

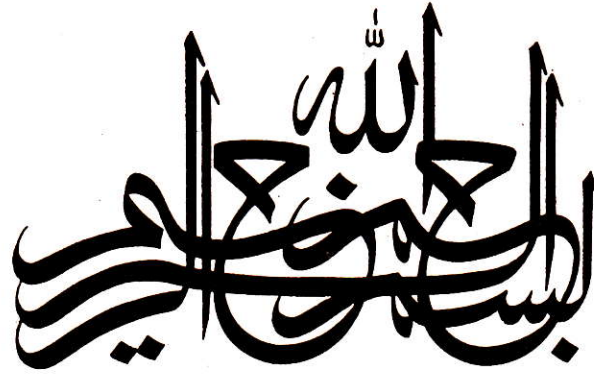
Annual Report 1990



Crescent Steel and Allied Products Limited



Crescent Steel
and Allied Products Ltd



In the name of Allah, the Merciful & Compassionate

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Company & Investor Information

Corporate Secretary

Zaheer A. Shaikh

Auditors

A.F. Ferguson & Co.
Chartered Accountants

Bankers

National Bank of Pakistan
National Development
Finance Corporation
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.

Stock Exchange Listing

Crescent Steel and Allied Products Limited is listed on the Karachi Stock Exchange and Lahore Stock Exchange.

Daily quotations on the Company's stock can be obtained from leading newspapers. Crescent Steel is listed under 'Engineering'.

Public Information

Financial analysts, stock brokers, interested investors and financial media desiring information about 'Crescent Steel' should contact Razi Malik at Company's Principal office at Karachi.

Tel: 021 525221-525226

Shareholder Information

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

Tel: 042 324615

Fax: 042 53065

Annual Meeting

Seventh Annual General Meeting of Crescent Steel and Allied Products Limited will be held on

Thursday, June 20, 1991 at 11.30 a.m.
Pearl Continental Hotel,
Shahrah-e-Quaid-e-Azam,
Lahore



Directors

Mazhar Karim
Ahsan M. Saleem
Azimuddin Syed
Kabir A. Qureshi
Maqbul Ahmad
Mohammad Sharif
Muhammad Anwar
Muhammad Javed Amin
Nasir Shafi
Shaukat Shafi
Zahid Bashir
Ziagham M. Rizvi

Chairman
Chief Executive

Management

Ahsan M. Saleem, 38
Chief Executive &
Managing Director
*** 1983**

Mohammad Sharif, 59
Executive Vice President &
Deputy Managing Director
*** 1984**

S.A.N. Kazmi, 49
Executive Vice President,
Marketing & Sales
*** 1986**

Razi A. Malik, 45
Senior Vice President,
Finance & Control
*** 1989**

S. Waliullah Hussaini, 39
Vice President,
Buying
*** 1985**

*** year joined company**



Directors' Report and Chief Executive's Review

Results:

With the Blessing and kindness of Allah we have been able to steer through the turbulent years — the most difficult of which was 1989. The profit for the year before a prior year credit was Rs. 2.6 millions against a loss of Rs. 25.36 millions in 1989. A turn-round of Rs. 27.9 millions. The net profit after the prior year credit amounted to Rs. 7.78 millions.

Operations in 1990 were carried forward from a dismal performance of 1989 and its accompanying impediments such as severe cash constraints, heavy debt servicing, equity almost eroded and above all hostile market forces. The only positive factors were high morale and a determination to quickly shrug off the effects of the past., With the graciousness of Allah we have been successful in that and the company has made a profit for the first time since inception.

Business review:

At the half year I reported substantial growth in turnover. This trend continued in the second half giving a 96% increase for the year. We would have achieved even greater increase if it were not for bureaucratic hurdles in both halves of the year. As we had started out from a weaker position there were pressures on margin in the first half and although margins improved significantly in the second half overall growth is mainly from volume gain.

For the first time 85" ID steel pipe has been used in the Water sector in Pakistan and your Company had the honour to manufacture and supply it to a prestigious project of Karachi Water & Sewerage Board.

We made lot of recovery during the year which is illustrated in the following comparisons:

| | 1990 Tons | 1989 Tons | % Change |
|---|-------------------|--------------|-------------|
| Production: Actual | 10,936 | 6,094 | + 79.5 |
| Equivalent notional size | 33,050 | 14,374 | + 129.9 |
| | Rs. 000's | Rs. 000's | |
| Sales | 161,541 | 82,525 | + 95.7 |
| Gross margin | 40,339 | 14,450 | + 7.46 |
| Profit before financial charges | 35,616 | 9,791 | + 10.2 |
| Financial charges | 33,016 | 35,148 | - 6.1 |
| Net Profit/(Loss) for the year before prior year adjustment | 2,600 | (25,357) | — |
| Prior year Adjustment | 5,179 | — | — |
| Net Profit(loss) for the year | 7,779 | (25,357) | — |

Production capacity was fully utilised and in most cases machines were operated in second shifts as well.

