CRESCENT GROUP

Annual Report 1989

Crescent Steel and Allied Products Limited

بسم الله الرحمن الرحيم

Begin with the name of Allah, the Merciful & Compassionate

Contents

Board of Directors

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

Corporate Secretary

Sardar Anwar Ali Khan

Auditors

A.F. Ferguson & Company
Chartered Accountants

Legal Advisers

Hassan & Hassan
Advocates

Bankers

National Bank of Pakistan
National Development
Finance Corporation
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 6th Annual General Meeting of Crescent Steel & Allied Products Limited will be held at Pearl Continental Hotel, Shahrah-e-Quaid-e-Azam, Lahore, on June 30, 1990 at 11.30 A.M. to transact the following business:

1. To confirm the Minutes of the last Annual General Meetiing.
2. To receive and adopt the Audited Accounts and Balance Sheet for the year endet December 31, 1989 together with the Directors' and Auditors' Reports thereon.
3. To appoint Auditors for the year 1990 and to fix their remuneration. The present Auditors M/S. A.F. FERGUSON & COMPANY, Chartered Accountants, being eligible, offer themselves for re-appointment.
4. 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 27 June 1990 to June 30, 1990 (both days inclusive).

By Order of the Board

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

Sardar Anwar Ali Khan
Corporate Secretary

Dated: June 5, 1990

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.

Directors' Report and Chief Executive's Review

Results for the year and Business Review

The annual report for fiscal 1989 and the accompanying financial statements will show that the performance during the year was poor and indeed disappointing. The causes and prospects are dealt with below.

The major set-back was in the first half where problems of under utilization coupled with procedural bottlenecks for clearance of raw material from bonded warehouse resulted in a net loss of Rs. 22.24 millions. The trend was however arrested in the second half though a further deficit of Rs. 3.12 millions was added. This deficit, as analyzed below, is attributed mainly to carrying cost of steel which could not be converted and sold for factors other than the managerial. The loss for the year is after charging non-funded expenses of depreciation and amortization of deferred expenditure in the sum of Rs. 12.11 millions.

	Second half Rs. 000s	First half Rs. 000s
Sales	64,566	17,958
Gross margin/(loss)	17,663	(3,218)
Profit (Loss) before financial charges	14,742	(5,501)
Financial charges on normal borrowings	13,920	13,438
Profit (loss) before financial charges on abnormal borrowings	822	(18,939)
Financial charges — others (on borrowings for stuck-up steel inventory referred to in 1988)	3,940	3,300
Net Loss for the period	(3,118)	(22,239)

For the whole of 1989 the plant operated substantially below capacity mainly due to delay in various projects we were targeting on but also because of disturbances in Karachi and Hyderabad. Sales declined 42% from Rs. 142.3 millions to Rs. 82.52 millions but the Gross margin recorded a drop of 24.7 % only. The margin as a percentage of sales has thus improved from 13.49% in fiscal 1988 to 17.51% in the current year. After accounting for financial expenses of Rs. 35.15 millions the net result show a loss of Rs. 25.36 millions.

The accumulated losses have substantially eroded the paid up capital. Coupled with debt servicing burden a severe liquidity strain could only be sustained with the continuous support from associated companies.

During the year modifications were carried out to the machines to cater for opportunities opening up in the water transmission sector. The SP machine was modified to enhance the capability to produce pipes upto 86" diameter. Furthermore modification was also carried out to enhance the range of wall thickness for pipes between 16" dia to 24" dia. The later increases the range of pipes which can now be produced from given steel thickness with additional benefit of reducing manufacturing time and consequently the cost, of smaller dia pipes. Both modifications were designed and fabricated in-house by our own Engineers at a cost of Rs. 2.68 millions and test results are satisfactory. Comparable imported equipment would have cost Rs. 7 millions.

