ANNUAL REPORT 2010

PART OF A CHANGING WORLD.

Crescent Steel &
Allied Products Ltd.

Part of a changing world.

Somebody once said that change is the only constant thing in the world. Cultures and societies have evolved over the years embracing this change.

Today, a common man can purchase a medication from the chemist's shop which Henry IV would have given a fortune to buy.

Annual Report 2010 is dedicated to the spirit of innovation and how it shapes the Company, the society and even the world at large.

Mission, Vision and Values

"To grow and enhance company value."

"To gain and maintain cost and quality leadership in the international competitive environment."

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

"To conduct business as a responsible corporate citizen, and to seek and support promising programs from non-profit entities especially in the fields of education, health and environment."

Contents

Crescent Steel &
Allied Products Ltd.

Corporate Strategy

The economy is going through a modest recovery phase and it remains to be seen how our Government takes measures to further stabilize the economy so that the gains over the past two years are not lost.

In these times, our corporate strategy is to focus on achieving growth and stabilizing efforts to enhance our Company's value through increase in revenue growth and financial efficiency by optimizing utilization of our assets and continuously lowering our cost base.

We continue to believe that the engine for growth in Pakistan is an expanded and efficient engineering sector. Our strategic thrust will be to expand in this area vertically as well as horizontally. We have strategic interest in the energy and food sectors. Our thrust is to expand and grow in these sectors as well.

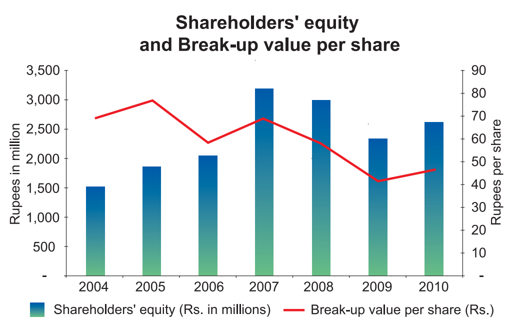
For our investment in the textile sector, the focus will be on consolidating our position by reducing costs and improving productivity and optimizing available capacity to increase product offering.

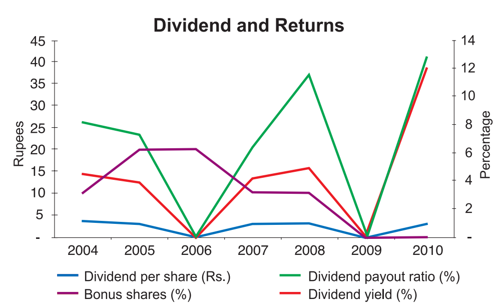
On the technology front, we plan to fully leverage our enterprise resource planning system in order to make our information processing more accurate and timely and to assist in strategic decision making.

Our people are our most valued assets and we believe that developing and retaining our human capital is at the heart of our Company's success.

Our operational strategy is focused on:

- Customer-driven company that stays close to customers in each of its markets
- Strong capital and financial position
- Conservative, sound risk management
- Disciplined expense control
- Ethical behavior, observing the letter and the spirit of rules and regulations





Company Information

BOARD OF DIRECTORS

Mazhar Karim	*Chairman, Non-Executive Director*
Ahsan M. Saleem	*Chief Executive & Managing Director*
Javed Iqbal	*Non-Executive Director (Independent)*
Muhammad Abdul Aleem	*Non-Executive Director (Independent)*
Mohammad Anwar	*Non-Executive Director*
Nasir Shafi	*Non-Executive Director*
S.M. Ehtishamullah	*Non-Executive Director*
Zahid Bashir	*Non-Executive Director*
M. Saad Thaniana	*Company Secretary*

AUDIT COMMITTEE

Muhammad Abdul Aleem	*Chairman*
Javed Iqbal	
Nasir Shafi	
Ernst & Young Ford Rhodes Sidat Hyder & Co. (Sharjeel Jamil Ahmed - Engagement Partner)	*Head of Internal Audit*

HUMAN RESOURCE COMMITTEE

Ahsan M. Saleem	*Chairman*
Javed Iqbal	
Nasir Shafi	

THE MANAGEMENT

Chief Executive &
Managing Director
Ahsan M. Saleem, 57
1983*

Chief Financial Officer
M. Saad Thaniana, 43
2007*

BU Head – Steel Division
Iqbal Zafar Siddiqui, 60
2008*

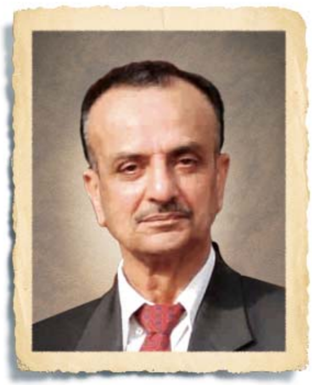
BU Head – Cotton Division
Abdul Rouf, 50
2000*

Human Resource Advisor
Ehsan Durrani, 62
2008*

Head of Marketing
Steel Division
Arif Raza, 48
1985*

* *Year joined Company*

Board of Directors



Mr. Mazhar Karim

Chairman (Non-Executive)

Joined Board
01 August 1983

Other Engagements

Chairman
- Crescent Jute Products Limited
- Crescent Sugar Mills & Distillery Limited
- Shakarganj Mills Limited

Mr. Ahsan M. Saleem

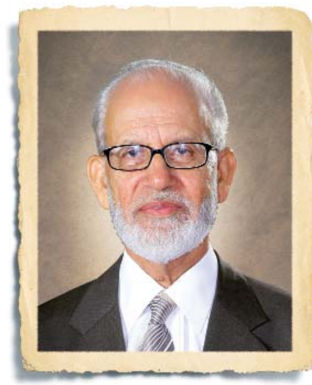
Chief Executive Officer

Joined Board
01 August 1983

Other Engagements

Chief Executive Officer
- Shakarganj Mills Limited

Director
- Pakistan Centre for Philanthropy
- The Citizens Foundation



Mr. Javed Iqbal

FCMA (UK), FCMA (PAK)

Director (Non-Executive, Independent)

Joined Board
23 October 2002

Other Engagements

Chief Executive Officer
- THK Associates (Pvt) Limited

Director
- AZFAM Technologies (Pvt) Limited
- SAMBA Bank Limited
- Wyeth Pakistan Limited

Board of Directors

Mr. Muhammad Abdul Aleem

FCA, FCMA

Director (Non-Executive, Independent)

Joined Board

22 May 2009

Other Engagements

Chairman

- Faysal Asset Management Limited

Director

- Pakistan Institute of Corporate Governance
- Dawood Hercules Chemicals Limited

Mr. Mohammad Anwar

Director (Non-Executive)

Joined Board

17 September 2001

Other Engagements

Director

- Equity International Limited

Executive Vice President

- Saudi Pak Industrial and Agriculture Investment Company Limited

Mr. Nasir Shafi

Director (Non-Executive)

Joined Board

01 August 1983

Other Engagements

Chief Executive Officer

- Crescent Bahuman Limited

Director

- The Crescent Textile Mills Limited

Board of Directors

Mr. S.M. Ehtishamullah

FCA

Director (Non-Executive)

Joined Board
30 January 2000

Mr. Zahid Bashir

Director (Non-Executive)

Joined Board
01 August 1983

Other Engagements

Chairman

- Equity Textile Mills Limited
- Mohammad Amin Mohammad Bashir Limited
- Premier Financial Services (Pvt) Limited
- Premier Insurance Co. of Pakistan Limited

Director

- Crescent Powertec Limited

Muhammad Saad Thaniana

FCA, ACMA

*Company Secretary &
Chief Financial Officer*

Joined Board
01 March 2008

Other Engagements

Director

- Safeway Mutual Fund Limited
- Shakarganj Food Products Limited

Board of Directors and its Committees

Board of Directors

The Board has formulated formal policies including risk management, procurement of fixed assets, goods and services, investments, borrowings, donations, charities and contributions, delegation of financial authority, transactions with related parties and transfer pricing, provision for slow moving store and spares and impairment of assets etc. which are implemented and monitored through delegation of duties to two standing committees of the Board i.e. the Audit and Human Resource Committees.

Audit Committee

The Committee comprises three members including the Chairman all of whom are Non-Executive Directors out of which two are Independent Directors of the Company.

The terms of reference of the Audit Committee was revised during the year to bring it in line with Global Best Practices. The purpose of the committee includes inter alia:

- To provide the Board of Directors ("the Board") with an independent and objective evaluation of the operations, policies, procedures and controls implemented within the Company,
- To provide supplemental assistance and resources to the internal audit department of the Company in order for them to provide the management and the Board of the Company with an independent, objective evaluation of their operations, policies, procedures and controls,
- To provide the Board with an oversight of the internal audit department in the Company to assure that an effective system-wide internal audit function is in place, which includes a risk based annual and long-range audit plan, a reporting mechanism and a quality control plan,
- To provide assistance to BOD in fulfilling their oversight responsibility relating to integrity of the financial statements and financial reporting, and
- To review and evaluate procedures established to comply with laws and regulations and to monitor compliance thereof.

Human Resource Committee

The Committee comprises three members including the Chief Executive as Chairman and other two Non-Executive Directors of the Board. The HR Committee has been constituted to address and improve the area of Human Resource Development. The main aim of the committee is to guide the management in formulating an overall strategic plan for HR and to provide the best working environment.

The terms of reference of the Committee includes the following:

- Guide and support the management in its HR initiatives and program direction.
- Guide and direct the management in the development and direction of new programs.
- Guide management in evaluation of reengineering initiatives.
- Guide management in setting goals and standards for maximum effectiveness of the total HR service delivery model and the whole HR Department.
- Provide guidance to management in HR strategic planning.
- Provide guidelines for formulation of policies in the areas of HR Management and HR Development including Compensation and Benefits and Performance Management etc.
- Guide management to devise strategic Human Resource plan.
- Ensure development of recruitment policy and procedures.

Crescent Steel & Allied Products Ltd.

Management Committees

Executive Committee

Chairman	Ahsan M. Saleem
	Muhammad Saad Thaniana
	Iqbal Zafar Siddiqui

This Committee devises long term policies and visions for the Company with the sole objective for providing the best returns to shareholders by optimum allocation of existing resources. The Committee is also responsible for review of Company's operation on ongoing basis, establishing and ensuring adequacy of internal controls and monitoring compliance of key policies. Executive committee meets on quarterly basis. Terms of reference of the committee include the following:

- Prepare, approve and keep an updated long term plan
- Provide guidelines to the Business Strategy Committee for medium and short term tactics.
- Discuss new ideas and new business lines, new product lines, new markets, and / or refer new opportunities and feasible ideas to another committee for refinement.
- To analyze current market situation with a view to maintain sustainable competitive advantage.
- To discuss in detail the plans of the Group and accordingly adjust the policies of the company to avoid any conflict.
- Analyze any group investment opportunities and refer to investment committee if required.

Business Strategy Committee

Chairman	Ahsan M. Saleem
	Muhammad Saad Thaniana
	Abdul Rouf
	Iqbal Zafar Siddiqui
	Arif Raza

This Committee is responsible for formulation of business strategy, review of risks and their mitigation plan. Further, the Committee is also responsible for staying abreast of developments and trends in the Industry to assist the Board in planning for future capital intensive investments and growth of the Company. The committee meets at least twice a year. The terms of reference include the following:

- Prepare, approve and recommend to the Board a framework of business strategy.
- To develop and approve medium term plan(s) to meet interim objectives and milestone for any long term project approved by the Executive Committee.
- Review the progress of different new projects of the company.
- Approve short term goals which will be qualitative and quantitative for different segments of the company.
- Review periodically the targets achieved and revise the operational targets if required.
- Review allocation of resources to different segments such as investments, core business etc.
- Gather information of the competitors' business and prepare an updated SWOT analysis of the company, to be submitted to the Executive Committee.

Management Committees

System and Technology Committee

Chairman	Ahsan M. Saleem
	Muhammad Saad Thaniana
	Shahid H. Mir

The System and Technology Committee monitors the implementation of IT Strategy on a regular basis. It ensures that CSAPL stays current with the evolving new technologies and Information System Processes. The Committee prepares long term IT plan including fostering an IT culture at all levels. Terms of reference of the committee include the following:

- Guide the IS Department and Management in preparing the IT Strategy of the Company in a cost effective manner.
- Monitor the implementation of the IT Strategy on a regular basis.
- Ensure that CSAPL stays current with the evolving new technologies and the latest Information System Processes as applicable to the business and growth of CSAPL.
- Provide the basis for preparing long term IT plans while not losing sight of the immediate goals and objectives.
- Facilitate the promotion of IT Culture in the company at all levels. This has been done by traditional training interventions including company wide workshops at all levels.
- Assist the Board to ensure that the IT vision provided by the Board is manifested in the IT Strategy and its subsequent implementation

Investment Committee

Chairman	Ahsan M. Saleem
	Muhammad Saad Thaniana
	Mohammad Yamin

This Committee helps to maintain a balanced portfolio of investments and maximize returns while keeping risk at a desirable level. Terms of reference of the committee include the following:

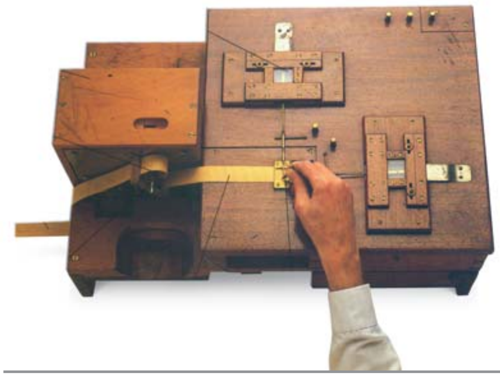
- Determine the sector wise weightage of the portfolio based on market condition.
- Assess and monitor the risk associated to the portfolio.
- Review the performance of the investment and take decision relating to scrip wise entry and exit.

Social Investment Committee

Chairman	Muhammad Saad Thaniana
	Iqbal Zafar Siddiqui
	Abdul Rouf

This Committee will review the distribution of charitable contribution in line with Company's Policy for donations, charities and contributions. Terms of reference of the committee include the following:

- Review and recommend any changes to Company's policy relating to Corporate Social Responsibility for the approval of BOD.
- Review and recommend the distribution of charitable contribution in line with the Corporate Social Responsibility policy.



At the rate of 45.45 (0.5%) baud - considered speedy at the time it was invented - up to 25 telex channels could share a single long-distance telephone channel by using voice frequency telegraphy multiplexing, making telex the least expensive method of reliable long-distance communication.

Designed to be folded to make its own envelope, the aerogram was first introduced during World War II as a convenient way of writing to overseas military personnel.

Fax machines transmit images or text, using regular phone lines. Part of the wonderful world of digital technology, they virtually replaced mail by the Post Office.

The world's first e-mail message was sent in 1971 by Ray Tomlinson. This changed the face of communication forever. According to the latest estimates 35 Billion e-mails are sent each day throughout the world.

From letter writing to video conferencing, all the locations and departments of CSAPL across Pakistan are connected through Audio and Video links.

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 Industrial metals and Mining Sector.

Public Information

Financial analysts, stock brokers, interested investors and financial media desiring information about 'Crescent Steel' should contact Mohammad Yamin at the Company's Principal Office, Karachi.
Telephone: 021-35674881-5
E.mail: mohammad.yamin@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 M/s CorpTec Associates (Private) Limited, 7/3-G, Mushtaq Ahmed Gurmani Road, Gulberg-II, Lahore.
Telephone: 042-35788097-98 Fax: 042-35755215
Email: info@corptech.com.pk

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 80s.

Annual Meeting

The 26th Annual General Meeting of Crescent Steel and Allied Products Limited will be held on Tuesday, 31 August 2010 at 11:30 am at Qasr-e-Noor, 9 E-2, Main Boulevard, Gulberg-III, Lahore.

Auditors

KPMG Taseer Hadi & Co.

Legal Advisor

Hassan & Hassan, Advocates, Lahore

Bankers

Allied Bank Limited
Barclays Bank PLC, Pakistan
Habib Metropolitan Bank Limited
HSBC Bank Middle East Limited
MCB Bank Limited
Standard Chartered Bank (Pakistan) Limited

Registered Office

10th Floor, BOP Tower, 10-B, Block E-2, Main Boulevard, Gulberg-III, Lahore.
Telephone: 042-35783801-2, 042-35783811

Liaison Office Lahore

10th Floor, BOP Tower, 10-B, Block E-2, Main Boulevard, Gulberg-III, Lahore.
Telephone: 042-35783801-4 Fax: 042-35870357
E.mail: ejaz@shakarganj.com.pk

Principal Office

9th Floor, Sidco Avenue Centre,
264 R.A. Lines, Karachi-74200.
Telephone: 021-35674881-5 Fax: 021-35680476
E.mail: arif.raza@crescent.com.pk
URL: www.crescent.com.pk

Steel Division

Pipe & Coating Plant

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

Engineering Unit

17 Km Summundri Road, Dalowal, District Faisalabad, Punjab.
Telephone: 041-2569825 Fax: 041-2569826

Mills – Cotton Division

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

The earliest wells are known from the submerged Pre-Pottery Neolithic times in the Middle East, which so far is the oldest known. These were community wells where people went to get water from.

Hand pumps used human power and mechanical advantage to move water from one place to another. They were widely used in every country in the world for a variety of industrial, marine and irrigation activities.

Tubewells were born as an answer to the farmers' demand for properly distributed irrigational water.

Reliable steel pipelines extending several kilometers has made it possible for water to travel to various locations across Pakistan.

The ultimate goal of Crescent Steel is to provide the entire population, including the people below poverty line, with treated water through pipelines, at their door-step.

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 CCP-I and 25,344 spindles CCP-II at Jaranwala, Faisalabad.

Company's Investment and Infrastructure Development Division manages an investment portfolio and real estate.

Crescent Steel and Allied Products Limited is an equal opportunity employer with a sense of social responsibility and strongly supports education, healthcare and environmental causes.

Steel Division

The Spiral Pipe Plant has a capability of manufacturing high quality steel pipes in the diameter range of 8" – 90" (219 mm – 2,286 mm) in wall thickness from 4 mm – 20 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 extendable upto maximum 200,000 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. In addition, we have become the first Pakistani company to have acquired oil and gas industry specifics ISO/TS 29001, Quality Management System Certification from API. 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 4" – 56" (114 mm – 1,422 mm). During the year we diversified our product offering by adding capabilities to fabricate and erect machinery specially for sugar and cement industry. We have also developed capability for manufacturing of boilers, cane shredders upto dia 1700mm, juice heaters, evaporators, batch and continuous vacuum pans, centrifugal machines, stainless steel spray clusters and multijet condensers, perforated plates and vibro screens, and high voltage transformer tanks.

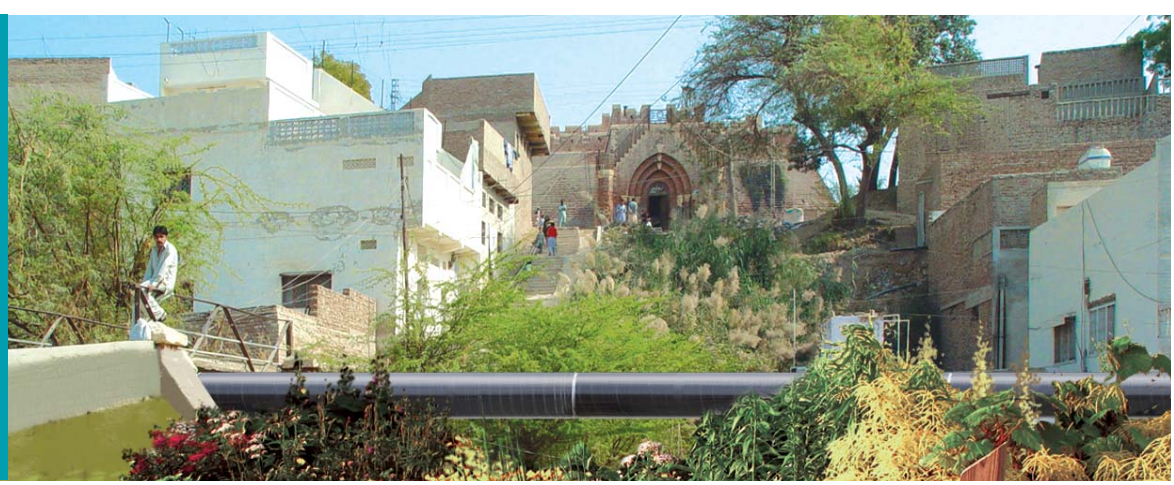
In oldern days people cooked over an open fire usually fuelled by wood.

Kerosene stoves were the next step when kerosene oil replaced wood as the main fuel. This was the beginning of the next generation of cooking appliances.

Household stoves started to become more sophisticated and advanced to aid cooking at home without the hassle of additional heat and smoke resulting from burning wood.

The first gas stoves were developed as early as the 1820s, but these remained isolated experiments. At the World Fair in London in 1851, a gas stove was shown, but only in the 1880s did this technology start to become a commercial success. The main factor for this delay was the slow growth of the gas pipe network.

Crescent Steel pipes make natural gas accessible to home and factories in Pakistan.



Crescent Steel & Allied Products Ltd.

Company Profile

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 80s having a notional capacity based on 20s of 6.5 and 9.3 million kgs per annum in CCP-I and CCP-II respectively and its products are consistently in demand and generally sold at a premium.

Investment and Infrastructure Development Division

The division manages an investment portfolio in shares and other securities, across diversified sectors and real estate. Our strategy has been to focus on those sectors and projects which have potential for growth and where real investments are being made.

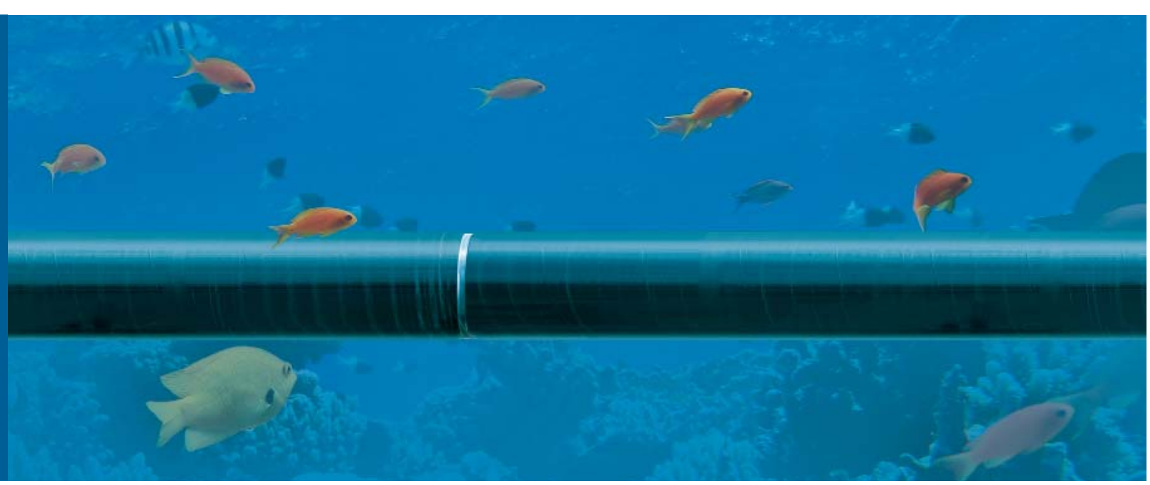
Shipment of thousand of barrels of oil over land is carried out by trains across various parts of the country.

Since the first oil tanker began shipping oil in 1878 in the Caspian Sea, the capacity of the world's maritime tanker fleet has grown substantially. As of 2005, about 2.4 billion tons of petroleum were shipped by maritime transportation, which is roughly 62% of all the petroleum produced.

Oil Trucks typically take on the final steps of distribution, transporting products -- ranging from gasoline to jet fuel to heating oil -- from refinery to the customers.

The first places that sold gasoline / petrol were pharmacies, as a side business. The first gas / petrol station was a city pharmacy in Germany.

Today, oil is transported to refineries through carefully laid pipelines, where it is treated and transported once again to residential and industrial consumers.



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 with in 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

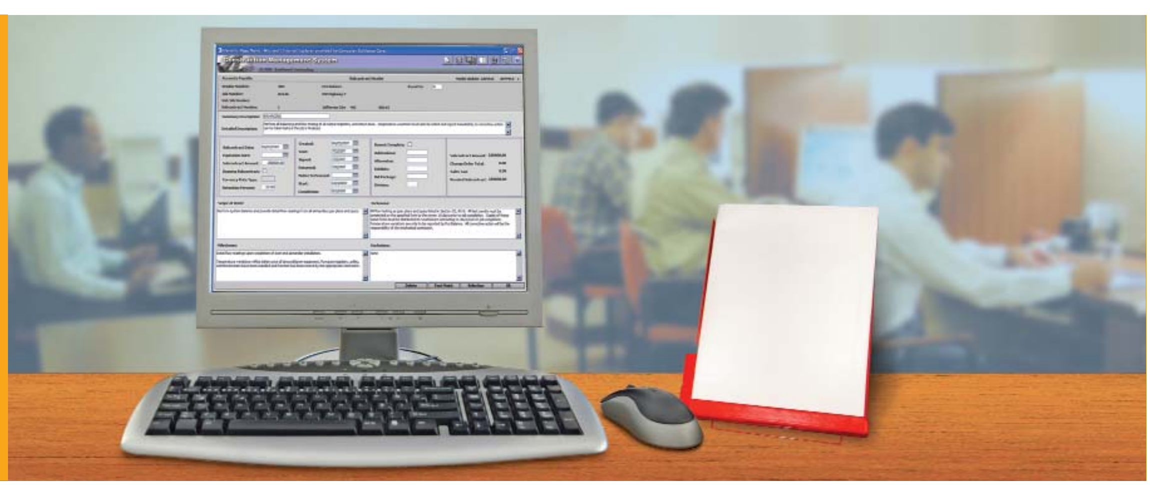
The Audit Committee operates under a charter approved by the Board. The governing

Financial records were initially maintained on paper. Most of the calculations were done manually.

The first calculating machine was invented in France in 1642 and could add and subtract figures automatically. The introduction of hand-held calculator made everyday math and accounting really simple and easy.

Just about everything in the world today has been affected by technology. Particularly, accounting. Accounting softwares has made it much easier to deal with, by saving all the information one enters into the system and distributing the data amongst all the proper locations.

Crescent Steel has state-of-the-art Oracle E-Business suite which makes full office automation possible. Online details from purchase to manufacturing and marketing to finance are updated regularly to keep real time record of business.



Our Governing Principles

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 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 safe-guarding 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

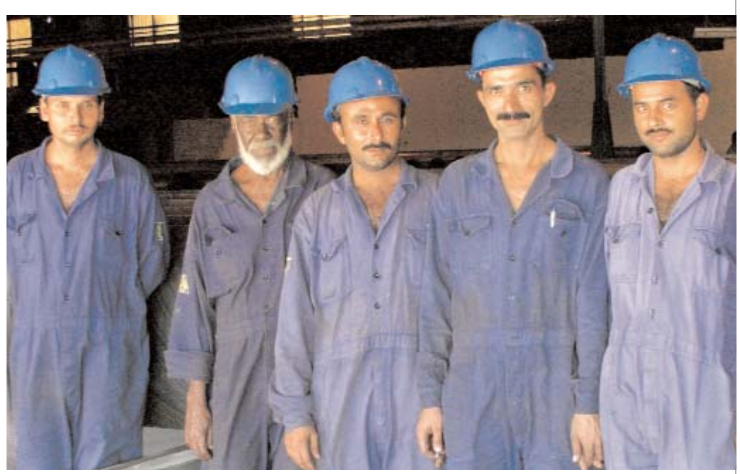
The Company has three distinct business units, a Steel Division, a Cotton Division and an Investment and Infrastructure Development Division. The accounting for these units is done separately in an arms length manner to arrive at the true profit before tax for each unit. Three business unit heads and three corporate functional heads as defined in the management structure 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.

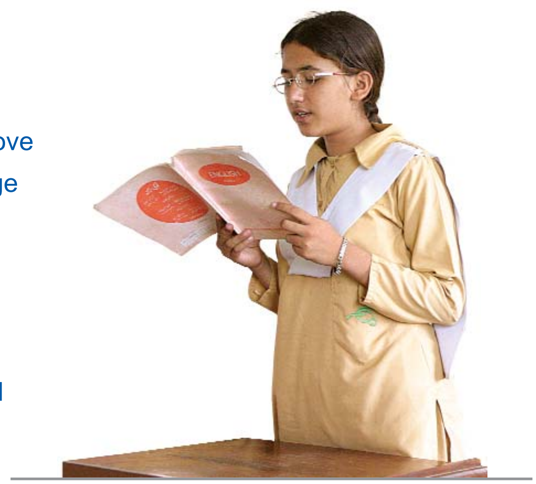
However the Company does not operate in isolation with its environment and accordingly feels responsible to all stakeholders which are:

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



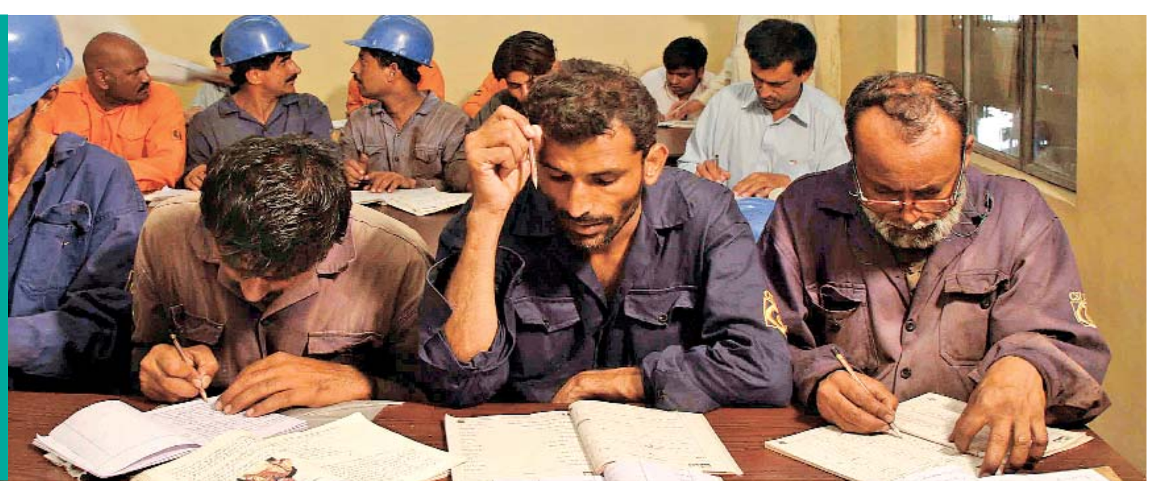
In 1995, a group of concerned citizens realized the need for making education accessible to everyone. The Citizens Foundation was born.

The vision of TCF is to remove barriers of class and privilege and to make the citizens of Pakistan Agents of Positive Change. We believe that access to basic education is the right of each child and not a privilege.



All TCF schools are established in state-of-art purpose-built premises to provide students with a stimulating learning environment. As of 2010 TCF has established 660 purpose-built school units nationwide with an enrollment of 92,000 students. Crescent Steel has been associated with TCF since its inception.

Whereas Crescent Steel is proud to be associated with TCF on the one hand, on the other it also directly carries the light of learning holding regular Training and Education sessions for its factory staff.



Crescent Steel &
Allied Products Ltd.

Our Governing Principles

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

Health, Safety and Environment

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.

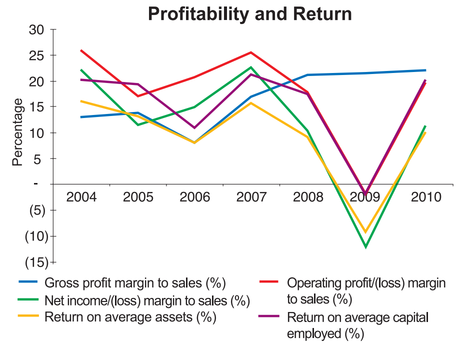
Role of Shareholders

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.

Crescent Steel &
Allied Products Ltd.

Year in Brief

- The company acquired a 100% stake in Shakarganj Energy (Private) Limited on 4 January 2010 to build, own, operate and maintain a bagasse fired thermal generation power plant
- During the year we diversified our product offering by adding capabilities to fabricate and erect machinery specially for sugar and cement industry
- As part of our drive for vertical integration, we installed a slitting line at our Pipe plant, Nooriabad
- During the year, we developed the capability of internal epoxy coating of steel line pipe
- The capacity utilization of pipe plant was 63.6% as compared to 41.6 % last year.
- The Company satisfactorily complied with the requirements of ISO 14001:2004 & OHSAS 18001:2007 standards this year



- The annual report 2008 of our company secured the 2nd runners up position in the manufacturing sector category in the “Best Presented Accounts Awards 2008” organized by SAFA
- The company’s performance was acknowledged by the premier stock exchange of the country by including Crescent Steel in the top 25 companies for the year 2008

KEY FIGURES

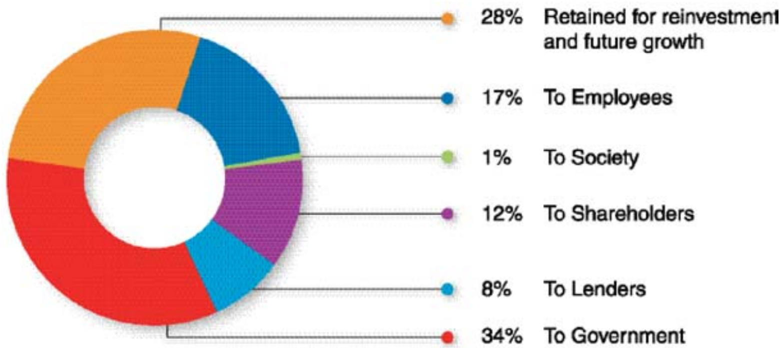
		2010	**2009**
Sales revenue	Rs. in million	3,704	3,311
Profit / (loss) after tax	Rs. in million	417	(399)
No. of Shares Outstanding	No. in million	56.5	56.5
Earnings / (loss) per share - Basic and diluted	Rs.	7.38	(7.06)
Dividend			
- cash	Rs./share	3.0	–
- bonus	(%)	–	–
Return on average capital employed	(%)	21.0	(1.5)
Current ratio		1.2:1	1.2:1
Shareholders’ equity	Rs. in million	2,623	2,329
Total assets	Rs. in million	4,436	3,893
Capital expenditure	Rs. in million	35	169
Price earning ratio		3.4	–
Break-up value per share	Rs.	46.5	41.2
Employees		1,222	1,203

Crescent Steel & Allied Products Ltd.

Statement of Value Added
For the year ended 30 June 2010

	2010 Rupees in '000	%	2009 Rupees in '000	%
WEALTH GENERATED				
Total revenue	4,131,189	100%	3,307,598	100%
Bought-in-material and services	(2,677,264)	65%	(2,196,605)	66%
	1,453,925	35%	1,110,993	34%
WEALTH DISTRIBUTED				
To Employees				
Salaries, benefits and other costs	242,295	17%	200,872	18%
To Government				
Income tax, sales tax, custom duty, WWF and WPPF	499,185	34%	520,373	47%
To Society				
Donation towards education, health and environment	18,280	1%	6,667	1%
To Providers of Capital				
Dividend to Shareholders	169,380	12%	–	
Mark-up/interest expense on borrowed funds	121,908	8%	203,571	18%
Retained for reinvestment and future growth				
Depreciation, amortization and retained profit	402,877	28%	179,510	16%
	1,453,925	100%	1,110,993	100%

Distribution of Wealth 2010



Crescent Steel & Allied Products Ltd.

Vertical Analysis

	2010	%	2009	%	2008	%	2007	%	2006	%
Operating Results (Rupees in million)										
Sales - Net	3,704	100.0	3,311	100.0	4,200	100.0	2,950	100.0	1,707	100.0
Cost of sales	2,887	77.9	2,597	78.4	3,304	78.7	2,440	82.7	1,567	91.8
Gross profit	**817**	**22.1**	**714**	**21.6**	**896**	**21.3**	**510**	**17.3**	**140**	**8.2**
Income from/(loss on) investments - net	172	4.6	(338)	(10.2)	74	1.8	411	13.9	333	19.5
Distribution, selling and administrative expenses	186	5.0	144	4.3	151	3.6	147	5.0	119	6.9
Other operating expenses	101	2.7	332	10.0	110	2.6	126	4.3	22	1.3
Other operating income	18	0.5	39	1.2	20	0.5	107	3.6	25	1.4
Operating profit/(loss) before finance costs	**720**	**19.4**	**(61)**	**(1.8)**	**729**	**17.4**	**757**	**25.6**	**357**	**20.9**
Finance costs	122	3.3	204	6.1	153	3.6	128	4.4	83	4.9
Share of profit/(loss) in equity accounted investees - net	–	–	–	–	51	1.2	99	3.4	(12)	(0.7)
Profit/(loss) before taxation	**598**	**16.1**	**(265)**	**(8.0)**	**627**	**14.9**	**727**	**24.7**	**262**	**15.4**
Taxation	181	4.9	135	4.1	211	5.0	64	2.2	3	0.2
Net income/(loss)	**417**	**11.2**	**(400)**	**(12.1)**	**416**	**9.9**	**663**	**22.5**	**260**	**15.2**
Balance Sheet (Rupees in million)										
Property, plant and equipment	1,061	23.9	1,225	31.5	1,233	25.4	1,307	27.8	1,381	37.2
Investments including investment property	1,711	38.6	1,639	42.1	2,737	56.5	2,300	49.0	1,313	35.3
Other non current assets	28	0.6	5	0.1	5	0.1	5	0.1	7	0.2
Current assets (excluding investments)	1,636	36.9	1,024	26.3	871	18.0	1,084	23.1	1,014	27.3
Total assets	**4,436**	**100.0**	**3,893**	**100.0**	**4,847**	**100.0**	**4,696**	**100.0**	**3,715**	**100.0**
Shareholders' equity	2,623	59.1	2,329	59.8	2,994	61.8	3,200	68.2	2,038	54.9
Long term debt (excluding current maturity)	–	–	56	1.4	168	3.5	354	7.5	548	14.8
Deferred liabilities	72	1.6	100	2.6	112	2.3	65	1.4	2	–
Short term debt (including current maturity of long term debt)	836	18.9	1,015	26.1	1,306	27.1	626	13.3	877	23.6
Other current liabilities	905	20.4	393	10.1	267	5.4	451	9.6	250	6.7
Total equity and liabilities	**4,436**	**100.0**	**3,893**	**100.0**	**4,847**	**100.0**	**4,696**	**100.0**	**3,715**	**100.0**
Cash Flows (Rupees in million)										
Cash generated from operations	816	560.8	751	405.4	906	106.0	630	350.0	30	16.3
Net cash generated from/(used in) operating activities	451	310.1	336	181.4	566	66.2	486	270.0	(88)	(47.8)
Net cash inflows/(outflows) from investing activities	3	2.3	71	38.6	(893)	(104.5)	(392)	(217.8)	(778)	(422.8)
Net cash (outflows)/inflows from financing activities	(309)	(212.4)	(222)	(120.0)	(528)	(61.8)	86	47.8	682	370.7
Net increase/(decrease) in cash and cash equivalents	146	100.0	185	100.0	(855)	(100.0)	180	100.0	(184)	(100.0)

* Note: The figures presented in this analysis for the financial years ended 30 June 2010 and 2009 are those based on the Company's separate financial statements (please refer to note 2.1 to the financial statements for further information). The figures presented for the years prior to 2009 are based on the Company's individual financial statements as published in the annual reports in prior years.

Horizontal Analysis

	2010	Variance vs Last Year Increase / (Decrease) %	2009	Variance vs Last Year Increase / (Decrease) %	2008	Variance vs Last Year Increase / (Decrease) %	2007	Variance vs Last Year Increase / (Decrease) %	2006	Variance vs Last Year
Operating Results (Rupees in million)										
Sales - Net	3,704	11.9	3,311	(21.2)	4,200	42.4	2,950	72.8	1,707	(36.5)
Cost of sales	2,887	11.2	2,597	(21.4)	3,304	35.4	2,440	55.7	1,567	(32.3)
Gross profit	**817**	**14.5**	**714**	**(20.4)**	**896**	**75.6**	**510**	**263.8**	**140**	**(62.3)**
Income from/(loss on) investments - net	172	150.8	(338)	(559.1)	74	(82.1)	411	23.6	333	88.7
Distribution, selling and administrative expenses	186	29.5	144	(4.8)	151	2.9	147	23.6	119	9.5
Other operating expenses	101	(69.4)	332	202.1	110	(12.6)	126	474.1	22	(68.8)
Other operating income	18	(53.1)	39	99.1	20	(81.7)	107	335.7	25	(72.0)
Operating profit/(loss) before finance costs	**720**	**1,289.4**	**(61)**	**(108.3)**	**729**	**(3.7)**	**757**	**111.8**	**357**	**(21.9)**
Finance costs	122	(40.1)	204	33.0	153	19.1	128	54.9	83	88.7
Share of profit/(loss) in equity accounted investees - net	–	–	–	–	51	(48.8)	99	931.5	(12)	(38.9)
Profit/(loss) before taxation	**598**	**325.4**	**(265)**	**(142.3)**	**627**	**(13.8)**	**727**	**177.2**	**262**	**(33.4)**
Taxation	181	34.4	135	(36.2)	211	228.9	64	2,199.1	3	(96.6)
Net income/(loss)	**417**	**204.2**	**(400)**	**(196.2)**	**416**	**(37.3)**	**663**	**155.4**	**260**	**(16.9)**
Balance Sheet (Rupees in million)										
Property, plant and equipment	1,061	(13.3)	1,225	(0.7)	1,233	(5.6)	1,307	(5.4)	1,381	212.6
Investments including investment property	1,711	4.4	1,639	(40.1)	2,737	19.0	2,300	75.3	1,313	(12.6)
Other non current assets	28	505.4	5	(5.1)	5	(4.1)	5	(26.0)	7	(26.3)
Current assets (excluding investments)	1,636	59.7	1,024	17.5	871	(19.6)	1,084	6.9	1,014	64.6
Total assets	**4,436**	**14.0**	**3,893**	**(19.7)**	**4,847**	**3.2**	**4,696**	**26.4**	**3,715**	**44.6**
Shareholders' equity	2,623	12.6	2,329	(22.2)	2,994	(6.4)	3,200	57.1	2,038	9.5
Long term debt (excluding current maturity)	-	(100.0)	56	(66.8)	168	(52.5)	354	(35.4)	548	132.2
Deferred liabilities	72	(28.3)	100	(10.5)	112	72.7	65	3,850.1	2	(57.9)
Short term debt (including current maturity of long term debt)	836	(17.6)	1,015	(22.3)	1,306	108.7	626	(28.6)	877	275.6
Other current liabilities	905	130.3	393	47.3	267	(40.9)	451	80.4	250	6.3
Total equity and liabilities	**4,436**	**14.0**	**3,893**	**(19.7)**	**4,847**	**3.2**	**4,696**	**26.4**	**3,715**	**(44.6)**
Cash Flows (Rupees in million)										
Cash generated from operations	816	8.7	751	(17.1)	906	43.8	630	2,000.0	30	(88.8)
Net cash generated from/(used in) operating activities	451	34.3	336	(40.6)	566	16.5	486	646.1	(89)	(147.6)
Net cash inflows/(outflows) from investing activities	3	(95.3)	71	108.0	(893)	(127.9)	(392)	49.6	(778)	1,241.4
Net cash (outflows)/inflows from financing activities	(309)	(39.2)	(222)	57.9	(528)	(714.0)	86	(87.4)	682	(795.9)
Net increase/(decrease) in cash and cash equivalents	146	(21.4)	185	121.7	(855)	(575.0)	180	197.8	(184)	(693.5)

* Note: The figures presented in this analysis for the financial years ended 30 June 2010 and 2009 are those based on the Company's separate financial statements (please refer to note 2.1 to the financial statements for further information). The figures presented for the years prior to 2009 are based on the Company's individual financial statements as published in the annual reports in prior years.

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 2010.

Operating Results

The financial results of the Company are summarized below:

		2010	2009
		(Rupees in '000)	
Profit / (loss) for the year		597,513	(264,143)
Taxation		(180,966)	(134,678)
Profit / (loss) after taxation		416,547	(398,821)
Unappropriated (loss) / profit brought forward		(449,317)	831
		(32,770)	(397,990)
Appropriations:			
- Bonus shares issued	2008 - @10%	–	(51,327)
- First interim dividend	2010 - @10%	(56,460)	–
- Second interim dividend	2010 - @10%	(56,460)	–
		(112,920)	(51,327)
Unappropriated (loss) carried forward		(145,690)	(449,317)
Basic and diluted earning / (loss) per share		Rs.7.38	Rs.(7.06)

On 4 January 2010, the Company acquired wholly owned subsidiary, Shakarganj Energy (Private) Limited thereby necessitating preparation of consolidated financial statements in accordance with the requirements of the Companies Ordinance, 1984 and the International Accounting Standard (IAS) 27, 'Consolidated and Separate Financial Statements'. The Company has prepared its separate financial statements for the first time for the year ended 30 June 2010. This has resulted in all equity accounted investments to be carried at cost in accordance with the requirement of paragraph 35 of IAS 28, 'Investments in Associates'. Previously, the Company in its individual financial statements accounted for its investments in associates using the equity method of accounting.

