




Of about 13 million hectares of land on Earth, a quarter has been converted into pasture for domesticated animals, an eighth into arable farmland and just 1.5% into built up areas. Although this leaves a notional 60% of pristine land, almost all of this has been effected by global warming, mining, erosion and similar impositions. Crescent Steel realises its responsibility and contributes to the protection of environment and conservation of nature.



Mission, Vision, Values



To add value to shareholders and the economy by engaging profitably in the supply of products for Water, Oil and Gas transmission as core business and other selected activities.

To gain and maintain cost and quality leadership in the international competitive environment, as world class manufacturers.

To promote best use and development of human talent in a safe environment; as an equal opportunity employer.





Contents

| | |
|---|-----|
| Company Information | 2 |
| Shareholders' Information | 4 |
| Company Profile | 6 |
| Our Governing Principles | 9 |
| Year in Brief | 15 |
| Key Figures | 15 |
| Statement of Value Added | 17 |
| Directors' Report | 19 |
| Chief Executive's Review | 23 |
| Management Structure | 44 |
| Financial Highlights | 45 |
| Attendance at Board and Audit Committee Meetings | 49 |
| Statement of Compliance with the Code of Corporate Governance | 50 |
| Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance | 52 |
| Auditors' Report to the Members | 53 |
| Balance Sheet | 54 |
| Profit and Loss Account | 56 |
| Cash Flow Statement | 57 |
| Statement of Changes in Equity | 58 |
| Notes to the Financial Statements | 59 |
| Pattern of Holding of Shares | 121 |
| Notice of Annual General Meeting | 124 |
| Form of Proxy | |



From left to right: Mazhar Karim, Javed Iqbal, S.M. Ehtishamullah, Ahsan M. Saleem,

BOARD OF DIRECTORS

| | |
|-----------------------------------|--------------------|
| <i>Chairman</i> | Mazhar Karim |
| <i>Chief Executive</i> | Ahsan M. Saleem |
| <i>Non-Executive Director</i> | Javed A. Callea |
| <i>Non-Executive Director</i> | Javed Iqbal |
| <i>Non-Executive Director</i> | Mohammad Anwar |
| <i>Non-Executive Director</i> | Nasir Shafi |
| <i>Finance Director & CFO</i> | S.M. Ehtishamullah |
| <i>Non-Executive Director</i> | Zahid Bashir |

COMPANY SECRETARY

Mohammad Amin

AUDIT COMMITTEE

| | |
|-------------------------------|---|
| <i>Chairman</i> | Javed A. Callea Javed Iqbal Nasir Shafi |
| <i>Head of Internal Audit</i> | Ford, Rhodes, Sidat, Hyder & Co. (Asim Siddiqui- Engagement Partner) |

HUMAN RESOURCE COMMITTEE

| | |
|-----------------|---|
| <i>Chairman</i> | Ahsan M. Saleem Javed Iqbal Nasir Shafi |
|-----------------|---|





Mohammad Anwar, Zahid Bashir, Nasir Shafti and Javed A. Callea.

THE MANAGEMENT

Chief Executive and
Managing Director
Ahsan M. Saleem, 52
1983*

Advisor to CEO (Technical)
Mohammad Sharif, 73
1984*

Advisor (Corporate)
Dr. Wasim Azhar, 52
2001*

Finance Director
S.M. Ehtishamullah, 66
1996*

Commercial Director /
Head of Buying
S.A.N. Kazmi, 63
1986*

General Manager
Cotton Division
Abdul Rouf, 46
2000*

Chief Information Officer
(Outsourced)
Shahid H. Mir, 51
2004*

Head of Marketing
Arif Raza, 44
1985*

Head of Manufacturing
Mushtaque Ahmed, 44
1985*

Controller Finance
Zeeshan Ghulam
Muhammad, 32
2001*

EXECUTIVE COMMITTEE

Ahsan M. Saleem
S.M. Ehtishamullah
S.A.N. Kazmi

**BUSINESS STRATEGY
COMMITTEE**

Ahsan M. Saleem
S.M. Ehtishamullah
S.A.N. Kazmi
Abdul Rouf

**SYSTEM AND
TECHNOLOGY
COMMITTEE**

Ahsan M. Saleem
Shahid H. Mir
Zeeshan Ghulam Muhammad

INVESTMENT COMMITTEE

Ahsan M. Saleem
S.M. Ehtishamullah
Farrukh Hussain

* Year joined Company



Crescent Steel &
Allied Products Ltd.

Shareholders' Information



Stock Exchange Listing

Crescent Steel and Allied Products Limited is a listed Company and its shares are traded on all the three stock exchanges of Pakistan.

The Company's share is quoted in leading dailies under the Engineering Sector.

Public Information

Financial analysts, stock brokers, interested investors and financial media desiring information about 'Crescent Steel' should contact Farrukh Hussain at the Company's Principal Office, Karachi. Telephone: 021-5674881-5 E.mail:

farrukh.hussain@crescent.com.pk

Shareholders Information

Enquiries concerning lost share certificates, dividend payments, change of address, verification of transfer deeds and share transfers should be directed to the Shareholder Services Department at the Registered Office at Lahore.

Telephone: 042-111-912-912

Fax: 042-5875915-16

E.mail: csbm@csibl.com

Products Steel Division

Manufacturer of DSAW steel line pipes in diameters ranging from 8" to 90" and applicator of multi-layer polyolefin

coating conforming to international standards.

Cotton Division

Manufacturer of quality cotton yarn of various counts of 10s to 30s.

Annual Meeting

The 21st Annual General Meeting of Crescent Steel and Allied Products Limited will be held on Wednesday, 31 August 2005 at 3.00 p.m. at Pearl Continental Hotel, Lahore.

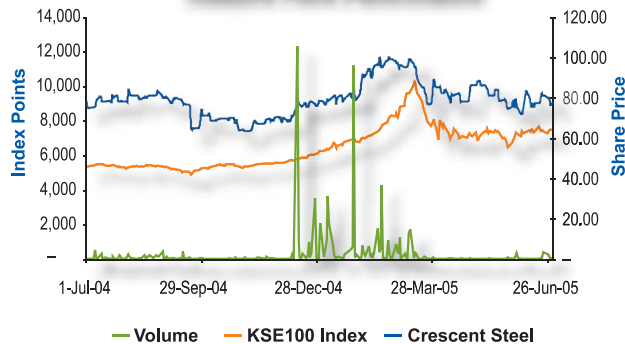
Auditors

KPMG Taseer Hadi Khalid & Co.

Legal Advisor

Hassan & Hassan, Advocates, Lahore

Relative Price Performance





Bankers

Union Bank Limited
 Muslim Commercial Bank Limited
 Meezan Bank Limited
 PICIC Commercial Bank Limited

Registered Office

4th Floor, Crescent Standard
 Tower, 10-B, Block E-2, Main
 Boulevard, Gulberg-III, Lahore.
 Telephone: 042-111-912-912
 Fax: 042-5875915-16
 E.mail: csbm@csibl.com

Liaison Office Lahore

9th Floor, Crescent Standard
 Tower, 10-A, Block E-2, Main
 Boulevard, Gulberg-III, Lahore.
 Telephone: 042-5879701-2
 Fax: 042-5870357

E.mail: ejazahmed@csibl.com

Principal Office

9th Floor, Sidco Avenue
 Centre, 264 R.A. Lines,
 Karachi-74200.
 Telephone: 021-5674881-5
 Fax: 021-5680476
 E-mail: mail@crescent.com.pk
 URL: www.crescent.com.pk

Factory – Steel Division

A/25, S.I.T.E., Nooriabad,
 District Jamshoro, Sindh.
 Telephone: 025-4670020-2,
 E.mail: mushtaq.ahmed@nra.
 crescent.com.pk

Mills – Cotton Division

Crescent Cotton Products
 (Spinning Unit) 1st Mile,
 Lahore Road, Jaranwala.
 Telephone: 041-4313799,
 4312899, 4311741
 Fax: 041-4315475
 E.mail: abdul.rouf@jrn.
 crescent.com.pk





Crescent Steel &
Allied Products Ltd.

Company Profile

Crescent Steel and Allied Products Limited is a Public Limited Company listed on all the Stock Exchanges of Pakistan. It started commercial production in March 1987. The manufacturing facilities consist of a Spiral Pipe Production line and a multi-layer Polyolefin and stand-alone Epoxy Coating line, both located side by side at the Sindh Industrial Trading Estate, Nooriabad in Jamshoro district of Sindh and a Cotton Spinning Unit of 19,680 spindles at Jaranwala, Faisalabad. Crescent Steel and Allied Products Limited is an equal opportunity employer with a sense of social responsibility and strongly supports education and environmental causes.

Steel Division

The Spiral Pipe Plant has a capability of manufacturing high quality steel pipes in the diameter range of 8-5/8" – 90" (219 mm – 2286 mm) in wall thickness from 4

mm – 18 mm and material grades up to API 5L X-80. The Company has been gradually enhancing and upgrading the pipe production capacity which has increased from 80,000 tons initially to the present notional capacity of 90,000 tons per annum. The Company has authorization to use API monogram of the American Petroleum Institute – the highest international standard accredited for quality of steel line pipe. It also has the ISO 9001 : 2000 certification. The Polyolefin Coating Plant was added adjacent to the pipe mills which is capable of applying single and multi-layer Coatings comprising of Fusion Bonded Epoxy, Co-Polymer Adhesive and High Density Polyethylene / Polypropylene and Polyethylene Tape Coating on steel pipes ranging from 6-5/8" – 48" (168 mm – 1219 mm). Crescent Steel maintains high quality norms in all its products and has consistently exceeded the requirements of





international standards both in steel line pipe and multi-layer coatings and will continue to remain at the cutting edge in terms of technology, quality control and quality assurance.

Cotton Division

In the year 2000, the Company acquired a running cotton spinning mill located at Jaranwala near Faisalabad, which is the hub of textile industry and carries out this activity under the name and title of “Crescent Cotton Products” (CCP) a division of Crescent Steel and Allied Products Limited. CCP is a division of

the Company but its operating results are shown separately. CCP as a division holds ISO 9001 : 2000 Quality Management Credential. CCP produces good quality cotton yarn of various counts from 10s to 30s having a notional capacity based on 20s of 6.2 million kgs per annum and its products are consistently in demand and generally sold at a premium.





We are committed to provide products and services conforming
*to world-class quality standards based on application of modern
technology, within a safe environment; ensuring customer
satisfaction, maintaining cost and quality leadership-setting
measurable objectives for continual improvement; assured
through an independent quality function*



Crescent Steel & Allied Products Ltd.

Our Governing Principles



CSAPL conducts its business in a responsible manner and with honesty, and integrity. We also have the same expectations from all those with whom we have relationships. We insist on doing what is right which sets the tone of our actions and underpins the functioning of our employees. We also insist that all transactions be open, transparent and within the legal framework culminating in responsible financial reporting.



Integrity

CSAPL does not use bribe as an instrument for any business or financial gain. Employees are not authorized to give or receive any gift or payment which may be construed as such.

Employees are also required to avoid engaging in any personal activity or financial

interests which would conflict with their responsibility to the Company.

Role of the Board of Directors

The Board has a fiduciary responsibility for the proper direction and control of the activities of the Company. This responsibility includes such areas of stewardship as the identification and control of the Company's business risks, the integrity of management information systems and clear, transparent reporting to shareholders. The Board accepts its primary responsibility for the overall control architecture of the Company. However, it recognizes that the internal control system has to be cost effective and that no cost effective system will preclude all errors or irregularities. The system is based upon written procedures, policies, guidelines, an organogram that provides an appropriate division of responsibility, a programme of internal audit, manning of all key functions by qualified personnel and constant training.

Code of Conduct

The Board has adopted a code of conduct for its members, executives and staff, specifying the business standards and ethical considerations in conducting its business. The code includes:

- Corporate governance
- Relationship with employees, customers and regulators
- Confidentiality of information
- Trading in Company's shares
- Environmental responsibilities

Board Committees

The Board has constituted an Audit Committee and a Human Resource Committee to review and improve the current human resource architecture.

Audit Committee

The Audit Committee operates under a charter approved by the Board. The governing charter of the Audit Committee addresses the requirement of the code of corporate governance issued by the SECP and includes the requirements of best practices. The Committee is accountable to the Board for the





We are looking at diversification opportunities in the engineering field to complement our leadership position as a large pipe manufacturing and coating company. Crescent Quality Assurance & Development setup ensures the highest quality standards on one hand and continuous research and development efforts in retaining cost leadership and improved operational efficiency on the other



Crescent Steel & Allied Products Ltd.

Our Governing Principles



recommendation of appointment of external auditors, directing and monitoring the audit function and reviewing the adequacy and quality of the audit process. CEO and the CFO are responsible for the accuracy of financial information for inclusion in the annual report; the Committee provides the Board with additional assurance.

The Committee also ensures that the Company has an effective



internal control framework. These controls include safeguarding of assets, maintaining of proper accounting records complying with legislation and ensuring the reliability of financial information.

HR Committee

The HR Committee has been constituted to address and improve the crucial area of

human resource development. The Committee has framed a terms of reference and its aim is to guide the management in formulating an overall strategic plan for HR, in developing new program initiatives and formulation of policies. In short to ensure the attainment of the maximum effectiveness from the overall HR service delivery system.

Management Structure

The Company has two distinct business units, a Steel Division and a Cotton Division. The accounting for these units is done separately in an arms length manner to arrive at the true profit before tax for each unit. The seven key functional areas as defined in the system manuals with clear responsibility and authority matrix have direct reporting lines to the Chief Executive Officer. Limits of authority at all levels are clearly defined in our control manual. The Internal Audit function is responsible to monitor compliance with the manual.

Responsibility to Stakeholders

Our primary purpose is to run our business efficiently and profitably to enhance shareholders' value but we do it with responsibility to all stakeholders. Profitability is essential to discharge this responsibility and the corporate resources are primarily deployed in the achievement of this end.

However the Company does not operate in isolation with its environment and accordingly feels responsible to all stakeholders which are:

- Our Shareholders
- Our Customers
- Our People
- Our Business Partners
- Our Society

Service to Society

We are increasingly conscious of the role we have to play as responsible corporate citizens in fulfilling a wide variety of community needs. We believe in "giving something back" by helping address issues such as education, healthcare, public





Maintenance of health and safety standards at our plants and offices is an important issue for the company. We are committed to actively managing health and safety risk associated with our business and are actively working towards improving our procedures to reduce, remove or control the risk of fire, accidents or injuries to employees and visitors



Crescent Steel & Allied Products Ltd.

Our Governing Principles



safety, environmental health etc. This is also arising from our basic belief that individual entities when they work together can create powerful synergies and help to improve the conditions of the societies in which they are operating.

These principles are not just put forth on paper but we have over the years actively strived to promote issues of education, health and enviro-



onment. Major portion of our budget for philanthropy and sponsorship is allocated to primary and secondary schooling for less privileged children.

Health and Safety

Maintenance of health and safety standards at our plants and offices is a serious issue at CSAPL. We are committed to actively managing health and

safety risks associated with our business and are actively working towards improving our procedures to reduce, remove or control the risk of fire, accidents or injuries to employees and visitors. We also ensure that our products are shipped in a safe manner complying with the safety standards and legal requirements.

Role of Shareholders

The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to the shareholders in the annual report and the interim quarterly reports. The Board encourages the shareholders' participation at the Annual General Meetings to ensure a high level of accountability. The Company's financial statements are available on the Company's website and an officer is designated to answer all shareholder enquiries.



A large, dark-colored industrial pipe is shown in a factory setting. The pipe is positioned vertically and appears to be undergoing a process, possibly coating or inspection, as it is surrounded by various mechanical components and structures. The lighting is somewhat dim, highlighting the metallic texture of the pipe and the industrial environment.

Taking steps to improve its existing facilities especially in the areas of quality management. Installation of a pre-coating acid wash plant as part of our commitment to remain at the leading edge of technology. We have developed product design and engineering capabilities which would enable us to offer further value addition to the line pipe manufacturing and coating activities



Crescent Steel &
Allied Products Ltd.

Year in Brief




- Various measures to substantially improve product quality were taken including installation of pre-coating acid wash plant in steel division.
 - Modification of SP mill was in process to produce pipes of larger wall thickness.
 - Work on new spinning mill (Unit 2) adjacent to existing Cotton Mills Jaranwala commenced which would be completed by the end of FY06.
 - Installation of three gas generators at Cotton Mills in
- FY04 resulted in reduction in fuel cost by Rs. 11.7 million during the current fiscal.
- IT initiatives including implementation of Plant Maintenance System and most of the modules of ERP were completed.
 - Net sales and balance sheet footing crossed Rs. 2.6 billion and Rs 2.5 billion mark respectively.
 - Break-up value increased to Rs.75.2 per share.
- Second batch of Crescent LUMS Diploma in Business Management has graduated.
 - Some new avenues for diversification were identified. The company participated in privatization process of National Refinery Limited.
 - Rs. 476.4 million were deposited into government treasury on account of direct and indirect taxes.

KEY FIGURES

| | | 2005 | 2004 |
|--|----------------|-------|-------|
| Sales Revenue | Rs. in million | 2,687 | 1,348 |
| Profit After Tax | Rs. in million | 338 | 296 |
| No. of Shares Outstanding | No. in million | 24.3 | 24.3 |
| Earnings per Share - Basic and Diluted | Rs. | 13.9 | 12.2 |
| Dividend | | | |
| - cash | Rs./share | 3.0 | 3.5 |
| - bonus | (%) | 20 | 10 |
| Return on Capital Employed | (%) | 14.7 | 14.8 |
| Current Ratio | | 3.9 | 4.2 |
| Debt: Equity Ratio | | 13:87 | 21:79 |
| Shareholders' Equity | Rs. in million | 1,828 | 1,519 |
| Total Assets | Rs. in million | 2,537 | 2,228 |
| Capital Expenditure | Rs. in million | 66 | 163 |
| Price - Earning Ratio | | 5.5 | 6.5 |
| Break-up Value per Share | Rs. | 75.2 | 68.8 |
| Employees | | 695 | 713 |





Strategy of utilizing our liquid resources judiciously in the capital market proved to be one of the main sources of income to provide a diversified pool of returns to our shareholders. For the current year company posted total revenue of Rs. 2,687 million. Net profit after tax of Rs. 338 million includes Rs. 234 million from investments. Hence investments play a vital role in the overall performance



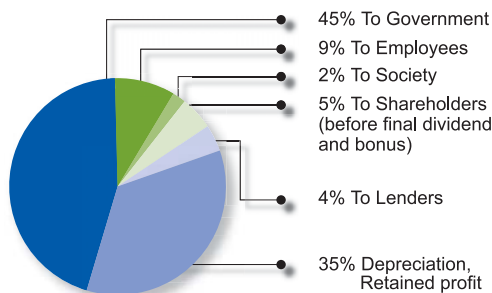
Crescent Steel &
Allied Products Ltd.

Statement of Value Added As at 30 June 2005



| | 2005 Rupees in thousand | % | 2004 Rupees in thousand | % |
|---|-------------------------------|------|-------------------------------|------|
| WEALTH GENERATED | | | | |
| Total revenue inclusive of sales tax and other income | 3,351,359 | | 1,840,758 | |
| Bought-in-material and services | (2,292,087) | | (1,110,790) | |
| | 1,059,272 | 100% | 729,968 | 100% |
| WEALTH DISTRIBUTED | | | | |
| To Employees | | | | |
| Salaries, benefits and other costs | 98,647 | 9% | 93,520 | 13% |
| To Government | | | | |
| Income tax, sales tax | 476,361 | 45% | 223,042 | 30% |
| To Society | | | | |
| Donation towards education, health and environment | 17,714 | 2% | 12,874 | 2% |
| To Providers of Capital | | | | |
| Dividend to shareholders | 48,606 | 5% | 97,141 | 13% |
| Mark up/interest expenses on borrowed funds | 43,949 | 4% | 20,391 | 3% |
| Retained for reinvestment & future growth | | | | |
| Depreciation, amortization & retained profit | 373,995 | 35% | 283,000 | 39% |
| | 1,059,272 | 100% | 729,968 | 100% |

WEALTH DISTRIBUTION 2005





CSAPL recorded its highest ever sales revenue of Rs. 2,687 million.

*Net of tax, the profit stood at Rs. 338 million an increase of 14%.
EPS increased from Rs. 12.18 for FY04 to Rs. 13.91 for this fiscal*

*The Company was able to substantially increase its wealth distribution
this year generating an amount of Rs. 1,059 million of this Rs. 374
million were retained for future reinvestment and growth*



Crescent Steel &
Allied Products Ltd.

Directors' Report

The directors of the company have the pleasure in submitting their report together with audited financial statements of the company for the year ended 30 June 2005.

The financial results of the Company are summarised below:

Operating Results

| | 2005 | 2004 |
|---------------------------------------|------------------|------------------|
| | (Rupees in '000) | |
| Profit for the year | 420,854 | 326,718 |
| Taxation | 82,790 | 30,818 |
| Profit after taxation | <u>338,064</u> | <u>295,900</u> |
| Unappropriated profit brought forward | <u>28,016</u> | <u>4,257</u> |
| Profit available for appropriation | <u>366,080</u> | <u>300,157</u> |
| Appropriations | <u>(48,606)</u> | <u>(272,141)</u> |
| Unappropriated profit carried forward | <u>317,474</u> | <u>28,016</u> |
| Basic and diluted earning per share | <u>Rs. 13.91</u> | <u>Rs. 12.18</u> |

The Board of Directors recommends payment of final cash dividend of Re. 1 in addition to two interim dividends of Re. 1 each making total payment of Rs. 3 (30%) for the year. Further, bonus shares in proportion of every one share for five shares held i.e. 20% is recommended.

Statement on Corporate and financial reporting framework

- These financial statements, prepared by the management

of the company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

- Proper books of account of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements except for the change as stated in note 2.9 to the financial statements, and accounting estimates are based on reasonable and prudent judgment.

- Approved Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements. Approved accounting standards comprised of such standards as notified under the provisions of the Companies Ordinance, 1984 and the directives issued by the Securities and Exchange Commission of Pakistan.
- The system of internal control and other such procedures, which are in place, are being





The Board of Directors has always been an important source of guidance & support for the management. They have helped in not only directing the Company's strategies but also providing crucial input at the various sub committees. They have always contributed much in terms of their vast experience and practical advice



Crescent Steel &
Allied Products Ltd.

Directors' Report



continuously reviewed by the internal audit function. The process of review will continue and any weakness in controls will be removed.

- There are no significant doubts upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Details of significant



improvements in the company's operations during the current year and significant plans and decisions for the future are stated in the Chief Executive Review on page no. 23.

- Key operating and financial data for last six years in summarized form on page no. 45.
- Information about taxes and

levies is given in the notes to the financial statements.

- The number of employees at the end of year was 695 (2004: 713).
- The following is the value of investments of the following funds based on the audited accounts for the year ended 31 December 2002:
 - √ Provident fund Rs. 45.86 M
 - √ Gratuity fund Rs. 10.38 M
 - √ Pension fund Rs. 29.09 M
- During the year seven board meetings were held and the attendance by each director is attached separately.

Pattern of Shareholding

The pattern of shareholding and additional information regarding pattern of shareholding is attached separately.

No trade in the shares of the company were carried out by CEO, CFO and Company Secretary and their spouses and minor children except those that have been duly reported as per the law.

Directors

Since the last report, no change in directorship has taken place. The present term of the

eight elected directors will expire on 29 January 2006.

Financial statements

The financial statements of the Company have been duly audited and approved without qualification by the auditors of the Company, Taseer Hadi Khalid & Co. and their report is attached with the financial statements.


No material changes and commitments affecting the financial position of your Company have occurred between the end of the financial year to which this Balance Sheet relates and the date of the Directors' Report.

Ahsan M. Saleem
By order of the Board

Ahsan M. Saleem
Chief Executive

30 July 2005





Driven by the government's desire to substitute imported oil with gas, state owned gas distribution companies are undertaking aggressive capital expenditure plans targeting a total investment of Rs. 64 bn (US\$ 1.1 bn) over the next five years. In addition, gas consumption is increased by 17% during the period under review



Crescent Steel &
Allied Products Ltd.

Chief Executive's Review



Dear CSAPL Shareholder,

Fiscal 2005 has been a good year for the Pakistan economy with all major economic indicators clearly surpassing their target. Significant positive structural reforms undertaken by the government fuelled by solid industrial growth and a strong agricultural sector performance all helped to build a strong macroeconomic front.



The capital market also provided substantial returns while good corporate results continued to prompt and fuel a portfolio shift.

Allahamdolillah against this backdrop, Crescent Steel & Allied Products Limited performed well and it gives me great pleasure to present a review of the performance for the year.

Gas consumption increased by as much as 17% during the period under review while ever increasing oil prices further directed the government's efforts to replace the use of imported fuel through indigenous means.

Towards the beginning of the last quarter inflationary concerns and a burgeoning interest rate led to some dampening of investment sentiments but a fundamentally strong economy and governments focus on deregulation and liberalization helped to mitigate the impact of these negatives providing many opportunities for growth.

Operation's Review

CSAPL recorded its highest ever sales revenue of Rs. 2,686.6 million this fiscal, double the revenue of Rs. 1,348.1 million posted last year. Pretax net profit also the highest in the company's history stood at Rs. 420.9 million (2004: Rs. 326.7 million)

Net of tax, the profit stood

at Rs. 338.0 million as compared to Rs. 295.9 million of last year, an increase of 14% while the EPS increased from Rs. 12.18 for FY04 to Rs. 13.91 for this fiscal.

The company was able to substantially increase its wealth distribution this year generating an amount of Rs. 1,059.3 million after deduction of all material and services. Of this Rs. 374.0 million were retained for future reinvestment and growth while the remaining was distributed amongst other stakeholders and for the betterment of society.

Since the steel division and the cotton division are in the nature of two separate undertakings, the operations of both have been discussed separately up till the pretax bottom line.

Steel Division

Order intake in FY 05 was double that of the last fiscal resulting in production of 42,099 tons as compared to 27,563 tons in the last fiscal year. Sales revenue of the steel division at





During the year the market witnessed extreme volatility with the KSE-100 index at 5,279 points at the start of the year; reaching an all time high of 10,303 points to close at 7,450 points on 30 June 2005.

In this volatile market, the company earned Rs. 234.0 million comprising dividend income of Rs. 69.4 million and realized capital gains of Rs. 164.6 million



Crescent Steel &
Allied Products Ltd.