Industry problems

Engineering goods manufacturers have not enjoyed the required support of the decision makers despite announcements to the contrary. We feel that the government should ensure that Pakistani industry are given the necessary advantage as is done in the neighbouring and other developing countries, and also by the most developed countries who propagate Western free market ideas in countries like ours. Many examples of dumping of engineering goods by the developed countries are to be found and the government should respond immediately by imposing stiff counter-vailing duties wherever such practices are proven.

Local source of raw material continues to be a cause for concern in terms of availability in economic sizes, consistent quality and regularity of deliveries.

The Nooriabad Industrial Estate appears to have been totally neglected as no improvement could be seen. It remains virtually cut-off from rest of the country due to lack of communication and amenities are nonexistent. With the conditions prevailing in Hyderabad and Karachi it is becoming increasingly difficult to have the desired involvement of the workers and staff whose families live in those troubled cities. Recruitment of good quality skilled workers and their retention has been difficult and costly.

The 1990s

An assessment of demand for linepipes indicate substantial opportunities for keeping the present capacity busy throughout the Nineties for the established requirement in Oil, Gas and Water transmission sectors. In addition Power sector requirements for fuel oil is expected to assume such proportions that without a pipeline network, developed on a priority basis, the planned and upcoming power plants will be completely choked for supplies. The present transportation system for fuel oil is grossly inadequate to meet the increased demand of fuel oil. It is also an established fact that pipelines are the least expensive and most reliable mode of transporting oil and gas.

In the gas sector, major expansion is underway and one major project which was supposed to come up for tendering first in 1988, then in 1989, has finally been cleared for implementation. First phase of this project will come up for tendering in the third week of June 1990. This project envisages utilization of 300mmcf gas from Pirkoh and Loti fields and increasing the capacity between Sui and Multan from 450mmcf to 800mmcf. The linepipe requirement for this project is over two billion rupees. The expansion/replacement by other utility companies in the region also envisage similar capital expenditure.

PARCO pipeline extension which will require 360 km of linepipe is under designing and is planned for completion in 1993. Karachi Jamshoro fuel oil pipeline has also been cleared for implementation and will come up for tendering shortly.

CSAP will focus on the above projects and is well poised to win a major share of the business. There is a competitive edge enjoyed by CSAP in skills, machinery and above all the quality of end product which exceeds the most stringent quality norms.

Our sights are set on quickly shrugging off the effects of lowly performance in 1989 and the previous year. Now all factors seem favourable. Necessary financial sourcing have been lined up and the orders on hand and those under negotiations should see for the first time, an order book running well into 1991. Fiscal 1990 will, inshallah, show a net profit for the first time.

Chastened, however, due to the lack luster performance in 1989 we want to lower the expectations by adding that the degree of uncertainty is inherent in the type of business we are in.

Strategic focus

The strategic focus of CSAP will be built around the following:

a. Maximizing market share.

b. Propelling demand by adding financial engineering with our supply package

c. Mastering base technology and perfecting key technology to maintain organizational excellence for retaining competitive edge.

d. Maintaining financial discipline through cash flow sensitive financial management.

e. Growth at a pace consistent with our ability to manage.

f. To achieve comparative advantage by extensive utilisation of assets.

Shareholders, Management and Staff

The confidence and patience of the shareholders has been a source of encouragement and strength to the management.

Management and staff have also rallied to counter the effects of a difficult year. We know that the organization will only be as strong as the people who work on its behalf, and our motivation for a turnaround in 1990 is more compelling than any thing else.

For and on behalf of the Board of Directors.

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, 1989 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:

1. As at December 31, 1989 the company had accumulated losses amounting to Rs 53.7 million. Management has assured us that in view of the orders presently in hand and under negotiation such losses will be substantially recovered in the ensuing two years and viability of the project will not be adversely affected. Further, management also believes that short-term financial support from associated companies will continue.

2. (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 and subject to the effects, if any, of the matter referred to in paragraph 1 above, 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 31,1989 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.