Through out the year the company has continued to receive the full support of its bankers viz National Development Finance Corporation and lately National Bank of Pakistan too. The repayment of long term borrowings are on schedule. The banks support as key partners now and for the future growth of the company is much appreciated and our existing facilities are sufficient to support company activities.



Although our debts have further reduced since the year end it is our intention to reduce it still further. Throughout the year we exercised strict financial discipline and expenses were kept tightly under control. Even planned capital expenditure was defrayed and only the most critical items were acquired.

Product range:

Modification work was carried on the SP machine to further widen pipe range. When completed this will enable us to produce pipe sizes of upto 90" ID. You will recall that similar work was carried out last year to take the product range from 60" to 86" ID.

In addition to above we also manufactured some accessories, all designed by our Engineers and indigenously produced, which will enable us to optimise production and provide a competitive advantage when bidding for projects.

Board Changes:

During the year there were quite a number of changes to the Board. On behalf of my colleagues and indeed on my own behalf I would like to thank the following outgoing Directors for their important contributions to the company:

Anjum M. Saleem
Muhammad Anwar
S.M. Yusuf

I also welcome the following new Directors:

Muhammad Anwar (nominee of SAPICO)
Azimuddin Syed (nominee of NDFC)
Mohammad Sharif
Maqbul Ahmad

Nooriabad Industrial Estate:

The situation has remained virtually unchanged since we reported on the conditions in last years report and no improvement is in sight. This combined with other fiscal factors has made future investors to shy away from the area. People who had put up the plants are having second thoughts and many have already moved out to other areas in the country with better communications, social amenities and law and order situations. If no improvements are made and present trend continues it would become even more difficult to operate from Nooriabad. Already the industries there are facing hardship in terms of recruitments of quality skill and additional costs which could be avoided.

Industry problems:

Local source of raw material continues to be a cause for concern as to availability in economic sizes, consistent quality, and regular deliveries. There is only one source of supply in the country and that too is a Government organisation - so we have no choice and must accept what is offered to us. Our manufacturing process requires resetting of SP machine to accept different width of steel coils. This is a time consuming exercise and also involves generation of forming scrap. During the later part of 1990 many production hours were lost due to non sequential supply of steel coils of uniform width and stoppages at supplier's mills.

Prospects:

Upcoming projects were well documented in last years report and there is no shortage of work in the country. Our prospects for the current year and for the ensuing years are most encouraging.



**Crescent Steel
and Allied Products Ltd**

The size of our order book is strong and I am confident that, unforeseen circumstances permitting, a very successful year is in prospect and I look forward to reporting further growth in the future.

Employees:

I thank all members of staff for their dedication throughout what had been difficult times for the company. The good results of 1990 have come from their efforts and I am sure that shareholders will join me in thanking them for their continued hard work.

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, 1990 and the related profit and loss account and the 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. (a) In our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
 - (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as stated in note 2.9 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 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, 1990 and of the profit 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.
2. Without qualifying our report we draw attention to the fact that as at December 31, 1990 the company had accumulated losses amounting to Rs. 45.9 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 year and viability of the project will not be adversely affected. Further, management also believes that short-term financial support from associated companies will continue.

A.F. Ferguson & Co.
Chartered Accountants
Karachi: May 21, 1991



Balance Sheet as at December 31, 1990

| | Note | 1990 Rupees | 1989 Rupees |
|--|------|----------------|----------------|
| Share Capital and Reserves | | | |
| Authorised 10,000,000 (1989: 10,000,000) ordinary shares of Rs. 10 each | | 100,000,000 | 100,000,000 |
| Issued, subscribed and paid-up 6,150,000 (1989: 6,150,000) ordinary shares of Rs. 10 each fully paid in cash | 3 | 61,500,000 | 61,500,000 |
| Accumulated loss | | (45,901,279) | (53,680,982) |
| | | 15,598,721 | 7,819,018 |
| Redeemable Capital | 4 | 18,345,627 | 25,273,385 |
| Long-term Loan and Debentures | 5 | 69,504,219 | 81,827,837 |
| Current Liabilities | | | |
| Current maturity of | | | |
| - Redeemable capital | 4 | 7,281,564 | 6,559,126 |
| - Long-term loan and debentures | 5 | 12,323,618 | 1,053,281 |
| Finances under mark-up arrangements | 6 | 124,748,630 | 108,968,428 |
| Creditors, accrued and other liabilities | 7 | 63,193,136 | 30,296,921 |
| | | 207,546,948 | 146,877,756 |
| | | 310,995,515 | 261,797,996 |

Approved by the Board of Directors on
May 16, 1991 and signed on its behalf

Ahsan M. Saleem
Mazhar Karim

Chief Executive
Director

The annexed notes form an integral part of these accounts.



