	-
	Bank charges and commission	624,123	933,559
		39,182,735	30,776,083

31.1 It includes Rupees 4.562 million (2009: Rupees 4.857 million) charged as markup by the associated undertaking.

32.	**PROVISION FOR TAXATION**		
	Current year (Note 32.1)	(2,930,694)	(332,804)
	Prior years	-	4,539,000
	Deferred (Note 8)	4,235,898	4,826,162
		1,305,204	9,032,358

32.1 Provision for current taxation represents the minimum tax on turnover under section 113 of the Income Tax Ordinance, 2001. Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is not required in view of accumulated tax losses of the Company.

33. **(LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED**

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

	2010	2009
(Loss) / Profit for the year (Rupees)	(82,763,624)	14,130,263
Weighted average number of ordinary shares (Numbers)	23 763 468	23,763,468
(Loss) / Earnings per share (Rupees)	(3.48)	0.59

34. **CASH (USED IN) / GENERATED FROM OPERATIONS**

	2010 RUPEES	2009 RUPEES
(Loss) / profit before taxation	(84,068,828)	5,097,905
Adjustments for non-cash charges and other items:		
Depreciation	16,156,098	26,304,814
Loss / (gain) on sale of property, plant and equipment	9,350	(375,358)
Credit balances added back	(174,745)	(1,792,050)
Debit balances written off	-	3,518,611
Un-realised gain on re-measurement of held for trading investments	(49,751)	-
Dividend income	(261)	-
Impairment loss on investments	260,572	2,981,150
Finance cost	(39,182,735)	30,776,083
Working capital changes (Note 34.1)	(225,956,556)	67,004,100
	(333,006,856)	(133,515,255)

34.1 **Working capital changes**

	2010 RUPEES	2009 RUPEES
(Increase) / decrease in current assets:		
- Stores and spare parts	(742,417)	1,405,491
- Stock in trade	(112,750,509)	15,045,813
- Trade debts	(113,171,260)	55,599,741
- Loans and advances	(4,592,724)	21,869,512
- Short term deposits and prepayments	2,426,355	(3,613,192)
- Other receivables	(845,418)	(1,379,339)
	(229,675,973)	88,928,026
Increase / (decrease) in current liabilities:		
- Trade and other payables	3,719,417	(21,923,926)
	(225,956,556)	67,004,100

35. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregateamount charged in the financial statements for remuneration including all benefits to Chief Executive Officer, Directors and Executives of the Company is as follows:

	Chief Executive Officer		Directors		Executives	
	2010	2009	2010	2009	2010	2009
	RUPEES					
Managerial remuneration	4,000,800	3,522,400	5,552,078	5,611,697	1,651,490	1,983,685
Allowances:						
House rent	1,999,200	1,485,600	1,355,434	1,103,391	762,053	595,107
Medical	29,290	86,698	307,365	960,625	170,148	198,366
Utilities	-	108,000	1,197,027	246,536	170,148	198,367
Servant's salary	180,000	180,000	167,915	159,200	-	-
Others	261,209	137,766	271,068	212,933	-	-
	6,470,499	5,520,464	8,850,887	8,294,382	2,753,839	2,975,525
Number of persons	1	1	3	3	2	2

35.1 The Chief Executive Officer is provided with free use of Company's maintained car and utilities. Directors and Executivesare provided with free use of company's maintained cars. One of the directors is provided with free furnished accommodation.

35.2 Meeting fee amounting to Rupees 35,000 (2009: Rupees 37,500) has been paid to three directors.

35.3 Travelling expenditure of Chief Executive Officer and Directors amounts to Rupees 3,417,564 (2009: Rupees 5,134,683).

36. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise subsidiary company, associated companies/undertakings, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2010 RUPEES	2009 RUPEES
Subsidiary Company		
Advance for issuance of shares	10,400	417,205
Investments made	-	980
Associated Companies		
Service charges paid	2,321,883	2,014,539
Service charges received	192,784	137,150
Insurance premium paid	3,147,858	2,065,672
Insurance claims received	259,278	206,305
Associated Undertaking		
Loan received	46,000,000	-
Loan repaid	-	51,000,000
Markup expense	4,562,192	4,857,014
Directors and key management personnel		
Loan received	54,600,000	-

37. PLANT CAPACITY AND ACTUAL PRODUCTION

		2010	2009
Sacking including twine			
100% plant capacity on three shifts per day	Kgs.	18 500 000	18 500 000
Actual production	Kgs.	5 946 253	11 706 330
Hessian			
100% plant capacity on three shifts per day	Kgs.	4 500 000	4 500 000
Actual production	Kgs.	572 476	1 068 912

37.1 Reason for low production

Under utilization of production capacity is mainly due to shortage of raw jute as ban was imposed by the Government of Bangladesh on export of raw jute during the year.