A.F. Ferguson & Co.
Chartered Accountants
Karachi: June 5, 1990

Balance Sheet as at December 31, 1989

	Note	1989 Rupees	1988 Rupees
Share Capital and Reserves			
Authorised 10,000,000 (1988: 10,000,000) ordinary shares of Rs 10 each		100,000,000	100,000,000
Issued, subscribed and paid-up 6,150,000 (1988: 6,150,000) ordinary shares of Rs 10 each fully paid in cash	3	61,500,000	61,500,000
Accumulated loss		(53,680,982)	(28,324,100)
		7,819,018	33,175,900
Reedemable Capital	4	25,273,385	32,031,489
Long Term Loan and Debentures	5	81,827,837	82,881,118
Current Liabilities			
Current maturity of			
- Redeemable capital	4	6,559,126	5,032,102
- Debentures	5	1,053,281	1,053,281
Finances under mark-up arrangements	6	108,968,428	85,287,309
Creditors, accrued and other liabilities	7	30,296,921	54,105,220
		146,877,756	145,477,912
		261,797,996	293,566,419

The annexed notes form an integral part of these accounts.

Ahsan M. Saleem
Chief Executive

Mazhar Karim
Chairman

	Note	1989 Rupees	1988 Rupees
Tangible Fixed Assets			
Operating assets	8	156,799,215	166,242,014
Capital work-in-progress-civil works		96,022	92,782
Spares held for capital expenditure		337,489	337,489
		157,232,726	166,672,285
Long-Term Deposits		179,610	178,610
Deferred Cost	9	798,778	1,153,791
Current Assets			
Stores, spares and loose tools	10	10,325,231	9,747,461
Stocks	11	74,577,793	102,531,376
Trade debts - unsecured, considered good		9,803,610	320,945
Short-term advances	12	2,216,937	4,112,961
Trade deposits and short -term prepayments		755,208	165,727
Other receivables	13	5,674,564	7,940,355
Short-term investments	14	36,000	36,000
Cash and bank balances	15	197,539	706,908
		103,586,882	125,561,733
		261,797,996	293,566,419

Profit and Loss Account for the year ended December 31, 1989

	Note	1989 Rupees	1988 Rupees
Sales		82,524,651	142,302,681
Cost of sales	17	68,074,701	123,107,756
Gross profit		14,449,950	19,194,925
Selling expenses	18	1,237,969	1,048,811
Administration expenses	19	3,189,816	3,426,236
		4,427,785	4,475,047
Operating profit		10,022,165	14,719,878
Other income	21	124,398	2,185,515
		10,146,563	16,905,393
Other charges - Deferred cost		355,013	355,013
Financial charges	22	35,148,432	27,082,993
		35,503,445	27,438,006
Net loss		(25,356,882)	(10,532,613)
Accumulated loss brought forward		(28,324,100)	(17,791,487)
Accumulated loss carried forward		(53,680,982)	(28,324,100)

The annexed notes form an integral part of these accounts.

Ahsan M. Saleem
Chief Executive

Mazhar Karim
Chairman

Statement of Changes in Financial Position for the year ended December 31, 1989

	1989 Rupees	1988 Rupees
Financial Resources were provided by		
Operations:		
Net loss	(25,356,882)	(10,532,613)
Less/(add) charges/(credits) not involving movement of funds:		
Depreciation	12,555,512	12,443,900
Deferred cost written off	355,013	355,013
Profit on deletion of fixed assets	(15,000)	(186,400)
	12,895,525	12,612,513
	(12,461,357)	2,079,900
Other sources:		
Insurance claims of fixed assets	360,000	311,000
Increase in redeemable capital and long-term loan and debentures	-	6,731,263
	(12,101,357)	9,122,163
Financial Resources were used for		
Decrease in redeemable capital and long-term loan and debentures	6,284,361	12,632,477
Capital expenditure	3,460,953	628,246
Increase in long-term deposits	1,000	13,000
	(9,746,314)	(13,273,723)
Decrease in Working Capital	(21,847,671)	(4,151,560)
Analysis of Changes in Working Capital		
Increase/(Decrease) in Current Assets		
Stores, spares and loose tools	577,770	(214,821)
Stocks	(27,953,583)	43,970,696
Trade debts	9,482,665	(10,761,718)
Short-term advances	(1,896,024)	(53,922)
Trade deposits and short-term prepayments	589,481	(2,475,611)
Other receivables	(2,265,791)	6,425,036
Cash and bank balances	(509,369)	562,067
	(21,974,851)	37,451,727
Decrease/(Increase) in Current Liabilities		
Finances under mark-up arrangements	(23,681,119)	(26,689,890)
Creditors, accrued and other liabilities	23,808,299	(14,913,397)
	127,180	(41,603,287)
Decrease in Working Capital	(21,847,671)	(4,151,560)

