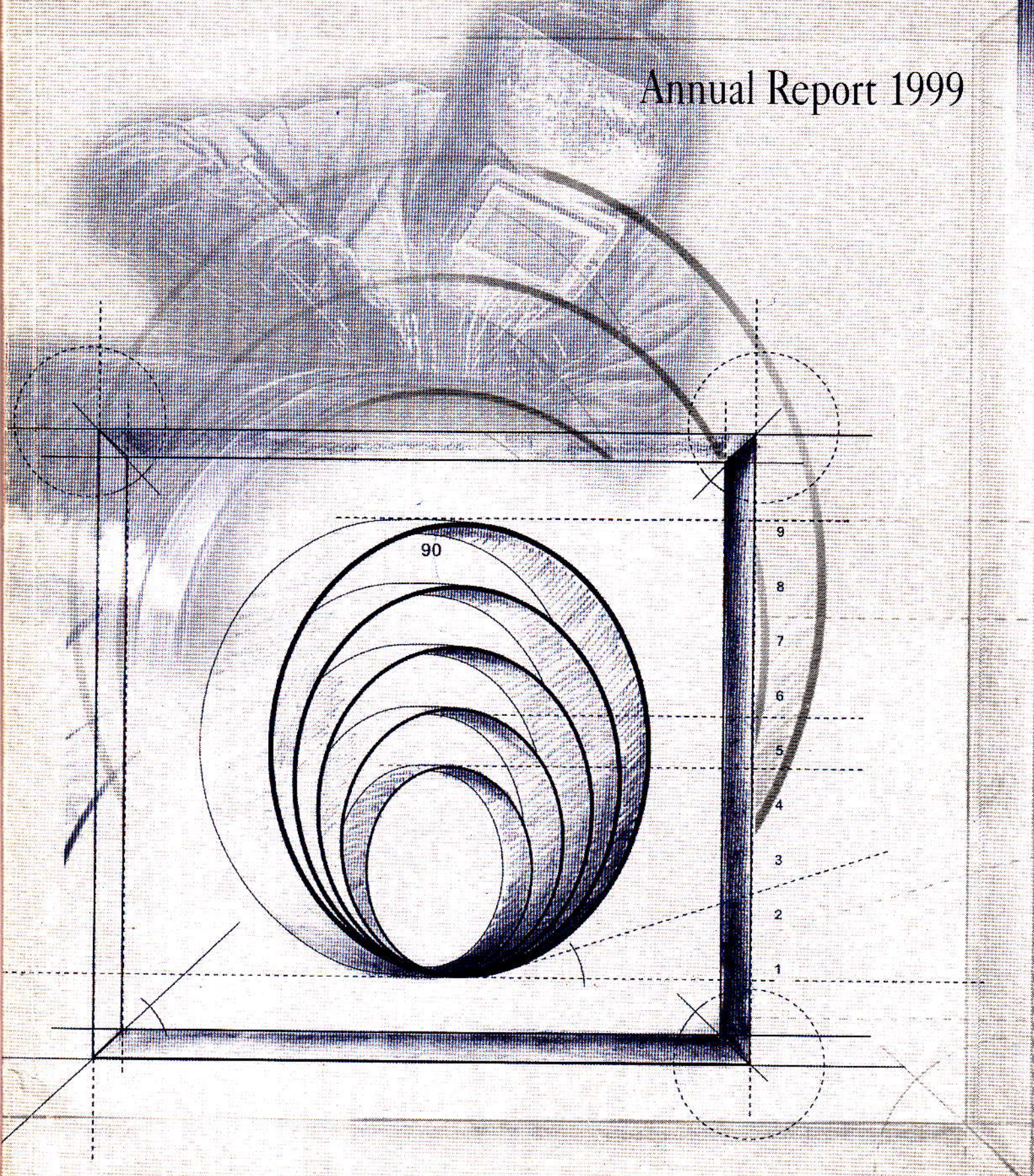




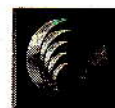
Crescent Steel and Allied Products Ltd.

Annual Report 1999



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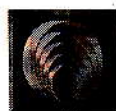
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Crescent Steel
and Allied
Products Ltd.



COMPANY INFORMATION



Crescent Steel
and Allied
Products Ltd.

Board of Directors

Chairman

Mazhar Karim

Chief Executive

Ahsan M. Saleem

Afsar Ahmed Siddiqui
Muhammad Arshad
Mohammad Sharif
Nasir Shafi
Noman Ahmed Qureshi
Samir Ahmed
Zahid Bashir

Management

Chief Executive and
Managing Director

Ahsan M. Saleem, 46
1983*

Executive Vice President and
Deputy Managing Director

Mohammad Sharif, 67
1984*

Executive Vice President and
Chief Financial Officer

S.M. Ehtishamullah, 60
1996*

Executive Vice President
Marketing and Sales

S.A.N. Kazmi, 57
1986*

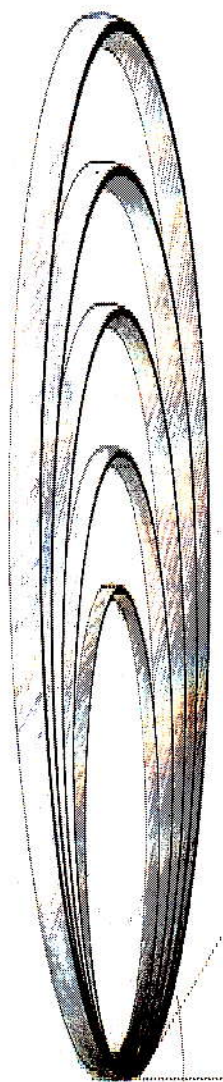
Senior Vice President
Finance and Control

Mohammad Amin, 52
1992*

Senior Vice President and
General Manager (Factory)

Nadir Mazhar, 52
1993*

* Year joined company



COMPANY AND INVESTORS' INFORMATION

STOCK EXCHANGE LISTING

Crescent Steel and Allied Products Limited is listed on the Karachi, Lahore and Islamabad Stock Exchanges.

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

The shares of the company can be dealt through the Central Depository System of Karachi, Lahore and Islamabad Stock Exchanges. This will obviate the inconvenience of physical handling of share scrips.

PUBLIC INFORMATION

Financial analysts, stock brokers, interested investors and financial media desiring information about 'Crescent Steel' should contact Mohammad Amin at Company's Principal Office Karachi.
Telephone: 568-8447

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.

PRODUCTS

CSAP is a manufacturer of DSAW steel line pipes in diameters ranging from 8" to 90" and applicator of multi-layer polyethylene/polypropylene coating conforming to international standards.

ANNUAL MEETING

Fifteenth Annual General Meeting of Crescent Steel and Allied Products Limited will be held on Wednesday December 29, 1999 at 11:00 a.m. at Pearl Continental Hotel, Shahrah-e-Quaid-e-Azam, Lahore.

CORPORATE SECRETARY

Rashid Sadiq

AUDITORS

A.F. Ferguson & Co.
Chartered Accountants

BANKERS

Crescent Investment Bank
National Bank of Pakistan
National Development Finance Corporation
Societe Generale The French & International Bank
Faysal Bank
Standard Chartered Bank
Muslim Commercial Bank
Credit Agricole Indosuez The Global French Bank
Trust Investment Bank

REGISTERED OFFICE

83, Babar Block, New Garden Town, Lahore.
Telephones : 042-5839631, 5881974 - 5
Fax : 5881976

LIASON OFFICE LAHORE

5th Floor, PAAF Building,
7-D Kashmir/Egerton Road, Lahore.
Telephone : 042 - 6306880 - 3

PRINCIPAL OFFICE

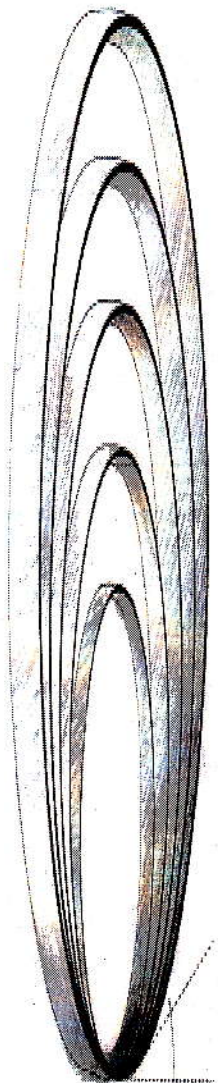
9th Floor, Sidco Avenue Centre,
264-R. A. Lines, Karachi-74200.
Telephones : 021 - 5674881 - 5
Fax : 5680476
E.mail : mail@crescent.com.pk
URL : www.crescent.com.pk

FACTORY

A/25, S.I.T.E., Nooriabad,
District Dadu, Sindh.
Telephones : 02202 - 660021
660022
660163

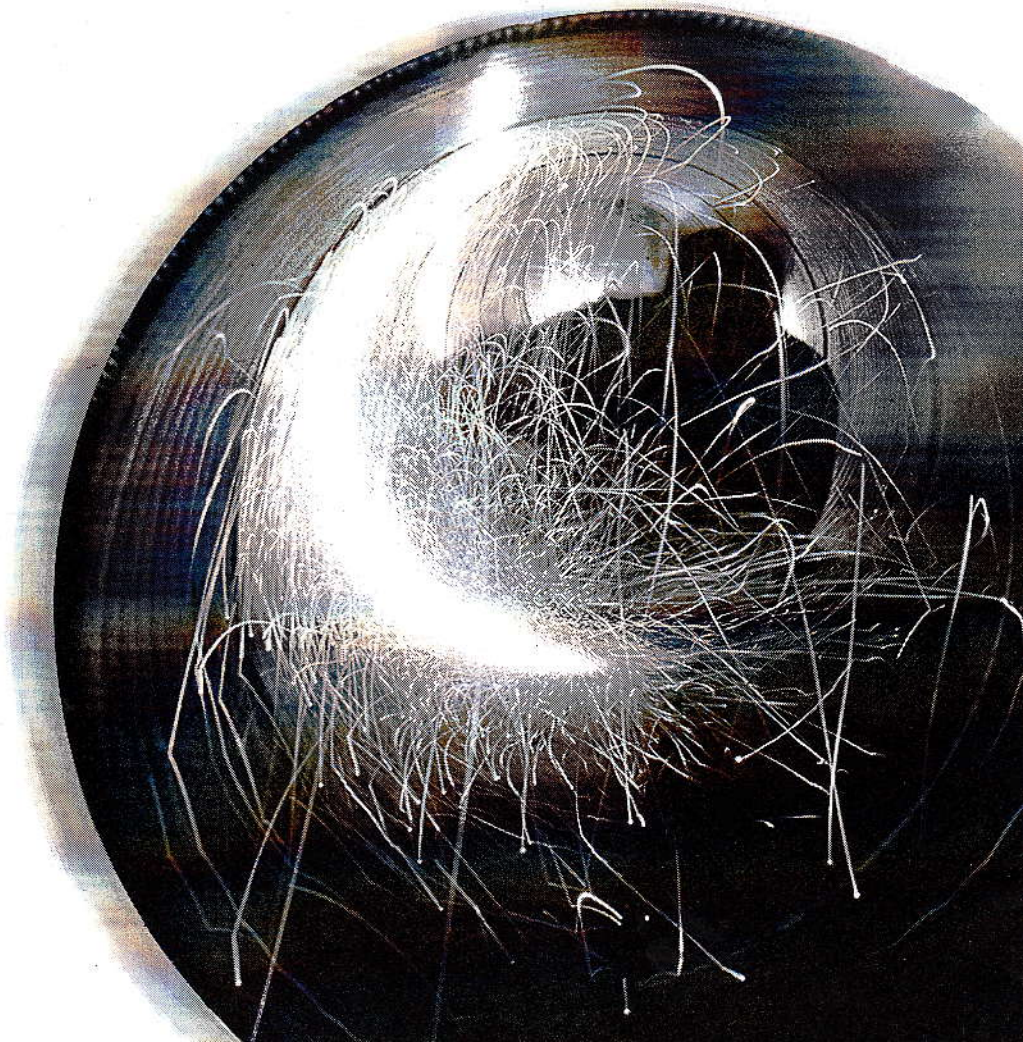
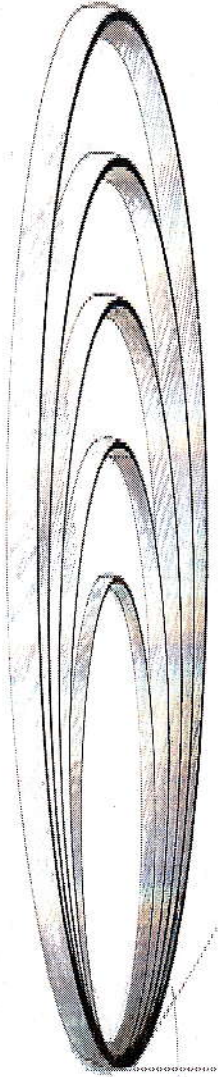


Crescent Steel
and Allied
Products Ltd.





1. To add value to shareholders and the economy by engaging profitably in the supply of products for Water, Oil and Gas transmission as core business and other selected activities.
2. To gain and maintain cost and quality leadership in the international competitive environment, as world class manufacturers.
3. To promote best use and development of human talent in a safe working environment; as an equal opportunity employer.
4. To conduct business as a responsible corporate citizen, and take constructive interest in supporting education and environmental causes.



COMPANY PROFILE



Crescent Steel
and Allied
Products Ltd.



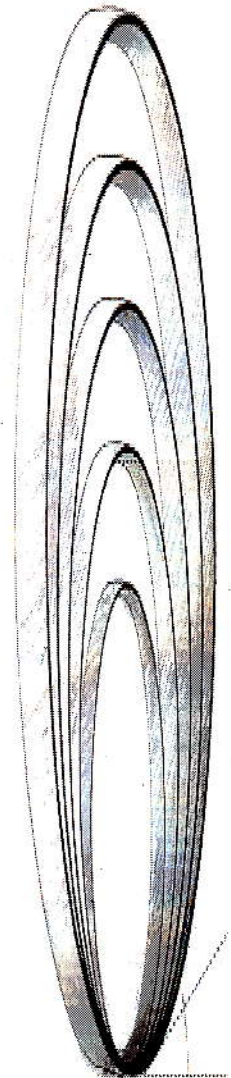
Crescent Steel
and Allied
Products Ltd.

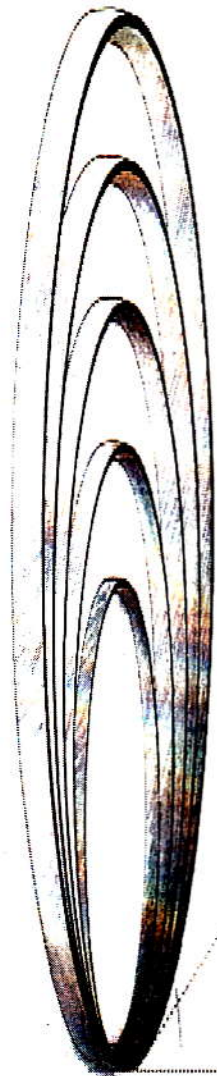
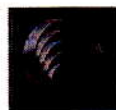
Crescent Steel and Allied Products Limited is a Public Limited Company listed on all the Stock Exchanges of Pakistan. It started its commercial production in March 1987. The manufacturing facility consists of a Spiral Pipe Production Line and a High Density Polyethylene Coating Line, both located side by side at the Sindh Industrial Trading Estate, Nooriabad in Dadu district of Sindh. Crescent Steel and Allied Products Limited is an equal opportunity employer with a sense of social responsibility and strongly supports education and environmental causes.

The spiral Pipe Plant has a capability of manufacturing high quality steel pipes in the diameter range of 8 5/8" (219mm) - 90" (2200mm) in wall thicknesses ranging from 4mm - 18 mm and material grades up to API 5Lx80 grade. The company has the unique distinction of having the authorisation to use API monogram of the American Petroleum Institute and of having been awarded ISO 9001 accreditation from January 1997. The maximum annual capacity of the pipe plant is 80,000 tons per annum. Crescent Steel and Allied Products Limited follows a strict quality regime and the product is comparable to any of its kind in the world. It is also authorised to use the API monogram which is the highest accreditation of quality in steel line pipes.

A high Density Polyethylene Coating Plant was added adjacent to the pipe mill in 1992. This plant is capable of applying Multi Layer Coating comprising of Fusion Bonded Epoxy, Co-Polymer Adhesive and High Density Polyethylene on Steel pipes ranging from 6" (152mm) - 48" (1219mm). For clients who prefer a single layer protection only, the Plant is capable of delivering Fusion Bonded Epoxy as a single protection in the same range.

Crescent Steel maintains high quality norms in all its products and has consistently exceeded the requirements of international standards both in steel line pipe and multi layer coatings and will continue to remain at the cutting edge in terms of technology, quality control and quality assurance.