**Crescent Steel
and Allied Products Ltd**

| | Note | 1990 Rupees | 1989 Rupees |
|---|------|---------------------------|---------------------------|
| Tangible Fixed Assets | | | |
| Operating assets | 8 | 149,698,442 | 156,799,215 |
| Capital work-in-progress-civil works | | 1,447,829 | 96,022 |
| Spares held for capital expenditure | | 337,489 | 337,489 |
| | | <u>151,483,760</u> | <u>157,232,726</u> |
| Long-Term Deposits | | 179,610 | 179,610 |
| Deferred Cost | 9 | 443,765 | 798,778 |
| Current Assets | | | |
| Stores, spares and loose tools | 10 | 10,240,240 | 10,325,231 |
| Stocks | 11 | 52,914,109 | 74,577,793 |
| Trade debts - unsecured, considered good | | 38,015,296 | 9,803,610 |
| Short-term advances | 12 | 11,804,350 | 2,177,618 |
| Trade deposits and short-term prepayments | | 230,604 | 755,208 |
| Other receivables | 13 | 3,550,082 | 5,674,564 |
| Short-term investment | | — | 36,000 |
| Cash and bank balances | 14 | 42,133,699 | 236,858 |
| | | <u>158,888,380</u> | <u>103,586,882</u> |
| | | <u><u>310,995,515</u></u> | <u><u>261,797,996</u></u> |



Profit and Loss Account for the year ended December 31, 1990

| | Note | 1990 Rupees | 1989 Rupees |
|---|------|----------------|----------------|
| Sales | 15 | 161,541,400 | 82,524,651 |
| Cost of sales | 16 | 121,202,187 | 68,074,701 |
| Gross profit | | 40,339,213 | 14,449,950 |
| Selling expenses | 17 | 1,094,181 | 1,222,181 |
| Administration expenses | 18 | 3,461,551 | 3,205,604 |
| | | 4,555,732 | 4,427,785 |
| Operating profit | | 35,783,481 | 10,022,165 |
| Other income | 20 | 329,426 | 124,398 |
| | | 36,112,907 | 10,146,563 |
| Other charges | 21 | 496,114 | 355,013 |
| Financial charges | 22 | 33,016,302 | 35,148,432 |
| | | 33,512,416 | 35,503,445 |
| Net profit/(loss) before prior period's adjustment | | 2,600,491 | (25,356,882) |
| Prior period's adjustment | 8.1 | 5,179,212 | — |
| Net profit/(loss) after prior period's adjustment | | 7,779,703 | (25,356,882) |
| Accumulated loss brought forward | | (53,680,982) | (28,324,100) |
| Accumulated loss carried forward | | (45,901,279) | (53,680,982) |

Approved by the Board of Directors on
May 16, 1991 and signed on its behalf

Ahsan M. Saleem
Mazhar Karim

Chief Executive
Director

The annexed notes form an integral part of these accounts.