Notes to and forming part of the Accounts for the year ended December 31, 1989

1. **Legal Status and Operations**

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 given 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 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Staff retirement benefits

Consistent with prior years the company operates a provident fund scheme for its permanent employees. Equal monthly contributions are made, both by the company and employees, at the rate of 8.33 percent of basic pay and dearness allowance for employees who have served the company for a period of less than five years. For employees who have completed five years or more of service, contributions are made at 10 percent.

2.3 Tangible fixed assets and depreciation

Operating assets 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 to profit and loss account applying the straight-line method whereby the cost of an asset is written off over its estimated useful life. A full year's depreciation is charged on assets acquired during the year whereas no depreciation is charged in the year of disposal.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired. Profit or loss on sale or retirement of fixed assets is included in income currently.

2.4 Stores and spares

Stores and spares are valued at average cost.

2.5 Stocks

Stocks are valued at the lower of cost and net realisable value. Consistent with prior years cost is arrived at on a moving average basis. 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. Goods-in-transit are valued at actual cost accumulated to the balance sheet date.

2.6 Foreign currencies

Consistent with prior years foreign currency transactions are converted into rupees at the rates of exchange ruling at the date of the transaction. Assets and liabilities expressed in foreign currencies are translated into Pakistan rupees at the rate of exchange prevailing at the balance sheet date except where foreign exchange contracts have been entered into, in which case the rates contracted for are used. Exchange differences are included in income currently.

2.7 Taxation

Current

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 available, if any.

Deferred

The company accounts for deferred taxation on all significant timing differences using the liability method.

No provision for taxation is required in view of the present losses.

2.8 Deferred costs

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

2.9 Revenue recognition

Sales are recognised on despatch of goods to customers.

3. **Issued, Subscribed and Paid-Up Capital**

As partial consideration for the redeemable capital and foreign currency loan, as referred to in notes 4.1 and 5.1 respectively, National Development Finance Corporation has the option to convert in aggregate a maximum of Rs 22.22 million, being twenty per cent of the amount sanctioned, into fully paid ordinary shares of the company at any time or from time to time during the subsistence of the credit.

4. **Reedemable Capital**

Secured

Long term finances utilised under mark-up arrangements

	Note	1989 Rupees	1988 Rupees
National Development Finance Corporation (NDFC)			
Suppliers credit	4.1	11,756,144	13,507,976
Term finance	4.2	10,707,894	12,108,867
		22,464,038	25,616,843
Saudi Pak Industrial and Agricultural Investment Company Limited (SAPICO)	4.3	9,368,473	11,446,748
		31,832,511	37,063,591
Less: Current maturity shown under current liabilities		6,559,126	5,032,102
		25,273,385	32,031,489

Redeemable capital and the long term foreign currency loan from NDFC referred to in note 5.1are 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 obtained from Citibank N.A., Karachi referred to in note 6.1.

4.1 The company has arranged long term finances from NDFC for purchase of locally manufactured assets. Under four separate agreements, assets valuing Rs 0.293 million, Rs 2.506 million, Rs 6.929 million and Rs 7.2 million were sold to NDFC against which the purchase prices payable by the company are Rs 0.636 million, Rs 5.769 million, Rs 12.807 million and Rs 18.760 million respectively. Rebates of Rs 0.303 million, Rs 2.257 million, Rs 5.184 million and Rs 8.388 million respectively shall be available to the company if all installments are paid on due dates. The rates of mark-up are respectively 3%, 7.5%,3% and, 3% and 7.5% per annum.