	Year ended June 30, 1999	Year ended June 30, 1998	Percentage Change + Increase - Decrease
Operating results (Rs. 000's.)			
Revenues	32,921	1,184,177	- (97)
Income from operations	(116,825)	195,788	- 160
Net Income	23,788	238,782	- (88)
Data per common Share (Rs.)			
Earnings	1.18	11.89	- (90)
Book value	31.82	31.14	+ 4
Stock price range	24 - 12	25-20	
Financial position at June 30 (Rs. 000's)			
Total assets	756,754	832,450	- 9
Capitalization	650,931	666,254	- (2)
Long-term debts	11,749	40,819	- 71
Lease obligations	649	2,245	- 71
Deferred taxation	11,100	19,100	- 42
Common equity	639,181	625,435	+ 2
Current liabilities	105,823	166,195	- 36
Other statistics			
Return on average common equity (%)	3.97	44.96	- 40.99
Market to book value (times)	0.57	0.72	- 0.15
Common shares (Nos.)	20,084,863	20,084,863	+ -

FINANCIAL SUMMARY

	1999	1998	1997	1996	1994
Operating Results (Rs. 000's)					
Net Sales	32,921	1,184,177	991,639	506,867	329,801
Cost of Sales	105,027	913,938	693,120	261,622	148,756
Selling and Administrative expenses	44,720	74,451	64,180	34,610	27,401
Financial expenses	5,199	26,506	26,700	23,550	34,866
Other charges	40,881	30,308	41,461	41,858	19,669
Other income, Net	83,639	50,693	5,274	2,731	19,534
Pre tax (loss) /profit	(79,267)	189,667	171,452	147,957	118,643
Income tax	103,055	1,263	(39,539)	(50,158)	(38,790)
Extraordinary item	-	47,852	-	-	-
Net income	23,788	238,782	131,913	97,799	79,853

Per Share Results and Returns

Earning per share (Rupees)	1.18	11.89	7.56	6.43	6.05
Net income to sales (%)	72.26	20.16	13.31	19.30	24.21
Return on average assets (%)	3	19.91	14.97	23.10	14.95
Return on average equity (%)	3.97	44.96	33.96	33.80	38.26

Financial Position (Rs. 000's)

Current Assets	473,896	520,049	797,203	382,249	268,163
Current Liability	105,822	166,195	575,576	267,873	259,671
Operating Fixed Assets	202,717	230,395	240,181	247,487	262,898
Total Assets	756,754	832,450	1,085,875	676,963	592,775
Long-term Debt	11,749	40,819	73,433	69,206	97,360
Shareholders' Equity	639,181	625,435	436,866	339,883	238,744
Break-up value per share (Rupees)	31.82	31.14	25.01	22.38	18.08

Financial Ratios

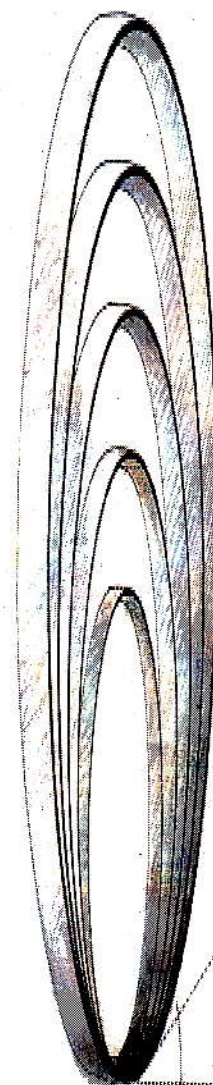
Current assets to current liabilities	4.48	3.13	1.47	1.56	1.03
Long term debt to capitalization (%)	1.81	6.13	14.39	16.91	28.72
Total debt to total assets (%)	15.54	24.87	59.76	49.70	59.70
Interest coverage (times)	(14.25)	8.16	6.42	6.28	4.40
Average collection period (days)	131	24	33	29	41
Inventory turnover (times)	1.99	5.80	3.91	4.75	3.55
Fixed assets turnover (times)	0.16	5.14	4.25	4.62	2.93
Total assets turnover (times)	0.04	1.42	0.94	1.69	1.30

Other Data (Rs. 000's)

Depreciation	33,892	35,920	35,285	48,459	29,845
Capital expenditure	11,843	29,485	24,716	31,595	10,906



Crescent Steel
and Allied
Products Ltd.



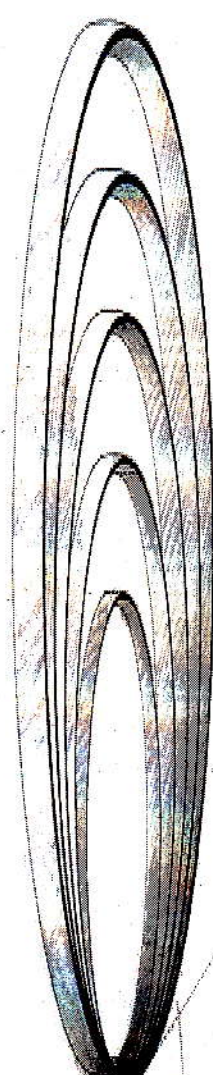
In order to make the comparisons more meaningful, the 1996 figures have been annualized.



Crescent Steel
and Allied
Products Ltd.

DIRECTORS' REPORT

The directors of the Company feel pleasure in submitting their report together with the audited accounts of the Company for the year ended June 30, 1999. The accompanying Chief Executive's Review and other reports provide a more detailed description of activities in the year and prospects for the future.



Year ended
June 30,
1999
Year ended
June 30,
1998
Rupees (000's)

PROFIT FOR THE YEAR AND SURPLUS

(Loss) / Profit before taxation and extraordinary item	(79,267)	189,667
Taxation		
- Current	(165)	(12,737)
- Prior	95,220	-
- Deferred	8,000	14,000
	<u>103,055</u>	<u>1,263</u>
Profit after taxation and before extraordinary item	23,788	190,930
Extraordinary item	-	47,852
Profit after taxation and extraordinary item	23,788	238,782
Unappropriated Profit brought forward	1,309	2,739
Profit available for appropriation	<u>25,097</u>	<u>241,521</u>

APPROPRIATIONS:

- Proposed Dividend @ 5% (1998: 25%)	(10,042)	(50,212)
- General Reserve	-	(190,000)
	<u>(10,042)</u>	<u>(240,212)</u>

UNAPPROPRIATED PROFIT CARRIED FORWARD

15,055	1,309
--------	-------

Earning per share	1.18	11.89
-------------------	------	-------

AUDITORS

The present auditors M/s. A.F.Ferguson & Company, Chartered Accountants retire, and being eligible, offer themselves for reappointment.

PATTERN OF SHAREHOLDINGS

The pattern of shareholdings as referred in Section 236 of the Companies Ordinance, 1984 is enclosed.

The directors place on record their appreciation for the efforts put in by the executives, staff members and workers of the Company.

For and on behalf of the Board

Ahsan M. Saleem

Ahsan M. Saleem
Chief Executive
Karachi: October 28, 1999

CHIEF EXECUTIVE'S REVIEW

DEAR INVESTOR

I would like to start by mentioning a few words about the general economic scenario as it underpins the operations of the company. For the fiscal 1999, the overall economic condition continued to remain under pressure in the aftermath of nuclear blast in May 1998. Further aggravating the situation was the flare up in the regional tension with India, narrowly avoiding a war in the process.

The economy could at best be termed as stagnating with lower than forecast GDP growth at 3.1% that could barely keep pace with increase in the rate of growth of population. The mainstay of the economy that is agriculture sector posted a marginal growth of 0.4% compared to 4.5% a year ago. Against this although the manufacturing sector showed an improvement of 4.7%, it was much below the target of 7.2%.

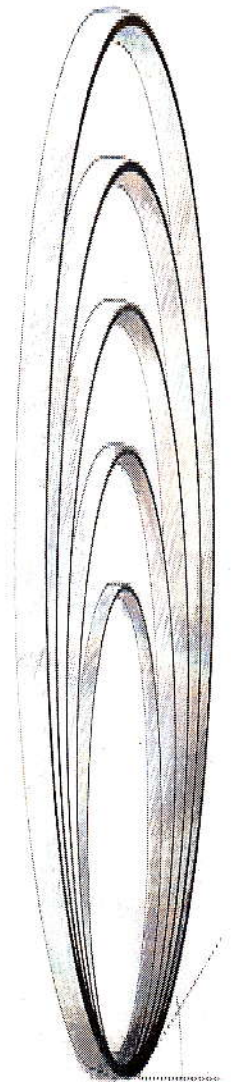
The overall performance in the industrial sector was poor with number of sick industries increasing. The performance of service and energy sectors declined in comparison to previous year and also compared to budgetary targets. There was a major fall in the already small trading base of the country; imports and exports both went down by over 11% each.

The net result of all these was a slow down in the domestic economy as revenues fell short of even revised targets with consequent reduction and cuts in spending in the public sector. The main target of these cuts being the development plans – in some cases in the form of reduced allocations and in others a complete stoppage in the development activity altogether. The expansion of transmission lines in the oil and gas sector which utilises bulk of the production of your company was unfortunately one such activity that suffered from little or no resource allocation.

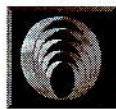
However, this situation was not something of a surprise. It had been anticipated for some time and repeatedly mentioned in my reviews of the company's results, during the last two years. The negative impact of the foregoing economic situation on the operation of your company resulted into the factory remaining virtually closed throughout fiscal 1999.



Crescent Steel
and Allied
Products Ltd.



CHIEF EXECUTIVE'S REVIEW



Crescent Steel and Allied Products Ltd.

OPERATIONS

In the backdrop of slowing down of the economic activity and given the fact that major / part of CSAPL's customer profile comprises government or government owned enterprises where development activity was negligible, the company faced an erosion of 97% in its sales.

The sales revenue from production of bare pipes was Rs.27 million and from coating Rs.6 million, a total of Rs.33 million compared to Rs.1,184 million in fiscal 1998. The infinitesimal level of activity in fiscal 1999 makes any mention or comparison of assets or capacity utilisation factors somewhat meaningless, however for record these respectively were 3% and 7%.

The fixed costs remained largely unabsorbed resulting in a gross loss of Rs.72 million as opposed to gross profit of Rs.270 million in fiscal 1998.

The selling expenses declined in tandem with sales. The administrative expenses were kept under strict control and were reduced by 20%.

Financial charges of Rs.5 million compared to Rs.26 million last year, represent primarily mark-up cost on the remaining balance of the long term loan and some guarantee and other commissions. Incidentally the last instalment of this long term loan will be paid off in January 2000 as per the schedule.

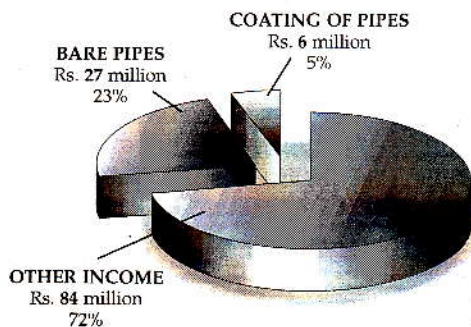
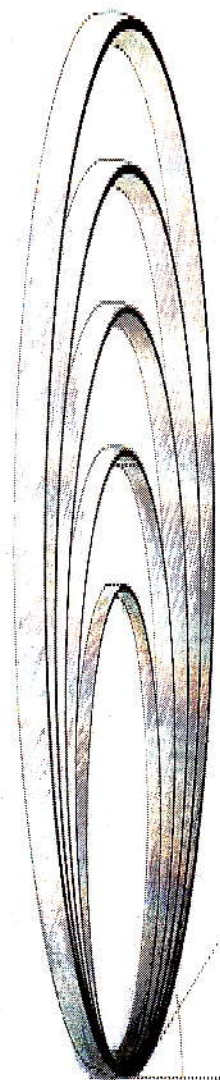
Other charges of Rs.41 million include an amount of Rs.27 million being full provision against the investment in Centgas project. In this context it may be brought to the notice of the shareholders that the lead partner namely Unocal have withdrawn from the project and the efforts of the remaining partners have not been successful in finding another large oil / gas company to replace Unocal during the last about 12 months. In view of this coupled with the political and other uncertainties attaching to Afghanistan situation exercising conservative prudence, the management has considered desirable to make this provision and thereby shield the company from possible future shock. However the project is not being abandoned and the company continues to

be associated with Centgas which is now in what may be called "a slow mode" of operation with minimal expenses.

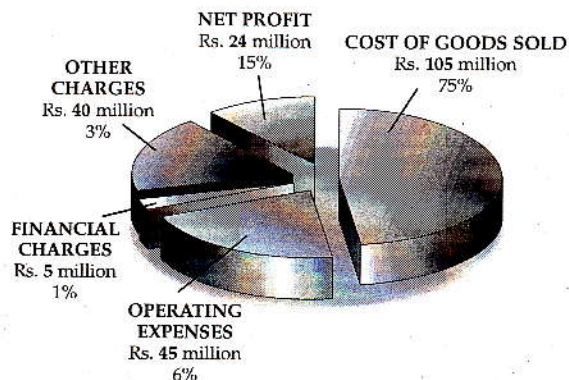
The other item included in other charges is a provision of Rs.14 million against diminution in value of portfolio investments.

Other income of Rs.84 million (Rs.51 million in fiscal 1998) represents mainly capital gains, return and mark-up on deposits, dividend income and writing back of provisions.

Against the heading of taxation there is a large credit of Rs.103 million which represents your management's efforts over the last several years coming to fruition in the shape of favourable judgement by the Appellate Tribunal deciding on the issue that having chosen so, CSAP was entitled to be assessed under the presumptive tax regime rather than at normal rates with consequent favourable effect on company's tax liabilities especially for the assessment years 1995-96 and 1996-97. However, the amount of refund determined by the department is yet to be received, and had

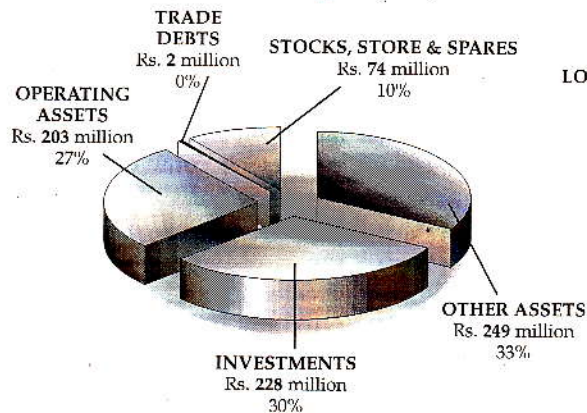


REVENUES Rs. 117 MILLION

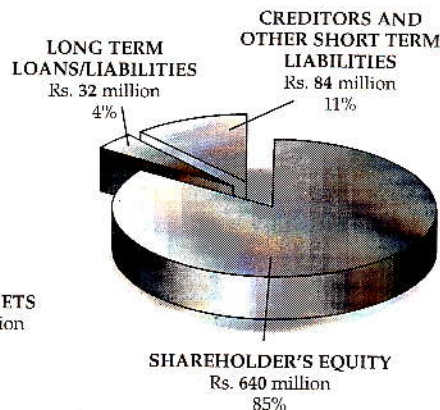


DISTRIBUTION Rs. 220 MILLION

CHIEF EXECUTIVE'S REVIEW



ASSETS Rs. 756 MILLION



LIABILITIES Rs. 756 MILLION

it not been the application and requirement of international accounting standards, it might have been preferable to actually receive the refunds from the department before reversing the excess tax provision and crediting the profit and loss account.

In fact the reversal of this provision is the main factor of turning the bottom line from Rs.79 million in the red to Rs.24 million in the black.

Thus despite the fact that there was a steep drop in conventional sales the company was not only able to maintain the value of your investments, but in fact even after payment of the proposed mandatory dividend of 5%, would be able to add a small amount to the same. The five percent dividend proposed

by the directors works out to little over 40% of the profit after tax and is to save the company from the mischief of recently introduced provisions to the Income Tax Ordinance whereby companies not declaring at least 40% of current years profit after tax, would not be exempt from the presumptive 10% tax on so much of their reserves as exceed 50% of paid up capital.

The balance sheet ratios with the exception of those related to profit or turnover show an improvement over last year. The current ratio has gone up from 3.13 to 4.48 with quick ratio moving up from 2.56 to 3.46. Debt to equity ratio improved from 6:94 to 2:98. The break up value of shares would go up from Rs.31.39 to Rs.31.82.

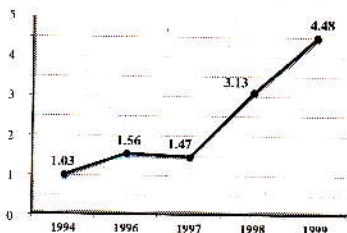
The debt servicing during the

year was satisfactory leaving in fact just two instalments to be paid during fiscal 2000. Out of this one has already been paid in July and the last remaining instalment will be paid in January 2000 eliminating long term debt from the balance sheet altogether.

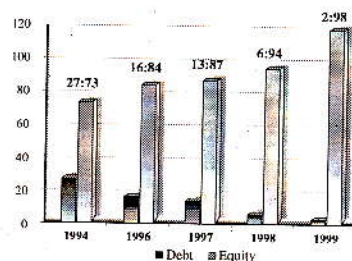
INVESTMENTS

Our portfolio investments appear under the classification of short term and long term investment in the Balance Sheet. Long term investments represent investments not likely to be sold in the near future, whereas short term investments are made in the capital market for taking advantage of profit opportunities inclusive of capital gain, offered by shares listed on the stock exchanges.