38. FINANCIAL RISK MANAGEMENT

38.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial marketes and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk, investment of excess liquidity and use of non-derivative financial instruments.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The Company has no receivable / payable balances in foreign currency as at 30 June 2010.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to commodity price risk.

Sensitivity analysis

The table below summarises the impact of increase / decrease in the Karachi Stock Exchange (KSE) Index on the Company's loss after taxation and on other comprehensive loss for the year. The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index:

Index	Impact on (loss) / profit after taxation		Impact on other comprehensive loss	
	2010 RUPEES	2009 RUPEES	2010 RUPEES	2009 RUPEES
KSE 100 (5% increase)	46,562	53,106	-	-
KSE 100 (5% decrease)	(46,562)	(53,106)	-	-

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from short term borrowings. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Company to fair value interest rate risk.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

	2010 RUPEES	2009 RUPEES
Fixed rate financial instruments:		
Financial liabilities		
Short term borrowings	46,000,000	-
Floating rate instruments:		
Financial assets		
Bank balances- saving accounts	4,685,577	1,526,392
Financial liabilities		
Short term borrowings	329,605,808	137,823,652

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, (loss) / profit after taxation for the year would have been Rupees 3.249 million (2009: Rupees 1.269 million) higher / lower, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amount of liabilities outstanding at balance sheet date were outstanding for the whole year.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2010 RUPEES	2009 RUPEES
Investments	1,065,741	1,276,562
Loans and advances	4,908,398	1,037,430
Deposits	12,266,250	15,967,531
Trade debts	142,284,450	29,113,190
Other receivables	5,958,985	5,655,456
Bank balances	14,379,258	24,426,983
	180,863,082	77,477,152

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (If available) or to historical information about counterparty default rate:

	Rating			2010	2009
	Short Term	Long term	Agency	RUPEES	RUPEES
Banks					
MCB Bank Limited	A1+	AA+	PACRA	7,064,110	2,837,283
The Royal Bank of Scotland Limited	A1+	AA	PACRA	-	1,619
United Bank Limited	A-1+	AA+	JCR-VIS	154,747	510,676
National Bank of Pakistan	A-1+	AAA	JCR-VIS	3,475	-
Bank Alfalah Limited	A1+	AA	PACRA	36,100	-
The Bank of Punjab	AA-	A1+	PACRA	7,120,826	21,077,405
				14,379,258	24,426,983

The Company's exposure to credit risk related to trade debts is disclosed in Note 18.

Due to the Company's long standing business relationships with these counterparties, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2010, the Company had Rupees 1,078.729 million available borrowing limits from financial institutions (2009: Rupees 703.210 million) and Rupees 14.778 million cash and bank balances (2009: Rupees 25.249 million). Management believes the liquidity risk to be low. Followings are the contractual maturities of financial liabilities, including interest payments. The amounts disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2010:

	Carrying Amount	Contractual Cash Flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
			RUPEES			
Non-derivative financial liabilities:						
Long term financing	72,657,683	79,638,718	3,499,998	3,499,998	6,842,278	65,796,444
Trade and other payables	23,607,307	23,607,307	23,607,307	-	-	
Accrued markup	39,566,236	39,566,236	39,566,236	-	-	
Short term borrowings	415,816,206	431,356,707	371,846,309	59,510,398	-	
	551,647,432	574,168,968	438,519,850	63,010,396	6,842,278	65,796,444

Contractual maturities of financial liabilities as at 30 June 2009

	Carrying Amount	Contractual Cash Flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
Non-derivative financial liabilities:						
Long term financing	75,802,858	75,802,858	1,494,670	1,650,505	3,835,194	68,822,489
Trade and other payables	31,072,710	31,072,710	31,072,710	-	-	
Accrued markup	30,852,227	30,852,227	30,852,227	-	-	
Short term borrowings	188,534,050	199,401,445	142,573,652	56,827,793	-	
	326,261,845	337,129,240	205,993,259	58,478,298	3,835,194	68,822,489

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interestrates/markup rates effective as at 30 June. The rates of interest / mark up have been disclosed in Note 11 to these financial statements.

