



Annual Report
1987



Crescent Steel and Allied Products Limited

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Begin with the name of Allah, the Merciful & Compassionate



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Board of Directors

Mr. Mazhar Karim	Chairman
Mr. Ahsan M. Saleem	Chief Executive
Mr. Anjum M. Saleem	
Mr. Kabir A. Qureshi	
Mr. M. Jalil Khan	
Mr. Muhammad Anwar	
Mr. Muhammad Javed Amin	
Mr. Nasir Ahmad	
Mr. Nasir Shafi	
Mr. Shaukat Shafi	
Mr. Zahid Bashir	
Mr. Zaigham M. Rizvi	

Corporate Secretary

Mr. Sardar Anwar Ali Khan

Auditors

A.F. Ferguson & Company
Chartered Accountants

Legal Advisers

Hassan & Hassan
Advocates

Bankers

Citibank N. A
Standard Chartered Bank

Registered Office

45, Shahrah-e-Quaid-e-Azam
Lahore

Principal Office

9th Floor, Sidco Avenue Centre
264 R.A. Lines
Karachi

Factory

A/25, S.I.T.E. Nooriabad
Dist. Dadu



Notice of Meeting

Notice is hereby given that the 4th Annual General Meeting of Crescent Steel & Allied Products Limited will be held at the Lahore Hilton International, Lahore, on 29th June 1988 at 3.00 P.M. to transact the following business:

1. To confirm the Minutes of the last Annual General Meeting.
2. To receive and adopt the Audited Accounts and Balance Sheet for the year ended 31st December 1987 together with the Directors' and Auditors' Reports thereon.

Special Business

3. To consider and pass the following Resolution under section 208 of the Companies Ordinance, 1984.

RESOLVED THAT Loan/Advance upto Rs. 50 million in any one or all of the following associated undertakings be and is hereby approved:

1. Jubilee Spinning & Weaving Mills Ltd.
2. Elite Textile Mills Ltd.
3. Shakarganj Mills Ltd.
4. Crescent Jute Products Ltd.
5. Crescent Spinning Mills Ltd.
6. The Crescent Textile Mills Ltd.

FURTHER RESOLVED THAT the Chief Executive be and is hereby authorised to give such loan/advance as and when necessary and Profit on advance/loans be charged at the bank rate/mark-up as mutually settled between the parties.

4. To appoint Auditors for the year 1988 and to fix their remuneration. The present Auditors M/S. A.F. FERGUSON & COMPANY, Chartered Accountants, being eligible, offer themselves for re-appointment.
5. To consider any other business which may be placed before the Meeting with the permission of the Chair.

The Register of Members of the Company will remain closed from 22nd June 1988 to 29th June 1988 (both days inclusive).

By Order of the Board

45-Shahrah-e-Quaid-e-Azam
LAHORE

Dated 3rd June, 1988.

Sardar Anwar Ali Khan
Corporate Secretary

Note:

1. A member eligible to attend and vote at this Meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received by the Company at the Registered Office not less than 48 hours before the time for holding the Meeting.
2. Shareholders are requested to immediately notify the change in address, if any.



Chief Executive's Review

I take pleasure in presenting the fourth Annual Report on the company's operations during the year 1987.

Start-up of Commercial Operations:

As stated in the Semi Annual Report for 1987, your factory went into commercial production on 31 March 1987, starting the manufacture of large diameter spiral double submerged welded pipes of a variety of sizes against commercial orders. The trial output during January - March 1987 was 1558 metric tonnes, which produced a Net Surplus of Rs. 150,000/= from Trial Runs, credited to Capital Work-in-progress before capitalisation of the Fixed Assets as of March 31, 1987.

After the start-up of commercial production, your company achieved a sales turnover of Rs. 28.885 million, earning a gross profit of 8.92%, turned into an Operating Loss of Rs. 626,877 after taking into account the Administration and Selling expenses.

The Sales figure would have been much higher, but for the fact that as per company's Accounting Policy, sales are recognised on actual despatch of goods to the customers. Thus finished goods worth Rs. 11.290 million despatched subsequent to the date of Balance Sheet, were not taken as Sales, although the goods had been inspected for acceptance by the authorised representative of the customer.