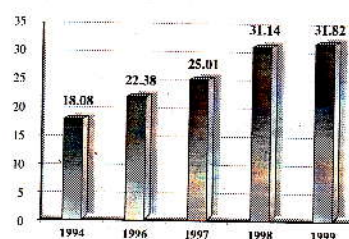
During the first half of fiscal



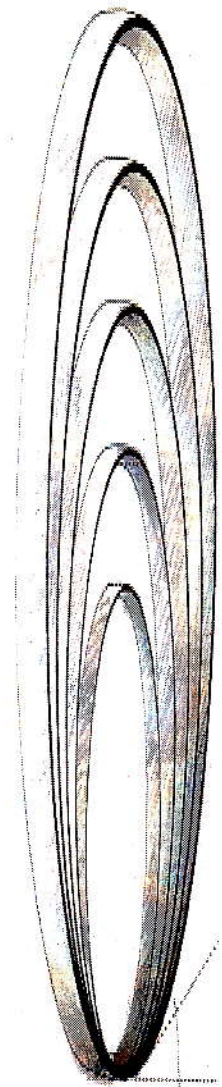
CURRENT RATIO

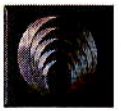


DEBT EQUITY RATIO



BREAK UP VALUE OF SHARES





1999, the market was depressed mainly as a result of the local and international reactions following the atomic explosion in May 1998. However in the second half of the fiscal 1999, the market improved although amidst a certain volatility with index rising to 1417 points just before the end of the year. But the tension at the border took away all optimism and the index nose dived to 1055 points at 30 June 1999. The budget 2000 contained some measures to give support to the market specially the concept of "treasury stock". But the real impact of these remains to be seen. At times the market seems to indicate that the only two things that govern it are political stability and perceptions or sentiments.

Under these uncertainties, your management adopted the following strategy in handling the portfolio:

- to move swiftly to minimise the erosion of values particularly of short term investments.
- try and broaden the portfolio base to soften and reduce the impact of further decline in values, and
- to take some entry position stocks with potential of reasonable dividend yield and having underlying prospect of capital gain.

As a result of the foregoing strategy, on the one hand the possibility of loss was stemmed and on the other reasonable dividend income and capital gains were realised.

At the year end the market values of long and short term portfolio were Rs.47 million and Rs.109 million respectively against cost of Rs.53 million and Rs.139 million. Realising the somewhat permanent nature of difference in the market value and cost of the long term investments, adopting a conservative approach in line with accounting policy management has made a provision of Rs.6 million to reflect the reduction in the market price. For the difference in market price and cost of short term investments necessary provision has been made as usual.

It would be interesting to mention that some investments were made during the year in TFCs and other fixed return bonds with potential yield of over 18%.

INCOME TAX

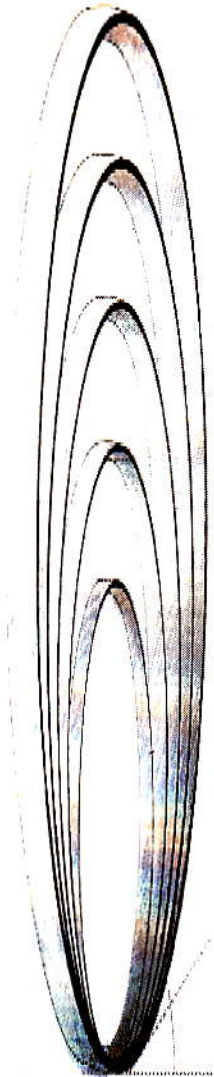
It is a matter of satisfaction for me to inform you that assessments upto and including the assessment year 1996-97 have been finalised. For assessment year 1995-96 the issue of applicability of the presumptive regime has been decided by the Income Tax Appellate Tribunal in favour of the Company. Following the Tribunal's decision, the assessment order was also revised determining a refund of Rs.30 million for 1995-96 and Rs.3 million for earlier years making a total refund due of Rs.33 million. However this amount has not yet been received and the tax department is delaying the refund for one reason or another. The company has therefore, now approached the CBR to direct the DCIT and

CIT for making the refund. In the meantime as explained earlier, the excess tax provisions for 1995-96 and also 1996-97 have been credited to the Profit and Loss Account of the year.

Now with the legal aspect of the problem having been decided in our favour, we are pursuing the administrative aspect of actually recovering the refunds due from the department.

CAPITAL EXPENDITURE

As reported last year, the company took advantage of this lean period of activity and has undertaken to enhance its capability especially in the coating plant. It was planned to increase the coating capacity from a maximum of 42" dia meter to 48" dia meter. Ordinarily it would have been done by importing the parts required for this purpose, but you would be happy to know that this has been undertaken through indigenous effort without compromising with the quality. This is indicative of the fact that the local engineering industry is fairly mature and can be relied upon to meet complex and sophisticated needs also.



CHIEF EXECUTIVE'S REVIEW

QUALIT PROGRAMME

Excellence in quality is of utmost priority and towards this end, the Company established a formal quality programme covering the entire organization and it may be best described by the precise quality policy as under:

"CSAPL is committed to provide products and services conforming to world class quality standard – based on application of modern technology, ensuring customer satisfaction, maintaining cost and quality leadership, striving for continuous improvement and doing right the first time – assured through an independent quality function."

Your company was the first in the industry segment to get the ISO 9001 recognition in addition to the API licence.

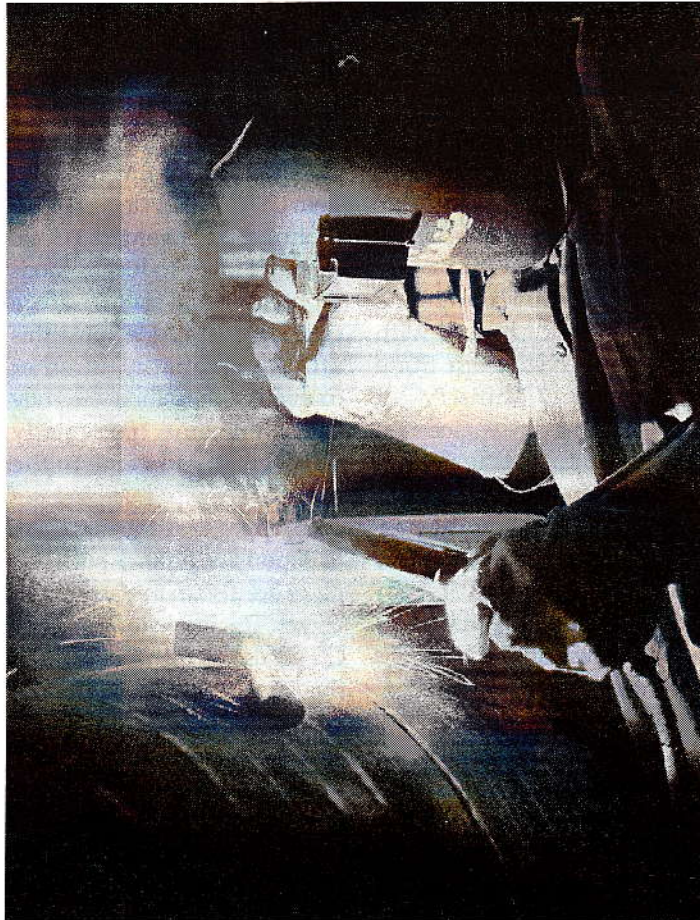
INDUSTRY PROBLEMS

The engineering industry in Pakistan has suffered over the years due to step-motherly treatment. The policies have been such that the industry's contribution in the economy through supply of engineering goods has declined from 42 percent in 1982 to less than half of this percentage in the recent years. Scarcity of raw materials or their availability at extortionate prices coupled with issue of taxation thereon, are some of the fundamental reasons for this. The Government should see that the Pakistani engineering industry has access to raw materials at the same terms and prices available to their competitors in other countries.

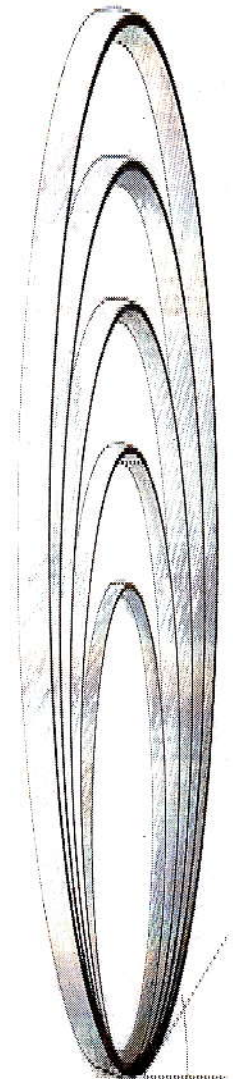
The Government should respond where there is dumping of engineering goods by the developed countries, who do the same by imposing stiff countervailing duties on imports. I may also point out that the procedure for evaluation of international tenders, considered as exports if procured from Pakistani industry also needs to be looked into. The present procedure is heavily biased in favour of offshore suppliers as their C&F prices are compared against our ex-factory prices including add-ons. Unprecedented duty concessions have been given to potential buyers in the Petroleum & Energy sectors under the Petroleum Policy. Similar concessions are denied to local

manufacturers supplying to the Petroleum & Energy sector projects and thus the basic principle of equivalence of inputs is violated and a level playing field is denied to the local manufacturers.

Local industry has to purchase raw materials i.e. H.R. Coils from Pakistan Steel Mills at arbitrary prices fixed by them. It puts us in a position where our raw material is dearer than the international prices for finished pipes. The capability of Pakistan Steel Mills is also questionable in higher grades and thicknesses. Even where the capability exists, the deliveries are extremely unreliable. All these elements put together impede the capability of the



Crescent Steel
and Allied
Products Ltd.





local bidders to compete for supplies to the exempt sectors.

Another problem, which at times arises, relates to design of projects involving supply of engineering goods. At the design stage, the consultants either due to ignorance or bias or may be even vested interest prescribe specifications which unfairly exclude indigenous pipe manufacturers. Non-acceptance of spirally welded pipe by some of the oil companies for their pipeline is one such example.

It is for consideration that for problems of this nature, the issues involved should be examined by a technically competent independent body in the national interest specially for projects being funded through public exchequer by the government.

The Engineering Development Board which is seized of this problem could play a decisive role in mediating between the industry and the user oil and gas companies by constituting a competent body with representatives from State Engineering, Ministry of Petroleum and pipe engineering industry to review the specifications of pipes before project is finalised. In the past also Engineering Development Board has helped resolve certain issues of quality and specification for which their effort is gratefully acknowledged and appreciated.

It may be worthwhile mentioning that we have been writing about the octroi collecting regime being extortionate in nature and as if, responding to this sentiment, the government

has abolished the octroi system at the time of the last budget. It must be emphasised that this system should never be brought back as it is a legacy of the colonial regime and not being conducive to industrialisation, does not exist in the developed countries.

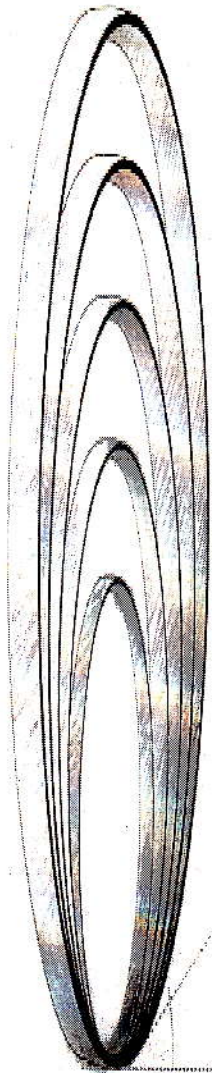
There is also need to give impetus to engineering goods industry especially for competing locally against international tender or in the export market. In either of these cases their competitiveness is impeded due to very thin margins. For export opportunities, the pipe industry needs special consideration in the form of support in freight as the freight from Pakistan is already high and for pipes because of volume it becomes even more burdensome.

It may not be out of place to mention that directives issued by the government functionaries from time to time to the effect that "contracts be awarded to local manufacturer producing goods of international standard" are often ignored. As against this attitude of apathy, in other countries such as Turkey, recently the President personally intervened and came to the rescue of line pipe manufactures and stopped deals by contractors to import line pipes as such line pipes are also manufactured in Turkey. This incidentally affected CSAP also as we were close to finalising a deal for export to Turkey. Notwithstanding the adverse implication of the decision of the Turkish President on our company, we would highlight the spirit behind this, which is to give preferential treatment and support to local

industry. This should be a case in point to serve as an example to be emulated by our government which should, instead of issuing empty worded directives, try to help the local industry in the real sense. Additionally the government may derive some indirect advantage by quoting this incident while negotiating an agreement with Turkey or other countries for inclusion of appropriate provisions to give preference to local producers of quality goods and services.

SOCIAL RESPONSIBILITY

We are happy to inform that within limitation we have kept our commitment to promote education. With our contributions four primary schools are already running and another one is being built for the benefit of community in under privileged areas. For the future also, we remain committed to support the causes of education, environment and health care and continue to play a role according to our financial capacity, in making this country a better place to live.



CHIEF EXECUTIVE'S REVIEW

FUTURE OUTLOOK

While presenting the annual report last year I had mentioned that the lean patch through which our company was and is passing is kind of cyclical in nature for an engineering industry and could be considered as an ebb in the economic cycle of the industry.

Fiscal 1999-2000, is expected to be slightly better in terms of capacity utilisation but no improvement in bottom line is anticipated. However, thereafter

at Multan. Implementation of this project may result in major orders for the local industry.

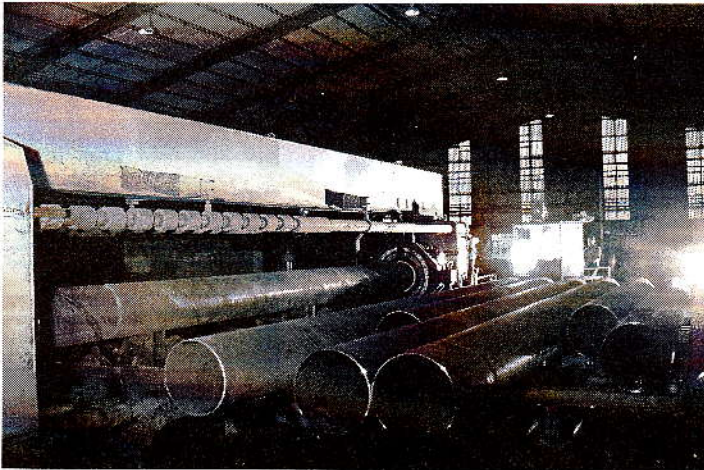
The exploration work in the country has resulted in discovery of a number of commercially exploitable gas fields. These new gas fields would need to be connected with the existing transmission and distribution system and as such will provide ample business opportunities to pipe manufacturers. In this context it may be mentioned that one of the exploration

though the gestation period is long and drawn out, the effort in this direction may be quite rewarding.

Besides the foregoing which may be categorised as major potential requirement of pipes, some smaller orders are already in hand which help the company in at least covering its fixed costs for the year to a large extent.

Further, in order to partly overcome the problem of cyclical inactivity and also as it makes good commercial sense, the management is looking into the possibility of acquisition of some "bread-and-butter" type industry to complement and broaden the base of our operations, providing an opportunity to reduce business risks and at the same time absorbing some of the costs.

Whilst the management continues to strive for generating worthwhile business from existing and new sources, we look forward to the future with hope in the light of our faith and belief in The Almighty and I would like to quote from His inspiring promise about the future "La taqnatu fa huva ala' kull'e shae'in qadeer", that is do not despair or give up hope because God Almighty has control over all things.



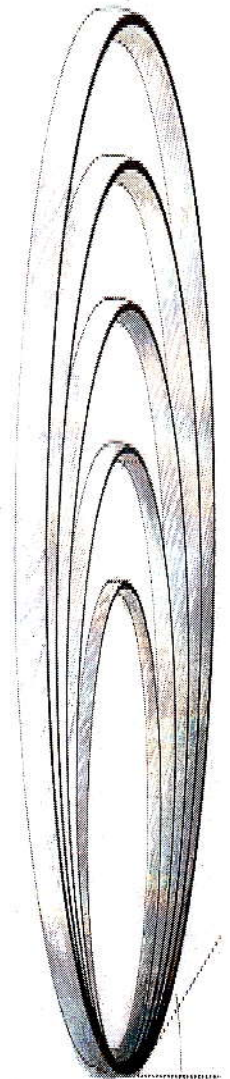
fresh demand is likely to mature which should result in new order intake in oil and gas transmission as well as water sector. There is the prospect of the white oil pipeline from Karachi to Multan, to replace the existing pipeline which will be dedicated 100% as per contractual commitment to meeting the requirement of the refinery in Multan which is almost ready to commence production. Tenders for this new white oil pipeline were refloated in January this year and have been awarded to PARCO which incidentally is also the owner of the existing pipeline as well as the refinery

companies has signed an agreement with SSGC and the Government of Pakistan determining the basis of pricing of gas to be supplied to SSGC. This pricing mechanism has a certain built in incentive and therefore may act as an impetus to other exploration companies to bring their gas finds to the marketing companies expeditiously.