The purchase price and the mark-up are payable in 16, 16, 12 and 16 half yearly installments by December 1, 1994, September 1, 1994, January 1, 1993 and April 20, 1995.

4.2 Term finance from NDFC was obtained for purchase of raw materials, finished goods, other assets, etc. Under two separate agreements, assets valuing Rs 3.929 million and Rs 9.268 million were sold to NDFC against which the purchase prices payable by the company are Rs 7.262 million and Rs 24.160 million respectively. Rebates of Rs 1.167 million and Rs 5.712 million shall be available to the company if all installments are paid on due dates. The rate of mark-up is 15% per annum for both the agreements. The purchase prices and the mark-up are payable in 12 and 16 half yearly installments by January 1, 1993 and February 25, 1995 respectively.

4.3 The company has arranged long term finance of Rs 10.796 million from SAPICO. Under the agreement the amount utilised represents sales price against which the purchase price payable is Rs 21.020 million. A rebate of Rs 2.421 million will be available to the company if all installments are paid on due dates. The rate of mark-up is 15% per annum. The purchase price is payable in 10 equal half yearly installments by June 4, 1993.

4.4 In view of the substance of the transactions, the sales and repurchase of assets referred in notes 4.1 to 4.3 above and in notes 6.1 and 6.2 below have not been recorded in these accounts.

5. Long-Term Loans and Debentures

	Note	1989 Rupees	1988 Rupees
Secured			
Loan			
National Development Finance Corporation (NDFC)	5.1	81,752,421	81,752,421
Unsecured			
Debentures	5.2		
Issued to Collector of Customs		1,128,697	2,181,978
Less: Current maturity shown under current liabilities		1,053,281	1,053,281
		75,416	1,128,697
		81,827,837	82,881,118

5.1 The loan from NDFC was obtained in foreign currency amounting to US$5.82 million under an agreement dated October 28, 1984. Interest is payable at the rate of 11% per annum calculated six monthly. 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.

In accordance with NDFC's letter No.IM&M/SRA/L-817/89 dated December 16, 1989, the repayment of the loan has been deferred for a period of two years. The balance of the loan as at December 31, 1989 is repayable in 10 semi-annual installments commencing March 1, 1991. This loan is secured as more fully explained in note 4.

5.2 Debentures represent 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. The balance of debentures as at December 31, 1989 is repayable in three half-yearly installments by January 29, 1991.

6. Finances under mark-up arrangements

	Note	1989 Rupees	1988 Rupees
Secured			
Citibank N.A., Karachi	6.1	21,755,766	9,105,892
National Development Leasing Corporation		-	20,000,000
National Development Finance Corporation (NDFC)	6.2	38,633,000	-
Unsecured			
Associated undertakings	6.3		
Crescent Jute Products Limited		37,974,516	40,797,227
Shakarganj Mills Limited		10,605,146	15,384,190
		48,579,662	56,181,417
		108,968,428	85,287,309

6.1 The facility for running finance available from Citibank N.A., Karachi, amounts to Rs 21,764,000 (1988: Rs 15.0 million). The rate of mark-up is 14% per annum applied quarterly. The purchase price aggregating Rs 28,716,389 is repayable in four installments.

The running finance is 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 redeemable capital and foreign currency loan referred to in notes 4 and 5.1 respectively.

6.2 The company has arranged a short term finance facility from NDFC. Under the agreement assets of Rs 100 million were sold to NDFC against which the purchase price payable is Rs 120 million. According to the terms of the agreement, NDFC may allow a rebate for prompt payment at such rate as may be prescribed by it from time to time. The amount of installments and due dates for payment of the purchase price shall be such as NDFC may advise in due course. This facility is secured by a promissory note, hypothecation of stocks, and lien/assignment of receivables.