Statement of Changes in Financial Position for the year ended December 31, 1990

| | 1990 Rupees | 1989 Rupees |
|--|------------------|---------------------|
| Financial Resources were provided by | | |
| Operations: | | |
| Net profit/(loss) before prior period's adjustment | 2,600,491 | (25,356,882) |
| Prior period's adjustment | 5,179,212 | — |
| Net profit/(Loss) after prior period's adjustment | 7,779,703 | (25,356,882) |
| Add/(less) charges/(credits) not involving movement of funds: | | |
| Depreciation - current year | 12,562,164 | 12,555,512 |
| - prior period's adjustment | (5,179,212) | — |
| Deferred cost written off | 355,013 | 355,013 |
| Profit on deletion of fixed assets | — | (15,000) |
| | 7,737,965 | 12,895,525 |
| | 15,517,668 | (12,461,357) |
| Other sources: | | |
| Insurance claims of fixed assets | — | 360,000 |
| | 15,517,668 | (12,101,357) |
| Financial Resources were used for | | |
| Decrease in redeemable capital and long-term loan and debentures | 7,258,601 | 6,284,361 |
| Capital expenditure | 1,633,986 | 3,460,953 |
| Increase in long-term deposits | — | 1,000 |
| | (8,892,587) | (9,746,314) |
| Increase/(Decrease) in Working Capital | 6,625,081 | (21,847,671) |
| Analysis of Changes in Working Capital | | |
| Increase/(Decrease) in Current Assets | | |
| Stores, spares and loose tools | (84,991) | 577,770 |
| Stocks | (21,663,684) | (27,953,583) |
| Trade debts | 28,211,686 | 9,482,665 |
| Short-term advances | 9,626,732 | (1,896,024) |
| Trade deposits and short-term prepayments | (524,604) | 589,481 |
| Other receivables | (2,124,482) | (2,265,791) |
| Short-term investment | (36,000) | — |
| Cash and bank balances | 41,896,841 | (509,369) |
| | 55,301,498 | (21,974,851) |
| (Increase)/Decrease in Current Liabilities | | |
| Finances under mark-up arrangements | (15,780,202) | (23,681,119) |
| Creditors, accrued and other liabilities | (32,896,215) | 23,808,299 |
| | (48,676,417) | 127,180 |
| Increase/(Decrease) in Working Capital | 6,625,081 | (21,847,671) |

Approved by the Board of Directors on
May 16, 1991 and signed on its behalf

Ahsan M. Saleem
Mazhar Karim

Chief Executive
Director



Notes to and forming part of the Accounts for the year ended December 31, 1990

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

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. 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

Foreign currency transactions are converted into rupees at the rates of exchange prevailing 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. Sales are also recognised when the company specifically appropriates deliverable goods against confirmed orders. Previously, sales were recognised on despatch of goods to customers. The effect of and reason for the aforementioned change in accounting policy is stated in note 27.

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. Redeemable Capital-Secured

Long term finances utilised under mark-up arrangements

| | Note | 1990 Rupees | 1989 Rupees |
|---|------|-------------------|-------------------|
| National Development Finance Corporation (NDFC) | | | |
| Suppliers credit | 4.1 | 9,378,732 | 11,756,144 |
| Term finance | 4.2 | 9,281,693 | 10,707,894 |
| | | <u>18,660,425</u> | <u>22,464,038</u> |
| Saudi Pak Industrial and Agricultural Investment Company Limited (SAPICO) | 4.3 | 6,966,766 | 9,368,473 |
| | | <u>25,627,191</u> | <u>31,832,511</u> |
| Less: Current maturity shown under current liabilities | | 7,281,564 | 6,559,126 |
| | | <u>18,345,627</u> | <u>25,273,385</u> |

Redeemable capital and the long term foreign currency loan from NDFC referred to in note 5.1 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-process, finished goods and supplies and also ranking pari-passu with charges created to secure running finance obtained from a bank 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 instalments 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 instalments 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 instalments 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 instalments 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 instalments are paid on due dates. The rate of mark-up is 15% per annum. The purchase price is payable in 10 equal half yearly instalments 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 | 1990 Rupees | 1989 Rupees |
|---|------|-------------------|-------------------|
| Secured | | | |
| Loan | | | |
| National Development Finance Corporation (NDFC) | 5.1 | 81,752,421 | 81,752,421 |
| Unsecured | | | |
| Debentures | | | |
| Issued to Collector of Customs | 5.2 | 75,416 | 1,128,697 |
| | | <u>81,827,837</u> | <u>82,881,118</u> |
| Less: Current maturity shown under current liabilities | | | |
| Loan - NDFC | | 12,248,202 | — |
| Debentures | | 75,416 | 1,053,281 |
| | | <u>12,323,618</u> | <u>1,053,281</u> |
| | | <u>69,504,219</u> | <u>81,827,837</u> |

- 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, 1990 is repayable in 10 semi-annual instalments 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, 1990 is repayable on January 29, 1991.

6. Finances under mark-up Arrangements

| | Note | 1990 Rupees | 1989 Rupees |
|--|------|--------------------|--------------------|
| Secured | | | |
| From a bank | 6.1 | 28,161,067 | 21,755,766 |
| From National Development Finance Corporation (NDFC) | 6.2 | 66,090,306 | 38,633,000 |
| Unsecured | | | |
| From associated undertakings | 6.3 | | |
| Crescent Jute Products Limited | | 20,497,257 | 37,974,516 |
| Shakarganj Mills Limited | | 10,000,000 | 10,605,146 |
| | | <u>30,497,257</u> | <u>48,579,662</u> |
| | | <u>124,748,630</u> | <u>108,968,428</u> |

6.1 The facility for running finance available amounts to Rs. 30,000,000 (1989: Rs. 21,764,000). The rate of mark-up is 47 paisa per 1000 rupees per day. A rebate of 2 paisa per 1000 rupees will be allowed by the Bank for prompt payment and a further rebate of 2 paisa per 1000 rupees per day will be admissible on giving foreign exchange business in the ratio of 1:2 to the bank. The purchase price is repayable on January 30, 1991.