In addition to the potential requirement of pipes for local gas and oil industry, the company continues to look at possibilities of exports. With contacts that have been developed, new markets are being explored and



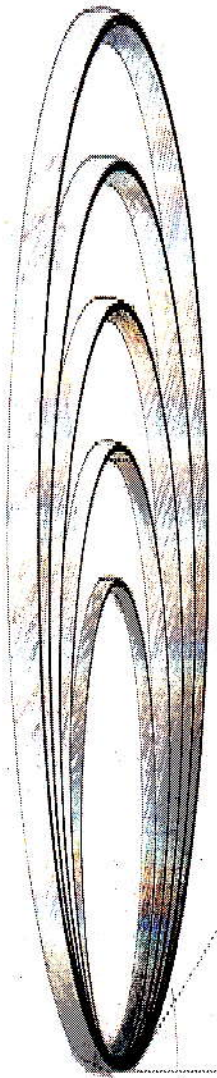
Crescent Steel
and Allied
Products Ltd.



CHIEF EXECUTIVE'S REVIEW



Crescent Steel
and Allied
Products Ltd.



BOARD OF DIRECTORS

During the year Mr. Razi-ur-Rahman Khan resigned and in his place Mr. Samir Ahmed joined the Board on behalf of NIT in May 1999.

Also Mr. Azimuddin Syed a nominee of NDFC resigned and in his place Mr. Afsar Ahmed Siddiqui was nominated by NDFC in December 1998. Mr. Azimuddin Syed has been a director of the company for the last eight years and the Board wishes to place on record its appreciation for the services rendered by him during his tenure.

The Board of Directors has always been a source of guidance and support for the management and I place on record my appreciation and thankfulness for the same.

STAFF

We have an exceptional group of people. It is their hard work, commitment and devotion that has given a sound base to the Company for long term growth. Every one of them is focused on one's responsibility to the shareholders and the customers. The company continues to benefit from the efforts of all its employees even during the lean patch in its operation and on behalf of the directors and my own behalf, I am pleased to record our appreciation. Development of management and staff has a high priority in the company.

Y2K COMPLIANCE

The company has already reviewed all its IT systems and devices with regard to the Year 2000 programming problem, and is satisfied that all necessary corrective actions have been taken.

FINAL WORD

In this rather turbulent period for the company, we are thankful to the shareholders for standing by us and for the confidence reposed. We would like to express our thanks to our customers for their support both currently and in the previous years and look forward to the potential of growth in their businesses with hope. Our thanks also go to the financial institutions and banks who have continued to support the company during this period.

A handwritten signature in cursive script, reading "Ahsan M. Saleem".

AHSAN M. SALEEM
Chief Executive

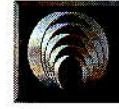
AUDITORS' REPORT TO THE MEMBERS

A. F. FERGUSON & CO.
CHARTERED ACCOUNTANTS

OTHER OFFICES AT
LAHORE - RAWALPINDI - ISLAMABAD

STATE LIFE BUILDING 1-C
OFF I. I. CHUNDRIGAR ROAD
P. O. BOX 4716
KARACHI 74000
PAKISTAN

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(021) 242 6711 - 5
Fax : (021) 241 5007 Audit
(021) 242 7938 Tax
Telex : 21155 AFFCO
E-mail : affco-abs@cyber.net.pk
affco-tax@cyber.net.pk



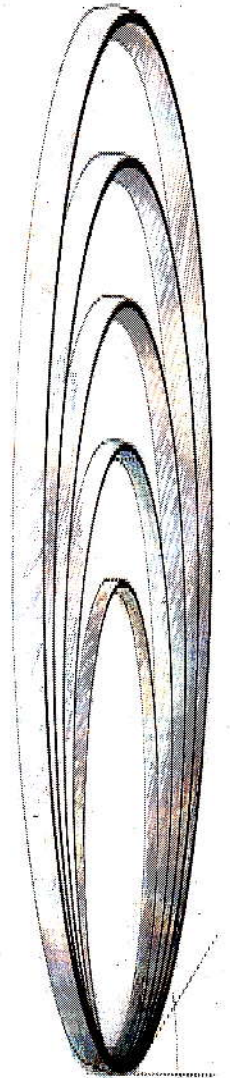
Crescent Steel
and Allied
Products Ltd.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Crescent Steel and Allied Products Limited as at June 30, 1999 and the related profit and loss account, the statement of changes in equity and the cash flow statement, 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 purposes of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us the balance sheet, profit and loss account, statement of changes in equity and cash flow statement, 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 June 30, 1999 and of the profit, changes in equity and the cash flows for the year then ended; and
- (d) in our opinion zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

A. Ferguson & Co.
Chartered Accountants
AFC
November 12, 1999

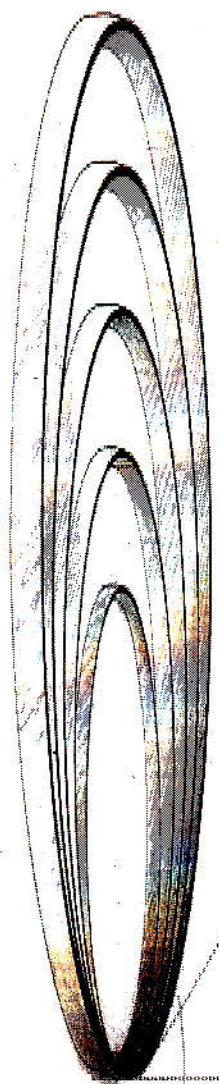


BALANCE SHEET

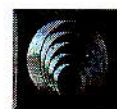
As at June 30, 1999



Crescent Steel
and Allied
Products Ltd.



Note	1999	1998
	Rupees	
Share capital and reserves		
Authorised capital 30,000,000 (1998: 30,000,000) ordinary shares of Rs. 10 each	300,000,000	300,000,000
Issued, subscribed and paid-up capital	3 200,848,630	200,848,630
Reserves	4 423,278,056	423,278,056
Unappropriated profit	15,054,731	1,308,714
	639,181,417	625,435,400
Long-term loan	5 -	19,473,582
Liabilities against assets subject to finance lease	6 649,453	2,245,442
Deferred taxation	7 11,100,000	19,100,000
Current liabilities		
Current maturity of long-term loan	5 19,473,582	16,626,315
Current maturity of liabilities against assets subject to finance lease	6 1,336,283	1,636,743
Creditors, accrued and other liabilities	9 74,970,363	92,080,097
Taxation	-	5,640,120
Proposed dividend	10,042,431	50,212,157
	105,822,659	166,195,432
Contingencies and commitments	10	
	756,753,529	832,449,856



	Note	1999	1998
		Rupees	
Tangible fixed assets			
Operating fixed assets	11	194,052,622	214,957,998
Assets subject to finance lease	12	1,737,421	4,908,408
Capital work-in-progress	13	6,926,580	10,528,918
		<u>202,716,623</u>	<u>230,395,324</u>
Long-term investments	14	79,083,577	80,556,256
Long-term deposits and prepayments		1,057,670	1,448,970
Current assets			
Stores, spares and loose tools	15	30,831,038	32,319,460
Stock-in-trade	16	43,869,786	61,646,311
Trade debts	17	2,410,756	21,234,651
Short-term advances	18	1,050,602	1,909,630
Short-term deposits and prepayments	19	2,713,185	3,071,145
Current maturity of long-term investment in redeemable capital	20	9,316,548	-
Short-term investments	21	149,371,827	45,394,658
Other receivables	22	24,285,747	42,258,619
Taxation	23	93,776,020	-
Short-term deposits with non-banking financial institutions	24	40,015,000	100,000,000
Cash and bank balances	25	76,255,150	212,214,832
		<u>473,895,659</u>	<u>520,049,306</u>
		<u>756,753,529</u>	<u>832,449,856</u>

The annexed notes form an integral part of these accounts.

Mazhar Karim
Chairman

Ahsan M. Saleem
Chief Executive



PROFIT AND LOSS ACCOUNT



Crescent Steel
and Allied
Products Ltd.

For the year ended June 30, 1999

	Note	1999	1998
Rupees			
Sales	26	32,921,317	1,184,177,204
Cost of sales	27	105,026,514	913,938,405
Gross(loss) / profit		(72,105,197)	270,238,799
Selling expenses	28	5,923,298	25,663,181
Administration expenses	29	38,796,538	48,787,429
		44,719,836	74,450,610
Operating (loss)/profit		(116,825,033)	195,788,189
Other income	30	83,638,531	50,692,592
		(33,186,502)	246,480,781
Financial charges	31	5,199,170	26,506,186
Other charges	32	40,881,153	30,307,521
		46,080,323	56,813,707
(Loss) / profit before taxation and extraordinary item		(79,266,825)	189,667,074
Taxation	33	(103,055,273)	(1,262,937)
Profit after taxation and before extraordinary item		23,788,448	190,930,011
Extraordinary item	34	-	47,851,580
Net profit after taxation and extraordinary item		23,788,448	238,781,591
Unappropriated profit brought forward		1,308,714	2,739,280
Profit available for appropriation		25,097,162	241,520,871
Appropriations:			
Proposed final dividend 5% (1998 : 25%)		10,042,431	50,212,157
Transfer to general reserve		-	190,000,000
		10,042,431	240,212,157
Unappropriated profit carried forward		15,054,731	1,308,714
Basic earnings per share	35	1.18	11.89

The annexed notes form an integral part of these accounts.

Mazhar Karim
Chairman

Ahsan M. Saleem
Chief Executive

STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 1999



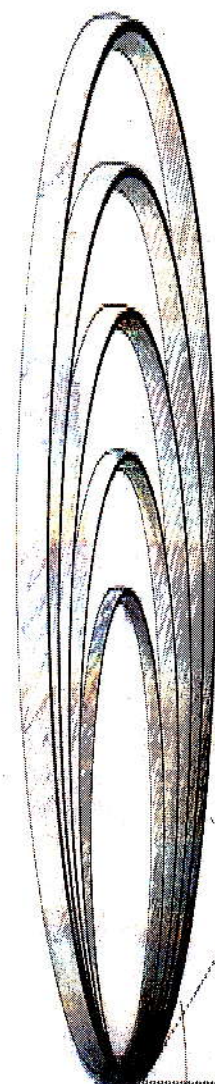
Crescent Steel
and Allied
Products Ltd.

	Issued subscribed and paid-up share capital	General reserve	Unappropriated profit	Total
Rupees				
Balance as at June 30, 1997	174,650,990	259,475,696	2,739,280	436,865,966
Issued as bonus shares	26,197,640	-	-	26,197,640
Profit for the year	-	-	238,781,591	238,781,591
Transfer to general reserve	-	190,000,000	(190,000,000)	-
Dividend	-	-	(50,212,157)	(50,212,157)
Bonus shares issued out of the reserve for bonus shares	-	(26,197,640)	-	(26,197,640)
Balance as at June 30, 1998	200,848,630	423,278,056	1,308,714	625,435,400
Net profit for the year	-	-	23,788,448	23,788,448
Dividend	-	-	(10,042,431)	(10,042,431)
Balance as at June 30, 1999	200,848,630	423,278,056	15,054,731	639,181,417

The annexed notes form an integral part of these accounts.

Mazhar Karim
Chairman

Ahsan M. Saleem
Chief Executive



CASH FLOW STATEMENT



Crescent Steel
and Allied
Products Ltd.

For the year ended June 30, 1999

	Note	1999	1998
		Rupees	
Cash flow from operating activities			
Cash (used in) /generated from operations	36	(8,865,854)	378,852,910
Taxes paid		(4,360,867)	(38,191,271)
Financial charges paid		(6,536,950)	(19,959,723)
Decrease in long-term deposits and prepayments		391,300	362,906
Net cash (outflow) / inflow from operating activities		(19,372,371)	321,064,822
Cash flow from investing activities			
Fixed capital expenditure		(8,240,523)	(27,657,911)
Investments made		(301,327,917)	(58,501,122)
Sale proceeds of fixed assets		3,268,160	2,374,556
Sale proceeds of investments		154,044,048	23,704,927
Dividend received		3,888,074	4,016,452
Redemption of redeemable capital		5,782,024	-
Return on deposits - associated undertakings		14,243,559	7,017,681
- others		20,339,986	10,866,765
Net cash (outflow) from investing activities		(108,002,589)	(38,178,652)
Cash flow from financing activities			
Repayments of			
- a long term loan		(16,626,315)	(14,188,000)
- liabilities against assets subject to finance lease		(1,896,449)	(4,177,638)
Dividend paid		(50,046,958)	(34,764,966)
Net cash (outflow) from financing activities		(68,569,722)	(53,130,604)
Net (decrease) /increase in cash and cash equivalents		(195,944,682)	229,755,566
Cash and cash equivalents at beginning of the year		312,214,832	82,459,266
Cash and cash equivalents at end of the year	37	116,270,150	312,214,832

The annexed notes form an integral part of these accounts.

Mazhar Karim
Chairman

Ahsan M. Saleem
Chief Executive

NOTES TO THE ACCOUNTS

NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1999.

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, Lahore and Islamabad. It is one of the downstream industries of Pakistan Steel Mills manufacturing large diameter spiral arc welded steel line pipes at Nooriabad (District Dadu). The company commenced commercial production from March 31, 1987. The company has a coating facility capable of applying 3 layer high density polyethylene coating on steel line pipes. The coating plant commenced commercial production from November 16, 1992.

The company has the right to use API monogram since 1987 of the American Petroleum Institute, which is the highest international standard accredited for quality of steel line pipes.

In January 1997 the company was awarded ISO 9001 Quality Management Standard certification, which it continues to maintain.

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 the employees, at the rate of 8.33 percent of basic pay and dearness allowance for those employees who have served the company for a period less than five years. For employees who have completed five years or more of service, contributions are made at the rate of 10%.

The company has also established pension and gratuity fund schemes for all permanent employees who are in management cadre and paid directors. Contributions are payable to the pension and gratuity funds on a monthly basis according to the actuarial recommendations which are based on the 'projected unit credit method'. The current contribution rates of pension and gratuity funds are 14.9% and 7% of basic salaries of the employees respectively. Actuarial valuations of these funds are carried out at intervals of maximum 2 years and the latest valuation was carried out at December 31, 1998, wherein, 'actuarial present value of promised retirement benefits' under the pension and gratuity fund schemes was Rs.13,931,000 and Rs. 5,285,000 respectively, and the 'fair value of plan assets' of pension and gratuity fund schemes was Rs. 9,067,000 and Rs. 3,497,000 respectively.

The principal actuarial assumptions used in the valuation of these schemes as of December 31, 1998 by the actuaries are:

- actuarial method - projected unit credit method;
- expected rate of growth in

future salaries - 12% per annum;

- expected rate of return on fund for active members - 14% per annum; and
- expected rate of return on fund for retired members under the pension fund scheme - 9% per annum.

2.3 Tangible fixed assets and depreciation

Operating assets are stated at cost less accumulated depreciation. Leasehold land is amortised over the period of the lease. Capital work-in-progress is stated at cost.

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. Full year's depreciation is charged on additions except major additions or extensions to production facilities which are depreciated on pro-rata basis for the period of use during the year. No depreciation is charged on assets disposed off during the year.

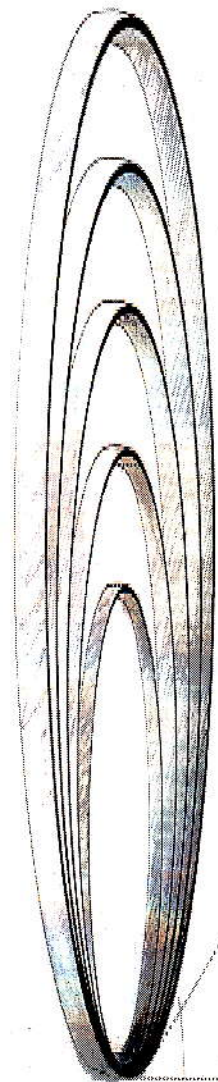
Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired. Profit or loss on sale or retirement of fixed assets is included in income currently.

2.4 Assets subject to finance lease

These are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of assets acquired on lease. Aggregate amount of obligations



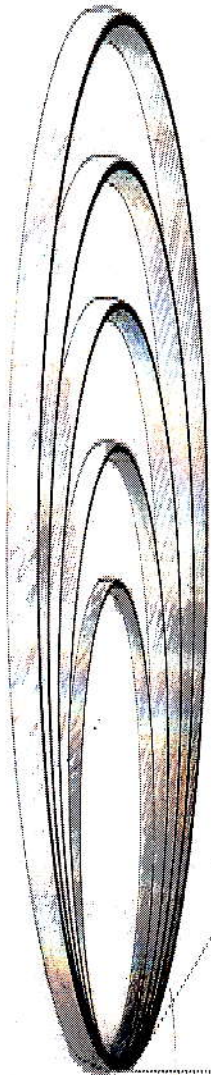
Crescent Steel and Allied Products Ltd.