Another factor may also be mentioned, which could have further enhanced the figure of sales turnover by another Rs. 34.940 million, if the raw material for the manufacture of 3,240 metric tons of linepipe of 24" dia x 8.7 mm thickness had not been provided by the customer, i.e. Indus Steel Pipes Ltd.

We were able to make inroads into the gas transmission and distribution segment of the energy sector of national economy by securing an order for 26 kilometre linepipe of 18" diameter and wall thickness of 7.92 mm. This has a vast potential for our industry, and we have developed an excellent business relationship with various public utilities.

As stated in the last Semi-Annual Report, we have been authorised by the American Petroleum Institute, to use API monogram on our products which is the highest international accreditation in the steel pipes industry. This has been made possible by our stringent quality control measures adopted to achieve internationally recognised standard by utilising our sophisticated equipment to check the quality of our products hydrostatically as well as radiographically, before delivery to the customer.



Material Procurement:

Approximately 4000 Tons of Hot Rolled Steel Coils of different grades/sizes were procured locally from Pakistan Steel Mills and other sources. Some 5700 Tons of H.R. Steel coils were imported from Japan and another 1000 Tons from Korea besides large consignments of welding wire and welding flux imported during the year.

1987 was a busy year for arranging the import of various spare parts of plant & machinery under the Warranty coverage.

Provisional approval of Central Board of Revenue was obtained for the import of Raw Materials at concessional rate of duty/Sales Tax and at NIL rate of duty etc for material imported for supplies against International Tenders.

Other formalities relating to obtaining of Excise Licence, capacity certification, establishment of a private Bonded Warehouse at the factory and approval for Transit Pass facilities from KMC were also completed to ensure regular flow of materials into the factory for smooth operation of production line.

Increase in the Share Capital:

In January 1987, a public offer was made of shares worth Rs. 30.75 million, which was heavily subscribed by general public to the tune of 1:7 after the following blocks of shares offered to institutional investors had been taken, up:-

Islamic Development Bank	Rs.	4,035,000
N.I.T.	Rs.	6,150,000
Company Employees	Rs.	63,000
	Rs.	<u>10,248,000</u>
General Public	Rs.	20,502,000
Total Public Offer	Rs.	<u>30,750,000</u>

A computer balloting had to be done to determine the successful applicants and trading in Allotment Letters commenced on the Stock Exchange as from March 3, 1987.

Loss for the Period:

Loss for the period of 9 months of commercial operations carried forward in the Balance Sheet comprises mainly of the financial charges summarised as under:-

Interest on Long Term Loans and Debentures, including commitment and other charges of foreign currency Loan	Rs.	9,832,376
Mark-up on Short Term Loans and Running Finance, and Bank charges,	Rs.	7,249,163
	Rs.	<u>17,081,539</u>



The ratio of Interest on Long Term Loans to Mark-up on Short Term Loans & Running Finance works out to 58:42, partly because of the high rate of interest, Foreign Exchange Risk Fee and commitment charges payable to NDFC on the foreign currency loan. The mark-up on short-term and Running finance was paid on the large inventory of Stock-in trade which showed an increase of Rs. 50.762 million over the year.

As shown in the Statement of Changes in Financial Position included in this Report, the Loss for the period included items not involving movement of funds i.e. Depreciation and Deferred Cost written off, leaving a net cash loss of Rs. 3.055 million only after taking into account the heavy financial charges already discussed.

Future Outlook:

During the period Jan-May 1988, the company has achieved a Sales turnover of Rs. 73.629 Million and we expect to cross Rs. 200 million mark for the current financial year.

We are presently making supplies against 3 International tenders awarded to us by Sui Northern Gas Pipelines, worth Rs. 107.57 million. Further orders expected to be received of about Rs. 102 million are in the pipeline while your company is gearing up for a tender of over Rs.350 million expected in July 1988.

Thus, by the grace of Allah our Order Book would be more than full for the next 15 months or so, enabling your company to make a turn around in financial results for the year 1988.

The outlook for the next three years looks very promising as many new projects are coming up in the Oil, Gas and Water transmission sectors. Accordingly, we are giving serious consideration to the feasibility of acquiring another S.P. Mill to increase our production capability to be able to take up our due share of the market in order to help complete the public utility projects in time, as our humble contribution in the national developmental effort.