The facility is secured by a charge on the present and future current assets of the company, pledge/hypothecation of stocks and a first equitable mortgage on the fixed 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 trade 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. The rate of mark-up is 43 Paisa per 1000 rupees per day. The purchase price is repayable on February 19, 1991. This facility is secured by hypothecation of stocks and receivables.

6.3 Running finances from associated companies are short-term finances with no fixed maturity and carry mark-up at 43 paisas and 43 and 45 paisas per thousand rupees 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, 1990 amounted to Rs. 200,000,000 (1989: Rs. 163,135,000) of which amount remaining unutilised at the year end was Rs. 118,249,600 (1989: Rs. 87,936,144).



| | 1990 Rupees | 1989 Rupees |
|--|-------------------|-------------------|
| 7. Creditors, Accrued and Other Liabilities | | |
| Creditors | 423,806 | 3,339,095 |
| Sales tax payable | 1,014,148 | — |
| Accrued liabilities | 1,399,996 | 1,165,312 |
| Interest accrued on secured loan | 4,094,784 | 15,775,491 |
| Accrued mark-up | 9,592,795 | 6,323,900 |
| Security deposit | 50,000 | — |
| Surcharge accrued on unsecured custom debtnures | 5,323 | 20,083 |
| Advances from customers | 46,275,898 | 3,565,021 |
| Workers' Profits Participation Fund | 141,101 | — |
| Others | 195,285 | 108,019 |
| | <u>63,193,136</u> | <u>30,296,921</u> |

8. Operating Assets

The following is a statement of operating fixed assets:

| | Cost as at January 1, 1990 | Additions/ (deletions) | Cost as at December 31, 1990 | Accumulated deprecia- tion as at December 31, 1990 | Net book value as at December 31, 1990 | Depreciation | |
|-----------------------------------|----------------------------------|---------------------------|------------------------------------|--|---|-------------------------|------------------------|
| | Rupees | | | | | Rate as % of cost | Charge for the year |
| Leashold land | 3,330,944 | — | 3,330,944 | 161,745 | 3,169,199 | 1 | 33,646 |
| Improvements to leasehold land | 103,272 | 500 | 103,772 | 3,707 | 100,065 | 1 | 1,049 |
| Building on leasehold land | 36,539,557 | — | 36,539,557 | 6,847,193 | 29,692,364 | 5 | 1,826,977 |
| Plant and machinery | 150,419,539 | 224,519 | 150,644,058 | 36,566,836 | 114,077,222 | 5 - 20 | 9,876,990 |
| Office premises | 1,351,916 | — | 1,351,916 | 953,658 | 398,258 | 10 | 135,192 |
| Furniture and fixtures | 610,084 | 8,900 | 618,984 | 314,906 | 304,078 | 10 | 61,907 |
| Office and other equipment | 990,346 | 45,135 | 1,035,481 | 884,165 | 151,316 | 20 | 146,888 |
| Workshop and laboratory equipment | 2,544,470 | — | 2,544,470 | 1,085,524 | 1,458,946 | 5-20 | 239,554 |
| Motor vehicles | 1,458,680 | 3,125 | 1,461,805 | 1,114,811 | 346,994 | 20 | 239,961 |
| | <u>197,348,808</u> | <u>282,179</u> | <u>197,630,987</u> | <u>47,932,545</u> | <u>149,698,442</u> | | <u>12,562,164</u> |
| 1989 | 194,261,095 | 3,457,713 (370,000) | 197,348,808 | 40,549,593 | 156,799,215 | | 12,555,512 |

8.1 Prior Period's Adjustment

In the accounts for the year ended December 31, 1987 the company had over/under charged depreciation on certain 'plant and machinery' and 'workshop and laboratory equipment' by using rates that would not have depreciated the assets over their estimated useful lives. In 1988 the company applied correct rates of depreciation but no effect was taken for the over/under charged depreciation relating to 1987. The net effect of this error, an excess depreciation charge of Rs. 5,179,212 in 1987, has been appropriately reduced from the accumulated depreciation balance and shown as a prior period's adjustment in the profit and loss account for the year ended December 31, 1990.