38.2 Fair values of financial assets and liabilities

The carrying values of all financial assetsand liabilities reflected in financial statements approximate their fair values. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped in to levels 1 to 3 based on the degree to which fair value is observable:

	Level 1	Level 2	Level 3	Total
		RUPEES		
As at 30 June 2010				
Assets				
Financial assets at fair value through profit or loss	931,241	-	-	931,241
As at 30 June 2009				
Assets				
Financial assets at fair value through profit or loss	1,142,062	-	-	1,142,062

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial instruments held by the Company is the current bid price. These financial instruments are classified under level 1 in above referred table.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value a financial instrument are observable, those financial instruments are classified under level 2 in above referred table. The Company has no such type of financial instruments as on 30 June 2010.

If one or more of the significant inputs is not based on observable market data, the financial instrument is classified under level 3. The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments. The Company has no such type of financial instruments as on 30 June 2010.

38.3 Financial instruments by categories

	Loans and receivables	At fair value through profit or loss	Available for sale	Total
	RUPEES			
As at 30 June 2010				
Assets as per balance sheet				
Investments	-	931,241	134,500	1,065,741
Loans and advances	4,908,398	-	-	4,908,398
Deposits	12,266,250	-	-	12,266,250
Trade debts	142,284,450	-	-	142,284,450
Other receivables	5,958,985	-	-	5,958,985
Cash and bank balances	14,777,830	-	-	14,777,830
	180,195,913	931,241	134,500	181,261,654

	Financial liabilities at amortized cost
	RUPEES
Liabilities as per balance sheet	
Long term financing	72,657,683
Trade and other payables	23,607,307
Accrued mark-up	39,566,236
Short term borrowings	415,816,206
	551,647,432

	Loans and receivables	At fair value through profit or loss	Available for sale	Total
	RUPEES			
As at 30 June 2009				
Assets as per balance sheet				
Investments	-	1,142,062	134,500	1,276,562
Loans and advances	1,037,430	-	-	1,037,430
Deposits	15,967,531	-	-	15,967,531
Trade debts	29,113,190	-	-	29,113,190
Other receivables	5,655,456	-	-	5,655,456
Cash and bank balances	25,249,119	-	-	25,249,119
	77,022,726	1,142,062	134,500	78,299,288

	Financial liabilities at amortized cost
	RUPEES
Liabilities as per balance sheet	
Long term financing	75,802,858
Accrued mark-up	30,852,227
Short term borrowings	188,534,050
Trade and other payables	31,072,710
	326,261,845

38.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may issue new shares or sell assets to reduce debt.

39. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 30th September 2010 by the Board of Directors of the Company.

40. CORRESPONDING FIGURES

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

41. GENERAL

Figures have been rounded off to the nearest Rupee.

Humayun Mazhar	**Khurram Mazhar Karim**
Chief Executive Officer	Director

FORM OF PROXY

I/We ____

of ______________________________________ a member/members of Crescent Jute Products Limited and holder of ________________ shares as per Registered Folio #/CDC Participant ID # / Sub A/C # / Investor A/C # ________________ do hereby appoint ________________________ of ________________ or failing him / her ________________________ of ________________

who is also member of the Company vide Registered Folio # / CDC Participant ID # / Sub A/C # / Investor A/C # ____________ as my / our Proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of the shareholders of CRESCENT JUTE PRODUCTS LIMITED to be held on Saturday the October 30, 2010 at 11:00 a.m. at 306, 3rd Floor, Siddiq Trade Centre, 72-Main Boulevard, Gulberg, Lahore and at any adjournment thereof.

As witness my hand this ________________________ day of ____________ 2010.

Member's Signature

Please affix here Revenue Stamp

Witness Signature

Place ________________________

Date: ________________________

Note: A member eligible to attend and vote at this meeting may appoint another member as his / her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received by the Company at the Registered Office of the Company not later than 48 hours before the time for holding the meeting.

Proxies of the member (s) through CDC shall be accompanied with attested copies of the CNIC(s). The shareholders through CDC are requested to bring original CNIC, Account Number and participant Account Number to be produced at the time of attending the meeting.