NOTES TO THE ACCOUNTS



Crescent Steel
and Allied
Products Ltd.



relating to assets subject to finance lease is accounted for at net present value of liabilities. Assets so acquired are amortised over their respective useful lives.

Finance charge is allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

Amortisation of leased assets is charged to current year's income as part of depreciation.

2.5 Stores and spares

Stores and spares are valued on a weighted average basis.

2.6 Stock-in-trade

Stock-in-trade is valued at the lower of cost and net realisable value. Cost is arrived at on a weighted average basis. Cost of work-in-process and finished goods 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 cost necessarily to be incurred to make the sale. Goods-in-transit are valued at actual cost accumulated to the balance sheet date.

2.7 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 rates of exchange prevailing at the balance sheet date. Where foreign exchange contracts have been entered

into, for current assets and liabilities, the rates contracted for are used.

Exchange differences and exchange risk cover fees on foreign currency loans for capital requirements are capitalised whereas those on current assets and liabilities are charged to income.

2.8 Taxation

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available, if any.

Deferred taxation, if any, is accounted for on all significant timing differences using the liability method. Consistent with prior years, the company recognises any deferred tax balance only if it is likely to reverse in the foreseeable future.

2.9 Revenue recognition

Revenue from sales is recognised on despatch of goods to customers. Sales are also recognised when the company specifically appropriates deliverable goods against confirmed orders.

Dividend income and gain on sale of investments are recognised on receipt basis.

2.10 Investments

Consistent with prior years, long term investments are stated at cost less provision for diminution in value. In arriving at the provision in respect of any diminution in the value of long-term investments,

consideration is given only if there is a permanent impairment in the value of the investment.

Short-term investments are stated at the lower of cost and market value on a portfolio basis.

NOTES TO THE ACCOUNTS

3. Issued, subscribed and paid-up capital

1999	1998		1999	1998
No. of shares			Rupees	
10,564,900	10,564,900	Ordinary shares of Rs.10/- each fully paid in cash	105,649,000	105,649,000
9,519,963	9,519,963	Ordinary shares of Rs.10/- each issued as bonus shares	95,199,630	95,199,630
<u>20,084,863</u>	<u>20,084,863</u>		<u>200,848,630</u>	<u>200,848,630</u>

4. Reserves

General reserves

At the beginning of the year	421,000,000	231,000,000
Transfer from profit and loss account	-	190,000,000
	<u>421,000,000</u>	<u>421,000,000</u>

Reserve for issue of bonus shares

At the beginning of the year	2,278,056	28,475,696
Bonus shares issued during the year	-	(26,197,640)
	<u>2,278,056</u>	<u>2,278,056</u>
	<u>423,278,056</u>	<u>423,278,056</u>

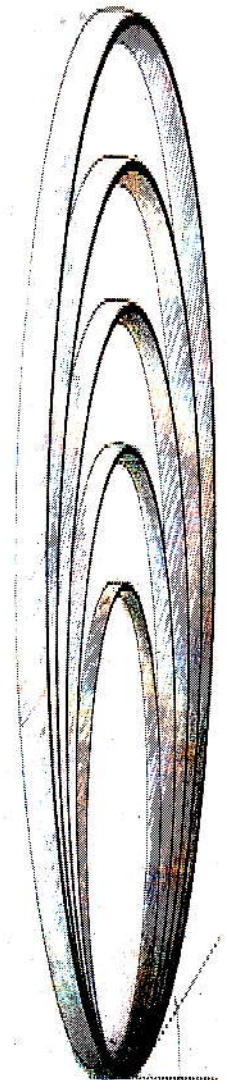
5. Long-term loan

Secured

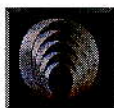
From National Development Finance Corporation (NDFC) - note 5.1	19,473,582	36,099,897
Less: Current maturity shown under current liabilities	19,473,582	16,626,315
	<u>-</u>	<u>19,473,582</u>



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5.1 The loan of US\$ 3.943 million in foreign currency was obtained from NDFC during the year 1992 for the import of machineries required for the pipe coating plant.

After the full disbursement of US\$ 3.943 million during the year 1992 the liability in Pakistan rupees was determined at Rs.88,971,011 by applying fixed exchange rate in accordance with the terms of the agreement with NDFC.

The loan carries interest rate of 16.5% per annum and is repayable in 14 half yearly instalments commencing from July 15, 1993.

The loan is secured by way of pari passu first fixed charge on all of the company's immovable properties including plant and machinery, spare parts, accessories and electrical and other equipments 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 finances obtained from banks as referred to in notes 8.1 and 8.2.

6. Liabilities against assets subject to finance lease

	Note	1999	1998
		Rupees	
Payable during			
1998 - 1999		-	2,196,600
1999 - 2000		1,538,315	1,649,075
2000 - 2001		405,385	516,145
2001 - 2002		343,755	455,395
Minimum lease payments		2,287,455	4,817,215
Less: Finance charges not yet due		301,719	935,030
		1,985,736	3,882,185
Less: Current maturity shown under current liabilities		1,336,283	1,636,743
		<u>649,453</u>	<u>2,245,442</u>

6.1 This represents finance leases entered into with leasing companies to acquire vehicles. Monthly lease payments include finance charges ranging from 21.48% to 26.49% per annum, which are used as discounting factors. The balance of liabilities is payable by May 9, 2002 in monthly installments.

The company intends to exercise its option to purchase the leased assets for Rs.0.565 million on completion of the lease periods.

7. Deferred Taxation

The deferred tax liability on account of net timing differences due to accelerated depreciation, provision against slow-moving

stocks and doubtful debts amounts to approximately Rs. 11.10 million (1998: Rs. 19.10 million) which is provided in the accounts.

NOTES TO THE ACCOUNTS

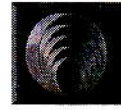
8. Short-term finance under mark-up arrangements

8.1 National Bank of Pakistan
The facility for running finance available amounts to Rs. 20 million (1998: Rs. 20 million). The rate of mark-up is 54 paisas per 1,000 rupees per day. A rebate of 1 paisa per 1,000 rupees per day will be allowed by the bank for prompt payment. Further rebate of 1 paisa per 1,000 rupees per day will be admissible on giving foreign exchange business in the ratio of 1:1 to the bank, more rebate of 2 paisas per 1,000 rupees per day will be admissible if the same business is routed in the ratio of 1:2, additional rebate of 2 paisas per 1,000 rupees per day will be allowed if the same business is routed in the ratio of 1:3 and subsequent rebate of 2 paisas per 1,000 rupees per day will be allowed if the same business is routed in the ratio of 1:4 and exceeds the limit. The purchase price is repayable on December 31, 1999. The above facility is secured by a charge on the present and future current assets of the company, pledge/hypothecation of the stocks and first equitable mortgage on the fixed assets of the company ranking pari passu with the charges created to secure foreign currency loan referred to in Note 5.

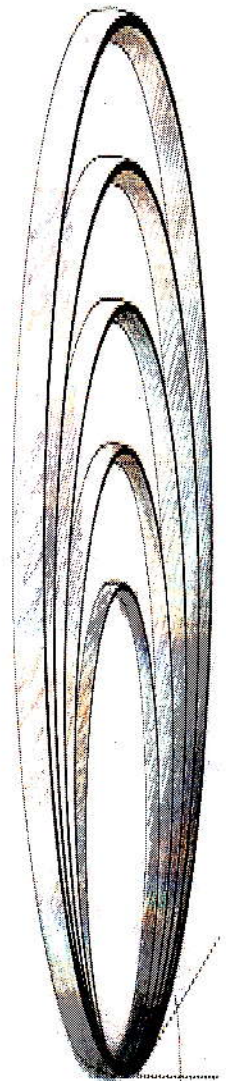
8.2 Societe Generale, The French and International Bank

The facility of running finance available amounts to Rs. 50 million (1998: Rs. 50 million). The rate of mark-up is 16% per annum. The purchase price is payable on January 31, 2000. This facility is secured against pledge of marketable securities and stocks, and hypothecation charge over stocks and book debts ranking pari passu with other banks.

8.3 The facility for opening letters of credit and guarantees as at June 30, 1999 amounted to Rs. 193 million (1998: Rs. 458 million) of which amount remaining unutilized at the year end was Rs. 165.42 million (1998: Rs. 243.45 million).



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NOTES TO THE ACCOUNTS

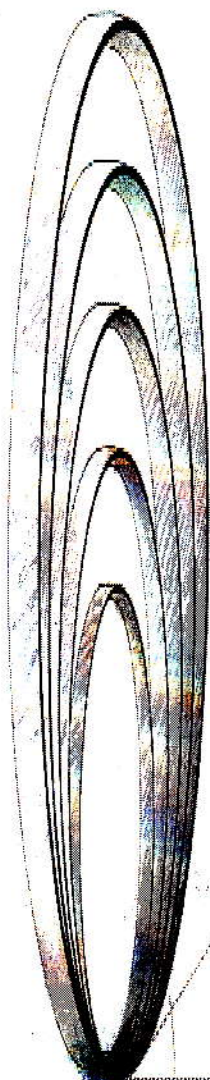


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9. Creditors, accrued and other liabilities

	1999	1998
	Rupees	
Creditors	1,207,868	890,961
Excise duty payable	8,620,831	8,620,831
Accrued liabilities	21,884,815	39,016,249
Interest accrued on secured loan	1,472,690	2,730,031
Accrued mark-up	38,807	119,246
Advances from customers	23,649,244	16,853,140
Workers' welfare fund	13,050,527	17,739,887
Retention money	695,607	1,569,223
Due to associated undertakings	336,967	830,912
Payable to gratuity fund	80,115	79,079
Payable to pension fund	170,512	168,318
Payable to provident fund	406,932	405,358
Unclaimed dividend	911,004	745,805
Others	2,444,444	2,311,057
	<u>74,970,363</u>	<u>92,080,097</u>

9.1 Maximum amount due to associated undertakings at the end of any month during the year was Rs. 0.90 million (1998: Rs. 2.74 million).



NOTES TO THE ACCOUNTS

10 Contingencies and Commitments

10.1 The company is contesting a case in the High Court of Sindh against octroi authorities in respect of excess octroi charges on Hot Rolled Coils. If the decision of the High Court goes against the company, an amount of Rs. 988,513 would become payable on account of octroi. Amounts aggregating Rs. 1,515,555 have been paid to the High Court of Sindh, as security deposit upto June 30, 1999.

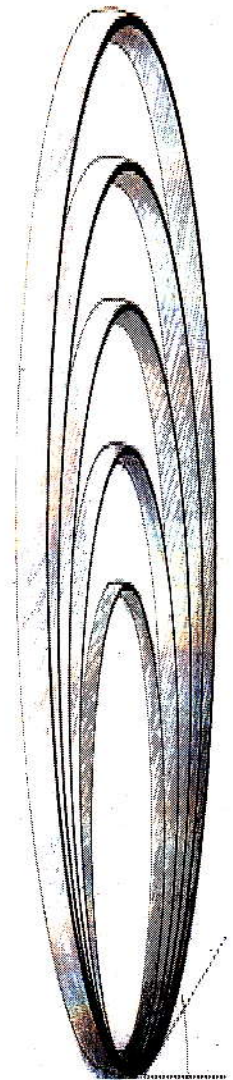
10.2 Under the Rural Development Scheme of Government of Pakistan, the company enjoys a concessional rate of 2% import licence fee on import of coating plant machineries installed at Nooriabad. The Controller of Imports and Exports declined to issue import licence at 2% fee and insisted on payment at 6%. The company filed a petition with the Sindh High Court for issuance of import licence on payment of fee at 2%. The High Court passed an interim order allowing the company to pay 2% import licence fee in cash and required the company to furnish a bank guarantee in favour of the Controller of Imports and Exports for Rs. 3.42 million equivalent to the balance of 4%. The case is pending with the High Court and a sum of Rs. 3.42 million is contingently payable by the company in case the High Court decides against the company.

10.3 The company has filed a suit in the High Court of Sindh for restraining the customs authorities from encashing a bank guarantee of Rs. 895,000 issued while availing concessionary benefits of SRO 671(1)/94 dated July 3, 1994. The liability of the company will eventually depend upon whether or not the goods were consumed in terms of the concession. This case is pending with the High Court and a sum of Rs. 895,000 is contingently payable by the company in case the High Court decides the case against the company.

10.4 Aggregate commitments for capital expenditures amounted to Rs. 13.278 million (1998: Rs. 30.943 million).



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NOTES TO THE ACCOUNTS

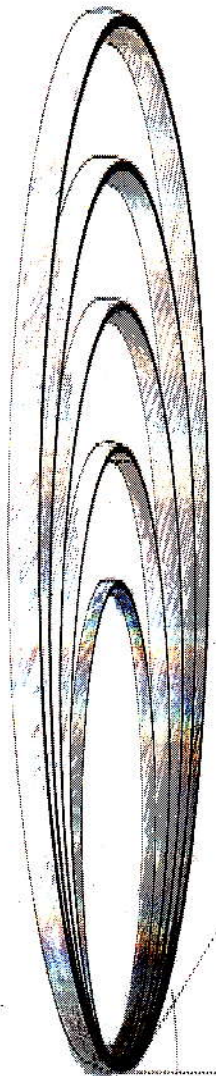


Crescent Steel
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11. Operating fixed assets

11.1 The following is a statement of all operating fixed assets other than coating plant:

Description	Cost as at July 1, 1998	Additions/ *Transfers/ **Reclassification (Disposals)	Cost as at June 30, 1999	
Leasehold land	8,053,796	—	8,053,796	
Improvements to leasehold land	105,922	—	105,922	
Building on leasehold land	58,441,918	725,352	59,167,270	
Plant and machinery	194,577,477	2,435,858 (72,000)	196,941,335	
Office premises	14,292,244	—	14,292,244	
Furniture and fixtures	14,777,019	1,059,397 ** (187,450)	15,648,966	
Office and other equipments	12,412,570	430,906 ** 187,450	13,030,926	
Vehicles	16,134,559	7,178,588 (4,419,560)	18,893,587	
Workshop equipments	3,172,773	—	3,172,773	
	1999	321,968,278	11,830,101 (4,491,560)	329,306,819
	1998	294,749,746	27,840,530 *2,820,513 (3,442,511)	321,968,278

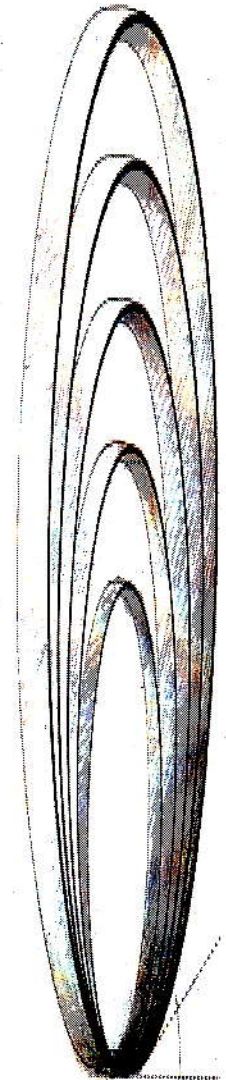


NOTES TO THE ACCOUNTS

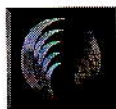


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Accumulated depreciation as at July 1, 1998	Depreciation charge for the year/*Transfers/ **Reclassification/ (on disposals)	Accumulated depreciation as at June 30, 1999	Net book value as at June 30, 1999	Rate of depreciation as a % of cost
R u p e e s				
603,165	81,343	684,508	7,369,288	1
11,726	1,070	12,796	93,126	1
24,432,453	2,844,534	27,276,987	31,890,283	5
117,661,236	8,394,102 (14,400)	126,040,938	70,900,397	5 to 20
6,001,769	1,294,033	7,295,802	6,996,442	10
4,658,645	1,504,194 **(62,461)	6,100,378	9,548,588	10
8,360,829	2,264,170 ** 62,461	10,687,460	2,343,466	20 to 40
10,170,482	3,239,830 (2,676,736)	10,733,576	8,160,011	20
2,929,752	67,297	2,997,049	175,724	5-20
174,830,057	19,690,573 (2,691,136)	191,829,494	137,477,325	
153,651,518	21,503,556 *1,974,357 (2,299,374)	174,830,057	147,138,221	



NOTES TO THE ACCOUNTS

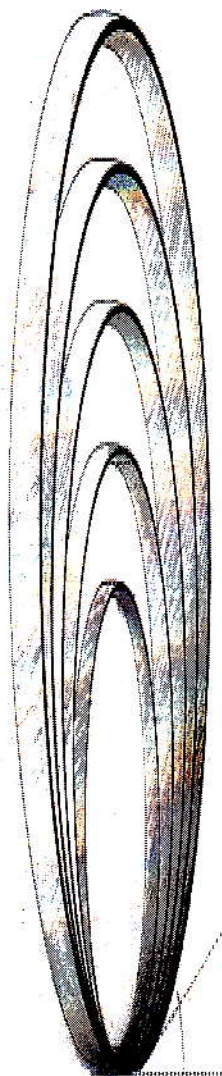


Crescent Steel
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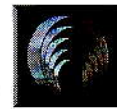
11.2 Coating plant:

Description	Cost as at July 1, 1998	Additions/ *Transfers/ (Disposals)	Cost as at June 30, 1999
Building on leasehold land	8,514,818	12,760	8,527,578
Plant and machinery	133,640,262	- *3,853,000	137,493,262
Office and other equipments	78,350	-	78,350
Furniture and fixture	47,690	-	47,690
1999	142,281,120	12,760 *3,853,000	146,146,880
1998	135,574,509	1,644,729 *5,061,882	142,281,120
Total operating fixed assets as at June 30, 1999	464,249,398	11,842,861 (4,491,560) *3,853,000	475,453,699
Total operating fixed assets as at June 30, 1998	430,324,255	29,485,259 *7,882,395 (3,442,511)	464,249,398

(*) Leased assets transferred to own assets on the expiry of lease terms during the year.