| | 1990 Rupees | 1989 Rupees |
|--|-------------------|-------------------|
| 9. Deferred Cost | | |
| Preliminary expenses | 31,798 | 57,236 |
| Share issue expenses | 258,331 | 464,997 |
| Commission and brokerage on issue of shares | 153,636 | 276,545 |
| | <u>443,765</u> | <u>798,778</u> |
| 10. Stores, Spares and Loose Tools | | |
| Stores | 449,472 | 438,596 |
| Spares parts | 9,583,744 | 9,681,613 |
| Loose tools | 207,024 | 205,022 |
| | <u>10,240,240</u> | <u>10,325,231</u> |
| 11. Stocks | | |
| Raw materials - includes in transit Rs. 31,964,892 (1989: Rs. 55,434,550) | 35,134,621 | 56,221,526 |
| Work-in-process | 5,667,883 | 905,711 |
| Finished goods | 12,111,605 | 17,450,556 |
| | <u>52,914,109</u> | <u>74,577,793</u> |
| 12. Short Term Advances | | |
| Considered good | | |
| Employees | 45,813 | 3,952 |
| Suppliers for goods and services | 11,758,537 | 2,173,666 |
| | <u>11,804,350</u> | <u>2,177,618</u> |
| 13. Other Receivables | | |
| Accrued interest | 70,425 | — |
| License fee refundable | — | 2,772,434 |
| Export rebate | 2,756,865 | 2,756,865 |
| Octroi refundable | 290,832 | 44,526 |
| Margin on guarantees | 265,200 | — |
| Others | 166,760 | 100,739 |
| | <u>3,550,082</u> | <u>5,674,564</u> |
| 14. Cash and Bank Balances | | |
| With banks - in time deposit accounts | | |
| - note 14.1 | 40,560,911 | 52,641 |
| - in current account | 290,469 | 119,898 |
| Cash and cheques in hand | 1,282,319 | 64,319 |
| | <u>42,133,699</u> | <u>236,858</u> |

14.1 Includes a netted off balance of Rs. 1,000,000 with Crescent Investment Bank Limited. In the normal course of business the company places funds with and borrows on short-term from Crescent Investment Bank Limited. These transactions carry different rates of mark-up and also have different maturity dates but they have a right of set off against each other.



| | 1990 Rupees | 1989 Rupees |
|-----------------------------------|---------------------------|--------------------------|
| 15. Sales | | |
| Sales of product | 145,366,514 | 61,988,944 |
| Manufacturing charges - note 15.1 | <u>20,370,176</u> | <u>23,869,891</u> |
| | 165,736,690 | 85,858,835 |
| Less: Sales tax thereon | <u>4,195,290</u> | <u>3,334,184</u> |
| | <u><u>161,541,400</u></u> | <u><u>82,524,651</u></u> |

15.1 Manufacturing charges pertain to the job of producing 3,635.58 tons (1989: 3,723.52 tons) of pipes for which 'hot rolled steel coils' were provided by a customer.

| | 1990 Rupees | 1989 Rupees |
|------------------------------------|---------------------------|--------------------------|
| 16. Cost of Sales | | |
| Raw materials consumed | 97,698,124 | 31,678,021 |
| Salaries, wages and benefits | 4,131,357 | 3,515,558 |
| Stores and spares consumed | 2,040,936 | 850,209 |
| Insurance | 1,150,396 | 615,028 |
| Depreciation | 12,227,718 | 12,222,078 |
| Repairs and maintenance | 331,460 | 362,061 |
| Fuel, power and electricity | 2,191,742 | 1,789,266 |
| Other expenses | 1,830,821 | 870,861 |
| | 23,904,430 | 20,225,061 |
| Amount transferred to fixed assets | (977,146) | (2,366,651) |
| | <u>120,625,408</u> | <u>49,536,431</u> |
| Work-in-process | | |
| Opening stock | 905,711 | 1,884,921 |
| Closing stock | (5,667,883) | (905,711) |
| | <u>(4,762,172)</u> | <u>979,210</u> |
| Cost of goods manufactured | 115,863,236 | 50,515,641 |
| Finished goods | | |
| Opening stock | 17,450,556 | 35,009,616 |
| Closing stock | (12,111,605) | (17,450,556) |
| | <u>5,338,951</u> | <u>17,559,060</u> |
| | <u><u>121,202,187</u></u> | <u><u>68,074,701</u></u> |
| 17. Selling Expenses | | |
| Salaries and other benefits | 423,733 | 374,699 |
| Travelling and conveyance | 219,649 | 211,549 |
| Depreciation | 50,780 | 50,500 |
| Advertisement | 50,093 | — |
| Others | 349,926 | 585,433 |
| | <u>1,094,181</u> | <u>1,222,181</u> |