In conclusion, I would like to put on record the deep appreciation of Management for the dedication and hard work put in by the executives and staff of the company during the first year of our commercial operations. It is envisaged that they will continue their efforts to achieve the corporate goals set by the management for the ensuing year.

Ahsan M. Saleem,
Chief Executive



Auditors' Report to the Members

We have audited the annexed balance sheet of Crescent Steel and Allied Products Limited as at December 31, 1987 and the related profit and loss account and statement of changes in financial position, 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 and, after due verification thereof, 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;
 - (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 and the statement of changes in financial position, together with the notes forming part thereof, 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 December 31, 1987 and of the loss and the changes in financial position for the year then ended; and
- (d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Chartered Accountants
Karachi, 2 June 1988

**Balance Sheet as at December 31, 1987**

	Note	1987 Rupees	1986 Rupees
Share Capital and Reserves			
Authorised 10,000,000 (1986: 10,000,000) ordinary shares of Rs 10 each		<u>100,000,000</u>	<u>100,000,000</u>
Issued, subscribed and paid-up 6,150,000 (1986: 3,075,000) ordinary shares of Rs 10 each fully paid in cash	3	61,500,000	30,750,000
Loss for the period		(17,791,487)	—
		<u>43,708,513</u>	<u>30,750,000</u>
Debentures and Long-Term Loans			
Debentures	4	2,181,978	3,159,842
Long-term loans and financial assistance	5	108,744,192	111,973,382
		<u>110,926,170</u>	<u>115,133,224</u>
Current Liabilities			
Current maturity of			
— debentures	4	977,864	—
— long-term loans and financial assistance	5	13,304,414	11,584,468
Finances under mark-up arrangements	6	58,597,419	37,663,931
Creditors, accrued and other liabilities	7	40,882,579	25,330,291
		<u>113,762,276</u>	<u>74,578,690</u>
		<u>268,396,959</u>	<u>220,461,914</u>



	Note	1987 Rupees	1986 Rupees
Fixed Assets — Tangible			
Operating assets	8	178,235,445	5,488,840
Capital work-in-progress — at cost	9	—	184,262,722
Spares held for capital expenditure		377,094	—
		178,612,539	189,751,562
Long-Term Deposits			
		165,610	44,810
Deferred Cost			
	10	1,508,804	228,729
Current Assets			
Stores, spares and loose tools	11	9,962,282	9,845,001
Stock-in-trade	12	58,560,680	7,798,440
Trade debts — unsecured, considered good		11,082,663	793,938
Advances due for repayment within one year	13	4,166,883	145,920
Prepayments		2,641,338	332,758
Other receivables	14	1,515,319	542,995
Short-term investments	15	36,000	—
Cash and bank balances	16	144,841	10,977,761
		88,110,006	30,436,813
		268,396,959	220,461,914

The annexed notes form an integral part of these accounts.

Ahsan M. Saleem
Chief Executive

Shaukat Shafi
Director



Profit and Loss Account for the year ended December 31, 1987

	Note	1987 Rupees
Sales	17	28,885,815
Cost of sales	18	26,309,219
Gross profit		2,576,596
Selling expenses	19	594,844
Administration expenses	20	2,608,629
		3,203,473
Operating loss		(626,877)
Other income	22	183,189
		(443,688)
Other charges	23	266,260
Financial charges	24	17,081,539
		17,347,799
Loss for the period carried forward		(17,791,487)

The annexed notes form an integral part of these accounts.