Chief Executive's Review



Rs. 2,046.5 million was 2.34 times higher than the Rs. 612.7 million of FY 04. This increase was mainly due to execution of own product sales versus conversion jobs last year, a strong economy, higher order intake and acceleration in expansion plans of the two gas distribution companies.

Coating of 250,717 square metres of pipe was carried out



during FY05 as compared to 259,629 square metres during FY04. Capacity utilization was 42% as against 43% in the previous year

Cost of sales for steel division stood at Rs. 1,697.5 million, compared to Rs. 459.5 million of last year while gross profit stood at Rs. 349.0 million

(Rs. 153.2 million: FY04).

Gross margin declined from the 25% in FY04 to 17% this fiscal mainly due to lower margins on own product sales and rapid escalation in steel prices. A word of caution at this point is pertinent. Due to higher steel prices in the international market and growing competition in the steel pipe industry, the margins would somewhat be further reduced in the future. The Company's management will, however, do its utmost to mitigate this threat.

Operating expenses increased from Rs. 93.8 million of the last fiscal to Rs. 150.5 million in FY05. The increase was mainly due to heightened activity, increased allocation towards social responsibility and higher legal and professional charges incurred as part of our diversification strategy. However, a vigilant eye helped to ensure a nominal increase in cost in terms of revenue generated.

Operating profit before


financing cost stood at Rs. 456.9 million this fiscal (Rs. 358.2 million: FY04) while other operating income decreased from Rs. 298.7 million last year to Rs. 258.4 million mainly due to erratic movements of the capital market.

Financial cost stood at Rs. 14.3 million in FY05 as compared to Rs. 6.2 million of FY04. The increase was largely due to issuance of TFC worth Rs.300 million during Q3FY04 to finance planned capital expenditure and utilization of short term finances to support increased operational activities. Tightening of monetary policy by the government with resultant upward pressure on interest rates also contributed to the increase.

Investments

During the year under review, the market witnessed extreme volatility with the KSE-100 index at 5,279 points at the start of the year, reaching an all time high of 10,303 points only to close at 7,450 points on 30 June 2005. In this volatile





The textile industry in Pakistan is a peculiar manufacturing sector which has to assume the trading risks associated with commodity trade. The local cotton purchases have to be completed in a four months window during the cotton season and the goods manufactured are sold throughout the year based on the fixed price of cotton physically purchased



Crescent Steel &
Allied Products Ltd.

Chief Executive's Review



market, the company earned Rs. 234.0 million comprising dividend income of Rs. 69.4 million and realised capital gain of Rs. 164.6 million. This was in addition to bonus shares received and unrealised gain.

Unrealised gain on investments at the year end stood at Rs. 308.4 million. Of this Rs. 38.3 million relating to unrealised loss on held-for-



trading securities was taken to the profit and loss while unrealised profit of Rs. 346.6 million against available for sale investments was taken to equity in accordance with the provisions of IAS-39.

The total investments appearing in short-term and long-term classification aggregated to a market value of Rs. 1,193.9

million on 30 June 2005 as compared to Rs. 1,159.9 million last year.

We continued our policy of investing in blue chip scrips across diversified sectors to mitigate the inherent risks in equity investment. For the benefit of our shareholders, our strategy has been to focus on those sectors which have potential for growth. The portfolio is constantly reviewed, traded and switched to maintain an optimum balance between different sectors of equity investments and fixed income securities portfolio. Realising the uncertainties of the market, the weightage of the latter during FY05 was increased compared to the previous year.

Cotton Division

Our cotton spinning unit continued to work uninterrupted throughout the year on a three-shift basis and achieved production of 6.02 million kilograms yarn as compared to 5.95 million kilograms produced last year.

However, the affect of this increased production could not be reflected in the revenue which decreased from Rs. 735.5 million of FY04 to Rs. 640.1 million this current fiscal. Cost of sales also decreased from Rs. 714.4 million to Rs. 617.2 million. A major reason was record high yarn prices in the last fiscal compared to the relatively subdued prices this current fiscal and lower cotton prices.

The textile industry of Pakistan is a peculiar manufacturing sector which has to assume the trading risks associated with commodity trade. Local cotton purchases have to be completed in a four-month window during the cotton season. The goods manufactured are sold throughout the year based on the fixed price of cotton physically purchased by the mills. In any year when the cotton market is volatile, there are huge swings, both up and down based on a flexible sale price for goods manufactured from raw material bought physically





Apart from increase in the prices of basic raw materials for steel making, domestic demand for steel has risen sharply in the major steel producing / exporting nations – like China, Russia, India and Brazil (CRIB). Due to construction of dams, trans-country gas pipelines and enhanced production of automobiles in China the prices for HR coils which used to be between \$ 300 to \$ 400 per ton have shot up to \$ 750 to \$ 850 per ton



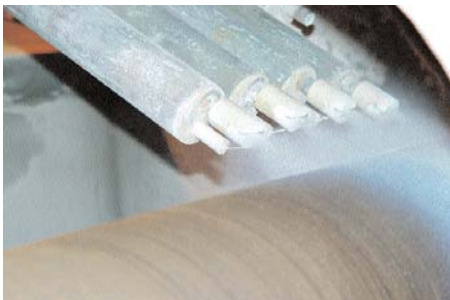
Crescent Steel &
Allied Products Ltd.

Chief Executive's Review



during the cotton season.

A plentiful cotton crop this season led to a new low in the prices of cotton. The prices were in the range of Rs. 2000-2300 as compared to Rs. 2700-2,900 last year. However, due to lower cotton prices, yarn prices also remained depressed which led to a squeeze in margins with the gross margin improving slightly to 3.5% this current fiscal



compared to the 2.8% of last year.

To save on costs, the Company this fiscal installed its own gas generators to produce electricity. There was a cost saving of Rs. 11.8 million in the current year. The cost effectiveness of this fuel conversion was fully redeemed and will prove to be even more effective in the future.

Selling and administrative

expenses increased from Rs. 20.9 million in FY04 to Rs. 24.8 million this fiscal due to heightened activity. Other operating expenses however declined from Rs. 12.8 million in FY04 to Rs. 2.9 million this year due to a reversal in provision of an account maintained for diminution in the value of cotton.

Financial charges for the year were Rs. 29.7 million as compared to Rs. 14.2 million last year due to increased utilization of finances for cotton procurement, financing for the new project and rising interest rates in the market.

There was a net loss in the cotton division due to depressed yarn prices as compared to cotton cost. The total loss stood at Rs. 21.8 million as against Rs. 25.3 million of last year, an improvement of Rs. 3.5 million.

Balance Sheet

The Company's balance sheet continues to remain solid reflecting good fundamentals supported by strong capital

reserves. The medium to long-term entity rating of the Company stays firm at A +.


The balance sheet footing has increased from Rs. 2,228 million to Rs. 2,537 million this year with a debt equity ratio of 13:87 and current ratio of 3.9:1. Both return on capital employed and return on assets slightly changed from 14.8% and 19.5% last year to 14.7% and 18.5% respectively for the current year.

Break up value of shares has gone up from Rs. 68.8 to Rs. 75.2, while EPS has increased from Rs. 12.2 to Rs. 13.9 in the current year. The company announced two interim dividends of 10% each and a final cash dividend of 10% bringing the total payout to 30% for the year. In addition, the directors have recommended issue of 20% bonus shares.

Challenges and Mitigation

In the past few years we have seen a major shift in focus towards exploitation of local energy





Pakistani manufacturers are generally at a disadvantage due to overseas suppliers having integrated pipe manufacturing. Further because of structural reasons and inherent preference exploration companies rely on import of pipes. This situation has been aggravated as the differential between duty on pipe and HR coil has been done away with in the budget.



Crescent Steel &
Allied Products Ltd.

Chief Executive's Review



sources and substitution of imported oil with indigenous gas. This has attained great importance due to the unprecedented rise in global oil prices, above \$58 per barrel.

This policy has also created a demand for steel line pipe for gas transmission and distribution. Globally however the shortage in the supply of steel has greatly affected the price and availability



of our main raw material.

The prices for HR Coils which used to be between \$300 to \$400 per ton few years back have shot up to \$750 to \$850 per ton resulting in suppliers hesitating to provide a realistic indicative quote making the task of pricing bids to customers more difficult. This element of additional risk has also contributed

in reducing our gross margins. Prices are now showing signs of a downward trend in the lower steel grades but in grades X-70 prices are still above \$700 per ton.

World steel exports have seen unprecedented pressures this year. This trend will most likely continue due to higher GDP growth rate in countries like China, Russia, India and Brazil.

Apart from increase in the prices of basic raw materials for steel making, domestic demand for steel has also risen sharply.

The local industry purchases raw materials from Pakistan Steel Mills and is at a disadvantage because Pakistan Steel is unable to deliver the quality and maintain a scheduled delivery time frame. This situation may get worse due to the expected privatization of Pakistan Steel. Regular maintenance at PS has also been adversely affected. However, looking ahead post privatization

the performance of PS may improve. The industry may suffer heavy liquidation damages for default on deliveries, lose local and export opportunities even to countries where Pakistani manufacturers have freight advantage.

Pakistani manufacturers are generally at a disadvantage as compared to overseas suppliers due to the latter having integrated pipe manufacturing capability. Further because of structural reasons and inherent preference, exploration companies rely on import of pipes. This situation has been aggravated as the differential between duty on pipe and HR coil has been done away with in the budget.

The challenge facing us at present is our limited client base and the project based nature of our product correlated to the development plans of our customers mainly in the gas sector. To combat this, taking advantage of the government's policy of privatization and





Safety of our employees has always been a priority. We have increased attention on the integrity of operations and security at the sites where they work. This has minimized the likelihood of accidents. During the year no personal injury or accident was reported. Further, the Company as a matter of policy arranges and ensures orientation to new employees on security, safety of men, machines and fire fighting techniques



Crescent Steel &
Allied Products Ltd.

Chief Executive's Review



deregulation we are intensifying our efforts to be more responsive to our customer's needs and provide them the best possible quality, explore new avenues of value addition and identify synergies in other related areas.

The textile industry is exposed to risks of volatility in the commodity trade. There have been some developments in this where the recently launched



National Commodity Exchange Limited will serve as a platform for future trading in commodities providing an opportunity to hedge against risk. However there are still concerns of volumes and conflicts may arise with Karachi Cotton Association to participate in hedge trading for cotton.

The availability of Pakistani

cotton is another issue for the industry. The rapid expansion in capacities and modernization of existing facilities has resulted in a higher overall demand and increasing need for better quality cotton. Tariff protection for the main alternative raw material, polyester staple fiber, has restricted the growth of Polyester in the composition of all textile products. This means that cotton remains the main raw material with a limited supply thus increasing our dependence on imports to fulfill the demand.

On the positive side, zero-rating of sales tax announced in the Federal Budget 2005-06 will help to ease the cash flows for the textile sector. It will help to reduce the need for borrowing to finance working capital and allow the industry to compete more effectively in the international market. Zero rating of sales tax will also remove the unfair advantage to the unscrupulous competition.


Safety, Health and Environment

At CSAPL we have always been committed to excellence in the area of Safety, Health and Environment (SHE). For us safety is not just restricted to safety at the plant but it incorporates and encompasses the safety of everyone involved in or affected by our operations. This alludes to the entire spectrum of our staff, our customers and our suppliers.

Safety of our employees has always been a priority for us. We have increased attention on the integrity of operations and security at the sites where they work. This has minimized the likelihood of accidents to a considerable extent. During the year no personal injury or accident was reported.

Further, the Company as a matter of policy arranges and ensures orientation to new employees on security, safety of men, machines and fire fighting techniques and a





We have always given special attention to education and continue to support The Citizens Foundation which provides quality education to the less privileged children of rural and urban areas. We have been doing this over the last eight years and have funded the building of ten primary and one secondary school. We are also supporting the running of these schools. In the area of higher education CSAPL supporting a number of other educational institutes through out the country



Crescent Steel & Allied Products Ltd.

Chief Executive's Review



mentor is assigned to continually guide them in this regard.

Social Responsibility

As a progressive engineering concern our aim is not just to create wealth for our shareholders but also to deliver economic benefits to society in a number of ways. We have always given special attention to education and continue to support The



Citizens Foundation which provides quality education to the less privileged children of rural and urban areas of the country. We have been doing this over the last eight years and have funded the building of ten primary and one secondary school. We are also supporting the running of these schools each year. In the area

of higher education, CSAPL is also supporting a number of other educational institutes throughout the country, notably LUMS and Commecs.

In addition to education the Company also provides considerable funding towards health issues and supports many health institutes in the country. This year we donated funds towards the tsunami disaster victims and various research societies.

All donations are governed by a policy approved by the Board which requires that between 2 to 5 % of the profits be allocated for the welfare of the social sector. Accordingly, during the current fiscal contributions made in this sector were Rs. 17.7 million (FY 2004: Rs. 12.9 million). We hope to increase this in future.

Human Resource Initiatives

Our efforts to become a great company depend on our people. We know that in order to operate

successfully we must recruit, develop and engage talented, motivated people who share our ambition to be competitive, successful and a force for good.

The performance management system has also been revised to bring it more in line with company strategies and goals.

Every employee of the Company has a tailor-made training plan. New sources of training have been identified while steps have been taken to monitor and evaluate the new skills and ensure its application to the job. At the management level, the training program initiated back in 2002 continues in full force. The second batch of the LUMS-CRESCENT Diploma in Business Management have completed their diploma and will be graduating this month. The executive courses have to a large extent helped in enriching and enhancing the skill sets of our employees, making them better prepared to face the challenges of tomorrow. Another





Most of the applications / modules of the new ERP have been implemented while some are in progress. In addition the company is continuously on the look out for new and latest technologies based on best practices to support its growing operational needs. A state of the art plant maintenance system is now operational at both the steel and cotton divisions. With this system the essential area of maintenance has now become completely automated with a more structured and quick response time



Crescent Steel &
Allied Products Ltd.

Chief Executive's Review



important area at the forefront of management attention has been that of succession planning. As a first step to this a special meeting of the Board was convened in May 2005 where the Board members were introduced to key functional heads of all departments. In keeping with CSAPL's tradition of transparency this meeting was conducted in the absence of the CEO. The meeting provided an



important platform for the Board to meet and assess the quality of workforce manning strategic positions in the Company on a one to one basis. The meeting also provided an opportunity to the team members to benefit from interacting directly with the Board members. Through this forum, the collective wisdom and opinion of the

Board on the quality of human resource at the top tiers would also be available to the CEO. Realising the benefit it is intended to have a meeting of this nature on an annual basis.

IT Initiatives

A number of IT initiatives were taken this current fiscal, some of which have now come on line. A state of the art plant maintenance system is now operational at both the steel and cotton divisions. With this system the essential area of maintenance has now become completely automated with a more structured and quick response time.

Most of the applications / modules of the new ERP have been implemented while some are in progress. In addition the company is continuously on the look out for new and latest technologies based on best practices to support its growing operational needs.

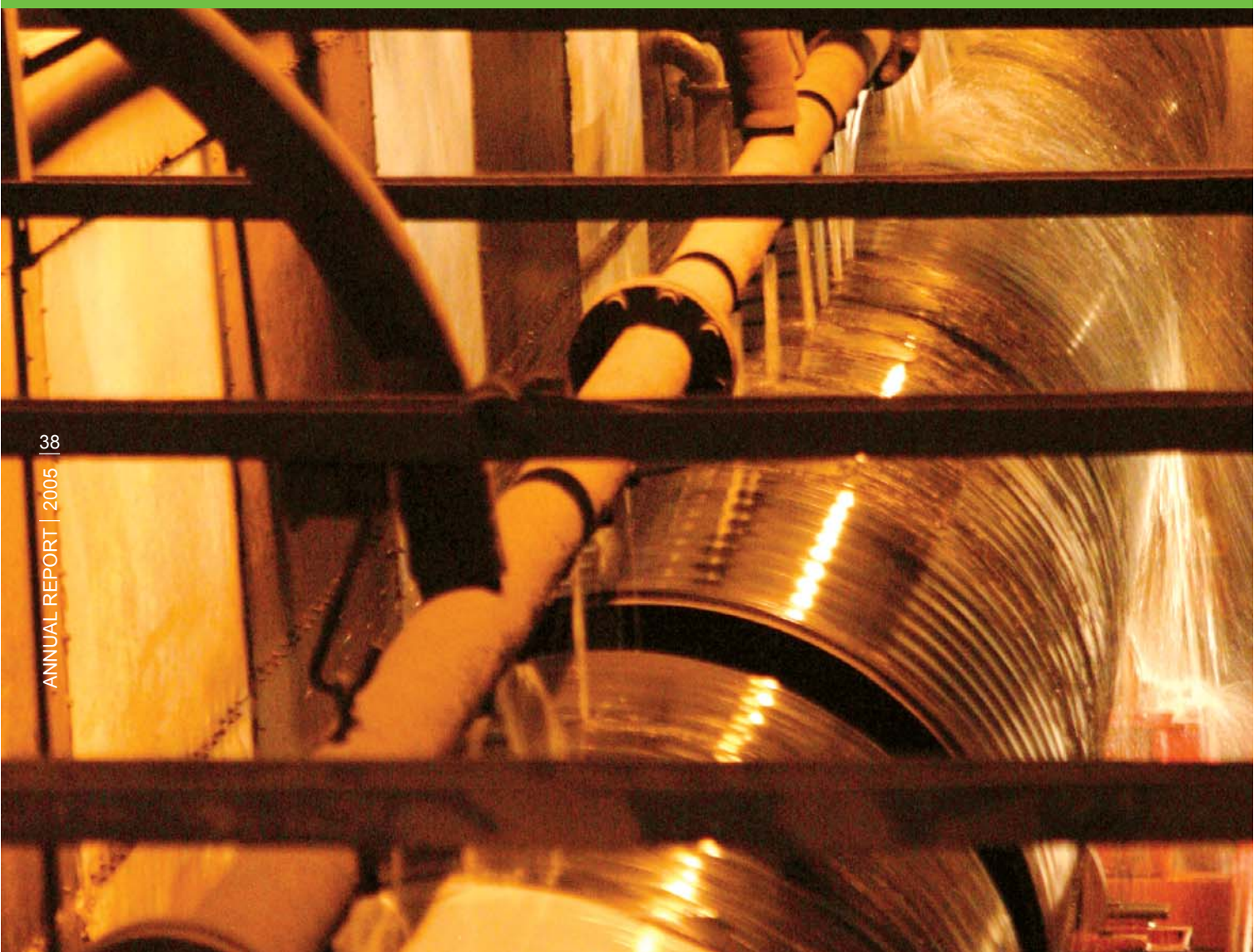
Corporate Governance

Governance is not an exercise in compliance nor is it a higher form of management. Governance lies at the heart of all that is done by the board and the management and has a clear objective - ensuring the pursuit of the company's purpose. The Company places strong emphasis on areas concerning effective and efficient corporate governance. The continual efforts for strengthening internal controls, updating of policy manuals and effective functioning of the internal audit function is all in line with our higher emphasis on these areas. The directors and all employees are bound by a strict code of conduct which requires adherence to our governing principles described earlier in this report.

Business Growth and Diversification Plans

As the challenges increase and the environment becomes more competitive we have increased our efforts to identify





CSAPL as part of a Crescent consortium placed a bid for 51% *strategic stake in the privatization of National Refinery Limited*. We also made an offer for acquiring equity stake in ICI's sell off *of its PPTA plant. Both bids did not come through but the management stays resolved in finding and identifying new opportunities for expansion in the forthcoming year that are aligned with our strengths and present good growth potential.*



Crescent Steel &
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Chief Executive's Review



new opportunities for growth. CSAPL as part of a Crescent consortium placed a bid for 51% strategic stake in the privatization of National Refinery Limited. We also made an offer for acquiring equity stake in ICT's sell off of its PPTA plant. Both bids unfortunately did not come through but the management stays resolved in finding and identifying new opportunities for expansion in the forthcoming



year - opportunities that are aligned with our strengths and present good growth potential.

To retain our position as vendor of first choice, Crescent Quality Assurance and Development continues to ensure highest quality standards on one hand and continuous research and development efforts in retaining cost leadership and improved

operational efficiency on the other.

Future Outlook

We are optimistic of the future of the economy of Pakistan, although there are concerns over an increase in inflation and interest rates and we hope that the momentum built up over the last couple of years will help to propel the economy still forward.

Both the gas distribution companies i.e. SNGPL and SSGCL are pursuing their capital expenditure plans. This was done quite aggressively during this current fiscal and it is hoped this continues. However, although steel prices have some what come down in the short term due to China resorting to export of HR coils, soon the GDP growth in China will catch up and steel prices as a result may go up. High steel prices have affected the feasibility of many projects adversely and many such projects are being delayed as clients are hoping for a downturn in price to commence

their projects.

The rise in the prices of steel has led to a likely shift from steel to other alternatives in the water supply sector.

There has been a positive move towards the Iran-Pakistan-India pipeline due to enormous energy requirements of India. Despite pressures from the US these countries are engaged in fruitful discussions and it is expected that the project will take off early next year. Over 700 km of pipe will be within Pakistan which would likely be procured from the domestic market. We are making necessary modification in our machines to gear up for the large dia heavy wall pipes required for the cross country pipeline.

The steel division has recently taken steps to improve its existing facilities especially in the areas of quality management. Our strategy will continue to be to make the best use of our resources and to proactively scan the environment for new and





The steel division has recently taken steps to improve its *existing facilities especially in the areas of quality management.* Our strategy will continue to be to make the best use of our *resources and to proactively scan the environment for new and lucrative sources of return.* Some of the modifications, initiatives *started last year were completed during this year.* In addition certain other modification are also being initiated as part of *our commitment to remain at the leading edge of technology.*



Crescent Steel & Allied Products Ltd.

Chief Executive's Review



lucrative sources of return. Some of the modifications, initiatives started last year were completed during this year. In addition certain other modification are also being initiated as part of our commitment to remain at the leading edge of technology.

After record production of cotton this fiscal, it is forecast that there will be a shortage of cotton in the global market in



the next fiscal. Although Pakistan may attain a production figure close to this year's target, it may not be able to reap any significant price benefits due to a corresponding increase in demand for cotton. Therefore prices may remain high in the next fiscal posing a significant challenge in terms of subdued margins. However, the

management will be vigilant on its cotton procurement activity and will at the same time closely monitor costs.

Work on the new cotton spinning unit is in progress and we hope to have the new plant in operation by the last quarter of fiscal FY06. The unit will be used to produce medium to super fine grade of cotton yarn up to 80 count and will comprise of 25,344 spindles. In the post quota regime we expect the demand for finer counts to rise.

Employees

Our commitment to our people is clearly expressed in our mission statement. Our employees provide the basis for a successful future. Every employee contributes a unique and valuable effort to our team. In order to honor and foster their commitment we continuously invest in their training and development. We are committed to developing and sustaining an environment that attracts and retains the best people

for our company.

This responsibility towards our employees is something that has been firmly rooted in our company since the beginning.

Our employees are committed to their careers with us, and we encourage them to take initiative in developing themselves based on their personal goals. Along the way, we make sure compensation reflects individual performance and the important value each employee brings to the company. On behalf of the Directors and myself, I am pleased to record my appreciation of the entire CSAPL team for their continuous hard work and dedication and compliment them on a job well done.

Board of Directors

The Board of Directors has always been an important source of guidance and support for the management. They have helped in not only directing the Company's strategies but also providing crucial input at the various sub committees and





The responsibility towards our employees is something that has been firmly rooted in our company since the beginning. Our employees are committed to their careers with us, and we encourage them to take initiative in developing themselves based on their personal goals. Along the way, we make sure compensation reflects individual performance and the important value each employee brings to the company.



Crescent Steel & Allied Products Ltd.

Chief Executive's Review



special committees that are formed from time to time. They have always contributed much in terms of their vast experience and practical advice. I would like to place on record my appreciation and gratitude for the same.

Stakeholders

We are thankful to the shareholders for standing by us and for the confidence reposed. We would like to express our



thanks to our customers for their support and look forward to the potential of growth in their business with hope. Our thanks also go to the financial institutions and banks that have continued to support the Company at all times.

General

In summary, we know the

competitive environment is not going to get any easier, but we can see plenty of opportunities for further growth. Our challenge, quite simply, is to keep improving every aspect of our business every day of the year and through every one of our products.