Accordingly, the corresponding figures for the year ended 30 June 2009 presented in the separate financial statements of the Company have also been reworked to comply with the abovementioned requirements of IAS 28, 'Investments in Associates'.

Had the abovementioned changes not taken place, the Company's loss after taxation and loss per share for the year ended 30 June 2009 would have been Rs. 239.749 million and Rs. 4.25 per share, whereas un-appropriated profit/(loss) brought forward as at 1 July 2008 and 2009 would have amounted to Rs. 267.651 million and Rs. (23.425) million respectively.

Directors' Report

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 the preparation of financial statements accept for the changes as described in note 4.1 to the financial statements; and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design. The system is being continuously monitored by Internal Audit and through other such monitoring procedures. The process of monitoring internal controls will continue as an ongoing process with the objective to further strengthen the controls and bring improvements in the system.
- 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 changes in the Company's operations during the current year as compared to last year and significant plans and decisions for the future prospects of profits are stated in the Chief Executive's Review as endorsed by Board of Directors.
- Key operating and financial data for last six years in summarized form is annexed.
- Information about taxes and levies is given in the notes to the financial statements.
- The number of employees at the end of year was 1,222 (2009:1,203).
- The following is the value of investments of the following funds based on the audited accounts for the year ended 31 December 2008:

- Provident fund	Rs. 70.954 million
- Gratuity fund	Rs. 21.855 million
- Pension fund	Rs. 70.905 million

- During the year six board meetings were held and the attendance by each director is attached separately.

Pattern of Shareholding and Shares Traded

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

No trades in the shares of the company were carried out by Directors, CEO, CFO and Company Secretary and their spouses and minor children except the following:

Mr. S.M. Ehtishamullah, Director who has purchased 10,000 shares during the year and have been duly reported as per the law.

Directors

Election of Directors was held on 29 January 2009 and out of eight Directors, the seven retiring Directors were elected unopposed whose term of office will expire on 29 January 2012.

Financial statements

As required under listing regulations 37(xxiv) of Karachi Stock Exchange the Chief Executive Officer and Chief Financial Officer present the financial statements, duly endorsed under their respective signatures, for consideration and approval of the board of directors and the board, after consideration and approval, authorize the signing of financial statements for issuance and circulation.

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

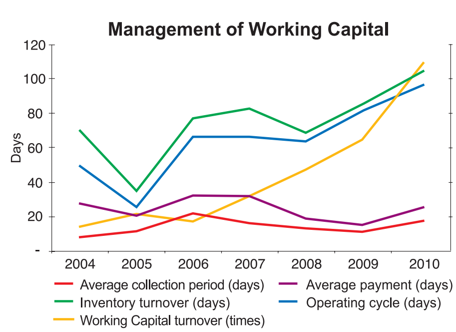
No material changes and commitments affecting the financial position of your Company have occurred between the end of the financial year to which this Balance Sheet relates and the date of the Directors' Report.

Shakarganj Energy (Private) Limited

During the year, the Company acquired 100% ownership of Shakarganj Energy (Private) Limited to make it a wholly owned subsidiary. The subsidiary is in the process of developing 18 MW power generation project with an estimated investment of Rs. 430 million. The Company has so far made an equity investment of Rs. 330.1 million in the subsidiary. The project is being installed at Bhone and on completion will produce electricity for onward supply to the PEPCO / DISCOS under agreements with the Government or to other consumers as may be permitted by the Government. The project is scheduled to commence production by November 2010.

Future prospects

The Chief Executive's Review attached with this report deals with the future prospects of profits of the Company. The Directors have endorsed the contents of the Chief Executive's Review.



Crescent Steel & Allied Products Ltd.

Directors' Report

Auditors

The auditors, KPMG Taseer Hadi & Co. retire and offer themselves for re-appointment. The Board Audit Committee and the Board of Directors of the Company have endorsed their appointment for shareholders consideration at the forthcoming annual general meeting.

By order of the Board

Ahsan M. Saleem
Chief Executive Officer
29 July 2010

Crescent Steel & Allied Products Ltd.

Chief Executive's Review

Dear Shareholders,

I have pleasure in presenting the Annual Report of your company alongwith audited Financial Statements (Separate and Consolidated) for the year ended 30 June 2010.

Economy

A measure of macroeconomic stability achieved over the past two years has kindled a moderate recovery in the economy, despite one of the most serious economic crises in the country's recent history. The economy grew by overall 4.1% in the outgoing year, after a modest growth of 1.2% in 2008-09. The resilience came at the back of growth @ 4.4% in the Large Scale Manufacturing sector despite the energy and power shortages while the services sector also grew by 4.6% as compared to 1.6% in the last year. This alongwith the returns on the economic front remained plump and enduring. However, the recovery is still fragile and the stabilization needs to be consolidated so that the gains over the past two difficult years are not lost.

A combination of limited fiscal space and rising spending, debt, and inflationary pressures, significantly reduce the government's ability to spend in order to stimulate the economy. The macroeconomic context remains difficult in the near term with continuing challenges.

Overview of operations

Despite the economic challenges, by the Grace of Almighty Allah, the results of your company for the year ended 30 June 2010 substantially bounced back from the bottom line losses in last year turning into profits for all the divisions.

Profit after tax of Rs. 416.6 million was almost double compared with last year (revised loss of Rs.398.8 million). Earnings per share at Rs. 7.38 as compared to loss per share of Rs. 7.06 (revised).

On January 4, 2010, the Company acquired wholly owned subsidiary, Shakarganj Energy (Private) Limited thereby necessitating preparation of consolidated financial statements in accordance with the requirements of the Companies Ordinance, 1984 and the International Accounting Standard (IAS) 27, 'Consolidated and Separate Financial Statements'. The Company prepared its separate financial statements for the first time for the year ended 30 June 2010 and also presented revised corresponding figures for the year ended 30 June 2009.

This has resulted in all equity accounted investments to be carried at cost in the separate financial statements as more fully explained in note 5.4 of those financial statements. Had the Company accounted for its investments using the equity method of accounting in separate financial statements, the carrying amount of those investments as at 30 June 2010 would have been higher by Rs. 464.3 million (2009: Rs. 215.3 million). Profit / (loss) after taxation for the year and earnings / (loss) per share would have been higher / (lower) by Rs. 113.6 million

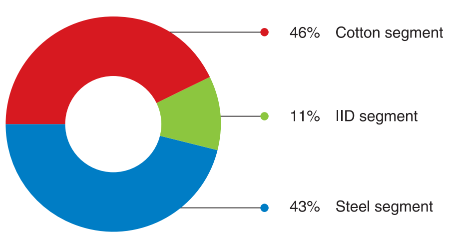
(2009: Rs. 159.1 million) and Rs. 2.01 per share (2009: Rs. 2.8 per share) respectively, whereas capital reserves would have been lower by Rs. 90.4 million (2009: Rs. 208.9 million).

Group profit after tax (including the results of wholly owned subsidiary Shakarganj Energy (Private) Limited) as consolidated Financial statement amounts to Rs. 534.9 million and EPS stood at Rs. 9.47. In the consolidated financial statements, investment in associates has been accounted for using equity method.

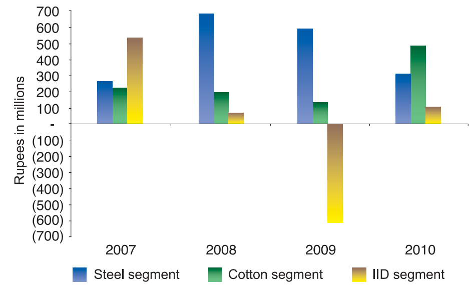
Financial and Operational Performance based on Separate Financial Statements

All the divisions contributed positively to the overall bottom line of the company specially the Cotton division which has contributed handsomely towards both top line and bottom line. During the year ended 30 June 2010, the Company's PBT was at Rs. 597.5 million as compared to loss of Rs. 264.1 million in the last year. Steel Division contributed Rs. 258.6 million to this profit. Cotton Division's contribution to the profit before tax amounted to Rs. 272.2 million as compared to loss of Rs. 109.1 million in the last year. IID Division has also made a strong come-back posting profit before tax of Rs. 66.7 million as compared to loss of Rs. 668.3 million in the last year.

Composition of total profit before tax (Segment-wise)



Earnings before interest, taxation, depreciation and amortization (EBITDA) (segment-wise)



Highlights of 2010 results are given below:

- Sales revenue increased by 11.9 percent amounting to Rs. 393.5 million during the year ended 30 June 2010 as compared to the last year.
- Income from investment stood at Rs. 171.6 million as compared to a loss of Rs. 337.9 million in the last year.
- Financial charges amounted to Rs. 121.9 million for the year showing a decrease of 40 percent.
- EBITDA stood at Rs. 903.9 million for the current year as compared to Rs. 120 million for the last year.

- EPS stood at Rs. 7.38 as compared to LPS of Rs. 7.06 for the last year.
- Return on average capital employed is 21 percent for the current year as compared to loss on average capital employed of 1.5 percent for the year ended 30 June 2009.
- Return on average equity is 16.8 percent for the current year as compared to loss of 15 percent last year.

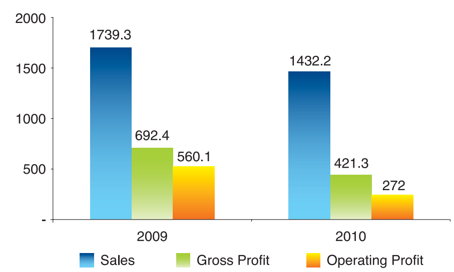
Business Segments

Steel Division - Segment performance

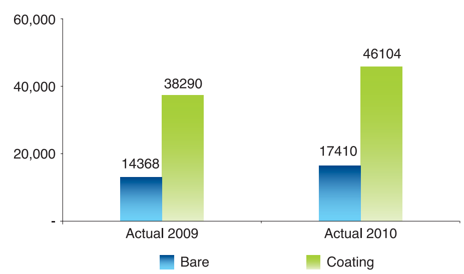
The year under review proved very challenging for the steel division due to domestic and global weak economic situation, liquidity crisis and circular debt issues faced by Energy Sector companies. These factors contributed to decreased order intake and profitability for the division. As steel division performance is directly linked with the developmental projects in the economy, with the government facing acute shortage of funds and rising fiscal deficit many of the planned projects were not materialized. Resultantly the sales revenue for steel division stood at Rs. 1,432.2 million as compared to Rs. 1,739.3 million last year showing a decrease of 17.6 %. The gross profit for the year was Rs. 421.3 million as compared to Rs. 692.5 million in the same period last year while the profit from operations for the steel division stood at Rs. 272 million as compared to Rs. 560.1 million last year.

The actual mix dia bare pipe production during the year was 17,410 tons as compared to 14,368 tons during the corresponding period last year. The capacity utilization of pipe plant was 63.6% as compared to 41.6 % last year. During the FY10 coating of mix dia stood at 461,043 square meters of pipe as compared to 382,909 square meters in FY09.

Profitability



Production (tons)



Initiatives and re-engineering

Engineering unit

During the year we diversified our product offering by adding capabilities to fabricate and

erect machinery specially for sugar and cement industry. We have also developed capability for manufacturing of boilers, cane shredders upto dia 1700mm, juice heaters, evaporators, batch and continuous vacuum pans, centrifugal machines, stainless steel spray clusters and multijet condensers, perforated plates and vibro screens, and high voltage transformer tanks. Slowly but surely, we will increase our footprint in supply of some of these items.

Slitting line plant

As part of our drive for vertical integration, we installed a slitting line at our Pipe plant, Nooriabad which will result in reduction in cost and dependence for slitting of coils and also its related logistics. A large part of the fabrication was done in-house.

Internal epoxy coating

During the year, we developed the capability of internal epoxy coating of steel line pipe to our existing Product line of Steel Pipe manufacturing and its external coatings. Internal epoxy coating is used in water supply Pipe lines for internal corrosion protection. The entire work was done in-house.

Future prospects and outlook

Steel prices in the international market are under pressure but are likely to remain stable; supply position of HR Coils is expected to remain stable during next fiscal. Our major customers are facing crises of liquidity as they have been sucked into problem of circular debts. Their ability to make capital expenditure will be impaired. We will continue to seek diversification to maximize our utilization of assets but see challenges ahead.

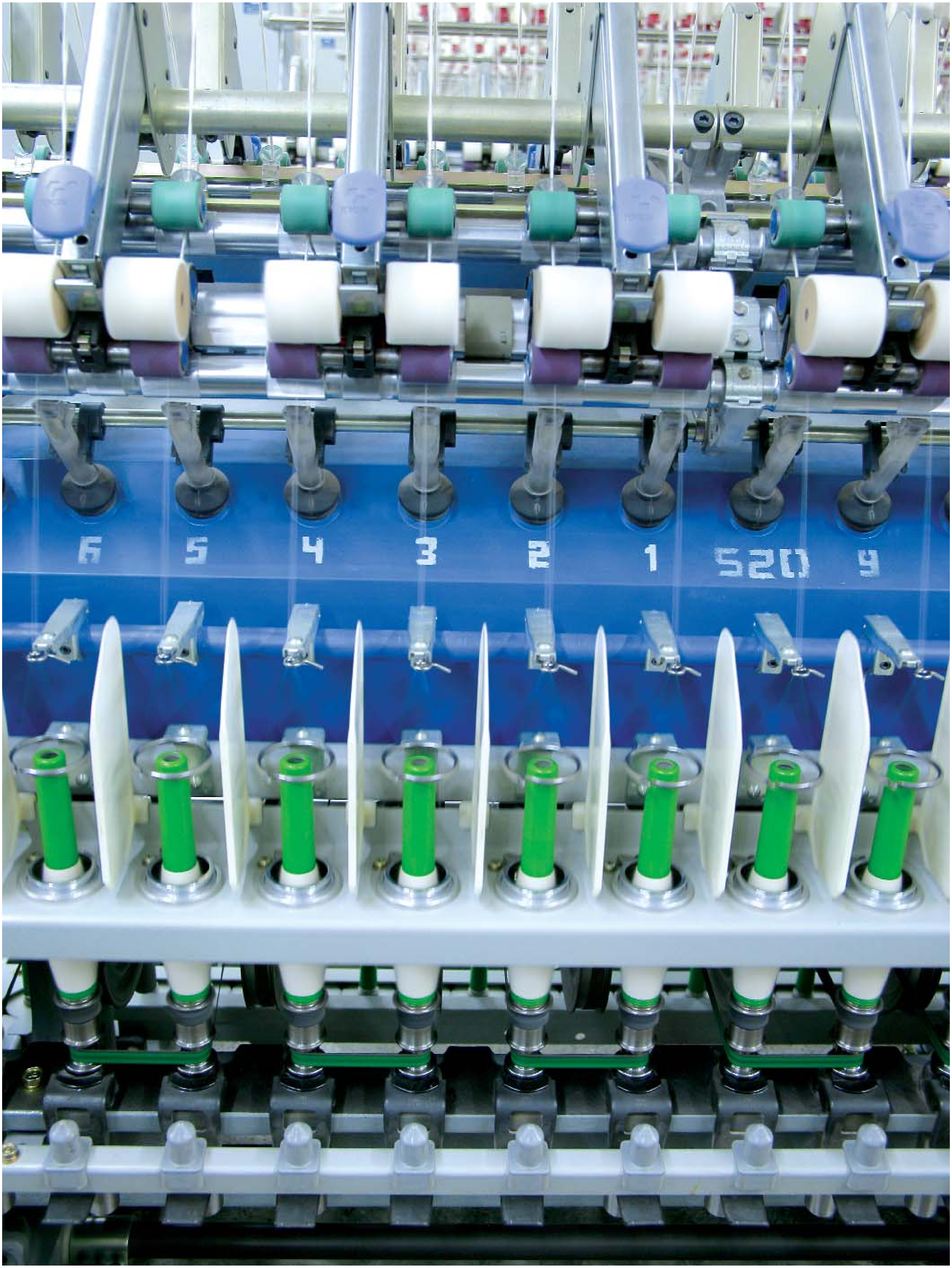
During current financial year we do expect increased activity in the gas sector due to some recent gas finds which requires urgent induction into the gas supply network, over and above new power plants are also designed on gas as fuel. We do have orders in hand going into the next fiscal but the timely execution of some of them depends on the availability of funds with the respective agencies which hopefully will improve.

Iran Pakistan (IP) gas pipeline agreement has been finalized in all respect and work on construction of pipeline is expected to start on a fast track basis which may create demand of pipe for this project by the end of the next financial year. Our focus is on upgrading our plant to be in absolute readiness enabling us to bid for supply to this project.

Cotton Division - Segment performance

Cotton Division outperformed all other business segments despite an ordinary performance in the first half. There was all round improvement in top line as well as bottom line results. Revenues were up by 46% and stood at Rs. 2,272.2 million. Gross profit was Rs. 395.7 million as compared to Rs. 21.1 million in the same period last year, while the profit before tax stood at Rs. 272.2 million as compared to a loss before tax of Rs. 109.1 million. Cotton prices which at the beginning of the season were steady, reached the record high levels. Yarn prices also followed the trend. The Government imposed 15% regulatory duty on exports, which affected the prices and sentiment in the last quarter.

Unit-I and Unit II worked 3 shifts a day for 326 days and 352 days and produced 13.9 million and 7.9 million Lbs. yarn of mixed count as compared to 12.1 million Lbs. and 6.7 million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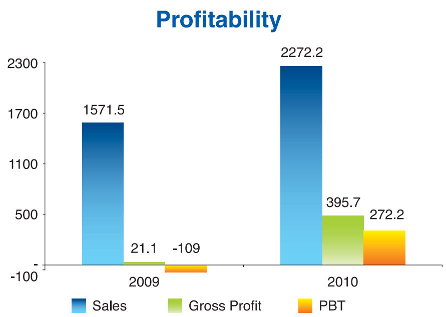
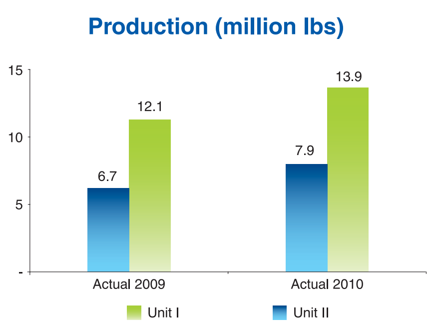
produced in corresponding period last year respectively. Electricity and gas shutdown continues to hamper the production. Due to complete shutdown of gas for 39 days, we lost 39 days production in Unit-I and 12 days in Unit-II.





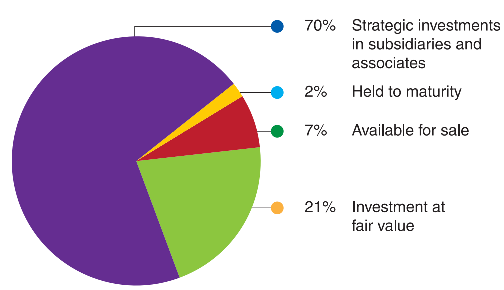
Future prospects and outlook

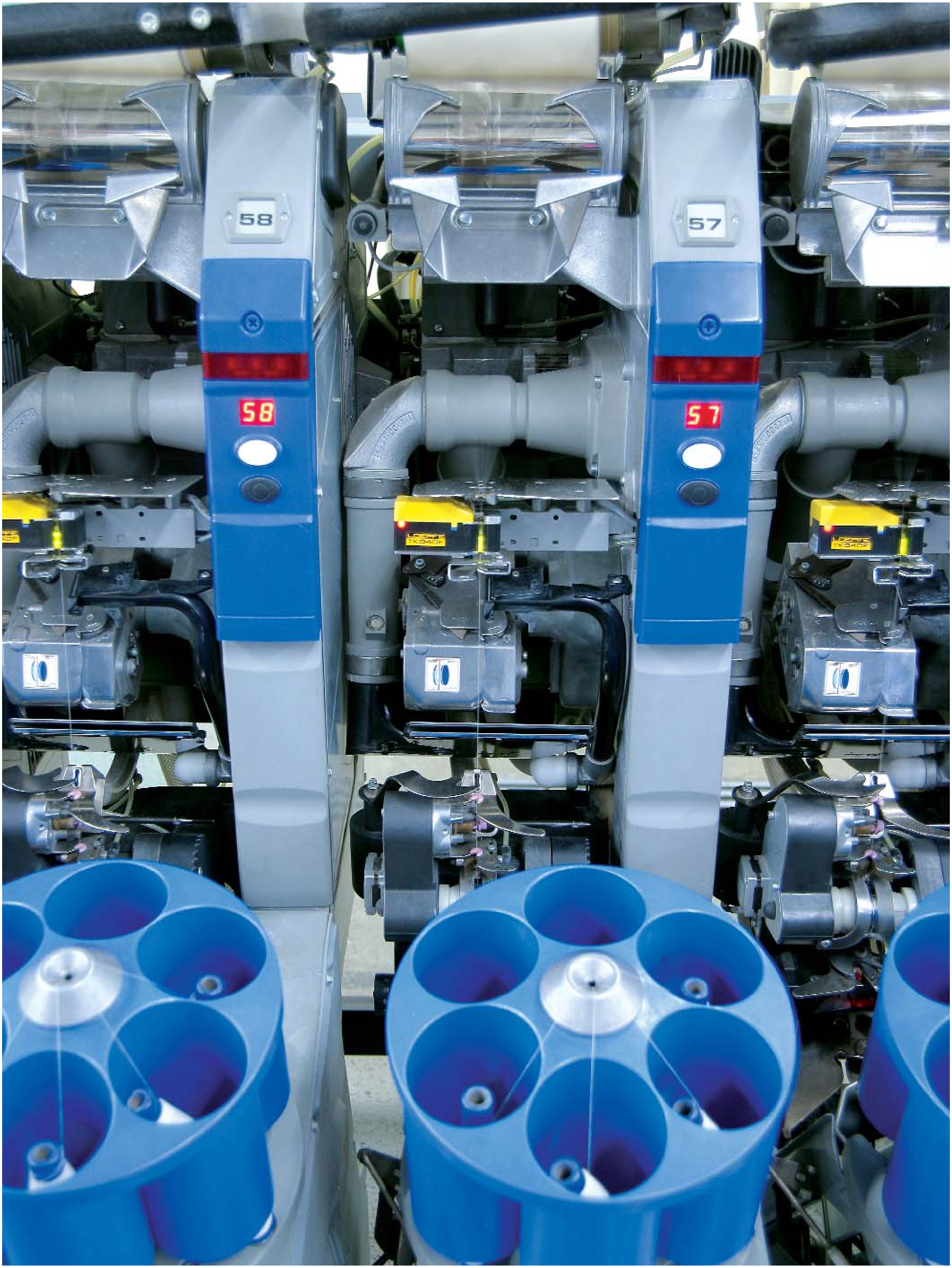
Future outlook for spinning remains positive. There are several positive factors which will contribute to it. Pakistan Cotton crop is in good shape and with more acreage and BT cotton planted, estimates so far point to at 13.5 to 14.5 million bales crop size (although the impending floods has affected the crop size). This is expected to keep the price of local cotton well below the cheapest imported variety. Therefore with increased world consumption, China will need to source yarn from Pakistan, especially in the coarse counts. However re-imposition of regulatory duty or other restrictions on yarn exports is a major threat. Further severity of electricity and gas shutdown may also affect the bottom line.

Investment and Infrastructure Development Division - Segment performance

The equity market was again marred by uncertainty for the second year running as the index swayed around the troughs and peaks. During the fiscal year the market showed some optimism mainly at the back of foreign buying interest, improvement in some of the major macroeconomic indicators which restored the local investors' confidence in the market. But towards the end of the fiscal year the market suffered drawbacks mainly due to the much debated issues of Capital Gains Tax (CGT) and the issuance of the leverage product. The volumes fell drastically and the market continued to remain dull and even good corporate results were not enough to revive the market activity. The market closed the year on 9721 points with an average daily turnover 160.5 million shares.

During the current year, IID segment earned profit before taxation of Rs. 66.7 million as compared to loss before taxation of Rs. 668.3 million. This turnaround resulted mainly due to realized gain on sales of shares amounting to

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Rs. 134.0 million as compared to loss of Rs. 197.6 million in the last year and dividend income amounting to Rs. 38.5 million as compared to Rs. 57.7 million in the last year, which was partially offset by impairment in the value of investment by Rs. 45 million and attributable administration expenses and finance cost of Rs. 25 million and Rs. 34 million respectively.

The value of investments in marketable securities excluding strategic investment amounted to Rs. 505.6 million (FY09: Rs. 712.2 million). During the year, shares aggregating Rs. 946.8 million were purchased, while shares aggregating Rs. 1,296.8 million were sold on account of trading and switching positions. The closing value of the portfolio as at 30 June 2010 was Rs. 1,666.2 million (FY09: Rs. 1,592 million).

During the year the company has generated rental income of Rs. 7.6 million on investment property valuing Rs. 44.8 million as at 30 June 2010.

Balance Sheet

Our Balance Sheet continues to remain robust supported by strong reserves. Balance sheet footing has increased to Rs. 4,436.3 million this year as compared to Rs. 3,892.7. Long term borrowing at the year end reduced to nil (2009: Rs. 55.9 million). The liquidity position of the company is satisfactory with a current ratio maintained at 1.2: 1 at 30 June 2010. Return on average equity (ROE) for the whole year FY10 was 16.8% as compared to negative 15 percent for FY09. Return on average capital employed (ROCE) for the current year was 21% as compared to negative 15 percent for FY09.

The total of shareholders' fund stood at Rs. 2.6 billion (2009: Rs. 2.3 billion). As a result, the break-up value for shares increased to Rs. 46.5 from Rs. 41.2 in last year.

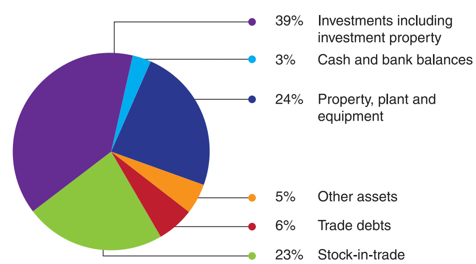
Cash Flow Management

Cash flow management serves to be the blood line of any organization and its importance can be gauged with impact the recent liquidity crunch had on the global economy.

We at CSAPL place great importance at an *effective cash flow* management so as to ensure smooth running of the business and for this purpose cash inflows and outflows are projected on regular basis. Working capital requirements have been planned to be financed through internal cash generation and short term financing from external sources.

Cash generated from operations amounted to Rs. 816.2 million during the year as compared to Rs. 750.7 million. Net increase in cash and cash equivalents was Rs. 145.5 million as compared to net increase of Rs. 184.2 million in 2009 mainly contributed by inflows of Rs. 451.3 million from operating activities which was

Total Assets as of 30 June 2010



partially offset by outflows of Rs. 309.2 million used in financing activities. Consequentially financing cost decreased by 40 percent i.e. Rs. 81.7 million.

Financial and Operational Performance based on Consolidated Financial Statements

Acquisition of Shakarganj Energy (Private) Limited as a fully owned subsidiary

The recent energy crisis in the country has provided a lucrative investment opportunity in the power sector as the government tries to meet the shortage by engaging the independent power producers (IPPs). Keeping in view our strategic interest in the energy sector the company acquired a 100% stake in Shakarganj Energy (Private) Limited on 4 January 2010 to build, own, operate and maintain a bagasse fired thermal generation power plant. This company will generate, accumulate, distribute, sell and supply electricity to PEPCO and to other distribution companies under agreement with the Government of Pakistan or to any other company as permitted. The power plant is scheduled to commence generation by November 2010 and we are hopeful that this investment will positively add to the group's bottom line in terms of profitability and will provide us with the strategic thrust for further expansion in this sector.

Consolidated profit after tax for the Group for the FY10 amounts to Rs. 534.9 million and EPS stood at Rs. 9.47. The increase in profit after taxation in the consolidated financial statements is due to the accounting treatment used for equity accounted investees and consolidation of the results of Shakarganj Energy (Private) Limited (SEL). Contribution of IID division and SEL in the bottom line amounted to Rs. 180.3 million and Rs. 4.7 million respectively.

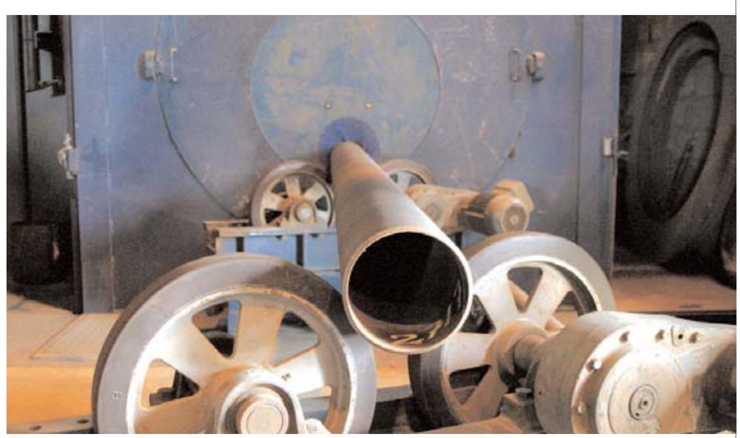
Consolidated highlights of 2010 results are given below:

Operating results of the Group for the year ended 30 June 2010 are as follows:

- EBITDA stood at Rs. 1,022.3 million for the current year as compared to Rs. 279.1 million for the last year.
- EPS stood at Rs. 9.47 as compared to negative Rs. 4.25 for the last year.
- Return on average capital employed is 22.2 percent for the current year as compared to return on average capital employed of 2.4 percent for the year ended 30 June 2009.
- Return on average equity is 19.0 percent for the current period as compared to loss on average equity of 8.7 percent for the last year.

Consolidated Balance Sheet

Balance sheet footing has increased to Rs. 4,894.8 million this year as compared to Rs. 4,109.7. The liquidity position of the company is satisfactory with a current ratio



maintained at 1.2: 1 at 30 June 2010. The total of shareholders' fund stood at Rs. 3.1 billion (2009: Rs. 2.5 billion). As a result, the break-up value for shares increased to Rs. 54.5 from Rs. 45.1 in last year.

Consolidated Cash Flow Management

Cash generated from operations amounted to Rs. 826.8 million during the year as compared to Rs. 750.7 million. Net increase in cash and cash equivalents was Rs. 174.5 million as compared to net increase of Rs. 184.2 million in 2009 mainly contributed by inflows of Rs. 461.8 million from operating activities which was partially offset by outflows of Rs. 309.2 million used in financing activities. Consequentially financing cost decreased by 40 percent i.e. Rs. 81.7 million.

Contribution to National Exchequer and Economy

The Company has contributed Rs. 499.2 million towards the national exchequer on account of government levies and taxes as compared to Rs. 520.4 million during last year.

During the year, the Company manufactured 17,410 tons of steel pipes and 21.8 million lbs. of cotton yarn. Contribution to the economy included Rs 121.9 million on account of payments to providers of capital, Rs 169.4 million in the shape of shareholders' returns through cash dividends, while employees' remuneration and benefits stood at Rs 242.3 million.

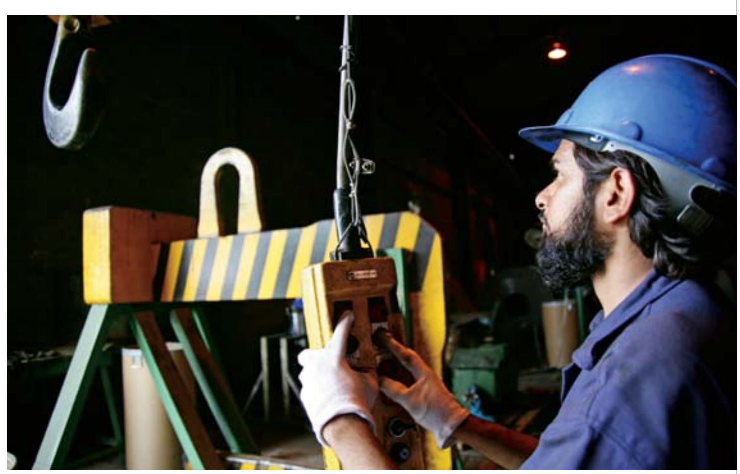
Quality

CSAPL is committed to provide products and services conforming to highest international standards in line with customer requirements.

We strive to apply cutting edge technology and ensure that we meet customer needs while maintaining cost and quality leadership. We believe in doing right the first time. Every year, we make incremental improvements in the way we do things through Specific Quality Improvement Projects. Effectiveness of our Quality Management System is ensured through an independent quality function.

Health, Safety and Environment

The Company is committed to continually improve its environment by providing training to all its employees with regards to Health, Safety and Environment and complying with current legislation and maintain standards of Health, Safety and Environment by adopting safe working practices to protect people, property, computing systems and facilities, protecting human health within our boundaries, protecting the environment by conserving resources and preventing pollution in a cost effective way. These integrated efforts of the entire organization have brought fruitful results with no major accidents occurring at the factory.



Chief Executive's Review

ISO 14001:2004 and OHSAS 18001:2007 Certification

Crescent Steel and Allied Products satisfactorily complied with the requirements of ISO 14001:2004 & OHSAS 18001:2007 standards this year. This again was a result of dedication and hard work of all our employees and establishes our commitment to the highest standards of HSE and quality.

Corporate Social Responsibility

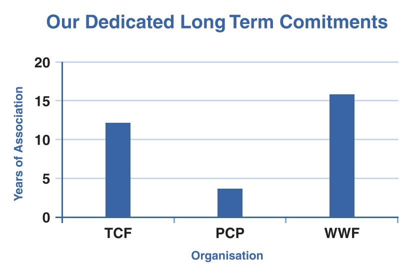
We consider CSR as a strategic management-driven initiative that integrates our business, environmental and citizenship activities to uphold our values for the Company and its stakeholders in an ethical manner.

At CSAPL corporate social responsibility is done, at work premises as well as outside, through a well crafted strategy rather than just being a yearned exercise. Strong emphasis is placed on making Pakistan more educated and for this purpose we define a clear strategy supporting The Citizens Foundation and other educational institutions.

We believe in giving back to the society where we live and operate, utmost importance is given to be a responsible corporate citizen. As per this policy the Company allocates 2% to 5% of pretax profit for education, health and social development sectors in the form of donations. The company contributed Rs. 18.3 million during the year (2009: Rs. 6.7 million) for various social causes and activities.

We believe in developing long term committed relationships to have an improving impact on society. We are committed to maintaining a long term relationship with the following organizations:

- The Citizens Foundation
- Pakistan Centre of Philanthropy
- WWF-Pakistan



WWF - Pakistan

The WWF has been allocated 800 Square Feet of our head office to use. We have enjoyed sharing our facilities with the WWF for the past 18 years.

This frees up WWFs man hours related to general administration and more importantly funds to spend on activities related to conserving the environment.

Chief Executive's Review

Pakistan Centre for Philanthropy (PCP)

CSAPL has been a Corporate Member of the PCP since 2006. PCP is an organization dedicated to philanthropy. Its notable services are certifying NGOs, which increases their credibility thus increases their chances of obtaining funds.

The Citizens Foundation (TCF)

Our relationship with TCF began in 1987. Our commitment this year was for the operation and maintenance of our TCF schools.

We also have an annual Paint a School activity in which our employees take part in painting the school.

So far we have helped built 14 school units and also help support the operations of these units. Combined enrolment in these schools is 2,637 students who come from the most impoverished segment of the society, 44% of these are girls.

Commitment to the Environment:

Raising Awareness

At CSAPL our activities related to the environment relate to raising awareness about the need to conserve. This is done by the following activities:

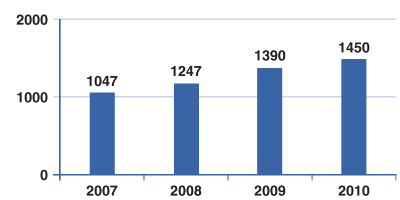
- **Earth Hour:**

  On Saturday 28 March 2010, we took part in "Earth Hour" by switching the lights off in our factories and head office to a minimum. Following this activity we made a commitment to reduce our electricity use at our Head Office by turning off our AC units in the morning and evening for an identified time period.

- **Tree Plantation:**

  At our factories in Crescent Steel we encourage our employees to plant trees and maintain the plantations themselves. Special effort has been made to green our Nooriabad campus which is the middle of an Arid Zone. Over the year our plantations have increased to 1,450 trees over a dedicated 40 acres at our Nooriabad campus. Substantial effort is also carried out to green the other campuses.

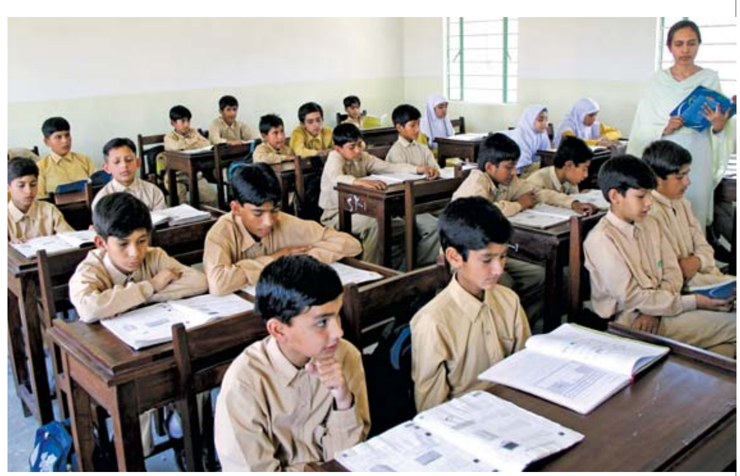
Planted Trees at Nooriabad over the years



- **Reducing Resource Use**

  We make a conscious effort to conserve energy which includes a voluntary two hours curfew in using of air-conditions.

  We are participating in energy management system organized by APTMA, SMEDA and the GTZ (German company).



Chief Executive's Review

We will continue our support to society in every aspect possible as it is an integral part of the Company's strategy.

HR Initiatives

The company has a clear vision that our people and strong leadership practices are an important enabler of high productivity and sustainable competitive advantage of our company. With a strength of over 1,100 we take pride in the fact that our employees are the ones who shape the future of our company. Our focus in HR is to unleash the organization's intellectual energy through excellence in world class HR process and practices.

We ensure that all our people have a say in how things are done. Be it in the nature of streamlining work processes or in the nature of defining ideal working conditions. Each employee has an opportunity to address work place issues through 'Town Hall' meetings.

Training and Education

At CSAPL we are committed to training our employees for career development. Our training strategy involves conducting a 'Training Needs Analysis' of each employee. We also encourage our employees to further their formal education for career development.

Our 'Jugnoo Sabaq' scheme caters to improve the literacy levels of those employees that have not had primary education. There are currently 30 employees from our factory at Nooriabad who are learning to read and write. The Jugnoo Sabaq Program began in 2003 and it is nearing its completion as the literacy levels at our factory are nearing 100%.

Employees taking primary classes in FY2009/2010:

Primary Education Classes	Employees
Class 6	14
Class 4	4
Class 3	6
Class 2	6
Total Students	30

Governance

The Board places paramount on good governance and has, therefore, developed the effective governance structures, processes and frameworks including "Core values", "Standard of Conduct for Directors", "Standard of Conduct for Employees" a "Policy statement of ethics and business practices" in conforming with the Code of Corporate Governance in Pakistan and International best practices.

Values and ethics encompass a trustworthy relationship between organizations and their business partners which paves the way towards a mutually beneficial relationship. These are, therefore, ingrained in CSAPL's culture. These standards are regularly reviewed and updated to ensure

effectiveness and relevance for achievement of long term objectives of the Company and are applicable to everybody in the Company. The Board acknowledges its responsibility for the overall strategy, management, identification and solution for risks and challenges, sustained business prosperity and safeguarding the rights of shareholders. It endorses the Best Practices of the Code of Corporate Governance as an effective tool in discharging these duties in addition to enhancing the timeliness, accuracy, comprehensiveness and transparency of financial and non-financial information through accountability and integrity.

During the year, six meetings of the Board were held to review and approve all issues and matters referred to it by audit and other committees of the Board, including periodical and annual financial statements, corporate and financial reporting framework, Company strategy, budgets and forecast including their analysis with actual, cash flow projections, management letter issued by the external auditors, compliance with relevant laws and regulations including amendments during the year, acquisition and disposal of fixed assets, review of risks identified and their mitigation, accounting and internal control system including IS controls and such other matters considered to be significant enough for the Board's attention by the Audit Committee or the management.

The appointment, remuneration and terms and conditions of employment of the Chief Executive Officer and the Chief Financial Officer have been approved by the Board of Directors. The Chief Executive Officer and the Chief Financial Officer did not take part during discussion in the Board on their respective employment contracts.

The Board has formulated and approved long term strategies at the Corporate and Business Unit levels and strong emphasis is placed on its monitoring. Further, the Board has modified the Company's mission, vision and values statements as recommended by management. The Board continuously reviews and approves its existing policies on rotation basis so that the said policies are reviewed once at least in three years.

Achievements 2010

We place paramount importance to transparency, reliability of information and its accurate and timely reporting to our stakeholders all being components of good corporate governance clearly highlights the company's focus on corporate governance.

The annual report (2008) of our company secured the 2nd runners up position in the manufacturing sector category in the "Best Presented Accounts Awards 2008" organized by the South Asian Federation of Accountants (SAFA). The award ceremony was organized at Dhaka, Bangladesh.

Top 25 Companies Award (KSE)

The company's performance was acknowledged by the premier stock exchange of the country by including Crescent Steel in the top 25 companies for the year 2008. The KSE evaluates the listed companies on the basis of dividend payout, return on equity, compliance with the listing regulations and good corporate governance. The top 25 companies are selected based on highest scores obtained on the basis of the aforementioned selection criteria. This is another recognition highlighting our company's focus on its mission that is to continue to add value to share holders and the economy by giving the best returns and continue to operate as a responsible corporate citizen meeting the highest level of compliance.

Business Process Reengineering and Management Information System

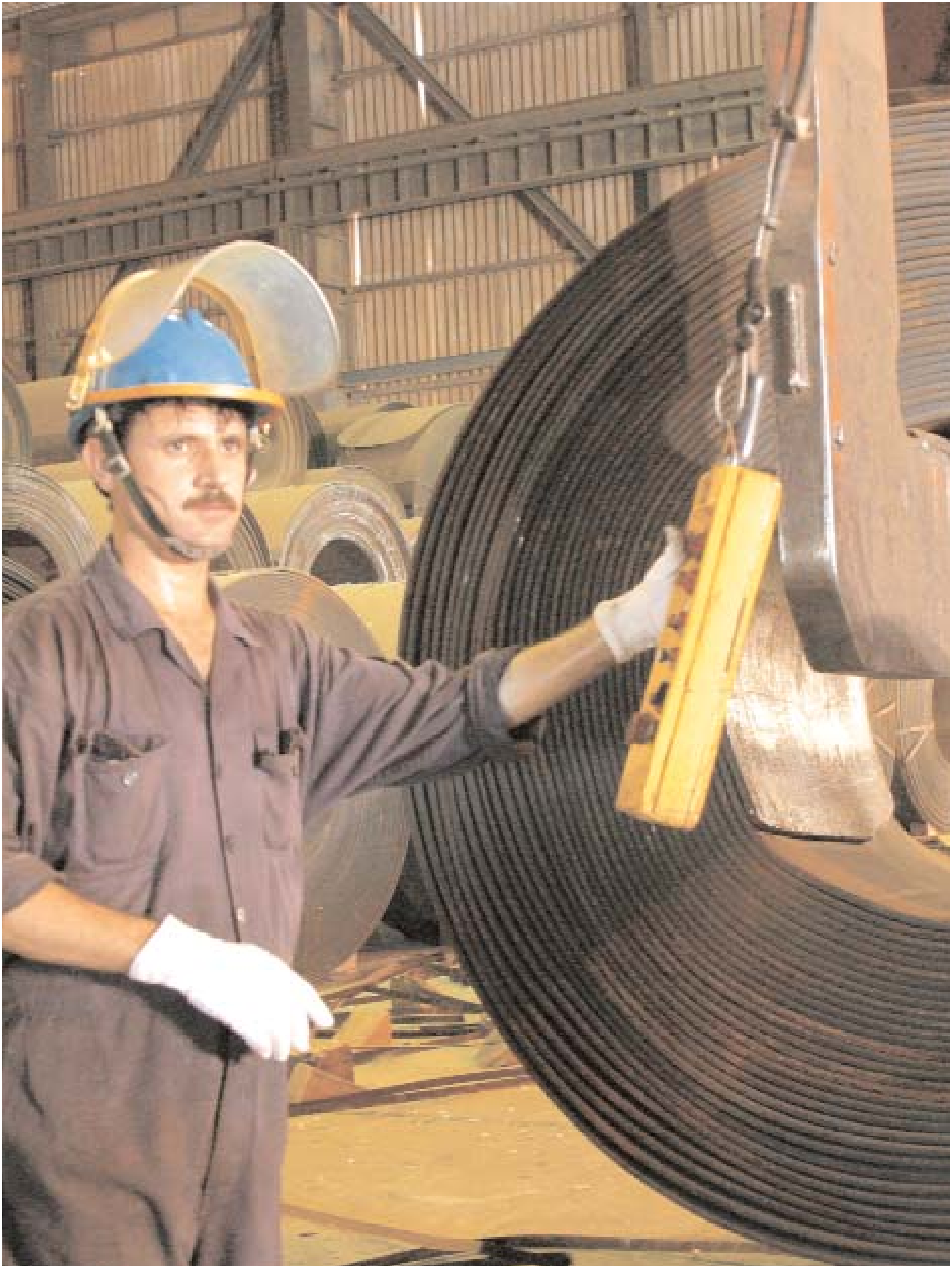
To enhance efficiencies and as a part of business process reengineering for continuous improvement, the Company, during the last year, implemented Oracle application suite, an Enterprise Resource Planning system for its financial, supply chain, manufacturing, projects and assets management to replace our legacy applications. The ERP system is running smoothly and continuously assisting to make our performance timely, efficient and accurate. In the year ahead our goal is to get the maximum leverage from this system.