6.3 These are short-term finances with no fixed maturity and carry mark-up at 43 paisas and 45 paisas per thousand per day on finances provided by Shakarganj Mills Limited and Crescent Jute Products Limited respectively.

6.4 Unutilised credit facilities

The facility for opening letters of credit and guarantees as at December 31, 1989 amounted to Rs 163,135,000 (1988: Rs 220,000,000) of which amount remaining unutilised at the year end was Rs 87,936,144 (1988: Rs 127,666,190).

		1989 Rupees	1988 Rupees
7.	**Creditors, Accrued and Other Liabilities**		
	Creditors	3,339,095	2,395,713
	Bills payable	-	36,309,739
	Accrued liabilities	1,165,312	1,122,786
	Interest accrued on secured loan	15,775,491	3,338,224
	Accrued mark-up	6,323,900	4,352,881
	Surcharge accrued on unsecured custom debentures	20,083	37,303
	Retention money	-	54,183
	Advances from customers	3,565,021	6,394,991
	Others	108,019	99,400
		30,296,921	54,105,220

8. **Operating Assets**

(a) The following is a statement of operating fixed assets:

	Cost as at January 1, 1989	Additions/ (deletions) *inter-transfers	Cost as at December 31, 1989	Accumulated depreciation as at December 31, 1989	Net book value as at December 31, 1989	Depreciation Rate as % of cost	Depreciation Charge for the year
	Rupees						
Leasehold land	3,330,944	-	3,330,944	128,099	3,202,845	-	33,646
Improvements to leasehold land	101,872	1,400	103,272	2,658	100,614	-	1,043
Building on leasehold land	36,539,557	-	36,539,557	6,386,475	30,153,082	5	1,826,977
Plant and machinery	150,067,857	2,679,916 *(2,328,234)	150,419,539	30,486,803	119,932,736	5 - 20	9,854,538
Office premises	1,351,916	-	1,351,916	818,466	533,450	10	135,192
Furniture and fixtures	604,254	5,830	610,084	252,999	357,085	10	61,017
Office and other equipment	955,886	34,460	990,346	737,277	253,069	20	151,809
Workshop and laboratory equipment	79,879	136,357 *2,328,234	2,544,470	861,966	1,682,504	20	239,554
Motor vehicles	1,228,930	599,750 (370,000)	1,458,680	874,850	583,830	20	251,736
	194,261,095	3,457,713 (370,000)	197,348,808	40,549,593	156,799,215		12,555,512
1988	194,019,026	791,841 (549,772)	194,261,095	28,019,081	166,242,014		12,443,900

(b) Details of deletions to fixed assets :

	Cost	Accumulated depreciation	Net book value	Proceeds	Mode of deletion
	Rupees				
Motor vehicles					
	245,000	-	245,000	245,000	Insurance claim
	125,000	25,000	100,000	115,000	Insurance claim
	370,000	25,000	345,000	360,000	

	1989 Rupees	1988 Rupees
9. Deferred Cost		
Preliminary expenses	57,236	82,674
Share issue expenses	464,997	671,663
Commission and brokerage on issue of shares	276,545	399,454
	798,778	1,153,791
10. Stores, Spares and Loose Tools		
Stores	438,596	394,572
Spare parts	9,681,613	9,099,206
Loose tools	205,022	253,683
	10,325,231	9,747,461
11. Stocks		
Raw materials - includes in transit Rs 55,434,550 (1988: Rs 62,432,990)	56,221,526	65,636,839
Work-in-process	905,711	1,884,921
Finished goods	17,450,556	35,009,616
	74,577,793	102,531,376
12. Short Term Advances		
Considered good		
Employees	43,271	57,629
Suppliers for goods and services	2,173,666	4,055,332
	2,216,937	4,112,961
13. Other Receivables		
License fee refundable	2,772,434	2,772,434
Export rebate	2,756,865	2,756,865
Octroi refundable	44,526	705,010
Others	100,739	1,706,046
	5,674,564	7,940,355
14. Short Term Investments		
Foreign exchange bearer certificates - at cost (Market value Rs 37,944 (1988: Rs 38,628))	36,000	36,000
15. Cash and Bank Balances		
With banks - in time deposit account	52,641	68,836
- in current account	119,898	613,072
Cash and cheques in hand	25,000	25,000
	197,539	706,908