At CSAPL we always strive for high ethical standards in all our dealings with our customers, our staff, our shareholders, the regulators and the community. We also strongly believe in giving something back to our stakeholders, the governing bodies that control us and the community in which we operate. Our contribution to the government increased substantially this year along with our distribution to our shareholders. We hope to increase this contribution in the coming years

By Order of the Board

Ahsan M. Saleem
Chief Executive
30 July 2005

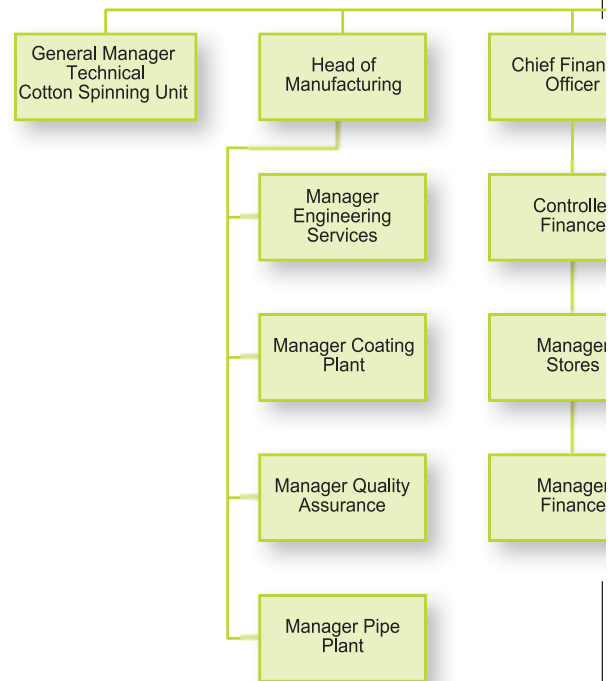




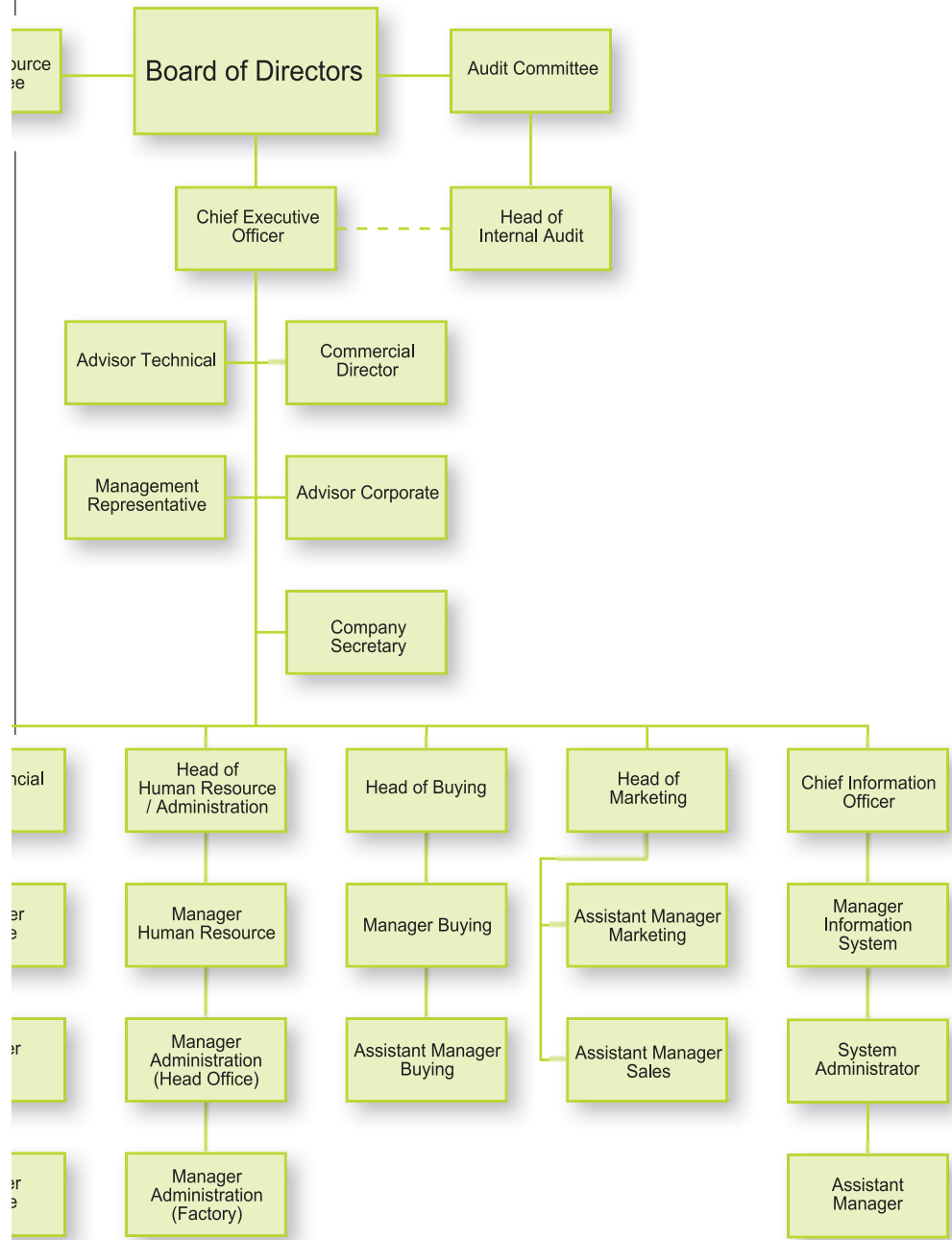
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Management Structure

Human Reso
Committee



* outsourced to Ford Rhodes Sidat Hyder & Co., (Asim Siddiqui-Engagement Partner)





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Financial Highlights

| | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 |
|---|---------|---------|---------|---------|-------|--------|---------|
| Operating Results (Rupees in million) | | | | | | | |
| Net sales | 2,686.6 | 1,348.1 | 1,738.9 | 1,291.1 | 820.9 | 121.2 | 32.9 |
| Cost of sales | 2,314.7 | 1,173.9 | 1,398.0 | 1,055.2 | 741.1 | 150.0 | 105.0 |
| Gross profit / (loss) | 371.9 | 174.3 | 340.9 | 235.9 | 79.9 | (28.8) | (72.1) |
| Distribution, selling and administrative expenses | 108.3 | 90.7 | 91.2 | 61.5 | 42.4 | 36.7 | 44.7 |
| Other operating expenses | 70.0 | 36.9 | 26.1 | 20.3 | 28.9 | 35.2 | 40.9 |
| Other operating income, net | 271.2 | 300.4 | 174.6 | 68.4 | 87.6 | 170.0 | 83.6 |
| Operating profit / (loss) | 464.8 | 347.1 | 398.2 | 222.5 | 96.1 | 69.3 | (74.1) |
| Financial expenses | 43.9 | 20.4 | 16.8 | 23.7 | 23.0 | 2.7 | 5.2 |
| Pre tax profit / (loss) | 420.9 | 326.7 | 381.4 | 198.7 | 73.1 | 66.6 | (79.3) |
| Income tax | 82.8 | 30.8 | 97.2 | 60.5 | 18.3 | (23.4) | (103.1) |
| Net income | 338.1 | 295.9 | 284.2 | 138.2 | 54.8 | 90.0 | 23.8 |
| Dividends | 48.6 | 77.3 | 100.5 | 60.0 | 30.0 | 36.0 | 10.0 |

Per Share Results and Returns

| | | | | | | | |
|--|--------|-------|-------|-------|-------|-------|-------|
| Earnings per share (Rupees) | 13.9 | 12.2 | 11.7 | 5.7 | 2.3 | 3.7 | 1.0 |
| Break-up value per share (Rupees) | 75.2 | 68.8 | 57.9 | 39.3 | 35.7 | 34.5 | 31.8 |
| Dividend per share (Rupees)-including final proposed | 3.0 | 3.5 | 5.0 | 3.0 | 1.5 | 1.8 | 0.5 |
| Dividend yield (%) -including final proposed | 3.9 | 4.4 | 6.0 | 9.1 | 10.9 | 11.3 | 3.3 |
| Dividend payout (%) | 21.6 | 26.1 | 35.4 | 43.4 | 54.8 | 40.0 | 42.1 |
| Bonus shares (%) -including final proposed | 20 | 10 | 10 | - | - | - | - |
| Market value per share (Rupees) | 77.0 | 78.9 | 83.0 | 33.0 | 13.7 | 16.0 | 15.0 |
| Stock price range (Rupees) | 100-64 | 93-50 | 90-30 | 32-14 | 24-12 | 26-12 | 20-12 |
| Price earning ratio (Rupees) | 5.5 | 6.5 | 7.1 | 5.8 | 6.1 | 4.3 | 15.3 |

Financial Position (Rupees in million)

| | | | | | | | |
|---|---------|---------|---------|---------|---------|-------|-------|
| Current assets | 1,827.0 | 1,541.1 | 973.3 | 1,034.7 | 776.5 | 475.6 | 473.9 |
| Current liability | 468.9 | 370.9 | 260.3 | 584.4 | 382.3 | 136.8 | 105.8 |
| Property plant and equipment | 441.8 | 467.8 | 410.5 | 355.3 | 366.7 | 382.1 | 202.7 |
| Total assets | 2,537.1 | 2,228.2 | 1,460.9 | 1,439.1 | 1,181.3 | 894.6 | 756.8 |
| Long-term debt (excluding current portion) | 236.1 | 326.5 | 38.0 | 59.2 | 68.5 | 64.7 | 0.6 |
| Deferred liabilities | 3.6 | 10.6 | - | 5.1 | 12.8 | - | 11.1 |
| Short-term debt (including current portion of long-term debt) | 233.5 | 156.2 | 100.6 | 80.2 | 151.7 | 41.4 | 20.8 |
| Reserves | 1,585.1 | 1,298.5 | 961.2 | 588.9 | 516.8 | 492.2 | 438.3 |
| Shareholders' equity | 1,828.1 | 1,519.4 | 1,162.1 | 789.7 | 717.7 | 693.1 | 639.2 |

Financial Ratios

| | | | | | | | |
|---|---------|---------|-------|-------|-------|--------|---------|
| Gross profit / (loss) to sales (%) | 13.8 | 12.9 | 19.6 | 18.3 | 9.7 | (23.8) | (219.0) |
| Operating profit / (loss) to sales (%) | 17.3 | 25.7 | 22.9 | 17.2 | 11.7 | 57.2 | (225.1) |
| Net income to sales (%) | 12.6 | 21.9 | 16.3 | 10.7 | 6.7 | 74.3 | 72.1 |
| Return on average assets (%) | 19.5 | 18.8 | 27.5 | 17.0 | 9.3 | 8.4 | (9.3) |
| Return on capital employed (%) | 14.7 | 14.8 | 21.8 | 14.9 | 5.8 | 11.3 | 3.6 |
| Return on equity (%) | 18.5 | 19.5 | 24.5 | 17.5 | 7.6 | 13.0 | 3.7 |
| Current assets to current liabilities | 3.9 | 4.2 | 3.7 | 1.8 | 2.0 | 3.5 | 4.5 |
| Net current assets (working capital) (Rs. in million) | 1,358.1 | 1,170.2 | 712.9 | 450.3 | 394.2 | 338.8 | 368.1 |
| Long term debt to equity (%) | 12.9 | 21.5 | 3.3 | 7.5 | 9.6 | 9.3 | 0.1 |
| Total debt to total assets (%) | 27.8 | 31.3 | 20.4 | 44.7 | 38.2 | 22.5 | 14.1 |
| Interest coverage (times) | 10.6 | 17.0 | 23.7 | 9.4 | 4.2 | 25.6 | (14.3) |
| Average collection period (days) | 11.4 | 8.4 | 8.7 | 39.5 | 49.7 | 3.9 | 129.3 |
| Debtors turnover (times) | 32.0 | 43.5 | 42.0 | 9.2 | 7.3 | 93.6 | 2.8 |
| Inventory turnover (times) | 10.6 | 5.3 | 4.4 | 3.7 | 8.1 | 3.6 | 2.0 |
| Property plant and equipment turnover (times) | 6.1 | 2.9 | 4.2 | 3.6 | 2.2 | 0.3 | 0.2 |
| Total assets turnover (times) | 1.1 | 0.6 | 1.2 | 0.9 | 0.7 | 0.1 | 0.1 |

Other Data (Rupees in million)

| | | | | | | | |
|---|------|-------|-------|-------|------|-------|------|
| Depreciation/Amortisation | 84.5 | 84.2 | 82.9 | 63.6 | 52.7 | 32.4 | 33.9 |
| Capital expenditure (including leased assets) | 66.3 | 163.2 | 130.0 | 101.6 | 8.4 | 211.9 | 11.8 |
| Common shares (no. of shares in million) | 24.3 | 24.3 | 24.3 | 24.3 | 24.3 | 24.3 | 24.3 |

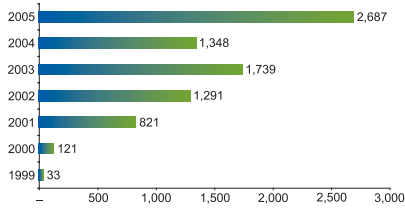


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Financial Highlights

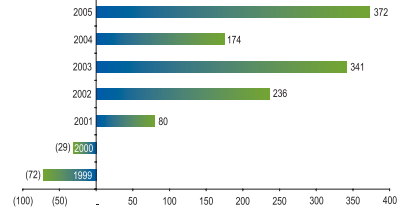
Net Sales

Rupees in million



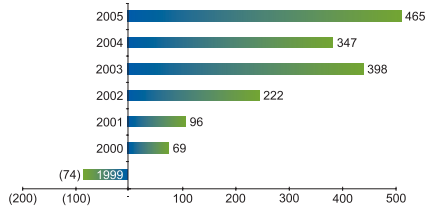
Gross Profit

Rupees in million



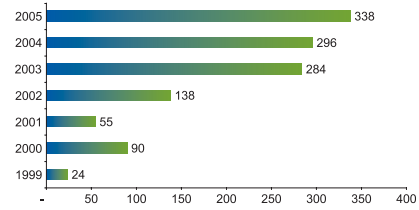
Operating Profit

Rupees in millions



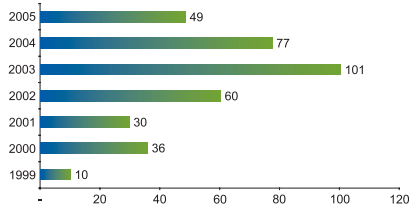
Profit After Taxation

Rupees in million



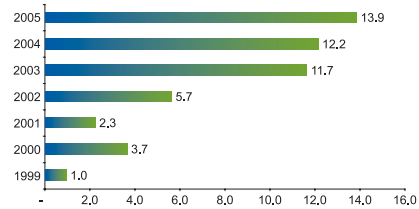
Dividends

Rupees in million



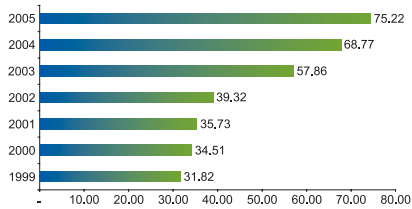
Earnings Per Share

Rupees



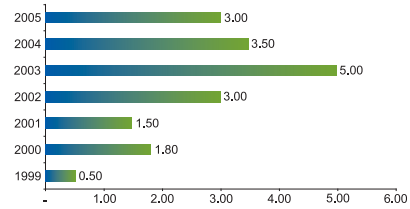
Break-Up Value Per Share

Rupees

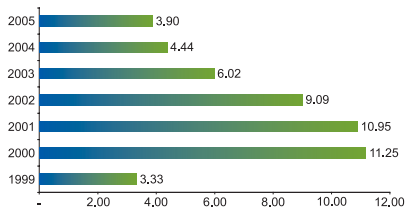


Dividend Per Share

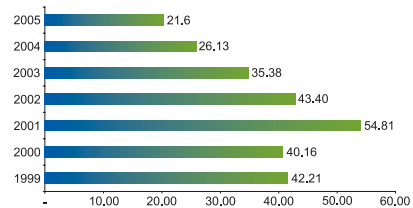
Rupees



Dividend Yield (%)

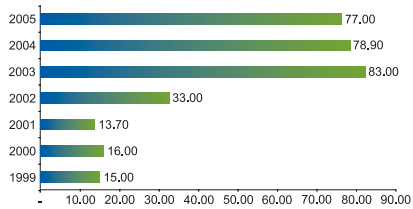


Dividend Payout (%)

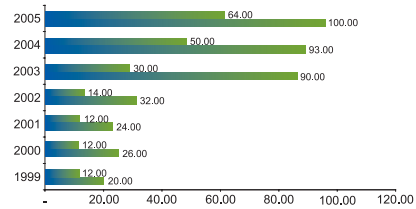


Financial Highlights

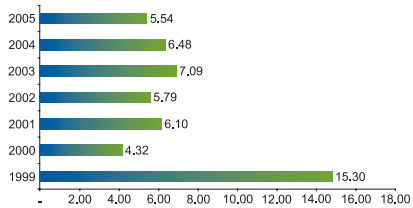
Market Value Per Share
Rupees



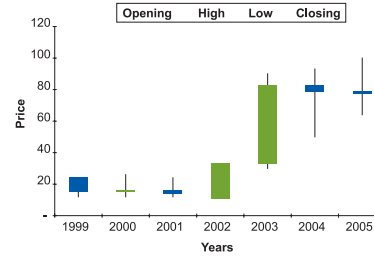
Stock Price Range
Rupees



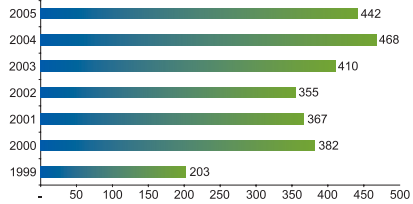
Price Earning Ratio



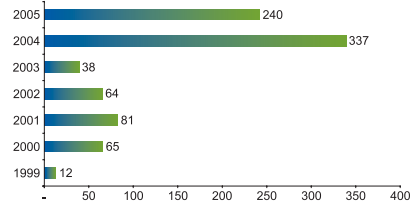
Stock Price



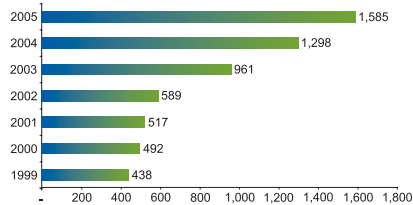
Property Plant and Equipment
Rupees in million



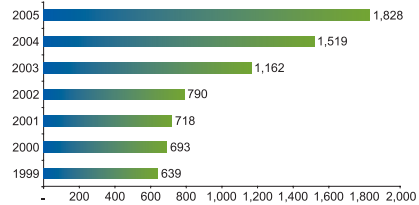
Long Term and Deferred Liabilities
Rupees in million



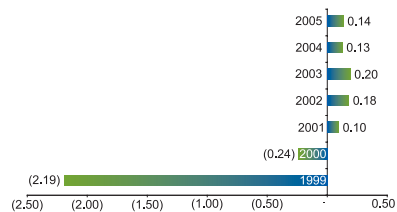
Reserves
Rupees in million



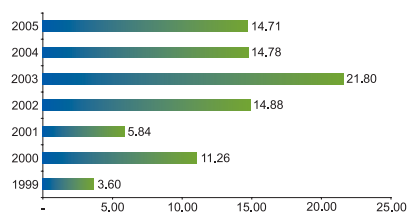
Shareholders Fund
Rupees in million



Gross Profit Ratio



Return on Capital Employed (%)

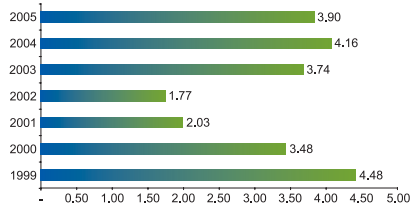




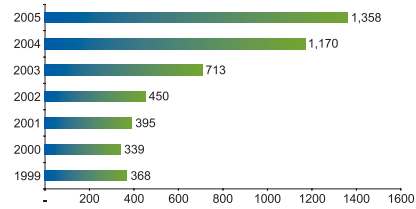
Crescent Steel &
Allied Products Ltd.

Financial Highlights

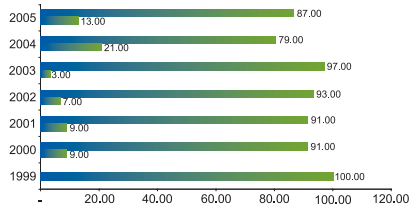
Current Ratio



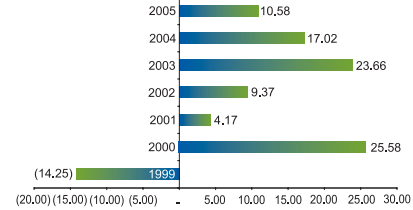
Net Current Assets
Rupees in million



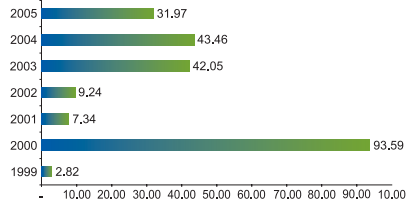
Debt Equity Ratio (%)



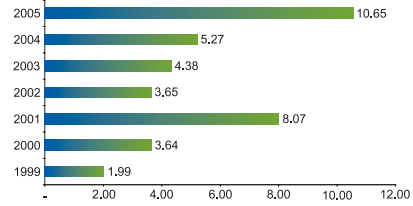
Interest Coverage
(In Times)



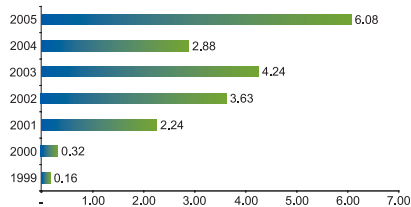
Debtors Turnover
(In Times)



Inventory Turnover
(In Times)



Property, Plant and Equipment Turnover
(In Times)



Board and Audit Committee Meetings and Attendance by the Directors

During the year seven meetings of the board of directors were held. Attendance by each director was as follows:

| Name of Director | No. of meetings attended |
|-------------------------|---------------------------------|
| Mr. Mazhar Karim | – |
| Mr. Ahsan M. Saleem | 7 |
| Mr. Javed A. Callea | 5 |
| Mr. Javed Iqbal | 7 |
| Mr. Muhammad Anwar | 4 |
| Mr. Nasir Shafi | 4 |
| Mr. S. M. Ehtishamullah | 7 |
| Mr. Zahid Bashir | 6 |

During the year five meetings of the audit committee were held. Attendance by each member (director) was as follows:

| Name of Member (Director) | No. of meetings attended |
|----------------------------------|---------------------------------|
| Mr. Javed A. Callea | 4 |
| Mr. Javed Iqbal | 5 |
| Mr. Nasir Shafi | 3 |



Crescent Steel &
Allied Products Ltd.

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance as contained in the listing regulations of the stock exchanges of Pakistan for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors. At present the Board has one independent non-executive director.
2. The directors have confirmed that none 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 taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs. None of them is a member of a stock exchange.
4. No casual vacancy occurred during the year ended 30 June 2005.
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, and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. Significant policies are formally approved by the Board, however, the overall corporate strategy is in the process of being formulated for Board's approval.
8. 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.
9. 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 June 2005. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days prior to the meetings. The minutes of the meetings were appropriately recorded and circulated.
10. In-house orientations for the directors were made to apprise them of their duties and responsibilities and to brief them of the amendments in the Companies Ordinance / Corporate Laws.
11. The Board has approved appointment of the CFO / Company Secretary and the Head of Internal Audit, including their remuneration and terms and conditions of employment, as recommended by the CEO.

Statement of Compliance with the Code of Corporate Governance

12. The Directors' report for the year ended 30 June 2005 has been prepared in compliance with the requirements of the Code and it fully describes the salient matters required to be disclosed.
13. The financial statements of the Company were duly endorsed by the CEO and CFO before approval by the Board.
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 shareholding.
15. The Company has complied with all the corporate and financial reporting requirements of the Code.
16. The Board has formed an audit committee. It comprises of three members, all 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. This function has been outsourced to Ford Rhodes Sidat Hyder & Co., Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
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 or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been complied with.

By Order of the Board



Ahsan M. Saleem
Chief Executive

30 July 2005



Taseer Hadi Khalid & Co.
Chartered Accountants
First Floor,
Sheikh Sultan Trust Building No. 2,
Beaumont Road,
Karachi 75530 Pakistan

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Fax +92 (21) 568 5095
Internet www.kpmg.com.pk

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 Steel and Allied Products Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange, Chapter XIII of the Listing Regulations of the Lahore Stock Exchange and Section 36 (Chapter XI) of the Listing Regulations of the Islamabad Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended 30 June 2005.

Taseer Hadi Khalid & Co.

Chartered Accountants
30 July 2005



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Auditors' Report to the Members

We have audited the annexed balance sheet of Crescent Steel and Allied Products Limited as at 30 June 2005 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change referred to in note 2.9 to the financial statements with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2005 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Taseer Hadi Khalid & Co.
Chartered Accountants
30 July 2005



Crescent Steel &
Allied Products Ltd.

Balance Sheet As at 30 June 2005

| | Note | 2005 | 2004 |
|--|------|------------------|------------------|
| | | (Rupees in '000) | |
| EQUITY AND LIABILITIES | | | |
| Share capital and reserves | | | |
| Authorized capital | | | |
| 30,000,000 ordinary shares of Rs 10 each | | <u>300,000</u> | <u>300,000</u> |
| Issued, subscribed and paid-up capital | 3 | 243,027 | 220,934 |
| Reserves | 4 | 1,267,608 | 1,270,464 |
| Unappropriated profit | | <u>317,474</u> | <u>28,016</u> |
| | | <u>1,828,109</u> | <u>1,519,414</u> |
| Deferred income | 5 | 304 | 792 |
| Non-current liabilities | | | |
| Redeemable capital | 6 | 221,854 | 295,955 |
| Liabilities against assets subject to finance leases | 7 | 14,289 | 30,561 |
| Deferred taxation | 8 | 3,624 | 10,582 |
| Current liabilities | | | |
| Trade and other payables | 9 | 221,942 | 174,482 |
| Interest and mark-up accrued | 10 | 13,454 | 7,032 |
| Short-term borrowings | 11 | 142,204 | 142,734 |
| Current portion of redeemable capital | 6 | 75,000 | – |
| Current portion of liabilities against assets subject to finance leases | 7 | 16,292 | 13,514 |
| Proposed dividend | | – | 33,140 |
| | | <u>468,892</u> | <u>370,902</u> |
| Contingencies and commitments | 12 | <u>2,537,072</u> | <u>2,228,206</u> |

Balance Sheet

As at 30 June 2005

| | Note | 2005 | 2004 |
|---|------|------------------|-----------|
| | | (Rupees in '000) | |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 13 | 441,836 | 467,805 |
| Intangible assets | 14 | 4,989 | 2,875 |
| Long-term investments | 15 | 258,917 | 210,651 |
| Long-term deposits | 16 | 4,313 | 5,737 |
| Current assets | | | |
| Stores, spares and loose tools | 17 | 34,937 | 39,256 |
| Stock-in-trade | 18 | 194,329 | 240,451 |
| Trade debts | 19 | 132,037 | 36,024 |
| Advances | 20 | 15,663 | 6,756 |
| Trade deposits and short-term prepayments | 21 | 3,583 | 3,422 |
| Current portion of long-term investments | 22 | 10 | 12,061 |
| Investments | 23 | 1,210,887 | 1,012,511 |
| Mark-up accrued | 24 | 4,730 | 1,372 |
| Other receivables | 25 | 164,571 | 111,282 |
| Taxation-net | 26 | 13,188 | 59,989 |
| Cash and bank balances | 27 | 53,082 | 18,014 |
| | | 1,827,017 | 1,541,138 |
| | | 2,537,072 | 2,228,206 |

The annexed notes 1 to 49 form an integral part of these financial statements.


Chairman


Chief Executive



Crescent Steel &
Allied Products Ltd.