Business Risks and Challenges

Doing business inherently involves taking risks, and by taking measured risks we strive to be a sustainable Company. Risk management is one of the essential elements of the Company's corporate governance. This calls for creating a proper balance between entrepreneurial attitude and risk levels associated with business opportunities. The Company has a comprehensive risk management system and framework which supports early recognition of developments likely to jeopardize the future performance of the company or to its future well being and helps pre-empting risks and capitalizing opportunities. It provides reasonable assurance that our business objectives can be achieved and our obligations to customers, shareholders, employees, and society are met with highest level of compliance and integrity. Risk Management is primarily the responsibility of the business managers. However, top management takes responsibility for the oversight of the key risks and compliance of legal requirements. As a part of our policy to produce forward looking statements we are outlining the risks which may affect our business. This exercise also helps management to focus on a strategy to mitigate risk factors. With an explicit understanding that this is not an exhaustive enumeration, our major risk factors are listed below:

Raw Material Sourcing

Inability to access raw materials, growth in cost and expenses for raw materials and natural gas, may adversely influence the future results of



the Company. The Company aims to use its purchasing power and long term relationships with suppliers to acquire raw materials and safeguard their constant delivery at the best conditions. Company is sensitive to price movements that may lead to erosion of margins and liquidated damages due to non-availability of raw materials.

Investment Risk

Company has made significant investment in marketable securities. Adverse stock market developments may affect the profitability and assets of the Company. The Company follows diversified investment policy and actively manages its investment portfolio to match the required risk profiles.

Currency Risk

Since significant parts of the Company's operations are based on imported raw material, exchange rate fluctuations can have an impact on the Company's financial results. As forward cover facility is no more available and the falling value of Pakistan Rupee, mitigation of adverse currency fluctuation has become more challenging. The Company follows various available means to hedge against currency fluctuations to minimize losses.

Cost and availability of Funds

Significant portion of the working capital requirements of the Company is arranged through short term borrowings. The Company's financial condition and results of operations could be adversely affected if the Company does not successfully mitigate risks associated with availability of funds and interest rate changes. Further, the overall liquidity position in the economy may also adversely affect the business of our customers which may have an impact on the Company's operations.

Employee Retention and Recruitment

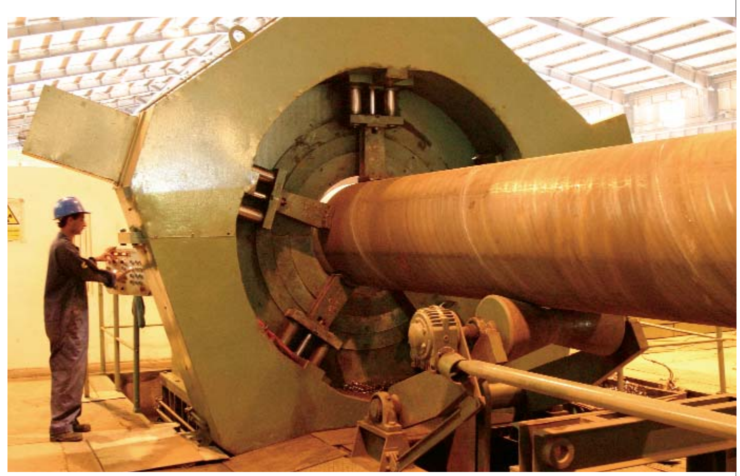
The Company's ambitious growth plans may not be achieved when we fail to attract and retain the right people. The Company puts emphasis on attracting, retaining, motivating, and educating staff, using Human Resources instruments.

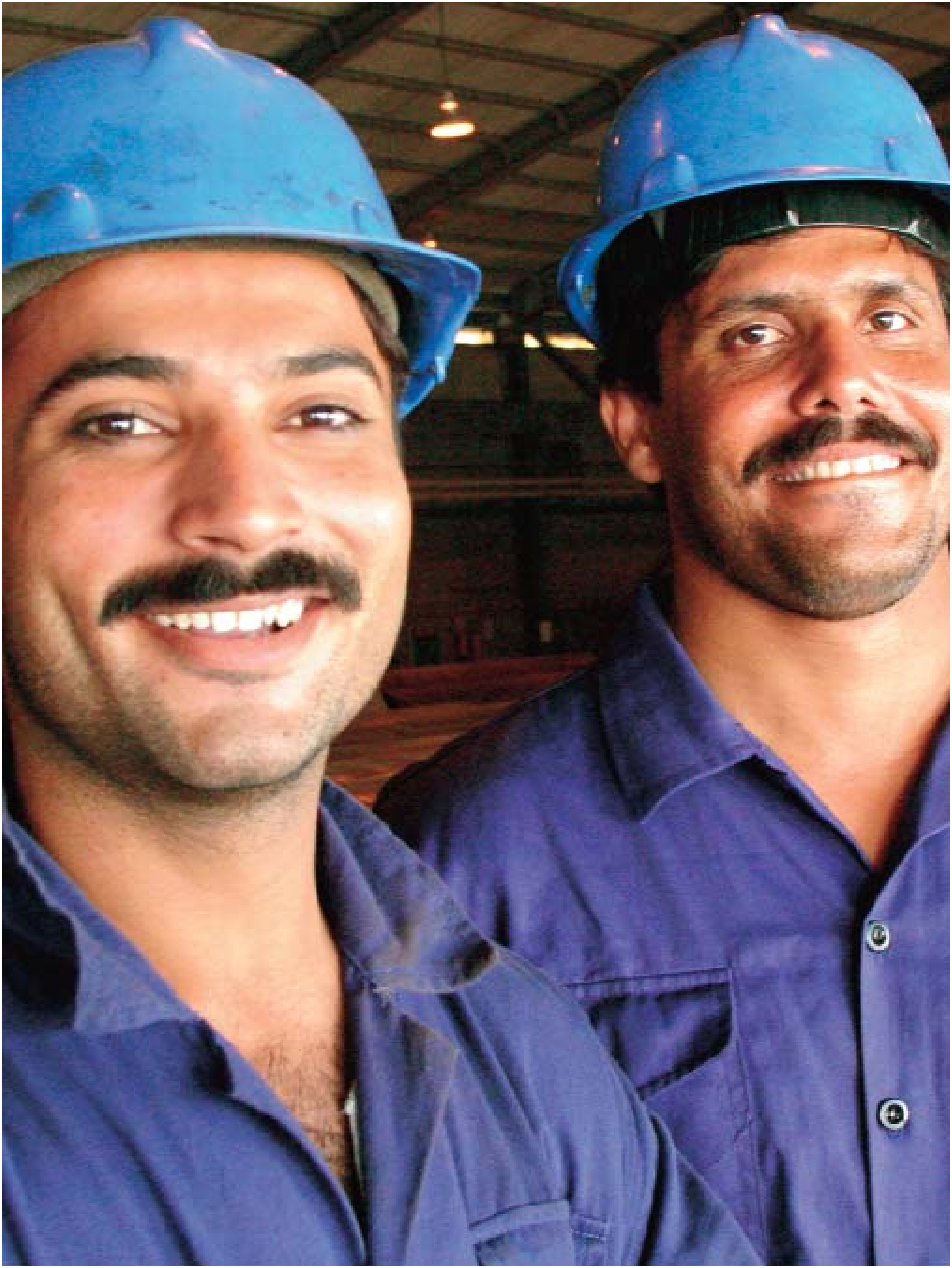
Internal Controls

Without effective internal controls the Company may be exposed to financial irregularities and losses. This covers the areas ranging from safeguarding the assets, compliance with laws and regulations and accuracy and reliability of its records and financial reporting.

Technological Advantages

Our competitors may be able to identify and implement a major technological step change resulting in product substitution, improve their production efficiencies and lower costs. Our inability to implement similar steps may make us uncompetitive. Similarly we have to ensure that we match or exceed the quality and service performance of our competitors.





Crescent Steel & Allied Products Ltd.

Chief Executive's Review

Power and Gas Outage

Power and gas shortage may have a negative impact particularly on cotton division as it runs on gas generators. Similarly the customers operation is also dependent on electricity and gas. Power and gas outage may result in stoppage.

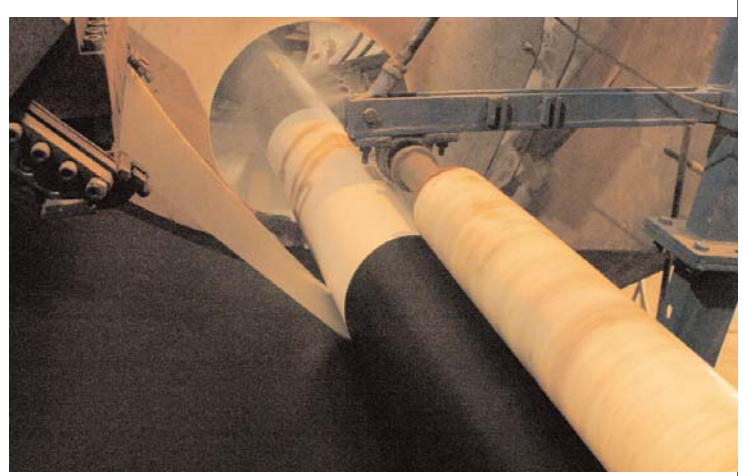
General

I would like to propose a warm vote of thanks for the proactive role of the Board and the Audit committee in guiding the management in these difficult times. Our employees also deserve a vote of thanks for their dedication and hard work which has made it possible to rebound from steep losses of last year.

Whilst placing on record our thanks to all the stakeholders we look towards their continued support.

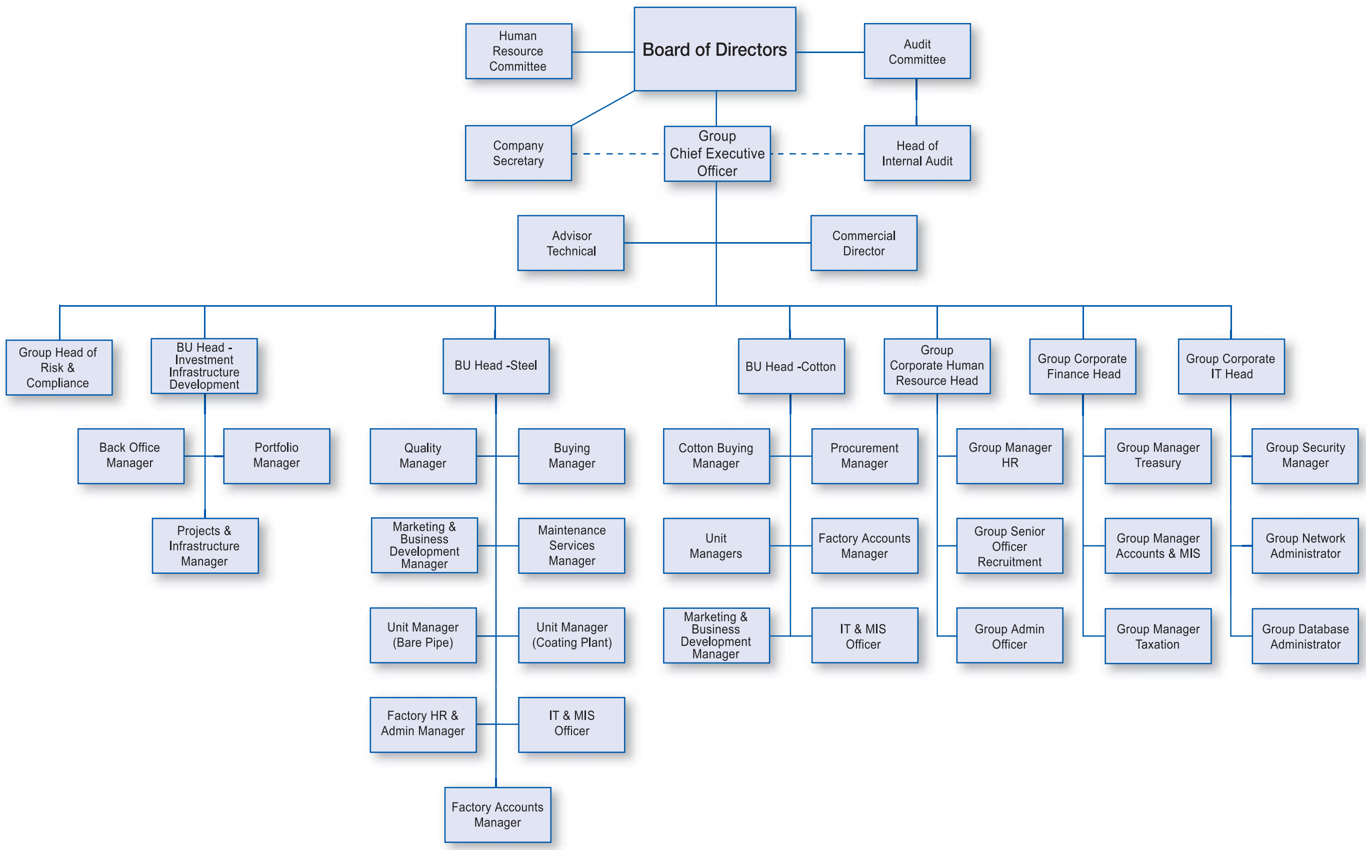
By order of the Board

Ahsan M. Saleem
Chief Executive Officer
29 July 2010



Crescent Steel & Allied Products Ltd.

Management Structure



Financial Highlights (including ratio analysis)

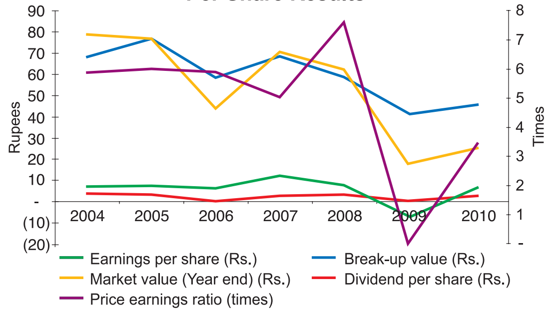
	2010	2009	2008	2007	2006	2005	2004
A - Profit and loss account (Rupees in millions)							
Sales - Net	3,704.4	3,310.9	4,200.2	2,950.1	1,707.1	2,686.6	1,348.1
Cost of sales	2,887.3	2,597.2	3,303.8	2,439.7	1,566.8	2,314.7	1,173.9
Gross profit	817.1	713.7	896.4	510.5	140.3	371.9	174.3
Income from/(loss on) investments - net	171.6	(337.9)	73.6	411.4	332.9	176.4	221.2
Distribution, selling and administrative expenses	186.2	143.8	151.0	146.6	118.6	108.3	90.7
Other operating expenses	101.4	331.5	109.7	125.5	21.9	70.0	36.9
Other operating income	18.3	39.0	19.6	107.0	24.6	87.7	79.2
Operating profit/(loss) before finance costs	719.4	(60.5)	728.9	756.7	357.3	457.7	347.1
Finance costs	121.9	203.6	153.0	128.5	82.9	43.9	20.4
Share of profit/(loss) in equity accounted investees - net	–	–	50.8	99.1	(11.9)	(19.5)	–
Profit/(loss) before taxation	597.5	(264.1)	626.6	727.3	262.4	394.2	326.7
Taxation	181.0	134.7	210.9	64.1	2.8	81.8	30.8
Net income/(loss)	416.5	(398.8)	415.7	663.2	259.6	312.4	295.9
B - Balance Sheet (Rupees in millions)							
Current assets	2,116.8	1,716.2	2,279.1	2,124.8	1,841.6	1,779.5	1,541.1
Stock-in-trade	1,026.6	616.4	606.1	633.5	468.5	194.3	240.5
Trade debts	276.9	83.9	118.7	181.4	75.1	132.4	36.0
Current liabilities	1,742.1	1,408.2	1,573.1	1,077.1	1,127.1	468.9	370.9
Trade and other payables	871.5	373.9	240.8	435.1	229.9	221.9	174.5
Property, plant and equipment	1,061.4	1,224.6	1,233.2	1,306.6	1,381.1	441.8	467.8
Total assets	4,436.3	3,892.7	4,846.7	4,696.1	3,714.7	2,569.8	2,228.2
Long term loan (excluding current maturity)	–	55.9	168.1	354.0	548.3	236.1	326.5
Deferred liabilities	71.6	99.8	111.5	64.6	1.6	3.9	10.6
Short term loans (including current maturity of long term debt)	836.4	1,015.3	1,306.4	625.8	876.9	233.5	156.2
Reserves	2,058.0	1,764.2	2,480.7	2,733.8	1,687.7	1,617.5	1,298.5
Shareholders' equity	2,622.6	2,328.8	2,994.0	3,200.4	2,037.7	1,860.5	1,519.4
C - Profitability ratios							
Earnings before interest, taxation, depreciation and amortization (EBITDA) (Rs. in millions)	903.9	120.0	954.7	1,029.3	444.8	522.7	431.4
Profit/(loss) before taxation and deprecation (Rs. in millions)	771.5	(85.0)	801.3	900.0	359.8	476.8	326.7
Gross profit margin to net sales (%)	22.1	21.6	21.3	17.3	8.2	13.8	12.9
Operating profit/(loss) margin to net sales (%)	19.4	(1.8)	17.4	25.6	20.9	17.0	25.7
Net income/(loss) to net sales (%)	11.2	(12.0)	9.9	22.5	15.2	11.6	21.9
D - Return on assets/capital							
Return on average assets (%)	10.0	(9.1)	8.7	15.8	8.3	13.0	16.0
Return on capital employed (RoCE) (%)	20.8	(1.8)	17.4	20.5	10.0	18.8	17.3
Return on average capital employed (%)	21.0	(1.5)	18.0	22.4	11.9	20.2	21.0
Return on equity (%)	15.9	(17.1)	13.9	20.7	12.7	16.8	19.5
Return on average equity (%)	16.8	(15.0)	13.4	25.3	13.3	18.5	22.1
E - Per share results and return							
Earnings/(loss) per share (Rs.)	7.38	(7.06)	7.36	12.10	6.10	7.30	6.90
Break-up value per share (Rs.)	46.5	41.2	58.3	68.6	58.2	76.6	68.8
Market value per share (Rs.)	25.1	18.0	61.7	71.0	43.5	77.0	78.9
Market value per share (high-low) (Rs.)	34 - 18	61 - 13	108 - 58	72 - 32	90 - 37	100 - 64	93 - 50
Price earnings ratio (times)	3.4	–	7.6	5.0	5.9	6.0	5.9
Cash dividend - including final proposed (Rs. in millions)	169.4	–	154.0	140.0	–	72.9	77.3
Dividend per share - including final proposed (Rs.)	3.0	–	3.0	3.0	–	3.0	3.5
Dividend yield (%) - including final proposed	12.0	–	4.9	4.2	–	3.9	4.4
Dividend payout ratio (%) - including final proposed	40.7	–	37.0	21.1	–	23.3	26.1
Bonus shares (%) - including final proposed	–	–	10	10	20	20	10
F - Coverage ratios							
Interest coverage (times)	5.9	(0.3)	5.1	6.7	4.2	10.0	17.0
G - Activity ratios							
Debtors turnover (times)	20.5	32.7	28.0	23.0	16.5	31.9	43.5
Average collection period (days)	18	11	13	16	22	11	8
Inventory turnover (times)	3.5	4.2	5.3	4.4	4.7	10.6	5.3
Inventory turnover (days)	104	86	68	82	77	34	69
Creditors turnover (times)	14.1	24.6	19.7	11.5	11.3	17.8	13.3
Average payment days (days)	26	15	19	32	32	20	28
Property, plant and equipment turnover (times)	3.5	2.7	3.4	2.3	1.2	6.1	2.9
Total assets turnover (times)	0.8	0.9	0.9	0.6	0.5	1.0	0.6
H - Liquidity ratios							
Current ratio	1.2 : 1	1.2 : 1	1.4 : 1	2 : 1	1.6 : 1	3.8 : 1	4.2 : 1
Quick/Acid-test ratio	0.6 : 1	0.8 : 1	1.1 : 1	1.4 : 1	1.2 : 1	3.4 : 1	3.5 : 1
Working capital (Net current assets)	374.7	308.0	706.1	1,047.7	714.5	1,310.6	1,170.2
Working capital turnover (times)	10.9	6.5	4.8	3.3	1.7	2.2	1.4
Operating cycle (days)	96	82	63	66	67	25	50
I - Leverage ratios							
Long term debt to equity (%)	–	2.4	5.6	11.1	26.9	12.7	21.5
Long term debt : Equity ratio	0 : 100	2 : 98	5 : 95	10 : 90	21 : 79	11 : 89	18 : 82
Total liabilities to total assets (%)	39.3	37.6	35.9	30.5	45.1	27.4	31.3
Gearing ratio (%)	20.7	31.4	32.9	22.8	40.9	18.3	24.1
J - Other data (Rupees in million)							
Depreciation/amortization	184.5	180.6	175.0	173.4	99.4	84.5	84.2
Capital expenditure (including leased assets)	34.5	169.1	153.5	126.9	996.5	66.3	163.2
No. of ordinary shares (no. of shares in millions)	56.5	56.5	51.3	46.7	35.0	24.3	22.1

* Note:
The figures and ratios presented in these highlights for the financial years ended 30 June 2010 and 2009 are those based on the Company's separate financial statements (please refer to note 2.1 to the financial statements for further information). The figures and ratios presented for the years prior to 2009 are based on the Company's individual financial statements as published in the annual reports in prior years.

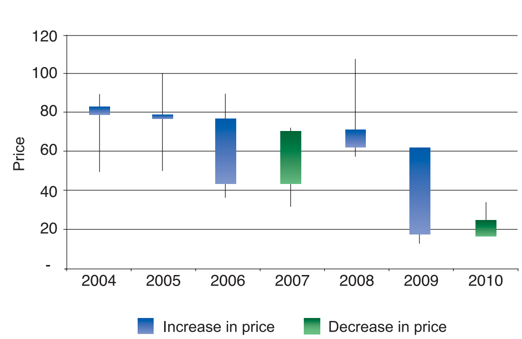
Crescent Steel &
Allied Products Ltd.

Financial Highlights

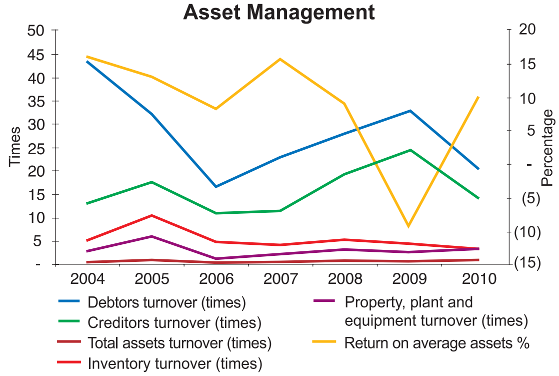
Per Share Results



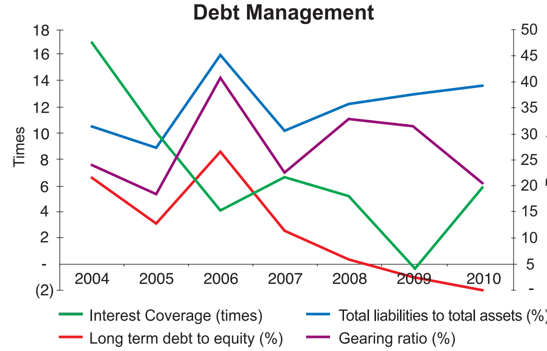
Movement in Stock Prices



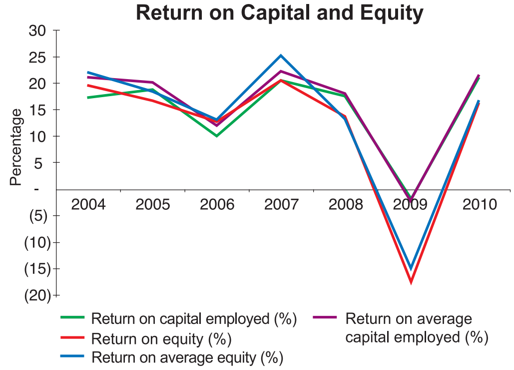
Asset Management



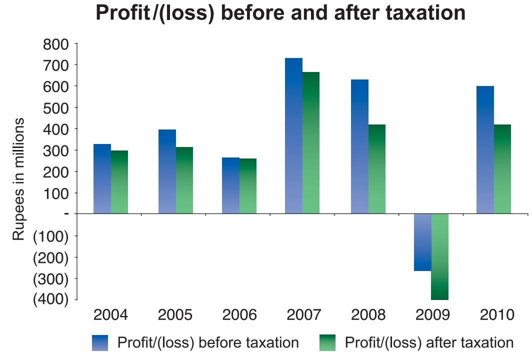
Debt Management



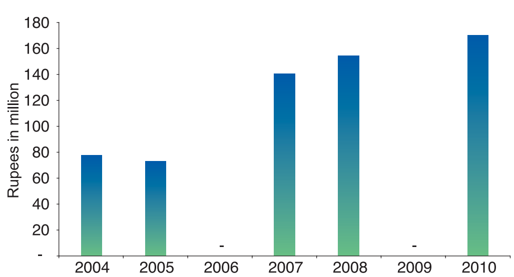
Return on Capital and Equity



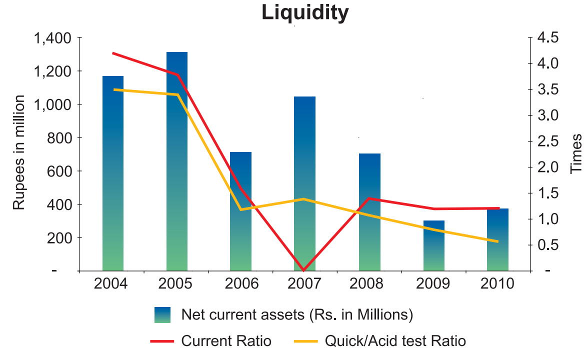
Profit/(loss) before and after taxation



Dividend (including final proposed)



Liquidity



Board and Audit Committee Meetings
Attendance by the Directors / Members

Attendance at Board Meetings held during FY 09-10

Name	Category	Held	Eligible to attend	Attended
Existing Directors				
Mr. Mazhar Karim (Chairman)	Non Executive Director	6	6	0
Mr. Ahsan M. Saleem (Chief Executive Officer)	Executive Director	6	6	6
Mr. Javed Iqbal	Independent non executive director	6	6	4
Mr. Mohammad Abdul Aleem	Independent non executive director	6	6	4
Mr. Muhammad Anwar	Non Executive Director	6	6	5
Mr. Nasir Shafi	Non Executive Director	6	6	5
Mr. S.M. Ehtishamullah	Non Executive Director	6	6	6
Mr. Zahid Bashir	Non Executive Director	6	6	5

Attendance at Audit Committee Meetings held during FY 09-10

Name	Category	Held	Eligible to attend	Attended
Existing Members				
Mr. Mohammad Abdul Aleem (Chairman)	Independent non executive director	5	5	5
Mr. Javed Iqbal	Independent non executive director	5	5	4
Mr. Nasir Shafi	Non Executive Director	5	5	4

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 Board comprises eight directors including the CEO. The company encourages representation of independent non-executive Directors. At present the Board has seven non-executive Directors out of which two are independent non-executive Directors.

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 NBFI. None of them is a member of a Stock Exchange.

4. No casual vacancy occurred during the year ended 30 June 2010.

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 and values statement, and significant policies of the Company. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained. The corporate strategy of the Company is reviewed and approved by the Board alongwith the annual plan.

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

8. All 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. The Board met six times during the year ended 30 June 2010 including once in every quarter to approve the financial statements of the Company. Following the Best Practices of Corporate Governance, the Board met to discuss with the key members of the management team with out the Chief Executive to assess the adequacy of controls, alignment of key managers with overall objectives of the Company and to make an independent assessment of adequacy of succession. A separate meeting of the Board was held to approve the Annual plan/Budget. Written notices of the Board meetings, alongwith agenda and working papers, were circulated at least seven days prior to the meetings. The minutes of the meetings were appropriately recorded and circulated in time.

9. In-house orientations for the Directors were made to apprise them of their duties and responsibilities and to brief them regarding amendments in the Companies Ordinance / Corporate Laws.

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

11. The Directors' Report for the year ended 30 June 2010 has been prepared in compliance with the requirements of the Code and it fully describes the salient matters required to be disclosed.

Statement of Compliance with the Code of Corporate Governance

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

13. 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.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The related party transactions have been placed before the audit committee and approved by the board of directors with necessary justifications for non arm's length transactions and pricing methods for transactions only if such terms can be substantiated.

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. It 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 framed and advised to the Committee for compliance.

18. The Board has set-up an effective internal audit function. This function has been outsourced to Ernst & Young 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, and they (or their representatives) are involved in the internal audit function on a full time basis.

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. The Management of the Company is committed to good corporate governance, and appropriate steps are taken to comply with the best practices.

22. 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 Officer

29 July 2010

KPMG

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

Telephone +92 (21) 3568 5847
Fax +92 (21) 3568 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** ("the Company") to comply with the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges where the company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2010.

KPMG Taseer Hadi & Co

KPMG Taseer Hadi & Co.
Chartered Accountants.
Moneeza Usman Butt

29 July 2010
Karachi

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

Telephone +92 (21) 3568 5847
Fax +92 (21) 3568 5095
Internet www.kpmg.com.pk

Auditors' Report to the Members

We have audited the annexed balance sheet of Crescent Steel and Allied Products Limited ("the Company") as at 30 June 2010 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as described in note 4.1 with which we concur;

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

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2010 and of the profits, total comprehensive income, 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, was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

KPMG Taseer Hadi & Co

KPMG Taseer Hadi & Co.
Chartered Accountants.
Moneeza Usman Butt

29 July 2010
Karachi

Crescent Steel & Allied Products Ltd.

Balance Sheet
As at 30 June 2010

	Note	2010	2009
		(Rupees in '000)	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital			
100,000,000 ordinary shares of Rs. 10 each		1,000,000	1,000,000
Issued, subscribed and paid-up capital	6	564,600	564,600
Capital reserves		361,702	371,513
Revenue reserves		1,696,310	1,392,683
		2,622,612	2,328,796
Non-current liabilities			
Long term loan	7	–	55,880
Deferred taxation	8	71,587	99,787
		71,587	155,667
Current liabilities			
Trade and other payables	9	871,469	373,887
Interest and mark-up accrued	10	34,198	19,009
Short term borrowings	11	780,288	902,815
Current portion of long term loan	7	56,143	112,500
		1,742,098	1,408,211
Total equity and liabilities		4,436,297	3,892,674
Contingencies and commitments	12		

Balance Sheet
As at 30 June 2010

	Note	2010	2009
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	13	1,061,380	1,224,588
Intangible assets	14	24,457	811
Investment property	15	44,836	47,169
Long term investments	16	1,185,402	900,096
Long term loans and deposits	17	3,466	3,801
		2,319,541	2,176,465
Current assets			
Stores, spares and loose tools	18	72,919	83,763
Stock-in-trade	19	1,026,614	616,433
Trade debts	20	276,880	83,927
Advances	21	54,919	39,894
Trade deposits and short term prepayments	22	6,407	6,304
Investments	23	463,746	655,397
Current portion of long term investments	24	17,004	36,493
Mark-up accrued on term finance certificates		820	813
Other receivables	25	25,156	160,620
Taxation - net	26	18,612	28,421
Cash and bank balances	27	153,679	4,144
		2,116,756	1,716,209
Total assets		4,436,297	3,892,674

The annexed notes 1 to 48 form an integral part of these financial statements.

Chief Executive

Director

Crescent Steel & Allied Products Ltd.

Profit and Loss Account
For the year ended 30 June 2010

	Note	2010	2009
		(Rupees in '000)	
Sales	28	3,704,388	3,310,869
Cost of sales	29	2,887,295	2,597,190
Gross profit		817,093	713,679
Income from / (loss on) investments	30	171,621	(337,931)
		988,714	375,748
Distribution and selling expenses	31	27,017	17,156
Administrative expenses	32	159,134	126,630
Other operating expenses	33	101,420	331,504
		287,571	475,290
		701,143	(99,542)
Other operating income	34	18,278	38,970
Operating profit before finance costs		719,421	(60,572)
Finance costs	35	121,908	203,571
Profit / (loss) before taxation		597,513	(264,143)
Taxation	36	180,966	134,678
Profit / (loss) after taxation for the year		416,547	(398,821)
		(Rupees)	
Basic and diluted earnings / (loss) per share	37	7.38	(7.06)

The annexed notes 1 to 48 form an integral part of these financial statements.

Chief Executive

Director

Statement of Comprehensive Income

For the year ended 30 June 2010

	2010	2009
	(Rupees in '000)	
Profit / (loss) after taxation for the year	416,547	(398,821)
Other comprehensive income		
Unrealized diminution during the year on remeasurement of investments classified as 'available for sale'	(17,879)	(76,655)
Reclassification adjustments relating to losses / (gains) realized on disposal of 'available for sale' investment securities	3,048	(18,599)
Impairment loss on 'available for sale' investment securities	5,020	31,529
Other comprehensive loss for the year	(9,811)	(63,725)
Total comprehensive income / (loss) for the year	406,736	(462,546)

The annexed notes 1 to 48 form an integral part of these financial statements.

Chief Executive **Director**

Crescent Steel & Allied Products Ltd.

Cash Flow Statement
For the year ended 30 June 2010

	Note	2010	2009
		(Rupees in '000)	
Cash flows from operating activities			
Cash generated from operations	38	816,217	750,680
Taxes paid		(210,441)	(189,265)
Financial charges paid		(106,719)	(204,327)
Contribution to pension and gratuity funds		(19,403)	(18,111)
Contribution to workers' profit participation fund		(27,524)	(2,403)
Compensated absences paid		(88)	(69)
Payment for 10-C bonus		(717)	(671)
Long term deposits and prepayments - net		(20)	89
Net cash generated from operating activities		451,305	335,923
Cash flows from investing activities			
Capital expenditure		(34,498)	(169,115)
Acquisition of intangible assets		(7,933)	(583)
Proceeds from sale of property, plant and equipment		3,004	1,740
Investments - net		103	162,265
Dividend income received		40,463	67,720
Interest income received		2,244	8,384
Net cash from investing activities		3,383	70,411
Cash flows from financing activities			
Repayments against short term loans		(126,522)	(28,271)
Repayments against long term loan		(112,500)	(112,500)
Repayment of redeemable capital		–	(75,000)
Dividends paid		(70,126)	(6,373)
Net cash used in financing activities		(309,148)	(222,144)
Net increase in cash and cash equivalents		145,540	184,190
Cash and cash equivalents at beginning of the year		(644,736)	(828,926)
Cash and cash equivalents at end of the year	39	(499,196)	(644,736)

The annexed notes 1 to 48 form an integral part of these financial statements.

Chief Executive **Director**

Statement of Changes in Equity

For the year ended 30 June 2010

	Issued, subscribed and paid-up capital	Capital reserve: Share Premium	Capital reserve: Unrealized gain/(loss) on remeasurement of available for sale investment securities	Revenue reserves: General reserve	Revenue reserves: Unappropriated profit/ (loss)*	Total
			(Rupees in '000)			
Balance as at 1 July 2008	**513,273**	**349,959**	**85,279**	**1,842,000**	**831**	**2,791,342**
Total comprehensive loss for the year ended 30 June 2009						
Loss after taxation for the year	–	–	–	–	(398,821)	(398,821)
Other comprehensive income						
Unrealized diminution during the year on remeasurement of investments classified as 'available for sale'	–	–	(76,655)	–	–	(76,655)
Reclassification adjustments relating to gain realized on disposal of 'available for sale' investments securities	–	–	(18,599)	–	–	(18,599)
Impairment loss on 'available for sale' investments securities	–	–	31,529	–	–	31,529
Other comprehensive loss for the year	–	–	(63,725)	–	–	(63,725)
	–	–	(63,725)	–	(398,821)	(462,546)
Transactions with owners						
Bonus shares issued @ 10% for the year ended 30 June 2008	51,327	–	–	–	(51,327)	–
Balance as at 30 June 2009	**564,600**	**349,959**	**21,554**	**1,842,000**	**(449,317)**	**2,328,796**
Total comprehensive income for the year ended 30 June 2010						
Profit after taxation for the year	–	–	–	–	416,547	416,547
Other comprehensive income						
Unrealized diminution during the year on remeasurement of investments classified as 'available for sale'	–	–	(17,879)	–	–	(17,879)
Reclassification adjustments relating to loss realized on disposal of 'available for sale' investments securities	–	–	3,048	–	–	3,048
Impairment loss on 'available for sale' investments securities	–	–	5,020	–	–	5,020
Other comprehensive loss for the year	–	–	(9,811)	–	–	(9,811)
	–	–	(9,811)	–	416,547	406,736
Transactions with owners						
Dividend :						
- First interim @ 10% (i.e. Re. 1 per share) for the year ended 30 June 2010	–	–	–	–	(56,460)	(56,460)
- Second interim @ 10% (i.e. Re. 1 per share) for the year ended 30 June 2010	–	–	–	–	(56,460)	(56,460)
	–	–	–	–	(112,920)	(112,920)
	564,600	**349,959**	**11,743**	**1,842,000**	**(145,690)**	**2,622,612**

* Please refer to note 2.1 to these financial statements.

The annexed notes 1 to 48 form an integral part of these financial statements.

Chief Executive **Director**

1. THE COMPANY AND ITS OPERATIONS

1.1 Crescent Steel and Allied Products Limited ("the Company") was incorporated on 1 August 1983 as a public limited company in Pakistan under Companies Act, 1913 (now Companies Ordinance, 1984) and is quoted on all stock exchanges of Pakistan. The registered office of the Company is located at 10th floor, BOP Tower, 10-B, Block E-2, Main Boulevard, Gulberg-III, Lahore.

1.2 The Company's steel segment is one of the down stream industries of Pakistan Steel Mills, manufacturing large diameter spiral arc welded steel line pipes at Nooriabad (District Dadu). 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.

1.3 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. Another spinning unit CCP-II was added with 25,344 spindles in 2006. 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".

2. BASIS OF PREPARATION

2.1 Separate financial statements

These financial statements are the separate financial statements of the Company in which investments in subsidiaries and associates are accounted for on the basis of direct equity interest rather than on the basis of reported results and net assets of the investees. Consolidated financial statements of the Company are prepared separately.

On 4 January 2010, the company has acquired wholly owned subsidiary, Shakarganj Energy (Private) Limited thereby necessitating the preparation of consolidated financial statements in accordance with the requirements of the Companies Ordinance, 1984 and the International Accounting Standard (IAS) 27, ‘Consolidated and Separate Financial Statements’. The Company has prepared its separate financial statements for the first time for the year ended 30 June 2010 and also presented corresponding figures for the year ended 30 June 2009. This has resulted in all equity accounted investments to be carried at cost in accordance with the requirement of paragraph 35 of IAS 28, ‘Investments in Associates’.

Prior to the year ended 30 June 2010, the Company in its individual financial statements accounted for its investments in associates using the equity method of accounting. Consequent to the preparation of separate financial statements as mentioned above, the Company now accounts for those investments at cost as more fully explained in note 5.4. Had the Company accounted for its investments using the equity method of accounting in separate financial statements, the carrying amount of those investments as at 30 June 2010 would have been higher by Rs. 464.327 million (2009: Rs. 215.248 million). Profit / (loss) after taxation for the year and earnings / (loss) per share would have been higher / (lower) by Rs. 113.599 million (2009: Rs. 159.072 million) and Rs. 2.01 per share (2009: Rs. 2.81 per share) respectively, whereas capital reserves would have been lower by Rs. 90.387 million (2009: Rs. 208.873 million).

The results of the Company based on investments in associates accounted for under the equity method are reflected in the consolidated financial statements of the Company.

2.2 Statement of compliance

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

2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention except for investments classified as held for trading and available for sale which are stated at fair value and obligations in respect of pension and gratuity schemes which are measured at present value.

2.4 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the Company's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand.

3. USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are as follows:

Income taxes

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax laws and the decisions of appellate authorities on certain issues in the past.

Held to maturity investments

The Company has classified certain investments as held to maturity. In this regard, judgement is involved in evaluating the intention and ability to hold these investments till their respective maturities.

Investment stated at fair value

Management has determined fair value of certain investments by using quotations from active market conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matters of judgment (e.g. valuation, interest rate, etc.) and therefore, cannot be determined with precision.

Property, plant and equipment

The Company reviews the rate of depreciation, useful life, residual value and value of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment.

Intangible assets

The Company reviews the rate of amortization and value of intangible assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of intangible assets with a corresponding affect on the amortization charge and impairment.

Stock-in-trade and stores and spares

The Company reviews the net realizable value of stock-in-trade and stores, spares and loose tools to assess any diminution in their respective carrying values. Any change in the estimates in future years might affect the carrying amounts of stock-in-trade and stores, spares and loose tools with a corresponding effect on the amortization charge and impairment. Net realizable value is determined with respect to estimated selling price less estimated expenditure to make the sale.

Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 41 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Changes in these assumptions in future years may affect the liability under these schemes in those years.

4 INITIAL APPLICATION OF NEW STANDARDS, INTERPRETATIONS OR AMENDMENT TO EXISTING STANDARDS AND FORTHCOMING REQUIREMENTS

4.1 Initial Application

Starting 01 July 2009 the company has changed its accounting policies in the following areas.

- IAS 1 (Revised) - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated balance sheet as at the beginning of comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period.

  The company has opted to present two statements; a profit and loss account (income statement) and a statement of other comprehensive income. Comparative information has also been represented so that it is in conformity with the revised standard. As this change only impacts presentation aspects, there is no impact on the earnings per share.

- IAS 23 (Amendment) 'Borrowing costs' (effective for annual periods beginning on or after 1 January 2009). It requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. The Company's current accounting policy for borrowing costs is in compliance with this amendment and therefore there is no effect on the financial statements.

- IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 1 January 2009). The amendment requires enhanced disclosures regarding fair value measurement and liquidity risk. As the change only results in additional disclosures, there is no impact on earnings per share.

- IFRS 8 – Operating Segments (effective for annual periods beginning on or after 1 January 2009). This IFRS replaces IAS 14, 'Segment Reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes, and introduced detailed disclosures regarding the reportable segments and products. Although, this standard does not require segment information to be presented in separate financial statements, the Company has voluntarily opted to present segment information in these financial statements. As the changes in this standard only result in additional disclosures, there is no impact on earnings per share.

- IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations. The Company has made initial application of this standard for the classification, measurement and presentation of non-current assets held for sale. As the changes only resulted in presentation and additional disclosures, there is no impact on earnings per share.

4.2 New accounting standards and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards are effective from the dates specified below and are either not relevant to Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures:

IFRS 2 (amendment)-Share-based payments and withdrawal of IFRIC 8- Scope of IFRS 2 and IFRIC 11- Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 January 2010). Amendment provides guidance on the accounting for share based payment transactions among group entities.

International Accounting Standard (IAS) 24 (revised): Related Party Disclosures (effective for annual period beginning on or after 1 January 2011). The amendments to IAS 24 simplify the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government (referred to as government-related entities) and clarify the definition of a related party.

Amendments to IAS 32: Classification of Rights Issues (effective for period beginning on or after 1 February 2010). Under the amendment to IAS 32 rights, options and warrants – otherwise meeting the definition of equity instruments in IAS 32.11 – issued to acquire a fixed number of an entity’s own non-derivative equity instruments for a fixed amount in any currency are classified as equity instruments, provided the offer is made pro-rata to all existing owners of the same class of the entity’s own non-derivative equity instruments.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for period beginning on or after 1 July 2010). IFRIC 19 clarifies the accounting when an entity extinguish the liability by issuing its own equity instruments to the creditor.

Amendments to IFRIC 14: Prepayment of a Minimum Funding Requirement (effective for period beginning on or after 1 July 2011). IFRIC 14, IAS 19 –The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction has been amended to remedy an unintended consequence of IFRIC 14 where entities are in some circumstances not permitted to recognise prepayments of minimum funding contributions, as an asset.