		1989 Rupees	1988 Rupees
16.	**Sales**		
	Sales of product	61,988,944	137,291,934
	Manufacturing charges - note 16.1	23,869,891	5,010,747
		85,858,835	142,302,681
	Less: Sales tax thereon	3,334,184	-
		82,524,651	142,302,681

16.1 Manufacturing charges pertain to the job of producing 3723.52 tons (1988: 6929.98 tons) of pipes for which 'hot rolled steel coils' were provided by a customer.

		1989 Rupees	1988 Rupees
17.	**Cost of Sales**		
	Raw materials consumed	31,678,021	112,511,119
	Salaries, wages and benefits	3,515,558	3,371,911
	Stores and spares consumed	850,209	1,070,043
	Insurance	615,028	740,967
	Depreciation	12,222,078	12,119,612
	Repairs and maintenance	362,061	416,941
	Fuel, power and electricity	1,789,266	2,060,329
	Other expenses	870,861	536,277
		20,225,061	20,316,080
	Amount transferred to fixed assets	(2,366,651)	-
		49,536,431	132,827,199
	Work-in-process		
	Opening stock	1,884,921	3,299,143
	Closing stock	(905,711)	(1,884,921)
		979,210	1,414,222
	Cost of goods manufactured	50,515,641	134,241,421
	Finished goods		
	Opening stock	35,009,616	23,875,951
	Closing stock	(17,450,556)	(35,009,616)
		17,559,060	(11,133,665)
		68,074,701	123,107,756
18.	**Selling Expenses**		
	Salaries and other benefits	374,699	335,706
	Travelling and conveyance	211,549	274,726
	Insurance	10,706	8,602
	Depreciation	50,500	50,500
	Advertisement	-	84,568
	Bad debts written off	-	4,244
	Printing and stationery	5,082	2,178
	Others	585,433	288,287

		1989 Rupees	1988 Rupees
19.	**Administration Expenses**		
	Salaries, wages and other benefits	1,713,013	1,746,030
	Travelling and conveyance	158,824	196,077
	Fuel and power	35,587	35,251
	Postage, telephone and telegram	207,185	187,850
	Insurance	18,701	18,857
	Repairs and maintenance	190,948	177,330
	Auditors' remuneration - note 20	94,384	96,662
	Legal and professional charges	191,568	339,266
	Depreciation	282,934	273,788
	Advertisement	29,580	45,690
	Printing, stationery and office supplies	175,141	197,556
	Corporate service charges to an associated undertaking	250,000	180,000
	Training	-	3,000
	Rents, rates and taxes	10,592	12,834
	Miscellaneous	84,572	60,098
	Recoveries from an associated undertaking	(253,213)	(144,053)
		3,189,816	3,426,236
20.	**Auditors' Remuneration**		
	Audit fee	50,000	50,000
	Taxation services	26,465	-
	Special reports, certificates and sundry advisory services	10,000	44,000
	Out of pocket expenses	7,919	2,662
		94,384	96,662
21.	**Other Income**		
	Profit on deletion of fixed assets	15,000	186,400
	Return on short-term loans to associated undertakings	27,678	764,855
	Return on deposits	652	256,956
	Provision for corporate service expenses written back	-	681,674
	Miscellaneous	81,068	295,630
		124,398	2,185,515

	1989 Rupees	1988 Rupees
22. Financial Charges		
Interest on long term loan	12,432,310	11,971,298
Surcharge on custom debentures	198,790	309,637
Mark-up on		
Redeemable capital	4,187,178	4,526,860
Finances from associated undertakings	9,167,733	3,035,863
Finance under mark up arrangements	8,577,520	6,237,632
Penalty on export refinance	-	657,617
Penal interest	5,311	-
Commitment and other charges on foreign currency loan	99,765	146,600
Exchange loss	440,214	32,619
Bank charges	39,611	164,867
	35,148,432	27,082,993