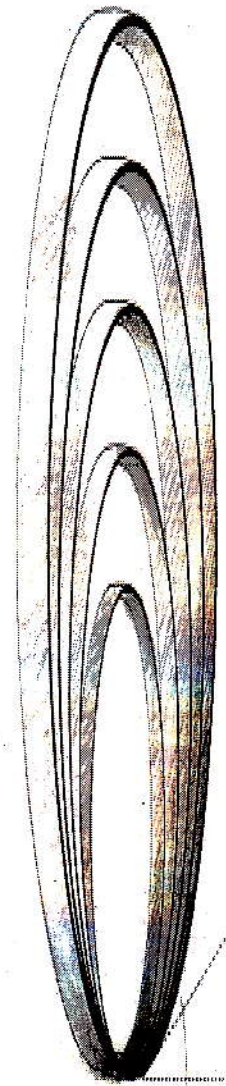


NOTES TO THE ACCOUNTS

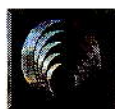


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Accumulated depreciation as at July 1, 1998	Depreciation charge for the year/ (on disposals)	Accumulated depreciation as at June 30, 1999	Net book value as at June 30, 1999	Rate of depreciation as a % of cost
Rupees				
1,998,000	427,017	2,425,017	6,102,561	5
72,359,331	12,899,186 *1,777,529	87,036,046	50,457,216	5-20
76,250	2,100	78,350	-	20
27,762	4,408	32,170	15,520	10
74,461,343	13,332,711 *1,777,529	89,571,583	56,575,297	
58,589,974	13,087,334 *2,784,035	74,461,343	67,819,777	
249,291,400	33,023,284 (2,691,136) *1,777,529	281,401,077	194,052,622	
212,241,492	34,590,890 *4,758,392 (2,299,374)	249,291,400	214,957,998	



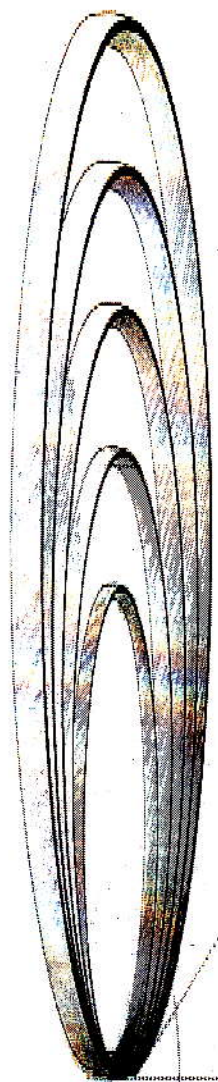
NOTES TO THE ACCOUNTS



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11.3 Following are the details of fixed assets disposed during the year:

Description	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Mode of Disposal	Sold to
Rupees						
Vehicle	57,775	34,665	23,110	37,694	Company scheme	Mr. Attur Khan, Goth Rohri, Post Jhanga, Disstt. Dadu.
- do -	60,300	24,120	36,180	48,240	Company scheme	Mr. Nawaz Ali, Viko Jakaro, P.O. Jhampeer, Disstt. Thatta.
- do -	278,425	250,583	27,842	83,528	Company scheme	Mr. Mohammad Amin, A-177, Block-19, Gulshan-e-Iqbal, Karachi.
- do -	62,805	25,122	37,683	57,000	Insurance claim	The Premier Insurance, Wallace Road, Karachi.
- do -	57,775	34,665	23,110	52,000	Insurance claim	The Premier Insurance, Wallace Road, Karachi.
- do -	68,500	13,700	54,800	67,500	Insurance claim	The Premier Insurance, Wallace Road, Karachi.
- do -	59,795	11,959	47,836	57,000	Insurance claim	The Premier Insurance, Wallace Road, Karachi.
- do -	378,885	75,777	303,108	378,885	Insurance claim	The Premier Insurance, Wallace Road, Karachi.
- do -	503,300	100,660	402,640	475,000	Insurance claim	The Premier Insurance, Wallace Road, Karachi.
- do -	729,415	-	729,415	719,000	Insurance claim	The Premier Insurance, Wallace Road, Karachi.
- do -	59,795	11,959	47,836	59,500	Insurance claim	The Premier Insurance, Wallace Road, Karachi.
Vehicles with net book value below Rs 5,000 each	2,102,790	2,093,526	9,264	852,045	Various	Various
Leased vehicle	378,000	151,200	226,800	330,768	Insurance claim	Saudi Pak Leasing Company Limited, 19-B, SMCHS, Karachi.
Plant and machinery	72,000	14,400	57,600	50,000	Negotiation	Ideal Electric Company, C/8, South Avenue, S.I.T.E., Karachi.



NOTES TO THE ACCOUNTS

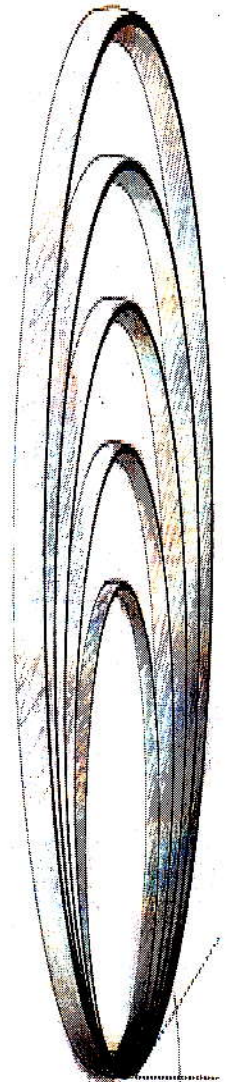
12. Assets subject to finance lease

Description	Cost as at July 1, 1998	Additions/ *Transfers/ (Disposals)	Cost as at June 30, 1999	Accumulated depreciation as at July 1, 1998	Depreciation charge for the year/ *Transfers/ (on disposals)	Accumulated depreciation as at June 30, 1999	Net book value as at June 30, 1999	Rate of depreciation as a % of cost
Rupees								
Plant and machinery	3,853,000	- *(3,853,000)		1,777,529	- *(1,777,529)	-	-	10
Vehicles	4,721,580	(378,000)	4,343,580	1,888,643	868,716 (151,200)	2,606,159	1,737,421	20
1999	8,574,580	- (378,000) *(3,853,000)	4,343,580	3,666,172	868,716 (151,200) *(1,777,529)	2,606,159	1,737,421	
1998	16,932,475	- (475,000) *(7,882,395)	8,574,580	7,190,068	1,329,596 (95,100) *(4,758,392)	3,666,172	4,908,408	

12.1 A vehicle acquired under a finance lease and capitalised at Rs.641,580 has been in the use of an associated undertaking. The company is charging monthly rentals to the associated undertaking for the use of its asset.



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13. Capital work-in-progress

	1999	1998
	Rupees	
Civil works	5,461,350	5,586,695
Plant and machinery	1,465,230	3,800,511
Others	-	1,141,712
	<u>6,926,580</u>	<u>10,528,918</u>

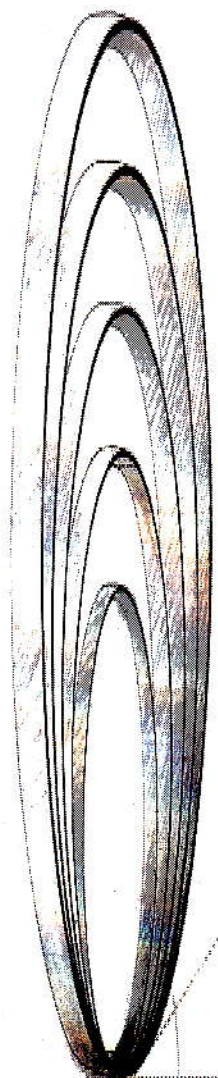
14. Long-term investments

Portfolio investments - note 14.1	46,782,215	53,423,590
Project investment - note 14.4	-	27,132,666
Government of Pakistan US \$ Bonds - note 14.6	7,704,750	-
Redeemable capital - note 14.7	<u>24,596,612</u>	-
	<u>79,083,577</u>	<u>80,556,256</u>

14.1 Portfolio investments

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

1999	1998		1999	1998
Number of Shares		Quoted - Associated undertakings	Rupees	
585,000	500,000	Crescent Investment Bank Ltd.	7,176,300	7,175,000
1,062,000	885,000	Pakistan Industrial Leasing Corporation Limited	9,229,000	9,221,250
		Less: Provision for diminution in the value of long-term investments	(6,122,800)	-
			<u>10,282,500</u>	<u>16,396,250</u>
		Quoted - Others		
362,250	315,000	Crescent Leasing Corporation Limited	2,520,000	2,520,000
		Less: Provision for diminution in the value of long-term investments	(527,625)	-
			<u>1,992,375</u>	<u>2,520,000</u>
			<u>12,274,875</u>	<u>18,916,250</u>
		Unquoted - Associated undertakings		
2,403,725	2,403,725	Crescent Greenwood Limited	24,037,250	24,037,250
1,047,000	1,047,000	Crescent Industrial Chemicals Limited	10,470,000	10,470,000
			<u>34,507,250</u>	<u>34,507,250</u>
		Unquoted - Wholly owned subsidiary		
2	2	Crescent Continental Gas Pipelines Ltd. (US \$ 1 each) - note 14.5	90	90
			<u>46,782,215</u>	<u>53,423,590</u>
			<u>5,459,977</u>	<u>5,150,727</u>



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14.2 Aggregate market value of investments in shares quoted on the Karachi Stock Exchange as at June 30, 1999 was Rs 12,274,875 (1998:Rs.14,178,750).

14.3 The following investments having an aggregate face value of Rs. 8,600,000 (1998: Rs. 8,600,000) are deposited as security with some commercial banks.

Crescent Leasing Corporation Limited
Crescent Investment Bank Limited
Pakistan Industrial Leasing Corporation Limited

	1999	1998
	Rupees	
	3,150,000	3,150,000
	3,700,000	3,700,000
	1,750,000	1,750,000
	<u>8,600,000</u>	<u>8,600,000</u>

14.4 Project investment

This represents company's investment to the extent of 8.48% (1998: 3.89%) in the Central Asia Gas Pipeline Limited, Cayman Islands, (CENTGAS) a joint venture project promoted by an international consortium now comprising Delta Gas Pipeline Company (Central Asia) Limited of Saudi Arabia, Government of Turkmenistan, Indonesia Petroleum Limited (IMPEX) of Japan, SIECO Trans Asia Gas Limited of Japan and Hyundai Engineering and Construction Company Limited of Korea, to build a 1,271 km 48" pipeline estimated to cost

US\$ 1.9 billion, for gas transmission from Turkmenistan to Pakistan. The company's share has notionally gone up from 3.89% as at June 30, 1998 to 8.48% as a result of Unocal, who held 54.1% shares, withdrawing from the project. The timing for transfer of the investment will be determined upon the progress of the CENTGAS project, the developments in current foreign exchange regulations and the tax implications. Mr. K.M. Wajahat Ullah is the chief executive of CENTGAS.

In view of uncertainties attaching to this project primarily

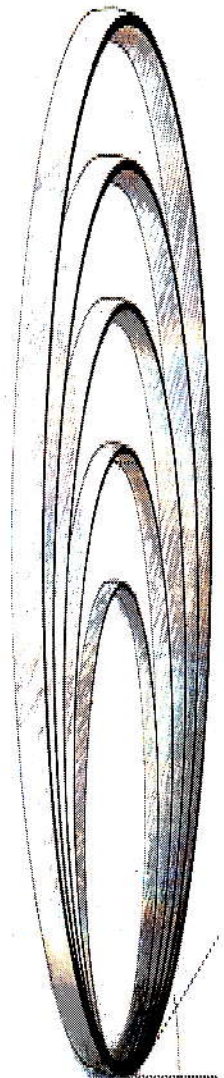
due to the political problems in Afghanistan and the withdrawal of Unocal as the major partner in the joint venture, the company deems prudent to make a full provision against this investment.

Included in the amount of project investment are 84.8 shares of US\$ 0.01 each issued to the company by CENTGAS.

Project investment at the beginning of the year
Add: Project investment made during the year
Less: Provision for uncertainties

	1999	1998
	Rupees	
	27,132,666	-
	-	27,132,666
	<u>(27,132,666)</u>	<u>-</u>
	<u>-</u>	<u>27,132,666</u>

'Project investment' also represents cash calls made by the 'Project manager' to meet the expenses in the year 1997/1998.



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14.5 The shares in Crescent Continental Gas Pipelines Limited (CCGPL) were acquired on June 30, 1998. As the subsidiary company has not yet prepared its first set of accounts, therefore those accounts are not annexed herewith.

14.6 Government of Pakistan US \$ Bonds

These bonds have been issued by the Government of Pakistan for a period of 3 years commencing from November 18, 1999 to November 18, 2002. Interest earned thereon is receivable on a half yearly basis.

14.7 Redeemable Capital - Term Finance Certificates (TFCs)

1999
1998
Rupees

ICI Pakistan Limited- note 14.7.1

(150 TFCs of Rs.100,000 each and 600 TFCs of Rs.5,000 each)

Less: Redeemed during the year

Current maturity shown under current assets

19,565,184	-
(5,778,024)	-
(6,761,959)	-
7,025,201	-

First International Investment Bank Limited - note 14.7.2

(100 TFCs of Rs. 100,000 each)

Less : Redeemed during the year

Current maturity shown under current assets

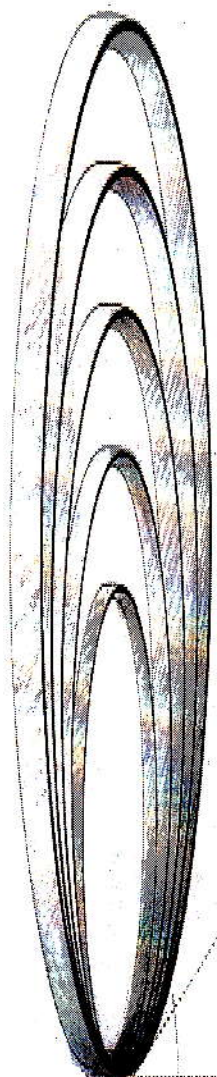
10,000,000	-
(4,000)	-
(8,000)	-
9,988,000	-

Saudi Pak Leasing Company Limited - note 14.7.3

(100 TFCs of Rs.100,000 each)

Less: Current maturity shown under current assets

10,130,000	-
(2,546,589)	-
7,583,411	-
24,596,612	-



NOTES TO THE ACCOUNTS

14.7.1 These term finance certificates are being redeemed half yearly over a period of five years commencing from March 30, 1997 and ending on September 30, 2001.

14.7.2 These term finance certificates are being redeemed quarterly over a period of five years commencing from March 31, 1999 and ending on December 31, 2003.

14.7.3 These term finance certificates are being redeemed half yearly over a period of four years commencing from January 28, 1999 and ending on January 28, 2003.



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15. Stores, spares and loose tools

	1999	1998
	Rupees	
Stores	2,035,675	2,861,326
Spare parts - note 15.1	28,455,489	29,050,502
Loose tools	339,874	407,632
	<u>30,831,038</u>	<u>32,319,460</u>

15.1 Spare parts include those in transit as at June 30, 1999 of Rs. 88,363 (1998: Rs. 1,887,568).

16. Stock-in-Trade

	1999	1998
	Rupees	
Raw materials		
Hot rolled steel coils	16,988,563	22,171,556
Coating materials	17,478,930	14,581,654
Others	4,621,799	5,600,083
Stock-in-transit	3,954	5,163,980
	39,093,246	47,517,273
Provision for obsolescence - Hot rolled steel coils	(9,643,755)	(12,504,779)
Provision for slow moving and obsolete stock - Coating material	(11,114,943)	(11,288,499)
	18,334,548	23,723,995
Work-in-process	111,811	805,049
Finished goods	36,941,820	37,117,267
Provision for obsolescence - finished bare pipes	(11,518,393)	-
	<u>43,869,786</u>	<u>61,646,311</u>

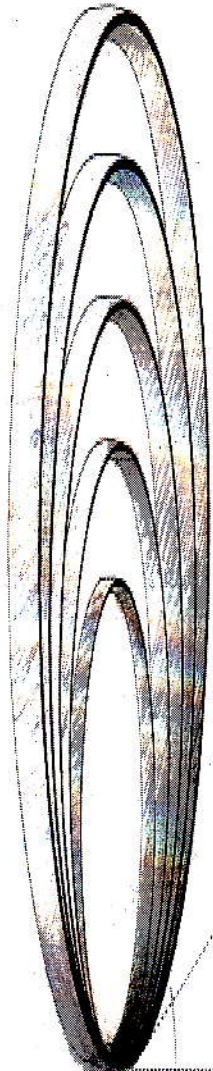
16.1 The stock-in-trade amounting to Rs.15.27 million (1998: Rs. 22 million) is pledged as security with a commercial bank.