| | 1990 Rupees | 1989 Rupees |
|---|------------------|------------------|
| 18. Administration Expenses | | |
| Salaries, wages and other benefits | 2,111,043 | 1,713,013 |
| Travelling and conveyance | 189,454 | 158,824 |
| Fuel and power | 39,129 | 35,587 |
| Postage, telephone and telegram | 175,695 | 207,185 |
| Insurance | 39,930 | 29,407 |
| Repairs and maintenance | 95,681 | 190,948 |
| Auditors' remuneration - note 19 | 94,565 | 94,384 |
| Legal and professional charges | 121,454 | 191,568 |
| Depreciation | 283,666 | 282,934 |
| Advertisement | 68,437 | 29,580 |
| Printing, stationery and office supplies | 208,759 | 180,223 |
| Corporate service charges to an associated undertaking | 240,000 | 250,000 |
| Training | 10,535 | — |
| Rents, rates and taxes | 6,270 | 10,592 |
| Miscellaneous | 118,933 | 84,572 |
| Recoveries from an associated undertaking | (342,000) | (253,213) |
| | <u>3,461,551</u> | <u>3,205,604</u> |
| 19. Auditors' Remuneration | | |
| Audit fee | 50,000 | 50,000 |
| Taxation services | 36,000 | 26,465 |
| Special reports, certificates and sundry advisory services | — | 10,000 |
| Out of pocket expenses | 8,565 | 7,919 |
| | <u>94,565</u> | <u>94,384</u> |
| 20. Other Income | | |
| Profit on deletion of fixed assets | — | 15,000 |
| Return on short-term loans to associated undertakings | — | 27,678 |
| Insurance claim refund | 128,379 | — |
| Return on deposits | 112,114 | 652 |
| Miscellaneous | 88,933 | 81,068 |
| | <u>329,426</u> | <u>124,398</u> |
| 21. Other Charges | | |
| Deferred cost | 355,013 | 355,013 |
| Workers' Profits Participation Fund | 141,101 | — |
| | <u>496,114</u> | <u>355,013</u> |



| | 1990 Rupees | 1989 Rupees |
|--|-------------------|-------------------|
| 22. Financial Charges | | |
| Interest on long term loan | 11,614,799 | 12,432,310 |
| Surcharge on custom debentures | 80,431 | 198,790 |
| Mark-up on | | |
| Redeemable capital | 3,378,156 | 4,187,178 |
| Finances from associated undertakings | 3,653,906 | 9,167,733 |
| Finances under mark-up arrangements | 13,781,556 | 8,577,520 |
| Penal interest | 13,625 | 5,311 |
| Commitment and other charges on foreign currency loan | 118,873 | 99,765 |
| Exchange loss | 34,462 | 440,214 |
| Bank charges | 340,494 | 39,611 |
| | <u>33,016,302</u> | <u>35,148,432</u> |

23. Remuneration of Chief Executive and Other Executives

| | Chief Executive | | Executives | | Total | |
|--------------------------------|------------------|----------------|------------------|------------------|------------------|------------------|
| | 1990 | 1989 | 1990 | 1989 | 1990 | 1989 |
| | Rupees | | | | | |
| Managerial remuneration | 622,500 | 330,000 | 619,461 | 639,824 | 1,241,961 | 969,824 |
| Rent | 280,125 | 148,500 | 278,789 | 287,589 | 558,914 | 436,089 |
| Utilities | 62,250 | 33,000 | 61,959 | 63,918 | 124,209 | 96,918 |
| Medical | 6,442 | 3,017 | 31,743 | 36,691 | 38,185 | 39,708 |
| Provident fund contribution | 51,901 | 27,500 | 51,719 | 50,375 | 103,620 | 77,875 |
| Club subscription and expenses | 5,668 | 7,176 | — | — | 5,668 | 7,176 |
| Entertainment | — | — | 49,783 | 57,500 | 49,783 | 57,500 |
| Telephone | — | — | 11,500 | 5,700 | 11,500 | 5,700 |
| | <u>1,028,886</u> | <u>549,193</u> | <u>1,104,954</u> | <u>1,141,597</u> | <u>2,133,840</u> | <u>1,690,790</u> |
| Number of persons | <u>1</u> | <u>1</u> | <u>4</u> | <u>5</u> | <u>5</u> | <u>6</u> |

The aggregate amounts charged in the accounts in respect of directors fee paid to five (1989: eight) directors was Rs. 2,500 (1989: Rs. 4,500).