Profit and Loss Account For the year ended 30 June 2005

| | Note | 2005 | | | 2004 | | |
|---|------|----------------|-----------------|-----------|----------------|-----------------|-----------|
| | | Steel division | Cotton division | Total | Steel division | Cotton division | Total |
| (Rupees in '000) | | | | | | | |
| Sales | 28 | 2,046,540 | 640,060 | 2,686,600 | 612,651 | 735,488 | 1,348,139 |
| Cost of sales | 29 | 1,697,491 | 617,193 | 2,314,684 | 459,495 | 714,387 | 1,173,882 |
| Gross profit | | 349,049 | 22,867 | 371,916 | 153,156 | 21,101 | 174,257 |
| Distribution and selling costs | 30 | 7,748 | 4,110 | 11,858 | 6,183 | 7,667 | 13,850 |
| Administrative expenses | 31 | 75,717 | 20,731 | 96,448 | 63,502 | 13,326 | 76,828 |
| Other operating expenses | 32 | 67,058 | 2,937 | 69,995 | 24,089 | 12,776 | 36,865 |
| | | 150,523 | 27,778 | 178,301 | 93,774 | 33,769 | 127,543 |
| Other operating income | 33 | 258,431 | 12,757 | 271,188 | 298,769 | 1,626 | 300,395 |
| Operating profit before financing costs | | 456,957 | 7,846 | 464,803 | 358,151 | (11,042) | 347,109 |
| Finance costs | 34 | 14,286 | 29,663 | 43,949 | 6,151 | 14,240 | 20,391 |
| Profit / (loss) before taxation | | 442,671 | (21,817) | 420,854 | 352,000 | (25,282) | 326,718 |
| Taxation | 35 | | | 82,790 | | | 30,818 |
| Profit after taxation | | | | 338,064 | | | 295,900 |
| Basic and diluted earnings per share | 36 | | | Rs. 13.91 | | | Rs. 12.18 |

The annexed notes 1 to 49 form an integral part of these financial statements.


Chairman


Chief Executive

Cash Flow Statement

For the year ended 30 June 2005

| | Note | 2005 | 2004 |
|---|------|------------------|-----------|
| | | (Rupees in '000) | |
| Cash flows from operating activities | | | |
| Cash generated from operations | 38 | 264,972 | 95,939 |
| Taxes paid | | (43,703) | (83,383) |
| Financial charges paid | | (37,527) | (13,328) |
| Contributions to pension and gratuity fund | | (5,494) | (4,886) |
| Payment for the Workers Welfare Fund | | - | (5,393) |
| Insurance commission received | | - | 1,347 |
| Increase in long-term deposits and prepayments | | 1,424 | (448) |
| Net cash from / (used in) operating activities | | 179,672 | (10,152) |
| Cash flows from investing activities | | | |
| Capital expenditure | | (59,451) | (144,656) |
| Purchase of intangible assets | | (4,051) | (4,288) |
| Proceeds from sale of fixed assets | | 13,841 | 6,476 |
| Investments - net | | (79,220) | (166,594) |
| Dividends received | | 68,752 | 53,491 |
| Interest received | | 6,326 | 5,361 |
| Net cash used in investing activities | | (53,803) | (250,210) |
| Cash flows from financing activities | | | |
| Receipts against short term loans | | 70,000 | 50,000 |
| Receipts against redeemable capital | | - | 300,000 |
| Receipts against commercial papers | | (75,000) | 73,727 |
| Payment of liabilities against assets subject to finance leases | | (13,494) | (29,968) |
| Dividends paid | | (76,678) | (87,245) |
| Net cash (used in) / from financing activities | | (95,172) | 306,514 |
| Net increase in cash and cash equivalents | | 30,697 | 46,152 |
| Cash and cash equivalents at beginning of the year | | 181 | (45,971) |
| Cash and cash equivalents at end of the year | 39 | 30,878 | 181 |

The annexed notes 1 to 49 form an integral part of these financial statements.


 Chairman


 Chief Executive



Crescent Steel &
Allied Products Ltd.

Statement of Changes in Equity For the year ended 30 June 2005

| | Issued, subscribed and paid-up capital | General reserve | Reserve for issue of bonus shares | Unrealised gain on remeasure- ment of available for sale investment securities (Rupees in '000) | Unappropri- ated profit | Total |
|--|---|--------------------|--|---|----------------------------|-----------|
| Balance as at 1 July 2003 | 200,849 | 746,000 | 22,363 | 188,610 | 4,257 | 1,162,079 |
| Profit for the year | - | - | - | - | 295,900 | 295,900 |
| Unrealised gains on available- for-sale investment securities | - | - | - | 207,462 | - | 207,462 |
| Realised gain on sale of investments | - | - | - | (68,701) | - | (68,701) |
| Issuance of bonus shares | 20,085 | - | (20,085) | - | - | - |
| Transfer to general reserve | - | 175,000 | - | - | (175,000) | - |
| Dividends - First interim (10%) | - | - | - | - | (22,093) | (22,093) |
| - Second interim (10 %) | - | - | - | - | (22,093) | (22,093) |
| - Final (15 %) | - | - | - | - | (33,140) | (33,140) |
| | | | | | (77,326) | (77,326) |
| Transfer to reserve for issue of bonus shares | - | - | 19,815 | - | (19,815) | - |
| Balance as at 30 June 2004 | 220,934 | 921,000 | 22,093 | 327,371 | 28,016 | 1,519,414 |
| Profit for the year | - | - | - | - | 338,064 | 338,064 |
| Unrealised gains on available- for-sale investment securities | - | - | - | 78,725 | - | 78,725 |
| Realised gain on sale of investments | - | - | - | (59,488) | - | (59,488) |
| Issuance of bonus shares | 22,093 | - | (22,093) | - | - | - |
| Dividends - First interim (10%) | - | - | - | - | (24,303) | (24,303) |
| - Second interim (10 %) | - | - | - | - | (24,303) | (24,303) |
| | | | | | (48,606) | (48,606) |
| Balance as at 30 June 2005 | 243,027 | 921,000 | - | 346,608 | 317,474 | 1,828,109 |

The annexed notes 1 to 49 form an integral part of these financial statements.


Chairman


Chief Executive

Notes to the Financial Statements

For the year ended 30 June 2005

1. LEGAL STATUS AND OPERATIONS

- 1.1 The company was incorporated on 1 August 1983 as a public limited company under the provisions of Companies Ordinance, 1984 and is quoted on all stock exchanges of Pakistan. It is one of the downstream industries of Pakistan Steel Mills manufacturing large diameter spiral arc welded steel line pipes at Nooriabad (District Jamshoro). The company has a coating facility capable of applying three layer high density polyethylene coating on steel line pipes. The coating plant commenced commercial production from 16 November 1992.
- 1.2 The company acquired a running spinning unit of 14,400 spindles (now 19,680 spindles) at Jaranwala (District Faisalabad) on 30 June 2000 from Crescent Jute Products Limited (CJPL). The cotton spinning activity is carried out by the company under the name and title of “Crescent Cotton Products a division of Crescent Steel and Allied Products Limited” (the cotton division). A basic sale and purchase agreement was made on 31 October 2000 effective from 30 June 2000, however, the transfer of legal title is in the process of being completed.
- 1.3 The activities of the company have been grouped into two segments of related products. The steel division comprises manufacturing and coating of steel pipes whereas the cotton division is involved in yarn manufacturing activity. The steel division charges certain percentage of the common administrative expenditure to the cotton division. In addition, the funds utilised by inter division are charged at mark-up rates of 7.5 and 9.0 percent (2004 : 7.5 percent) subject to financial charges incurred by the steel division.

2. SIGNIFICANT ACCOUNTING POLICIES

- 2.1 **Statement of compliance**
These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. (The Ordinance) Approved Accounting Standards comprise of such International Accounting Standards as notified under the provisions of the Ordinance and the directives issued by Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Ordinance or directives issued by the SECP differ with the requirements of these Standards, the requirements of the Companies Ordinance, 1984 or the said directives take precedence.
- 2.2 **Accounting convention**
The financial statements are prepared in Pak Rupees. These financial statements have been prepared under the historical cost convention, except available for sale investment securities (Refer para 2.12) and investments held for trading (Refer para 2.12) which are stated at fair value.
- 2.3 **Mark-up bearing borrowings**
Mark-up bearing borrowings are recognised initially at cost, less attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.



Crescent Steel &
Allied Products Ltd.

Notes to the Financial Statements For the year ended 30 June 2005

2.4 Borrowing costs

Borrowing costs are recognized as an expense in the year in which they are incurred.

2.5 Employee benefits

2.5.1 Compensated absences

The company accounts for all accumulated compensated absences when employees render services that increase their entitlement to future compensated absences.

2.5.2 Post retirement benefits

2.5.2.1 Defined contribution plan

Provident fund

The company operates a provident fund scheme for its permanent employees. Equal monthly contributions are made by the company and its employees.

Steel division

Contributions to the Fund are made at the rate of 8.33 percent of basic pay plus cost of living allowance (COLA) for those employees who have served the company for a period less than five years and after completion of five years, contributions are made at the rate of 10 percent.

Cotton division

Provision and collection from employees are made at the rate of 6.5 percent of the basic pay plus COLA of cotton division employees. A trust was established and its approval has been obtained from the Commissioner of Income Tax and funds have been transferred to the Fund subsequent to the year end.

2.5.2.2 Defined benefit plans

Pension and gratuity fund

The company operates pension and gratuity fund schemes for its permanent management employees.

The pension scheme provides life time pension to retired employees or to their spouses.

Contributions are paid to the pension and gratuity funds on the basis of actuarial recommendations. The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses which exceed 10 percent of the greater of the present value of the company's obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the eligible employees. Past service cost is recognised immediately to the extent that the benefits are already vested. For non-vested benefits past service cost is amortised on a straight line basis over the average period until the amended benefits become vested.

Notes to the Financial Statements

For the year ended 30 June 2005

Amounts recognised in the balance sheet represent the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost and as reduced by the fair value of plan assets. Any assets resulting from this calculation is limited to the unrecognised actuarial losses and unrecognised past service cost plus the present value of available refunds and reduction in future contributions to the plan.

2.6 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, or the minimum tax liability determined under section 113 of the Income Tax Ordinance, 2001, whichever is higher.

Deferred

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the current rates of taxation.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.7 Provisions

A provision is recognised in the balance sheet when the company has a legal or constructive obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.8 Trade and other payables

Trade and other payables are stated at their cost.

2.9 Dividends

Dividend is recognised as a liability in the period in which it is declared. Upto previous year dividends that were proposed after the balance sheet date but before the financial statements were authorised for issue were recorded as a liability. The change was considered necessary due to revision in the Fourth Schedule to the Companies Ordinance, 1984 effective 5 July 2004. The pro-forma information as required under International Accounting Standards-8 "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies" (IAS 8) is presented in the note 37 to the financial statements.



Crescent Steel &
Allied Products Ltd.

Notes to the Financial Statements For the year ended 30 June 2005

2.10 Property, plant and equipment and depreciation

Owned

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss. Leasehold land is amortised over the period of the lease. Capital work-in-progress is stated at cost.

Where the carrying amount of assets exceeds its estimated recoverable amount it is written down immediately to its recoverable amount.

Depreciation on fixed assets is charged to the profit and loss account applying the straight-line method whereby the cost of an asset is written off over its estimated useful life. Full year's depreciation is charged on additions except major additions or extensions to production facilities which are depreciated on a pro-rata basis for the period of use during the year. No depreciation is charged on assets disposed off during the year.

Items of fixed assets costing Rs. 5,000 or less are not capitalised and are charged off in the year of purchase.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired. Gains and losses on disposals are determined by comparing sales proceeds with carrying amount and are included in income currently.

Leased

Leases in terms of which the company assumes substantially all the risk and rewards of ownership are classified as finance leases. Assets acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any.

Depreciation is charged on the same basis as used for own assets.

Financial charges are allocated to accounting period in a manner so as to provide a constant rate of charge on outstanding liability.

2.11 Intangible assets

Expenditure incurred to acquire software licences is capitalised as intangible assets and stated at cost less accumulated amortisation and impairment loss, if any. Intangible assets are amortised using the straight line method over a period of three years or licence period whichever is lower. Where the carrying amount of an asset exceed its estimated recoverable amount it is written down immediately to its recoverable amount.

2.12 Investments

Investments are being categorised as follows:

Notes to the Financial Statements

For the year ended 30 June 2005

Held for trading

These investments are acquired principally for the purpose of generating profit from short-term fluctuations in prices or dealers' margins, or are securities included in a portfolio in which a pattern of short-term profit taking exists.

Held to maturity

Where the company has the positive intent and ability to hold debt securities upto maturity, these are stated at their amortised cost, less impairment losses, if any. These investments are carried at amortised cost using the effective yield method.

Loans and advances originated by enterprise

Loans and advances originated by enterprise are recognised initially at cost, plus attributable transaction cost. Subsequent to initial recognition, loans and advances originated by enterprise are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss account over the period of the investments on an effective yield method.

Available-for-sale

Other investments including investments in associates and subsidiary held by the company are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity. Gains or losses on available-for-sale investments are recognised directly in equity until the investments are sold or disposed off, or until the investments are determined to be impaired, at that time cumulative gain or loss previously reported in the equity is included in income.

- 2.12.1 Investments are initially stated at cost inclusive of transaction cost, if any. Cost of investment portfolio is determined on a moving average basis. The market value refers to the closing quotations of stock exchanges on the last working day of the accounting year which are considered as their fair values. Fair values of unlisted securities are estimated using appropriate valuation methods if it is practicable to determine it.
- 2.12.2 The company follows trade date accounting for purchase and sales of investments.
- 2.13 **Derivative financial instruments**
- The company enters into derivative financial instruments which include future contracts in stock market. Derivatives are initially recorded at cost and are remeasured to fair value on subsequent reporting dates. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates. Derivatives with positive market values (unrealised gains) are included in other receivables and derivatives with negative market values (unrealised losses) are included in other liabilities in the balance sheet. The resultant gains and losses from derivatives held for trading purposes are included in income currently.



Crescent Steel &
Allied Products Ltd.

Notes to the Financial Statements For the year ended 30 June 2005

2.14 Stores and spares

Stores and spares are valued on a weighted average cost basis. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

Spare parts of capital nature which can be used only in connection with an item of property, plant and equipment are classified as tangible fixed assets under the 'plant and machinery' category and are depreciated over a time period not exceeding the useful life of the related assets.

2.15 Stocks

Stock-in-trade is valued at the lower of cost and net realisable value. Cost is arrived at on a weighted average basis. Cost of work-in-process and finished goods include cost of materials and appropriate portion of production overheads. Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale. Goods-in-transit are valued at actual cost accumulated to the balance sheet date. The cost of finished goods of steel division is measured on the specific identification method.

Scrap stocks are valued at their estimated net realisable value.

2.16 Trade debts and other receivables

These are originated by the company and are stated at cost less provisions for any uncollectible amount. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written off.

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

2.18 Revenue recognition

Revenue from sales is recognised on despatch of goods to customers. The company also recognises sales when it specifically appropriates deliverable goods against such confirmed orders where significant risks and rewards of ownership are transferred to the buyer.

Interest income is recognised on the basis of constant periodic rate of return.

Dividend income is recognised when the right to receive payment is established i.e. at the book closure date of the company declaring the dividend.

Gains and losses on sale of investments are accounted for in the year in which it arises.

Loss arising from sale and lease back transactions are recognised through profit and loss account

Notes to the Financial Statements

For the year ended 30 June 2005

immediately. Gain on sale and lease back transactions are treated as deferred income. The deferred income is being amortised over the respective periods of lease terms.

2.19 Foreign currency translation

Foreign currency transactions are translated into Pak Rupees at exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Exchange differences, if any, are taken to profit and loss account. Unexecuted forward contracts are valued at their estimated fair value.

2.20 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and only the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amount and the company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.21 Financial instruments

All the financial assets and liabilities are recognised at the time when the company becomes a party to the contractual provisions of the instrument. Any gains or losses on derecognition of financial assets and liabilities are taken to profit and loss account.

2.22 Impairment

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists the asset's recoverable amount is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account.

2.23 Segment (division)

A segment is a distinguishable component of the company that is engaged either in providing products (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.



Crescent Steel &
Allied Products Ltd.

Notes to the Financial Statements For the year ended 30 June 2005

3. ISSUED, SUBSCRIBED AND PAID-UP-CAPITAL

| 2005 (Number of shares) | 2004 | | 2005 (Rupees in '000) | 2004 (Rupees in '000) |
|----------------------------|-------------------|--|--------------------------|--------------------------|
| 10,564,900 | 10,564,900 | Ordinary shares of Rs. 10 each fully paid in cash | 105,649 | 105,649 |
| 13,737,784 | 11,528,449 | Ordinary shares of Rs. 10 each fully issued as bonus shares | 137,378 | 115,285 |
| <u>24,302,684</u> | <u>22,093,349</u> | | <u>243,027</u> | <u>220,934</u> |

4. RESERVES

General Reserve

| | | |
|---------------------------------------|----------------|----------------|
| At the beginning of the year | 921,000 | 746,000 |
| Transfer from profit and loss account | – | 175,000 |
| | <u>921,000</u> | <u>921,000</u> |

Reserve for issue of bonus shares

| | | |
|---------------------------------------|----------|--------|
| At the beginning of the year | 22,093 | 2,278 |
| Transfer from profit and loss account | – | 19,815 |
| Transfer to share capital | (22,093) | – |
| | – | 22,093 |

Unrealised gain on available-for-sale investment securities

| | | |
|------------------------------|------------------|------------------|
| At the beginning of the year | 327,371 | 188,610 |
| Transferred during the year | 78,725 | 207,462 |
| Realised during the year | (59,488) | (68,701) |
| | 346,608 | 327,371 |
| | <u>1,267,608</u> | <u>1,270,464</u> |

5. DEFERRED INCOME

The company entered into sale and lease back arrangements resulting in deferred income of Rs. 0.980 million and Rs. 0.911 million in the year 2002 and 2004 respectively. The amount credited to the profit and loss account during the year was Rs 0.49 million (2004: Rs. 0.57 million).

Notes to the Financial Statements For the year ended 30 June 2005

6. REDEEMABLE CAPITAL - secured (non-participatory)

| | 2005 | 2004 |
|--|-------------------------|-------------|
| | (Rupees in '000) | |
| Term Finance Certificates (TFCs) | | |
| Initial amount raised (60,000 certificates issued against cash of Rs. 5,000 each) | 295,955 | 300,000 |
| Initial transaction cost | – | (4,494) |
| | 295,955 | 295,506 |
| Transaction cost amortised | 899 | 449 |
| | 296,854 | 295,955 |
| Less : Current portion | 75,000 | – |
| | 221,854 | 295,955 |

6.1 The company issued term finance certificates for Rs.300 million. These TFCs are not listed. The company has a call option exercisable at par, in multiples of Rs.50 million or whole after eighteen months from the date of issue with 60 days advance notice. TFCs were issued as follows:

| | | |
|---|---------|---------|
| Commercial Banks | 215,000 | 215,000 |
| Financial Institution | 82,000 | 82,000 |
| Crescent Leasing Corporation Limited- an associated company | 3,000 | 3,000 |
| | 300,000 | 300,000 |

6.2 Principal purpose for the use of subscription money

The TFCs are issued to carry on the business authorised by the company's Memorandum and Articles of Association.

6.3 Redemption of TFCs

The terms of redemption are as under :

| | |
|----------------------|---|
| Tenor | 5 years |
| Expected profit rate | Base rate plus 250 bps |
| Floor | None |
| Cap | 9% |
| Principal redemption | Principal will be redeemed after one year grace period starting from the 18th month from the date of issue in 8 equal semi annual installments. |



Crescent Steel &
Allied Products Ltd.

Notes to the Financial Statements For the year ended 30 June 2005

The base rate is defined as the cut off yield on the last successful SBP auction of the six months T Bills. The base rate for the first coupon payment will be set on the last working day prior to disbursement and subsequently on the last working day at the beginning of each semi annual period for the profit due at the end of that semi annual period.

6.4 Security

The TFCs have been secured by pari passu charge by way of hypothecation on all present and future assets of the company to the tune of outstanding TFCs amount with a 25% margin.

6.5 Trustee

In order to secure the interest of the TFC holders, Orix Investment Bank Pakistan Limited has been appointed to act as trustee for the issue. The trust deed dated 22 December 2003 between the company and Orix Investment Bank Pakistan Limited, specifies the rights and obligations of the trustees. The deed requires that the trustees will ensure the safeguard of interest of TFC holders and adherence to terms and conditions of the security documents.

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

| | | 2005 | | | 2004 | | |
|-----------------|-----------|-------------------|--------------------|---------------|-------------------|--------------------|---------------|
| | | Steel division | Cotton division | Total | Steel division | Cotton division | Total |
| | | (Rupees in '000) | | | | | |
| Long-term | 7.1 & 7.2 | 14,289 | – | 14,289 | 20,728 | 9,833 | 30,561 |
| Current portion | 7.1 & 7.2 | 6,459 | 9,833 | 16,292 | 6,001 | 7,513 | 13,514 |
| | | <u>20,748</u> | <u>9,833</u> | <u>30,581</u> | <u>26,729</u> | <u>17,346</u> | <u>44,075</u> |

7.1 Steel division

The company has acquired plant and machinery and vehicles under finance lease agreements. The amounts of future payments for the lease and the period in which the lease payments will become due are as follows:

| | 2005 | | | 2004 | | |
|------------------------|-------------------------------|--|---------------|-------------------------------|--|---------------|
| | Not later than one year | Later than one year but not later than five years | Total | Not later than one year | Later than one year but not later than five years | Total |
| Minimum lease payments | 7,925 | 15,535 | 23,460 | 7,810 | 23,116 | 30,926 |
| Financial charges | (1,466) | (1,246) | (2,712) | (1,809) | (2,388) | (4,197) |
| | <u>6,459</u> | <u>14,289</u> | <u>20,748</u> | <u>6,001</u> | <u>20,728</u> | <u>26,729</u> |
| Current portion | (6,459) | – | (6,459) | (6,001) | – | (6,001) |
| | <u>–</u> | <u>14,289</u> | <u>14,289</u> | <u>–</u> | <u>20,728</u> | <u>20,728</u> |



Crescent Steel &
Allied Products Ltd.

Notes to the Financial Statements For the year ended 30 June 2005

9. TRADE AND OTHER PAYABLES

| | 2005 | | | 2004 | | |
|-------------------------|-------------------|--------------------|----------------|-------------------|--------------------|----------------|
| | Steel division | Cotton division | Total | Steel division | Cotton division | Total |
| | (Rupees in '000) | | | | | |
| Creditors | 25,500 | 1,407 | 26,907 | 7,247 | 83,885 | 91,132 |
| Commission payable | – | 1,430 | 1,430 | – | – | – |
| Murabaha financing 9.1 | 90,000 | – | 90,000 | – | – | – |
| Accrued liabilities 9.2 | 20,681 | 6,209 | 26,890 | 21,700 | 5,587 | 27,287 |
| Provisions 9.3 | 27,942 | – | 27,942 | 15,942 | – | 15,942 |
| Advances from | | | | | | |
| customers | 623 | 340 | 963 | 2,757 | 1,263 | 4,020 |
| Retention money | 109 | 196 | 305 | 185 | 195 | 380 |
| Due to associated | | | | | | |
| undertakings 9.4 | 1,122 | 1,629 | 2,751 | 1,787 | 2,285 | 4,072 |
| Payable to | | | | | | |
| provident fund | – | 4,814 | 4,814 | 522 | 3,673 | 4,195 |
| Unclaimed dividend | 15,694 | – | 15,694 | 10,626 | – | 10,626 |
| Sales tax payable | 10,082 | – | 10,082 | 4,389 | – | 4,389 |
| Workers Welfare Fund | 5,165 | – | 5,165 | 984 | – | 984 |
| Income tax payable | 143 | – | 143 | 421 | – | 421 |
| Customer security | | | | | | |
| deposit | 300 | 1,000 | 1,300 | 110 | 1,178 | 1,288 |
| Others | 4,136 | 3,420 | 7,556 | 3,546 | 6,200 | 9,746 |
| | <u>201,497</u> | <u>20,445</u> | <u>221,942</u> | <u>70,216</u> | <u>104,266</u> | <u>174,482</u> |

9.1 Murabaha - Meezan Bank Limited

During the year Istijrar facilities (Master Murabaha Facility) amounting to Rs.325 million (2004 : Rs. 325 million) has been renewed and availed. The rate of mark-up is to be agreed for each sub-murabaha. These facilities are secured against first pari passu charge over stocks and book debts of the company. These facilities have expired on 30 June 2005.

The facility for opening letters of credit as at 30 June 2005 amounted to Rs. 500 million (2004: Rs. 500 million) and letters of guarantees amounted to Rs.80 million (2004: 80 million). These facilities are secured against first pari passu charge on the stocks and debts of the company.

Notes to the Financial Statements

For the year ended 30 June 2005

9.2 Accrued liabilities

| | 2005 | | | 2004 | | |
|------------------------------------|----------------|-----------------|------------------|----------------|-----------------|---------------|
| | Steel division | Cotton division | Total | Steel division | Cotton division | Total |
| | | | (Rupees in '000) | | | |
| Salaries, wages and other benefits | 3,839 | – | 3,839 | 7,784 | 1,970 | 9,754 |
| Accrual for 10C bonus | 562 | – | 562 | 527 | – | 527 |
| Leave encashment | 3,946 | 921 | 4,867 | 4,185 | 657 | 4,842 |
| Accruals | 12,334 | 5,288 | 17,622 | 9,204 | 2,960 | 12,164 |
| | <u>20,681</u> | <u>6,209</u> | <u>26,890</u> | <u>21,700</u> | <u>5,587</u> | <u>27,287</u> |

9.3 Movement of provisions

| | Infrastructure fee (Note 9.3.1) | Sales Tax (Note 9.3.2) | Liquidated damages (Note 9.3.3) | Total |
|------------------------------|------------------------------------|---------------------------|------------------------------------|---------------|
| Opening balance 1 July 2004 | 12,700 | 3,242 | – | 15,942 |
| Provision for the year | 6,000 | – | 6,000 | 12,000 |
| Closing balance 30 June 2005 | <u>18,700</u> | <u>3,242</u> | <u>6,000</u> | <u>27,942</u> |

9.3.1 This has been made against infrastructure fee levied by Government of Sindh through Sindh Finance (Amendment) Ordinance, 2001. The company has provided bank guarantees amounting to Rs. 18.7 million (2004: 12.7 million) in favour of Excise and Taxation Department. However, the company is contesting this issue in High Court.

9.3.2 These have been made against sales tax claims long outstanding with the sales tax department.

9.3.3 The provision has been made on account of liquidated damages claimed by a customer on delayed supply of goods during the year. The company is in process of negotiating this matter and expects that this may be resolved. However, on a prudent basis full provision has been made.

9.4 This represents the expenses incurred by associated companies on behalf of the company and insurance premiums payable to an associated undertaking.

9.5 Maximum amount due to associated undertakings at the end of any month during the year was Rs. 2.75 million (2004: Rs. 4.07 million).