NOTES TO THE ACCOUNTS



Crescent Steel
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17. Trade Debts

1999
1998
Rupees

Unsecured		
Considered good	2,410,756	21,234,651
Considered doubtful	1,071,113	3,207,834
	3,481,869	24,442,485
Provision for doubtful trade debts	(1,071,113)	(3,207,834)
	2,410,756	21,234,651

17.1 Maximum amount due from associated undertakings at the end of any month during the year was Rs. 612,431 (1998: Rs. Nil).

18. Short-Term Advances

Considered good		
Executives	42,010	337,205
Other staff	21,687	4,501
	63,697	341,706
Suppliers for goods and services	986,905	1,567,924
	1,050,602	1,909,630

18.1 The maximum amount due at the end of any month during the year from executives was Rs.234,308 (1998: Rs. 495,056) representing unadjusted travelling and other advances.

19. Short-Term Deposits and Prepayments

Security deposits	2,251,156	1,979,056
Prepayments	462,029	1,092,089
	2,713,185	3,071,145

20. Current Maturity of Long-Term Investments in Redeemable Capital - note 14.7

ICI Pakistan Limited	6,761,959	-
First International Investment Bank Limited	8,000	-
Saudi Pak Leasing Company Limited	2,546,589	-
	9,316,548	-

21. Short-Term Investments

Portfolio - note 21.1	109,180,257	45,394,658
6% Exchangeable Notes - note 21.2	30,791,570	-
Others - note 21.3	9,400,000	-
	149,371,827	45,394,658

NOTES TO THE ACCOUNTS

21.1 Portfolio

Unless stated otherwise the holdings are in instruments of Rs.10 each. These investments are stated below at the lower of cost and market value.

1999 Number of shares	1998 Number of shares	Quoted - Associated undertakings	1999 Number of shares	1998 Number of shares
780,560	661,145	Crescent Investment Bank Limited	8,995,542	8,945,842
326,135	310,605	Crescent Textile Mills Limited	3,036,807	3,036,807
91,300	91,300	Crescent Jute Products Limited	538,670	538,670
26,490	26,490	Jubilee Spinning and Weaving Mills Limited	247,391	247,391
729,840	608,200	Pakistan Industrial Leasing Corporation Limited	8,227,257	8,224,985
919,854	919,854	Shakarganj Mills Limited	8,803,241	8,803,241
Quoted - Others				
-	1,000	Al-Towfeek Investment Bank Limited	-	8,928
23,000	23,000	American Life Insurance Company Limited	647,500	647,500
14,883	14,883	Askari Commercial Bank Limited	268,750	268,600
23,400	23,400	Askari Leasing Limited	260,561	274,274
244,500	244,500	Commercial Union Life Assurance Limited	3,358,350	3,358,350
255,300	222,000	Crescent Leasing Corporation Limited	1,737,933	1,737,933
25,500	-	Century Paper and Board Mills Limited	384,110	-
-	100,000	Dhan Fibre Limited	-	243,750
1,510	3,375	Engro Chemical Pakistan Limited	75,255	328,725
227,000	150,000	F F C Jordan Fertilizer Company Limited	3,273,253	2,365,030
225,000	-	Fauji Fertilizer Company Limited	10,388,881	-
73,000	251,500	Faysal Bank Limited	1,146,637	4,166,413
120,075	120,075	First Crescent Modaraba	364,180	364,180
-	200	Glaxo Wellcome Pakistan Limited	-	19,400
646,000	-	Hub Power Company Limited	11,198,070	-
20,050	50	ICI Pakistan Limited	190,020	692
60,000	-	Ibrahim Fibres Limited	439,336	-
50,000	-	Ibrahim Energy Limited	718,675	-
110,000	-	ICP S.E.M.F	1,205,500	-
105,500	-	Indus Motor Company Limited	1,564,260	-
40,000	-	Japan Power Generation Limited	250,888	-
189,000	-	Karachi Electric Supply Corporation Limited	1,936,970	-
500	500	Lever Brothers Pakistan Limited (Rs 50 each)	325,500	325,500
162	162	Modaraba Al Mali	648	648
25,025	25,000	National Development Leasing Corporation Limited	109,975	109,700
411,000	411,000	Nishat Mills Limited	6,069,522	6,048,522
10,000	-	ORIX Investment Bank Limited	53,500	-
2,000	-	Packages Limited	72,260	-
75,000	-	Pakistan State Oil Company Limited	6,255,663	-
204,500	52,000	Pakistan Industrial Credit & Investment Corporation	1,859,607	584,425
546,300	47,000	Pakistan Telecommunication Company Limited	10,971,481	879,757
1,337	1,337	Prime Commercial Bank Limited	16,113	16,113
15,000	15,000	S G Power Company Limited	176,288	176,288
26,200	5,000	Shell Pakistan Limited	4,519,627	1,115,425
130,000	24,000	Sitara Energy Limited	2,824,685	582,410
14,520	13,200	Soneri Bank Limited	239,250	239,250
1,646,577	302,806	Sui Northern Gas Pipelines Limited	19,023,495	8,453,089
734,288	318,362	Sui Southern Gas Company Limited	10,773,904	7,560,274
41	-	Searle Pakistan Limited	-	-
265,000	-	Tri - pack Films Limited	6,179,119	-
100,000	100,000	Trust Investment Bank Limited	850,000	850,000
Book value of short-term investments			139,578,674	70,522,112
Less: Provision for diminution in the value of short-term investments			(30,398,417)	(25,127,454)
			<u>109,180,257</u>	<u>45,394,658</u>



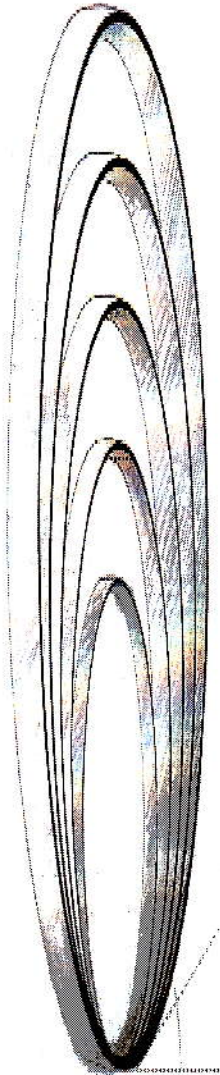
Crescent Steel
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NOTES TO THE ACCOUNTS



Crescent Steel
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21.2 6% Exchangeable Notes

These exchangeable notes were issued by the Government of Pakistan in 1997 and carry interest at the rate of 6 percent per annum payable semi annually commencing from August 26, 1997. The notes are exchangeable into fully paid "A" ordinary shares of Pakistan Telecommunication Company Limited (PTCL) after March 26, 1997. Noteholders will initially be entitled to 1,054 shares of PTCL in respect of each US Dollars 1,000 in principal

amount of notes exchanged at an exchange price to be determined in a manner set out in the offering circular. The notes may be redeemed (i) at the option of issuer in whole, but not in part, at their principal amount, together with accrued interest on or at any time after February 26, 2000 upto and including February 26, 2002 in the event of certain circumstances relating to the closing price of the shares of PTCL on the Karachi Stock Exchange, and (ii) at the option

of the noteholders at 104.71 percent of their principal amount together with accrued interest upto February 26, 2000. The notes, unless previously exchanged, redeemed or purchased and cancelled, mature on February 26, 2002.

Purchased during the year
(Face value US\$ 980,000; Cost US\$ 589,400)
Less: Provision for diminution in the value

	1999	1998
	Rupees	
	32,618,669	-
	1,827,099	-
	30,791,570	-

These exchangeable notes are held by a financial institution on behalf of the company.

21.3 Others

This represents investment in WAPDA bearer bonds. The bonds have been issued by Water and Power Development Authority (WAPDA) on May 26, 1990 for a period of ten years. During the year the company has purchased WAPDA bearer bonds of a face value Rs. 10 million at a price of Rs. 94/- per Rs. 100/-. The third issue carries a profit of 12.50 percent per annum and is payable semi-annually. The bonds mature for redemption on May 26, 2000.

21.4 Aggregate market value of investments in shares/modaraba certificates quoted on the stock exchange as at June 30, 1999 was Rs.109,180,257 (1998: Rs. 45,394,658) which at the close of business on September 30,1999 was Rs. 124,828,481.

As a matter of prudence the management has set up a provision of Rs. 30,398,417 against the carrying value of short-term investments.

NOTES TO THE ACCOUNTS

21.5 The following investments having an aggregate face value of Rs. 32,283,950 (1998: Rs. 33,298,950) are deposited as security with some commercial banks.

	1999	1998
	Rupees	
American Life Insurance Company Limited	230,000	230,000
Askari Leasing Company Limited	195,000	195,000
Commercial Union Life Assurance Limited	2,085,000	2,085,000
Crescent Investment Bank Limited	5,991,450	5,991,450
Crescent Jute Products Limited	913,000	913,000
Crescent Leasing Corporation Limited	1,890,000	1,890,000
Crescent Textile Mills Limited	2,687,430	2,687,430
Sitara Energy Limited	240,000	240,000
FFC Jordan Fertilizer Company Limited	380,000	380,000
Pakistan Industrial Credit and Investment Corporation	170,000	170,000
Faysal Bank Limited	-	1,015,000
Jubilee Spinning and Weaving Mills Limited	96,000	96,000
Pakistan Industrial Leasing Corporation Limited	5,027,000	5,027,000
Shakarganj Mills Limited	7,678,470	7,678,470
Sui Northern Gas Pipelines Limited	2,182,100	2,182,100
Sui Southern Gas Company Limited	2,518,500	2,518,500
	<u>32,283,950</u>	<u>33,298,950</u>

22. Other Receivables

Considered good

Mark-up accrued on deposits		
- associated undertakings	-	2,453,593
- others	4,396,937	5,304,605
Octroi refundable	1,128,388	1,523,158
Margin on letters of credit and guarantees	1,436,693	3,178,223
Due from associated undertakings - note 22.2	13,774,447	28,492,218
Sales tax refundable	3,524,389	1,162,822
Others	24,893	144,000
	<u>24,285,747</u>	<u>42,258,619</u>

Considered doubtful

Others	2,789,102	2,935,612
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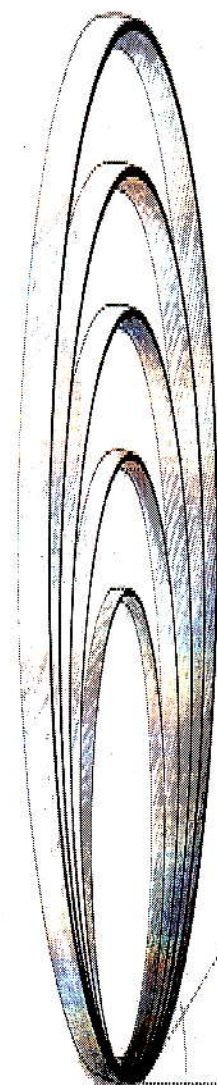
	<u>27,074,849</u>	<u>45,194,231</u>
Provision for doubtful receivables	<u>(2,789,102)</u>	<u>(2,935,612)</u>

	<u>24,285,747</u>	<u>42,258,619</u>
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22.1 Maximum amount due from associated undertakings at the end of any month during the year was Rs. 66.84 million (1998: Rs. 50.99 million).



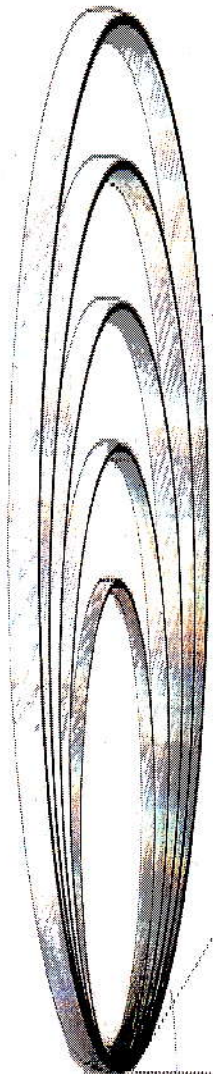
Crescent Steel
and Allied
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NOTES TO THE ACCOUNTS



Crescent Steel
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1999 1998
Rupees

22.2 Due From Associated Undertakings

Crescent Jute Products Limited	12,448,535	11,430,047
Crescent Textile Mills Limited	427,412	474,593
Crescent Apparel Manufacturing Company	870,009	870,009
Crescent Knitwear Limited	12,999	12,999
Crescent Ujala Limited	-	212,796
Shakarganj Mills Limited	-	15,491,774
Crescent Industrial Chemicals Limited	14,660	-
Pakistan Industrial Leasing Corporation Limited	832	-
	<u>13,774,447</u>	<u>28,492,218</u>

23. Taxation

The income tax authorities for the assessment years 1995-96 and 1996-97 have allowed the company a net benefit in the form of tax refunds and reduced tax liability. Consequently the

provisions for the assessment years 1995-96 and 1996-97 have been reduced by Rs 61.954 million and Rs 33.291 million respectively in the company's books. An aggregate amount of Rs 93.776 million is appearing

as tax refundable as at June 30, 1999 in respect of assessment years 1991-1992 to 1999-2000

1999 1998
Rupees

24. Short-Term Deposits With Non-Banking Financial Institutions

With an associated undertaking		
- Pakistan Industrial Leasing Corporation	-	50,000,000
Others		
- First Crescent Modaraba	30,000,000	50,000,000
- First Grindlays Modaraba	10,015,000	-
	<u>40,015,000</u>	<u>100,000,000</u>

24.1 The company has placed funds in various trenches with the aforementioned non-banking financial institutions. The rates of mark-up on deposits with First Crescent

Modaraba ranges from 18.5% to 21.2% per annum and expected rate of return on deposits with First Grindlays Modaraba is 13.9% per annum.

25. Cash and Bank Balances

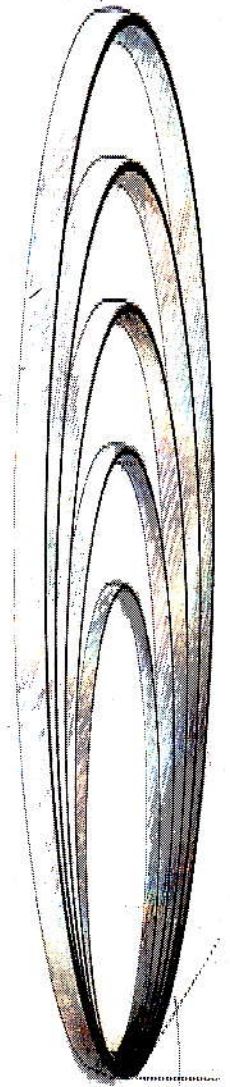
With banks - in deposit accounts	75,831,425	211,549,264
- in current accounts	287,439	521,625
Cash in hand	136,286	143,943
	<u>76,255,150</u>	<u>212,214,832</u>

NOTES TO THE ACCOUNTS

	1999	1998
	Rupees	
26. Sales		
Bare Pipes - note 26.1	27,244,439	1,012,833,501
Coating of Pipes - note 26.2	5,676,878	171,343,703
	<u>32,921,317</u>	<u>1,184,177,204</u>
26.1 Sales - Bare Pipes		
Sales of own product - Local	27,244,439	17,675,242
- Export	-	999,039,001
	<u>27,244,439</u>	<u>1,016,714,243</u>
Less: Sales tax thereon	-	(3,880,742)
	<u>27,244,439</u>	<u>1,012,833,501</u>
26.2 Sales - Coating of Pipes		
Clients' product - Local	5,676,878	34,566,121
- Export	-	140,633,657
	<u>5,676,878</u>	<u>175,199,778</u>
Less: Sales tax thereon	-	(3,856,075)
	<u>5,676,878</u>	<u>171,343,703</u>
27. Cost of Sales		
Bare Pipes - note 27.1	73,613,911	798,281,505
Coating of Pipes - note 27.2	31,412,603	115,656,900
	<u>105,026,514</u>	<u>913,938,405</u>
27.1 Cost of Sales - Bare Pipes		
Raw material consumed	22,119,850	739,466,009
Stores and spares consumed	2,611,538	8,956,295
Fuel, power and electricity	4,558,024	9,409,898
Salaries, wages and other benefits	12,205,242	14,989,030
Provident fund expenses	619,731	1,822,232
Pension fund expenses	2,178,265	625,358
Gratuity fund expenses	864,668	293,826
Insurance	1,558,259	1,225,991
Repairs and maintenance	675,415	1,137,224
Depreciation	12,198,726	12,629,562
Other expenses	2,030,369	4,626,685
	<u>39,500,237</u>	<u>55,716,101</u>
	<u>61,620,087</u>	<u>795,182,110</u>



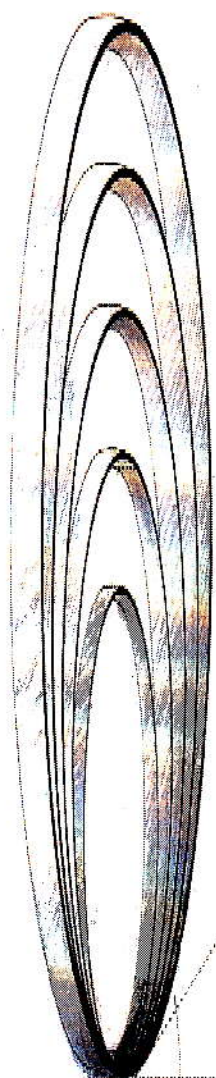
Crescent Steel
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NOTES TO THE ACCOUNTS



Crescent Steel
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Products Ltd.