Ahsan. M. Saleem.
Chief Executive

Shaukat Shafi
Director



Statement of Changes in Financial Position for the year ended December 31, 1987

	1987 Rupees	1986 Rupees
Sources — (Out Flow)/Inflow of Funds		
Loss for the period	(17,791,487)	—
Items not involving movement of funds		
Depreciation	14,470,138	—
Deferred cost written off	266,260	—
	14,736,398	—
Total fund utilized for operation	(3,055,089)	—
From non-operating sources		
Issue of share	30,750,000	10,250,000
Debentures, long-term loans and financial assistance	10,796,000	39,181,870
	38,490,911	49,431,870
Application of Funds		
Repayment of long-term loans and financial assistance	12,305,244	—
Fixed capital expenditure (less depreciation upto March 31, 1987 Rs 148,260)	2,954,021	55,342,763
Capital stores	377,094	—
Deferred cost	1,546,335	182,599
Long-term deposits	120,800	41,060
	(17,303,494)	(55,566,422)
Increase/(Decrease) in Working Capital		
Analysis of Increase/(Decrease) in Working Capital		
Increase/(Decrease) in Current Assets		
Stores, spares and loose tools	117,281	9,845,001
Stock-in-trade	50,762,240	7,798,440
Trade debts	10,288,725	793,938
Advances	4,020,963	145,920
Prepayments	2,308,580	332,758
Other receivables	972,324	(444,497)
Short-term investments	36,000	—
Cash and bank balances	(10,832,920)	5,358,578
	57,673,193	23,830,138
(Increase)/Decrease in Current Liabilities		
Finances under mark-up arrangements	(20,933,488)	(23,098,037)
Creditors and accrued liabilities	(15,552,288)	(6,866,653)
	(36,485,776)	(29,964,690)
	21,187,417	(6,134,552)

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Notes to the Accounts for the year ended December 31, 1987

1. The Company and its operation

The Company was incorporated on August 1, 1983 as a public limited company and is quoted on the stock exchanges in Karachi and Lahore. It is one of the downstream industries of Pakistan Steel Mills manufacturing large diameter spiral welded pipes at Nooriabad (District Dadu). The Company commenced commercial production from March 31, 1987.

The Company has been authorised the right to use API monogram of the American Petroleum Institute, which is the highest international standard accredited for quality of steel pipes.

2. Significant Accounting Policies

2.1 Overall valuation policy

These accounts have been prepared under the historical cost convention.

2.2 Fixed capital expenditure

These are stated at cost less accumulated depreciation except capital work-in-progress which is stated at cost. Leasehold land is amortized over the period of the lease.

Depreciation on fixed assets is charged applying the straight-line method whereby the cost of an asset is written off over its estimated useful life. A full years depreciation is charged on the assets acquired during the year whereas no depreciation is charged in the year of disposal. However, since commercial production commenced from March 31, 1987, depreciation has been charged currently for 9 months only on additions during the year.

2.3 Stores and spares

These are valued at average cost.

2.4 Stock-in-trade

All stocks are stated at the lower of cost and estimated net realisable value. Cost is determined by average method. Cost of work-in-process and finished goods includes cost of materials and appropriate portion of production overheads. Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale.

2.5 Rate of exchange

Liabilities in foreign currencies are translated into Pakistan rupees at the rate of exchange approximating to those prevalent on the balance sheet date except where foreign exchange risk has been covered.



2.6 Taxation

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credit, rebates and exemptions. The Company accounts for deferred taxation using liability method on all significant timing differences.

No provision for taxation is required in view of the loss for the year. In addition, the manufacturing operations of the Company are exempt from tax under clause 122 of the Second Schedule of the Income Tax Ordinance, 1979.

2.7 Deferred costs

These are being written off over a period of five years from the date of commencement of commercial production.

2.8 Revenue recognition

Sales are recognised on despatch of goods to customers.

3. Issued, Subscribed and Paid-up Capital.

As partial consideration for the foreign currency loan, financial assistance and term finances under mark-up arrangements from National Development Finance Corporation referred to in Notes 5.1, 5.2 and 5.3 the lenders have the option to convert an aggregate maximum of Rs 20.86 million being twenty per cent of the loan sanctioned into fully paid ordinary shares of the Company at any time or from time to time during the subsistence of the credit.

4. Debentures — Unsecured

	1987 Rupees	1986 Rupees
Custom Debentures	3,159,842	3,159,842
Less: Instalments due within one year shown as current maturity	977,864	—
	<u>2,181,978</u>	<u>3,159,842</u>

These represent the liability for the deferred element of custom duties on import of plant and machinery and stores and spares bearing surcharge at the rate of 11% per annum, and are repayable in six half-yearly instalments commencing from May 1988.