The International Accounting Standards Board made certain amendments to existing standards as part of its Second and third annual improvements project. The effective dates for these amendments vary by standards.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Property, plant and equipment and depreciation

Owned assets

Property, plant and equipment, except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land and capital work-in-progress are stated at cost.

Subsequent cost

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the part so replaced is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit and loss account as incurred.

Depreciation

Depreciation is charged to income on straight line basis at the rates specified in note 13.1 to these financial statements. Depreciation on additions to property, plant and equipment is charged from the month in which an item is acquired or capitalized while no depreciation is charged for the month in which the item is disposed off.

The assets' residual values and useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

Impairment

The carrying amount of property, plant and equipment are reviewed at each balance sheet date to determined whether there is any indication of impairment. If any such indication exists then the assets recoverable amount is estimated. The recoverable amount is the greater of its value in use and fair value less cost to sell. An impairment is recognised if the carrying amount exceed its estimated recoverable amount.

Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance lease. Asset 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 owned assets.

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

5.2 Intangible assets

Intangible assets acquired by the Company are stated at cost less accumulated amortization and impairment losses, if any.

Subsequent expenditure

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Amortization

Amortization is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. All intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Amortization on additions to intangible assets is charged from the month in which an item is acquired or capitalized while no amortization is charged for the month in which the item is disposed off.

Impairment

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

5.3 Investment property

Investment property, principally comprising of land and buildings, is held for long term rental yields / capital appreciation. The investment properties of the Company comprise of land and buildings and is valued using the cost method i.e. at cost less any accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit on the straight line method so as to write off the depreciable amount over its estimated useful life. Depreciation on additions to investment property is charged from the month in which a property is acquired or capitalized while no depreciation is charged for the month in which the property is disposed off.

The residual values and useful lives of investment property are reviewed at each financial year end and adjusted if impact on depreciation is significant.

The Company assesses at each balance sheet date whether there is any indication that investment property may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future period to allocate the asset's revised carrying amount over its estimated useful life.

The gain or loss on disposal of investment property represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as income or expense.

5.4 Investments

Investments in subsidiaries

Investments in subsidiaries are initially recognized at cost. The carrying amount of investments is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exist the investments recoverable amount is estimated which is higher of its value in use and its fair value less cost to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount. Impairment losses are recognized in profit or loss. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the profit and loss account.

Investments in associates

Investments in associates are initially recognized at cost. The carrying amount of investments is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exist the investments recoverable amount is estimated which is higher of its value in use and its fair value less cost to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount. Impairment losses are recognized in profit or loss. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the profit and loss account.

Investment at fair value through profit or loss

A non-derivative financial asset is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Investments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction cost are recognized in profit and loss account when incurred. Investments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit and loss account.

Held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

Investments classified as held to maturity are recognized initially at fair value, plus attributable transaction costs. Subsequent to initial recognition, these are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss account over the period of the investments on an effective yield method.

Loans and receivables

Loans and receivables are recognized initially at fair value, plus attributable transaction costs. Subsequent to initial recognition, loans and receivables are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss account over the period of the investments on an effective yield method.

Available for sale

Other investments not covered in any of the above categories including investments in associates in which the Company has no significant influence are classified as being available for sale and are initially recognized at fair value plus attributable transactions costs. Subsequent to initial recognition these are measured at fair value, with any resultant gain or loss being recognized in other comprehensive income. Gains or losses on available-for-sale investments are recognized in other comprehensive income 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 other comprehensive income is included in current year's profit and loss account.

Fair value of listed securities are the quoted prices on stock exchange on the date it is valued. Unquoted securities are valued at cost.

The Company follows trade date accounting for regular way of purchase and sales of securities, except for sale and purchase of securities in future market, which are accounted for at settlement date.

Derivative financial instruments

The Company enters into derivative financial instruments, which include future contracts in stock market. Derivatives are initially recorded at fair value and are remeasured to fair value on subsequent reporting dates. The fair value of a derivative is equivalent to the unrealized gain or loss from marking to market the derivative using prevailing market rates. Derivatives with positive market values (unrealized gains) are included in other receivables and derivatives with negative market values (unrealized 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. No derivative is designated as hedging instrument by the Company.

5.5 Non-current assets held for sale

Non-Current assets or disposal groups comprising assets or liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets or components of a disposal group, are remeasured in accordance with Company's accounting policies. Thereafter these are measured at lower of their carrying amount and fair value less cost to sell.

5.6 Stores and spares

Stores and spares are valued at lower of weighted average cost and net realizable value, less provision for impairment if any. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

Provision for obsolete and slow moving stores, spares and loose tools is determined based on management's estimate regarding their future usability.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs necessary to be incurred to make the sale.

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.

5.7 Stock-in-trade

Stock-in-trade is stated at the lower of cost and net realizable 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 realizable value is the estimated selling price in the ordinary course of business less costs of completion and selling expenses. The cost of finished goods of steel segment is measured on the specific identification method. Scrap stocks are valued at their estimated net realizable value.

5.8 Trade debts and other receivables

These are initially stated at fair value and subsequently measured at amortized cost using effective interest rate method less provisions for any uncollectible amounts. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written off.

5.9 Cash and cash equivalents

Cash and cash equivalents comprise of 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 cash flow statement.

5.10 Trade and other payables

Trade and other amounts payable are recognized initially at fair value and subsequently carried at amortized cost.

5.11 Employee benefits

5.11.1 Compensated absences

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

5.11.2 Post retirement benefits

5.11.2.1 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. Obligation for contributions to the fund are recognized as an expense in the profit and loss account when they are due.

Cotton segment

Provision and collection from employees are made at the rate of 6.25 percent of basic pay plus Cost Of Living Allowance (COLA) of cotton segment employees. A trust has been established and its approval has been obtained from Commissioner of Income Tax.

All employees except cotton segment

Contributions to the fund are made at the rate of 8.33 percent of basic pay plus COLA for those employees who have served the Company for a period of less than five years and after completion of five years, contributions are made at the rate of 10 percent.

5.11.2.2 Defined benefit plans

Pension and gratuity fund schemes

The Company operates pension and gratuity fund schemes for its permanent management employees as per the terms of employment.

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 amortized over the expected average remaining working lives of the eligible employees. Past service cost is recognized immediately to the extent that the benefits are already vested. For non-vested benefits past service cost is amortized on a straight line basis over the average period until the amended benefits become vested.

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

5.12 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss account over the period of the borrowings on an effective interest basis.

5.13 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.

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 realization or settlement of the carrying amount of assets and liabilities, using the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted at the balance sheet date.

Deferred tax liabilities are recognized for all taxable temporary differences. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

5.14 Borrowing costs

Borrowing costs incurred on long term finances directly attributable for the construction/acquisition of qualifying assets are capitalized up to the date, the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the profit and loss account currently.

5.15 Revenue recognition

Revenue from sales is recognized when significant risks and rewards of ownership are transferred to the buyer.

Interest income is recognized on accrual basis using effective interest method. Dividend income is recognized when the right to receive the same is established i.e. the book closure date of the investee company declaring the dividend.

Gains and losses on sale of investments are accounted for when the commitment (trade date) for sale of security is made.

Unrealized gains / (losses) arising on revaluation of securities classified as 'held for trading' are included in profit and loss account in the period in which they arise. Gains / (losses) arising on revaluation of derivatives to the fair value are taken to profit and loss account.

Rental income (net of any incentives given to lessees) from investment property is recognized on a straight line basis over the lease term.

Miscellaneous income is recognized on receipt basis.

5.16 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past events, 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. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

5.17 Impairment

The carrying amount of the Company's assets is reviewed at each balance sheet date to determine whether there is any objective evidence that an asset or group of assets may be impaired. If any such evidence exists, the asset or group of assets' recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account.

5.18 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.

5.19 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 recognized amount and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

5.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting structure. Management monitors the operating results of its business units separately for the purpose of making decisions regarding resource allocation and performance assessment.

Segment results, assets and liabilities include items directly attributable to segment as well as those that can be allocated on a reasonable basis. Segment assets consist primarily of property, plant and equipment, intangibles, stores and spares, stock in trade and trade and other debts. Segment liabilities comprise of operating liabilities and exclude items such as taxation and corporate.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets.

5.21 Proposed dividend and transfer between reserves

Dividend distributions to the Company's shareholders are recognized as a liability in the period in which dividends are approved. Transfer between reserves made subsequent to the balance sheet date is considered as non-adjusting event and is recognized in the financial statements in the period in which such transfers are made.

6. ISSUED, SUBSCRIBED AND PAID-UP-CAPITAL

2010	2009		2010	2009
(Number of shares)			(Rupees in '000)	
22,230,188	22,230,188	Ordinary shares of Rs. 10 each fully paid in cash	222,302	222,302
34,229,805	34,229,805	Ordinary shares of Rs. 10 each fully issued as bonus shares	342,298	342,298
56,459,993	56,459,993		564,600	564,600

6.1 Ordinary shares of the Company held by associated undertakings as at year end are as follows:

	2010		2009	
	Percentage of holding	(Number of shares)	Percentage of holding	(Number of shares)
Shakarganj Mills Limited	4.82%	2,720,062	4.99%	2,820,062
Crescent Sugar Mills & Distillery Limited	1.31%	742,422	1.81%	1,019,968
Muhammad Amin Muhammad Bashir Limited	0.00%	618	0.00%	618
The Crescent Textile Mills Limited	11%	6,209,676	11%	6,209,676
Premier Insurance Limited	–	–	0.06%	35,140

7. LONG TERM LOAN

		2010	2009
		(Rupees in '000)	
Secured from a banking company			
Allied Bank Limited	7.1	168,380	280,617
Amortization of initial transaction costs		263	263
Repayments		(112,500)	(112,500)
		56,143	168,380
Current portion		(56,143)	(112,500)
		–	55,880

7.1 Mark-up rate on the above loan is 6 months KIBOR prevailing on the base rate setting date plus 1.9 percent per annum. Mark-up is payable on a quarterly basis. The effective mark-up charged during the year ranges from 14.25% to 14.95% (2009: 14.94% to 17.55%) per annum.

The tenor of the loan is five years. Principal is repayable on a quarterly basis with one year grace period. The loan was disbursed on 17 December 2005.

This facility has been secured against first equitable mortgage pari passu charge on all present and future fixed assets including land and building with 25% margin.

8. DEFERRED TAXATION

	2010	2009
	(Rupees in '000)	
Deferred tax credits / (debits) arising in respect of:		
Taxable temporary differences		
Accelerated tax depreciation/amortization	126,669	158,964
Deductible temporary differences		
Provisions for stock-in-trade and stores and spares	(15,872)	(22,162)
Provisions for doubtful debts, advances and others	(30,152)	(27,957)
Provision for impairment in unquoted available for sale investment	(9,058)	(9,058)
	(55,082)	(59,177)
	71,587	99,787

9. TRADE AND OTHER PAYABLES

		2010	2009
Trade creditors		24,564	26,000
Bills payable		204,245	129,031
Commission payable		4,841	4,461
Accrued liabilities	9.1	70,388	67,536
Provisions	9.2	82,366	73,934
Advance from customers		374,950	15,316
Retention money		334	754
Due to associated undertakings	9.3	1,758	338
Payable to provident fund		159	1
Unclaimed dividend		50,727	7,933
Special excise duty payable		423	–
Workers' Welfare Fund		13,335	9,781
Workers' Profit Participation Fund	9.4	28,666	27,524
Withholding tax payable		586	124
Customer's security deposit		8,605	3,400
Others		5,522	7,754
		871,469	373,887

9.1 Accrued liabilities

	2010	2009
	(Rupees in '000)	
Salaries, wages and other benefits	15,703	8,211
Accrual for 10-C bonus	911	820
Compensated absences	8,480	6,687
Others	45,294	51,818
	70,388	67,536

9.2 Movement of provisions

	Infrastructure fee	Sales Tax	Liquidated damages	Total
		(Rupees in '000)		
	(Note 9.2.1)	(Note 9.2.2)	(Note 9.2.3)	
Opening balance 1 July 2009	49,419	3,242	21,273	73,934
Provision for the year	9,097	–	2,823	11,920
Reversal of provision for the year	(3,488)	–	–	(3,488)
Closing balance 30 June 2010	55,028	3,242	24,096	82,366

9.2.1 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. 70 million (2009: Rs. 55 million) in favour of Excise and Taxation Department. The Company has contested this issue in High Court. Current year charge has been calculated on the value of imports during the year and forms a component of cost of such imported raw materials. During the year ended 30 June 2009, the Company filed an appeal in Supreme Court against the judgement of the High Court dated 15 September 2008 partly accepting the appeal by declaring that the levy and collection of infrastructure fee prior to 28 December 2006 was illegal and ultra vires and after that it was legal. Additionally Sindh government also filed appeal against the part of judgement decided against them.

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

9.2.3 The provision has been made on account of liquidated damages claimed by a customer on delayed supply of goods. 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.

9.3 This represents expenses incurred by associated undertakings on behalf of the Company and insurance premium payable to associated undertakings.

9.4 Workers' Profit Participation Fund

	Note	2010	2009
		(Rupees in '000)	
Balance at beginning of the year		27,524	2,403
Mark-up on funds utilized in the Company's business	35	3,141	89
Allocation for the year	33	28,666	27,524
		59,331	30,016
Amount paid to the trustees of the fund		(30,665)	(2,492)
Balance at end of the year		28,666	27,524

10. INTEREST AND MARK-UP ACCRUED

	2010	2009
- Long Term Loan	329	1,037
- Running Finance and Short term loans	33,869	17,972
	34,198	19,009

11. SHORT TERM BORROWINGS

Secured from banking companies

	2010	2009
Running finances under mark-up arrangements	652,875	648,880
Short term loans/Murabaha	127,413	253,935
	780,288	902,815

11.1 Short term running finance available from various commercial banks under mark-up arrangements amounted to Rs. 911 million (30 June 2009: Rs. 1,450 million) out of which Rs. 600 million (30 June 2009: Rs. 1,150) is interchangeable with Term Finance/Demand Finance and letters of credit. The rate of mark-up ranged between 13.49% to 15.79% (2009: 12.52% to 18.50%) per annum.

11.2 Short term loan/murabaha financing available from various commercial banks under mark-up arrangements amounted to Rs. 700 million (30 June 2009: Rs. 1,400 million). During the year, the mark-up on such arrangement ranged between 12.74% to 15.34% (2009: 13.22% to 18.09%) per annum.

11.3 The facilities for opening letters of credit amounted to Rs. 1,750 million (30 June 2009: Rs. 2,600 million) out of which Rs. 600 million (30 June 2009: Nil) is interchangeable with short term running finance as mentioned in note 11.1 above. The facility for letter of guarantees as at 30 June 2010 amounted to Rs. 717 million (30 June 2009: 800 million). Amounts unutilized for letters of credit and guarantees as at 30 June 2010 were Rs. 1,520.844 million and Rs. 54.131 million respectively (30 June 2009: Rs. 2,443 million and Rs. 546 million).

11.4 The above facilities are secured by way of hypothecation of plant and machinery, stock-in-trade, trade debts and other current assets, pledge of shares and cotton/cotton yarn; and lien over import/export document.

12. CONTINGENCIES AND COMMITMENTS

12.1 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(I)/94 dated 22 December 1990, the coating plant 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 appeal with Honourable Supreme Court and no hearing has taken place since then. No provision has been made in the financial statements as management considers that the case would be decided in Company's favour.

12.2 Sindh Industrial Trade Estate (SITE) has cancelled allotment of plot A-26 and A-27 and charged non-utilization fees of Rs. 0.285 million and Rs. 0.621 million respectively. The Company has challenged the cancellation and filed a suit in Sindh High Court. The High Court has restrained SITE from taking any adverse action against the Company. Therefore, management considers that the case would be decided in Company's favour and no provision is required.

12.3 Aggregate amount of guarantees issued by the banks on behalf of the Company against various contracts aggregated Rs. 662.869 million (30 June 2009: Rs. 253.79 million).

12.4 Commitments in respect of capital expenditure contracted for as at 30 June 2010 amounted to Rs. 19.164 million (30 June 2009: Rs. 24.56 million), payable over the period of three years in 15 quarterly installments for office premises located in Islamabad.

12.5 Commitments under letters of credit as at 30 June 2010 amounted to Rs. 24.911 million (30 June 2009: Rs. Nil).

13. PROPERTY, PLANT AND EQUIPMENT

		2010	2009
		(Rupees in '000)	
Operating fixed assets	13.1	956,113	1,092,889
Capital work-in-progress	13.5	105,267	131,699
		1,061,380	1,224,588

13.1 Operating fixed assets

Description		Land		Buildings	
		Freehold	Leasehold including improvement	On freehold Land	On Lease hold
		(Rupees in '000)			
Net carrying value as at 1 July 2009					
Opening net book value (NBV)	13.1.1	122,575	4,183	225,274	10,346
Additions/transfers		–	–	–	–
Disposals (at NBV)	13.6	–	–	–	–
Depreciation charge	13.2	–	(53)	(28,784)	(1,674)
Balance as at 30 June 2010 (NBV)		122,575	4,130	196,490	8,672
Gross carrying value as at 30 June 2010					
Cost	13.3	122,575	5,646	310,758	70,027
Accumulated depreciation		–	(1,516)	(114,268)	(61,355)
Net book value		122,575	4,130	196,490	8,672
Net carrying value as at 1 July 2008					
Opening net book value (NBV)		69,242	4,236	209,612	12,020
Additions		53,333	–	42,913	–
Disposals (at NBV)		–	–	–	–
Depreciation charge		–	(53)	(27,251)	(1,674)
Balance as at 30 June 2009 (NBV)		122,575	4,183	225,274	10,346
Gross carrying value as at 30 June 2009					
Cost		122,575	5,646	310,758	70,027
Accumulated depreciation		–	(1,463)	(85,484)	(59,681)
Net book value		122,575	4,183	225,274	10,346
Depreciation rate (% per annum)		–	1	–	5

* Net book value of plant and machinery includes book value of Rs. 1.544 million (2009: Rs. 1.73 million) of capitalized spares.

Office premises	Plant and Machinery *	Electrical / Office equipment and Installation	Furniture and fittings	Computers	Motor vehicles	TOTAL
			(Rupees in '000)			
10,493	681,378	10,325	2,668	6,844	18,803	1,092,889
–	28,041	1,433	148	977	2,580	33,179
–	(6)	(147)	–	(95)	(168)	(416)
(2,620)	(123,473)	(2,775)	(432)	(3,993)	(5,735)	(169,539)
7,873	585,940	8,836	2,384	3,733	15,480	956,113
40,493	1,649,252	33,179	16,251	46,903	54,988	2,350,072
(32,620)	(1,063,312)	(24,343)	(13,867)	(43,170)	(39,508)	(1,393,959)
7,873	585,940	8,836	2,384	3,733	15,480	956,113
13,113	762,716	11,847	2,864	16,674	24,124	1,126,448
–	40,080	1,155	237	1,886	3,203	142,807
–	–	–	–	–	(1,474)	(1,474)
(2,620)	(121,418)	(2,677)	(433)	(11,716)	(7,050)	(174,892)
10,493	681,378	10,325	2,668	6,844	18,803	1,092,889
40,493	1,621,217	32,023	16,103	51,517	60,470	2,330,829
(30,000)	(939,839)	(21,698)	(13,435)	(44,673)	(41,667)	(1,237,940)
10,493	681,378	10,325	2,668	6,844	18,803	1,092,889
10	5 - 20	5 & 20	10	33.33	20	

13.1.1 This includes freehold land measuring 1.976 acres (71,150 square feet) provisionally allotted to the Company in Woven Garment Zone Value Addition City by Faisalabad Industrial Estate Development Management Company (FIEDMC), which is owned by the Government of Punjab. Final sale deed execution in Company's name is subject to certain conditions which include installation of industrial unit and obtaining completion certificate from FIEDMC.

13.2 The depreciation charge for the year has been allocated as follows:

		2010	2009
		(Rupees in '000)	
Cost of sales	29	159,604	155,915
Distribution and selling expenses	31	224	260
Administrative expenses	32	9,711	18,717
		169,539	174,892

13.3 Property, plant and equipment as at 30 June 2010 include items having an aggregate cost of Rs. 674.899 million that have been fully depreciated and are still in use by the Company.

13.4 The fair value of operating fixed assets as at 30 June 2010 approximated to Rs. 2,252.631 million.

13.5 Capital Work-in-Progress

		2010	2009
		(Rupees in '000)	
Plant and machinery		3,307	4,580
Civil work	13.5.1	101,960	100,662
Software	13.5.2	–	26,457
		105,267	131,699

13.5.1 This includes advance against purchase of land amounting to Rs. 40 million (30 June 2009: Rs. 40 million).

13.5.2 As at 30 June 2009, software includes expenditure incurred on acquiring license and implementing Enterprise Resource Planning (ERP) software (Oracle) which has been transferred to intangible assets during the year.

13.6 The following assets were disposed off during the year:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particular of buyers
	(Rupees in '000)					
Motor vehicles	504	504	–	175	Company Scheme	Mr. Sikandar Soomro (employee)
	63	–	63	63	Insurance Claim	EFU Insurance
Electrical equipment	259	108	151	151	Negotiation	Desert Sound, Karachi
Others	13,104	12,902	202	2,615	Various	Various
2010	**13,930**	**13,514**	**416**	**3,004**		
2009	4,838	3,364	1,474	1,740		

14. INTANGIBLE ASSETS

		2010	2009
		(Rupees in '000)	
Net carrying value as at 1 July			
Net book value as at 1 July		811	620
Additions / transfers (at cost)		33,589	583
Amortization	14.1	(9,943)	(392)
Net book value as at 30 June	14.2 & 14.3	24,457	811
Gross carrying value as at 30 June			
Cost		45,734	12,145
Accumulated amortization		(18,637)	(8,694)
Accumulated impairment		(2,640)	(2,640)
Net book value		24,457	811
Amortization rate (% per annum)		33.33	33.33

14.1 The amortization charge for the year has been allocated as follows:

Cost of sales	29	24	119
Administrative expenses	32	9,919	273
		9,943	392

14.2 Intangible assets as at 30 June 2010 includes ERP software (Oracle) implemented and used by the Company having carrying amount of Rs. 21.658 million (30 June 2009: Nil) and remaining unamortized period of 25 months (30 June 2009: Nil).

14.3 Intangible assets as at 30 June 2010 include items having an aggregate cost of Rs. 8.466 million that have been fully amortized and are still in use of the Company.

15. INVESTMENT PROPERTY

		Leasehold Land and Improv-ment	Building on Lease-hold Land	Office Premises	Total
		(Rupees in '000)			
Net carrying value as at 1 July 2009					
Opening net book value (NBV)		2,456	20,176	24,537	47,169
Additions		2,095	–	–	2,095
Depreciation charge	15.1	(64)	(1,080)	(3,284)	(4,428)
Balance as at 30 June 2010 (NBV)	15.2	4,487	19,096	21,253	44,836
Gross carrying value as at 30 June 2010					
Cost		4,609	21,608	29,655	55,872
Accumulated depreciation		(122)	(2,512)	(8,402)	(11,036)
Net book value		4,487	19,096	21,253	44,836
Balance as at 1 July 2008		2,485	21,256	26,262	50,003
Additions		–	–	1,392	1,392
Depreciation charge		(29)	(1,080)	(3,117)	(4,226)
Balance as at 30 June 2009 (NBV)		2,456	20,176	24,537	47,169
Depreciation rate (% per annum)		1 & 10	5	5 to 20	

15.1 Depreciation charged for the year has been allocated to administrative expenses.

15.2 Fair value of the investment property based on recent valuation is Rs. 124.400 million (30 June 2009: Rs. 93 million).

16. LONG TERM INVESTMENT

		2010	2009
		(Rupees in '000)	
Subsidiary companies - at cost	16.1	330,100	–
Associated companies - at cost	16.2	651,418	816,205
Other long term investments	16.3	203,884	83,891
		1,185,402	900,096

16.1 Subsidiary companies - at cost

2010	2009			2010	2009
(Number of shares)				(Rupees in '000)	
		Unquoted			
33,010,000	–	Shakarganj Energy (Private) Limited (Chief Executive Officer - Mr. Muhammad Saad Thaniana)	16.1.1	330,100	–
2	2	Crescent Continental Gas Pipelines Limited (US $ 1 each)	16.1.2	–	–
33,010,002	2			330,100	–

16.1.1 This represents the Company's investment in 100% equity shares of Shakarganj Energy (Private) Limited (SEL). The Company acquired 10,000 ordinary shares of Rs. 10 each in SEL on 4 January 2010 for a total consideration of Rs. 0.100 million. Further the Company has also fully subscribed to right issues made by SEL aggregating 33 million ordinary shares for Rs. 330 million.

16.1.2 This represents investment in subsidiary of Rs. 90 only. The subsidiary company has not commenced operation and accordingly no financial statements have been prepared.

16.2 Associated companies - at cost

2010	2009			2010	2009
(Number of shares)				(Rupees in '000)	
		Quoted			
60,475,416	60,475,416	Altern Energy Limited (Chief Executive Officer - Mr. Sheikh Muhammad Iqbal)	16.2.1	593,488	593,488
15,244,665	15,244,665	Shakarganj Mills Limited (Chief Executive Officer - Mr. Ahsan M. Salem)		388,562	388,562
				982,050	982,050

2010	2009			2010	2009
(Number of shares)				(Rupees in '000)	
		Unquoted			
–	12,000,000	Shakarganj Food Products Limited (Chief Executive Officer - Mr. Anjum M. Saleem)	16.2.2	–	120,000
–	2,185,096	Safeway Fund Limited (Chief Executive Officer - Mr. Nihal Cassim)	16.2.3	–	81,250
				982,050	1,183,300
		Less: Provision for impairment		330,632	367,095
				651,418	816,205

16.2.1 The Company holds 17.65% shareholding in Altern Energy Limited and has no common directorship. In the consolidated financial statements, the investee has been treated as an associate due to the Group companies' effective holding of over 20%. Consequently, as per the requirements of IAS 28 'Investment in Associates', the investee company has also been treated as an associate in these financial statements.

16.2.2 The investment in Shakarganj Food Products Limited has been transferred to investment in available for sale securities as the company considers that it no longer has significant influence over the investee company.

16.2.3 The investment in Safeway Fund Limited has been disposed off during the year.

16.2.4 Market value/break-up of investments in associates are as follows:

	2010	2009
	(Rupees in '000)	
Quoted		
Altern Energy Limited	624,711	483,803
Shakarganj Mills Limited	57,930	77,748
	682,641	561,551
Unquoted*		
Shakarganj Food Products Limited	–	39,814
Safeway Fund Limited	–	24,969
	–	64,783
	682,641	626,334

*Break-up value of shares is based on latest available unaudited condensed interim financial information as at 31 March 2010.

16.2.5 Percentage holding of equity investments in associates are as follows:

	2010	2009
	%	
Quoted		
Altern Energy Limited	17.65	17.65
Shakarganj Mills Limited	21.93	21.93
Unquoted		
Shakarganj Food Products Limited	–	9.33
Safeway Fund Limited	–	25.00

16.3 Other long term investments

		2010	2009
		(Rupees in '000)	
Related parties			
Held to maturity	24.1	–	29,994
Available for sale	16.3.1	–	–
Others			
Available for sale	16.3.4	178,946	58,946
Held to maturity	16.3.5	24,938	26,781
		203,884	115,721
Less: Current maturity of Maple Leaf Cement Limited (Preference Shares) and Shakarganj Mills Limited (Preference Shares)	24 & 16.3.5	–	31,830
		203,884	83,891

16.3.1 Available-for-sale

2010	2009			2010	2009
(Number of shares)				(Rupees in '000)	
		Unquoted			
2,403,725	2,403,725	Crescent Bahuman Limited	16.3.2	24,037	24,037
1,047,000	1,047,000	Crescent Industrial Chemicals Limited	16.3.3	10,470	10,470
				34,507	34,507
		Less: Provision for impairment		34,507	34,507
				–	–

16.3.2 The chief executive of Crescent Bahuman Limited is Mr. Nasir Shafi. The company's break up value of shares could not be ascertained as the latest financial statements of the company are not available.

16.3.3 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.

16.3.4 Available-for-sale

2010	2009		2010	2009
(Number of shares)			(Rupees in '000)	
		Unquoted		
1,425,000	1,425,000	Central Depository Company of Pakistan Limited	58,946	58,946
12,000,000	–	Shakarganj Food Products Limited	120,000	–
			178,946	58,946

16.3.5 Held to maturity

		2010	2009
Term Finance Certificates	16.3.6	24,938	24,945
Maple Leaf Cement Limited (Preference Shares)	24.2	–	1,836
		24,938	26,781
Less: Current maturity of Maple Leaf Cement Limited (Preference Shares)		–	1,836
		24,938	24,945

16.3.6 Term Finance Certificates (TFCs)

	2010	2009
United Bank Limited (5,000 TFCs of Rs. 5,000 each)	24,948	24,955
Current maturity shown under current assets	(10)	(10)
	24,938	24,945

This represents investments in TFCs issued on 10 February 2004 by United Bank Limited. The tenor of the TFCs are eight years with semi-annual installments comprising of principal and profit. The rate of profit is 8.45 percent per annum. Fair value of the TFCs as at 30 June 2010 amounted to Rs. 22.718 million (2009: Rs. 21.618 million).

17. LONG TERM LOANS AND DEPOSITS

		2010	2009
		(Rupees in '000)	
Security deposits		3,193	3,174
Long term loans - considered good	17.1	273	627
		3,466	3,801

17.1 This represents interest free house loans provided to employees for a period of 5 years.

18. STORES, SPARES AND LOOSE TOOLS

	Note	2010	2009
		(Rupees in '000)	
Stores - steel segment		10,463	8,474
Spare parts - steel segment	18.1	38,352	38,873
Loose tools - steel segment		890	954
Stores and spares - cotton segment	18.2	44,482	49,267
		94,187	97,568
Provision for slow moving items	18.3	(21,268)	(13,805)
		72,919	83,763

18.1 This includes items in-transit as at 30 June 2010 of Rs. 0.830 million (2009: Rs. Nil).

18.2 This includes items in-transit as at 30 June 2010 of Rs. 6.638 million (2009: Rs. 9.09 million).

18.3 Movement of provision for slow moving items

	2010	2009
	(Rupees in '000)	
Opening balance	13,805	17,244
Provision/(reversal of provision) made during the year	7,463	(3,439)
Closing balance	21,268	13,805

19. STOCK-IN-TRADE

	Note	2010	2009
Raw materials			
Hot rolled steel coils (HR Coil)		379,555	34,122
Coating materials		50,585	54,694
Others		25,610	25,021
Raw cotton	19.1	95,989	172,608
Stock-in-transit	19.2	318,812	199,699
		870,551	486,144
Provision for obsolescence and slow-moving raw materials			
HR Coil	19.5	–	(10,310)
Coating materials	19.5	–	(84)
Others	19.5	–	(187)
		–	(10,581)
		870,551	475,563
Work-in-process	29.1	30,156	15,401
Finished goods	19.3 & 29.1	114,925	129,620
Scrap/cotton waste		10,982	10,702
Provision for obsolescence and slow-moving finished goods	19.6	–	(14,853)
		156,063	140,870
		1,026,614	616,433

19.1 This includes raw cotton amounting to Rs. 31.802 million (2009: Rs. 52.1 million) pledged as security with a financial institution.

19.2 This includes raw cotton amounting to Rs. 282.497 million (2009: Rs. 39.84 million).

19.3 This includes finished goods in transit amounting to Rs. Nil (2009: Rs. 15.507 million).

19.4 Stock in trade as at 30 June 2010 includes stock items valued at net realisable value (NRV) as follows. The write down to NRV amounting to Rs. 5.838 million has been recognized in cost of goods sold.

	Cost	NRV
	(Rupees in '000)	
Finished goods	120,464	114,925
Raw material	870,850	870,551
	991,314	985,476

19.5 Movements of provision for obsolescence and slow-moving raw materials

	2010			2009		
	H.R. Coil	Coating / Others	Total	H.R. Coil	Coating / Others	Total
	(Rupees in '000)					
Opening balance	10,310	271	10,581	8,813	271	9,084
(Reversal)/provision during the year	(4,996)	–	(4,996)	1,497	–	1,497
Written off against provision	(5,314)	(271)	(5,585)	–	–	–
Closing balance	–	–	–	10,310	271	10,581

19.6 Movements of provision for obsolescence and slow-moving finished goods

	2010	2009
	(Rupees in '000)	
Opening balance	14,853	16,348
Reversal made during the year	(3,690)	(1,495)
Written off during the year against provision	(11,163)	–
Closing balance	–	14,853

20. TRADE DEBTS

		2010	2009
		(Rupees in '000)	
Secured			
Considered good		167,275	52,849
Unsecured			
Considered good		109,605	31,078
Considered doubtful		2,387	1,547
Provision for doubtful trade debts		(2,387)	(1,547)
		109,605	31,078
		276,880	83,927

21. ADVANCES

		2010	2009
Considered good			
Advances to staff		894	679
Suppliers for goods and services		54,025	39,215
Considered doubtful			
Advances to others		–	3,000
Provision for doubtful advances		–	(3,000)
		–	–
Suppliers for goods and services		290	290
Provision for doubtful advances		(290)	(290)
		–	–
		54,919	39,894

22. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

		2010	2009
Security deposits		3,375	3,776
Prepayments		3,032	2,528
		6,407	6,304

23. INVESTMENTS

		2010	2009
Related parties			
Available-for-sale	23.1	9,758	11,060
Others			
Available-for-sale	23.2	107,976	141,965
Held for trading	23.3	346,012	502,372
		453,988	644,337
		463,746	655,397

23.1 Available-for-sale

The Company holds investments in ordinary shares of Rs. 10 each in the following listed investee companies:

2010	2009	Name of investee company		2010	2009
(Number of shares)				(Rupees in '000)	
		Quoted			
452,379	452,379	The Crescent Textile Mills Limited		9,758	11,060
91,300	91,300	Crescent Jute Products Limited	23.1.1	–	–
				9,758	11,060

23.1.1 Investments in Crescent Jute Products Limited is carried at their break-up value, which is Nil per share, as this company is on the defaulters counter of the Karachi Stock Exchange. The break-up value has been calculated on the basis of unaudited condensed interim financial information for the half year ended 31 December 2009.

Investment in others

23.2 Available-for-sale

The Company holds investments in ordinary shares of Rs. 10 each in the following listed investee companies:

2010	2009	Name of investee company		2010	2009
(Number of shares)				(Rupees in '000)	
		Quoted			
9,060,000	9,060,000	Asian Stocks Fund Limited		53,454	37,599
–	2,578	Fauji Fertilizer Company Limited		–	224
1,996	1,996	Innovative Investment Bank Limited		–	–
26,490	26,490	Jubilee Spinning and Weaving Mills Limited	23.2.1	–	–
–	1,300	Nestle Pakistan Limited		–	1,494
–	3,252,500	Pakistan Strategic Allocation Fund		–	11,156
–	100,311	PICIC Growth Fund		–	843
175,000	175,000	PICIC Investment Fund		662	667
7,944,263	7,944,263	Safeway Mutual Fund Limited		52,591	85,401
1,221	4,500	Siemens (Pakistan) Engineering Company Limited		1,269	4,581
				107,976	141,965

23.2.1 Investments in Jubilee Spinning and Weaving Mills Limited is carried at Rs. Nil (2009: Rs. Nil). The break-up value of shares of the investee company is Rs. 5.53 per share, calculated on the basis of the unaudited condensed interim financial information for the nine months ended 31 March 2010.

23.2.2 Investments having an aggregate market value of Rs. 474.493 million (30 June 2009: Rs. 952.0 million) have been pledged with financial institutions as security against financing facilities (see note 11.4) out of which Rs. 306.698 million (30 June 2009: Rs. 561.551 million) relates to long term investments.

23.3 Held for trading

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

2010	2009	Name of investee company	2010	2009
(Number of shares / units)			(Rupees in '000)	
67,500	70,000	Al Ghazi Tractors Limited *	13,655	11,340
190,859	215,960	Agriautos Industries Limited *	13,169	7,049
–	71,956	Arif Habib Securities Limited	–	1,989
30,000	39,700	Attock Cement Pakistan Limited	1,965	2,788
17,560	20,060	Attock Petroleum Limited	5,088	6,389
–	20,060	Attock Refinery Limited	–	2,503
30,000	–	Azgard Nine Limited	335	–
6,000	–	Bank AL Habib Limited	189	–
258,384	183,375	Bank Alfalah Limited	2,444	1,935
210,000	470,788	D.G. Khan Cement Company Limited	4,960	13,959
–	41,700	Engro Chemicals Pakistan Limited	–	5,356
20,500	–	Engro Corporation Limited	3,558	–
11,163	–	Fatima Fertilizer Company Limited	140	–
14,000	100,000	Fauji Fertilizer Bin Qasim Limited	365	1,769
20,000	20,000	First Habib Bank Modaraba	101	78
68,250	217,422	Fauji Fertilizer Company Limited	7,035	18,905
247,500	247,500	Golden Arrow Selected Stocks Fund Limited *	681	559
–	3,000	Habib Bank Limited	–	258
–	500	Hinopak Motors Limited	–	77
431,400	805,000	The Hub Power Company Limited	13,788	21,807
33,500	–	ICI Pakistan Limited	3,972	–
1,350	1,350	Innovative Investment Bank Limited	–	–
–	300,409	Jahangir Siddiqui and Company Limited	–	6,966

2010	2009	Name of investee company	2010	2009
(Number of shares / units)			(Rupees in '000)	
–	100,000	JS Growth Fund	–	382
–	100,000	JS Value Fund	–	445
–	99,750	Kohat Cement Company Limited	–	726
465,425	622,500	Kohinoor Energy Limited	12,329	18,053
341,400	341,400	Kot Addu Power Company Limited	14,250	14,428
10,000	–	Lotte Pakistan PTA Limited	80	–
–	426,000	Meezan Balanced Fund	–	2,462
25,000	410,869	National Bank of Pakistan	1,603	27,541
40,000	46,074	National Investment Trust	1,121	1,237
235,000	–	Nishat (Chunian) Limited	3,708	–
137,000	–	Nishat Mills Limited	5,907	–
–	599,800	Oil & Gas Development Company Limited	–	47,168
27,374	27,374	Packages Limited	3,243	4,299
685,640	1,006,140	Pakistan Oilfields Limited	148,029	146,796
302,500	–	Pakistan Telecommunication Company Limited	5,385	–
200,000	246,500	Pakistan National Shipping Corporation	7,978	11,378
–	217,365	Pakistan Petroleum Limited	–	41,199
–	171,708	Pakistan Premier Fund Limited	–	704
128,200	97,500	Pakistan State Oil Company Limited	33,358	20,831
–	161,875	Pak Suzuki Motor Company Limited	–	10,991
105,000	5,000	PICIC Energy Fund	541	23
457,311	711,000	PICIC Growth Fund	4,235	5,972
–	569,634	PICIC Insurance Limited	–	3,412
481,173	–	PICIC Investment Fund	1,819	–
4,884,734	6,056,456	Samba Bank Limited (Formerly Crescent Commercial Bank Ltd.)	11,088	18,048
2,500	–	Shell Pakistan Limited	573	–
203,500	280,280	Thal Limited *	19,320	21,708
–	22,000	United Bank Limited	–	842
			346,012	502,372

* It has face value of Rs. 5 per share.

23.4 The following investments are deposited as security with commercial banks.

Name of investee company	2010	2009
	(Rupees in '000)	
Altern Energy Limited	281,751	483,803
Agriauto Industries Limited	13,110	6,430
Al Ghazi Tractors Limited	13,655	10,530
Azgard Nine Limited	223	–
Arif Habib Securities Limited	–	138
Attock Cement Pakistan Limited	1,965	2,317
Attock Petroleum Limited	4,346	6,389
Attock Refinery Limited	–	2,503
Bank Alfalah Limited	2,441	–
Bank Al Habib Limited	189	–
ICI Pakistan Limited	3,557	–
D.G. Khan Cement Limited	4,960	11,374
Engro Corporation Limited	3,558	–
Fauji Fertilizer Bin Qasim Limited	365	1,521
Fauji Fertilizer Company Limited	7,008	5,027
The Hub Power Company Limited	13,788	16,985
Jahangir Siddiqui & Company Limited	–	3,349
Kohinoor Energy Limited	11,483	18,053
Kot Addu Power Company Limited	14,025	14,242
Kohat Cement Company Limited	–	673
Meezan Balanced Fund	–	2,312
National Bank of Pakistan	1,603	16,188
Nishat Mills Limited	5,907	–
Oil and Gas Development Company Limited	–	25,318
Pak Suzuki Motor Company Limited	–	10,991
Packages Limited	3,199	2,356
Pakistan Oilfields Limited	–	137,037
Pakistan Petroleum Limited	–	41,197
Pakistan State Oil Company Limited	33,358	–
Pakistan Strategic Allocation Fund	–	11,149
Pakistan Telecommunication Company Limited	5,340	–
PICIC Growth Fund	4,167	55
PICIC Investment Fund	2,457	–
Samba Bank Limited (Formerly Crescent Commercial Bank Ltd.)	–	18,023
Shakarganj Mills Limited	–	77,748
Siemens (Pakistan) Engineering Company Limited	–	4,581
Thal Limited	19,320	21,708
United Bank Limited - TFCs	22,718	–
	474,493	951,997

24. CURRENT PORTION OF LONG TERM INVESTMENT

		2010	2009
		(Rupees in '000)	
Preference shares of Shakarganj Mills Limited	24.1	29,994	29,994
Preference shares of Maple Leaf Cement Factory Limited	24.2	1,836	1,836
Term finance certificates of United Bank Limited		10	10
Dividend receivable on preference shares of Shakarganj Mills Limited and Maple Leaf Cement Factory Limited		5,198	4,653
		37,038	36,493
Less: Provision for impairment	24.1 & 24.2	20,034	–
		17,004	36,493

24.1 This represents 2,999,396 preference shares of Rs. 10 each of Shakarganj Mills Limited, an associated undertaking, issued in October 2004. These shares carry dividend rate of 8.5% per annum payable annually and were due for redemption in October 2009. The preference shares are convertible into ordinary shares of Rs. 10 each. The conversion option is exercisable at the end of every financial year of the investee company.

As at 30 June 2010, the amount remains outstanding and the Company does not intend to exercise the conversion option to convert the preference shares into ordinary shares as mentioned above. Management has made a provision of Rs. 18.106 million against the exposure as it considers that the balance amount shall be recovered in due course of time.

Fair value of the preference shares as at 30 June 2010 amounted to Rs. 9.028 million (2009: Rs. 29.694 million).

24.2 This represents 183,600 preference shares of Rs. 10 each of Maple Leaf Cement Factory Limited which were due for redemption on 13 December 2009. As at 30 June 2010, the amount remains outstanding and considered doubtful. Accordingly the balance outstanding has been fully provided for as at 30 June 2010.

25. OTHER RECEIVABLES

		2010	2009
		(Rupees in '000)	
Dividend receivable		529	2,444
Receivable against sale of shares		–	5,993
Claim receivable		238	3,428
Due from associated undertakings	25.1	450	5,448
Sales tax / special excise duty refundable		21,428	33,397
Provision there against		(4,346)	(4,346)
		17,082	29,051
Margin on letter of credit		–	109,045
Receivable from staff retirement funds	41	2,975	5,107
Others		3,882	104
		25,156	160,620

25.1 Due from associated undertakings

Crescent Textile Mills Limited	7	9
Shakarganj Mills Limited	13	3,016
Shakarganj Foods Products Limited	–	2,031
Crescent Jute Products Limited	430	347
Safeway Fund Limited	–	45
	450	5,448

26. TAXATION - NET

Advance tax	868,473	669,117
Provision for taxation	(849,861)	(640,696)
	18,612	28,421

26.1 The income tax assessments of the Company have been finalized up to and including the assessment year 2002-2003. Tax returns of subsequent tax years are deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 unless selected for an audit by the taxation authorities. The Appelate Tribunal Inland Revenue (ATIR) and Taxation officer has issued the order in respect of assessment year 2001-2002, 2002-2003 and Tax years 2003, 2004, 2006 and 2007. The Company has filed appeals against such order which are pending for adjudication. Full provision has been recognized in these financial statements upto Tax year 2003 except for short credit of taxes paid, deduction of taxed at source and adjustment of refund for the said assessment / Tax years. However, no provision has been made in these financial statements in respect of Tax years 2004, 2006 and 2007 as the management is confident for favourable outcome of these appeals. Additional tax liability of Rs. 128.887 million may arise against the above mentioned assessments in case decisions are made against the Company.

Further, the department has also filed appeals against orders of Commissioner of Income Tax (Appeals) in respect of assessment years 1997-1998, 2000-2001 and Tax year 2004. In case of adverse decisions, additional tax liability of Rs. 8.569 million may arise. However, no provision has been made in these financial statements as the management is confident for favourable outcome of these appeals.