Crescent Steel &
Allied Products Ltd.

Notes to the Financial Statements For the year ended 30 June 2005

10 INTEREST AND MARK-UP ACCRUED

| | 2005 | | | 2004 | | |
|-----------------------------------|-------------------|--------------------|---------------|-------------------|--------------------|--------------|
| | Steel division | Cotton division | Total | Steel division | Cotton division | Total |
| | | | | | | |
| - on Secured Loans | – | 565 | 565 | – | 564 | 564 |
| - on Term Finance Certificates | 5,529 | 4,228 | 9,757 | 3,429 | 2,622 | 6,051 |
| - on Running Finance | 2,440 | 576 | 3,016 | 271 | – | 271 |
| - on Leases | 104 | 12 | 116 | 123 | 23 | 146 |
| | <u>8,073</u> | <u>5,381</u> | <u>13,454</u> | <u>3,823</u> | <u>3,209</u> | <u>7,032</u> |

11 SHORT-TERM BORROWINGS

Secured-From Banking Companies

Running finances under mark-up arrangements

| | | | | | | | |
|----------------------------------|------|--------|---|--------|--------|-----|--------|
| Union Bank Limited | 11.1 | 22,204 | – | 22,204 | 17,581 | – | 17,581 |
| PICIC Commercial Bank Limited | | – | – | – | – | 252 | 252 |

Short-term loans- Banking Companies

| | | | | | | | |
|-----------------------------------|------|---------|---|---------|--------|---|--------|
| Union Bank Limited | | – | – | – | 50,000 | – | 50,000 |
| Muslim Commercial Bank Limited | 11.2 | 120,000 | – | 120,000 | – | – | – |

Unsecured-From Other Financial Institutions

| | | | | | | | |
|--|--|----------------|----------|----------------|---------------|---------------|----------------|
| Pak Oman Investment Company Limited | | – | – | – | – | 74,901 | 74,901 |
| | | <u>142,204</u> | <u>–</u> | <u>142,204</u> | <u>67,581</u> | <u>75,153</u> | <u>142,734</u> |

Notes to the Financial Statements

For the year ended 30 June 2005

11.1 Union Bank Limited

The facilities for running finance available amount to Rs. 425 million (2004: Rs. 125 million). The rate of mark-up is 6 months KIBOR (Ask) plus 2.0 percent with a floor of 7.0 percent per annum (2004: 7.25 percent per annum). The purchase prices are repayable within 120 to 180 days depending upon nature of financing. The mark-up is payable quarterly. The facilities amounting to Rs. 200 million has expired on 30 June 2005 while the remaining will be expiring on 31 March 2006.

The facility for opening letters of credit and guarantees as at 30 June 2005 amounted to Rs. 467 million (2004: Rs. 672.72 million).

The above facilities are secured against pledge on stocks of raw cotton with 25% margin to the extent of Rs. 400 million, pledge of shares of public limited companies acceptable to the bank with a 40% margin and first pari passu charge on the stocks and books debts of the company for Rs.600 million.

11.2 Muslim Commercial Bank Limited

The facility for running finance amounted to Rs. 200 million (2004: Nil). The mark-up rate is 1 month KIBOR plus 2.5% with a floor of 5.0%. The facility will remain valid till 30 August 2005. The facility for running finance is secured against first pari passu hypothecation charge for Rs.316.67 million over stocks and books debts of the company, lien over import documents and duly accepted bills of exchange.

12. CONTINGENCIES AND COMMITMENTS

- 12.1 The Ministry of Labour, Manpower and Overseas Pakistani's Division (the Ministry) in response to an application for establishment of separate fund for cotton division under Clause 15 of the Scheme to the Companies Profit (Workers' Participation) Act, 1968 has granted the permission for the same. The Ministry has, however, asked the company to deposit an amount of Rs. 47.85 million on account of Workers Profits Participation Fund for the period between 1990 to 1997. This demand is being contested by the company as there were no eligible workers. The management, based on the advice of its legal consultants, is considering to file a constitutional petition in the High Court and is confident of a favourable outcome. Thus, no provision has been made for the aforementioned amount in these financial statements.



Crescent Steel &
Allied Products Ltd.

Notes to the Financial Statements For the year ended 30 June 2005

- 12.2 The sales tax authorities issued a show cause relating to sales tax of Rs. 2.48 million by disallowing input tax claimed on certain items and spare parts imported during the period from August 1997 to June 1998. The company filed an appeal with the Customs, Excise and Sales Tax Appellate Tribunal who has referred the case to Collector Sales Tax (Appeals) for fresh assessment. Based on the advice of legal advisor the management is confident that the matter will be decided in favour of the company. Accordingly, no provision has been made in these financial statements for the aforementioned amount.
- 12.3 The company has filed a suit in the High Court of Sindh for restraining the customs authorities from encashing a bank guarantee of Rs. 0.89 million issued while availing concessionary benefits of SRO 671(1)/94 dated 3 July 1994. The liability of the company will eventually depend upon whether or not the goods were consumed in terms of the concession. This case is pending with the High Court and a sum of Rs. 0.89 million is contingently payable by the company in case the High Court decides the case against the company.
- 12.4 The company has filed a claim against SNGPL for return of its performance bond relating to a contract that was completed in the past. By way of a counter claim, SNGPL is claiming liquidated damages amounting to US dollar 904,447 and mark-up. The matter is currently pending before the Arbitrators. Management of the company, based on legal advice, is confident that there is no significant chance of the counter claim of SNGPL being allowed as the relevant guarantees have long since expired. Hence, no provision has been made in these financial statements.
- 12.5 The company has filed a suit in the Sindh High Court against Federation of Pakistan and others, for levy of import license fee at 6% against import of coating plant in 1992. The company contested that as per SRO 1317 (1)/94 dated 22 December 1990, being located in rural area, is only liable to pay 2 % of import license fee. The company has provided bank guarantee of Rs. 3.42 million as directed by the Honourable Court. The petition was dismissed by High Court as having been incompetently filed. The company has filed the application with Honourable Supreme Court to obtain leave for appeal. No provision has been made in the financial statements as management considers that the company would be able to file appeal before Honourable Supreme Court and case would be decided in company's favour.
- 12.6 Sindh Industrial Trade Estate (SITE) has cancelled allotment of plot A-26 and A-27 and charged non-utilisation fees of Rs. 285,184 and Rs. 620,573 respectively. The company has challenged the cancellation and filed a suit in Sindh High Court. The High Court has restrained the SITE from taking any adverse action against the Company. Therefore, management considers that no provision is required.



Crescent Steel &
Allied Products Ltd.

Notes to the Financial Statements For the year ended 30 June 2005

13.1 The following is a statement of all property plant and equipment other than those relating to the coating plant and the cotton division:

| Description | Cost as at 1 July 2004 | Additions / (transfers) / (disposals) | Cost as at 30 June 2005 | Accumulated depreciation as at 1 July 2004 (Rupees in '000) | Depreciation charge for the year / (on disposals) | Accumulated depreciation as at 30 June 2005 | Net book value as at 30 June 2005 | Rate of depreciation rate % |
|-----------------------------------|---------------------------|---|-------------------------------|---|--|--|--|-----------------------------------|
| Freehold land | 1,740 | - | 1,740 | - | - | - | 1,740 | - |
| Leasehold land | 8,054 | - | 8,054 | 1,090 | 81 | 1,171 | 6,883 | 1 |
| Improvements to leasehold land | 106 | - | 106 | 18 | 1 | 19 | 87 | 1 |
| Building on leasehold land | 59,804 | - | 59,804 | 42,117 | 2,990 | 45,107 | 14,697 | 5 |
| Plant and machinery | | | | | | | | |
| - owned | 13.1.1 242,467 | 4,292 | 246,759 | 190,909 | 13,683 | 204,592 | 42,167 | 5 to 20 |
| - leased | 20,000 | - | 20,000 | 4,000 | 2,000 | 6,000 | 14,000 | 10 |
| Office premises | 49,443 | - (9,010) | 40,433 | 17,135 | 3,254 (1,626) | 18,763 | 21,670 | 10 |
| Furniture and fixtures | 17,958 | 157 (491) | 17,624 | 13,779 | 1,467 (49) | 15,197 | 2,427 | 10 |
| Office and other equipment | 8,105 | 454 (1,822) | 6,737 | 6,919 | 381 (644) | 6,656 | 81 | 20 |
| Computers | 13,501 | 1,033 (230) | 14,304 | 11,865 | 719 (179) | 12,405 | 1,899 | 33.33 |
| Vehicles-owned | 29,975 | 8,979 (5,929) | 33,025 | 18,163 | 5,693 (5,478) | 18,378 | 14,647 | 20 |
| -leased | 11,940 | - | 11,940 | 3,015 | 3,015 | 6,030 | 5,910 | 20 & 33.33 |
| Workshop equipment | 4,041 | - | 4,041 | 338 | 119 | 457 | 3,584 | 5 to 20 |
| | 467,134 | 14,915 (17,482) | 464,567 | 309,348 | 33,403 (7,976) | 334,775 | 129,792 | |
| Capital work- in-progress | 13.4 1,695 | 4,801 | 6,496 | - | - | - | 6,496 | |
| | 2005 | 468,829 | 19,716 (17,482) | 471,063 | 309,348 | 33,403 (7,976) | 334,775 | 136,288 |
| | | 409,963 | 67,736 (10,565) | 467,134 | 280,320 | 35,225 (6,196) | 309,349 | 157,785 |
| Capital work-in- -progress | 13.4 9,336 | - (7,641) | 1,695 | - | - | - | 1,695 | |
| | 2004 | 419,299 | 67,736 (7,641) (10,565) | 468,829 | 280,320 | 35,225 - (6,196) | 309,349 | 159,480 |

Notes to the Financial Statements For the year ended 30 June 2005

13.1.1 Net book value of plant and machinery includes book value of Rs. 3.72 million (2004: 2.78 million) of capitalised spares.

13.2 Coating Plant

| Description | | Cost as at 1 July 2004 | Additions | Cost as at 30 June 2005 | Accumulated depreciation as at 1 July 2004 (Rupees in '000) | Depreciation charge for the year | Accumulated depreciation as at 30 June 2005 | Net book value as at 30 June 2005 | Rate of depreciation rate % |
|-------------------------------|--------|---------------------------|---------------|-------------------------------|---|--|--|--|-----------------------------------|
| Building on leasehold land | | 8,528 | 675 | 9,203 | 4,814 | 461 | 5,275 | 3,928 | 5 |
| Plant and machinery | 13.2.1 | 151,496 | 9,394 | 160,890 | 138,836 | 4,631 | 143,467 | 17,423 | 5 to 20 |
| Office and other equipment | | 325 | – | 325 | 177 | 60 | 237 | 88 | 20 |
| Furniture and fixtures | | 48 | – | 48 | 44 | 1 | 45 | 3 | 10 |
| | 2005 | <u>160,397</u> | <u>10,069</u> | <u>170,466</u> | <u>143,871</u> | <u>5,153</u> | <u>149,024</u> | <u>21,442</u> | |
| | 2004 | <u>158,871</u> | <u>1,526</u> | <u>160,397</u> | <u>138,699</u> | <u>5,175</u> | <u>143,874</u> | <u>16,523</u> | |

13.2.1 Net book value of plant and machinery includes book value of Rs. 4.3 million (2004: Rs. 1.27 million) of capitalised spares.



Crescent Steel &
Allied Products Ltd.

Notes to the Financial Statements For the year ended 30 June 2005

13.3 Cotton division

| Description | Cost as at 1 July 2004 | Additions / (transfers) / (disposals) | Cost as at 30 June 2005 | Accumulated depreciation as at 1 July 2004 (Rupees in '000) | Depreciation charge for the year / (on disposals) | Accumulated depreciation as at 30 June 2005 | Net book value as at 30 June 2005 | Rate of depreciation rate % | |
|-------------------------------|---------------------------|---|-------------------------------|---|--|--|--|-----------------------------------|----------|
| Freehold land | 13.3.2 | 6,155 | 4,172 | 10,327 | - | - | - | 10,327 | |
| Building on freehold land | | 25,690 | 14,678 | 40,368 | 7,477 | 4,038 | 11,515 | 28,853 | 10 |
| Plant and machinery | | | | | | | | | |
| - owned | | 335,096 | 9,235 (100) | 344,231 | 96,275 | 35,293 (40) | 131,528 | 212,703 | 10 to 20 |
| - leased | | 30,000 | - | 30,000 | 9,000 | 3,000 | 12,000 | 18,000 | 10 |
| Electric installation | | 11,831 | 5 | 11,836 | 4,709 | 1,184 | 5,893 | 5,943 | 10 |
| Office and other equipment | | 291 | 90 | 381 | 92 | 49 | 141 | 240 | 10 to 20 |
| Computers | | 1,993 | 27 | 2,020 | 1,973 | 19 | 1,992 | 28 | 33.33 |
| Furniture and fixtures | | 152 | - | 152 | 61 | 15 | 76 | 76 | 10 |
| Vehicles | | 807 | 1,828 (411) | 2,224 | 626 | 444 (329) | 741 | 1,483 | 20 |
| | 2005 | 412,015 | 30,035 (511) | 441,539 | 120,213 | 44,042 (369) | 163,886 | 277,653 | |
| Capital work- in-progress | 13.4 | - | 6,453 | 6,453 | - | - | - | 6,453 | |
| | 2005 | 412,015 | 36,488 (511) | 447,992 | 120,213 | 44,042 (369) | 163,886 | 284,106 | |
| | | 322,845 | 93,893 (4,723) | 412,015 | 79,568 | 42,013 (1,368) | 120,213 | 291,802 | |
| Capital work- in-progress | 13.4 | 8,061 | - (8,061) | - | - | - | - | - | |
| | 2004 | 330,906 | 93,893 (8,061) (4,723) | 412,015 | 79,568 | 42,013 - | 120,213 | 291,802 | |
| | | | | | | (1,368) | | | |

13.3.1 The company had acquired the cotton division effective 30 June 2000. The transfer of legal title of assets in the name of the company is in process.

13.3.2 The company had acquired the freehold land during the year. The transfer of legal title of the freehold land in the name of the company is in process.

Notes to the Financial Statements

For the year ended 30 June 2005

13.3.3 The following assets were disposed off during the year:

| Description | Cost | Accumulated depreciation (Rupees in '000) | Book value | Sale proceeds | Mode of disposal | Particular of buyers |
|----------------------------|---------------|--|--------------|---------------|------------------|--|
| Steel division | | | | | | |
| Office premises | 9,010 | 1,626 | 7,384 | 9,173 | Negotiation | International Housing Finance Limited - an associated company |
| Furniture and fixtures | 491 | 49 | 442 | 549 | Negotiation | International Housing Finance Limited - an associated company |
| Office and other equipment | 1,573 | 395 | 1,178 | 1,465 | Negotiation | International Housing Finance Limited - an associated company |
| | 222 | 222 | - | 26 | Negotiation | Arfat Trading |
| | 27 | 27 | - | - | Scrapped | Scrapped |
| Motor vehicles | 645 | 645 | - | 193 | Company Scheme | Mr. M. Sharif -Employee (Advisor to CEO-Technical) |
| | 643 | 643 | - | 193 | Company Scheme | Mr. S.A.N.Kazmi -Employee (Commercial Director) |
| | 616 | 616 | - | 185 | Company Scheme | Mr. Nadir Mazhar |
| | 63 | 63 | - | 44 | Company Scheme | Mr. M.Akram |
| | 349 | 349 | - | 267 | Negotiation | Mr. Waseem Mirza |
| | 504 | 302 | 202 | 219 | Company Scheme | Mr. M.Amir |
| | 69 | 28 | 41 | 44 | Company Scheme | Mr. Abdul Razzak |
| | 2,820 | 2,820 | - | 900 | Negotiation | Mr. Zeeshan Rashid |
| | 54 | - | 54 | 54 | Insurance claim | EFU General Insurance Limited |
| | 54 | - | 54 | 54 | Insurance claim | EFU General Insurance Limited |
| | 54 | - | 54 | 54 | Insurance claim | EFU General Insurance Limited |
| | 58 | 12 | 46 | 54 | Insurance claim | EFU General Insurance Limited |
| Computers | 152 | 101 | 51 | 63 | Negotiation | International Housing Finance Limited - an associated company |
| | 78 | 78 | - | 3 | Negotiation | Ms. Saima Hussain |
| | <u>17,482</u> | <u>7,976</u> | <u>9,506</u> | <u>13,540</u> | | |
| Cotton division | | | | | | |
| Plant and machinery | 100 | 40 | 60 | 100 | Negotiation | Crescent Ujala Limited - an associated company |
| Vehicles | 411 | 329 | 82 | 201 | Negotiation | Mr. Abdul Rouf |
| | <u>511</u> | <u>369</u> | <u>142</u> | <u>301</u> | | |
| 2005 | <u>17,993</u> | <u>8,345</u> | <u>9,648</u> | <u>13,841</u> | | |
| 2004 | <u>15,288</u> | <u>7,564</u> | <u>7,724</u> | <u>10,266</u> | | |



Crescent Steel &
Allied Products Ltd.

Notes to the Financial Statements For the year ended 30 June 2005

13.4 Capital work-in-progress

| | 2005 | | | 2004 | | |
|---|------------------|-----------------|---------------|----------------|-----------------|--------------|
| | Steel division | Cotton division | Total | Steel division | Cotton division | Total |
| | (Rupees in '000) | | | | | |
| Plant and machinery | 5,419 | 6,389 | 11,808 | 1,332 | – | 1,332 |
| Civil work | 1,077 | 64 | 1,141 | – | – | – |
| Advance payment for development of software | – | – | – | 363 | – | 363 |
| | <u>6,496</u> | <u>6,453</u> | <u>12,949</u> | <u>1,695</u> | <u>–</u> | <u>1,695</u> |

14. INTANGIBLE ASSETS

| Description | Cost as at 1 July 2004 | Additions | Cost as at 30 June 2005 | Accumulated amortisation as at 1 July 2004 | Amortisation charge for the year | Accumulated amortisation as at 30 June 2005 | Net book value as at 30 June 2005 | Amortisation rate % |
|------------------------|------------------------|--------------|-------------------------|--|----------------------------------|---|-----------------------------------|---------------------|
| (Rupees in '000) | | | | | | | | |
| Steel division | | | | | | | | |
| Software licences | 4,171 | 1,226 | 5,397 | 2,087 | 1,459 | 3,546 | 1,851 | 33.33 |
| Club memberships | – | 2,580 | 2,580 | – | – | – | 2,580 | – |
| | <u>4,171</u> | <u>3,806</u> | <u>7,977</u> | <u>2,087</u> | <u>1,459</u> | <u>3,546</u> | <u>4,431</u> | |
| Cotton division | | | | | | | | |
| Software licenses | 1,310 | 245 | 1,555 | 519 | 478 | 997 | 558 | 33.33 |
| 2005 | <u>5,481</u> | <u>4,051</u> | <u>9,532</u> | <u>2,606</u> | <u>1,937</u> | <u>4,543</u> | <u>4,989</u> | |
| 2004 | <u>1,193</u> | <u>4,288</u> | <u>5,481</u> | <u>778</u> | <u>1,828</u> | <u>2,606</u> | <u>2,875</u> | |

Notes to the Financial Statements For the year ended 30 June 2005

15. LONG-TERM INVESTMENTS

| | | 2005 | | | 2004 | | |
|--------------------|------|-------------------|--------------------|----------------|-------------------|--------------------|---------|
| | | Steel division | Cotton division | Total | Steel division | Cotton division | Total |
| | | (Rupees in '000) | | | | | |
| Related Parties | | | | | | | |
| Available for sale | 15.1 | 177,602 | – | 177,602 | 185,656 | – | 185,656 |
| Held to maturity | 15.2 | 29,994 | – | 29,994 | – | – | – |
| | | <u>207,596</u> | <u>–</u> | <u>207,596</u> | 185,656 | – | 185,656 |
| Others | | | | | | | |
| Available for sale | 15.3 | 24,500 | – | 24,500 | – | – | – |
| Held to maturity | 15.4 | 26,821 | – | 26,821 | 24,995 | – | 24,995 |
| | | <u>258,917</u> | <u>–</u> | <u>258,917</u> | 210,651 | – | 210,651 |

Investment in Related Parties

15.1 Available-for-sale

Unless stated otherwise the holdings are in ordinary shares certificates of Rs 10 each.

| | | 2005 (Number of shares) | 2004 | | | 2005 (Rupees in '000) | 2004 |
|-----------------|--|----------------------------|-------------------|--|--|--------------------------|----------------|
| Quoted | | | | | | | |
| | | 2,828,820 | 1,380,600 | | | | |
| | | – | 1,957,054 | | | 29,278 | 19,742 |
| | | 2,769,380 | 2,769,380 | | | – | 22,115 |
| | | 847,279 | 557,879 | | | 135,700 | 134,315 |
| | | | | | | <u>12,624</u> | 9,484 |
| | | | | | | <u>177,602</u> | 185,656 |
| Unquoted | | | | | | | |
| | | 2,403,725 | 2,403,725 | | | 24,037 | 24,037 |
| | | 1,047,000 | 1,047,000 | | | 10,470 | 10,470 |
| | | | | | | <u>34,507</u> | 34,507 |
| | | | | | | <u>(34,507)</u> | (34,507) |
| | | | | | | – | – |
| | | 2 | 2 | | | – | – |
| | | | | | | – | – |
| | | <u>9,896,206</u> | <u>10,115,640</u> | | | <u>177,602</u> | <u>185,656</u> |



Crescent Steel &
Allied Products Ltd.

Notes to the Financial Statements For the year ended 30 June 2005

- 15.1.1 The chief executive of Crescent Bahuman Limited is Mr. Nasir Shafi. The company's break up value of shares was 'NIL' as at September 30, 2004 due to negative equity.
- 15.1.2 The chief executive of Crescent Industrial Chemicals Limited is Mr. Tariq Shafi. The company's break up value of shares could not be ascertained as the financial statements of the company are not available.
- 15.1.3 The investment in a subsidiary is Rs.90 only. The subsidiary company has not commenced operation and accordingly no financial statements have been prepared.

15.2 Held to maturity

| | | 2005 | 2004 |
|---|--------|------------------|----------|
| | | (Rupees in '000) | |
| Redeemable Capital - Term Finance Certificates (TFCs) | 15.2.1 | - | - |
| Shakarganj Mills Limited (Preference Shares) | 15.2.2 | 29,994 | - |
| | | <u>29,994</u> | <u>-</u> |

15.2.1 Redeemable capital - Term Finance Certificates (TFCs)

| | | | |
|---|----------|----------|----------|
| Shakarganj Mills Limited | | | |
| (2,000 TFCs of Rs. 5,000 each) | 15.2.1.1 | - | 3,332 |
| Current maturity shown under current assets | | - | (3,332) |
| | | <u>-</u> | <u>-</u> |
| | | <u>-</u> | <u>-</u> |

- 15.2.1.1 These term finance certificates are being redeemed half yearly over a period of four years commenced from 10 April 2001 and ending on 10 April 2005. These certificates carry mark-up rate of 15% per annum.

- 15.2.2 During the period, the company subscribed right cumulative preference shares ("shares") of Shakarganj Mills Limited amounting to Rs. 29.99 million. These shares have a face value of Rs. 10 each. These shares carry dividend rate of 8.5% per annum payable annually. The preference shares will be redeemed after 5 years from the date of issue.

The preference shares are convertible into ordinary shares of Rs. 10 each. The conversion option could be exercisable at the end of every financial year of the investee company.

Notes to the Financial Statements

For the year ended 30 June 2005

Other Investments

15.3 Available-for-sale

Unless stated other wise the holding are in ordinary shares certificates of Rs. 10 each.

| 2005 | 2004 | 2005 | 2004 |
|--------------------|--|------------------|------|
| (Number of shares) | | (Rupees in '000) | |
| 175,000 | – | 24,500 | – |
| | Unquoted Central Depository Company of Pakistan Limited | 15.3.1 | |

15.3.1 During the year Company made investments in the shares of Central Depository Company of Pakistan Limited (CDC). The securities are recorded at cost since the fair value of the shares cannot be measured reliably.

15.4 Held to maturity

| | | | |
|---|--------|---------------|---------------|
| Redeemable Capital - Term Finance Certificates (TFCs) | 15.4.1 | 24,985 | 24,995 |
| Maple Leaf Cement Limited (Preference Shares) | 15.4.2 | 1,836 | – |
| | | <u>26,821</u> | <u>24,995</u> |

15.4.1 Redeemable capital - Term Finance Certificates (TFCs)

| | | | |
|--|--------|---------------|---------------|
| United Bank Limited (5,000 TFCs of Rs. 5,000 each) | 15.4.3 | 24,995 | 25,000 |
| Current maturity shown under current assets | | (10) | (5) |
| | | <u>24,985</u> | <u>24,995</u> |

15.4.2 During the year, the company subscribed right cumulative preference shares (“shares”) of Maple Leaf Cement Factory Limited amounting to Rs. 1.84 million. These shares have a face value of Rs. 10 each and carry dividend rate of 9.75% per annum. These preference shares will be matured after six years from the date of issuance.

15.4.3 This represents investments in Term Finance Certificate issued by United Bank Limited. The tenor of the TFC is eight years with semi-annual installments comprising of principal and profit. The rate of profit is 8.45 percent per annum.