		1987 Rupees	1986 Rupees
5.	Long-Term Loans and Financial Assistance		
	Secured		
	Foreign currency loan	5.1 85,414,764	93,502,340
	Financial assistance under mark-up arrangements	5.2 14,453,676	16,858,510
	Term finances under mark-up arrangement	5.3 22,180,166	13,197,000
		122,048,606	123,557,850
	Less: Instalments due within one year shown as current maturity	13,304,414	11,584,468
		108,744,192	111,973,382

These are secured by way of pari passu first fixed charge on all the Company's immovable properties including plant and machinery, spare parts, accessories and electrical and other equipment, and a first floating charge on all other movable property and assets (present and future) including receivables and inventory of raw materials, work-in-progress, finished goods and supplies and also ranking pari passu with charges created to secure running finance, demand finance and export refinance obtained from Citibank N.A. referred to in note 6.

5.1 Foreign currency loan

This represents foreign currency loan obtained from the National Development Finance Corporation (NDFC) of US \$5.82 million under a loan agreement dated October 28, 1984.

Interest is payable on the amount of the credit drawn and remaining unpaid by the Company and on costs, charges and expenses at the rate of 11% per annum. A foreign exchange risk fee on the amount of credit drawn and remaining unpaid by the Company is chargeable at the rate of 3% per annum and commitment charges at the rate of 3/8% per quarter on such amount of the loan not withdrawn from time to time are also payable.

The loan is repayable in 14 consecutive semi-annual instalments by September 15, 1993.

5.2 Financial assistance under mark-up arrangements — secured

The financial assistance for purchase of locally manufactured machinery was obtained from NDFC under mark-up arrangements.

The rates of mark-up range between 3% to 7.5% per annum. The purchase price and mark-up is payable in equal semi-annual instalments by April 20, 1995.



5.3 Term finances under mark-up arrangements — secured

- 5.3.1 The term finances for purchase of raw material, finished goods other assets etc obtained from NDFC under mark-up arrangements amounted to Rs 11.384 million (1986 Rs 13.197 million). The rate of mark-up is 15% per annum.

The purchase price and mark-up are payable in equal semi-annual instalments by February 25, 1995.

- 5.3.2 The term finance for purchase of assets obtained from Saudi Pak Industrial and Agricultural Investment Company Limited under mark-up arrangements amounted to Rs 10.796 million (1986: Nil). The rate of mark-up is 15% per annum.

The purchase price and mark-up are payable in 10 equal semi-annual instalments by June 4, 1993.

6. **Finances under mark-up arrangements**

	1987 Rupees	1986 Rupees
Secured		
Running finance	3,509,332	954,856
Demand finance	14,798,067	3,897,528
Export refinance	6,559,200	—
Bridge finance from		
Citibank N.A.	—	12,000,000
National Development Finance Corporation	—	10,796,000
Associated undertakings — unsecured		
Crescent Jute Products Limited	33,730,820	7,937,315
Jubilee Spinning and Weaving Mills Limited	—	945,408
Crescent Group Services Limited	—	886,042
Shakarganj Mills Limited	—	246,782
	33,730,820	10,015,547
	58,597,419	37,663,931

The rate of mark-up on running and demand finance is 14% per annum and the purchase price and mark-up are repayable by June 30, 1988. The running finance, demand finance and export refinance are secured by a first charge on all the present and future movable and immovable assets of the Company ranking *pari passu* with the charges created to secure the foreign currency loan, financial assistance and term loans obtained from NDFC and SAPICO referred to in Note 5.

Unutilised credit facilities

The facility for opening letters of credit and guarantees as at December 31, 1987 amounted to Rs 50,000,000 (1986: Nil) of which amount remaining unutilised at the year end was Rs 19,125,529 (1986: Nil).