In addition all 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.



| | 1990 Rupees | 1989 Rupees |
|---|----------------|----------------|
| 24. Transactions with Associated Undertakings | | |
| Sale of goods and services | 529,119 | — |
| Mark-up received | — | 27,678 |
| Recoveries in respect of salaries of chief executive and staff | 342,000 | 253,213 |
| Mark-up paid | 5,328,986 | 9,167,733 |
| Guarantee commission paid | 522,320 | — |
| Insurance premium paid | 1,213,613 | 1,827,156 |
| Corporate service charges | 240,000 | 250,000 |

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 10,936 tons (1989: 6,094 tons) line pipe of varied sizes and thicknesses, which is equivalent to 33,050 tons (1989: 14,374 tons), if the actual production is translated to the notional pipe size of 30" diameter.

26. Taxation

Accumulated tax losses as at December 31, 1990 amounted to Rs. 117,233,191.

27. Effect of and Reason for the Change in Accounting Policy

27.1 The company's products are mostly used in large construction projects and as such they are custom made and production priorities are also set in accordance with customers requirements. Sometimes after the pipes have been manufactured and specifically appropriated the customers fail to take delivery for reasons of either delay in their own timing schedules or transportation problems etc. The company feels that in such situations it would distort the operating results if revenues are not recognised in the year in which goods were manufactured and set aside in a deliverable state.

27.2 Had revenues been recorded on despatch of goods to customers the net profit for the year before prior period's adjustment of Rs. 2,600,491 would have been reduced by Rs. 4,775,734 to a loss of Rs. 2,175,243.

28. Comparative Figures

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

Approved by the Board of Directors on
May 16, 1991 and signed on its behalf

| | |
|-----------------|-----------------|
| Ahsan M. Saleem | Chief Executive |
| Mazhar Karim | Director |



Form '34'

**Pattern of Holding of Shares
Held by the Shareholders as at 31.12.1990.**

| No of Shareholders | Shareholdings | | Total Shares held |
|--------------------|---------------|-----------|-------------------|
| | From | To | |
| 10914 | 1 | - 100 | 1091400 |
| 125 | 101 | - 500 | 40200 |
| 58 | 501 | - 1000 | 52800 |
| 93 | 1001 | - 5000 | 258302 |
| 18 | 5001 | - 10000 | 136001 |
| 6 | 10001 | - 15000 | 82800 |
| 5 | 15001 | - 20000 | 85402 |
| 1 | 30001 | - 35000 | 31501 |
| 1 | 35001 | - 40000 | 36200 |
| 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 | 1285001 | - 1270000 | 1285800 |
| 11231 | | | 6150000 |

| Categories of Shareholders | Number | Shares Held | Percentage |
|---|--------------|----------------|---------------|
| Individuals | 11215 | 1789007 | 29.09 |
| Investment Companies | 1 | 19300 | .31 |
| Insurance Companies | 1 | 10000 | .16 |
| Joint Stock Companies | 8 | 2052393 | 33.37 |
| Financial Institution | 4 | 2243000 | 36.47 |
| Others | 2 | 36300 | .59 |
| Total | 11231 | 6150000 | 100.00 |
| OTHERS | | | |
| Association Abandoned Property Government Authorities Private Limited Co. Trust | 3 | 36300 | .59 |
| Total | 3 | 36300 | .59 |



Notice of Meeting

Notice is hereby given that the 7th Annual General Meeting of Crescent Steel & Allied Products Limited will be held at Pearl Continental Hotel, Shahrah-e-Quaid-e-Azam, Lahore, on June 20, 1991 at 11.30 A.M. to transact the following business:

1. To confirm the Minutes of the last General Meeting.
2. To receive and adopt the Audited Accounts and Balance Sheet for the year ended December 31, 1990 together with the Directors' and Auditors' Reports thereon.
3. To appoint Auditors for the year 1991 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 June 13, 1991 to June 20, 1991 (both days inclusive).

By Order of the Board

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

Zaheer A. Shaikh
Corporate Secretary

Dated: May 29, 1991

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.



7th 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 member of Crescent Steel & Allied Products Ltd. and holder

of _____ ordinary shares, hereby appoint

_____ of _____
(Name) (Address)

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 7th Annual General Meeting of the Company to be held at Pearl Continental Hotel, Shahrah-e-Quaid-e-Azam, Lahore, on June 20, 1991 or at any adjournment thereof.

As witness my/our hand this _____ day of _____ 1991

Signed by the said _____ in the presence of _____

(Member's Signature)

Date

Place

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