Notes to the Financial Statements

For the year ended 30 June 2005

18. STOCK-IN-TRADE

| | 2005 | | | 2004 | | |
|---|----------------|-----------------|---------------------------|----------------|-----------------|-----------------|
| | Steel division | Cotton division | Total (Rupees in '000) | Steel division | Cotton division | Total |
| Raw materials | | | | | | |
| Hot rolled steel coils | 47,690 | – | 47,690 | 27,568 | – | 27,568 |
| Coating materials | 17,498 | – | 17,498 | 6,579 | – | 6,579 |
| Others - pipe plant | 10,274 | – | 10,274 | 9,068 | – | 9,068 |
| Raw cotton | 18.1 – | 62,607 | 62,607 | – | 91,919 | 91,919 |
| Stock-in-transit | 5,137 | – | 5,137 | 7,455 | 78,005 | 85,460 |
| | <u>80,599</u> | <u>62,607</u> | <u>143,206</u> | <u>50,670</u> | <u>169,924</u> | <u>220,594</u> |
| Provision for slow-moving and obsolescence | | | | | | |
| Hot rolled steel coils | – | – | – | (3,879) | – | (3,879) |
| Coating materials | (84) | – | (84) | (901) | – | (901) |
| Raw cotton | – | – | – | – | (11,378) | (11,378) |
| Others | (200) | – | (200) | (205) | – | (205) |
| | <u>(284)</u> | <u>–</u> | <u>(284)</u> | <u>(4,985)</u> | <u>(11,378)</u> | <u>(16,363)</u> |
| | <u>80,315</u> | <u>62,607</u> | <u>142,922</u> | <u>45,685</u> | <u>158,546</u> | <u>204,231</u> |
| Work-in-process | 4,021 | 2,979 | 7,000 | 1,379 | 4,433 | 5,812 |
| Finished goods | 30,302 | 18,417 | 48,719 | 19,245 | 13,395 | 32,640 |
| Scrap / cotton waste | 169 | 1,009 | 1,178 | 441 | 837 | 1,278 |
| Provision for slow-moving and obsolescence finished goods | (4,784) | (706) | (5,490) | (2,855) | (655) | (3,510) |
| | <u>29,708</u> | <u>21,699</u> | <u>51,407</u> | <u>18,210</u> | <u>18,010</u> | <u>36,220</u> |
| | <u>110,023</u> | <u>84,306</u> | <u>194,329</u> | <u>63,895</u> | <u>176,556</u> | <u>240,451</u> |

18.1 Stock-in-trade of the cotton division amounting to Rs. 35.39 million (2004: Rs. 26.33 million) was pledged as security with a financial institution.



Crescent Steel &
Allied Products Ltd.

Notes to the Financial Statements For the year ended 30 June 2005

19. TRADE DEBTS

| | 2005 | | | 2004 | | |
|---------------------|-------------------|--------------------|----------------|-------------------|--------------------|---------------|
| | Steel division | Cotton division | Total | Steel division | Cotton division | Total |
| | (Rupees in '000) | | | | | |
| Secured | | | | | | |
| Considered good | 3,118 | – | 3,118 | 30,421 | – | 30,421 |
| Unsecured | | | | | | |
| Considered good | 127,552 | 1,367 | 128,919 | 1,601 | 4,002 | 5,603 |
| Considered doubtful | – | – | – | – | – | – |
| | 127,552 | 1,367 | 128,919 | 1,601 | 4,002 | 5,603 |
| | <u>130,670</u> | <u>1,367</u> | <u>132,037</u> | <u>32,022</u> | <u>4,002</u> | <u>36,024</u> |

- 19.1 This includes amount due from an associated undertaking of Rs. 0.98 million (2004: Rs. Nil).
The maximum amount due from associated undertakings at the end of any month during the year was Rs. 2.75 million (2004: Rs. 5.41 million).

Notes to the Financial Statements

For the year ended 30 June 2005

20. ADVANCES

| | 2005 | | | 2004 | | |
|---|----------------|-----------------|---------|----------------|-----------------|-------|
| | Steel division | Cotton division | Total | Steel division | Cotton division | Total |
| (Rupees in '000) | | | | | | |
| Considered good | | | | | | |
| Executives 20.1 & 20.2 | – | – | – | 564 | – | 564 |
| Other staff | 98 | – | 98 | 23 | – | 23 |
| | 98 | – | 98 | 587 | – | 587 |
| Considered Doubtful | | | | | | |
| Advances to others | 3,000 | 5,025 | 8,025 | – | 2,500 | 2,500 |
| Provision for doubtful advances to others | (3,000) | – | (3,000) | – | – | – |
| | – | 5,025 | 5,025 | – | 2,500 | 2,500 |
| Suppliers for goods and services | 9,801 | 1,500 | 11,301 | 3,695 | 886 | 4,581 |
| Provision for doubtful advances | (537) | (224) | (761) | (537) | (375) | (912) |
| | 9,264 | 1,276 | 10,540 | 3,158 | 511 | 3,669 |
| | 9,362 | 6,301 | 15,663 | 3,745 | 3,011 | 6,756 |

20.1 This represents advances made to executives for traveling and other expenses.

20.2 The maximum aggregate amount due at the end of any month during the year from executives was Rs. 0.10 million (2004: Rs. 0.56 million).

21. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

| | | | | | | |
|-------------------|-------|-------|-------|-------|-------|-------|
| Security deposits | 1,340 | 1,501 | 2,841 | 1,107 | 1,350 | 2,457 |
| Prepayments | 587 | 155 | 742 | 965 | – | 965 |
| | 1,927 | 1,656 | 3,583 | 2,072 | 1,350 | 3,422 |



Crescent Steel &
Allied Products Ltd.

Notes to the Financial Statements For the year ended 30 June 2005

22. CURRENT PORTION OF LONG-TERM INVESTMENTS

| | Steel division | 2005 Cotton division | Total | Steel division | 2004 Cotton division | Total |
|---------------------------|-------------------|----------------------------|-------|-------------------|----------------------------|--------|
| | (Rupees in '000) | | | | | |
| Held to maturity | | | | | | |
| Government of Pakistan | | | | | | |
| US Dollar bonds | – | – | – | 8,724 | – | 8,724 |
| Redeemable capital | | | | | | |
| Sharkarganj Mills Limited | – | – | – | 3,332 | – | 3,332 |
| United Bank Limited | 10 | – | 10 | 5 | – | 5 |
| | 10 | – | 10 | 12,061 | – | 12,061 |

23. INVESTMENTS

Related parties

| | | | | | | | |
|--------------------|------|---------|---|---------|---------|---|---------|
| Available for sale | 23.1 | 85,881 | – | 85,881 | 173,162 | – | 173,162 |
| Held for trading | 23.2 | 4,200 | – | 4,200 | – | – | – |
| Held to maturity | 23.3 | 212,000 | – | 212,000 | 37,370 | – | 37,370 |
| | | 302,081 | – | 302,081 | 210,532 | – | 210,532 |

Others

| | | | | | | | |
|---|------|-----------|---|-----------|-----------|---|-----------|
| Available for sale | 23.4 | 370,860 | – | 370,860 | 242,132 | – | 242,132 |
| Held for trading | 23.5 | 530,915 | – | 530,915 | 546,908 | – | 546,908 |
| Loans and advances originated by the enterprise | 23.6 | 7,031 | – | 7,031 | 12,939 | – | 12,939 |
| | | 908,806 | – | 908,806 | 801,979 | – | 801,979 |
| | | 1,210,887 | – | 1,210,887 | 1,012,511 | – | 1,012,511 |

Notes to the Financial Statements

For the year ended 30 June 2005

Investment in Related Parties

23.1 Available for sale

The company holds investments in ordinary shares of Rs. 10/- each, unless stated otherwise, in the following listed investee companies:

| 2005 (Number of shares) | 2004 | Name of investee company | 2005 (Rupees in '000) | 2004 |
|----------------------------|------------------|---|--------------------------|----------------|
| Quoted | | | | |
| 3,922,088 | 1,980,143 | Crescent Commercial Bank Limited | 40,594 | 28,316 |
| 373,868 | 373,868 | Crescent Textile Mills Limited | 20,488 | 11,216 |
| 91,300 | 91,300 | Crescent Jute Products Limited (CJPL) | 23.1.1 | – |
| 26,934 | 17,734 | Crescent Leasing Corporation Limited | 401 | 301 |
| 26,490 | 26,490 | Jubilee Spinning and Weaving Mills Limited | 23.1.2 | – |
| 260,864 | 244,197 | Pakistan Industrial Credit and Investment Corporation Limited | 18,260 | 17,594 |
| 2,821 | 759,321 | Shakarganj Mills Limited | 138 | 36,827 |
| 120,000 | 120,000 | Suraj Cotton Mills Limited | 6,000 | 5,520 |
| – | 1,878,981 | Trust Commercial Bank Limited | – | 21,232 |
| – | 3,248,190 | Safeway Mutual Fund | 23.1.3 | – |
| <u>4,824,365</u> | <u>8,740,224</u> | | <u>85,881</u> | <u>173,162</u> |

23.1.1 Investments in CJPL and CSIBL is carried at their break up values, which are Rs. NIL and Rs.14.45 per share, respectively, as their rate were not quoted on the stock exchange due to certain defaults. The break up values have been calculated on the basis of the financial statements for the period ended 31 December 2004.

23.1.2 Investments in Jubilee Spinning Mills is carried at break-up value which is Rs. Nil. The break-up value has been calculated on the basis of financial statements for the year ended 30 September 2004.

23.1.3 Holding in Safeway Mutual Fund as at 30 June 2005 aggregates to 8.95 percent (2004: 19.68 percent)



Crescent Steel &
Allied Products Ltd.

Notes to the Financial Statements For the year ended 30 June 2005

23.2 Held for trading

| 2005 (Number of shares) | 2004 | Name of investee company | 2005 (Rupees in '000) | 2004 |
|----------------------------|------|--|--------------------------|------|
| | | Quoted | | |
| 60,000 | – | Pakistan Industrial Credit & Investment Corporation Limited | 4,200 | – |

23.3 Held to maturity

| | | | |
|---|--------|----------------|---------------|
| Musharika Arrangements - Crescent Standard Modaraba | 23.3.1 | <u>212,000</u> | <u>37,370</u> |
|---|--------|----------------|---------------|

23.3.1 During the year, First Crescent Modaraba and Financial Link Modaraba merged with Crescent Standard Modaraba (CSM). Hence, the amount of Rs.37.37 million was transferred to CSM. Musharika investments amounting to Rs. 11.37 million were realised and, the following further musharika arrangements were made with CSM.

| Date of Investment | Amount of Musharika | Expected return |
|--------------------|---------------------|-----------------|
| 11-Feb-05 | 75,000 | 4% |
| 4-Feb-05 | 25,000 | 4% |
| 14-Jun-05 | 30,000 | 4% |
| 8-Sep-04 | 56,000 | PLS |

Notes to the Financial Statements

For the year ended 30 June 2005

Other Investment

23.4 Available for sale

The company holds investments in ordinary shares of Rs. 10/- each, unless stated otherwise, in the following listed investee companies:

| 2005 (Number of shares) | 2004 | Name of investee company | 2005 (Rupees in '000) | 2004 |
|----------------------------|------------------|--|--------------------------|----------------|
| Quoted | | | | |
| 50,000 | 40,000 | Cherat Cement Limited | 3,075 | 2,870 |
| 399,225 | 399,225 | Crescent Standard Investment Bank Limited (CSIBL) 23.1.1 | 5,769 | 3,101 |
| 152,088 | 100,000 | Fauji Fertilizer Company Limited | 18,456 | 11,885 |
| 28,800 | 28,800 | First Equity Modaraba | 390 | 821 |
| 190,000 | 190,000 | Hub Power Company Limited | 5,016 | 6,137 |
| 239,062 | 230,750 | PICIC Growth Fund | 12,838 | 10,903 |
| - | 30,000 | Mari Gas Company Limited | - | 2,489 |
| 50,738 | 50,738 | National Refinery Limited | 16,048 | 9,379 |
| 255,495 | 225,330 | Nishat Chunian Mills Limited | 24,298 | 13,294 |
| 10,500 | 10,500 | Nestle Milkpak Limited | 5,565 | 5,030 |
| 36,517 | 30,431 | National Bank of Pakistan | 3,942 | 2,022 |
| 31,137 | - | National Investment Trust | 1,323 | - |
| 836 | 294,836 | Oil & Gas Development Company Limited | 88 | 19,017 |
| 590,500 | 1,040,500 | Pakistan Telecommunication Company Limited | 38,943 | 43,857 |
| 81,703 | 55,580 | Packages Limited | 11,438 | 11,005 |
| - | 108,000 | PICIC Commercial Bank Limited | - | 3,645 |
| 453,882 | 453,882 | PICIC Investment Fund | 6,808 | 8,170 |
| 111,360 | 111,360 | Pakistan Oilfields Company Limited | 31,337 | 23,219 |
| 3,346,000 | - | Pakistan Strategic Allocation Fund | 32,289 | - |
| - | 13,500 | Shell Pakistan Limited | - | 4,714 |
| 5,300 | 5,300 | Siemens (Pakistan) Engineering Company Limited | 3,631 | 2,809 |
| 57,208 | 57,208 | Sui Northern Gas Pipelines Limited | 3,507 | 3,701 |
| 90,507 | 66,262 | The Pakistan Stock Market Fund | 10,417 | 7,421 |
| 199,800 | 199,800 | Tripack Films Limited | 9,590 | 16,573 |
| 20,460 | 19,400 | Unilever Pakistan Limited | 28,849 | 30,070 |
| 4,060,238 | - | Safeway Mutual Fund | 97,243 | - |
| <u>10,461,356</u> | <u>3,761,402</u> | | <u>370,860</u> | <u>242,132</u> |



Crescent Steel &
Allied Products Ltd.

Notes to the Financial Statements For the year ended 30 June 2005

23.5 Held for trading

| 2005 (Number of shares) | 2004 | Name of investee company | 2005 (Rupees in '000) | 2004 |
|----------------------------|-----------|---|--------------------------|---------|
| Quoted | | | | |
| 509,850 | 440,000 | Al Meezan Mutual Fund Limited | 5,455 | 6,798 |
| 10,000 | – | Arif Habib Securities Limited | 3,660 | – |
| 50,000 | – | Askari Commercial Bank Limited | 3,900 | – |
| 196,700 | 145,000 | Attock Cement Pakistan Limited | 13,376 | 7,540 |
| 124,000 | 80,000 | Attock Refinery Limited | 19,784 | 7,320 |
| 140,000 | 140,000 | Century Paper and Board Mills Limited | 11,613 | 13,160 |
| 270,000 | – | Crescent Standard Investment Bank Limited (CSIBL) 23.1.1 | 3,902 | – |
| 100,000 | 235,000 | D.G.Khan Cement Company Limited | 5,575 | 13,513 |
| – | 1,375,000 | Dewan Salman Fibre Limited | – | 31,144 |
| 10,450 | 10,750 | Dawood Hercules Chemicals Limited | 1,735 | 1,942 |
| 125,000 | – | Dewan Cement Limited | 2,375 | – |
| 9,500 | – | Ecopack Limited | 471 | – |
| – | 25,000 | Engro Chemicals Pakistan Limited | – | 2,437 |
| 332,313 | 221,800 | Fauji Fertilizer Company Limited | 40,326 | 26,361 |
| 25,000 | 25,000 | First Habib Bank Modaraba | 313 | 390 |
| 50,000 | 200,000 | Fauji Fertilizer Bin Qasim Limited | 1,345 | 3,780 |
| 25,000 | 268,000 | Fauji Cement Company Limited | 320 | 4,368 |
| 232,000 | – | Faysal Bank Limited | 12,482 | – |
| 1,652,500 | 4,238,500 | Hub Power Company Limited | 43,626 | 136,903 |
| 10,000 | – | Indus Motors Co Limited | 900 | – |
| 202,500 | 76,500 | PICIC Growth Fund | 10,874 | 3,615 |
| 34,700 | 21,000 | Javed Omer Vohra & Company Limited | 9,268 | 13,062 |
| – | 63,500 | JDW Sugar Mills Limited | – | 3,239 |
| 371,000 | 425,000 | Kohinoor Energy Limited | 9,646 | 14,790 |
| 361,000 | – | Kohinoor Textile Mills Limited | 13,718 | – |
| 823,200 | – | Kot Addu Power Co Limited | 31,076 | – |
| 250 | 225,000 | Lucky Cement Limited | 11 | 8,798 |
| 660,000 | 700,000 | Maple Leaf Cement Factory Limited | 14,388 | 26,600 |
| 2,000,000 | – | Meezan Balance Fund | 16,400 | – |

Notes to the Financial Statements For the year ended 30 June 2005

| 2005 (Number of shares) | 2004 | Name of investee company | 2005 (Rupees in '000) | 2004 |
|----------------------------|-------------------|--|--------------------------|----------------|
| | | Quoted | | |
| – | 8,300 | Mari Gas Company Limited | – | 688 |
| 50,000 | 50,000 | New Jubilee Insurance Company Limited | 1,063 | 1,300 |
| – | 153,100 | National Refinery Limited | – | 28,300 |
| 48,000 | 30,000 | National Bank of Pakistan | 5,181 | 1,994 |
| 105,000 | 260,000 | Oil & Gas Development Corporation Limited | 11,057 | 16,770 |
| 36,750 | – | Packages Limited | 5,145 | – |
| 85,750 | 20,000 | Pak Suzuki Motor Company Limited | 8,575 | 2,318 |
| 689,333 | 822,333 | PICIC Investment Fund | 10,340 | 14,802 |
| 600,000 | 500,000 | Pakistan Capital Market Fund | 7,170 | 5,125 |
| 57,500 | – | Pakistan Petroleum Limited | 12,368 | – |
| 166,406 | 253,125 | Pakistan Premier Fund Limited | 2,471 | 4,860 |
| 35,000 | – | Pakistan Reinsurance Company Limited | 1,804 | – |
| 220,500 | 90,000 | Pakistan Oil Fields Limited | 62,049 | 18,765 |
| 47,500 | 15,000 | Pakistan State Oil Company Limited | 18,335 | 3,851 |
| – | 50,000 | Pakistan PTA Limited | – | 867 |
| 215,000 | 1,299,000 | Pakistan Telecommunication Company Limited | 14,179 | 54,753 |
| – | 50,000 | Pakistan International Airlines Corporation | – | 895 |
| – | 20,800 | Pakistan Refinery Limited | – | 3,120 |
| 150,000 | – | Sui Northern Gas Pipelines Limited | 9,195 | – |
| 2,694,000 | 1,819,500 | Sui Southern Gas Company Limited | 62,366 | 59,680 |
| – | 200,000 | Southern Electrical Power Company Limited | – | 3,060 |
| 12,000 | – | Shell Pakistan Limited | 6,647 | – |
| 415,980 | – | Union Bank Limited | 16,431 | – |
| <u>13,953,682</u> | <u>14,556,208</u> | | <u>530,915</u> | <u>546,908</u> |



Crescent Steel &
Allied Products Ltd.

Notes to the Financial Statements For the year ended 30 June 2005

23.6 Loans and advances originated by the enterprise

| | | 2005 | 2004 |
|--|--------|------------------|---------------|
| | | (Rupees in '000) | |
| Islamic Republic of Pakistan Bonds 10% | 23.6.1 | <u>7,031</u> | <u>12,939</u> |

23.6.1 These bonds were issued by the Government of Pakistan on 13 December 1999 in exchange of its outstanding eurobonds and exchangeable notes.

The company had swapped its 6 percent PTCL exchangeable notes (face value US\$ 980,000) with the Islamic Republic of Pakistan (IROP) bonds (face value US\$ 1,035,000) during the year ended 30 June 2000.

The IROP bond carries interest rate of 10 percent per annum payable semi-annually. Principal is repayable in four equal yearly installments commenced from December 2002.

| | | | |
|--|--|--------------|---------------|
| Face value US\$ 125,507 (2004: US\$ 250,833) | | | |
| Cost US\$ 79,070 (2004: US\$ 158,025) | | 12,939 | 18,287 |
| Redemption of bonds | | (7,288) | (7,204) |
| Amortisation of discount on acquisition of bonds | | 1,231 | 1,796 |
| Exchange gain | | 149 | 60 |
| | | <u>7,031</u> | <u>12,939</u> |

These bonds are not in the name of the company and are held by Crescent Commercial Bank Limited, an associated undertaking, on behalf of the company.

Notes to the Financial Statements For the year ended 30 June 2005

- 23.7 The following investments having an aggregate face value of Rs.73.15 million (2004: Rs.12.60 million) are deposited as security with commercial banks.

| | 2005 | 2004 |
|---|------------------|--------|
| | (Rupees in '000) | |
| Attock Cement Pakistan Limited | 500 | – |
| Century Paper and Board Mills Limited | 1,000 | – |
| D.G.Khan Cement Limited | 500 | – |
| Fauji Fertilizer Company Limited | 4,000 | – |
| Faysal Bank Limited | 500 | – |
| Hub Power Company Limited | 17,000 | 10,000 |
| Kohinoor Textile Mills Limited | 1,000 | – |
| Kot Addu Power Company Limited | 5,000 | – |
| Maple Leaf Cement Company Limited | 5,000 | – |
| National Bank of Pakistan | 300 | – |
| Nishat Chunian Limited | 1,000 | – |
| National Refinery Limited | 350 | – |
| Packages Limited | 500 | 500 |
| Pak Suzuki Motor Company Limited | 500 | – |
| Pakistan Industrial Credit and Investment Corporation Limited | 2,000 | 1,500 |
| Pakistan Oil Fields Limited | 2,000 | – |
| Pakistan State Oil Company Limited | 250 | – |
| Pakistan Telecommunication Company Limited | 5,000 | – |
| PICIC Growth Fund | 3,000 | – |
| Shell Pakistan Limited | – | 100 |
| Sui Northern Gas Pipelines Limited | 1,000 | – |
| Sui Southern Company Limited | 20,000 | – |
| Tripack Films Limited | 1,500 | 500 |
| Union Bank Limited | 500 | – |
| Unilever Pakistan Limited | 750 | – |
| | 73,150 | 12,600 |

24. MARK-UP ACCRUED

| | 2005 | | | 2004 | | |
|--------------------|-------------------|--------------------|-------|-------------------|--------------------|-------|
| | Steel division | Cotton division | Total | Steel division | Cotton division | Total |
| | (Rupees in '000) | | | | | |
| Considered good | | | | | | |
| Mark-up accrued on | | | | | | |
| - deposits | 96 | – | 96 | 363 | 25 | 388 |
| - others | 4,634 | – | 4,634 | 984 | – | 984 |
| | 4,730 | – | 4,730 | 1,347 | 25 | 1,372 |



Crescent Steel &
Allied Products Ltd.

Notes to the Financial Statements For the year ended 30 June 2005

25. OTHER RECEIVABLES

| | 2005 | | | 2004 | | |
|---|-------------------|--------------------|---------|-------------------|--------------------|---------|
| | Steel division | Cotton division | Total | Steel division | Cotton division | Total |
| | (Rupees in '000) | | | | | |
| Margin on letters of credit and guarantee | 1,095 | – | 1,095 | 1,095 | – | 1,095 |
| Less: Provision thereagainst | 1,095 | – | 1,095 | 1,095 | – | 1,095 |
| | – | – | – | – | – | – |
| Dividend receivables | 1,975 | – | 1,975 | 1,254 | – | 1,254 |
| Receivable on account of sale of shares | 2,466 | – | 2,466 | 15,436 | – | 15,436 |
| Receivable from Sui Northern Gas Pipelines Ltd | – | – | – | 72,850 | – | 72,850 |
| Claim receivable | 57 | – | 57 | – | – | – |
| Due from associated undertakings | 25.1 25.2 | 597 | 711 | 1,639 | 119 | 1,758 |
| Sales tax refundable | 5,702 | 1,126 | 6,828 | 4,814 | 11,363 | 16,177 |
| Less: Provision thereagainst | 3,605 | 741 | 4,346 | 2,308 | 741 | 3,049 |
| | 2,097 | 385 | 2,482 | 2,506 | 10,622 | 13,128 |
| Receivable against deposit for building | 5,461 | – | 5,461 | 5,461 | – | 5,461 |
| Less: Provision thereagainst | 5,461 | – | 5,461 | 5,461 | – | 5,461 |
| | – | – | – | – | – | – |
| Earnest money receivable | 25.3 | 150,000 | 150,000 | – | – | – |
| Receivable from staff retirement funds | 40.3 | 6,675 | 6,675 | 6,140 | – | 6,140 |
| Others | 4 | 201 | 205 | 3 | 713 | 716 |
| | 163,871 | 700 | 164,571 | 99,828 | 11,454 | 111,282 |

Notes to the Financial Statements

For the year ended 30 June 2005

25.1 Due from associated undertakings

| | 2005 | | | 2004 | | |
|--|------------------|-----------------|------------|----------------|-----------------|--------------|
| | Steel division | Cotton division | Total | Steel division | Cotton division | Total |
| | (Rupees in '000) | | | | | |
| Crescent Jute Products Ltd. | – | – | – | 704 | – | 704 |
| Crescent Textile Mills Ltd. | 14 | – | 14 | 14 | – | 14 |
| Crescent Ujala Ltd. | 19 | – | 19 | – | – | – |
| Jubilee Spinning Mills Ltd. | 17 | – | 17 | 17 | – | 17 |
| Pak Industrial Leasing Corporation | – | – | – | – | – | – |
| Shakarganj Mills Ltd. | 535 | – | 535 | 892 | – | 892 |
| Suraj Cotton Mills Ltd. | 11 | – | 11 | 11 | – | 11 |
| Trust Commercial Bank Ltd. | 1 | – | 1 | 1 | – | 1 |
| Premier Insurance Company of Pakistan Ltd. | – | 114 | 114 | – | 119 | 119 |
| | <u>597</u> | <u>114</u> | <u>711</u> | <u>1,639</u> | <u>119</u> | <u>1,758</u> |

25.2 Maximum aggregate amount due from associated undertakings at the end of any month during the year was Rs. 2.75 million (2004: Rs. 3.21 million).

25.3 This represents earnest money for bid of acquisition of National Refinery Limited.

26. TAXATION-NET

The income tax assessments of the company have been finalized upto tax year 2004.

| | 2005 | 2004 |
|------------------------|------------------|---------------|
| | (Rupees in '000) | |
| Advance tax | 338,238 | 295,294 |
| Provision for taxation | (325,050) | (235,305) |
| | <u>13,188</u> | <u>59,989</u> |

The Commissioner of Income Tax (Appeals) has decided the appeals of the company in respect of the assessment year 2000-01 through 2002-03 in favor of the company. No adjustment has been made in the accounts pending the finalization of appeal effect in consequence of these appeals and earlier appeals filed with the ITAT relating to assessment years 1996-97 and 1997-98 by the taxation authorities.



Crescent Steel &
Allied Products Ltd.