	1987 Rupees	1986 Rupees
7. Creditors, Accrued and Other Liabilities		
Creditors	8,990,086	16,445,916
Bills payable	20,048,756	—
Accrued liabilities	1,304,872	763,273
Interest accrued on secured loan	3,487,770	3,981,427
Accrued mark-up	5,452,631	3,081,665
Surcharge accrued on unsecured custom debentures	50,431	50,431
Retention money	927,323	917,259
Deposits	50,000	10,000
Advances from customers	492,967	—
Others	77,743	80,320
	<u>40,882,579</u>	<u>25,330,291</u>

8. Operating Assets

	Cost as at December 31, 1986	Additions	Cost as at December 31, 1987	Accumulated deprecia- tion as at December 31, 1987	Written down value as at December 31, 1987	Rate %	Depreciation Charge for the year
Leasehold land	2,818,492	512,452	3,330,944	60,807	3,270,137		32,337
Improvement to leasehold land	—	76,524	76,524	586	75,938		586
Building on leasehold land	—	36,433,595	36,433,595	2,732,520	33,701,075	10	2,732,520
Plant and machinery	—	150,032,598	150,032,598	11,254,195	138,778,403	10	11,254,195
Office premises	1,382,957	1,951	1,384,908	548,083	836,825	10	138,442
Furniture and fixtures	548,885	37,247	586,132	131,557	454,575	10	59,018
Office and other equipment	648,215	191,440	839,655	394,291	445,364	20	158,452
Diesel generat- ing set	150,690	5,060	155,750	45,586	110,164	10	15,449
Workshop and laboratory equipment	29,034	10,000	39,034	8,436	30,598	20	2,629
Motor vehicles	1,075,750	64,136	1,139,886	607,520	532,366	20	224,770
	Rupees	6,654,023	187,365,003	194,019,026	15,783,581	178,235,445	14,618,398
	1986 Rupees	5,026,797	1,627,226	6,654,023	1,165,183	5,488,840	587,324



	1987 Rupees	1986 Rupees
9. Capital work-in-progress		
Building	36,687,595	37,342,309
Plant and machinery	112,406,001	111,876,879
Project examination fee	1,012,768	1,012,768
Project overhead expenses	2,778,192	2,762,457
Interest and exchange risk on foreign currency loan	22,942,391	20,448,076
Commitment charges on foreign currency loan	3,403,409	3,359,925
	179,230,356	176,802,414
Organisation and development expenditure		
- Staff salaries, allowances and benefits	3,172,865	3,107,347
- Medical	78,609	78,609
- Entertainment	82,726	82,726
- Travelling and conveyance	189,108	189,108
- Technical fee	18,200	18,200
- Audit fee	77,816	77,816
- Legal and professional charges	156,006	124,756
- Consultancy fee	216,343	216,344
- Motor vehicles	359,947	359,947
- Bank charges	53,335	47,268
- Subscriptions and membership fee	13,576	13,576
- Books and periodicals	14,502	14,503
- Electricity and gas	297,026	297,026
- Rent	138,608	138,608
- Rates and taxes	47,516	47,516
- Repairs and maintenance	48,509	48,509
- Postage, telegrams and telex	77,492	77,492
- Telephone	85,061	85,061
- Printing and stationery	122,640	122,640
- Octroi charges	139,516	139,516
- Advertisement	100,415	100,415
- Charity and donation	4,905	4,905
- Insurance	114,637	110,395
- Depreciation	1,284,973	1,136,713
- Amortisation of leasehold land	28,470	28,470
- Miscellaneous	170,988	127,670
	7,093,789	6,795,136



	1987 Rupees	1986 Rupees
Net (Surplus)/cost of trial runs — note 9(a)	(149,931)	1,183,558
Less: Income from:		
- Tender fees	30,753	30,753
- Interest	487,633	487,633
	(518,386)	(518,386)
	185,655,828	184,262,722
Balance transferred to fixed assets as of March 31, 1987	(185,655,828)	—
	Nil	184,262,722
9(a) Net surplus/(cost) of trial runs		
Sales	13,038,000	2,813,599
Less: Cost of goods sold		
Raw materials consumed	10,428,120	6,088,049
Manufacturing expenses	2,037,181	1,615,966
	12,465,301	7,704,015
Opening work-in-process	368,313	—
Opening finished goods	4,167,966	—
	4,536,279	—
	17,001,580	7,704,015
Closing work-in-process	1,182,911	368,313
Closing stock of finished goods	4,677,710	4,167,966
	5,860,621	4,536,279
	11,140,959	3,167,736
	1,897,041	(354,137)