27. CASH AND BANK BALANCES

		2010	2009
		(Rupees in '000)	
With banks	in deposit accounts:		
	- local currency	88,830	334
	- foreign currency	2	2
		88,832	336
	in current accounts	63,189	3,205
Cash in hand		1,658	603
		153,679	4,144

28. SALES

	2010	2009
Local sales		
Bare pipes (own product excluding coating revenue)	928,038	1,259,483
Revenue from conversion	105,071	91,189
Coating of pipes	591,552	651,208
Cotton yarn/raw cotton	2,196,287	1,497,812
Others (including pipes laboratory testing)	24,042	21,198
Scrap/waste	107,798	87,125
Sales returns	(22,535)	(15,225)
Export sales		
Export of cotton yarn	11,037	13,769
	3,941,290	3,606,559
Sales tax and special excise duty	(236,902)	(295,690)
	3,704,388	3,310,869

29. COST OF SALES

		2010	2009
Steel segment	29.1	1,010,885	1,046,861
Cotton segment	29.1	1,876,410	1,550,329
		2,887,295	2,597,190

29.1 Cost of sales

		Steel Segment		Cotton Segment		Total	
		2010	2009	2010	2009	2010	2009
		(Rupees in '000)					
Raw materials consumed		799,389	921,676	1,315,115	1,056,791	2,114,504	1,978,467
Cost of raw cotton sold		–	–	70,962	14,847	70,962	14,847
Packing materials consumed		–	–	26,261	20,717	26,261	20,717
Store and spares consumed		30,639	28,058	57,617	34,240	88,256	62,298
Fuel, power and electricity		43,763	27,297	161,232	140,188	204,995	167,485
Salaries, wages and other benefits	29.2	69,512	57,317	83,656	76,662	153,168	133,979
Insurance		1,308	1,524	3,626	3,574	4,934	5,098
Repairs and maintenance		4,450	3,608	4,083	3,212	8,533	6,820
Depreciation	13.2	20,632	16,522	138,972	139,393	159,604	155,915
Amortization of intangible assets	14.1	–	–	24	119	24	119
Stock in trade written down to NRV		5,838	–	–	–	5,838	–
Other expenses		44,595	14,942	5,681	7,386	50,276	22,328
		1,020,126	1,070,944	1,867,229	1,497,129	2,887,355	2,568,073
Opening stock of work-in-process		2,776	3,548	12,625	11,526	15,401	15,074
Closing stock of work-in-process		(13,716)	(2,776)	(16,440)	(12,625)	(30,156)	(15,401)
		(10,940)	772	(3,815)	(1,099)	(14,755)	(327)
Cost of goods manufactured		1,009,186	1,071,716	1,863,414	1,496,030	2,872,600	2,567,746
Opening stock of finished goods		70,359	45,504	59,261	113,560	129,620	159,064
Closing stock of finished goods		(68,660)	(70,359)	(46,265)	(59,261)	(114,925)	(129,620)
		1,699	(24,855)	12,996	54,299	14,695	29,444
		1,010,885	1,046,861	1,876,410	1,550,329	2,887,295	2,597,190

29.2 Detail of salaries, wages and other benefits

Salaries, wages and other benefits		61,010	51,503	80,839	73,503	141,849	125,006
Provident fund contributions		1,729	1,503	1,453	1,608	3,182	3,111
Pension fund	29.3	5,431	3,484	1,335	1,410	6,766	4,894
Gratuity fund	29.3	1,342	827	29	141	1,371	968
		69,512	57,317	83,656	76,662	153,168	133,979

29.3 Staff retirement benefits

	2010		2009	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	4,085	915	4,078	1,044
Interest cost	5,836	1,182	5,007	1,275
Expected return on plan assets	(4,229)	(975)	(4,465)	(1,422)
Actuarial losses recognized	794	183	–	–
Past service cost recognized	280	66	274	71
	6,766	1,371	4,894	968

30. INCOME FROM / (LOSS ON) INVESTMENTS

		2010	2009
		(Rupees in '000)	
Return on Term Finance Certificates		2,116	2,109
Dividend income	30.1	38,548	57,662
Gain / (loss) on sale of investments			
- Held for trading		134,312	(211,230)
- Available-for-sale		(339)	13,597
Unrealized loss on held for trading investments		(10,641)	(207,719)
Rent from investment properties	30.2	7,625	7,650
		171,621	(337,931)

30.1 This includes Rs. 0.643 million (2009: Rs. 3.078 million) dividend on preference shares from Shakarganj Mills Limited an associated company.

30.2 Direct operating expenses incurred against rent income from investment property amounted to Rs. 3.839 million (2009: Rs. 2.94 million). Further, Rs. 2.366 million (2009: Rs. 1.92 million) were incurred against the non rented out area.

31. DISTRIBUTION AND SELLING EXPENSES

		Steel Segment		Cotton Segment		Total	
		2010	2009	2010	2009	2010	2009
		(Rupees in '000)					
Salaries, wages and other benefits	31.1	5,868	5,084	1,684	1,834	7,552	6,918
Commission		–	–	12,677	6,019	12,677	6,019
Travelling, conveyance and entertainment		714	645	190	42	904	687
Depreciation	13.2	217	258	7	2	224	260
Insurance		89	102	–	–	89	102
Postage, telephone and telegram		117	91	109	35	226	126
Advertisement		672	386	100	–	772	386
Bid bond expenses		291	259	–	–	291	259
Legal and professional charges		1,960	595	–	–	1,960	595
Others		1,664	397	658	1,407	2,322	1,804
		11,592	7,817	15,425	9,339	27,017	17,156

31.1 Detail of salaries, wages and other benefits

		Steel Segment		Cotton Segment		Total	
		2010	2009	2010	2009	2010	2009
Salaries, wages and other benefits		4,434	4,098	1,684	1,834	6,118	5,932
Provident fund contributions		187	169	–	–	187	169
Pension fund	31.2	1,005	668	–	–	1,005	668
Gratuity fund	31.2	242	149	–	–	242	149
		5,868	5,084	1,684	1,834	7,552	6,918

31.2 Staff retirement benefits

	2010		2009	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	607	162	555	160
Interest cost	867	209	683	195
Expected return on plan assets	(628)	(172)	(608)	(217)
Actuarial losses recognized	118	32	–	–
Past service cost recognized	41	11	38	11
	1,005	242	668	149

32. ADMINISTRATIVE EXPENSES

		Steel Segment		Cotton Segment		IID Segment		Total	
		2010	2009	2010	2009	2010	2009	2010	2009
		(Rupees in '000)							
Salaries, wages and other benefits	32.1	49,677	43,118	5,888	5,569	6,054	5,429	61,619	54,116
Rents, rates and taxes		163	318	104	101	750	314	1,017	733
Travelling, conveyance and entertainment		5,215	4,668	884	704	598	536	6,697	5,908
Fuel and power		5,508	4,987	256	256	612	567	6,376	5,810
Postage, telephone and telegram		1,495	1,700	322	243	166	189	1,983	2,132
Insurance		680	713	60	75	126	147	866	935
Repairs and maintenance		3,269	2,496	309	193	1,085	351	4,663	3,040
Auditors' remuneration	32.3	1,109	1,005	123	158	123	109	1,355	1,272
Legal and professional and corporate service charges		16,763	11,030	1,364	1,330	6,846	4,102	24,973	16,462
Advertisement		45	332	–	–	5	37	50	369
Donations	32.4	16,452	4,241	–	1,955	1,828	471	18,280	6,667
Depreciation	13.2 & 15	8,386	16,498	393	385	5,360	6,060	14,139	22,943
Amortization of intangible assets	14.1	8,914	175	15	79	990	19	9,919	273
Printing, stationery and office supplies		1,714	1,660	237	226	190	184	2,141	2,070
Newspapers, subscriptions and periodicals		563	406	833	296	63	46	1,459	748
Others		2,841	2,194	235	685	521	273	3,597	3,152
		122,794	95,541	11,023	12,255	25,317	18,834	159,134	126,630

32.1 Salaries, wages and other benefits

		Steel Segment 2010	Steel Segment 2009	Cotton Segment 2010	Cotton Segment 2009	IID Segment 2010	IID Segment 2009	Total 2010	Total 2009
Salaries, wages and other benefits		38,247	33,653	4,775	5,398	4,664	4,247	47,686	43,298
Provident fund contributions		1,445	1,528	157	171	180	192	1,782	1,891
Pension fund	32.2	8,090	6,628	777	–	975	825	9,842	7,453
Gratuity fund	32.2	1,895	1,309	179	–	235	165	2,309	1,474
		49,677	43,118	5,888	5,569	6,054	5,429	61,619	54,116

32.2 Staff retirement benefits

	2010		2009	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	5,941	1,541	6,209	1,590
Interest cost	8,490	1,990	7,624	1,939
Expected return on plan assets	(6,152)	(1,643)	(6,797)	(2,163)
Actuarial losses recognized	1,155	308	–	–
Past service cost recognized	408	113	417	108
	9,842	2,309	7,453	1,474

32.3 Auditors' remuneration

		2010	2009
		(Rupees in '000)	
Audit fee	32.3.1	1,000	875
Fee for audit of funds' financial statements and other reports		168	209
Out of pocket expenses		187	188
		1,355	1,272

32.3.1 Audit fee includes services for audit of annual separate and consolidated financial statements, limited review of separate and consolidated condensed interim financial statements for the six months period, review report on Statement of Compliance with best Practices of the Code of Corporate Governance and audit of reconciliation statement of Nominee Shareholding of Central Depository Company of Pakistan Limited (CDC).

32.4 Donations

Donations include the following in which a director is interested:

Name of the director	Interest in donee	Name and address of the donee	Amount donated 2010	Amount donated 2009
			(Rupees in '000)	
Mr. Ahsan M. Saleem	Director	The Citizens Foundation 9th Floor, NIC Building, Karachi.	16,720	5,073
	Director	Pakistan Centre for Philanthropy 1-A, Street 14, F-8/3, Islamabad.	830	600
	Member	Lyallpur Golf Club Race Course Club, Faisalabad.	–	714
			17,550	6,387

32.4.1 Donations other than those mentioned above were not made to any donee in which a director or his spouse had any interest at any time during the year.

33. OTHER OPERATING EXPENSES

	2010	2009
	(Rupees in '000)	
Provision for slow moving stores, spares and loose tools	7,463	–
Provision for stock-in-trade	–	8,233
Provision for doubtful trade debts	840	1,399
Provision for Workers Welfare Fund	14,638	9,780
Provision for Workers Profit Participation Fund	28,666	27,524
Provision for infrastructure fee	–	5,826
Provision for impairment in the value of investments	45,229	259,148
Provision for liquidated damages	2,823	11,594
Exchange loss	1,761	8,000
	101,420	331,504

34. OTHER OPERATING INCOME

Income from financial assets		
Return on deposits	136	1,340
Income from non financial assets		
Liabilities written-back	–	4,270
Provision written back for stock-in-trade/stores, spares and loose tools	8,686	11,670
Provision written back - Workers Welfare Fund	–	19,613
Provision written back - infrastructure fees	3,488	–
Gain on disposal of fixed assets	2,588	266
Insurance commission	887	775
Others	2,493	1,036
	18,142	37,630
	18,278	38,970

35. FINANCE COSTS

Mark-up on:		
- Running finances	75,953	82,131
- Short term loans	25,842	86,495
- Long term loans	12,593	28,893
- Redeemable capital	–	1,837
- Workers Profit Participation Fund	3,141	89
Bank charges	4,379	4,126
	121,908	203,571

36. TAXATION

	2010	2009
	(Rupees in '000)	
Current		
- for the year	207,910	172,791
- for prior years	1,256	(26,396)
	209,166	146,395
Deferred	(28,200)	(11,717)
	180,966	134,678

36.1 Relationship between tax expense and accounting profit / (loss)

	2010	2009
Profit / (loss) before taxation	597,513	(264,143)
Tax at the applicable rate of 35%	209,130	(92,450)
Tax effect of inadmissible expenses / gains / losses	(14,599)	250,393
Tax effect of income taxed at lower rate	(11,800)	(16,209)
Prior year tax effect	(1,765)	(7,056)
	180,966	134,678

37. BASIC AND DILUTED EARNINGS / (LOSS) PER SHARE

	2010	2009
Profit / (loss) for the year	416,547	(398,821)
	(Number of shares)	
Average number of ordinary shares in issue during the year	56,459,993	56,459,993
	(Rupees)	
Basic and diluted earnings / (loss) per share	7.38	(7.06)

38. CASH GENERATED FROM OPERATIONS

	Note	2010	2009
		(Rupees in '000)	
Profit/(loss) before taxation		597,513	(264,143)
Adjustments for non cash charges and other items:			
Depreciation on operating fixed assets and investment property		173,967	179,118
Amortization of intangible assets		9,943	392
Amortization of advances to staff		355	351
Unrealized loss on held-for-trading investments		10,641	207,719
Provision against stock-in-trade and stores, spares and loose tools		7,463	8,233
Reversal of provision against stock-in-trade and stores, spares and loose tools		(8,686)	(11,670)
Liabilities written back		–	(4,270)
Provision for Workers Profit Participation Fund		28,666	27,524
Provision for Workers Welfare Fund		14,638	9,780
Provision written back against workers welfare fund		–	(19,613)
Impairment in the value of investment		45,229	259,148
(Reversal of provision)/provision for infrastructure fee		(3,488)	9,920
Provision for doubtful debts		840	1,399
Provision for 10-C bonus		808	741
Provision against liquidated damages		2,823	11,594
(Gain)/loss on sale of investments - net		(133,973)	197,633
Pension and gratuity expense		21,535	15,606
Charge for compensated absences		1,882	514
Finance costs		121,908	203,571
Gain on disposal of fixed assets		(2,588)	(266)
Dividend income		(38,548)	(57,662)
Return on deposits and investments		(2,252)	(3,449)
Amortization of initial transaction costs		263	712
Working capital changes	38.1	(32,722)	(22,202)
		816,217	750,680

38.1 Working capital changes

	Note	2010	2009
		(Rupees in '000)	
(Increase)/decrease in current assets			
Stores, spares and loose tools		3,381	(2,939)
Stock-in-trade		(392,398)	(10,376)
Trade debts		(193,793)	33,370
Short term advances		(15,025)	(15,295)
Short term deposits and prepayments		(103)	(3,891)
Other receivables (net)		125,424	(133,529)
		(472,514)	(132,660)
Increase in current liabilities			
Trade and other payables		439,792	110,458
		(32,722)	(22,202)

39. CASH AND CASH EQUIVALENTS

	Note	2010	2009
Running finances under mark-up arrangements	11	(652,875)	(648,880)
Cash and bank balances	27	153,679	4,144
		(499,196)	(644,736)

40. SEGMENT REPORTING

40.1 Reportable segments

The Company's reportable segments are as follows:

- Steel segment - It comprises manufacturing and coating of steel pipes (note 1.2).

- Cotton segment - It comprises manufacturing of yarn (note 1.3).

- Investment and Infrastructure Development (IID) segment - To effectively manage the investment portfolio in shares and other securities (strategic as well as short term) and property investments (held for rentals as well as long term appreciation).

Information regarding the Company's reportable segment is presented below:

40.2 Segment revenues and results

Following is an analysis of the Company's revenue and results by reportable segment

	Steel Segment	Cotton Segment	IID Segment	Total
	(Rupees in '000)			
For the year ended 30 June 2010				
Sales	1,432,214	2,272,174	–	3,704,388
Cost of sales	1,010,885	1,876,410	–	2,887,295
Gross profit	**421,329**	**395,764**	**–**	**817,093**
Income from investments	–	–	171,621	171,621
	421,329	**395,764**	**171,621**	**988,714**
Distribution and selling expenses	11,592	15,425	–	27,017
Administrative expenses	122,794	11,023	25,317	159,134
Other operating expenses	29,389	25,983	46,048	101,420
	163,775	52,431	71,365	287,571
	257,554	**343,333**	**100,256**	**701,143**
Other operating income	14,474	3,804	–	18,278
Operating profit before finance costs	**272,028**	**347,137**	**100,256**	**719,421**
Finance costs	13,415	74,929	33,564	121,908
Profit before taxation	**258,613**	**272,208**	**66,692**	**597,513**
Taxation				180,966
Profit after taxation for the year				**416,547**
For the year ended 30 June 2009				
Sales	1,739,350	1,571,519	–	3,310,869
Cost of sales	1,046,861	1,550,329	–	2,597,190
Gross profit	**692,489**	**21,190**	**–**	**713,679**
Loss from investments	–	–	(337,931)	(337,931)
	692,489	**21,190**	**(337,931)**	**375,748**
Distribution and selling expenses	7,817	9,339	–	17,156
Administrative expenses	95,541	12,255	18,834	126,630
Other operating expenses	66,212	6,144	259,148	331,504
	169,570	27,738	277,982	475,290
	522,919	**(6,548)**	**(615,913)**	**(99,542)**
Other operating income	37,185	1,785	–	38,970
Operating profit/(loss) before finance costs	**560,104**	**(4,763)**	**(615,913)**	**(60,572)**
Finance costs	46,930	104,291	52,350	203,571
Profit/(loss) before taxation	**513,174**	**(109,054)**	**(668,263)**	**(264,143)**
Taxation				134,678
Loss after taxation for the year				**(398,821)**

40.2.1 Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the year (2009: Nil).

40.2.2 The accounting policies of the reportable segments are the same as the Company's accounting policies described in note 5 to the financial statements. The steel segment allocates certain percentage of the common administrative expenditure to the cotton segment and IID segment. In addition, financial charges between steel and cotton segments are allocated at average mark-up rate on the basis of funds utilized. This is the measure reported to management for the purposes of resource allocation and assessment of segment performance.

40.3 Revenue from major products and services

The analysis of the Company's revenue from external customers for major products and services is given in note 28 to the financial statements.

40.4 Information about major customers

Revenue from major customers of Company's steel segment represent approximately Rs. 754.696 million (30 June 2009: Rs. 1,261.257 million) of total steel segment revenue of Rs. 1,432.241 million (30 June 2009: Rs. 1,739.350 million). Revenue from cotton segments of the Company does not include any single major customer.

40.5 Geographical information

40.5.1 The Company's revenue from external customers by geographical location is detailed below:

	2010	2009
	(Rupees in '000)	
Pakistan	3,693,351	3,297,100
Far East	11,037	13,769
	3,704,388	3,310,869

40.5.2 All non-current assets of the Company as at 30 June 2010 and 2009 were located and operating in Pakistan.

40.6 Segment assets and liabilities

Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follows:

	Steel Segment	Cotton Segment	IID Segment	Total
	(Rupees in '000)			
As at 30 June 2010				
Segment assets for reportable segments	1,094,906	1,373,999	1,804,001	4,272,906
Unallocated corporate assets				163,391
Total assets as per balance sheet				4,436,297
Segment liabilities for reportable segments	524,468	320,828	2,707	848,003
Unallocated corporate liabilities				965,682
Total liabilities as per balance sheet				1,813,685
As at 30 June 2009				
Segment assets for reportable segments	614,231	1,333,311	1,733,258	3,680,800
Unallocated corporate assets				211,874
Total assets as per balance sheet				3,892,674
Segment liabilities for reportable segments	241,473	267,672	1,598	510,743
Unallocated corporate liabilities				1,053,135
Total liabilities as per balance sheet				1,563,878

40.6.1 For the purposes of monitoring segment performance and allocating resources between segments

- all assets are allocated to reportable segments other than those directly relating to corporate and tax assets; and
- all liabilities are allocated to reportable segments other than ‘trade and other payables’ directly relating to corporate, 'short term borrowings', 'interest and mark-up accrued' and current and deferred tax liabilities.

Cash and bank balances, borrowings and related interest and mark-up payable and receivable thereon/therefrom are not allocated to reporting segments as these are managed by the Company's central treasury function.

40.7 Other segment information

	Steel Segment	Cotton Segment	IID Segment	Total
	(Rupees in '000)			
For the year ended 30 June 2010				
Capital expenditure	13,707	18,083	2,095	33,885
Depreciation and amortization	38,149	139,411	6,350	183,910
Non-cash items other than depreciation and amortization - net	51,370	99,149	(83,003)	67,516
For the year ended 30 June 2009				
Capital expenditure	136,340	14,538	18,237	169,115
Depreciation and amortization	33,453	139,978	6,079	179,510
Non-cash items other than depreciation and amortization	94,786	250,106	502,340	847,232

41. STAFF RETIREMENT BENEFITS

41.1 Defined benefit plans

41.1.1 The actuarial valuation of both pension and gratuity schemes has been conducted in accordance with IAS 19 "Employee benefits" as at 30 June 2010. The projected unit credit method, using the following significant assumptions, has been used for the actuarial valuation:

	2010	2009
- Discount rate	12%	12%
- Expected rate of increase in salaries	11% to 12%	12% to 15%
- Expected rate of return on plan assets	12%	12%
- Average expected remaining working life of employees	10 years	10 years
- Expected mortality for active members	As per EFU (61-66) mortality table	

41.1.2 Reconciliation of payable to/(receivable from) defined benefit plans

		2010			2009		
		Pension	Gratuity	Total	Pension	Gratuity	Total
		(Rupees in '000)					
Present value of defined benefit obligations	41.1.4	141,712	34,115	175,827	126,611	28,177	154,788
Fair value of plan assets	41.1.5	(128,646)	(29,906)	(158,552)	(91,742)	(23,254)	(114,996)
Unrecognized net actuarial losses	41.1.8	(11,498)	(6,151)	(17,649)	(33,332)	(8,047)	(41,379)
Unrecognized past service cost		(1,458)	(1,143)	(2,601)	(2,187)	(1,333)	(3,520)
Liability/(asset) in balances		110	(3,085)	(2,975)	(650)	(4,457)	(5,107)

41.1.3 Movement in payable to/(receivable from) defined benefit plans

Opening balance		(650)	(4,457)	(5,107)	2,155	(4,758)	(2,603)
Charge for the year	41.1.9	17,613	3,922	21,535	13,016	2,591	15,607
Contributions by the Company	41.1.5	(16,853)	(2,550)	(19,403)	(15,821)	(2,290)	(18,111)
Closing balance		110	(3,085)	(2,975)	(650)	(4,457)	(5,107)

41.1.4 Reconciliation of present value of defined benefit obligations

Present value of defined benefit obligations - 1 July	126,611	28,177	154,788	110,954	28,404	139,358
Current service cost	10,633	2,618	13,251	10,842	2,794	13,636
Interest cost	15,193	3,381	18,574	13,315	3,409	16,724
Benefits paid during the year	(4,457)	(1,062)	(5,519)	(2,647)	(3,174)	(5,821)
Actuarial (gain)/loss on obligations	(6,268)	1,001	(5,267)	(5,853)	(3,256)	(9,109)
Present value of defined benefit obligations - 30 June	141,712	34,115	175,827	126,611	28,177	154,788

41.1.5 Changes in the fair value of plan assets are as follows:

	2010			2009		
	Pension	Gratuity	Total	Pension	Gratuity	Total
	(Rupees in '000)					
Fair value of plan assets - 1 July	91,742	23,254	114,996	98,914	31,684	130,598
Expected return on plan assets	11,009	2,790	13,799	11,870	3,802	15,672
Contributions by the Company	16,853	2,550	19,403	15,821	2,290	18,111
Benefits paid during the year	(4,457)	(1,062)	(5,519)	(2,647)	(3,174)	(5,821)
Actuarial gain/(loss) on plan assets	13,499	2,374	15,873	(32,216)	(11,348)	(43,564)
Fair value of plan assets - 30 June	128,646	29,906	158,552	91,742	23,254	114,996

41.1.6 Actual return on plan assets	24,508	5,164	29,672	(20,346)	(7,546)	(27,892)

41.1.7 Actuarial (losses)/gains to be recognized

	2010		2009	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Corridor limit				
The limits of corridor as at 1 July				
a) 10% of present value of obligations	12,661	2,818	11,095	2,840
b) 10% of fair value of plan assets	9,174	2,325	9,891	3,168
Higher of (a) and (b) above	12,661	2,818	11,095	3,168
Unrecognized net actuarial (losses)/gains as at 1 July	(33,332)	(8,047)	(6,969)	45
Excess	(20,671)	(5,229)	–	–
Average expected remaining working lives in years	10	10	10	10
Actuarial (losses) recognized	(2,067)	(523)	–	–

41.1.8 Unrecognized net actuarial (losses)/gains

		2010			2009		
		Pension	Gratuity	Total	Pension	Gratuity	Total
		(Rupees in '000)					
Unrecognized net actuarial (losses)/gains as at 1 July		(33,332)	(8,047)	(41,379)	(6,969)	45	(6,924)
Actuarial gain/(loss) on obligations	41.1.4	6,268	(1,001)	5,267	5,853	3,256	9,109
Actuarial gain/(loss) on plan assets	41.1.5	13,499	2,374	15,873	(32,216)	(11,348)	(43,564)
		(13,565)	(6,674)	(20,239)	(33,332)	(8,047)	(41,379)
Less: Actuarial losses recognized	41.1.7	(2,067)	(523)	(2,590)	–	–	–
Unrecognized net actuarial losses as at 30 June		(11,498)	(6,151)	(17,649)	(33,332)	(8,047)	(41,379)

41.1.9 Following amounts have been charged in the profit and loss account in respect of these benefits:

	Pension 2010	Gratuity 2010	Total 2010	Pension 2009	Gratuity 2009	Total 2009
Current service cost	10,633	2,618	13,251	10,842	2,794	13,636
Interest cost	15,193	3,381	18,574	13,315	3,409	16,724
Expected return on plan assets	(11,009)	(2,790)	(13,799)	(11,870)	(3,802)	(15,672)
Actuarial losses recognized	2,067	523	2,590	–	–	–
Past service cost recognized	729	190	919	729	190	919
Expense recognized in profit and loss account	17,613	3,922	21,535	13,016	2,591	15,607

41.1.10 Amounts for the current year and previous four years of the present value of defined benefit obligations, fair value of plan assets, surplus/(deficit) and experience adjustments arising thereon are as follows:

	2010	2009	2008	2007	2006
	(Rupees in '000)				
Pension					
As at 30 June					
Present value of defined benefit obligation	141,712	126,611	110,954	99,224	71,422
Fair value of plan assets	128,646	91,742	98,915	93,474	68,194
Deficit	(13,066)	(34,869)	(12,039)	(5,750)	(3,228)
Experience adjustments					
Actuarial gain on obligation	(6,268)	(5,853)	(6,440)	(8,383)	(2,502)
Actuarial gain/(loss) on plan assets	13,499	(32,216)	(11,355)	14,157	(1,512)
Gratuity					
As at 30 June					
Present value of defined benefit obligation	34,115	28,177	28,404	27,945	19,776
Fair value of plan assets	29,906	23,254	31,684	32,878	24,023
(Deficit)/surplus	(4,209)	(4,923)	3,280	4,933	4,247
Experience adjustments					
Actuarial loss/(gain) on obligation	1,001	(3,256)	(3,774)	708	1,113
Actuarial gain/(loss) on plan assets	2,374	(11,348)	(6,091)	4,298	17

41.1.11 Expected contribution for the next year

The expected contribution to the pension and gratuity schemes for the year ending 30 June 2011 work out to Rs. 7.562 million and Rs. 2.950 million respectively.

41.2 Defined contribution plans

The total charge against provident fund for the year was Rs. 5.151 million (2009: Rs. 5.171 million).

42. FINANCIAL INSTRUMENTS

The Company has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

42.1 Credit risk

Credit risk represents the financial loss that would be recognized at the balance sheet date if counterparties fail completely to perform as contracted / fail to discharge an obligation / commitment that it has entered into with the Company. It arises principally from trade receivables, bank balances, security deposits, accrued markup and investment in debt securities.

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the balance sheet date is:

	2010	2009
	(Rupees in '000)	
Investments	41,952	61,438
Loans and deposits	6,568	6,950
Trade debts	276,880	83,927
Mark-up accrued	820	813
Other receivables	4,570	124,018
Bank balances	152,021	3,541
	482,811	280,687

Trade receivable

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Sales tenders and credit terms are approved by the tender approval committee. Where considered necessary, advance payments are obtained from certain parties. Sales made to major customers are secured through letters of credit. The management has set a maximum credit period of 15 days in respect of cotton division's sales to reduce the credit risk.

All the trade debtors at the balance sheet date represent domestic parties.

The maximum exposure to credit risk before any credit enhancements for trade receivables at the reporting date by type of customer was:

	2010	2009
	(Rupees in '000)	
Cotton segment	93,894	33,411
Steel segment	182,986	50,516
	276,880	83,927

The aging of trade receivable at the reporting date is:

Not past due	219,477	68,171
Past due 1-30 days	1,580	4,049
Past due 30-150 days	51,152	3,080
Past due 150 days	7,058	10,174
	279,267	85,474
Less: impaired	(2,387)	(1,547)
	276,880	83,927

One of the major customer accounts for Rs. 155.392 million of the trade receivables carrying amount at 30 June 2009 (2009: Rs. 35.16 million) that has a good track record with the Company.

The movement in the allowance for impairment in respect of trade receivables is as follows:

	2010	2009
	(Rupees in '000)	
Opening balance	1,547	148
Provision during the year	840	1,399
Closing balance	2,387	1,547

Based on past experience the management believes that no impairment allowance is necessary in respect of trade receivables past due as some receivables have been recovered subsequent to the year end and for other receivables there are reasonable grounds to believe that the amounts will be recovered in short course of time. Non past due amounts of Rs. 46.819 million (2009: Rs. 43.233 million) and past due amounts of Rs. Nil (2009: Rs. 9.616 million) are secured through inland letters of credit.

Settlement risk

All investing transactions are settled/paid for upon delivery as per the advice of investment committee. The Company's policy is to enter into financial instrument contract by following internal guidelines such as approving counterparties and approving credits.

Bank balances

The Company kept its surplus funds with banks having good credit rating. Currently the surplus funds are kept with banks having rating from AAA to A.

Investment in debt securities

Credit risk arising on debt securities is mitigated by investing principally in investment grade rated instruments. Where the investment is considered doubtful a provision is created there against. As at 30 June 2010, the Company has recognized a provision of Rs. 20.034 million against its exposure to preference shares of investee companies.

The analysis below summarizes the credit quality of the Company's investments in debt securities of investee companies.

	2010	2009
Term Finance Certificates	AA	AA
Preference Shares		
- Maple Leaf Cement Factory Limited	D	A2
- Shakarganj Mills Limited	D	A2

Concentration of credit risk

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

42.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligation arising from financial liabilities that are settled by delivering cash or another financial asset or that such obligation will have to be settled in a manner disadvantageous to the Company. The Company is not materially exposed to liquidity risk as substantially all obligation / commitments of the Company are short term in nature and are restricted to the extent of available liquidity. In addition, the Company has obtained running finance facilities from various commercial banks to meet the short term liquidity commitments, if any.

The following are the contractual maturities of the financial liabilities, including estimated interest payments:

	2010						
	Carrying amount	On demand	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
	(Rupees in '000)						
Financial liabilities							
Loan	56,143	–	58,940	58,940	–	–	–
Trade and other payables	249,869	–	249,869	249,869	–	–	–
Interest and mark-up accrued	34,198	–	34,198	34,198	–	–	–
Short term borrowings	780,288	780,288	–	–	–	–	–
	1,120,498	780,288	343,007	343,007	–	–	–

	2009						
	Carrying amount	On demand	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
	(Rupees in '000)						
Financial liabilities							
Loan	168,380	–	189,808	67,505	63,231	59,072	–
Trade and other payables	247,207	–	247,207	247,207	–	–	–
Interest and mark-up accrued	19,009	–	19,009	19,009	–	–	–
Short term borrowings	902,815	902,815	–	–	–	–	–
	1,337,411	902,815	456,024	333,721	63,231	59,072	–

42.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The Investment Committee monitors the portfolio of its investments and adjust the portfolio in light of changing circumstances.

42.3.1 Currency risk

The Company is exposed to currency risk on import of raw materials, stores and spares and foreign currency bank accounts denominated in US Dollars (USD), Great Britain Pound (GBP) and Euros . The Company's exposure to foreign currency risk for these currencies is as follows:

	2010			
	USD	Pound	Euro	Total
	(Rupees in '000)			
Foreign creditors	(196,030)	(1,627)	(6,589)	(204,246)
Foreign currency bank account	2	–	–	2
Gross balance sheet exposure	(196,028)	(1,627)	(6,589)	(204,244)
Outstanding letters of credit	(22,302)	(1,071)	(1,537)	(24,910)
Net exposure	(218,330)	(2,698)	(8,126)	(229,154)

	2009			
	USD	Pound	Euro	Total
	(Rupees in '000)			
Foreign creditors	(129,301)	–	–	(129,301)
Foreign currency bank account	2	–	–	2
Net exposure	(129,299)	–	–	(129,299)

The following significant exchange rate has been applied:

	Average rate		Reporting date rate	
	2010	2009	2010	2009
USD to PKR	83.69	78.89	85.60	81.30
GBP to PKR	132.32	125.67	128.96	135.38
Euro to PKR	116.40	107.17	104.58	114.82

Sensitivity analysis

At reporting date, if the PKR had strengthened by 10% against the USD, GBP and Euro with all other variables held constant, post-tax profit for the year would have been higher by the amount shown below, mainly as a result of net foreign exchange gain on translation of foreign currency bank account and foreign creditors.

Effect on profit or loss	2010	2009
	(Rupees in '000)	
USD	21,833	12,903
GBP	270	–
Euro	813	–
	22,916	12,903

The weakening of the PKR against USD, GBP and Euro would have had an equal but opposite impact on the post tax profits.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

42.3.2 Interest rate risk

At the reporting date the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2010	2009	2010	2009
Financial assets	**Effective interest rate (in Percent)**		**Carrying amount (Rupees in '000)**	
Fixed rate instruments				
Preference shares	8.5 & 9.75	8.5 & 9.75	16,994	31,830
Term finance certificates	8.45	8.45	24,948	24,955
Financial liabilities				
Variable rate instruments				
Loan	14.25 - 14.95	14.94 - 17.55	56,143	168,380
Short term borrowings	13.49 - 15.79	12.52 - 18.5	780,288	902,815

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in interest rates at the reporting date would not affect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased/(increased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

	Profit and loss 100 bp	
	2010	**2009**
	(Rupees in '000)	
As at 30 June 2010		
Cash flow sensitivity-Variable rate financial liabilities	(3,901)	3,901
As at 30 June 2009		
Cash flow sensitivity-Variable rate financial liabilities	(3,734)	3,734

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

42.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Other price risk arises from the Company's investment in ordinary shares of listed companies. To manage its price risk arising from aforesaid investments, the Company diversifies its portfolio and continuously monitors developments in equity markets. In addition the Investment Committee actively monitors the key factors that affect stock price movement.

A 10% increase/decrease in share prices at year end would have decreased/increased the Company's profit in case of held for trading investments and increase/decrease surplus on re-measurement of investments in case of 'available for sale' investments as follows:

	2010	**2009**
	(Rupees in '000)	
Effect on profit / (loss)	34,601	50,237
Effect on equity	17,668	21,374
Effect on investments	52,269	71,611

The sensitivity analysis prepared is not necessarily indicative of the effects on profit/equity and assets of the Company.

42.4 Fair value of financial instruments

The carrying values of other financial assets and financial liabilities reported in balance sheet approximate their fair values.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument

- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3: Valuation techniques using significant unobservable inputs.

Investment in ordinary shares of listed companies is valued using quoted prices in active market, hence, fair value of such investments fall within Level 1 in fair value hierarchy as mentioned above.

43. REMUNERATION TO THE CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	Chief Executive		Director		Executives		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	(Rupees in '000)							
Managerial remuneration	6,750	6,000	–	2,910	17,434	18,467	24,184	27,377
House rent	3,038	2,700	–	1,309	7,339	6,422	10,377	10,431
Utilities	675	600	–	291	1,678	1,475	2,353	2,366
Travelling expenses	994	1,152	–	317	–	309	994	1,778
Others	932	709	1,166	–	–	44	2,098	753
Medical	211	60	–	109	994	1,029	1,205	1,198
Contribution to:								
- Provident fund	675	600	–	291	1,065	922	1,740	1,813
- Gratuity fund	472	460	–	223	719	657	1,191	1,340
- Pension fund	1,350	1,200	–	582	2,331	2,008	3,681	3,790
Club subscription and expenses	649	447	–	10	44	46	693	503
Entertainment	–	–	–	33	42	121	42	154
Conveyance	–	–	–	–	1,001	971	1,001	971
Telephone	–	–	–	11	6	28	6	39
	15,746	13,928	1,166	6,086	32,653	32,499	49,565	52,513
Number of persons	1	1	1	1	14	14	16	16

43.1 The aggregate amount charged in the account in respect of directors' fees paid to six directors (2009: seven) directors was Rs. 0.360 million (2009: Rs. 0.305 million).

43.2 The chief executive, a director and four executives are provided with free use of Company maintained cars, according to their entitlements.

43.3 The chief executive, a director, executives and their families are also covered under group life and hospitalization insurance.

44. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated companies, directors of Company, companies where directors also hold directorship, related group companies, key management personnel and staff retirement funds.

The transactions and outstanding balances with related parties other than those disclosed elsewhere are as follows:

		2010	2009
		(Rupees in '000)	
Subsidiary companies			
Right shares subscribed		330,000	–
Associated companies			
Sale of finished goods including waste		24	16,080
Sale of raw cotton		7,623	–
Rendering of services		3,989	1,182
Receiving of services		3,002	4,743
Rental income		2,301	4,649
Purchase of shares		–	20,872
Purchase of operating fixed assets		–	120,510
Other related parties			
Rendering of services		441	–
Donations	32.4	17,550	6,387
Contribution to provident fund		5,151	5,171
Contribution to pension fund	41.1.5	16,853	15,821
Contribution to gratuity fund	41.1.5	2,550	2,290
Remuneration to key management personnel		40,214	44,285

44.1 Sale of goods, rendering of services and rental income are based on commercial terms and at market prices which are approved by the Board of Directors.

44.2 Contributions to the employee retirement benefits are made in accordance with the terms of employee retirement benefits schemes and actuarial advice.

44.3 Key management personnel are those person having authority and responsibility for planning, directing and controlling the activities of the company, including directors of the company. There are no transactions with the key management personnel other than their terms of employment / entitlements.

45. CAPITAL RISK MANAGMENT

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company's overall strategy remains unchanged from year 2009.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payments to share holders or issue new shares. The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

The Company is not subject to any externally imposed capital requirements.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt less cash and bank balances. Total capital is calculated as equity as shown in the balance sheet plus net debt.

45.1 Gearing ratio

		2010	**2009**
		(Rupees in '000)	
The gearing ratio at end of the year was as follows:			
Total debt	45.1.1	836,431	1,071,195
Less: Cash and bank balances		153,679	4,144
Net debt		682,752	1,067,051
Total equity	45.1.2	2,622,612	2,328,796
Total capital		3,305,364	3,395,847
Gearing ratio		21%	31%

45.1.1 Total debt is defined as long and short term borrowings (excluding derivatives), as described in notes 7 and 11 to the financial statements.

45.1.2 Total equity includes all capital and reserves of the Company that are managed as capital.

46. PLANT CAPACITY AND PRODUCTION

46.1 Steel segment

Pipe plant

The plant's installed / rated capacity for production based on single shift is 30,000 tons (2009: 30,000 tons) annually on the basis of notional pipe size of 30" dia x ?" thickness. The actual production achieved during the year was 17,410 tons (2009: 14,368 tons) line pipes of varied sizes and thickness, which is equivalent to 57,249 tons (2009: 37,470 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 788,393 meters (2009: 585,651 meters) of different dia pipes (461,043 square meters surface area) was achieved during the year (2009:382,902 square meters surface area).

46.2 Cotton segment

Spinning unit 1

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 5,016,846 kilograms (2009: 5,306,859 kilograms).

Spinning unit 2

The plant capacity converted to 20s count based on three shifts per day for 1,080 shifts is 9,284,825 kilograms. Actual production converted into 20s count was 9,638,111 kilograms (2009: 9,894,119 kilograms).

46.3 The capacities of the plant were utilized to the extent of orders received.

47. NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors in their meeting held on 29 July 2010 has proposed a final cash dividend for the year ended 30 June 2010 of Re. 1 per share (i.e. 10%), amounting to Rs. 56.460 million (2009: Rs. Nil per share) for approval of the members of the Company at the Annual General Meeting to be held on 31 August 2010. This is in addition to the first and second interim cash dividends of Re. 1 per share each already distributed and recorded in these financial statements. These financial statements do not include the effect of this proposed final cash dividend and will be accounted for subsequent to year end.

48. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue in the Board of Directors meeting held on 29 July 2010.

Chief Executive **Director**

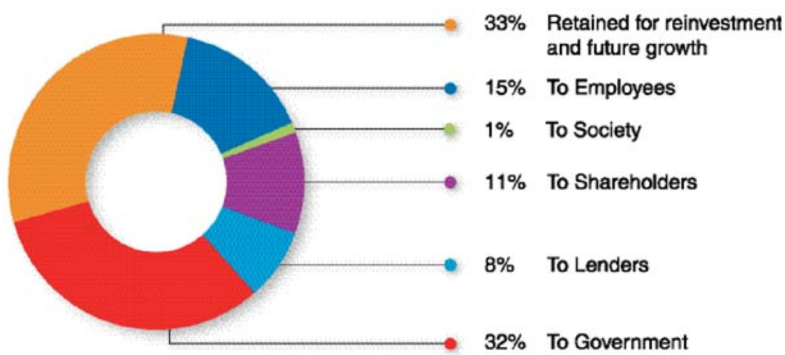
Consolidated Financial Statements
For the year ended 30 June 2010

Crescent Steel & Allied Products Ltd.

Statement of Value Added – Consolidated
For the year ended 30 June 2010

	2010 Rupees in '000	%	2009 Rupees in '000	%
WEALTH GENERATED				
Total revenue	4,212,878	100%	3,310,366	100%
Bought-in-material and services	(2,640,640)	63%	(2,199,373)	66%
	1,572,238	37%	1,110,993	34%
WEALTH DISTRIBUTED				
To Employees				
Salaries, benefits and other costs	242,295	15%	200,872	18%
To Government				
Income tax, sales tax, custom duties, WWF and WPPF	499,185	32%	520,373	47%
To Society				
Donation towards education, health and environment	18,280	1%	6,667	1%
To Providers of Capital				
Dividend to Shareholders	169,380	11%	–	–
Mark-up/interest expense on borrowed funds	121,910	8%	203,571	18%
Retained for reinvestment and future growth				
Depreciation, amortization and retained profit	521,188	33%	179,510	16%
	1,572,238	100%	1,110,993	100%

Distribution of Wealth 2010



Vertical Analysis – Consolidated

	2010	%	2009	%	2008	%	2007	%	2006	%
Operating results (Rupees in million)										
Sales - Net	3,704	100.0	3,311	100.0	4,200	100.0	2,950	100.0	1,707	100.0
Cost of sales	2,887	77.9	2,597	78.4	3,304	78.7	2,440	82.7	1,567	91.8
Gross profit	**817**	**22.1**	**714**	**21.6**	**896**	**21.3**	**510**	**17.3**	**140**	**8.2**
Income from/(loss on) investments - net	223	6.0	(339)	(10.2)	74	1.8	411	13.9	333	19.5
Distribution, selling and administrative expenses	188	5.1	144	4.3	151	3.6	147	5.0	119	6.9
Other operating expenses	63	1.7	175	5.3	110	2.6	126	4.3	22	1.3
Other operating income	38	1.0	39	1.2	20	0.5	107	3.6	25	1.4
Operating profit before finance costs	**827**	**22.3**	**95**	**2.9**	**729**	**17.4**	**757**	**25.6**	**357**	**20.9**
Finance costs	122	3.3	204	6.1	153	3.6	128	4.4	83	4.9
Share of profit/(loss) in equity accounted investees - net	11	0.3	4	0.1	51	1.2	99	3.4	(12)	(0.7)
Profit/(loss) before taxation	**716**	**19.3**	**(105)**	**(3.2)**	**627**	**14.9**	**727**	**24.7**	**262**	**15.4**
Taxation	181	4.9	135	4.1	211	5.0	64	2.2	3	0.2
Net income/(loss)	**535**	**14.4**	**(240)**	**(7.2)**	**416**	**9.9**	**663**	**22.5**	**260**	**15.2**
Balance sheet (Rupees in million)										
Property, plant and equipment	1,257	25.7	1,225	29.8	1,233	25.4	1,307	27.8	1,381	37.2
Investments including investment property	1,945	39.7	1,856	45.2	2,737	56.5	2,300	49.0	1,313	35.3
Other non current assets	28	0.6	5	0.1	5	0.1	5	0.1	7	0.2
Current assets (excluding investments)	1,665	34.0	1,024	24.9	871	18.0	1,084	23.1	1,014	27.3
Total assets	**4,895**	**100.0**	**4,110**	**100.0**	**4,847**	**100.0**	**4,696**	**100.0**	**3,715**	**100.0**
Shareholders' equity	3,079	62.9	2,546	61.9	2,994	61.8	3,200	68.2	2,038	54.9
Long term debt (excluding current maturity)	–	–	56	1.4	168	3.5	354	7.5	548	14.8
Deferred liabilities	72	1.5	100	2.4	112	2.3	65	1.4	2	–
Short term debt (including current maturity of long term debt)	836	17.1	1,015	24.7	1,306	27.1	626	13.3	877	23.6
Other current liabilities	908	18.5	393	9.6	267	5.4	451	9.6	250	6.7
Total equity and liabilities	**4,895**	**100.0**	**4,110**	**100.0**	**4,847**	**100.0**	**4,696**	**100.0**	**3,715**	**100.0**
Cash flows (Rupees in million)										
Cash generated from operations	827	473.8	751	405.4	906	106.0	630	350.0	30	16.3
Net cash generated from/(used in) operating activities	462	264.6	336	181.4	566	66.2	486	270.0	(88)	(47.8)
Net cash inflows/(outflows) from investing activities	22	12.5	71	38.6	(893)	(104.5)	(392)	(217.8)	(778)	(422.8)
Net cash (outflows)/inflows from financing activities	(309)	(177.1)	(222)	(120.0)	(528)	(61.8)	86	47.8	682	370.7
Net increase/(decrease) in cash and cash equivalents	175	100.0	185	100.0	(855)	(100.0)	180	100.0	(184)	(100.0)

* **Note:** The figures presented in this analysis for the financial years ended 30 June 2010 and 2009 are those based on the Group's consolidated financial statements. The figures presented for the years prior to 2009 are based on the Holding Company's individual financial statements as published in the annual reports in prior years.