Notes to the Financial Statements For the year ended 30 June 2005

27. CASH AND BANK BALANCES

| | 2005 | | 2004 | | |
|-----------------------|-----------------|-----------------|-------------------------|-----------------|-----------------|
| | Steel | Cotton | Total | Steel | Cotton |
| | division | division | (Rupees in '000) | division | division |
| | | | | | Total |
| With banks | | | | | |
| - in deposit accounts | | | | | |
| - local currency | 23,819 | 15,059 | 38,878 | 3,920 | 5,708 |
| - foreign currency | 12,385 | - | 12,385 | 4,084 | - |
| | 36,204 | 15,059 | 51,263 | 8,004 | 5,708 |
| - in current accounts | 327 | 905 | 1,232 | 2,064 | 1,997 |
| Cash in hand | 197 | 390 | 587 | 145 | 96 |
| | 36,728 | 16,354 | 53,082 | 10,213 | 7,801 |
| | | | | | 18,014 |

28. SALES

| | | | | | | |
|--|-----------|----------|-----------|----------|----------|-----------|
| Bare Pipes (own product excluding coating revenue) | 1,963,210 | - | 1,963,210 | 481,193 | - | 481,193 |
| Revenue from conversion | 97,669 | - | 97,669 | 140,625 | - | 140,625 |
| Coating of pipes | 254,915 | - | 254,915 | 77,110 | - | 77,110 |
| Cotton yarn | - | 711,328 | 711,328 | - | 814,988 | 814,988 |
| Raw cotton | - | - | - | - | - | - |
| Scrap / waste | 37,727 | 17,570 | 55,297 | 8,267 | 21,668 | 29,935 |
| Sales returns | - | (2,248) | (2,248) | - | (3,488) | (3,488) |
| | 2,353,521 | 726,650 | 3,080,171 | 707,195 | 833,168 | 1,540,363 |
| Sales tax | (306,981) | (86,590) | (393,571) | (94,544) | (97,680) | (192,224) |
| | 2,046,540 | 640,060 | 2,686,600 | 612,651 | 735,488 | 1,348,139 |

29. COST OF SALES

| | | | | | | | |
|------------------|------|-----------|---------|-----------|---------|---------|-----------|
| Bare Pipes | 29.1 | 1,571,039 | - | 1,571,039 | 409,131 | - | 409,131 |
| Coating of Pipes | 29.4 | 126,452 | - | 126,452 | 50,364 | - | 50,364 |
| Cotton | 29.7 | - | 617,193 | 617,193 | - | 714,387 | 714,387 |
| | | 1,697,491 | 617,193 | 2,314,684 | 459,495 | 714,387 | 1,173,882 |

Notes to the Financial Statements

For the year ended 30 June 2005

29.1 Cost of sales - bare pipes

| | 2005 | 2004 |
|------------------------------------|-------------------------|-------------|
| | (Rupees in '000) | |
| Raw materials consumed | 1,486,431 | 321,125 |
| Store and spares consumed | 10,523 | 9,073 |
| Fuel, power and electricity | 11,519 | 9,669 |
| Salaries, wages and other benefits | 29.2 24,383 | 21,895 |
| Insurance | 1,546 | 1,322 |
| Repairs and maintenance | 3,055 | 1,739 |
| Depreciation | 20,116 | 20,192 |
| Other expenses | 24,678 | 8,470 |
| Expenses allocated to CCP | (825) | (1,028) |
| | 1,581,426 | 392,457 |
| Opening stock of work-in-process | 1,379 | 758 |
| Closing stock of work-in-process | (4,021) | (1,379) |
| | (2,642) | (621) |
| Cost of goods manufactured | 1,578,784 | 391,836 |
| Opening stock of finished goods | 18,906 | 36,201 |
| Closing stock of finished goods | (26,651) | (18,906) |
| | (7,745) | 17,295 |
| | 1,571,039 | 409,131 |

29.2 Detail of salaries, wages and other benefits

| | | |
|------------------------------------|----------|--------|
| Salaries, wages and other benefits | 22,430 | 19,846 |
| Provident fund contributions | 807 | 791 |
| Pension fund | 29.3 957 | 957 |
| Gratuity | 29.3 189 | 301 |
| | 24,383 | 21,895 |



Crescent Steel &
Allied Products Ltd.

Notes to the Financial Statements For the year ended 30 June 2005

29.3 Staff retirement benefits

| | 2005 | | 2004 | |
|--------------------------------|------------|------------------------------|------------|------------|
| | Pension | Gratuity (Rupees in '000) | Pension | Gratuity |
| Current service cost | 1,015 | 351 | 837 | 336 |
| Interest cost | 1,027 | 328 | 806 | 300 |
| Expected return on plan assets | (1268) | (542) | (894) | (387) |
| Actuarial loss | - | - | 34 | - |
| Past service cost | 183 | 52 | 174 | 52 |
| | <u>957</u> | <u>189</u> | <u>957</u> | <u>301</u> |

29.4 Cost of sales - coating of pipes

| | 2005 | 2004 |
|------------------------------------|------------------|---------------|
| | (Rupees in '000) | |
| Materials consumed | 94,441 | 13,043 |
| Stores and spares consumed | 3,991 | 8,675 |
| Fuel and power | 10,907 | 7,293 |
| Salaries, wages and other benefits | 29.5 9,594 | 10,368 |
| Insurance | 621 | 946 |
| Repairs and maintenance | 1,389 | 1,204 |
| Depreciation | 7,603 | 7,259 |
| Other expenses | 1,571 | 1,929 |
| Expenses allocated to CCP | (353) | (440) |
| Cost of goods manufactured | <u>129,764</u> | <u>50,277</u> |
| Opening stock of finished goods | 339 | 426 |
| Closing stock of finished goods | (3,651) | (339) |
| | <u>(3,312)</u> | <u>87</u> |
| | <u>126,452</u> | <u>50,364</u> |

Notes to the Financial Statements

For the year ended 30 June 2005

29.5 Detail of salaries, wages and other benefits

| | 2005 | 2004 |
|------------------------------------|-------------------------|-------------|
| | (Rupees in '000) | |
| Salaries, wages and other benefits | 8,824 | 9,426 |
| Provident fund contributions | 313 | 370 |
| Pension fund | 29.6 382 | 435 |
| Gratuity | 29.6 75 | 137 |
| | 9,594 | 10,368 |

29.6 Staff retirement benefits

| | 2005 | | 2004 | |
|--------------------------------|-------------------------|-----------------|----------------|-----------------|
| | Pension | Gratuity | Pension | Gratuity |
| | (Rupees in '000) | | | |
| Current service cost | 405 | 140 | 380 | 153 |
| Interest cost | 410 | 130 | 366 | 137 |
| Expected return on plan assets | (506) | (216) | (406) | (176) |
| Actuarial loss | – | – | 16 | – |
| Past service cost | 73 | 21 | 79 | 23 |
| | 382 | 75 | 435 | 137 |



Crescent Steel &
Allied Products Ltd.

Notes to the Financial Statements For the year ended 30 June 2005

29.7 Cost of sales - cotton

| | 2005 | 2004 |
|--|-----------------------|-----------------------|
| | (Rupees in '000) | |
| Raw materials consumed | 465,860 | 562,599 |
| Packing materials consumed | 7,470 | 6,346 |
| Stores and spares consumed | 13,637 | 8,667 |
| Fuel and power | 48,874 | 60,606 |
| Salaries, wages and other benefits | 29.8 32,836 | 31,365 |
| Insurance | 1,712 | 1,587 |
| Repairs and maintenance | 1,295 | 3,612 |
| Depreciation | 44,042 | 42,013 |
| Amortisation of intangible assets | 478 | 437 |
| Other expenses | 3,378 | 3,721 |
| Expenses allocated from steel division | 1,178 | 1,468 |
| | <u>620,760</u> | <u>722,421</u> |
| Opening stock of work-in-process | 4,434 | 2,777 |
| Closing stock of work-in-process | (2,979) | (4,434) |
| | <u>1,455</u> | <u>(1,657)</u> |
| Cost of goods manufactured | <u>622,215</u> | <u>720,764</u> |
| Opening stock of finished goods | 13,395 | 7,018 |
| Closing stock of finished goods | (18,417) | (13,395) |
| | <u>(5,022)</u> | <u>(6,377)</u> |
| | <u><u>617,193</u></u> | <u><u>714,387</u></u> |

29.8 Detail of salaries, wages and other benefits

| | | |
|------------------------------------|---------------|---------------|
| Salaries, wages and other benefits | 31,753 | 30,424 |
| Provident fund contributions | 739 | 580 |
| Pension fund | 29.9 344 | 361 |
| | <u>32,836</u> | <u>31,365</u> |

Notes to the Financial Statements

For the year ended 30 June 2005

29.9 Staff retirement benefits – Pension

| | 2005 | 2004 |
|--------------------------------|------------------|-------|
| | (Rupees in '000) | |
| Current service cost | 365 | 315 |
| Interest cost | 369 | 304 |
| Expected return on plan assets | (456) | (337) |
| Actuarial loss | – | 13 |
| Past service cost | 66 | 66 |
| | 344 | 361 |

30. DISTRIBUTION AND SELLING COST

| | | 2005 | | | 2004 | | |
|---------------------------------|------|-------------------|--------------------|--------|-------------------|--------------------|--------|
| | | Steel division | Cotton division | Total | Steel division | Cotton division | Total |
| | | (Rupees in '000) | | | | | |
| Salaries, wages | | | | | | | |
| and other benefits | 30.1 | 3,941 | 528 | 4,469 | 3,818 | – | 3,818 |
| Commission | | – | 3,060 | 3,060 | – | 4,835 | 4,835 |
| Traveling and conveyance | | 630 | 20 | 650 | 477 | 14 | 491 |
| Depreciation | | 201 | – | 201 | – | – | – |
| Insurance | | 70 | – | 70 | 82 | – | 82 |
| Postage, telephone and telegram | | 62 | 93 | 155 | – | 249 | 249 |
| Advertisement | | 1,641 | – | 1,641 | 432 | – | 432 |
| Bid bond expenses | | 317 | – | 317 | 544 | – | 544 |
| Transportation | | – | 281 | 281 | – | 1,751 | 1,751 |
| Legal and professional charges | | 214 | – | 214 | 348 | – | 348 |
| Others | | 672 | 128 | 800 | 482 | 818 | 1,300 |
| | | 7,748 | 4,110 | 11,858 | 6,183 | 7,667 | 13,850 |



Crescent Steel &
Allied Products Ltd.

Notes to the Financial Statements For the year ended 30 June 2005

30.1 Detail of salaries, wages and other benefits

| | Steel division | 2005 | | Total (Rupees in '000) | Steel division | 2004 | | Total |
|---------------------------------------|-------------------|--------------------|--------------|---------------------------|-------------------|--------------------|--------------|-------|
| | | Cotton division | | | | Cotton division | | |
| Salaries, wages and other benefits | 3,563 | 528 | 4,091 | 3,229 | – | – | 3,229 | |
| Provident fund contributions | 119 | – | 119 | 171 | – | – | 171 | |
| Pension fund | 30.2 | 216 | – | 216 | 318 | – | 318 | |
| Gratuity | 30.2 | 43 | – | 43 | 100 | – | 100 | |
| | <u>3,941</u> | <u>528</u> | <u>4,469</u> | <u>3,818</u> | <u>–</u> | <u>–</u> | <u>3,818</u> | |

30.2 Staff retirement benefits

| | 2005 | | 2004 | |
|--------------------------------|------------|------------------------------|------------|------------|
| | Pension | Gratuity (Rupees in '000) | Pension | Gratuity |
| Current service cost | 230 | 79 | 278 | 112 |
| Interest cost | 232 | 74 | 268 | 100 |
| Expected return on plan assets | (287) | (122) | (297) | (129) |
| Actuarial loss | – | – | 11 | – |
| Past service cost | 41 | 12 | 58 | 17 |
| | <u>216</u> | <u>43</u> | <u>318</u> | <u>100</u> |

Notes to the Financial Statements

For the year ended 30 June 2005

31. ADMINISTRATION EXPENSES

| | | 2005 | | | 2004 | | |
|---|------|-------------------|--------------------|--------|-------------------|--------------------|--------|
| | | Steel division | Cotton division | Total | Steel division | Cotton division | Total |
| | | (Rupees in '000) | | | | | |
| Salaries, wages and other benefits | 31.1 | 27,893 | – | 27,893 | 26,074 | – | 26,074 |
| Rents, rates and taxes | | 662 | – | 662 | 285 | – | 285 |
| Traveling, conveyance and entertainment | | 5,207 | 377 | 5,584 | 4,572 | 183 | 4,755 |
| Fuel and power | | 3,076 | – | 3,076 | 2,789 | – | 2,789 |
| Postage, telephone and telegram | | 1,663 | – | 1,663 | 2,169 | – | 2,169 |
| Insurance | | 1,199 | – | 1,199 | 809 | – | 809 |
| Repairs and maintenance | | 2,762 | – | 2,762 | 1,587 | – | 1,587 |
| Auditors' remuneration | 31.3 | 626 | – | 626 | 878 | – | 878 |
| Legal and professional and corporate service charges | | 19,954 | 658 | 20,612 | 6,172 | 1,269 | 7,441 |
| Advertisement | | 88 | – | 88 | 261 | – | 261 |
| Donations | 31.4 | 12,939 | 4,775 | 17,714 | 9,542 | 3,332 | 12,874 |
| Depreciation | | 10,638 | – | 10,638 | 12,949 | – | 12,949 |
| Amortisation of intangible assets | | 1,459 | – | 1,459 | 1,391 | – | 1,391 |
| Printing, stationery and office supplies | | 1,380 | – | 1,380 | 1,372 | – | 1,372 |
| Newspapers, subscriptions and periodicals | | 403 | – | 403 | 642 | – | 642 |
| Others | | 689 | – | 689 | 517 | 35 | 552 |
| | | 90,638 | 5,810 | 96,448 | 72,009 | 4,819 | 76,828 |
| Charges allocated to the cotton division | | (14,921) | 14,921 | – | (8,507) | 8,507 | – |
| | | 75,717 | 20,731 | 96,448 | 63,502 | 13,326 | 76,828 |



Crescent Steel &
Allied Products Ltd.

Notes to the Financial Statements For the year ended 30 June 2005

31.1 Detail of salaries, wages and other benefits

| | 2005 | | | 2004 | | |
|------------------------------------|------------------|-----------------|---------------|----------------|-----------------|---------------|
| | Steel division | Cotton division | Total | Steel division | Cotton division | Total |
| | (Rupees in '000) | | | | | |
| Salaries, wages and other benefits | 24,477 | – | 24,477 | 22,479 | – | 22,479 |
| Provident fund contributions | 1,109 | – | 1,109 | 1,091 | – | 1,091 |
| Pension fund | 31.2 1,922 | – | 1,922 | 1,936 | – | 1,936 |
| Gratuity | 31.2 385 | – | 385 | 568 | – | 568 |
| | <u>27,893</u> | <u>–</u> | <u>27,893</u> | <u>26,074</u> | <u>–</u> | <u>26,074</u> |

31.2 Staff retirement benefits

| | 2005 | | 2004 | |
|--------------------------------|------------------|------------|--------------|------------|
| | Pension | Gratuity | Pension | Gratuity |
| | (Rupees in '000) | | | |
| Current service cost | 2,039 | 714 | 1,694 | 633 |
| Interest cost | 2,063 | 667 | 1,630 | 566 |
| Expected return on plan assets | (2,547) | (1,102) | (1,810) | (728) |
| Actuarial loss | – | – | 70 | – |
| Past service cost | 367 | 106 | 352 | 97 |
| | <u>1,922</u> | <u>385</u> | <u>1,936</u> | <u>568</u> |

31.3 Auditors' remuneration

| | 2005 | 2004 |
|--|------------------|------------|
| | (Rupees in '000) | |
| Audit fee* | 500 | 500 |
| Fee for audit of funds' financial statements and other reports | 70 | 310 |
| Out of pocket expenses | 56 | 68 |
| | <u>626</u> | <u>878</u> |

* Audit fee includes services for audit of annual accounts, limited review of half yearly accounts and certificates under Code of Corporate Governance.

Notes to the Financial Statements

For the year ended 30 June 2005

31.4 Donations

Donations include the following in whom a director is interested:

| Name of the director | Interest in donee | Name and address of the donee | Amount donated | |
|----------------------|-------------------|---|------------------|-------|
| | | | 2005 | 2004 |
| | | | (Rupees in '000) | |
| Mr. Ahsan M. Saleem | Chairman | The Citizens Foundation 9th Floor, NIC Building, Karachi. | 16,580 | 9,567 |
| | Member | Lyallpur Golf Club Race Course Club, Faisalabad | 125 | — |
| | | | 16,705 | 9,567 |

Donations other than these mentioned above were not made to any donee in whom a director or his spouse had any interest at anytime during the year.

32. OTHER OPERATING EXPENSES

| | 2005 | | | 2004 | | |
|---|----------------|-----------------|------------------|----------------|-----------------|--------|
| | Steel division | Cotton division | Total | Steel division | Cotton division | Total |
| | | | | | | |
| | | | (Rupees in '000) | | | |
| Provision against sales tax refundable | 1,297 | — | 1,297 | 327 | — | 327 |
| Fair value adjustment | 38,219 | — | 38,219 | 10,353 | — | 10,353 |
| Provision for stock-in-trade | 3,568 | 52 | 3,620 | — | 12,034 | 12,034 |
| Provision for slow moving stores and spares | 3,753 | 1,863 | 5,616 | 78 | — | 78 |
| Provision for workers welfare fund | 4,937 | — | 4,937 | 1,027 | — | 1,027 |
| Provision for infrastructure fee | 6,000 | — | 6,000 | 11,300 | — | 11,300 |
| Provision for impairment of investments | 284 | — | 284 | 1,004 | — | 1,004 |
| Provision against advances | 3,000 | — | 3,000 | — | — | — |
| Provision for other receivables, prepayments and others | — | — | — | — | 375 | 375 |
| Provision for liquidated damages | 6,000 | — | 6,000 | — | — | — |
| Exchange loss | — | 1,022 | 1,022 | — | 367 | 367 |
| | 67,058 | 2,937 | 69,995 | 24,089 | 12,776 | 36,865 |



Crescent Steel &
Allied Products Ltd.

Notes to the Financial Statements For the year ended 30 June 2005

33. OTHER OPERATING INCOME

| | | 2005 | | | 2004 | | |
|--|------|-------------------|--------------------|---------------------------|-------------------|--------------------|----------------|
| | | Steel division | Cotton division | Total (Rupees in '000) | Steel division | Cotton division | Total |
| Income From Financial Assets | | | | | | | |
| Return on deposits, advances and investments | | 5,039 | 185 | 5,224 | 5,228 | 187 | 5,415 |
| Dividend income | 33.1 | 69,473 | – | 69,473 | 53,681 | – | 53,681 |
| Exchange gain | | 342 | – | 342 | 183 | – | 183 |
| Gain on sale of investments | | | | | | | |
| - Available-for-sale | | 103,648 | – | 103,648 | 161,265 | – | 161,265 |
| - Held for trading | | 60,948 | – | 60,948 | 64,571 | – | 64,571 |
| Income From Related Parties | | | | | | | |
| Return on deposits, advances and investments | | 4,493 | – | 4,493 | 795 | – | 795 |
| Provision written back on investment | | 684 | – | 684 | – | – | – |
| Other Income | | | | | | | |
| Liabilities written-back | | – | – | – | 160 | – | 160 |
| Provision written back for stock-in-trade | | 6,340 | 11,378 | 17,718 | 9,345 | – | 9,345 |
| Gain on disposal of fixed assets | | 4,034 | 159 | 4,193 | 1,796 | 746 | 2,542 |
| Deferred income | 5 | 304 | 185 | 489 | 304 | 265 | 569 |
| Insurance commission | | 882 | – | 882 | 494 | 157 | 651 |
| Others | | 2,244 | 850 | 3,094 | 947 | 271 | 1,218 |
| | | <u>258,431</u> | <u>12,757</u> | <u>271,188</u> | <u>298,769</u> | <u>1,626</u> | <u>300,395</u> |

Notes to the Financial Statements

For the year ended 30 June 2005

33.1 Dividend income

| | Steel division | 2005 Cotton division | Total (Rupees in '000) | Steel division | 2004 Cotton division | Total |
|--|-------------------|----------------------------|-------------------------------|-------------------|----------------------------|---------------|
| From Related Parties | | | | | | |
| Pakistan Industrial Credit and Investment Corporation | 644 | – | 644 | 305 | – | 305 |
| Crescent Leasing Corporation Limited | 720 | – | 720 | 504 | – | 504 |
| Shakarganj Mills Limited | 6,175 | – | 6,175 | 5,293 | – | 5,293 |
| Suraj Cotton Mills Limited | 240 | – | 240 | – | – | – |
| Crescent Textile Mills Limited | 374 | – | 374 | 374 | – | 374 |
| | <u>8,153</u> | <u>–</u> | <u>8,153</u> | <u>6,476</u> | <u>–</u> | <u>6,476</u> |
| Others | 61,320 | – | 61,320 | 47,205 | – | 47,205 |
| | <u>69,473</u> | <u>–</u> | <u>69,473</u> | <u>53,681</u> | <u>–</u> | <u>53,681</u> |

34. FINANCE COSTS

| | | | | | | |
|---|---------------|---------------|---------------|--------------|---------------|---------------|
| Interest on provident fund | – | 324 | 324 | – | 226 | 226 |
| Mark-up on: | | | | | | |
| Running finances | 5,861 | – | 5,861 | 2,092 | 2 | 2,094 |
| Short-term loans | 14,075 | 2,081 | 16,156 | 1,156 | 4,180 | 5,336 |
| Redeemable capital | 9,720 | 7,434 | 17,154 | 3,429 | 2,622 | 6,051 |
| Assets subject to finance leases | 1,840 | 1,364 | 3,204 | 2,291 | 2,911 | 5,202 |
| Bank charges | 807 | 443 | 1,250 | 431 | 1,051 | 1,482 |
| | <u>32,303</u> | <u>11,646</u> | <u>43,949</u> | <u>9,399</u> | <u>10,992</u> | <u>20,391</u> |
| Financial charges allocated to the cotton division | (18,017) | 18,017 | – | (3,248) | 3,248 | – |
| | <u>14,286</u> | <u>29,663</u> | <u>43,949</u> | <u>6,151</u> | <u>14,240</u> | <u>20,391</u> |

35. TAXATION

| | 2005 (Rupees in '000) | 2004 |
|--------------------|--------------------------|---------------|
| Current | | |
| - for the year | 88,870 | 18,500 |
| - for prior years' | 878 | 658 |
| | <u>89,748</u> | <u>19,158</u> |
| Deferred | (6,958) | 11,660 |
| | <u>82,790</u> | <u>30,818</u> |



Crescent Steel &
Allied Products Ltd.

Notes to the Financial Statements For the year ended 30 June 2005

35.1 Relationship between tax expense and accounting profit

| | 2005 | 2004 |
|--|-------------------------|----------------|
| | (Rupees in '000) | |
| Profit before taxation | <u>420,854</u> | <u>326,718</u> |
| Tax at the applicable rate of 35% | 147,299 | 114,351 |
| Effect of non-deductible expenses | (41,734) | (68,087) |
| Tax effect of exempt income and export sales under presumptive tax regime | (791) | – |
| Tax effect of change in tax WDV of fixed assets | (2,110) | – |
| Tax effect of dividend income taxed at different rate | (20,841) | (16,104) |
| Prior years' tax effect | 878 | 658 |
| Others | 89 | – |
| | <u>82,790</u> | <u>30,818</u> |

36. EARNINGS PER SHARE

| | 2005 | 2004 |
|--|-------------------------|-------------------|
| | (Rupees in '000) | |
| Net profit after taxation | <u>338,064</u> | <u>295,900</u> |
| | Number of shares | |
| Average number of ordinary shares in issue during the year | <u>24,302,684</u> | <u>24,302,684</u> |
| Basic and diluted earnings per share | <u>Rs. 13.91</u> | <u>Rs. 12.18</u> |

Notes to the Financial Statements For the year ended 30 June 2005

37. PROFORMA INFORMATION

| | 30 June 2005 | 30 June 2004 (Rupees in '000) | Proforma | |
|---|-----------------------|-------------------------------------|-----------------------------|-----------------------------|
| | | | Restated 30 June 2005 | Restated 30 June 2004 |
| Opening retained earning as previously stated | 28,016 | 4,257 | 28,016 | 4,257 |
| Change in accounting policy for dividends | – | – | 33,140 | 40,170 |
| Opening retained earnings as restated | <u>28,016</u> | <u>4,257</u> | <u>61,156</u> | <u>44,427</u> |
| Profit for the year | 338,064 | 295,900 | 338,064 | 295,900 |
| Transfer to general reserve | – | (175,000) | – | (175,000) |
| Dividends - First interim 10% (2004: 10%) | (24,303) | (22,093) | (24,303) | (22,093) |
| - Second interim 10 % (2004:10%) | (24,303) | (22,093) | (24,303) | (22,093) |
| - Final (2004: 15 %) | – | (33,140) | (33,140) | (40,170) |
| | <u>(48,606)</u> | <u>(77,326)</u> | <u>(81,746)</u> | <u>(84,356)</u> |
| Transfer to reserve for issue of bonus shares | – | (19,815) | – | (19,815) |
| Closing retained earnings | <u><u>317,474</u></u> | <u><u>28,016</u></u> | <u><u>317,474</u></u> | <u><u>61,156</u></u> |



Crescent Steel &
Allied Products Ltd.