	1987 Rupees	1986 Rupees
Less: Selling expenses	160,217	220,748
Administration expenses	403,335	608,673
	<u>563,552</u>	829,421
Surplus/(cost) of trial runs	1,333,489	(1,183,558)
Cost of trial runs brought forward	(1,183,558)	—
Surplus/(cost) of trial runs credited to capital-work-in-progress	149,931	(1,183,558)
10. Deferred Cost		
Preliminary expenses	108,112	127,190
Share issue expenses	878,329	101,539
Commission, brokerage on issue of shares	522,363	—
	<u>1,508,804</u>	228,729
11. Stores, Spares and Loose Tools		
Stores	256,093	207,114
Spare parts	9,481,726	9,424,762
Loose tools	224,463	213,125
	<u>9,962,282</u>	9,845,001
12. Stock-in-trade		
Raw materials — includes in transit Rs 23,212,724 (1986: Nil)	31,385,586	3,262,161
Work-in-process	3,299,143	368,313
Finished goods	23,875,951	4,167,966
	<u>58,560,680</u>	7,798,440
13. Advances due for repayment within one year — considered good		
Employees	72,678	33,100
Suppliers for goods and services	4,094,205	112,820
	<u>4,166,883</u>	145,920
14. Other Receivables		
Octroi refundable	364,460	16,472
Others	1,150,859	526,523
	<u>1,515,319</u>	542,995



	1987 Rupees	1986 Rupees
	<u> </u>	<u> </u>
15. Short Term Investments — at cost		
Foreign exchange bearer certificates (Market value Rs 39,276)	36,000	—
	<u> </u>	<u> </u>
16. Cash and Bank Balances		
With banks — on time deposit account	31,812	10,826,971
— on current account	83,015	97,894
Cash and cheque-in-hand	30,014	52,896
	<u>144,841</u>	<u>10,977,761</u>
	<u> </u>	<u> </u>
17. Sales		
Sales of product	18,455,348	
Manufacturing charges — note 17.1	10,430,467	
	<u>28,885,815</u>	
	<u> </u>	
17.1 Manufacturing charges stated above pertain to the job of producing 3,240.77 tons of line pipe of 18" dia x 7.92 mm thickness, on behalf of Indus Steel Pipes Ltd., for which the Hot Rolled Steel Coils were provided by the customer.		
18. Cost of Sales		
Raw materials		
Opening stock	3,161,986	
Purchases	55,781,436	
Closing stock	(31,385,586)	
	<u>27,557,836</u>	
	<u> </u>	
Salaries, wages and benefits	1,938,673	
Stores and spares consumed	1,997,900	
Insurance	341,972	
Depreciation	14,201,704	
Repairs and maintenance	184,343	
Fuel, power and electricity	933,728	
Other expenses	467,536	
	<u>20,065,856</u>	
	<u>47,623,692</u>	



	1987 Rupees
Work-in-progress	
Opening	1,182,911
Closing	(3,299,143)
	(2,116,232)
Cost of goods manufactured	45,507,460
Finished goods.	
Opening stock	4,677,710
Closing stock	(23,875,951)
	(19,198,241)
	<u>26,309,219</u>
19. Selling Expenses	
Salaries and other benefits	192,747
Travelling and conveyance	162,572
Depreciation	18,892
Advertisement	110,710
Printing and stationery	7,858
Other	102,065
	<u>594,844</u>
20. Administration Expenses	
Salaries, wages and other benefits	1,212,824
Travelling and conveyance	252,863
Fuel and power	45,732
Postage, telephone and telegram	144,889
Insurance	820
Repairs and maintenance	88,713
Auditors' remuneration (Note 21)	48,634
Legal and professional charges	45,155
Depreciation	249,542
Advertisement	26,854
Printing, stationery and office supplies	209,930
Corporate service charges	169,865
Training	67,504
Other — see note below	45,304
	<u>2,608,629</u>

Note:

Other expenses include donations of Rs. 2,000



	1987 Rupees
21. Auditors' Remuneration	
Audit fee	35,000
Taxation service	9,000
Out of pocket expenses	4,634
	<u>48,634</u>
22. Other Income	
Return on deposits	179,189
Miscellaneous	4,000
	<u>183,189</u>
23. Other Charges	
Deferred cost	<u>266,260</u>
24. Financial Charges	
Interest on long term loans	9,282,804
Surcharge on custom debentures	261,878
Mark-up on	
Bridge finance	647,067
Suppliers credit	512,432
Term finance from associated undertakings	1,362,228
Term finances	2,483,511
Running finance	2,179,007
Export refinance	15,305
Penal interest	3,369
Commitment and other charges on foreign currency loan	287,694
Bank charges	46,244
	<u>17,081,539</u>