Horizontal Analysis – Consolidated

	2010	Variance vs Last Year Increase/ (Decrease) %	2009	Variance vs Last Year Increase/ (Decrease) %	2008	Variance vs Last Year Increase/ (Decrease) %	2007	Variance vs Last Year Increase/ (Decrease) %	2006	Variance vs Last Year Increase/ (Decrease) %
Operating results (Rupees in million)										
Sales - Net	3,704	11.9	3,311	(21.2)	4,200	42.4	2,950	72.8	1,707	(36.5)
Cost of sales	2,887	11.2	2,597	(21.4)	3,304	35.4	2,440	55.7	1,567	(32.3)
Gross profit	**817**	**14.5**	**714**	**(20.4)**	**896**	**75.6**	**510**	**263.8**	**140**	**(62.3)**
Income from/(loss on) investments - net	223	165.7	(339)	(560.3)	74	(82.1)	411	23.6	333	88.7
Distribution, selling and administrative expenses	188	31.0	144	(4.7)	151	2.9	147	23.6	119	9.5
Other operating expenses	63	(63.8)	175	59.6	110	(12.6)	126	474.1	22	(68.8)
Other operating income	38	(3.3)	39	99.1	20	(81.7)	107	335.7	25	(72.0)
Operating profit before finance costs	**827**	**772.7**	**95**	**(87.0)**	**729**	**(3.7)**	**757**	**111.8**	**357**	**(21.9)**
Finance costs	122	(40.1)	204	33.0	153	19.1	128	54.9	83	88.7
Share of profit in equity accounted investees - net	11	203.5	4	(92.7)	51	(48.8)	99	931.5	(12)	(38.9)
Profit/(loss) before taxation	**716**	**780.6**	**(105)**	**(116.8)**	**627**	**(13.8)**	**727**	**177.2**	**262**	**(33.4)**
Taxation	181	34.3	135	(36.2)	211	228.9	64	2,199.1	3	(96.6)
Net income/(loss)	**535**	**323.0**	**(240)**	**(157.7)**	**416**	**(37.3)**	**663**	**155.4**	**260**	**(16.9)**
Balance sheet (Rupees in million)										
Property, plant and equipment	1,257	2.6	1,225	(0.7)	1,233	(5.6)	1,307	(5.4)	1,381	212.6
Investments including investment property	1,945	4.8	1,856	(32.2)	2,737	19.0	2,300	75.3	1,313	(12.6)
Other non current assets	28	505.4	5	(5.1)	5	(4.1)	5	(26.0)	7	(26.3)
Current assets (excluding investments)	1,665	62.6	1,024	17.5	871	(19.6)	1,084	6.9	1,014	64.6
Total assets	**4,895**	**19.1**	**4,110**	**(15.2)**	**4,847**	**3.2**	**4,696**	**26.4**	**3,715**	**44.6**
Shareholders' equity	3,079	21.0	2,546	(15.0)	2,994	(6.4)	3,200	57.1	2,038	9.5
Long term debt (excluding current maturity)	–	(100.0)	56	(66.8)	168	(52.5)	354	(35.4)	548	132.2
Deferred liabilities	72	(28.3)	100	(10.5)	112	72.7	65	3,850.1	2	(57.9)
Short term debt (including current maturity of long term debt)	836	(17.6)	1,015	(22.3)	1,306	108.7	626	(28.6)	877	275.6
Other current liabilities	908	131.0	393	47.3	267	(40.9)	451	80.4	250	6.3
Total equity and liabilities	**4,895**	**19.1**	**4,110**	**(15.2)**	**4,847**	**3.2**	**4,696**	**26.4**	**3,715**	**(44.6)**
Cash flows (Rupees in million)										
Cash generated from operations	827	10.1	751	(17.1)	906	43.8	630	2,000.0	30	(88.8)
Net cash generated from operating activities	462	37.5	336	(40.6)	566	16.5	486	646.1	(89)	(147.6)
Net cash inflows/(outflows) from investing activities	22	(69.4)	71	108.0	(893)	(127.9)	(392)	49.6	(778)	1,241.4
Net cash (outflows)/inflows from financing activities	(309)	(39.2)	(222)	57.9	(528)	(714.0)	86	(87.4)	682	(795.9)
Net increase/(decrease) in cash and cash equivalents	175	(5.8)	185	121.7	(855)	(575.0)	180	197.8	(184)	(693.5)

* **Note:** The figures presented in this analysis for the financial years ended 30 June 2010 and 2009 are those based on the Group's consolidated financial statements. The figures presented for the years prior to 2009 are based on the Holding Company's individual financial statements as published in the annual reports in prior years.

Directors' Report – Consolidated

The Directors of Crescent Steel and Allied Products Limited (CSAPL) have pleasure in presenting their report together with the audited consolidated financial statements of the Group for the year ended 30 June 2010. The Group comprises of CSAPL and its wholly owned subsidiaries Shakarganj Energy (Private) Limited and Crescent Continental Gas Pipelines Limited (CCGPL). CCGPL is not carrying on any business operations and accordingly no financial statements are being prepared.

The Directors' Report, giving commentary on the performance of CSAPL for the year ended 30 June 2010 has been presented separately.

Group Results

The consolidated financial results of the Group are summarized below:

		2010	2009
		(Rupees in '000)	
Profit/(loss) for the year		715,824	(105,071)
Taxation		(180,966)	(134,678)
Profit/(loss) after taxation		534,858	(239,749)
Unappropriated (loss)/profit brought forward		(23,425)	267,651
Profit available for appropriation		511,433	27,902
Appropriations:			
- Bonus shares issued	2008 - @10%	–	(51,327)
- First interim dividend	2010 - @10%	(56,460)	–
- Second interim dividend	2010 - @10%	(56,460)	–
		(112,920)	(51,327)
Unappropriated profit/(loss) carried forward		398,513	(23,425)
Basic and diluted earnings/(loss) per share		Rs. 9.47	Rs. (4.25)

Shakarganj Energy (Private) Limited

During the year, CSAPL acquired 100% ownership of Shakarganj Energy (Private) Limited to make it a wholly owned subsidiary. The subsidiary is in the process of developing 18 MW power generation project with an estimated investment of Rs. 430 million. CSAPL has so far made an equity investment of Rs. 330.1 million in the subsidiary. The project is being installed at Bhone and on completion will produce electricity for onward supply to the PEPCO/DISCOS under agreements with the Government or to other consumers as may be permitted by the Government. The project is scheduled to commence production by November 2010.

Consequently, CSAPL has prepared consolidated financial statements of the Group for the first time with corresponding figures of CSAPL's individual financial statements been presented for the year ended 30 June 2009.

Pattern of Shareholding

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

Material Changes and Commitments

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.

By order of the Board

Ahsan M. Saleem
Chief Executive Officer

29 July 2010

Financial Highlights (including ratio analysis) – Consolidated

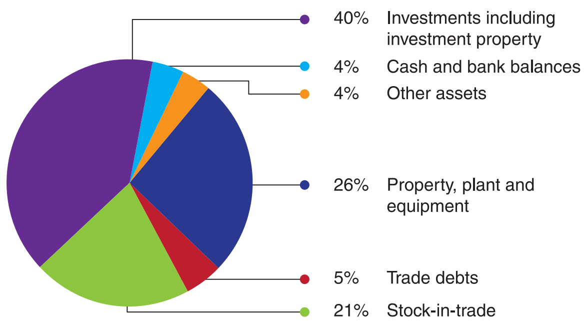
	2010	2009	2008	2007	2006	2005	2004
A - Profit and loss account (Rupees in millions)							
Sales - Net	3,704.4	3,310.9	4,200.2	2,950.1	1,707.1	2,686.6	1,348.1
Cost of sales	2,887.3	2,597.2	3,303.8	2,439.7	1,566.8	2,314.7	1,173.9
Gross profit	817.1	713.7	896.4	510.5	140.3	371.9	174.3
Income from/(loss on) investments - net	222.7	(338.8)	73.6	411.4	332.9	176.4	221.2
Distribution, selling and administrative expenses	187.5	143.9	151.0	146.6	118.6	108.3	90.7
Other operating expenses	63.5	175.2	109.7	125.5	21.9	70.0	36.9
Other operating income	37.7	39.0	19.6	107.0	24.6	87.7	79.2
Operating profit before finance costs	826.5	94.8	728.9	756.7	357.3	457.7	347.1
Finance costs	121.9	203.6	153.0	128.5	82.9	43.9	20.4
Share of profit/(loss) in equity accounted investees - net	11.2	3.7	50.8	99.1	(11.9)	(19.5)	–
Profit/(loss) before taxation	715.8	(105.1)	626.6	727.3	262.4	394.2	326.7
Taxation	180.9	134.7	210.9	64.1	2.8	81.8	30.8
Net income/(loss)	534.9	(239.8)	415.7	663.2	259.6	312.4	295.9
B - Balance Sheet (Rupees in millions)							
Current assets	2,128.8	1,716.2	2,279.1	2,124.8	1,841.6	1,779.5	1,541.1
Stock-in-trade	1,026.6	616.4	606.1	633.5	468.5	194.3	240.5
Trade debts	276.9	83.9	118.7	181.4	75.1	132.4	36.0
Current liabilities	1,744.1	1,408.2	1,573.1	1,077.1	1,127.1	468.9	370.9
Trade and other payables	873.4	373.9	240.8	435.1	229.9	221.9	174.5
Property, plant and equipment	1,256.9	1,224.6	1,233.2	1,306.6	1,381.1	441.8	467.8
Total assets	4,894.8	4,109.7	4,846.7	4,696.1	3,714.7	2,569.8	2,228.2
Long term loan (excluding current maturity)	–	55.9	168.1	354.0	548.3	236.1	326.5
Deferred liabilities	71.6	99.8	111.5	64.6	1.6	3.9	10.6
Short term loans (including current maturity of long term debt)	836.4	1,015.3	1,306.4	625.8	876.9	233.5	156.2
Reserves	2,514.6	1,981.2	2,480.7	2,733.8	1,687.7	1,617.5	1,298.5
Shareholders' equity	3,079.2	2,545.8	2,994.0	3,200.4	2,037.7	1,860.5	1,519.4
C - Profitability ratios							
Earnings before interest, taxation, depreciation and amortization (EBITDA) (Rs. in millions)	1,022.3	279.1	954.7	1,029.3	444.8	522.7	431.4
Profit before taxation and deprecation (Rs. in millions)	889.8	74.0	801.3	900.0	359.8	476.8	326.7
Gross profit margin to net sales (%)	22.1	21.6	21.3	17.3	8.2	13.8	12.9
Operating profit margin to net sales (%)	22.3	2.9	17.4	25.6	20.9	17.0	25.7
Net income/(loss) to net sales (%)	14.4	(7.2)	9.9	22.5	15.2	11.6	21.9
D - Return on assets/capital							
Return on average assets (%)	11.9	(5.4)	8.7	15.8	8.3	13.0	16.0
Return on capital employed (RoCE) (%)	21.4	2.7	17.4	20.5	10.0	18.8	17.3
Return on average capital employed (%)	22.2	2.4	18.0	22.4	11.9	20.2	21.0
Return on equity (%)	17.4	(9.4)	13.9	20.7	12.7	16.8	19.5
Return on average equity (%)	19.0	(8.7)	13.4	25.3	13.3	18.5	22.1
E - Per share results and return							
Earnings/(loss) per share (Rs.)	9.47	(4.25)	7.36	12.10	6.10	7.30	6.90
Break-up value per share (Rs.)	54.5	45.1	58.3	68.6	58.2	76.6	68.8
Market value per share (Rs.)	25.1	18.0	61.7	71.0	43.5	77.0	78.9
Market value per share (high-low) (Rs.)	34 - 18	61 - 13	108 - 58	72 - 32	90 - 37	100 - 64	93 - 50
Price earnings ratio (times)	2.6	–	7.6	5.0	5.9	6.0	5.9
Cash dividend - including final proposed (Rs. in millions)	169.4	–	154.0	140.0	–	72.9	77.3
Dividend per share - including final proposed (Rs.)	3.0	–	3.0	3.0	–	3.0	3.5
Dividend yield (%) - including final proposed	12.0	–	4.9	4.2	–	3.9	4.4
Dividend payout ratio (%) - including final proposed	31.7	–	37.0	21.1	–	23.3	26.1
Bonus shares (%) - including final proposed	–	–	10	10	20	20	10
F - Coverage ratios							
Interest coverage (times)	6.9	0.5	5.1	6.7	4.2	10.0	17.0
G - Activity ratios							
Debtors turnover (times)	20.5	32.7	28.0	23.0	16.5	31.9	43.5
Average collection period (days)	18	11	13	16	22	11	8
Inventory turnover (times)	3.5	4.2	5.3	4.4	4.7	10.6	5.3
Inventory turnover (days)	104	86	68	82	77	34	69
Creditors turnover (times)	14.0	24.6	19.7	11.5	11.3	17.8	13.3
Average payment days (days)	26	15	19	32	32	20	28
Property, plant and equipment turnover (times)	2.9	2.7	3.4	2.3	1.2	6.1	2.9
Total assets turnover (times)	0.8	0.8	0.9	0.6	0.5	1.0	0.6
H - Liquidity ratios							
Current ratio	1.2 : 1	1.2 : 1	1.4 : 1	2 : 1	1.6 : 1	3.8 : 1	4.2 : 1
Quick/Acid-test ratio	0.6 : 1	0.8 : 1	1.1 : 1	1.4 : 1	1.2 : 1	3.4 : 1	3.5 : 1
Working capital (Net current assets)	384.8	308.0	706.1	1,047.7	714.5	1,310.6	1,170.2
Working capital turnover (times)	10.7	6.5	4.8	3.3	1.7	2.2	1.4
Operating cycle (days)	96	82	63	66	67	25	50
I - Leverage ratios							
Long term debt to equity (%)	–	2.2	5.6	11.1	26.9	12.7	21.5
Long term debt : Equity ratio	0 : 100	2 : 98	5 : 95	10 : 90	21 : 79	11 : 89	18 : 82
Total liabilities to total assets (%)	35.6	35.6	35.9	30.5	45.1	27.4	31.3
Gearing ratio (%)	17.5	29.5	32.9	22.8	40.9	18.3	24.1
J - Other data (Rupees in million)							
Depreciation/amortization	184.5	180.6	175.0	173.4	99.4	84.5	84.2
Capital expenditure (including leased assets)	228.9	169.1	153.5	126.9	996.5	66.3	163.2
No. of ordinary shares (no. of shares in millions)	56.5	56.5	51.3	46.7	35.0	24.3	22.1

* Note: The figures and ratios presented in this analysis for the financial years ended 30 June 2010 and 2009 are those based on the Group's consolidated financial statements. The figures and ratios presented for the years prior to 2009 are based on the Holding Company's individual financial statements as published in the annual reports in prior years.

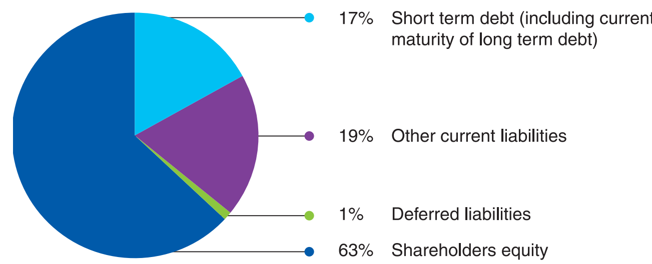
Crescent Steel &
Allied Products Ltd.

Financial Highlights

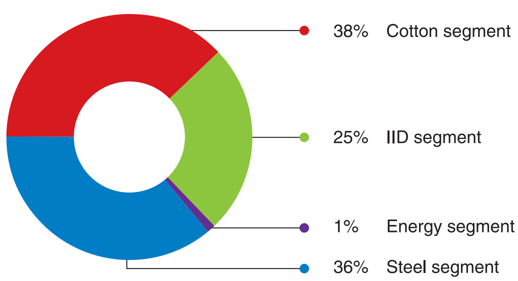
Total Assets as of 30 June 2010



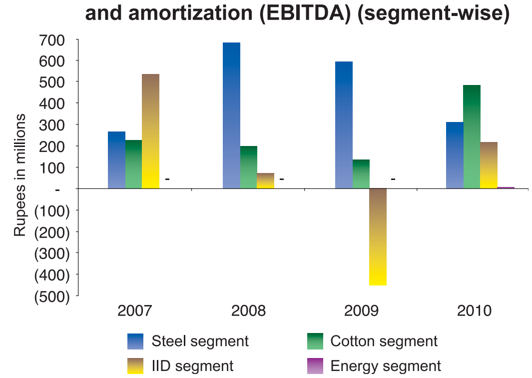
Total Liabilities as of 30 June 2010



Composition of total profit before tax (Segment-wise)



Earnings before interest, taxation, depreciation and amortization (EBITDA) (segment-wise)



KPMG

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

Telephone +92 (21) 3568 5847
Fax +92 (21) 3568 5095
Internet www.kpmg.com.pk

Auditors' Report to the Members

We have audited the annexed consolidated financial statements of Crescent Steel and Allied Products Limited (the holding company) and its subsidiary company Shakarganj Energy (Private) Limited comprising consolidated balance sheet as at 30 June 2010 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Crescent Steel and Allied Products Limited. The financial statements of subsidiary company Shakarganj Energy (Private) Limited was audited by another firm of chartered accountants, whose audit report has been furnished to us and our opinion in so far as it relates to the amounts included for such company, is based solely on the report of other auditor.

These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express our opinion on these consolidated financial 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.

In our opinion the consolidated financial statements present fairly the consolidated financial position of Crescent Steel and Allied Products Limited and its subsidiary company, Shakarganj Energy (Private) Limited, as at 30 June 2010 and the consolidated results of its operations, its consolidated statement of comprehensive income, its consolidated cash flows statement and consolidated statement of changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

As stated in note 4.1 to the financial statements, the Company has changed its accounting policies on initial application of standards, amendments or interpretations to existing standards, with which we concur.

KPMG Taseer Hadi & Co

KPMG Taseer Hadi & Co.
Chartered Accountants.
Moneeza Usman Butt

29 July 2010
Karachi

Crescent Steel & Allied Products Ltd.

Consolidated Balance Sheet

As at 30 June 2010

	Note	2010	2009
		(Rupees in '000)	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital			
100,000,000 ordinary shares of Rs. 10 each		1,000,000	1,000,000
Issued, subscribed and paid-up capital	6	564,600	564,600
Capital reserves		274,066	162,640
Revenue reserves		2,240,513	1,818,575
		3,079,179	2,545,815
Non-current liabilities			
Long term loan	7	–	55,880
Deferred taxation	8	71,587	99,787
		71,587	155,667
Current liabilities			
Trade and other payables	9	873,438	373,887
Interest and mark-up accrued	10	34,198	19,009
Short term borrowings	11	780,288	902,815
Current portion of long term loan	7	56,143	112,500
		1,744,067	1,408,211
Total equity and liabilities		4,894,833	4,109,693
Contingencies and commitments	12		

Consolidated Balance Sheet
As at 30 June 2010

	Note	2010	2009
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	13	1,256,891	1,224,588
Intangible assets	14	24,457	811
Investment property	15	44,836	47,169
Investments in equity accounted investee	16	1,230,702	1,031,453
Other long term investments	17	205,655	85,662
Long term loans and deposits	18	3,466	3,801
		2,766,007	2,393,484
Current assets			
Stores, spares and loose tools	19	72,919	83,763
Stock-in-trade	20	1,026,614	616,433
Trade debts	21	276,880	83,927
Advances	22	54,919	39,894
Trade deposits and short term prepayments	23	6,407	6,304
Investments	24	463,746	655,397
Current portion of long term investments	25	10	36,493
Mark-up accrued on term finance certificates		820	813
Other receivables	26	25,156	160,620
Taxation - net	27	18,698	28,421
Cash and bank balances	28	182,657	4,144
		2,128,826	1,716,209
Total assets		4,894,833	4,109,693

The annexed notes 1 to 50 form an integral part of these consolidated financial statements.

Chief Executive **Director**

Crescent Steel & Allied Products Ltd.

Consolidated Profit and Loss Account

For the year ended 30 June 2010

	Note	2010	2009
		(Rupees in '000)	
Sales	29	3,704,388	3,310,869
Cost of sales	30	2,887,295	2,597,190
Gross profit		817,093	713,679
Income from / (loss on) investments	31	222,722	(338,847)
		1,039,815	374,832
Distribution and selling expenses	32	27,017	17,156
Administrative expenses	33	160,434	126,630
Other operating expenses	34	63,496	175,200
		250,947	318,986
		788,868	55,846
Other operating income	35	37,686	38,970
Operating profit before finance costs		826,554	94,816
Finance costs	36	121,910	203,571
Share of profit in equity accounted investees - net	37	11,180	3,684
Profit / (loss) before taxation		715,824	(105,071)
Taxation	38	180,966	134,678
Profit / (loss) after taxation for the year		534,858	(239,749)
		(Rupees)	
Basic and diluted earnings / (loss) per share	39	9.47	(4.25)

The annexed notes 1 to 50 form an integral part of these consolidated financial statements.

Chief Executive

Director

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2010

	2010	2009
	(Rupees in '000)	
Profit / (loss) after taxation for the year	534,858	(239,749)
Other comprehensive income		
Unrealized diminution during the year on remeasurement of investments classified as 'available for sale'	(17,879)	(76,655)
Reclassification adjustments relating to losses / (gains) realized on disposal of 'available for sale' investment securities	3,048	(18,599)
Proportionate share of other comprehensive income / (loss) of equity accounted investees	134,366	(145,631)
Proportionate share of other comprehensive income of equity accounted investee transferred to profit and loss account	–	916
Proportionate share of other comprehensive income transferred to profit and loss account on disposal of equity accounted investee	(13,129)	–
Impairment loss on 'available for sale' investment securities	5,020	31,529
Other comprehensive income / (loss) for the year	111,426	(208,440)
Total comprehensive income / (loss) for the year	646,284	(448,189)

The annexed notes 1 to 50 form an integral part of these consolidated financial statements.

Chief Executive **Director**

Crescent Steel & Allied Products Ltd.

Consolidated Cash Flow Statement

For the year ended 30 June 2010

	Note	2010	2009
		(Rupees in '000)	
Cash flows from operating activities			
Cash generated from operations	40	826,805	750,680
Taxes paid		(210,527)	(189,265)
Financial charges paid		(106,721)	(204,327)
Contribution to pension and gratuity funds		(19,403)	(18,111)
Contribution to workers' profit participation fund		(27,524)	(2,403)
Compensated absences paid		(88)	(69)
Payment for 10-C bonus		(717)	(671)
Long term deposits and prepayments - net		(20)	89
Net cash generated from operating activities		461,805	335,923
Cash flows from investing activities			
Capital expenditure		(228,883)	(169,115)
Acquisition of intangible assets		(7,933)	(583)
Proceeds from sale of property, plant and equipment		3,004	1,740
Investments - net		212,103	162,265
Dividend income received		40,463	67,720
Interest income received		3,107	8,384
Net cash from investing activities		21,861	70,411
Cash flows from financing activities			
Repayments against short term loans		(126,522)	(28,271)
Repayments against long term loan		(112,500)	(112,500)
Repayment of redeemable capital		–	(75,000)
Dividends paid		(70,126)	(6,373)
Net cash used in financing activities		(309,148)	(222,144)
Net increase in cash and cash equivalents		174,518	184,190
Cash and cash equivalents at beginning of the year		(644,736)	(828,926)
Cash and cash equivalents at end of the year	41	(470,218)	(644,736)

The annexed notes 1 to 50 form an integral part of these consolidated financial statements.

Chief Executive **Director**

Consolidated Statement of Changes in Equity

For the year ended 30 June 2010

	Issued, subscribed and paid-up capital	Capital reserve: Share Premium	Capital reserve: Unrealized gain/(loss) on remeasurement of available for sale investment securities	Capital reserve: Others*	Revenue reserves: General reserve	Revenue reserves: Unappropriated profit/ (loss)	Total
	(Rupees in '000)						
Balance as at 1 July 2008	**513,273**	**349,959**	**85,279**	**(64,158)**	**1,842,000**	**267,651**	**2,994,004**
Total comprehensive loss for the year ended 30 June 2009							
Loss after taxation for the year	–	–	–	–	–	(239,749)	(239,749)
Other comprehensive income							
Unrealized diminution during the year on remeasurement of investments classified as 'available for sale'	–	–	(76,655)	–	–	–	(76,655)
Reclassification adjustments relating to gain realized on disposal of 'available for sale' investments securities	–	–	(18,599)	–	–	–	(18,599)
Proportionate share of various reserves of associated undertakings	–	–	–	(145,631)	–	–	(145,631)
Proportionate share of associate transferred to profit and loss account	–	–	–	916	–	–	916
Impairment loss on 'available for sale' investments securities	–	–	31,529	–	–	–	31,529
Other comprehensive loss for the year	–	–	(63,725)	(144,715)	–	–	(208,440)
	–	–	(63,725)	(144,715)	–	(239,749)	(448,189)
Transactions with owners							
Bonus shares issued @ 10% for the year ended 30 June 2008	51,327	–	–	–	–	(51,327)	–
Balance as at 30 June 2009	**564,600**	**349,959**	**21,554**	**(208,873)**	**1,842,000**	**(23,425)**	**2,545,815**
Total comprehensive income for the year ended 30 June 2010							
Profit after taxation for the year	–	–	–	–	–	534,858	534,858
Other comprehensive income							
Unrealized diminution during the year on remeasurement of investments classified as 'available for sale'	–	–	(17,879)	–	–	–	(17,879)
Reclassification adjustments relating to gain realized on disposal of 'available for sale' investments securities	–	–	3,048	–	–	–	3,048
Proportionate share of various reserves of associated undertakings	–	–	–	134,366	–	–	134,366
Proportionate share of other comprehensive income transferred to profit and loss account on disposal of equity accounted investee	–	–	–	(13,129)	–	–	(13,129)
Impairment loss on 'available for sale' investments securities	–	–	5,020	–	–	–	5,020
Other comprehensive income for the year	–	–	(9,811)	121,237	–	–	111,426
	–	–	(9,811)	121,237	–	534,858	646,284
Transactions with owners							
Dividend:							
- First interim @ 10% (i.e. Re. 1 per share) for the year ended 30 June 2010	–	–	–	–	–	(56,460)	(56,460)
- Second interim @ 10% (i.e. Re. 1 per share) for the year ended 30 June 2010	–	–	–	–	–	(56,460)	(56,460)
	–	–	–	–	–	(112,920)	(112,920)
	564,600	**349,959**	**11,743**	**(87,636)**	**1,842,000**	**398,513**	**3,079,179**

* This represents various reserves maintained by the associated undertakings.

The annexed notes 1 to 50 form an integral part of these consolidated financial statements.

Chief Executive

Director

1. THE GROUP AND ITS OPERATIONS

1.1 The Group consists of Crescent Steel and Allied Products Limited ('the Holding Company') and, it's wholly owned subsidiary companies Shakarganj Energy (Private) Limited ('the Subsidiary Company') and Crescent Continental Gas Pipelines Limited.

1.2 The Holding Company was incorporated on 1 August 1983 as a public limited company in Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984) and is quoted on all stock exchanges of Pakistan. The registered office of the Holding Company is located at 10th floor, BOP Tower, 10-B, Block E-2, Main Boulevard, Gulberg-III, Lahore.

The Holding Company's steel segment is one of the down stream industries of Pakistan Steel Mills, manufacturing large diameter spiral arc welded steel line pipes at Nooriabad (District Dadu). The Holding 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.

The Holding 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. Another spinning unit CCP-II was added with 25,344 spindles in 2006. The cotton spinning activity is carried out by the Holding Company under the name and title of 'Crescent Cotton Products a division of Crescent Steel and Allied Products Limited'.

1.3 The Subsidiary Company was incorporated on 2 April 2008 as a private limited company in Pakistan under the Companies Ordinance, 1984. The Holding Company acquired this subsidiary on 4 January 2010. The principal activity of the Subsidiary Company will be to build, own, operate and maintain a power plant and to generate, accumulate, distribute, sell and supply electricity/power to the Pakistan Electric Power Company (Private) Limited (PEPCO)/power distribution companies under agreement(s) with the Government of Pakistan or to any other consumer as permitted.

1.4 Crescent Continental Gas Pipelines Limited is not carrying on any business operations.

1.5 Details regarding the Group's associates are given in note 16 to these consolidated financial statements.

2. BASIS OF PREPARATION

2.1 Consequent to acquisition of the Subsidiary Company during the year, the Holding Company has prepared consolidated financial statements of the Group for the first time with corresponding figures of Holding Company's individual financial statements been presented for the year ended 30 June 2009.

These consolidated financial statements have been prepared from the information available in the audited separate financial statements of the Holding Company for the year ended 30 June 2010 and the audited financial statements of the Subsidiary Company for the year ended 30 June 2010. Crescent Continental Gas Pipelines Limited is not carrying on any business operations and accordingly no financial statements are being prepared. Details regarding the financial information of associates used in the preparation of these consolidated financial statements are given in note 16 to these consolidated financial statements.

The accounting policies used by the Subsidiary Company in preparation of its financial statements are consistent with that of the Holding Company. The accounting policies used by the Group's associates in preparation of their respective financial statements are also consistent with that of the Holding Company except for a certain policy for which necessary adjustments are made to the financial statements of that associate to bring its accounting policies into line with those used by the Group.

2.1 Statement of compliance

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

2.3 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except for investments classified as held for trading and available for sale which are stated at fair value and obligations in respect of pension and gratuity schemes which are measured at present value.

2.4 Functional and presentation currency

These consolidated financial statements are presented in Pakistan Rupees which is also the Group's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand.

3. USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are as follows:

Income taxes

In making the estimates for income taxes currently payable by the Holding Company, the management looks at the current income tax laws and the decisions of appellate authorities on certain issues in the past.

Held to maturity investments

The Group has classified certain investments as held to maturity. In this regard, judgement is involved in evaluating the intention and ability to hold these investments till their respective maturities.

Investment stated at fair value

Management has determined fair value of certain investments by using quotations from active market conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matters of judgment (e.g. valuation, interest rate, etc.) and therefore, cannot be determined with precision.

Property, plant and equipment

The Group reviews the rate of depreciation, useful life, residual value and value of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment.

Intangible assets

The Group reviews the rate of amortization and value of intangible assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of intangible assets with a corresponding affect on the amortization charge and impairment.

Stock-in-trade and stores and spares

The Group reviews the net realizable value of stock-in-trade and stores, spares and loose tools to assess any diminution in their respective carrying values. Any change in the estimates in future years might affect the carrying amounts of stock-in-trade and stores, spares and loose tools with a corresponding effect on the amortization charge and impairment. Net realizable value is determined with respect to estimated selling price less estimated expenditure to make the sale.

Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 43 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Changes in these assumptions in future years may affect the liability under these schemes in those years.

4. INITIAL APPLICATION OF NEW STANDARDS, INTERPRETATIONS OR AMENDMENT TO EXISTING STANDARDS AND FORTHCOMING REQUIREMENTS

4.1 Initial application

Starting 01 July 2009 the Group has changed its accounting policies in the following areas.

– IAS 1 (Revised) - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated balance sheet as at the beginning of comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period.

  The Group has opted to present two statements; a profit and loss account (income statement) and a statement of other comprehensive income. Comparative information has also been represented so that it is in conformity with the revised standard. As this change only impacts presentation aspects, there is no impact on the earnings per share.

– IAS 23 (Amendment) 'Borrowing costs' (effective for annual periods beginning on or after 1 January 2009). It requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. The Group's current accounting policy for borrowing costs is in compliance with this amendment and therefore there is no effect on these consolidated financial statements.

– IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 1 January 2009). The amendment requires enhanced disclosures regarding fair value measurement and liquidity risk. As the change only results in additional disclosures, there is no impact on earnings per share.

– IFRS 8 - Operating Segments (effective for annual periods beginning on or after 1 January 2009). This IFRS 8 replaces IAS 14, 'Segment Reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes, and introduced detailed disclosures regarding the reportable segments and products. As the changes in this standard only result in additional disclosures, there is no impact on earnings per share.

– IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations. The Group has made initial application of this standard for the classification, measurement and presentation of non-current assets held for sale. As the changes only resulted in presentation and additional disclosures, there is no impact on earnings per share.

4.2 New accounting standards and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards are effective from the dates specified below and are either not relevant to Group's operations or are not expected to have significant impact on the Group's financial statements other than certain increased disclosures:

IFRS 2 (amendment)-Share-based payments and withdrawal of IFRIC 8- Scope of IFRS 2 and IFRIC 11- Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 January 2010). Amendment provides guidance on the accounting for share based payment transactions among group entities.

International Accounting Standard (IAS) 24 (revised): Related Party Disclosures (effective for annual period beginning on or after 1 January 2011). The amendments to IAS 24 simplify the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government (referred to as government-related entities) and clarify the definition of a related party.

Amendments to IAS 32: Classification of Rights Issues (effective for period beginning on or after 1 February 2010). Under the amendment to IAS 32 rights, options and warrants – otherwise meeting the definition of equity instruments in IAS 32.11 – issued to acquire a fixed number of an entity's own non-derivative equity instruments for a fixed amount in any currency are classified as equity instruments, provided the offer is made pro-rata to all existing owners of the same class of the entity's own non-derivative equity instruments.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for period beginning on or after 1 July 2010).IFRIC 19 clarifies the accounting when an entity extinguish the liability by issuing its own equity instruments to the creditor.

Amendments to IFRIC 14: Prepayment of a Minimum Funding Requirement (effective for period beginning on or after 1 July 2011). IFRIC 14 IAS 19 –The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction has been amended to remedy an unintended consequence of IFRIC 14 where entities are in some circumstances not permitted to recognise prepayments of minimum funding contributions, as an asset.

The International Accounting Standards Board made certain amendments to existing standards as part of its second and third annual improvements project. The effective dates for these amendments vary by standards.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Basis of consolidation

Subsidiaries

The consolidated financial statements include the financial statements of the Holding Company and its subsidiary companies.

Subsidiaries are those enterprises in which the Holding Company directly or indirectly controls, beneficially owns or holds more than 50 percent of its voting securities or otherwise has power to elect and appoint more than 50 percent of its directors. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences. The financial statements of the subsidiaries are consolidated on a line-by-line basis and the carrying value of investment held by the

Holding Company is eliminated against the Holding Company's share in paid up capital of the subsidiaries. The Group applies uniform accounting policies for like transactions and events in similar circumstances except where specified otherwise.

All material inter-Group balances, transactions and resulting unrealized profits/losses have been eliminated.

Investments in associates

Entities in which the Group has significant influence but not control and which are neither subsidiaries nor joint ventures of the members of the Group are associates and are accounted for under the equity method of accounting (equity accounted investees).

These investments are initially recognized at cost. The consolidated financial statements include the associates' share of profit or loss and movements in other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date it ceases. Share of post acquisition profit and loss of associates is recognized in the profit and loss account. Distributions received from associates reduce the carrying amount of investment. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that investment (including any long-term interests that, in substance, form part of the Group's net investment in the associate) is reduced to nil and the recognition of further losses is discontinued.

The carrying amount of investments is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exist the investments recoverable amount is estimated which is higher of its value in use and its fair value less cost to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount. Impairment losses are recognized in profit or loss. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the profit and loss account.

5.2 Property, plant and equipment and depreciation

Owned assets

Property, plant and equipment, except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land and capital work-in-progress are stated at cost.

Subsequent cost

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the part so replaced is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit and loss account as incurred.

Depreciation

Depreciation is charged to income on straight line basis at the rates specified in note 13.1 to these financial statements. Depreciation on additions to property, plant and equipment is charged from the month in which an item is acquired or capitalized while no depreciation is charged for the month in which the item is disposed off.

The assets' residual values and useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

Impairment

The carrying amount of property, plant and equipment are reviwed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists then the assets recoverable amount is estimated. The recoverable amount is the greater of its value in use and fair value less cost to sell. An impairment is recognised if the carrying amount exceed its estimated recoverable amount.

Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance lease. Asset 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 owned assets.

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

5.3 Intangible assets

Intangible assets acquired by the Group are stated at cost less accumulated amortization and impairment losses, if any.

Subsequent expenditure

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Amortization

Amortization is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. All intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Amortization on additions to intangible assets is charged from the month in which an item is acquired or capitalized while no amortization is charged for the month in which the item is disposed off.

Impairment

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

5.4 Investment property

Investment property, principally comprising of land and buildings, is held for long term rental yields / capital appreciation. The investment properties of the Group comprise of land and buildings and are valued using the cost method i.e. at cost less any accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit on the straight line method so as to write off the depreciable amount over its estimated useful life. Depreciation on additions to investment property is charged from the month in which a property is acquired or capitalized while no depreciation is charged for the month in which the property is disposed off.

The residual values and useful lives of investment property are reviewed at each financial year end and adjusted if impact on depreciation is significant.

The Group assesses at each balance sheet date whether there is any indication that investment property may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future period to allocate the asset's revised carrying amount over its estimated useful life.

The gain or loss on disposal of investment property represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as income or expense.

5.5 Investments

Investments are being categorized as follows:

Investment at fair value through profit or loss

A non-derivative financial asset is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Investments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction cost are recognized in profit and loss account when incurred. Investments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit and loss account.

Held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

Investments classified as held to maturity are recognized initially at fair value, plus attributable transaction costs. Subsequent to initial recognition, these are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss account over the period of the investments on an effective yield method.

Loans and receivables

Loans and receivables are recognized initially at fair value, plus attributable transaction costs. Subsequent to initial recognition, loans and receivables are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss account over the period of the investments on an effective yield method.

Available for sale

Other investments not covered in any of the above categories including investments in associates in which the Company has no significant influence are classified as being available for sale and are initially recognized at fair value plus attributable transactions costs. Subsequent to initial recognition these are measured at fair value, with any resultant gain or loss being recognized in other comprehensive income. Gains or losses on available-for-sale investments are recognized in other comprehensive income 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 other comprehensive income is included in current year's profit and loss account.

Fair value of listed securities are the quoted prices on stock exchange on the date it is valued. Unquoted securities are valued at cost.

The Group follows trade date accounting for regular way of purchase and sales of securities, except for sale and purchase of securities in future market, which are accounted for at settlement date.

Derivative financial instruments

The Group enters into derivative financial instruments, which include future contracts in stock market. Derivatives are initially recorded at fair value and are remeasured to fair value on subsequent reporting dates. The fair value of a derivative is equivalent to the unrealized gain or loss from marking to market the derivative using prevailing market rates. Derivatives with positive market values (unrealized gains) are included in other receivables and derivatives with negative market values (unrealized 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. No derivative is designated as hedging instrument by the Group.

5.6 Non-current assets held for sale

Non-current assets or disposal groups comprising assets or liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets or components of a disposal group, are remeasured in accordance with Group's accounting policies. Thereafter these are measured at lower of their carrying amount and fair value less cost to sell.

5.7 Stores and spares

Stores and spares are valued at lower of weighted average cost and net realizable value, less provision for impairment if any. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

Provision for obsolete and slow moving stores, spares and loose tools is determined based on management's estimate regarding their future usability.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs necessary to be incurred to make the sale.

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.

5.8 Stock-in-trade

Stock-in-trade is stated at the lower of cost and net realizable 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 realizable value is the estimated selling price in the ordinary course of business less costs of completion and selling expenses. The cost of finished goods of steel segment is measured on the specific identification method. Scrap stocks are valued at their estimated net realizable value.

5.9 Trade debts and other receivables

These are initially stated at fair value and subsequently measured at amortized cost using effective interest rate method less provisions for any uncollectible amounts. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written off.

5.10 Cash and cash equivalents

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

5.11 Trade and other payables

Trade and other amounts payable are recognized initially at fair value and subsequently carried at amortized cost.

5.12 Employee benefits

5.12.1 Compensated absences

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

5.12.2 Post retirement benefits

5.12.2.1 Defined contribution plan - Provident fund

The Holding Company operates a provident fund scheme for its permanent employees. Equal monthly contributions are made by the Holding Company and its employees. Obligation for contributions to the fund are recognized as an expense in the profit and loss account when they are due.

Cotton segment
Provision and collection from employees are made at the rate of 6.25 percent of basic pay plus Cost Of Living Allowance (COLA) of cotton segment employees. A trust has been established and its approval has been obtained from Commissioner of Income Tax.

All employees except cotton segment
Contributions to the fund are made at the rate of 8.33 percent of basic pay plus COLA for those employees who have served the Holding Company for a period of less than five years and after completion of five years, contributions are made at the rate of 10 percent.

5.12.2.2 Defined benefit plans

Pension and gratuity fund schemes
The Holding Company operates pension and gratuity fund schemes for its permanent management employees as per the terms of employment.

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 Holding Company's obligations and the fair value of plan assets are amortized over the expected average remaining working lives of the eligible employees. Past service cost is recognized immediately to the extent that the benefits are already vested. For non-vested benefits past service cost is amortized on a straight line basis over the average period until the amended benefits become vested.

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

5.13 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss account over the period of the borrowings on an effective interest basis.

5.14 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.

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 realization or settlement of the carrying amount of assets and liabilities, using the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted at the balance sheet date.

Deferred tax liabilities are recognized for all taxable temporary differences. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

5.15 Borrowing costs

Borrowing costs incurred on long term finances directly attributable for the construction/acquisition of qualifying assets are capitalized up to the date, the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the profit and loss account currently.

5.16 Revenue recognition

Revenue from sales is recognized when significant risks and rewards of ownership are transferred to the buyer.

Interest income is recognized on accrual basis using effective interest method.

Dividend income is recognized when the right to receive the same is established i.e. the book closure date of the investee company declaring the dividend.

Gains and losses on sale of investments are accounted for when the commitment (trade date) for sale of security is made.

Unrealized gains/(losses) arising on revaluation of securities classified as 'held for trading' are included in profit and loss account in the period in which they arise. Gains/(losses) arising on revaluation of derivatives to the fair value are taken to profit and loss account. Rental income (net of any incentives given to lessees) from investment property is recognized on a straight line basis over the lease term.

Miscellaneous income is recognized on receipt basis.

5.17 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past events, 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. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

5.18 Impairment

The carrying amount of the Group's assets is reviewed at each balance sheet date to determine whether there is any objective evidence that an asset or group of assets may be impaired. If any such evidence exists, the asset or group of assets' recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account.

5.19 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.

5.20 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 recognized amount and the Group intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

5.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting structure. Management monitors the operating results of its business units separately for the purpose of making decisions regarding resource allocation and performance assessment.

Segment results, assets and liabilities include items directly attributable to segment as well as those that can be allocated on a reasonable basis. Segment assets consist primarily of property, plant and equipment, intangibles, stores and spares, stock in trade and trade and other debts. Segment liabilities comprise of operating liabilities and exclude items such as taxation and corporate.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets.

5.22 Proposed dividend and transfer between reserves

Dividend distributions to the Holding Company's shareholders are recognized as a liability in the period in which dividends are approved. Transfer between reserves made subsequent to the balance sheet date is considered as non-adjusting event and is recognized in the financial statements in the period in which such transfers are made.

6. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2010 (Number of shares)	2009 (Number of shares)		2010 (Rupees in '000)	2009 (Rupees in '000)
22,230,188	22,230,188	Ordinary shares of Rs. 10 each fully paid in cash	222,302	222,302
34,229,805	34,229,805	Ordinary shares of Rs. 10 each fully issued as bonus shares	342,298	342,298
56,459,993	56,459,993		564,600	564,600

6.1 Ordinary shares of the Holding Company held by associated undertakings as at year end are as follows:

	2010		2009	
	Percentage of holding	(Number of shares)	Percentage of holding	(Number of shares)
Shakarganj Mills Limited	4.82%	2,720,062	4.99%	2,820,062
Crescent Sugar Mills & Distillery Limited	1.31%	742,422	1.81%	1,019,968
Muhammad Amin Muhammad Bashir Limited	0.00%	618	0.00%	618
The Crescent Textile Mills Limited	11.00%	6,209,676	11.00%	6,209,676
Premier Insurance Limited	–	–	0.06%	35,140

7. LONG TERM LOAN

	Note	2010 (Rupees in '000)	2009 (Rupees in '000)
Secured from a banking company			
Allied Bank Limited	7.1	168,380	280,617
Amortization of initial transaction costs		263	263
Repayments		(112,500)	(112,500)
		56,143	168,380
Current portion		(56,143)	(112,500)
		–	55,880

7.1 Mark-up rate on the above loan is 6 months KIBOR prevailing on the base rate setting date plus 1.9 percent per annum. Mark-up is payable on a quarterly basis. The effective mark-up charged during the year ranges from 14.25% to 14.95% (2009: 14.94% to 17.55%) per annum.

The tenor of the loan is five years. Principal is repayable on a quarterly basis with one year grace period. The loan was disbursed on 17 December 2005.

This facility has been secured against first equitable mortgage pari passu charge on all present and future fixed assets including land and building with 25% margin.

8. DEFERRED TAXATION

	2010	2009
	(Rupees in '000)	
Deferred tax credits/(debits) arising in respect of:		
Taxable temporary differences		
Accelerated tax depreciation/amortization	126,669	158,964
Deductible temporary differences		
Provisions for stock-in-trade and stores and spares	(15,872)	(22,162)
Provisions for doubtful debts, advances and others	(30,152)	(27,957)
Provision for impairment in unquoted available for sale investment	(9,058)	(9,058)
	(55,082)	(59,177)
	71,587	99,787

9. TRADE AND OTHER PAYABLES

		2010	2009
Trade creditors		25,690	26,000
Bills payable		204,245	129,031
Commission payable		4,841	4,461
Accrued liabilities	9.1	70,418	67,536
Provisions	9.2	82,366	73,934
Advance from customers		374,949	15,316
Retention money		334	754
Due to associated undertakings	9.3	1,758	338
Payable to provident fund		159	1
Unclaimed dividend		50,727	7,933
Special Excise Duty payable		423	–
Workers' Welfare Fund		13,335	9,781
Workers' Profit Participation Fund	9.4	28,666	27,524
Withholding tax payable		586	124
Customer's security deposit		8,605	3,400
Others		6,336	7,754
		873,438	373,887

9.1 Accrued liabilities

	2010	2009
	(Rupees in '000)	
Salaries, wages and other benefits	15,703	8,211
Accrual for 10-C bonus	911	820
Compensated absences	8,480	6,687
Others	45,324	51,818
	70,418	67,536

9.2 Movement of provisions

	Infrastructure fee	Sales Tax	Liquidated damages	Total
	(Rupees in '000)			
	(Note 9.2.1)	(Note 9.2.2)	(Note 9.2.3)	
Opening balance 1 July 2009	49,419	3,242	21,273	73,934
Provision for the year	9,097	–	2,823	11,920
Reversal of provision for the year	(3,488)	–	–	(3,488)
Closing balance 30 June 2010	55,028	3,242	24,096	82,366

9.2.1 This has been made against infrastructure fee levied by Government of Sindh through Sindh Finance (Amendment) Ordinance, 2001. The Holding Company has provided bank guarantees amounting to Rs. 70 million (2009: Rs. 55 million) in favour of Excise and Taxation Department. The Holding Company has contested this issue in High Court. Current year charge has been calculated on the value of imports during the year and forms a component of cost of such imported raw materials. During the year ended 30 June 2009, the Holding Company filed an appeal in Supreme Court against the judgement of the High Court dated 15 September 2008 partly accepting the appeal by declaring that the levy and collection of infrastructure fee prior to 28 December 2006 was illegal and ultra vires and after that it was legal. Additionally Sindh government also filed appeal against the part of judgement decided against them.

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

9.2.3 The provision has been made on account of liquidated damages claimed by a customer on delayed supply of goods. The Holding 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.

9.3 This represents expenses incurred by associated undertakings on behalf of the Holding Company and insurance premium payable to associated undertakings.

9.4 Workers' Profit Participation Fund

		2010	2009
		(Rupees in '000)	
Balance at beginning of the year		27,524	2,403
Mark-up on funds utilized in the Holding Company's business	36	3,141	89
Allocation for the year	34	28,666	27,524
		59,331	30,016
Amount paid to the trustees of the fund		(30,665)	(2,492)
Balance at end of the year		28,666	27,524

10. INTEREST AND MARK-UP ACCRUED

- Long Term Loan	329	1,037
- Running Finance and Short term loans	33,869	17,972
	34,198	19,009

11. SHORT TERM BORROWINGS

Secured from banking companies

Running finances under mark-up arrangements	652,875	648,880
Short term loans / Murabaha	127,413	253,935
	780,288	902,815

11.1 Short term running finance available to the Holding Company from various commercial banks under mark-up arrangements amounted to Rs. 911 million (30 June 2009: Rs. 1,450 million) out of which Rs. 600 million (30 June 2009: Rs. 1,150) is interchangeable with Term Finance/Demand Finance and letters of credit. The rate of mark-up ranged between 13.49% to 15.79% (2009: 12.52% to 18.50%) per annum.

11.2 Short term loan/murabaha financing available to the Holding Company from various commercial banks under mark-up arrangements amounted to Rs. 700 million (30 June 2009: Rs. 1,400 million). During the year, the mark-up on such arrangement ranged between 12.74% to 15.34% (2009: 12.52% to 18.50%) per annum.

11.3 The facilities for opening letters of credit available to the Holding Company amounted to Rs. 1,750 million (30 June 2009: Rs. 2,600 million) out of which Rs. 600 million (30 June 2009: Nil) is interchangeable with short term running finance as mentioned in note 11.1 above. The facility for letter of guarantees as at 30 June 2010 available to the Holding Company amounted to Rs. 717 million (30 June 2009: 800 million). Amounts unutilized for letters of credit and guarantees as at 30 June 2010 were Rs. 1,520.844 million and Rs. 54.131 million respectively (30 June 2009: Rs. 2,443 million and Rs. 546 million).

11.4 The above facilities are secured by way of hypothecation of plant and machinery, stock-in-trade, trade debts and other current assets of the Holding Company including pledge of shares and cotton/cotton yarn; and lien over import/export document.

12. CONTINGENCIES AND COMMITMENTS

12.1 The Holding 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 Holding Company contested that as per SRO 1317(I)/94 dated 22 December 1990, the coating plant being located in rural area, is only liable to pay 2% of import license fee. The Holding 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 Holding Company has filed the appeal with Honourable Supreme Court and no hearing has taken place since then. No provision has been made in the financial statements as management considers that the case would be decided in Holding Company's favour.

12.2 Sindh Industrial Trade Estate (SITE) has cancelled allotment of plot A-26 and A-27 and charged non-utilization fees of Rs. 0.285 million and Rs. 0.621 million respectively. The Holding 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 Holding Company. Therefore, management considers that the case would be decided in Holding Company's favour and no provision is required.

12.3 Aggregate amount of guarantees issued by the banks on behalf of the Holding Company against various contracts aggregated Rs. 662.869 million (30 June 2009: Rs. 253.79 million).

12.4 Commitments in respect of capital expenditure contracted for by the Group as at 30 June 2010 amounted to Rs. 218.432 million (30 June 2009: Rs. 24.56 million). This represents/includes an amount of Rs. 19.164 million (30 June 2009: Rs. 18.83 million) payable by the Holding Company over the period of three years in 15 quarterly installments representing office premises in Islamabad. This also includes commitments contracted by the Subsidiary Company aggregating Rs. 199.268 million (30 June 2009: Rs. Nil) in respect of capital expenditure to acquire plant and machinery.

12.5 Commitments by the Holding Company under letters of credit as at 30 June 2010 amounted to Rs. 24.911 million (30 June 2009: Rs. Nil).

13. PROPERTY, PLANT AND EQUIPMENT

		2010	2009
		(Rupees in '000)	
Operating fixed assets	13.1	956,113	1,092,889
Capital work-in-progress	13.5	300,778	131,699
		1,256,891	1,224,588

13.1 Operating fixed assets

Description		Land		Buildings	
		Freehold	Leasehold including improvement	On freehold Land	On Lease hold Land
		(Rupees in '000)			
Net carrying value as at 1 July 2009					
Opening net book value (NBV)	13.1.1	122,575	4,183	225,274	10,346
Additions/transfers		–	–	–	–
Disposals (at NBV)	13.6	–	–	–	–
Depreciation charge		–	(53)	(28,784)	(1,674)
Balance as at 30 June 2010 (NBV)		122,575	4,130	196,490	8,672
Gross carrying value as at 30 June 2010					
Cost	13.3	122,575	5,646	310,758	70,027
Accumulated depreciation		–	(1,516)	(114,268)	(61,355)
Net book value		122,575	4,130	196,490	8,672
Net carrying value as at 1 July 2008					
Opening net book value (NBV)		69,242	4,236	209,612	12,020
Additions		53,333	–	42,913	–
Disposals (at NBV)		–	–	–	–
Depreciation charge		–	(53)	(27,251)	(1,674)
Balance as at 30 June 2009 (NBV)		122,575	4,183	225,274	10,346
Gross carrying value as at 30 June 2009					
Cost		122,575	5,646	310,758	70,027
Accumulated depreciation		–	(1,463)	(85,484)	(59,681)
Net book value		122,575	4,183	225,274	10,346
Depreciation rate (% per annum)		–	1	–	5

* Net book value of plant and machinery includes book value of Rs. 1.544 million (2009: Rs. 1.73 million) of capitalized spares.

Office premises	Plant and Machinery *	Electrical / Office equi-pment and Installation	Furniture and fittings	Computers	Motor vehicles	Total
(Rupees in '000)						
10,493	681,378	10,325	2,668	6,844	18,803	1,092,889
–	28,041	1,433	148	977	2,580	33,179
–	(6)	(147)	–	(95)	(168)	(416)
(2,620)	(123,473)	(2,775)	(432)	(3,993)	(5,735)	(169,539)
7,873	585,940	8,836	2,384	3,733	15,480	956,113
40,493	1,649,252	33,179	16,251	46,903	54,988	2,350,072
(32,620)	(1,063,312)	(24,343)	(13,867)	(43,170)	(39,508)	(1,393,959)
7,873	585,940	8,836	2,384	3,733	15,480	956,113
13,113	762,716	11,847	2,864	16,674	24,124	1,126,448
–	40,080	1,155	237	1,886	3,203	142,807
–	–	–	–	–	(1,474)	(1,474)
(2,620)	(121,418)	(2,677)	(433)	(11,716)	(7,050)	(174,892)
10,493	681,378	10,325	2,668	6,844	18,803	1,092,889
40,493	1,621,217	32,023	16,103	51,517	60,470	2,330,829
(30,000)	(939,839)	(21,698)	(13,435)	(44,673)	(41,667)	(1,237,940)
10,493	681,378	10,325	2,668	6,844	18,803	1,092,889
10	5 - 20	5 & 20	10	33.33	20	

13.1.1 This includes freehold land measuring 1.976 acres (71,150 square feet) provisionally allotted to the Holding Company in Woven Garment Zone Value Addition City by Faisalabad Industrial Estate Development Management Company (FIEDMC), which is owned by the Government of Punjab. Final sale deed execution in Holding Company's name is subject to certain conditions which include installation of industrial unit and obtaining completion certificate from FIEDMC.

13.2 The depreciation charge for the year has been allocated as follows:

		2010	2009
		(Rupees in '000)	
Cost of sales	30	159,604	155,915
Distribution and selling expenses	32	224	260
Administrative expenses	33	9,711	18,717
		169,539	174,892

13.3 Property, plant and equipment as at 30 June 2010 include items having an aggregate cost of Rs. 674.899 million that have been fully depreciated and are still in use by the Group.

13.4 The fair value of operating fixed assets as at 30 June 2010 approximated to Rs. 2,252.631 million.

13.5 Capital work-in-progress

		2010	2009
		(Rupees in '000)	
Plant and machinery		34,307	4,580
Civil work	13.5.1	105,910	100,662
Software	13.5.2	–	26,457
Advances to supplier		159,250	–
Others		1,311	–
		300,778	131,699

13.5.1 This includes advance against purchase of land amounting to Rs. 40 million (30 June 2009: Rs. 40 million).

13.5.2 As at 30 June 2009, software includes expenditure incurred on acquiring license and implementing Enterprise Resource Planning (ERP) software (Oracle) which has been transferred to intangible assets during the year.

13.5.3 Capital work-in-progress includes expenditure aggregating Rs. 195.511 million (30 June 2009: Rs. Nil) incurred by the Subsidiary Company in respect of 18 MW Bagasse Fired Thermal Generation power plant at Bhone. The plant is expected to be completed in November 2010, with cost of approximately Rs. 430 million.

13.6 The following assets were disposed off during the year:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particular of buyers
	(Rupees in '000)					
Motor vehicles	504	504	–	175	Company Scheme	Mr. Sikandar Soomro (employee)
	63	–	63	63	Insurance Claim	EFU Insurance Limited
Electrical equipment	259	108	151	151	Negotiation	Desert Sound, Karachi
Others	13,104	12,902	202	2,615	Various	Various
2010	**13,930**	**13,514**	**416**	**3,004**		
2009	4,838	3,364	1,474	1,740		

14. INTANGIBLE ASSETS

		2010	2009
		(Rupees in '000)	
Net carrying value as at 1 July			
Net book value as at 1 July		811	620
Additions / transfers (at cost)		33,589	583
Amortization	14.1	(9,943)	(392)
Net book value as at 30 June	14.2 & 14.3	24,457	811
Gross carrying value as at 30 June			
Cost		45,734	12,145
Accumulated amortization		(18,637)	(8,694)
Accumulated impairment		(2,640)	(2,640)
Net book value		24,457	811
Amortization rate (% per annum)		33.33	33.33

14.1 The amortization charge for the year has been allocated as follows:

Cost of sales	30	24	119
Administrative expenses	33	9,919	273
		9,943	392

14.2 Intangible assets as at 30 June 2010 includes ERP software (Oracle) implemented and used by the Holding Company having carrying amount of Rs. 21.658 million (30 June 2009: Nil) and remaining unamortized period of 25 months (30 June 2009: Nil).

14.3 Intangible assets as at 30 June 2010 include items having an aggregate cost of Rs. 8.466 million that have been fully amortized and are still in use of the Group.

15 INVESTMENT PROPERTY

		Leasehold Land and improvments	Building on Lease hold Land	Office Premises	Total
		(Rupees in '000)			
Net carrying value as at 1 July 2009					
Opening net book value (NBV)		2,456	20,176	24,537	47,169
Additions		2,095	–	–	2,095
Depreciation charge	15.1	(64)	(1,080)	(3,284)	(4,428)
Balance as at 30 June 2010 (NBV)	15.2	4,487	19,096	21,253	44,836
Gross carrying value as at 30 June 2010					
Cost		4,609	21,608	29,655	55,872
Accumulated depreciation		(122)	(2,512)	(8,402)	(11,036)
Net book value		4,487	19,096	21,253	44,836
Balance as at 1 July 2008		2,485	21,256	26,262	50,003
Additions		–	–	1,392	1,392
Depreciation charge		(29)	(1,080)	(3,117)	(4,226)
Balance as at 30 June 2009 (NBV)		2,456	20,176	24,537	47,169
Depreciation rate (% per annum)		1 & 10	5	5 to 20	

15.1 Depreciation charged for the year has been allocated to administrative expenses.

15.2 Fair value of the investment property based on recent valuation is Rs. 124.400 million (30 June 2009: Rs. 93 million).

16. INVESTMENT IN EQUITY ACCOUNTED INVESTEES

The following associates, over which the Group has significant influence either due to representation on investee company's board or percentage of holding of voting power or both, are accounted for using equity method of accounting as defined in IAS 28 'Investments in associates'.

2010	2009			2010	2009
(Number of shares)				(Rupees in '000)	
		Quoted			
69,175,416	60,475,416	Altern Energy Limited (Cheif Executive Officer - Mr. Sheikh Muhammad Iqbal)	16.1.1	1,230,702	842,461
15,244,665	15,244,665	Shakarganj Mills Limited (Cheif Executive Officer - Mr. Ahsan M. Saleem)		–	96,291
				1,230,702	938,752
		Unquoted			
–	12,000,000	Shakarganj Food Products Ltd. (Cheif Executive Officer - Mr. Anjum M. Saleem)	16.1.3	–	86,277
–	2,185,096	Safeway Fund Limited (Cheif Executive Officer - Mr. Nihal Cassim)	16.1.4	–	77,739
				1,230,702	1,102,768
		Less: Provision for impairment		–	71,315
				1,230,702	1,031,453

16.1.1 The Holding Company and the Subsidiary Company hold 17.65% and 2.54% shareholding in Altern Energy Limited respectively and have no common directorship. The Group has an effective holding of 20.19% in the investee company and accordingly has been treated as an associate and accounted for under the equity method.

16.1.2 The above figures are based on unaudited condensed interim financial information of these companies as at 31 March 2010. The latest financial statements of these companies as at 30 June 2010 are not presently available.

16.1.3 The investment in Shakarganj Food Products Limited has been transferred to investment in available for sale securities as the Group considers that it no longer has significant influence over the investee company.

16.1.4 The investment in Safeway Fund Limited has been disposed off during the year.

16.1.5 Market value/break-up of investments in associates are as follows:

	2010	2009
	(Rupees in '000)	
Quoted		
Altern Energy Limited	714,582	483,803
Shakarganj Mills Limited	57,930	77,748
	772,512	561,551
Unquoted*		
Shakarganj Food Products Limited	–	39,814
Safeway Fund Limited	–	24,969
	–	64,783
	772,512	626,334

* Break-up value of shares is based on latest available unaudited condensed interim financial information as at 31 March 2010.

16.1.6 Percentage holding of equity investments in associates are as follows:

	2010	2009
	(%)	
Quoted		
Altern Energy Limited	20.19	17.65
Shakarganj Mills Limited	21.93	21.93
Unquoted		
Shakarganj Food Products Limited	–	9.33
Safeway Fund Limited	–	25.00

16.1.7 Summarized financial information of associated companies as at 31 March 2010 is as follows:

Name of investee company		Total assets	Total liabilities	Revenues	Profit / (loss)
		(Rupees in '000)			
2010					
Altern Energy Limited	16.1.8	32,726,568	21,901,200	11,842,086	1,572,059
Shakarganj Mills Limited	16.1.9	11,564,311	10,259,160	4,524,509	(495,915)
2009					
Altern Energy Limited		33,169,741	25,006,232	11,358,307	1,506,153
Shakarganj Mills Limited		12,271,591	9,566,463	3,237,692	(508,905)
Shakarganj Food Products Limited		1,406,477	919,959	1,232,023	(74,098)
Safeway Fund Limited		142,904	678	1,972	(10,791)

16.1.8 These figures are based on the latest available summarized consolidated condensed interim financial statements as at 31 March 2010 including its subsidiary company (Rousch (Pakistan) Power Limited).

16.1.9 These figures are based on the latest available consolidated condensed interim financial information as at 31 March 2010.

17. OTHER LONG TERM INVESTMENTS

	Note	2010 (Rupees in '000)	2009 (Rupees in '000)
Related parties			
Held to maturity	25.1	–	29,994
Available for sale	17.1	–	–
Others			
Available for sale	17.2	180,717	60,717
Held to maturity	17.3	24,938	26,781
		205,655	117,492
Less: Current maturity of Maple Leaf Cement Limited (Preference Shares) and Shakarganj Mills Limited (Preference Shares)	25	–	31,830
		205,655	85,662

Related parties

17.1 Available for sale

2010 (Number of shares)	2009 (Number of shares)		Note	2010 (Rupees in '000)	2009 (Rupees in '000)
		Unquoted			
2,403,725	2,403,725	Crescent Bahuman Limited	17.1.1	24,037	24,037
1,047,000	1,047,000	Crescent Industrial Chemicals Limited	17.1.2	10,470	10,470
				34,507	34,507
		Less: Provision for impairment		34,507	34,507
				–	–

17.1.1 The chief executive of Crescent Bahuman Limited is Mr. Nasir Shafi. The company's break up value of shares could not be ascertained as the latest financial statements of the company are not available.

17.1.2 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.

Others

17.2 Available for sale

2010	2009		2010	2009
(Number of shares)			(Rupees in '000)	
		Unquoted		
1,425,000	1,425,000	Central Depository Company of Pakistan Limited	60,717	60,717
12,000,000	–	Shakarganj Food Products Limited	120,000	–
			180,717	60,717

17.3 Held to maturity

	Note	2010	2009
Term Finance Certificates	17.3.1	24,938	24,945
Maple Leaf Cement Limited (Preference Shares)	25.2	–	1,836
		24,938	26,781
Less: Current maturity of Maple Leaf Cement Limited (Preference Shares)		–	1,836
		24,938	24,945

17.3.1 Term Finance Certificates (TFCs)

	2010	2009
United Bank Limited (5,000 TFCs of Rs. 5,000 each)	24,948	24,955
Current maturity shown under current assets	(10)	(10)
	24,938	24,945

This represents the investments in TFCs issued on 10 February 2004 by United Bank Limited. The tenor of the TFCs are eight years with semi-annual installments comprising of principal and profit. The rate of profit is 8.45 percent per annum. Fair value of the TFCs as at 30 June 2010 amounted to Rs. 22.718 million (2009: Rs. 21.618 million).

18. LONG TERM LOANS AND DEPOSITS

	Note	2010	2009
		(Rupees in '000)	
Security deposits		3,193	3,174
Long term loans - considered good	18.1	273	627
		3,466	3,801

18.1 This represents interest free house loans provided to employees of the Holding Company for a period of 5 years.

19. STORES, SPARES AND LOOSE TOOLS

	Note	2010	2009
		(Rupees in '000)	
Stores - steel segment		10,463	8,474
Spare parts - steel segment	19.1	38,352	38,873
Loose tools - steel segment		890	954
Stores and spares - cotton segment	19.2	44,482	49,267
		94,187	97,568
Provision for slow moving items	19.3	(21,268)	(13,805)
		72,919	83,763

19.1 This includes items in-transit as at 30 June 2010 of Rs. 0.830 million (2009: Rs. Nil).

19.2 This includes items in-transit as at 30 June 2010 of Rs. 6.638 million (2009: Rs. 9.09 million).

19.3 Movement of provision for slow moving items

	2010	2009
Opening balance	13,805	17,244
Provision/(reversal of provision) made during the year	7,463	(3,439)
Closing balance	21,268	13,805

20. STOCK-IN-TRADE

	Note	2010	2009
Raw materials			
Hot rolled steel coils (HR Coil)		379,555	34,122
Coating materials		50,585	54,694
Others		25,610	25,021
Raw cotton	20.1	95,989	172,608
Stock-in-transit	20.2	318,812	199,699
		870,551	486,144
Provision for obsolescence and slow-moving raw materials			
HR Coil	20.5	–	(10,310)
Coating materials	20.5	–	(84)
Others	20.5	–	(187)
		–	(10,581)
		870,551	475,563
Work-in-process	30.1	30,156	15,401
Finished goods	30.1	114,925	129,620
Scrap/cotton waste		10,982	10,702
Provision for obsolescence and slow-moving finished goods	20.6	–	(14,853)
		156,063	140,870
		1,026,614	616,433

20.1 This includes raw cotton amounting to Rs. 31.802 million (2009: Rs. 52.1 million) pledged as security with a financial institution.

20.2 This includes raw cotton amounting to Rs. 282.497 million (2009: Rs. 39.84 million).

20.3 This includes finished goods in transit amounting to Rs. Nil (2009: Rs. 15.507 million).

20.4 Stock in trade as at 30 June 2010 includes stock items valued at net realisable value (NRV) as follows. The write down to NRV amounting to Rs. 5.838 million has been recognized in cost of goods sold.

	Cost	NRV
	(Rupees in '000)	
Finished goods	120,464	114,925
Raw material	870,850	870,551
	991,314	985,476

20.5 Movements of provision for obsolescence and slow-moving raw materials

	2010			2009		
	H.R. Coil	Coating / Others	Total	H.R. Coil	Coating/ Others	Total
	(Rupees in '000)					
Opening balance	10,310	271	10,581	8,813	271	9,084
(Reversal)/provision during the year	(4,996)	–	(4,996)	1,497	–	1,497
Written off against provision	(5,314)	(271)	(5,585)	–	–	–
Closing balance	–	–	–	10,310	271	10,581

20.6 Movements of provision for obsolescence and slow-moving finished goods

	2010	2009
	(Rupees in '000)	
Opening balance	14,853	16,348
Reversal made during the year	(3,690)	(1,495)
Written off during the year against provision	(11,163)	–
Closing balance	–	14,853

21. TRADE DEBTS

		2010	2009
		(Rupees in '000)	
Secured			
Considered good		167,275	52,849
Unsecured			
Considered good		109,605	31,078
Considered doubtful		2,387	1,547
Provision for doubtful trade debts		(2,387)	(1,547)
		109,605	31,078
		276,880	83,927

22. ADVANCES

Considered good			
Advances to staff		894	679
Suppliers for goods and services		54,025	39,215
Considered doubtful			
Advances to others		–	3,000
Provision for doubtful advances		–	(3,000)
		–	–
Suppliers for goods and services		290	290
Provision for doubtful advances		(290)	(290)
		–	–
		54,919	39,894

23. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Security deposits		3,375	3,776
Prepayments		3,032	2,528
		6,407	6,304

24. INVESTMENTS

Related parties			
Available-for-sale	24.1	9,758	11,060
Others			
Available-for-sale	24.2	107,976	141,965
Held for trading	24.3	346,012	502,372
		453,988	644,337
		463,746	655,397

Investment in related parties

24.1 Available-for-sale

The Group holds investments in ordinary shares of Rs. 10 each in the following listed investee companies:

2010	2009	Name of investee company		2010	2009
(Number of shares)				(Rupees in '000)	
		Quoted			
452,379	452,379	The Crescent Textile Mills Ltd.		9,758	11,060
91,300	91,300	Crescent Jute Products Ltd.	24.1.1	–	–
				9,758	11,060

24.1.1 Investments in Crescent Jute Products Limited is carried at their break-up value, which is Nil per share, as this company is on the defaulters counter of the Karachi Stock Exchange. The break-up value has been calculated on the basis of unaudited condensed interim financial information for the half year ended 31 December 2009.

Investment in others

24.2 Available-for-sale

The Group holds investments in ordinary shares of Rs. 10 each in the following listed investee companies:

2010	2009	Name of investee company		2010	2009
(Number of shares)				(Rupees in '000)	
		Quoted			
9,060,000	9,060,000	Asian Stock Fund Limited		53,454	37,599
–	2,578	Fauji Fertilizer Company Limited		–	224
1,996	1,996	Innovative Investment Bank Limited		–	–
26,490	26,490	Jubilee Spinning and Weaving Mills Limited	24.2.1	–	–
–	1,300	Nestle Pakistan Limited		–	1,494
–	3,252,500	Pakistan Strategic Allocation Fund		–	11,156
–	100,311	PICIC Growth Fund		–	843
175,000	175,000	PICIC Investment Fund		662	667
7,944,263	7,944,263	Safeway Mutual Fund Limited		52,591	85,401
1,221	4,500	Siemens (Pakistan) Engineering Company Limited		1,269	4,581
				107,976	141,965

24.2.1 Investments in Jubilee Spinning and Weaving Mills Limited is carried at Rs. Nil (2009: Rs. Nil). The break-up value of shares of the investee company is Rs. 5.53 per share, calculated on the basis of the unaudited condensed interim financial information for the nine months ended 31 March 2010.

24.2.2 The investments having an aggregate market value of Rs. 474.493 million (30 June 2009: Rs. 952.0 million) have been pledged with financial institutions as security against financing facilities (see note 11.4) out of which Rs. 304.469 million (30 June 2009: Rs. 561.551 million) relates to long term investments.

24.3 Held for trading

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

2010	2009	Name of investee company	2010	2009
(Number of shares/units)			(Rupees in '000)	
67,500	70,000	Al Ghazi Tractors Limited *	13,655	11,340
190,859	215,960	Agriautos Industries Limited *	13,169	7,049
–	71,956	Arif Habib Securities Limited	–	1,989
30,000	39,700	Attock Cement Pakistan Limited	1,965	2,788
17,560	20,060	Attock Petroleum Limited	5,088	6,389
–	20,060	Attock Refinery Limited	–	2,503
30,000	–	Azgard Nine Limited	335	–
6,000	–	Bank AL Habib Limited	189	–
258,384	183,375	Bank Alfalah Limited	2,444	1,935
210,000	470,788	D.G. Khan Cement Company Limited	4,960	13,959
–	41,700	Engro Chemicals Pakistan Limited	–	5,356
20,500	–	Engro Corporation Limited	3,558	–
11,163	–	Fatima Fertilizer Company Limited	140	–
14,000	100,000	Fauji Fertilizer Bin Qasim Limited	365	1,769
20,000	20,000	First Habib Bank Modaraba	101	78
68,250	217,422	Fauji Fertilizer Company Limited	7,035	18,905
247,500	247,500	Golden Arrow Selected Stocks Fund Limited *	681	559
–	3,000	Habib Bank Limited	–	258
–	500	Hinopak Motors Limited	–	77
431,400	805,000	The Hub Power Company Limited	13,788	21,807
33,500	–	ICI Pakistan Limited	3,972	–
1,350	1,350	Innovative Investment Bank Limited	–	–
–	300,409	Jahangir Siddiqui and Company Limited	–	6,966
–	100,000	JS Growth Fund	–	382
–	100,000	JS Value Fund	–	445
–	99,750	Kohat Cement Company Limited	–	726

2010	2009	Name of investee company	2010	2009
(Number of shares/units)			(Rupees in '000)	
465,425	622,500	Kohinoor Energy Limited	12,329	18,053
341,400	341,400	Kot Addu Power Company Limited	14,250	14,428
10,000	–	Lotte Pakistan PTA Limited	80	–
–	426,000	Meezan Balanced Fund	–	2,462
25,000	410,869	National Bank of Pakistan	1,603	27,541
40,000	46,074	National Investment Trust	1,121	1,237
235,000	–	Nishat (Chunian) Limited	3,708	–
137,000	–	Nishat Mills Limited	5,907	–
–	599,800	Oil & Gas Development Company Limited	–	47,168
27,374	27,374	Packages Limited	3,243	4,299
685,640	1,006,140	Pakistan Oilfields Limited	148,029	146,796
302,500	–	Pakistan Telecommunication Company Limited	5,385	–
200,000	246,500	Pakistan National Shipping Corporation	7,978	11,378
–	217,365	Pakistan Petroleum Limited	–	41,199
–	171,708	Pakistan Premier Fund Limited	–	704
128,200	97,500	Pakistan State Oil Company Limited	33,358	20,831
–	161,875	Pak Suzuki Motor Company Limited	–	10,991
105,000	5,000	PICIC Energy Fund	541	23
457,311	711,000	PICIC Growth Fund	4,235	5,972
–	569,634	PICIC Insurance Limited	–	3,412
481,173	–	PICIC Investment Fund	1,819	–
4,884,734	6,056,456	Samba Bank Limited (Formerly Crescent Commercial Bank Ltd.)	11,088	18,048
2,500	–	Shell Pakistan Limited	573	–
203,500	280,280	Thal Limited *	19,320	21,708
–	22,000	United Bank Limited	–	842
			346,012	502,372

* It has face value of Rs. 5 per share.

24.4 'The following investments are deposited as security with commercial banks.

	2010	2009
	(Rupees in '000)	
Name of investee companies		
Altern Energy Limited	281,751	483,803
Agriauto Industries Limited	13,110	6,430
Al Ghazi Tractors Limited	13,655	10,530
Azgard Nine Limited	223	–
Arif Habib Securities Limited	–	138
Attock Cement Pakistan Limited	1,965	2,317
Attock Petroleum Limited	4,346	6,389
Attock Refinery Limited	–	2,503
Bank Alfalah Limited	2,441	–
Bank Al Habib Limited	189	–
ICI Pakistan Limited	3,557	–
D.G. Khan Cement Limited	4,960	11,374
Engro Corporation Limited	3,558	–
Fauji Fertilizer Bin Qasim Limited	365	1,521
Fauji Fertilizer Company Limited	7,008	5,027
The Hub Power Company Limited	13,788	16,985
Jahangir Siddiqui & Company Limited	–	3,349
Kohinoor Energy Limited	11,483	18,053
Kot Addu Power Company Limited	14,025	14,242
Kohat Cement Company Limited	–	673
Meezan Balanced Fund	–	2,312
National Bank of Pakistan	1,603	16,188
Nishat Mills Limited	5,907	–
Oil and Gas Development Company Limited	–	25,318
Pak Suzuki Motor Company Limited	–	10,991
Packages Limited	3,199	2,356
Pakistan Oilfields Limited	–	137,037
Pakistan Petroleum Limited	–	41,197
Pakistan State Oil Company Limited	33,358	-
Pakistan Strategic Allocation Fund	–	11,149
Pakistan Telecommunication Company Limited	5,340	–
PICIC Growth Fund	4,167	55
PICIC Investment Fund	2,457	–
Samba Bank Limited (Formerly Crescent Commercial Bank Ltd.)	–	18,023
Shakarganj Mills Limited	–	77,748
Siemens (Pakistan) Engineering Company Limited	–	4,581
Thal Limited	19,320	21,708
United Bank Limited - TFCs	22,718	–
	474,493	951,997

25. CURRENT PORTION OF LONG TERM INVESTMENTS

		2010	2009
		(Rupees in '000)	
Preference shares of Shakarganj Mills Limited	25.1	29,994	29,994
Preference shares of Maple Leaf Cement Factory Limited	25.2	1,836	1,836
Term finance certificates of United Bank Limited		10	10
Dividend receivable on preference shares of Shakarganj Mills Limited and Maple Leaf Cement Factory Limited		5,197	4,653
		37,037	36,493
Less: Share of loss on Shakarganj Mills Limited attributed to preference shares and dividend receivable thereon	25.1	35,099	–
Less: Provision for impairment on preference shares of Maple Leaf Cement Factory Limited and dividend receivable thereon	25.2	1,928	–
		10	36,493

25.1 This represents 2,999,396 preference shares of Rs. 10 each of Shakarganj Mills Limited (SML), an associated undertaking, issued in October 2004. These shares carry dividend rate of 8.5% per annum payable annually and were due for redemption in October 2009. The preference shares are convertible into ordinary shares of Rs. 10 each. The conversion option is exercisable at the end of every financial year of the investee company.

As at 30 June 2010, the amount remains outstanding and the Group does not intend to exercise the conversion option to convert the preference shares into ordinary shares as mentioned above. The group's share of unadjusted lost on equity accounted investment in SML has been allocated to preference shares and dividend receivable in accordance with the requirement of IAS 28 "Investment in Associates".

Fair value of the preference shares as at 30 June 2010 amounted to Rs. 9.028 million (2009: Rs. 29.694 million).

25.2 This represents 183,600 preference shares of Rs. 10 each of Maple Leaf Cement Factory Limited which were due for redemption on 13 December 2009. As at 30 June 2010, the amount remains outstanding and considered doubtful. Accordingly the balance outstanding has been fully provided for as at 30 June 2010.

26. OTHER RECEIVABLES

	Note	2010	2009
		(Rupees in '000)	
Dividend receivable		529	2,444
Receivable against sale of shares		–	5,993
Claim receivable		238	3,428
Due from associated undertakings	26.1	450	5,448
Sales tax/special excise duty refundable		21,428	33,397
Provision there against		(4,346)	(4,346)
		17,082	29,051
Margin on letter of credit		–	109,045
Receivable from staff retirement funds	43	2,975	5,107
Others		3,882	104
		25,156	160,620

26.1 Due from associated undertakings

	2010	2009
Crescent Textile Mills Limited	7	9
Shakarganj Mills Limited	13	3,016
Shakarganj Foods Products Limited	–	2,031
Crescent Jute Products Limited	430	347
Safeway Fund Limited	–	45
	450	5,448

27. TAXATION - NET

	2010	2009
Advance tax	868,559	669,117
Provision for tax	(849,861)	(640,696)
	18,698	28,421

27.1 The income tax assessments of the Holding Company have been finalized up to and including the assessment year 2002-2003. Tax returns of subsequent tax years are deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 unless selected for an audit by the taxation authorities. The Appelate Tribunal Inland Revenue (ATIR) and Taxation officer has issued the order in respect of assessment year 2001-2002, 2002-2003 and Tax year 2003, 2004, 2006 and 2007. The company has filed appeals against such order which are pending for adjudication. Full provision has been recognised in these financial statements upto Tax year 2003 except for short credit of taxes paid, deduction of taxed at source and adjustment of refund for the said assessment / Tax years. However, no provision has been made in these financial statements in respect of Tax years 2004, 2006 and 2007 as the management is confident for favourable outcome of these appeals. Additional tax liability of Rs. 128.887 million may arise against the above mentioned assessments in case decisions are made against the Holding Company.

Further, the department has also filed appeals against orders of Commissioner of Income Tax (Appeals) in respect of assessment years 1997-1998, 2000-2001 and Tax year 2004. In case of adverse decisions, additional tax liability of Rs. 8.569 million may arise. However, no provision has been made in these financial statements as the management is confident for favourable outcome of these appeals.

28. CASH AND BANK BALANCES

		2010	2009
		(Rupees in '000)	
With banks	in deposit accounts:		
	- local currency	88,830	334
	- foregin currency	2	2
		88,832	336
	in current accounts	92,163	3,205
Cash in hand		1,662	603
		182,657	4,144

29. SALES

	2010	2009
	(Rupees in '000)	
Local sales		
Bare pipes (own product excluding coating revenue)	928,038	1,259,483
Revenue from conversion	105,071	91,189
Coating of pipes	591,552	651,208
Cotton yarn/raw cotton	2,196,287	1,497,812
Others (including pipes laboratory testing)	24,042	21,198
Scrap/waste	107,798	87,125
Sales returns	(22,535)	(15,225)
Export Sales		
Export of cotton yarn	11,037	13,769
	3,941,290	3,606,559
Sales tax and special excise duty	(236,902)	(295,690)
	3,704,388	3,310,869

30. COST OF SALES

Steel segment	30.1	1,010,885	1,046,861
Cotton segment	30.1	1,876,410	1,550,329
		2,887,295	2,597,190

30.1 Cost of sales

		Steel Segment		Cotton Segment		Total	
		2010	2009	2010	2009	2010	2009
		(Rupees in '000)					
Raw materials consumed		799,389	921,676	1,315,115	1,056,791	2,114,504	1,978,467
Cost of raw cotton sold		–	–	70,962	14,847	70,962	14,847
Packing materials consumed		–	–	26,261	20,717	26,261	20,717
Store and spares consumed		30,639	28,058	57,617	34,240	88,256	62,298
Fuel, power and electricity		43,763	27,297	161,232	140,188	204,995	167,485
Salaries, wages and other benefits	30.2	69,512	57,317	83,656	76,662	153,168	133,979
Insurance		1,308	1,524	3,626	3,574	4,934	5,098
Repairs and maintenance		4,450	3,608	4,083	3,212	8,533	6,820
Depreciation	13.2	20,632	16,522	138,972	139,393	159,604	155,915
Amortization of intangible assets	14.1	–	–	24	119	24	119
Stock in trade written down to NRV		5,838	–	–	–	5,838	–
Other expenses		44,595	14,942	5,681	7,386	50,276	22,328
		1,020,126	1,070,944	1,867,229	1,497,129	2,887,355	2,568,073
Opening stock of work-in-process		2,776	3,548	12,625	11,526	15,401	15,074
Closing stock of work-in-process		(13,716)	(2,776)	(16,440)	(12,625)	(30,156)	(15,401)
		(10,940)	772	(3,815)	(1,099)	(14,755)	(327)
Cost of goods manufactured		1,009,186	1,071,716	1,863,414	1,496,030	2,872,600	2,567,746
Opening stock of finished goods		70,359	45,504	59,261	113,560	129,620	159,064
Closing stock of finished goods		(68,660)	(70,359)	(46,265)	(59,261)	(114,925)	(129,620)
		1,699	(24,855)	12,996	54,299	14,695	29,444
		1,010,885	1,046,861	1,876,410	1,550,329	2,887,295	2,597,190

30.2 Detail of salaries, wages and other benefits

Salaries, wages and other benefits		61,010	51,503	80,839	73,503	141,849	125,006
Provident fund contributions		1,729	1,503	1,453	1,608	3,182	3,111
Pension fund	30.3	5,431	3,484	1,335	1,410	6,766	4,894
Gratuity	30.3	1,342	827	29	141	1,371	968
		69,512	57,317	83,656	76,662	153,168	133,979

30.3 Staff retirement benefits

	2010		2009	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	4,085	915	4,078	1,044
Interest cost	5,836	1,182	5,007	1,275
Expected return on plan assets	(4,229)	(975)	(4,465)	(1,422)
Actuarial losses recognized	794	183	–	–
Past service cost recognized	280	66	274	71
	6,766	1,371	4,894	968

31. INCOME FROM / (LOSS ON) INVESTMENTS

		2010	2009
		(Rupees in '000)	
Return on Term Finance Certificates		2,116	2,109
Dividend income	31.1	38,548	57,662
Gain / (loss) on sale of investments			
- Held for trading		134,312	(211,230)
- Available-for-sale		4,677	13,597
Unrealized loss on held for trading investments		(10,641)	(207,719)
Gain on transfer of equity accounted investment to available-for-sale securities on loss of significant influence		46,085	–
Reclassification of share of equity of associate on loss of significant influence		–	(916)
Rent from investment properties	31.2	7,625	7,650
		222,722	(338,847)

31.1 This includes Rs. 0.643 million (2009: Rs. 3.078 million) dividend on preference shares from Shakarganj Mills Limited an associated company.

31.2 Direct operating expenses incurred against rent income from investment property amounted to Rs. 3.839 million (2009: Rs. 2.94 million). Further, Rs. 2.366 million (2009: Rs. 1.92 million) were incurred against the non rented out area.

32. DISTRIBUTION AND SELLING EXPENSES

		Steel Segment		Cotton Segment		Total	
		2010	2009	2010	2009	2010	2009
		(Rupees in '000)					
Salaries, wages and other benefits	32.1	5,868	5,084	1,684	1,834	7,552	6,918
Commission		–	–	12,677	6,019	12,677	6,019
Travelling, conveyance and entertainment		714	645	190	42	904	687
Depreciation	13.2	217	258	7	2	224	260
Insurance		89	102	–	–	89	102
Postage, telephone and telegram		117	91	109	35	226	126
Advertisement		672	386	100	–	772	386
Bid bond expenses		291	259	–	–	291	259
Legal and professional charges		1,960	595	–	–	1,960	595
Others		1,664	397	658	1,407	2,322	1,804
		11,592	7,817	15,425	9,339	27,017	17,156

32.1 Detail of salaries, wages and other benefits

		Steel Segment		Cotton Segment		Total	
Salaries, wages and other benefits		4,434	4,085	1,684	1,834	6,118	5,932
Provident fund contributions		187	182	–	–	187	169
Pension fund	32.2	1,005	668	–	–	1,005	668
Gratuity	32.2	242	149	–	–	242	149
		5,868	5,084	1,684	1,834	7,552	6,918

32.2 Staff retirement benefits

	2010		2009	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	607	162	555	160
Interest cost	867	209	683	195
Expected return on plan assets	(628)	(172)	(608)	(217)
Actuarial losses recognized	118	32	–	–
Past service cost recognized	41	11	38	11
	1,005	242	668	149

33. ADMINISTRATIVE EXPENSES

	Note	Steel Segment		Cotton Segment		IID Segment		Energy segment		Total	
		2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
		(Rupees in '000)									
Salaries, wages and other benefits	33.1	49,677	43,118	5,888	5,569	6,054	5,429	–	–	61,619	54,116
Rents, rates and taxes		163	318	104	101	750	314	–	–	1,017	733
Travelling, conveyance and entertainment		5,215	4,668	884	704	598	536	–	–	6,697	5,908
Fuel and power		5,508	4,987	256	256	612	567	–	–	6,376	5,810
Postage, telephone and telegram		1,495	1,700	322	243	166	189	–	–	1,983	2,132
Insurance		680	713	60	75	126	147	–	–	866	935
Repairs and maintenance		3,269	2,496	309	193	1,085	351	–	–	4,663	3,040
Auditors' remuneration	33.2	1,109	1,005	123	158	123	109	30	–	1,385	1,272
Legal and professional and corporate service charges		16,763	11,030	1,364	1,330	6,846	4,102	1,270	–	26,243	16,462
Advertisement		45	332	–	–	5	37	–	–	50	369
Donations	32.4	16,452	4,241	–	1,955	1,828	471	–	–	18,280	6,667
Depreciation	13.2 & 15	8,386	16,498	393	385	5,360	6,060	–	–	14,139	22,943
Amortization of intangible assets	14.1	8,914	175	15	79	990	19	–	–	9,919	273
Printing, stationery and office supplies		1,714	1,660	237	226	190	184	–	–	2,141	2,070
Newspapers, subscriptions and periodicals		2,851	1,788	833	466	317	199	–	–	4,001	2,453
Others		553	812	235	515	267	120	–	–	1,055	1,447
		122,794	95,541	11,023	12,255	25,317	18,834	1,300	–	160,434	126,630

33.1 Salaries, wages and other benefits

	Note	Steel 2010	Steel 2009	Cotton 2010	Cotton 2009	IID 2010	IID 2009	Energy 2010	Energy 2009	Total 2010	Total 2009
Salaries, wages and other benefits		38,247	33,653	4,775	5,398	4,664	4,247	–	–	47,686	43,298
Provident fund contributions		1,445	1,528	157	171	180	192	–	–	1,782	1,891
Pension fund	33.2	8,090	6,628	777	–	975	825	–	–	9,842	7,453
Gratuity	33.2	1,895	1,309	179	–	235	165	–	–	2,309	1,474
		49,677	43,118	5,888	5,569	6,054	5,429	–	–	61,619	54,116

33.2 Staff retirement benefits

	2010		2009	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	5,941	1,541	6,209	1,590
Interest cost	8,490	1,990	7,624	1,939
Expected return on plan assets	(6,152)	(1,643)	(6,797)	(2,163)
Actuarial losses recognized	1,155	308	–	–
Past service cost recognized	408	113	417	108
	9,842	2,309	7,453	1,474

33.3 Auditors' remuneration

	Note	2010	2009
		(Rupees in '000)	
Audit fee	33.3.1	1,030	875
Fee for audit of funds' finalcial statements and other reports		168	209
Out of pocket expenses		187	188
		1,385	1,272

33.3.1 Audit fee includes services for audit of annual separate and consolidated financial statements of the Holding Company and the individual financial statements of the Subsidiary Company, limited review of separate and consolidated condensed interim financial statements for the six months period, review report on Statement of Compliance with best Practices of the Code of Corporate Governance and audit of reconciliation statement of Nominee Shareholding of Central Depository Company of Pakistan Limited (CDC).