23. Remuneration of Chief Executive and Other Executives

	Chief Executive		Executives		Total	
	1989	1988	1989	1988	1989	1988
	Rupees					
Managerial remuneration	330,000	330,000	639,824	382,800	969,824	712,800
Rent	148,500	148,500	287,589	172,260	436,089	320,760
Utilities	33,000	33,000	63,918	38,040	96,918	71,040
Medical	3,017	3,967	36,691	16,645	39,708	20,612
Provident fund contribution	27,500	27,500	50,375	31,895	77,875	59,395
Club subscription and expenses	7,176	10,282	-	-	7,176	10,282
Entertainment	-	-	57,500	42,000	57,500	42,000
Telephone	-	-	5,700	3,600	5,700	3,600
	549,193	553,249	1,141,597	687,240	1,690,790	1,240,489
Number of persons	1	1	5	3	6	4

The aggregate amounts charged in the accounts in respect of directors fee paid to eight (1988: seven) directors was Rs 4,500 (1988: Rs 5,500).

In addition, the chief executive and some other executives are provided with free use of company maintained cars, according to their entitlements. The chief executive, executives and their families are also covered under group and hospitalisation insurance.

		1989 Rupees	1988 Rupees
24.	**Transactions with Associated Undertakings**		
	Sale of goods and services	-	957,285
	Mark-up received	27,678	764,855
	Recoveries in respect of salaries of chief executive and staff	253,213	144,053
	Mark-up paid	9,167,733	3,035,863
	Purchase of vehicles	-	44,544
	Corporate service charges	250,000	180,000

25. **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 year was 6,094 tons (1988: 15,538 tons) line pipe of varied sizes and thicknesses,which is equivalent to 14,374 tons (1988: 34,250 tons), if the actual production is translated to the notional pipe size of 30" diameter. Production shortfall was due to lack of orders as some of the customer projects were delayed and also due to material ex-bonding problem encountered with the authorities.

26. **Taxation**

Accumulated tax losses as at December 31, 1989 amounted to Rs 101,184,396.

27. **Comparative Figures**

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

Ahsan M. Saleem
Chief Executive

Mazhar Karim
Chairman

Form '34'

The Companies Ordinance, 1984, (Section 236)

Pattern of shareholdings as at December 31, 1989

No of Shareholders	Shareholdings From		To	Total Shares held
13866	1	-	100	138660
130	101	-	500	43300
77	501	-	1000	67400
106	1001	-	5000	294502
23	5001	-	10000	177101
6	10001	-	15000	77000
7	15001	-	20000	118602
1	30001	-	35000	31501
1	35001	-	40000	37400
1	50001	-	55000	53700
1	55001	-	60000	59901
1	295001	-	300000	300000
1	330001	-	335000	332493
1	400001	-	405000	403500
2	445001	-	450000	900000
2	495001	-	500000	1000000
1	865001	-	870000	867000
14227				6150000

Categories of Shareholders	Number	Shares Held	Percentage
Individuals	14211	2195907	35.70 %
investment Companies	1	19300	.31 %
Insurance Companies	1	10000	.16 %
Joint Stock Companies	8	2063093	33.54 %
Financial Institution	4	1824200	29.66 %
Trust	2	37500	.60 %
Total	14227	6150000	100.00 %

Crescent Steel and Allied Products Limited

CRESCENT GROUP

6th 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 han 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 6th Annual General Meeting of the Company to be held at Pearl Continental Hotel, Shahrah-e-Quaid-e-Azam, Lahore on June 30, 1990 at 11.30 A.M. or at any adjournment thereof.

As witness my/our hand this day of 1990

Signed by the said in the presence of

(Member's Signature)

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

Date

Place