Notes to the Financial Statements For the year ended 30 June 2005

38. CASH GENERATED FROM OPERATIONS

| | 2005 | 2004 |
|--|------------------|---------------|
| | (Rupees in '000) | |
| Profit before taxation | 420,854 | 326,718 |
| Depreciation | 82,598 | 90,618 |
| Amortisation | 1,937 | 1,828 |
| Adjustment arising from measurement to fair value | 38,219 | 10,352 |
| Provision against dividend receivable | – | – |
| Provision against stock-in-trade and stores and spares | 9,236 | 12,112 |
| Reversal of provision against stock-in-trade | (17,718) | (9,345) |
| Liabilities written back | – | (160) |
| Provision for workers welfare fund | 4,937 | 1,027 |
| Provision against other receivables | 1,297 | 702 |
| Provision for diminution in the value of investments | 284 | 1,004 |
| Provision for infrastructure fee | 6,000 | 11,300 |
| Provision against advances | 3,000 | – |
| Provision against liquidated damages | 6,000 | – |
| Exchange loss | 1,022 | 184 |
| Exchange gain | (342) | – |
| Gain on sale of investments | (164,596) | (225,836) |
| Pension and gratuity expense | 4,511 | 5,114 |
| Financial charges | 43,949 | 20,391 |
| Deferred income | (489) | (569) |
| Gain on disposal of fixed assets | (4,193) | (2,542) |
| Dividend income | (69,473) | (53,681) |
| Provision written back on investments | (684) | – |
| Return on deposits, advances and investments | (9,684) | (6,210) |
| Amortisation of initial transaction cost | (899) | (4,066) |
| Insurance commission | – | (1,869) |
| Working capital changes | 38.1 (90,794) | (81,133) |
| | <u>264,972</u> | <u>95,939</u> |

Notes to the Financial Statements

For the year ended 30 June 2005

38.1 Working capital changes

| | 2005 | 2004 |
|--|-------------------------|------------------|
| | (Rupees in '000) | |
| (Increase) / decrease in current assets | | |
| Stores, spares and loose tools | (1,297) | (18,031) |
| Stock-in-trade | 46,122 | (38,120) |
| Trade debts | (96,013) | (9,940) |
| Short-term advances | (11,756) | 117 |
| Short-term deposits and prepayments | (161) | 2,176 |
| Mark-up accrued | (3,391) | - |
| Other receivables (net) | (50,474) | (76,021) |
| | <u>(116,970)</u> | <u>(139,819)</u> |
| Increase / (decrease) in current liabilities | | |
| Trade and other payables | 26,176 | 58,686 |
| | <u>(90,794)</u> | <u>(81,133)</u> |

39. CASH AND CASH EQUIVALENTS

| | | | |
|---|----|---------------|------------|
| Running finances under mark-up arrangements | 11 | (22,204) | (17,833) |
| Cash and bank balances | 27 | 53,082 | 18,014 |
| | | <u>30,878</u> | <u>181</u> |

40. STAFF RETIREMENT BENEFITS

40.1 The actuarial valuation has been conducted in accordance with IAS 19 "Employee benefits" as of 30 June 2005. The projected unit credit method based on the following significant assumptions is used for valuation of schemes mentioned below:

| | 2005 | 2004 |
|--|-----------------------------|-------------|
| | Percentage per annum | |
| n discount rate | 9 | 8 |
| n expected rate of increase in salaries - For next three years | 10 | 7 |
| - After three years | 8 | - |
| n expected rate of return on plan assets | 11 | 11 |
| n average working life of employees | 11 years | 10 years |



Crescent Steel &
Allied Products Ltd.

Notes to the Financial Statements For the year ended 30 June 2005

40.2 Amount recognised in balance sheet as follows:

| | 2005 | | | 2004 | | |
|------------------------------|-------------------------|--------------|--------------|--------------|--------------|--------------|
| | Pension | Gratuity | Total | Pension | Gratuity | Total |
| | (Rupees in '000) | | | | | |
| Defined benefits obligations | (65,735) | (18,379) | (84,114) | (51,256) | (14,987) | (66,243) |
| Fair value of plan assets | 60,744 | 20,687 | 81,431 | 46,024 | 18,024 | 64,048 |
| Past service cost | 3,326 | (1,161) | 2,165 | 5,828 | 2,285 | 8,113 |
| Actuarial loss | 5,099 | 2,094 | 7,193 | 3,051 | (1,174) | 1,877 |
| Benefits payable | – | – | – | (71) | (1,584) | (1,655) |
| | <u>3,434</u> | <u>3,241</u> | <u>6,675</u> | <u>3,576</u> | <u>2,564</u> | <u>6,140</u> |

40.3 Movements in the net assets recognised in the balance sheet are as follows:

| | | | | | | |
|-------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Opening prepayments | | | | | | |
| as at 1 July | 3,576 | 2,564 | 6,140 | 4,089 | 2,279 | 6,368 |
| Expense | (3,820) | (691) | (4,511) | (4,007) | (1,107) | (5,114) |
| Company's contributions | 3,678 | 1,368 | 5,046 | 3,494 | 1,392 | 4,886 |
| | <u>3,434</u> | <u>3,241</u> | <u>6,675</u> | <u>3,576</u> | <u>2,564</u> | <u>6,140</u> |

40.4 The following assets have been charged in the profit and loss account:

| | | | | | | |
|----------------------------|--------------|------------|--------------|--------------|--------------|--------------|
| Current service cost | 4,054 | 1,284 | 5,338 | 3,506 | 1,234 | 4,740 |
| Interest cost | 4,100 | 1,199 | 5,299 | 3,373 | 1,103 | 4,476 |
| Expected return on assets | (5,063) | (1,983) | (7,046) | (3,745) | (1,420) | (5,165) |
| Actuarial gains | | | | | | |
| and losses charged | – | – | – | 144 | – | 144 |
| Past service cost charged | 729 | 191 | 920 | 729 | 190 | 919 |
| Total amount chargeable | <u>3,820</u> | <u>691</u> | <u>4,511</u> | <u>4,007</u> | <u>1,107</u> | <u>5,114</u> |
| to profit and loss account | | | | | | |

40.5 The actual return on plan assets of pension and gratuity funds aggregated Rs. 12.58 million (2004: Rs. 9.02 million) and Rs. 4.48 million (2004: Rs. 3.58 million) respectively.

40.6 As determined by the actuary the past service cost is being amortised over the period such benefit will be vested i.e. for pension 13 years and for gratuity 17 years from the date of transitional liability determined as on 1 July 1999.

Notes to the Financial Statements

For the year ended 30 June 2005

41. FINANCIAL ASSETS AND LIABILITIES

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. The company is exposed to interest / mark-up rate risk in respect of the following:

| | Effective rate of interest / mark-up % | Interest / mark-up bearing | | | Non-interest / mark-up bearing | | | Total |
|--|--|----------------------------|-------------------------|------------------|--------------------------------|-------------------------|------------------|------------------|
| | | Maturity upto one year | Maturity after one year | Sub-total | Maturity upto one year | Maturity after one year | Sub-total | |
| (Rupees in '000) | | | | | | | | |
| Financial assets | | | | | | | | |
| Investments | 4 to 28.7 | 137,041 | 56,817 | 193,858 | 617,115 | 658,841 | 1,275,956 | 1,469,814 |
| Long-term deposits | - | - | - | - | - | 2,119 | 2,119 | 2,119 |
| Trade debts | - | - | - | - | 132,037 | - | 132,037 | 132,037 |
| Short-term deposits | - | - | - | - | 1,341 | - | 1,341 | 1,341 |
| Other receivables | - | - | - | - | 152,237 | - | 152,237 | 152,237 |
| Cash and bank balances | 1.5 to 3.5 | 51,263 | - | 51,263 | 1,819 | - | 1,819 | 53,082 |
| 2005 | | <u>188,304</u> | <u>56,817</u> | <u>245,121</u> | <u>904,549</u> | <u>660,960</u> | <u>1,565,509</u> | <u>1,810,630</u> |
| 2004 | | <u>25,773</u> | <u>75,304</u> | <u>101,077</u> | <u>1,100,871</u> | <u>187,699</u> | <u>1,288,570</u> | <u>1,389,647</u> |
| Financial liabilities | | | | | | | | |
| Long-term loans | 4.2 to 6.8 | 75,000 | 221,854 | 296,854 | - | - | - | 296,854 |
| Liabilities against assets subject to finance leases | 7.5 to 10.5 | 16,292 | 14,289 | 30,581 | - | - | - | 30,581 |
| Short term borrowings | 3.5 to 4.5 | 142,204 | - | 142,204 | - | - | - | 142,204 |
| Trade and other payables | 7 to 8.86 | 90,000 | - | 90,000 | 118,146 | - | 118,146 | 208,146 |
| 2005 | | <u>323,496</u> | <u>236,143</u> | <u>559,639</u> | <u>118,146</u> | <u>-</u> | <u>118,146</u> | <u>677,785</u> |
| 2004 | | <u>156,248</u> | <u>326,516</u> | <u>482,764</u> | <u>201,406</u> | <u>-</u> | <u>201,406</u> | <u>684,170</u> |
| On-balance sheet gap : | | | | | | | | |
| 2005 | | <u>(135,192)</u> | <u>(179,326)</u> | <u>(314,518)</u> | <u>786,403</u> | <u>660,960</u> | <u>1,447,363</u> | <u>1,132,845</u> |
| 2004 | | <u>(130,475)</u> | <u>(251,212)</u> | <u>(381,687)</u> | <u>899,465</u> | <u>187,699</u> | <u>1,087,164</u> | <u>705,477</u> |
| Off balance sheet items - financial commitments | | | | | | | | |
| - Outstanding letters of credit | | - | - | - | 445,150 | - | 445,150 | 445,150 |



Crescent Steel &
Allied Products Ltd.

Notes to the Financial Statements For the year ended 30 June 2005

41.1 Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. All financial assets of the company, except cash in hand, are exposed to credit risk. The company believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk, the company applies credit limits to its certain customers.

41.2 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The company incurs foreign currency risk on sales and purchases that are entered in a currency other than Pak Rupees. The company uses forward foreign exchange contracts to hedge its foreign currency risk, when considered appropriate. As at the year end the company had liabilities in foreign currencies aggregating Rs.Nil million (2004: Rs 82.73 million) against which no forward exchange contracts were obtained.

41.3 Fair values of financial assets and liabilities

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

41.4 Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

The company is exposed to market risk with respect to its investments.

The company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity and term finance certificates (TFCs) markets. In addition, the company actively monitors the key factors that affect stocks and TFCs market movements.

Notes to the Financial Statements

For the year ended 30 June 2005

42. REMUNERATION TO THE CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

| | Chief Executive | | Director | | Executives | | Total | |
|--------------------------------|------------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| | (Rupees in '000) | | | | | | | |
| Managerial remuneration | 3,852 | 3,789 | 1,932 | 1,860 | 6,184 | 6,220 | 11,968 | 11,869 |
| House rent | 1,733 | 1,705 | 869 | 837 | 2,638 | 2,429 | 5,240 | 4,971 |
| Utilities | 385 | 379 | 193 | 186 | 618 | 622 | 1,196 | 1,187 |
| Traveling expenses | 361 | 360 | - | 104 | - | 53 | 361 | 517 |
| Others | 726 | 708 | - | - | 193 | - | 919 | 708 |
| Medical | 118 | 58 | 39 | 49 | 348 | 273 | 505 | 380 |
| Contribution to: | | | | | | | | |
| - Provident fund | 385 | 379 | 193 | 186 | 286 | 411 | 864 | 976 |
| - Gratuity fund | 274 | 267 | 138 | 130 | 171 | 236 | 583 | 633 |
| - Pension fund | 674 | 625 | 338 | 307 | 674 | 756 | 1,686 | 1,688 |
| Club subscription and expenses | 315 | 236 | 8 | 12 | 4 | 4 | 327 | 252 |
| Entertainment | - | - | 36 | 36 | 126 | 150 | 162 | 186 |
| Conveyance | - | - | - | - | - | - | - | - |
| Telephone | - | - | 12 | 12 | 28 | 31 | 40 | 43 |
| | <u>8,823</u> | <u>8,506</u> | <u>3,758</u> | <u>3,719</u> | <u>11,270</u> | <u>11,185</u> | <u>23,851</u> | <u>23,410</u> |
| Number of persons | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>7</u> | <u>7</u> | <u>9</u> | <u>9</u> |

42.1 The aggregate amount charged in the account in respect of directors' fees paid to six (2004: six) directors was Rs.140,000 (2004: Rs. 140,000).

42.2 The chief executive, a director and seven executives are provided with free use of company maintained cars, according to their entitlements.

42.3 The chief executive, a director, executives and their families are also covered under group and hospitalisation insurance.



Crescent Steel &
Allied Products Ltd.

Notes to the Financial Statements For the year ended 30 June 2005

43. TRANSACTIONS WITH RELATED PARTIES

All transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using admissible valuation modes, i.e. comparable uncontrolled price method except service charges received / paid on cost plus method. The related parties and associated undertakings comprise local associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings, other than remuneration and benefits to key management personnel under the terms of their employment disclosed elsewhere in these financial statements, are as follows:

| | | 2005 | | | 2004 | | |
|--|--------|-------------------|--------------------|---------|-------------------|--------------------|--------|
| | | Steel division | Cotton division | Total | Steel division | Cotton division | Total |
| | | (Rupees in '000) | | | | | |
| Insurance premium paid | | 373 | 620 | 993 | 7,325 | 2,290 | 9,615 |
| Donations | 31.4 | 11,930 | 4,775 | 16,705 | 6,234 | 3,333 | 9,567 |
| Sale of pipes / yarn | | 12,261 | 94,127 | 106,388 | 5,401 | 74,705 | 80,106 |
| Purchase of fixed assets / office premises | | – | 18,850 | 18,850 | 26,062 | – | 26,062 |
| Contribution to pension fund | 40.3 | 3,372 | 306 | 3,678 | 3,133 | 361 | 3,494 |
| Contribution to provident fund | | 4,697 | 656 | 5,353 | 2,423 | – | 2,423 |
| Service charges paid | | 3,052 | 1,731 | 4,783 | 4,270 | 4,586 | 8,856 |
| Financial charges on Term Finance Certificates | | 76 | 58 | 134 | – | – | – |
| Interest to Provident Fund on accumulated balance | | – | 323 | 323 | – | 104 | 104 |
| Dividends received | 33.1 | 7,671 | – | 7,671 | 6,476 | – | 6,476 |
| Return on deposits | | 2,488 | – | 2,488 | 777 | – | 777 |
| Redemption of term finance certificates | | 3,332 | – | 3,332 | 1,666 | – | 1,666 |
| Contribution to gratuity fund | 40.3 | 1,368 | – | 1,368 | 1,392 | – | 1,392 |
| Service charges received | | 318 | – | 318 | 391 | – | 391 |
| Short term placement | | 65,000 | – | 65,000 | – | – | – |
| Subscription in right shares | | 8,818 | – | 8,818 | – | – | – |
| Subscription in preference shares | 15.2 | 29,994 | – | 29,994 | – | – | – |
| Advance for Equity participation | 20 | 3,000 | – | 3,000 | – | – | – |
| Insurance commission | | – | – | – | 494 | 157 | 651 |
| Sale of fixed assets | 13.3.2 | 11,250 | – | 11,250 | – | 600 | 600 |
| Certificate of Investments (CSIBL) | | 20,000 | – | 20,000 | – | – | – |
| Musharika arrangements | 23.3.1 | 186,000 | – | 186,000 | – | – | – |

Notes to the Financial Statements For the year ended 30 June 2005

44. PLANT CAPACITY AND PRODUCTION

44.1 Steel division

Pipe plant

The plant's installed / rated capacity for production based on single shift is 30,000 tons (2004: 30,000 tons) annually on the basis of notional pipe size of 30" dia x _" thickness. The actual production achieved during the year was 42,099 tons (2004: 27,563 tons) line pipes of varied sizes and thickness, which is equivalent to 73,501 tons (2004: 44,412 tons) if actual production is translated to the notional pipe size of 30" diameter.

Coating plant

The coating plant has a capacity of externally shot blasting and coating of line pipes with 3 layer high / medium density polyethylene coating at a rate of 250 square meters of surface area per hour on pipe sizes ranging from 219 to 1067 mm outside dia and thickness ranging from 3 to 16 mm.

The annual capacity of the plant works out to 600,000 square meters outside surface of pipes based on notional size of 30" dia on single shift working. Coating of 175,609 meters of different dia pipes (250,717 square meters surface area) was achieved during the year (2004: 259,629 square meters surface area).

44.2 Cotton division

Spinning unit

The plant capacity converted to 20s count based on three shifts per day for 1,080 shifts is 6,452,874 kilograms. Actual production converted into 20s count was 6,165,830 kilograms.

44.3 The capacities of the plant were utilised to the extent of orders received.

45. NUMBER OF EMPLOYEES

Total number of permanent employees as at June 30, 2005 was 695 (2004: 713)

46. NON ADJUSTING EVENTS AFTER BALANCE SHEET DATE

The Board of Directors in their meeting held on 30 July 2005 have (i) proposed a final dividend of Re. 1 per share (2004: Rs. 1.5 per share) amounting to Rs. 24.3 million (2004: Rs. 33.1 million) in addition to interim dividends of Rs. 2 per share (2004: Rs. 2 per share) already



Crescent Steel &
Allied Products Ltd.

Notes to the Financial Statements For the year ended 30 June 2005

distributed and recorded in the financial statements, and (ii) 20% bonus shares (2004: 10% bonus shares) of Rs. 48.6 million. These financial statements do not include the effect of the proposed dividend and bonus due to change in accounting policy as explained in note 2.9.

47. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue in the board of directors meeting held on 30 July 2005.

48. COMPARATIVES

The comparatives have been re-arranged where necessary due to revisions in Fourth Schedule to the Companies Ordinance, 1984

49. GENERAL

Figures have been rounded off to the nearest thousand rupees

Chairman

Chief Executive

Form “34” Pattern of Holding of Shares

Held by Shareholders as at 30 June 2005

| NO. OF SHAREHOLDERS | SHAREHOLDING | | TOTAL SHARES HELD |
|---------------------|--------------|-----------|-------------------|
| | FROM | TO | |
| 305 | 1 | 100 | 11,554 |
| 509 | 101 | 500 | 128,709 |
| 110 | 501 | 1,000 | 78,059 |
| 221 | 1,001 | 5,000 | 521,874 |
| 63 | 5,001 | 10,000 | 457,047 |
| 47 | 10,001 | 15,000 | 591,487 |
| 16 | 15,001 | 20,000 | 290,227 |
| 17 | 20,001 | 25,000 | 381,487 |
| 7 | 25,001 | 30,000 | 201,310 |
| 3 | 30,001 | 35,000 | 101,433 |
| 4 | 35,001 | 40,000 | 152,283 |
| 1 | 40,001 | 45,000 | 42,818 |
| 4 | 45,001 | 50,000 | 189,873 |
| 3 | 50,001 | 55,000 | 163,900 |
| 4 | 55,001 | 60,000 | 228,317 |
| 2 | 60,001 | 65,000 | 128,795 |
| 1 | 65,001 | 70,000 | 65,014 |
| 3 | 70,001 | 75,000 | 214,922 |
| 1 | 90,001 | 95,000 | 94,431 |
| 4 | 95,001 | 100,000 | 393,881 |
| 1 | 100,001 | 105,000 | 102,414 |
| 4 | 105,001 | 110,000 | 437,188 |
| 2 | 115,001 | 120,000 | 230,074 |
| 3 | 125,001 | 130,000 | 378,216 |
| 2 | 135,001 | 140,000 | 272,011 |
| 1 | 140,001 | 145,000 | 140,227 |
| 1 | 145,001 | 150,000 | 145,800 |
| 1 | 160,001 | 165,000 | 163,350 |
| 1 | 165,001 | 170,000 | 166,585 |
| 1 | 195,001 | 200,000 | 195,523 |
| 1 | 220,001 | 225,000 | 224,225 |
| 1 | 235,001 | 240,000 | 237,006 |
| 1 | 240,001 | 245,000 | 243,932 |
| 1 | 280,001 | 285,000 | 284,405 |
| 1 | 305,001 | 310,000 | 308,712 |
| 1 | 485,001 | 490,000 | 487,829 |
| 1 | 510,001 | 515,000 | 514,823 |
| 1 | 530,001 | 535,000 | 535,000 |
| 1 | 560,001 | 565,000 | 565,000 |
| 1 | 570,001 | 575,000 | 570,500 |
| 1 | 855,001 | 860,000 | 855,690 |
| 1 | 1,075,001 | 1,080,000 | 1,076,927 |
| 1 | 1,160,001 | 1,165,000 | 1,161,615 |
| 1 | 1,290,001 | 1,295,000 | 1,293,600 |
| 1 | 1,485,001 | 1,490,000 | 1,485,086 |
| 1 | 1,720,001 | 1,725,000 | 1,722,264 |
| 1 | 2,670,001 | 2,675,000 | 2,672,899 |
| 1 | 3,390,001 | 3,395,000 | 3,394,362 |
| 1,360 | | | 24,302,684 |



Crescent Steel &
Allied Products Ltd.

Pattern of Holding of Shares

Held by Shareholders as at 30 June 2005

| CATEGORIES OF SHAREHOLDERS | SHARES HELD | PERCENTAGE |
|---|------------------|--------------|
| a) Directors, Chief Executive Officer, Their Spouse and Children | | |
| Directors | | |
| Mr. Ahsan M. Saleem | 72,400 | 0.30 |
| Mr. Javed Aslam Callea | 605 | 0.00 |
| Mr. Mazhar Karim | 65,014 | 0.27 |
| Mr. Nasir Shafi | 14,823 | 0.06 |
| Mr. Zahid Bashir | 49,313 | 0.20 |
| Syed Mehmood Ehtishamullah | 605 | 0.00 |
| Directors Spouse and Their Children | | |
| Mrs. Abida Mazhar | 8,594 | 0.04 |
| Mrs. Shahnaz A. Saleem | 22,812 | 0.09 |
| Executives | | |
| Kh. Muhammad Sharif | 18,400 | 0.08 |
| Syed Ali Nazir Kazmi | 7,360 | 0.03 |
| | 259,926 | 1.07 |
| b) Associated Companies, Undertakings & Related Parties | | |
| Crescent Commercial Bank Limited | 1,076,927 | 4.43 |
| Crescent Jute Products Limited | 96,800 | 0.40 |
| Crescent Sugar Mills & Distillery Limited | 855,690 | 3.52 |
| Jubilee Spinning & Weaving Mills Limited | 121 | 0.00 |
| Muhammad Amin Muhammad Bashir Limited | 355 | 0.00 |
| Pakistan Industrial Credit and Investment Corporation Limited | 195,523 | 0.81 |
| Shakarganj Mills Limited | 487,829 | 2.01 |
| The Crescent Textile Mills Limited | 2,672,899 | 11.00 |
| The Premier Insurance Company of Pakistan Limited | 42,818 | 0.18 |
| | 5,428,962 | 22.35 |
| c) NIT & ICP (Name Wise Detail) | | |
| Investment Corporation Of Pakistan | 6,370 | 0.02 |
| National Bank Of Pakistan, Trustee Deptt. | 3,394,362 | 13.97 |
| | 3,400,732 | 13.99 |

Pattern of Holding of Shares

| | | | |
|-----------|---|------------|--------|
| d) | Banks, DFI's, NBFIs | 2,564,407 | 10.55 |
| e) | Insurance Companies | 860,338 | 3.54 |
| f) | Modaraba and Mutual Funds | 2,136,574 | 8.79 |
| g) | Other Companies | 2,413,015 | 9.93 |
| h) | Non Resident | | |
| | Bankers Trust Company | 117 | 0.00 |
| | Baring Brothers (Guernsey) Limited | 29 | 0.00 |
| | Exchange Trading Limited | 9,199 | 0.04 |
| | H. S. B. C. International Trustee Limited | 20 | 0.00 |
| | Hong Kong Bank International Trustee Limited | 174 | 0.00 |
| | Islamic Development Bank | 1,485,086 | 6.11 |
| | Midland Bank Trust Corporation (Jersey) Limited | 624 | 0.00 |
| | Royal Trust Corporation Of Canada | 14 | 0.00 |
| | The Northern Trust Company | 375 | 0.00 |
| | | 1,495,638 | 6.15 |
| i) | General Public | 5,743,092 | 23.63 |
| | | 24,302,684 | 100.00 |
| | Shareholders More Than 10% | | |
| | National Bank Of Pakistan,Trustee Deptt. | 3,394,362 | 13.97 |
| | The Crescent Textile Mills Limited | 2,672,899 | 11.00 |
| | | 6,067,261 | 24.79 |



Crescent Steel &
Allied Products Ltd.

Notice of Annual General Meeting

NOTICE is hereby given that the 21st Annual General Meeting of the shareholders of CRESCENT STEEL AND ALLIED PRODUCTS LIMITED will be held on Wednesday, 31 August 2005 at 3.00 p.m. at Pearl Continental Hotel, Shahrah-e-Quaid-e-Azam, Lahore to transact the following business:

1. To confirm the minutes of the preceding meeting of the shareholders of the Company.
2. To receive, consider and adopt the Audited Accounts together with Directors' and Auditors' reports thereon for the year ended 30 June 2005.
3. To consider and approve dividend for the year ended 30 June 2005 as recommended by the Directors of the Company as under:
 - a) Two interim cash dividends at the rate of Re.1.00 each (Rs.2.00) and a final dividend of Re. 1.00 making a total cash payout of Rs. 3 per share (30%).
 - b) Bonus shares in proportion of one share for every 5 shares held i.e. 20%.

4. To appoint auditors and fix their remuneration.
5. To discuss any other business with the permission of the Chair.

BY ORDER OF THE BOARD
Mohammad Amin
Company Secretary
Lahore: 30 July 2005

PARTICIPATION IN THE ANNUAL GENERAL MEETING

1. A member entitled to attend and vote at this meeting may appoint any other member as his / her proxy to attend and vote.
2. The instrument appointing a proxy and power of attorney or other authority under which it is signed or a notarially attested copy of the power of attorney must be deposited at the Registered Office of the Company at least 48 hours before the time of Meeting.
3. Members, who have deposited their shares into Central Depository Company of Pakistan Limited, are being advised to bring their National Identity Cards along with CDC Participant ID and account number at the meeting venue.

If any proxies are granted by any such shareholders, the same must be accompanied with attested copies of the National Identity Cards of the grantors and the signatures on the proxy form should be the same as that appearing on the National Identity Cards.

BOOK CLOSURE

The Share Transfer Books of the Company will remain closed from 23 August to 31 August 2005 (both days inclusive). Transfers received in order at the Registered Office of the Company upto the close of Business on 22 August 2005, will be considered in time to be eligible for payment of Final Dividend and issuance of Bonus to the Transferees.



Crescent Steel &
Allied Products Ltd.

Form of Proxy

Folio No. _____ CDC Participant's Identity Card No _____ A/C. No. _____

I / We _____ of _____ a member /
members of Crescent Steel & Allied Products Limited, and holder of _____
shares do hereby appoint _____ of _____
or failing him / her _____ of _____
who is also a member of the Company, vide Registered Folio No. _____ as my /
our proxy to attend, speak and vote for me / us and on my / our behalf at the 21st Annual General Meeting of the Company
to be held on Wednesday, 31 August 2005 at 3:00 p.m. at Pearl Continental Hotel, Shahrah-e-Quaid-e-Azam, Lahore and
at any adjournment thereof.

As witness my / our hand this _____ day of _____ 2005.

Signature on
Five-Rupees
Revenue Stamp

The signature should agree
with the specimen registered
with the Company.

Dated:

Place:

Notes:

1. The Proxy Form should be deposited at our Registered Office, 4th Floor, Crescent Standard Tower, 10-B, Block E-2, Main Boulevard, Gulberg-III, Lahore, as soon as possible but not less than 48 hours before the time of holding the meeting and in default, the Proxy Form will not be treated as valid.
2. No person shall act as proxy unless he / she is a member of the company except a corporation being a member may appoint as its proxy any officer of such corporation whether a member of the company or not.