**25. Remuneration of Chief Executive, Executives and Directors**

	Chief Executive Rupees	Executives Rupees	Total Rupees
Managerial remuneration	248,387	240,600	488,987
Rent	111,774	108,270	220,044
Utilities	24,839	30,600	55,439
Medical	4,246	20,873	25,119
Provident fund contribution	20,694	15,246	35,940
Domestic servant	—	18,000	18,000
Club subscription and expenses	16,227	—	16,227
Entertainment	—	36,000	36,000
	<u>426,167</u>	<u>469,589</u>	<u>895,756</u>
No of persons	<u>1</u>	<u>2</u>	<u>3</u>

In addition, the Chief Executive and Executives are provided with free use of the Company-maintained cars, according to their entitlements.

Remuneration to non-executive directors:

Aggregate amount charged in the accounts for fee paid to one director was Rs 500.

26. Transactions with Associated Companies

Rupees

Aggregate amount in respect of:

Goods and services sold to associated undertakings	178,889
Mark-up paid to associated undertakings	1,362,228
Shares under-writing commission paid to associated undertakings	307,530
Corporate service charges paid to associated undertaking	169,865

27. Plant Capacity and Production

The plant's installed/rated capacity for production is 26,500 Tons annually on the basis of notional pipe size of 30" dia x 1/2" thickness. The actual production achieved during the period of 9 months after start up of commercial production was 6712 tons line pipe of smaller size and thickness, which works out to the equivalent of 15,920 tons, (21,226 tons over a period of 12 months), if the actual production is translated to the notional pipe size of 30" diameter. This was because of the fact that the factory was undergoing an introductory and learning process.

28. Comparative Figures

Previous year's figures have been rearranged, wherever necessary, for the purposes of comparison.

Muhammad Saleem

S.P.

**Form '34'****The Companies Ordinance, 1984.
(Section 236)****Pattern of holdings of the shares held by the
shareholders as at 31st December 1987.**

No. of Shareholders	Shareholding	Total Shares held
16440	1 - 100	1644000
102	101 - 500	34900
77	501 - 1000	73100
93	1001 - 5000	270702
22	5001 - 10000	162401
9	10001 - 15000	122501
5	15001 - 20000	88401
2	20001 - 25000	42300
2	30001 - 35000	61501
1	35001 - 40000	40000
1	55001 - 60000	59201
1	295001 - 300000	300000
1	330001 - 335000	332493
1	400001 - 405000	403500
2	445001 - 450000	900000
2	495001 - 500000	1000000
1	610001 - 615000	615000
16762		6150000

Catagories of Shareholders	Number	Shares Held	Percentage
Individuals	16750	2512607	40.86 %
Investment Companies	2	519900	08.45 %
Joint Stock Companies	7	2058993	33.48 %
Financial Institutions	1	615000	10.00 %
Trust	1	40000	00.65 %
Foreign Investment	1	403500	06.56 %
Total	16762	6150000	100.00 %



4th Annual General Meeting

Form of Proxy

IMPORTANT

This Form of Proxy, in order to be effective, must be deposited duly completed, at the Company's Registered office at 45, Shahrah-e-Quaid-e-Azam, Lahore, not less than 48 hours before the time of holding the meeting.

A proxy must be a member of the Company. Signature should agree with the specimen registered with the company.

Please quote Registered Folio Number

I/We
of
being a member of Crescent Steel & Allied Products Ltd. and holder
of ordinary shares, hereby appoint
..... of

who is also a member of the Company, as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 4th Annual General Meeting of the Company to be held at the Lahore Hilton International, Lahore, on June 29, 1988 at 3.00 P.M. or at any adjournment thereof.

As witness my/our hand this day of 1988

Signed by the said in the presence of
.....

(Member's Signature)

Date

Place

Affix Fifty Paise
Revenue Stamp which
must be cancelled
either by signature
over it or by some
other means