33.4 Donations

Donations include the following in which a director is interested:

Name of director	Interest in donee	Name and address of the donee	Amount donated 2010	Amount donated 2009
			(Rupees in '000)	
Mr. Ahsan M. Saleem	Director	The Citizens Foundation 9th Floor, NIC Building, Karachi.	16,720	5,073
	Director	Pakistan Center for Philanthropy 1-A, Street 14, F-8/3, Islamabad.	830	600
	Member	Lyallpur Golf Club Race Course Club, Faisalabad.	–	714
			17,550	6,387

33.4.1 Donations other than those mentioned above were not made to any donee in which a director or his spouse had any interest at any time during the year.

34. OTHERS OPERATING EXPENSES

	2010	2009
	(Rupees in '000)	
Provision for slow moving stores, spares and loose tools	7,463	–
Provision for stock-in-trade	–	8,233
Provision for doubtful trade debts	840	1,399
Provision for Workers Welfare Fund	14,638	9,780
Provision for Workers Profit Participation Fund (steel segment)	28,666	27,524
Provision for infrastructure fee	–	5,826
Provision for impairment in the value of investments	7,305	102,844
Provision for liquidated damages	2,823	11,594
Exchange loss	1,761	8,000
	63,496	175,200

35. OTHER OPERATING INCOME

	2010	2009
Income from financial assets		
Return on deposits	999	1,340
Income from non financial assets		
Liabilities written-back	–	4,270
Provision written back for stock-in-trade/stores, spares and loose tools	8,686	11,670
Provision written back - Workers Welfare Fund	–	19,613
Provision written back - infrastructure fees	3,488	–
Provision written back - investments	18,545	–
Gain on disposal of fixed assets	2,588	266
Insurance commission	887	775
Others	2,493	1,036
	36,687	37,630
	37,686	38,970

36. FINANCE COST

	2010	2009
Mark-up on:		
- Running finances	75,953	82,131
- Short term loans	25,842	86,495
- Long term loans	12,593	28,893
- Redeemable capital	–	1,837
- Workers Profit Participation Fund	3,141	89
Bank charges	4,381	4,126
	121,910	203,571

37. SHARE OF PROFIT IN EQUITY ACCOUNTED INVESTEES - NET

	2010	2009
	(Rupees in '000)	
Share of profit / (loss) after taxation of:		
Altern Energy Limited	225,109	241,448
Shakarganj Mills Limited	(194,834)	(213,772)
Central Depository Company of Pakistan Limited	–	1,941
Shakarganj Food Products Limited	(12,362)	(23,891)
Safeway Fund Limited	(6,733)	(2,693)
Asian Capital Management Limited	–	651
	11,180	3,684

38. TAXATION

Current			
- for the year		207,910	172,791
- for prior year		1,256	(26,396)
		209,166	146,395
Deferred	(11,717)	(28,200)	
		180,966	134,678

38.1 Relationship between tax expanse and accounting profit / (loss)

Profit / (loss) before taxation	715,824	(105,071)
Tax at the applicable rate of 35%	250,538	(36,775)
Tax effect of inadmissible expenses / gains / losses	(56,007)	195,687
Tax effect of income taxed at different rate	(11,800)	(16,209)
Prior year tax effect	(1,765)	(8,025)
	180,966	134,678

39. BASIC AND DILUTED EARNINGS / (LOSS) PER SHARE

Profit / (loss) for the year	534,858	(239,749)
	(Number of shares)	
Average number of ordinary shares in issue during the year	56,459,993	56,459,993
	(Rupees)	
Basic and diluted earnings / (loss) per share	9.47	(4.25)

40. CASH GENERATED FROM OPERATIONS

	Note	2010	2009
		(Rupees in '000)	
Profit / (loss) before taxation		715,824	(105,071)
Adjustments for non cash charges and other items:			
Depreciation on operating fixed assets and investment property		173,967	179,118
Reclassification of share of equity of associate on loss of significant influence		–	916
Amortization of intangible assets		9,943	392
Amortization of advances to staff		355	351
Unrealized loss on held-for-trading investments		10,641	207,719
Provision written back - investments		(18,545)	–
Provision against stock-in-trade and stores, spares and loose tools		7,463	8,233
Reversal of provision against stock-in-trade and stores, spares and loose tools		(8,686)	(11,670)
Liabilities written back		–	(4,270)
Provision for workers profit participation fund		28,666	27,524
Provision for workers welfare fund		14,638	9,780
Provision written back against workers welfare fund		–	(19,613)
Impairment in the value of investment		7,305	102,844
(Reversal of provision) / provision for infrastructure fee		(3,488)	9,919
Provision for doubtful debts		840	1,399
Provision for 10-C bonus		808	741
Provision against liquidated damages		2,823	11,594
(Gain) / loss on sale of investments - net		(133,973)	197,633
Gain on transfer of equity accounted investment to available-for-sale securities on loss of significant influence		(46,085)	–
Pension and gratuity expense		21,535	15,607
Charge for compensated absences		1,882	514
Finance costs		121,910	203,571
Gain on disposal of fixed assets		(2,588)	(266)
Dividend income		(38,548)	(57,662)
Return on deposits and investments		(3,115)	(3,449)
Share of profit in equity accounted investees		(5,151)	(3,684)
Amortization of initial transaction costs		263	712
Working capital changes	40.1	(31,879)	(22,202)
		826,805	750,680

40.1 Working capital changes

	Note	2010	2009
		(Rupees in '000)	
(Increase) / decrease in current assets			
Stores, spares and loose tools		3,381	(2,939)
Stock-in-trade		(392,398)	(10,376)
Trade debts		(193,793)	33,370
Short term advances		(15,025)	(15,295)
Short term deposits and prepayments		(103)	(3,891)
Other receivables (net)		125,424	(133,529)
		(472,514)	(132,660)
Increase in current liabilities			
Trade and other payables		440,635	110,458
		(31,879)	(22,202)

41. CASH AND CASH EQUIVALENTS

	Note	2010	2009
Running finances under mark-up arrangements	11	(652,875)	(648,880)
Cash and bank balances	28	182,657	4,144
		(470,218)	(644,736)

42. SEGMENT REPORTING

42.1 Reportable segments

The Group's reportable segments are as follows:

- Steel segment - It comprises manufacturing and coating of steel pipes (note 1.2).

- Cotton segment - It comprises manufacturing of yarn (note 1.3).

- Investment and Infrastructure Development (IID) segment - To effectively manage the investment portfolio in shares and other securities (strategic as well as short term) and property investments (held for rentals as well as long term appreciation).

- Energy segment - It comprises operations of Shakarganj Energy (Private) Limited (note 2).

Information regarding the Group's reportable segments is presented below.

42.2 Segment revenues and results

Following is an analysis of the Group's revenue and results by reportable segment

	Steel Segment	Cotton Segment	IID Segment	Energy Segment	Total
			(Rupees in '000)		
For the year ended 30 June 2010					
Sales	1,432,214	2,272,174	–	–	3,704,388
Cost of sales	1,010,885	1,876,410	–	–	2,887,295
Gross profit	**421,329**	**395,764**	**–**	**–**	**817,093**
Income from investments	–	–	222,722	–	222,722
	421,329	**395,764**	**222,722**	**–**	**1,039,815**
Distribution and selling expenses	11,592	15,425	–	–	27,017
Administrative expenses	122,794	11,023	25,317	1,300	160,434
Other operating expenses	29,389	25,983	8,124	–	63,496
	163,775	52,431	33,441	1,300	250,947
	257,554	**343,333**	**189,281**	**(1,300)**	**788,868**
Other operating income	14,474	3,804	18,545	863	37,686
Operating profit before finance costs	**272,028**	**347,137**	**207,826**	**(437)**	**826,554**
Finance costs	13,415	74,929	33,564	2	121,910
Share of profit in equity accounted investees - net	–	–	6,029	5,151	11,180
Profit before taxation	**258,613**	**272,208**	**180,291**	**4,712**	**715,824**
Taxation					180,966
Profit after taxation for the year					**534,858**
For the year ended 30 June 2009					
Sales	1,739,350	1,571,519	–	–	3,310,869
Cost of sales	1,046,861	1,550,329	–	–	2,597,190
Gross profit	**692,489**	**21,190**	**–**	**–**	**713,679**
Loss from investments	–	–	(338,847)	–	(338,847)
	692,489	**21,190**	**(338,847)**	**–**	**374,832**
Distribution and selling expenses	7,817	9,339	–	–	17,156
Administrative expenses	95,541	12,255	18,834	–	126,630
Other operating expenses	66,212	6,144	102,844	–	175,200
	169,570	27,738	121,678	–	318,986
	522,919	**(6,548)**	**(460,525)**	**–**	**55,846**
Other operating income	37,185	1,785	–	–	38,970
Operating profit/(loss) before finance costs	**560,104**	**(4,763)**	**(460,525)**	**–**	**94,816**
Finance costs	46,930	104,291	52,350	–	203,571
Share of profit in equity accounted investees - net	–	–	3,684	–	3,684
Profit/(loss) before taxation	**513,174**	**(109,054)**	**(509,191)**	**–**	**(105,071)**
Taxation					134,678
Loss after taxation for the year					**(239,749)**

42.2.1 Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the year (2009: Nil).

42.2.2 The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 5 to these consolidated financial statements. The steel segment allocates certain percentage of the common administrative expenditure to the cotton segment and IID segment. In addition, financial charges between steel and cotton segments are allocated at average mark-up rate on the basis of funds utilized. This is the measure reported to management for the purposes of resource allocation and assessment of segment performance.

42.3 Revenue from major products and services

The analysis of the Group's revenue from external customers for major products and services is given in note 29 to these consolidated financial statements.

42.4 Information about major customers

Revenue from major customers of Company's steel segment represent approximately Rs. 754.696 million (30 June 2009: Rs. 1,261.257 million) of total steel segment revenue of Rs. 1,432.241 million (30 June 2009: Rs. 1,739.350 million). Revenue from cotton segments of the Group does not include any single major customer.

42.5 Geographical information

42.5.1 The Group's revenue from external customers by geographical location is detailed below:

	2010	2009
	(Rupees in '000)	
Pakistan	3,693,351	3,297,100
Far East	11,037	13,769
	3,704,388	3,310,869

42.5.2 All non-current assets of the Group as at 30 June 2010 and 2009 were located and operating in Pakistan.

42.6 Segment assets and liabilities

Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follows:

	Steel Segment	Cotton Segment	IID Segment	Energy Segment	Total
			(Rupees in '000)		
As at 30 June 2010					
Segment assets for reportable segments	1,094,906	1,373,999	807,260	224,575	3,500,740
Investment in equity accounted investee	–	–	1,115,745	114,957	1,230,702
Unallocated corporate assets					163,391
Total assets as per balance sheet					4,894,833
Segment liabilities for reportable segments	524,468	320,828	2,707	1,969	849,972
Unallocated corporate liabilities					965,682
Total liabilities as per balance sheet					1,815,654
As at 30 June 2009					
Segment assets for reportable segments	614,231	1,333,311	918,824	–	2,866,366
Investment in equity accounted investee	–	–	1,031,453	–	1,031,453
Unallocated corporate assets					211,874
Total assets as per balance sheet					4,109,693
Segment liabilities for reportable segments	241,473	267,672	1,598	–	510,743
Unallocated corporate liabilities					1,053,135
Total liabilities as per balance sheet					1,563,878

42.6.1 For the purposes of monitoring segment performance and allocating resources between segments

- all assets are allocated to reportable segments other than those directly relating to corporate and tax assets; and

- all liabilities are allocated to reportable segments other than ‘trade and other payables’ directly relating to corporate, 'short term borrowings', 'interest and mark-up accrued' and current and deferred tax liabilities.

Cash and bank balances, borrowings and related interest and mark-up payable and receivable thereon / therefrom are not allocated to reporting segments as these are managed by the Group's central treasury function.

42.7 Other segment information

	Steel Segment	Cotton Segment	IID Segment	Energy Segment	Total
			(Rupees in '000)		
For the year ended 30 June 2010					
Capital expenditure	13,707	18,083	2,095	194,385	228,270
Depreciation and amortization	38,149	139,411	6,350	–	183,910
Non-cash items other than depreciation and amortization - net	51,370	99,149	(167,012)	(6,012)	(22,505)
For the year ended 30 June 2009					
Capital expenditure	136,340	14,538	18,237	–	169,115
Depreciation and amortization	33,453	139,978	6,079	–	179,510
Non-cash items other than depreciation and amortization	94,786	250,106	502,340	–	847,232

43. STAFF RETIREMENT BENEFITS

43.1 Defined benefit plans

43.1.1 The actuarial valuation of both pension and gratuity schemes has been conducted in accordance with IAS 19, 'Employee benefits' as at 30 June 2010. The projected unit credit method, using the following significant assumptions, has been used for the actuarial valuation:

	2010	2009
- Discount rate	12%	12%
- Expected rate of increase in salaries	11% to 12%	12% to 15%
- Expected rate of return on plan assets	12%	12%
- Average expected remaining working life of employees	10 years	10 years
- Expected mortality for active members	As per EFU (61-66) mortality table	

43.1.2 Reconciliation of payable to/(receivable from) defined benefit plans

		2010			2009		
		Pension	**Gratuity**	**Total**	Pension	Gratuity	Total
		(Rupees in '000)			(Rupees in '000)		
Present value of defined benefit obligations	43.1.4	141,712	34,115	175,827	126,611	28,177	154,788
Fair value of plan assets	43.1.5	(128,646)	(29,906)	(158,552)	(91,742)	(23,254)	(114,996)
Unrecognized net actuarial losses	43.1.8	(11,498)	(6,151)	(17,649)	(33,332)	(8,047)	(41,379)
Unrecognized past service cost		(1,458)	(1,143)	(2,601)	(2,187)	(1,333)	(3,520)
Liability/(asset) in balances		110	(3,085)	(2,975)	(650)	(4,457)	(5,107)

43.1.3 Movement in payable to/(receivable from) defined benefit plans

Opening balance		(650)	(4,457)	(5,107)	2,155	(4,758)	(2,603)
Charge for the year	43.1.9	17,613	3,922	21,535	13,016	2,591	15,607
Contributions by the Company	43.1.5	(16,853)	(2,550)	(19,403)	(15,821)	(2,290)	(18,111)
Closing balance		110	(3,085)	(2,975)	(650)	(4,457)	(5,107)

43.1.4 Reconciliation of present value of defined benefit obligations

Present value of defined benefit obligations - 1 July	126,611	28,177	154,788	110,954	28,404	139,358
Current service cost	10,633	2,618	13,251	10,842	2,794	13,636
Interest cost	15,193	3,381	18,574	13,315	3,409	16,724
Benefits paid during the year	(4,457)	(1,062)	(5,519)	(2,647)	(3,174)	(5,821)
Actuarial (gain)/loss on obligations	(6,268)	1,001	(5,267)	(5,853)	(3,256)	(9,109)
Present value of defined benefit obligations - 30 June	141,712	34,115	175,827	126,611	28,177	154,788

43.1.5 Changes in the fair value of plan assets are as follows:

Fair value of plan assets - 1 July	91,742	23,254	114,996	98,914	31,684	130,598
Expected return on plan assets	11,009	2,790	13,799	11,870	3,802	15,672
Contributions by the Holding Company	16,853	2,550	19,403	15,821	2,290	18,111
Benefits paid during the year	(4,457)	(1,062)	(5,519)	(2,647)	(3,174)	(5,821)
Actuarial gain/(loss) on plan assets	13,499	2,374	15,873	(32,216)	(11,348)	(43,564)
Fair value of plan assets - 30 June	128,646	29,906	158,552	91,742	23,254	114,996

43.1.6 Actual return on plan assets	24,508	5,164	29,672	(20,346)	(7,546)	(27,892)

43.1.7 Actuarial (losses)/gains to be recognized

	2010		2009	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Corridor limit				
The limits of corridor as at 1 July				
- 10% of present value of obligations	12,661	2,818	11,095	2,840
- 10% of fair value of plan assets	9,174	2,325	9,891	3,168
Which works out to	12,661	2,818	11,095	3,168
Unrecognized net actuarial (losses)/gains as at 1 July	(33,332)	(8,047)	(6,969)	45
Excess	(20,671)	(5,229)	–	–
Average expected remaining working lives in years	10	10	10	10
Actuarial (losses) recognized	(2,067)	(523)	–	–

43.1.8 Unrecognized net actuarial (losses)/gains

		2010			2009		
		Pension	Gratuity	Total	Pension	Gratuity	Total
		(Rupees in '000)					
Unrecognized net actuarial (losses)/gains as at 1 July		(33,332)	(8,047)	(41,379)	(6,969)	45	(6,924)
Actuarial gain/(loss) on obligations	43.1.4	6,268	(1,001)	5,267	5,853	3,256	9,109
Actuarial gain/(loss) on plan assets	43.1.5	13,499	2,374	15,873	(32,216)	(11,348)	(43,564)
		(13,565)	(6,674)	(20,239)	(33,332)	(8,047)	(41,379)
Less: Actuarial (losses) recognized	43.1.7	(2,067)	(523)	(2,590)	–	–	–
Unrecognized net actuarial losses as at 30 June		(11,498)	(6,151)	(17,649)	(33,332)	(8,047)	(41,379)

43.1.9 Following amounts have been charged in the profit and loss account in respect of these benefits:

	2010 Pension	2010 Gratuity	2010 Total	2009 Pension	2009 Gratuity	2009 Total
Current service cost	10,633	2,618	13,251	10,842	2,794	13,636
Interest cost	15,193	3,381	18,574	13,315	3,409	16,724
Expected return on plan assets	(11,009)	(2,790)	(13,799)	(11,870)	(3,802)	(15,672)
Actuarial losses recognized	2,067	523	2,590	–	–	–
Past service cost recognized	729	190	919	729	190	919
Expense recognized in profit and loss account	17,613	3,922	21,535	13,016	2,591	15,607

43.1.10 Amounts for the current year and previous four years of the present value of defined benefit obligations, fair value of plan assets, surplus/(deficit) and experience adjustments arising thereon are as follows:

	2010	2009	2008	2007	2006
	(Rupees in '000)				
Pension					
As at 30 June					
Present value of defined benefit obligation	141,712	126,611	110,954	99,224	71,422
Fair value of plan assets	128,646	91,742	98,915	93,474	68,194
Deficit	(13,066)	(34,869)	(12,039)	(5,750)	(3,228)
Experience adjustments					
Actuarial gain on obligation	(6,268)	(5,853)	(6,440)	(8,383)	(2,502)
Actuarial gain/(loss) on plan assets	13,499	(32,216)	(11,355)	14,157	(1,512)
Gratuity					
As at 30 June					
Present value of defined benefit obligation	34,115	28,177	28,404	27,945	19,776
Fair value of plan assets	29,906	23,254	31,684	32,878	24,023
(Deficit)/surplus	(4,209)	(4,923)	3,280	4,933	4,247
Experience adjustments					
Actuarial loss/(gain) on obligation	1,001	(3,256)	(3,774)	708	1,113
Actuarial gain/(loss) on plan assets	2,374	(11,348)	(6,091)	4,298	17

43.1.11 Expected contribution for the next year

The expected contribution to the pension and gratuity schemes for the year ending 30 June 2011 work out to Rs. 7.562 million and Rs. 2.950 million respectively.

43.2 Defined contribution plans

The total charge against provident fund for the year was Rs. 5.151 million (2009: Rs. 5.171 million).

44. FINANCIAL INSTRUMENTS

The Group's has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of Group's risk management framework. The Board is also responsible for developing and monitoring the Group's risk management policies.

44.1 Credit risk

Credit risk represents the financial loss that would be recognized at the balance sheet date if counterparties fail completely to perform as contracted / fail to discharge an obligation / commitment that it has entered into with the Company. It arises principally from trade receivables, bank balances, security deposits, accrued markup and investment in debt securities.

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the balance sheet date is:

	2010	2009
	(Rupees in '000)	
Investments	41,952	61,438
Loans and deposits	6,568	6,950
Trade debts	276,880	83,927
Mark-up accrued	820	813
Other receivables	4,120	124,018
Bank balances	180,995	3,541
	511,335	280,687

Trade receivable

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Sales tenders and credit terms are approved by the tender approval committee. Where considered necessary, advance payments are obtained from certain parties. Sales made to major customers are secured through letters of credit. The management has set a maximum credit period of 15 days in respect of cotton division's sales to reduce the credit risk.

All the trade debtors at the balance sheet date represent domestic parties.

The maximum exposure to credit risk before any credit enhancements for trade receivables at the reporting date by type of customer was:

	2010	2009
	(Rupees in '000)	
Cotton segment	93,894	33,411
Steel segment	182,986	50,516
	276,880	83,927

The aging of trade receivable at the reporting date is:

	2010	2009
	(Rupees in '000)	
Not past due	219,477	68,171
Past due 1-30 days	1,580	4,049
Past due 30-150 days	51,152	3,080
Past due 150 days	7,058	10,174
	279,267	85,474
Less: impaired	(2,387)	(1,547)
	276,880	83,927

One of the major customer accounts for Rs. 155.392 million of the trade receivables carrying amount at 30 June 2009 (2009: Rs. 35.16 million) that has a good track record with the Group.

The movement in the allowance for impairment in respect of trade receivables is as follows:

	2010	2009
	(Rupees in '000)	
Opening balance	1,547	148
Provision during the year	840	1,399
Closing balance	2,387	1,547

Based on past experience the management believes that no impairment allowance is necessary in respect of trade receivables past due as some receivables have been recovered subsequent to the year end and for other receivables there are reasonable grounds to believe that the amounts will be recovered in short course of time. Non past due amounts of Rs. 46.819 million (2009: Rs. 43.233 million) and past due amounts of Rs. Nil (2009: Rs. 9.616 million) are secured through inland letters of credit.

Settlement risk

All investing transactions are settled/paid for upon delivery as per the advice of investment committee. The Group's policy is to enter into financial instrument contract by following internal guidelines such as approving counterparties and approving credits.

Bank balances

The holding Company kept its surplus funds with banks having good credit rating. Currently the surplus funds are kept with banks having rating from AAA to A.

Investment in debt securities

Credit risk arising on debt securities is mitigated by investing principally in investment grade rated instruments. Where the investment is considered doubtful a provision is created there against. As at 30 June 2010, the Group has recognized a provision of Rs. 20.034 million against its exposure to preference shares of investee companies.

The analysis below summarizes the credit quality of the Group's investments in debt securities of investee companies.

	2010	2009
Term Finance Certificates	AA	AA
Preference Shares		
- Maple Leaf Cement Factory Limited	D	A2
- Shakarganj Mills Limited	D	A2

Concentration of credit risk

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Group believes that it is not exposed to major concentration of credit risk.

44.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligation arising from financial liabilities that are settled by delivering cash or another financial asset or that such obligation will have to be settled in a manner disadvantageous to the Group. The Group is not materially exposed to liquidity risk as substantially all obligation / commitments of the holding Company are short term in nature and are restricted to the extent of available liquidity. In addition, the holding Company has obtained running finance facilities from various commercial banks to meet the short term liquidity commitments, if any.

The following are the contractual maturities of the financial liabilities, including estimated interest payments:

	2010						
	Carrying amount	On demand	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
	(Rupees in '000)						
Financial liabilities							
Loan	56,143	–	58,940	58,940	–	–	–
Trade and other payables	249,869	–	249,869	249,869	–	–	–
Interest and mark-up accrued	34,198	–	34,198	34,198	–	–	–
Short term borrowings	780,288	780,288	–	–	–	–	–
	1,120,498	780,288	343,007	343,007	–	–	–

	2009						
	Carrying amount	On demand	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
	(Rupees in '000)						
Financial liabilities							
Loan	168,380	–	189,808	67,505	63,231	59,072	–
Trade and other payables	247,207	–	247,207	247,207	–	–	–
Interest and mark-up accrued	19,009	–	19,009	19,009	–	–	–
Short term borrowings	902,815	902,815	–	–	–	–	–
	1,337,411	902,815	456,024	333,721	63,231	59,072	–

44.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will affect the holding Company's income or the value of its holdings of financial instruments. The Investment Committee monitors the portfolio of its investments and adjust the portfolio in light of changing circumstances.

44.3.1 Currency risk

The holding Company is exposed to currency risk on import of raw materials, stores and spares, export of goods and foreign currency bank accounts denominated in US Dollars (USD), Great Britain Pound (GBP) and Euros . The holding Company's exposure to foreign currency risk for these currencies is as follows:

	2010			
	USD	Pound	Euro	Total
	(Rupees in '000)			
Foreign creditors	(196,030)	(1,627)	(6,589)	(204,246)
Foreign currency bank account	2	–	–	2
Gross balance sheet exposure	(196,028)	(1,627)	(6,589)	(204,244)
Outstanding letters of credit	(22,302)	(1,071)	(1,537)	(24,910)
Net exposure	(218,330)	(2,698)	(8,126)	(229,154)

	2009			
	USD	Pound	Euro	Total
	(Rupees in '000)			
Foreign creditors	(129,301)	–	–	(129,301)
Foreign currency bank account	2	–	–	2
Net exposure	(129,299)	–	–	(129,299)

The following significant exchange rate has been applied:

	Average rate		Reporting date rate	
	2010	2009	2010	2009
USD to PKR	83.69	78.89	85.60	81.30
GBP to PKR	132.32	125.67	128.96	135.38
Euro to PKR	116.40	107.17	104.58	114.82

Sensitivity analysis

At reporting date, if the PKR had strengthened by 10% against the USD, GBP and Euro with all other variables held constant, post-tax profit for the year would have been higher by the amount shown below, mainly as a result of net foreign exchange gain on translation of foreign currency bank account and foreign creditors.

Effect on profit or loss	2010	2009
	(Rupees in '000)	
USD	21,833	12,903
GBP	270	–
Euro	813	–
	22,916	12,903

The weakening of the PKR against USD, GBP and Euro would have had an equal but opposite impact on the post tax profits.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets/liabilities of the Group.

44.3.2 Interest rate risk

At the reporting date the interest rate profile of the Group's significant interest bearing financial instruments was as follows:

	2010	2009	2010	2009
	Effective interest rate (in Percent)		Carrying amount (Rupees in '000)	
Financial assets				
Fixed rate instruments				
Preference shares	8.5 & 9.75	8.5 & 9.75	–	31,830
Term finance certificates	8.45	8.45	24,948	24,955
Financial liabilities				
Variable rate instruments				
Loan	14.25 - 14.95	14.94 - 17.55	56,143	168,380
Short term borrowings	13.49 - 15.79	12.52 - 18.5	780,288	902,815

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in interest rates at the reporting date would not affect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased/(increased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

	Profit and loss 100 bp	
	2010	2009
	(Rupees in '000)	
As at 30 June 2010		
Cash flow sensitivity-Variable rate financial liabilities	(3,901)	3,901
As at 30 June 2009		
Cash flow sensitivity-Variable rate financial liabilities	(3,734)	3,734

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Group.

44.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Other price risk arises from the holding Company's investment in ordinary shares of listed companies. To manage its price risk arising from aforesaid investments, the holding Company diversifies its portfolio and continuously monitors developments in equity markets. In addition the Investment Committee actively monitors the key factors that affect stock price movement.

A 10% increase/decrease in share prices at year end would have decreased/increased the Group 's profit in case of held for trading investments and increase/decrease surplus on re-measurement of investments in case of 'available for sale' investments as follows:

	2010	2009
	(Rupees in '000)	
Effect on profit / (loss)	34,601	50,237
Effect on equity	17,668	21,374
Effect on investments	52,269	71,611

The sensitivity analysis prepared is not necessarily indicative of the effects on profit/equity and assets of the Group.

44.4 Fair value of financial instruments

The carrying values of other financial assets and financial liabilities reported in balance sheet approximate their fair values.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument

- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3: Valuation techniques using significant unobservable inputs.

Investment in ordinary shares of listed companies is valued using quoted prices in active market, hence, fair value of such investments fall within Level 1 in fair value hierarchy as mentioned above.

45. REMUNERATION TO THE CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	Chief Executive		Director		Executives		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	(Rupees in '000)							
Managerial remuneration	6,750	6,000	–	2,910	17,434	18,467	24,184	27,377
House rent	3,038	2,700	–	1,309	7,339	6,422	10,377	10,431
Utilities	675	600	–	291	1,678	1,475	2,353	2,366
Travelling expenses	994	1,152	–	317	–	309	994	1,778
Others	932	709	1,166	–	–	44	2,098	753
Medical	211	60	–	109	994	1,029	1,205	1,198
Contribution to:								
- Provident fund	675	600	–	291	1,065	922	1,740	1,813
- Gratuity fund	472	460	–	223	719	657	1,191	1,340
- Pension fund	1,350	1,200	–	582	2,331	2,008	3,681	3,790
Club subscription and expenses	649	447	–	10	44	46	693	503
Entertainment	–	–	–	33	42	121	42	154
Conveyance	–	–	–	–	1,001	971	1,001	971
Telephone	–	–	–	11	6	28	6	39
	15,746	13,928	1,166	6,086	32,653	32,499	49,565	52,513
Number of persons	1	1	1	1	14	14	16	16

45.1 The aggregate amount charged in the account in respect of directors' fees paid to six directors (2009: seven) directors was Rs. 0.360 million (2009: Rs. 0.305 million).

45.2 The chief executive, a director and four executives are provided with free use of Company maintained cars, according to their entitlements.

45.3 The chief executive, a director, executives and their families are also covered under group life and hospitalization insurance.

46. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated companies, directors, companies where directors also hold directorship, related group companies, key management personnel and staff retirement funds.

The transactions and outstanding balances with related parties other than those disclosed elsewhere are as follows:

		2010	2009
		(Rupees in '000)	
Associated companies			
Sale of finished goods including waste		24	16,080
Sale of raw cotton		7,623	–
Rendering of services		3,989	1,182
Receiving of services		3,002	4,743
Rental income		2,301	4,649
Purchase of shares		–	20,872
Purchase of operating fixed assets		–	120,510
Other related parties			
Rendering of services		441	–
Donations	33.4	17,550	6,387
Contribution to provident fund		5,151	5,171
Contribution to pension fund	43.1.5	16,853	15,821
Contribution to gratuity fund	43.1.5	2,550	2,290
Remuneration to key management personnel		40,214	44,285

46.1 Sale of goods, rendering of services and rental income are based on commercial terms and at market prices which are approved by the Board of Directors.

46.2 Contributions to the employee retirement benefits are made in accordance with the terms of employee retirement benefits schemes and actuarial advice.

46.3 Key management personnel are those person having authority and responsibility for planning, directing and controlling the activities of the company, including directors of the company. There are no transactions with the key management personnel other than their terms of employment / entitlements.

47. CAPITAL RISK MANAGEMENT

The Group's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's overall strategy remains unchanged from year 2009.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payments to share holders or issue new shares. The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Group finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

The Group is not subject to any externally imposed capital requirements.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt less cash and bank balances. Total capital is calculated as equity as shown in the balance sheet plus net debt.

47.1 Gearing ratio

		2010	2009
		(Rupees in '000)	
The gearing ratio at end of the year was as follows:			
Total debt	47.1.1	836,431	1,071,195
Less: Cash and bank balances		182,657	4,144
Net debt		653,774	1,067,051
Total equity	47.1.2	3,079,179	2,545,815
Total capital		3,732,953	3,612,866
Gearing ratio		18%	30%

47.1.1 Total debt is defined as long and short-term borrowings (excluding derivatives), as described in notes 7 and 11 to these consolidated financial statements.

47.1.2 Total equity includes all capital and reserves of the Group that are managed as capital.

48. PLANT CAPACITY AND PRODUCTION

46.1 Steel segment

Pipe plant

The plant's installed/rated capacity for production based on single shift is 30,000 tons (2009: 30,000 tons) annually on the basis of notional pipe size of 30" dia x ?" thickness. The actual production achieved during the year was 17,410 tons (2009: 14,368 tons) line pipes of varied sizes and thickness, which is equivalent to 57,249 tons (2009: 37,470 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 788,393 meters (2009: 585,651 meters) of different dia pipes (461,043 square meters surface area) was achieved during the year (2009: 382,902 square meters surface area).

48.2 Cotton segment

Spinning unit 1

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 5,016,846 kilograms (2009: 5,306,859 kilograms).

Spinning unit 2

The plant capacity converted to 20s count based on three shifts per day for 1,080 shifts is 9,284,825 kilograms. Actual production converted into 20s count was 9,638,111 kilograms (2009: 9,894,119 kilograms).

48.3 The capacities of the plant were utilized to the extent of orders received.

49. NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Holding Company in their meeting held on 29 July 2010 has proposed a final cash dividend for the year ended 30 June 2010 of Re. 1 per share (i.e. 10%), amounting to Rs. 56.460 million (2009: Rs. Nil per share) for approval of the members of the Holding Company at the Annual General Meeting to be held on 31 August 2010. This is in addition to the first and second interim cash dividends of Re. 1 per share each already distributed and recorded in these consolidated financial statements. These consolidated financial statements do not include the effect of this proposed final cash dividend and will be accounted for subsequent to year end.

50. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue in the Board of Directors meeting held on 29 July 2010.

Chief Executive **Director**

Crescent Steel & Allied Products Ltd.

Form "34" Pattern of Holding of Shares

Held by Shareholders as at 30 June 2010

No. of Shareholders	Shareholding From	Shareholding To	Total Shares held
411	1	100	17,190
668	101	500	193,423
500	501	1,000	360,506
689	1,001	5,000	1,610,642
174	5,001	10,000	1,265,266
65	10,001	15,000	800,269
56	15,001	20,000	992,004
31	20,001	25,000	694,332
25	25,001	30,000	689,944
15	30,001	35,000	490,183
11	35,001	40,000	418,209
10	40,001	45,000	425,422
12	45,001	50,000	583,817
8	50,001	55,000	421,719
4	55,001	60,000	233,453
4	60,001	65,000	246,889
7	65,001	70,000	477,198
4	70,001	75,000	291,523
4	75,001	80,000	306,973
1	80,001	85,000	80,008
3	85,001	90,000	264,097
5	95,001	100,000	495,800
3	100,001	105,000	308,316
2	105,001	110,000	220,000
2	115,001	120,000	231,175
2	120,001	125,000	242,293
3	125,001	130,000	382,349
3	130,001	135,000	401,774
1	135,001	140,000	135,249
3	145,001	150,000	442,525
2	150,001	155,000	301,297
4	160,001	165,000	656,900
3	165,001	170,000	501,071
1	180,001	185,000	180,005
1	190,001	195,000	194,845
1	195,001	200,000	195,066
3	220,001	225,000	667,554
1	225,001	230,000	227,480
1	240,001	245,000	243,975

Pattern of Holding of Shares

No. of Shareholders	Shareholding From	Shareholding To	Total Shares held
2	255,001	260,000	518,490
1	265,001	270,000	267,500
1	300,001	305,000	302,153
1	305,001	310,000	305,410
1	320,001	325,000	323,418
2	325,001	330,000	652,529
2	330,001	335,000	667,979
1	335,001	340,000	337,580
1	340,001	345,000	341,024
1	345,001	350,000	345,198
1	350,001	355,000	354,561
1	390,001	395,000	393,000
1	395,001	400,000	400,000
1	400,001	405,000	405,000
1	405,001	410,000	408,200
1	485,001	490,000	490,000
1	530,001	535,000	530,712
1	550,001	555,000	553,781
1	600,001	605,000	604,916
1	605,001	610,000	605,484
1	620,001	625,000	621,816
1	630,001	635,000	633,583
1	655,001	660,000	655,500
1	740,001	745,000	742,422
1	745,001	750,000	747,683
1	830,001	835,000	831,192
1	860,001	865,000	864,724
1	960,001	965,000	962,059
1	1,085,001	1,090,000	1,090,000
1	1,130,001	1,135,000	1,133,300
1	1,230,001	1,235,000	1,233,739
1	1,590,001	1,595,000	1,591,061
1	1,825,001	1,830,000	1,825,062
1	1,910,001	1,915,000	1,913,233
1	2,345,001	2,350,000	2,349,276
1	3,450,001	3,455,000	3,450,150
1	3,905,001	3,910,000	3,907,841
1	6,205,001	6,210,000	6,209,676
2,784			**56,459,993**

Crescent Steel & Allied Products Ltd.

Pattern of Holding of Shares

Held by Shareholders as at 30 June 2010

Categories of Shareholder	Physical	CDC	Total	% age
a) Directors, Chief Executive Officer, Their Spouse and Childern				
Chief Executive				
Mr. Ahsan M. Saleem	–	345,198	345,198	0.61
Directors				
Mr. Mazhar Karim	–	151,037	151,037	0.27
Mr. Muhammad Abdul Aleem	–	165,905	165,905	0.29
Mr. Nasir Shafi	–	34,433	34,433	0.06
Mr. Zahid Bashir	–	78,262	78,262	0.14
Syed Mahmood Ehtishamullah	–	11,997	11,997	0.02
Director's Spouse and Their Childern				
Mrs. Abida Mazhar	19,961	–	19,961	0.04
Mrs. Shahnaz A. Saleem	–	245,656	245,656	0.44
Executives				
Kh. Muhammad Sharif	42,746	–	42,746	0.08
Mr. Arif Raza	8,004	3,300	11,304	0.02
Mr. Hameed Alam	–	2,200	2,200	0.00
Syed Ali Nazir Kazmi	4,273	–	4,273	0.01
	74,984	1,037,988	1,112,972	1.97
b) Associated Companies, Undertakings & Related Parties				
Crescent Sugar Mills & Distillery Limited	–	742,422	742,422	1.31
Muhammad Amin Muhammad Bashir Limited	618	–	618	0.00
Shakarganj Mills Limited	–	2,720,062	2,720,062	4.82
The Crescent Textile Mills Limited	–	6,209,676	6,209,676	11.00
Trustees - CSAPL Employees Gratuity Fund	–	341,024	341,024	0.60
Trustees - CSAPL Employees Pension Fund	–	553,781	553,781	0.98
Trustees - CSAPL Employees Staff Provident Fund	–	393,000	393,000	0.70
	618	10,959,965	10,960,583	19.41

Pattern of Holding of Shares

Categories of Shareholder	Physical	CDC	Total	% age
c) NIT & ICP (Name Wise Detail)				
National Invetment Trust Limited	–	100,033	100,033	0.18
NBP - Trustee Department NI(U)T Fund	–	3,907,841	3,907,841	6.92
	–	4,007,874	4,007,874	7.10
d) Banks, DFI's, NBFI's	2,445	8,240,391	8,242,836	14.60
e) Insurance Companies	–	2,218,493	2,218,493	3.93
f) Modarabas & Mutual Funds	173	2,542,693	2,542,866	4.50
g) Other Companies	36,795	2,278,183	2,314,978	4.10
h) Non Residents				
Islamic Development Bank	3,450,150	–	3,450,150	6.11
	3,450,150	–	3,450,150	6.11
i) General Public				
A. Local	687,021	20,922,220	21,609,241	38.27
B. Foreign	–	–	–	–
	687,021	20,922,220	21,609,241	38.27
	4,252,186	52,207,807	56,459,993	100.00

Shareholders More Than 10.00%

The Crescent Textile Mills Limited	6,209,676	11.00

Notice of Annual General Meeting

Notice is hereby given that the 26th Annual General Meeting of shareholders of Crescent Steel and Allied Products Limited (the "Company") will be held on Tuesday, 31 August 2010 at 11:30 a.m. at Qasr-e-Noor, 9 E-2 Main Boulevard, Gulberg-III, Lahore to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Directors' and Auditors' reports and Separate & Consolidated Audited Financial Statements for the year ended 30 June 2010.

2. To approve and declare dividend. The Directors have recommended final cash dividend @ Re.1.00 per share (10%). Together with the two interim cash dividends @ Re.1.00 each per share already paid, the total cash dividend for the year ended 30 June 2010 will thus amount to Rs.3.00 per share (30%).

3. To appoint Company's auditors and fix their remuneration.

BY ORDER OF THE BOARD
Muhammad Saad Thaniana
Company Secretary
Lahore: 29 July 2010

Notes

1. The Share Transfer Books of the Company will remain closed from 25 August 2010 to 31 August 2010 (both days inclusive). Transfers received in order at Share Registrar Office of the Company, CorpTec Associates (Pvt) Limited, 7/3-G, Mushtaq Ahmed Gurmani Road, Gulberg-II, Lahore by the close of business on 24 August 2010, will be treated in time for the entitlement of dividend to the transferees and to attend the meeting.
2. A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote instead of him/her.

3. The instrument appointing a proxy and the 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 the meeting.

4. Members who have deposited their shares into Central Depository Company of Pakistan Limited ("CDC") will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting

a. In case of Individuals, the account holder and/or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his/her original CNIC or, original Passport at the time of attending the Meeting.

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

B. For Appointing Proxies

a. In case of individuals, the account holder and/or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements.

b. The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.

c. Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.

d. The proxy shall produce his original CNIC or original passport at the time of the Meeting.

e. In case of corporate entity, the Board's resolution / power of attorney with specimen signature shall be furnished (unless it has been provided earlier) along with proxy form to the Company.

Statement under paragraph 3 of SRO 865(I)/2000 dated 6 December 2000.

In EOGM dated 27 December 2006, shareholders approved an additional investment of Rs.15.1 million in Crescent Textile Mills Limited. However, to date no investment has been made against the approval.

i. Reasons for not having investment made

The Company remained focused on its own Textile Division rather than making investments in Textile Sector.

ii. Major change in financial position of investee company since the date of last resolution

There has been no major change in financial position of the Crescent Textile Mills Limited.

Crescent Steel &
Allied Products Ltd.

Form of Proxy

I/We ____ , being member(s) of Crescent Steel And Allied Products Limited and holder of ________________ Shares as per Folio No._________ CDC Participation ID # ____________________ and Sub Account # ____________________ do hereby appoint ________________________________ of ________________________________ or failing him/her ________________________________ of __________________________ as my/ our proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of Crescent Steel And Allied Products Limited scheduled to be held on Tuesday, 31 August 2010 at 11.30 a.m., at Qasr-e-Noor, 9-E-2, Main Boulevard, Gulberg-III, Lahore. and at any adjournment thereof.

As witness my / our hand this ______________________ day of ______________________ 2010.

Please affix here Revenue Stamp of Rs. 5/-
____________ Members' Signature

Notes:

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a proxy.

2. The instrument appointing a Proxy, together with the Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited at our Share Registrar Office of the Company, CorpTec Associates (Pvt) Limited, 7/3-G, Mushtaq Ahmed Gurmani Road, Gulberg-II, Lahore, not less than 48 hours before the time of holding the Meeting.

3. CDC account holders will further have to follow the under mentioned guidelines as laid down in circular # 1 dated January 26, 2000 of the Securities & Exchange Commission of Pakistan for appointing Proxies:

   i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the Proxy form as per the above requirement.
   ii) The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.
   iii) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
   iv) The proxy shall produce his original NIC or original passport at the time of the meeting.
   v) In case of a corporate entity, the Board of Directors' resolution/Power of attorney with specimen signatures of the proxy holder shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.