	1999	1998
	Rupees	
Opening stock of work-in-process	805,049	1,284,188
Closing stock of work-in-process	(111,811)	(805,049)
	<u>693,238</u>	<u>479,139</u>
Cost of goods manufactured	62,313,325	795,661,249
Opening stock of finished goods	35,741,932	38,362,188
Closing stock of finished goods	(35,959,739)	(35,741,932)
Provision for obsolescence - finished pipes	11,518,393	-
	<u>11,300,586</u>	<u>2,620,256</u>
	<u>73,613,911</u>	<u>798,281,505</u>

27.2 Cost of Sales - Coating of Pipes

Material consumed	2,491,730	75,300,764
Stores and spares consumed	1,828,382	6,538,025
Fuel and power	584,411	3,977,508
Salaries, wages and other benefits	6,432,449	8,024,662
Provident fund expenses	263,476	782,759
Pension fund expenses	941,603	268,010
Gratuity fund expenses	373,784	125,925
Insurance	1,038,839	966,200
Repairs and maintenance	545,699	632,565
Depreciation	15,521,811	15,881,349
Other expenses	997,165	2,460,003
	<u>28,527,619</u>	<u>39,657,006</u>
	<u>31,019,349</u>	<u>114,957,770</u>
Opening stock of work-in-process	-	1,165,280
Closing stock of work-in-process	-	-
	<u>-</u>	<u>1,165,280</u>
Cost of goods manufactured	31,019,349	116,123,050
Opening stock of finished goods - coated pipes	1,375,335	909,185
Closing stock of finished goods - coated pipes	(982,081)	(1,375,335)
	<u>31,412,603</u>	<u>115,656,900</u>

28. Selling Expenses

Salaries, wages and other benefits	1,971,447	2,020,882
Provident fund expenses	110,376	103,557
Pension fund expenses	574,123	156,398
Gratuity fund expenses	227,866	73,478
Travelling and conveyance	514,405	1,845,558
Depreciation	379,441	268,566
Advertisement	543,161	583,125
Bid bond expenses	31,450	61,893
Bad debts written off	401,242	-

NOTES TO THE ACCOUNTS



Crescent Steel
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Products Ltd.

	1999	1998
	Rupees	
Provision for doubtful – trade debts	–	1,608,928
– other receivables	–	1,136,333
Transportation	26,291	–
Legal and professional charges	370,000	70,000
Sales promotion	–	15,513,220
Others	773,496	2,221,243
	<u>5,923,298</u>	<u>25,663,181</u>

29. Administration Expenses

Salaries, wages and other benefits	12,746,446	12,751,547
Provident fund expenses	618,662	555,178
Pension fund expenses	3,127,866	811,003
Gratuity fund expenses	1,241,539	381,015
Rents, rates and taxes	121,269	50,101
Travelling, conveyance and entertainment	3,010,263	8,150,989
Fuel and power	1,509,666	2,818,759
Postage, telephone and telegram	1,145,396	1,685,034
Insurance	987,298	774,038
Repairs and maintenance	1,201,095	1,075,236
Auditors' remuneration - note 29.1	909,952	1,301,544
Legal and professional charges	1,758,851	2,330,840
Donations - note 29.2	3,078,000	7,441,462
Depreciation	5,792,021	7,141,009
Advertisement	5,721	49,148
Printing, stationery and office supplies	405,795	603,726
Newspapers, subscriptions and periodicals	444,901	422,049
Others	691,797	444,751
	<u>38,796,538</u>	<u>48,787,429</u>

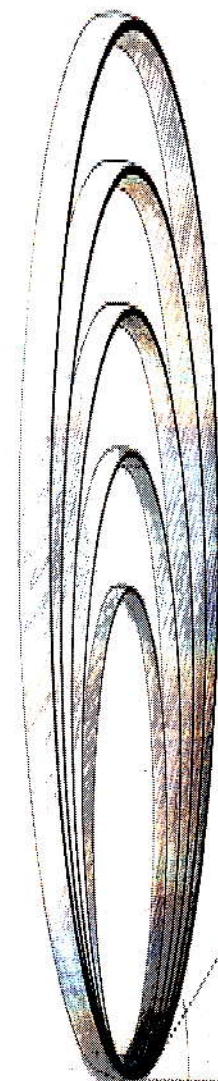
29.1 Auditors' Remuneration

Audit fee	225,000	200,000
Audit fee for funds' accounts and special reports	128,000	115,000
Taxation and accounting services	527,898	957,960
Out of pocket expenses	29,054	28,584
	<u>909,952</u>	<u>1,301,544</u>

29.2 Donations

Donations include the following in whom a director is interested:

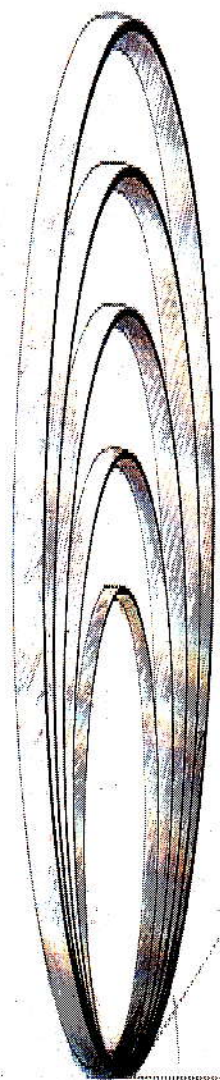
Name of director	Interest in donee	Name and address of the donee	Amount donated	
			1999	1998
			Rupees	
Ahsan M. Saleem	Director	The Citizens Foundation, 9th Floor, NIC Building, Karachi	2,763,000	2,263,462
			<u>2,763,000</u>	<u>2,263,462</u>



NOTES TO THE ACCOUNTS



Crescent Steel
and Allied
Products Ltd.



1999
1998
Rupees

30. Other Income

Liability written-back		
– liquidated damages	14,651,659	–
– workers' welfare fund	4,689,360	–
– others	3,875,029	6,478,897
Return on deposits advances and investments	31,222,284	25,642,644
Profit on redeemable capital certificates	2,256,155	–
Mark-up recovered from :		
– associated undertakings	6,663,168	5,192,448
– others	514,109	3,711,411
Gain on disposals of fixed assets	1,240,936	851,019
Gain on sale of investments	11,200,346	1,246,603
Rentals from an associated undertaking	187,980	187,980
Dividend income - note 30.1	3,888,074	4,016,452
Exchange gain	783,777	276,997
Miscellaneous	2,465,654	3,088,141
	<u>83,638,531</u>	<u>50,692,592</u>

30.1 Dividend Income

From associated undertakings:		
– Pakistan Industrial Leasing Corporation Limited	–	1,566,400
– Crescent Textile Mills Limited	388,256	370,959
	388,256	1,937,359
Others	3,499,818	2,079,093
	<u>3,888,074</u>	<u>4,016,452</u>

31. Financial Charges

Interest on a long-term loan	4,040,411	6,662,411
Mark-up on :		
– Export refinance	–	15,203,094
– Running finances	50,359	1,237,733
Finance and lease processing charges on assets subject to finance lease	514,292	1,095,427
Bank charges	594,108	2,307,521
	<u>5,199,170</u>	<u>26,506,186</u>

32. Other Charges

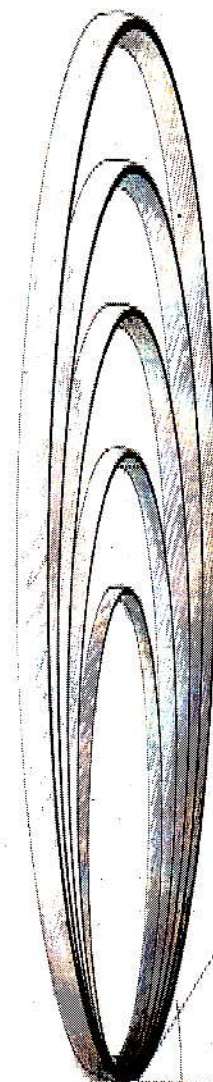
Workers' welfare fund	–	5,180,067
Provision for uncertainties against project investment	27,132,666	–
Provision for diminution in the value of long-term investments	6,650,425	–
Provision for diminution in the value of short-term investments	5,270,963	25,127,454
Provision for diminution in the value of exchangeable notes	1,827,099	–
	<u>40,881,153</u>	<u>30,307,521</u>

NOTES TO THE ACCOUNTS



Crescent Steel
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Products Ltd.

	1999	1998
	Rupees	
33. Taxation		
Current	164,607	12,737,063
Prior	(95,219,880)	-
Deferred	(8,000,000)	(14,000,000)
	<u>(103,055,273)</u>	<u>(1,262,937)</u>
34. Extraordinary Item		
Workers' profits participation fund	-	47,851,580
	<u>-</u>	<u>47,851,580</u>
35. Earnings per share		
Net profit after taxation and extraordinary item	<u>23,788,448</u>	<u>238,781,591</u>
	Number of shares	
Average number of ordinary shares in issue during the year	<u>20,084,863</u>	<u>20,084,863</u>
Basic earnings per share	<u>Rs. 1.18</u>	<u>Rs. 11.89</u>
36. Cash (Used In) / Generated From Operations		
(Loss)/profit before taxation and after extraordinary items	(79,266,825)	189,667,074
Adjustments for non cash charges and other items :		
Depreciation	33,892,000	35,920,486
Extraordinary item	-	47,851,580
Provision for uncertainties against project investment	27,132,666	-
Provision for diminution in the value of long-term investments	6,650,425	-
Provision for diminution in the value of short-term investments	5,270,963	25,127,454
Provision for diminution in the value of exchangeable bonds	1,827,099	-
Financial charges	5,199,170	17,602,327
Gain on disposals of fixed assets	(1,240,936)	(851,019)
Gain on sale of investments	(11,200,346)	(1,246,603)
Dividend income	(3,888,074)	(4,016,452)
Return on deposits, advances and investments	(31,222,284)	(25,642,644)
Working capital changes - note 36.1	37,980,288	94,440,707
Cash (used in) / generated from operations	<u>(8,865,854)</u>	<u>378,852,910</u>
36.1 Working capital changes		
(Increase)/decrease in current assets		
Stores, spares and loose tools	1,488,422	(2,874,051)
Stock-in-trade	17,776,525	285,194,719
Trade debts	18,823,895	181,955,706
Short-term advances	859,028	3,663,471
Short-term deposits and prepayments	357,960	563,192
Other receivables (net)	14,611,611	17,028,238
	<u>53,917,441</u>	<u>485,531,275</u>
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities (net)	(15,937,153)	(391,090,568)
	<u>37,980,288</u>	<u>94,440,707</u>



NOTES TO THE ACCOUNTS



Crescent Steel
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37. Cash and Cash Equivalents

Short-term deposits with non-banking financial institutions - note 24	40,015,000	100,000,000
Cash and bank balances - note 25	76,255,150	212,214,832
	<u>116,270,150</u>	<u>312,214,832</u>

38. Financial Assets and Liabilities

	Interest/Mark-up bearing			Non-Interest/Mark-up bearing			Total
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	
				Rupees			
Financial assets							
Long-term deposits	-	-	-	-	1,057,67	-	1,057,670
Investments	49,508,118	32,301,362	81,809,480	109,180,257	46,782,215	155,962,472	237,771,952
Trade receivables	-	-	-	2,410,756	-	2,410,756	2,410,756
Short-term advances	-	-	-	18,687	-	18,687	18,687
Short-term deposits	-	-	-	2,251,156	-	2,251,156	2,251,156
Other receivables	11,932,606	-	11,932,606	12,353,141	-	12,353,141	24,285,747
Short-term deposits with NBFT's	40,015,000	-	40,015,000	-	-	-	40,015,000
Cash and bank	75,831,425	-	75,831,425	423,725	-	423,725	76,255,150
Financial liabilities							
Long-term loan	19,473,582	-	19,473,582	-	-	-	19,473,582
Liabilities against assets subject to finance lease	1,336,283	649,453	1,985,736	-	-	-	1,985,736
Creditors accrued and other liabilities	-	-	-	38,270,592	-	38,270,592	38,270,592
Proposed dividend	-	-	-	10,042,431	-	10,042,431	10,042,431

38.1 Concentration of credit risk

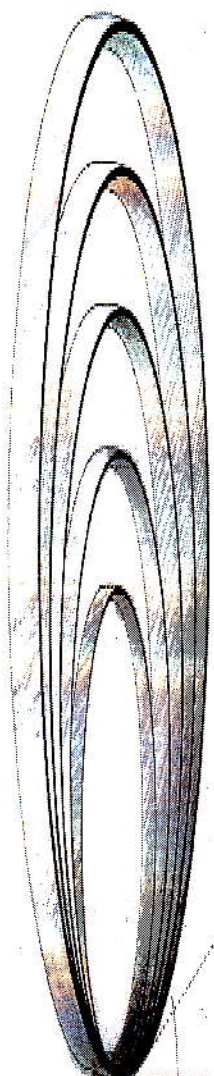
Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. All the financial assets of the company, except cash in hand, are exposed to credit risk. The company believes that it is not exposed to major concentration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

38.2 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Foreign currency risks relating to some payables are covered through forward foreign exchange contracts.

38.3 Fair values of financial assets and liabilities

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



NOTES TO THE ACCOUNTS

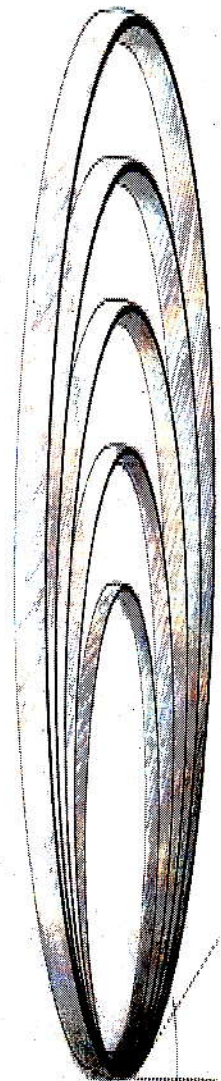
39. Remuneration To The Chief Executive, A Director And Executives

Description	Chief Executive		Director		Executives		Total	
	1999	1998	1999	1998	1999	1998	1999	1998
	Rupees							
Managerial remuneration	2,430,300	2,220,300	998,700	912,300	7,631,930	6,977,473	11,060,930	10,110,073
House rent	1,093,500	999,000	449,280	410,400	3,201,930	2,926,701	4,744,710	4,336,101
Utilities	243,000	222,000	99,840	91,200	711,539	650,399	1,054,379	963,599
Travelling expense - personal (as per entitlement)	213,870	264,842	1,045	12,809	-	-	214,915	277,651
Other allowances	470,786	318,869	-	-	-	111,929	470,786	430,798
Medical	24,739	34,418	23,622	10,932	323,468	324,390	371,829	369,740
Contribution to:								
Provident Fund	243,036	222,036	99,876	91,236	676,059	533,974	1,018,971	847,246
Gratuity Fund	170,100	155,400	69,888	63,840	498,073	408,153	738,061	627,393
Pension Fund	362,070	330,780	148,762	135,888	1,060,184	868,782	1,571,016	1,335,450
Club subscription and expenses:	214,370	224,731	14,659	6,606	-	-	229,029	231,337
Entertainment	-	-	60,000	60,000	96,000	120,000	156,000	180,000
Conveyance	-	-	-	-	71,323	61,930	71,323	61,930
Telephone	-	-	18,000	18,000	19,200	22,800	37,200	40,800
	5,465,771	4,992,376	1,983,672	1,813,211	14,289,706	13,006,531	21,739,149	19,812,118
Number of persons	1	1	1	1	32	29	34	31

39.1 The aggregate amount charged in the accounts in respect of directors' fee paid to nine (1998: Nine) directors was Rs. 37,500 (1998: Rs. 40,000).

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

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



NOTES TO THE ACCOUNTS



Crescent Steel
and Allied
Products Ltd.

40. Transactions With Associated Undertakings

Guarantee commission paid	84,100	—
Insurance premium paid	3,677,305	10,239,362
Sale of pipes	632,328	491,539
Return on deposits	11,789,966	9,471,274
Recovery of financial charges	6,663,168	5,192,448
Rentals from an associated undertaking	187,980	187,980
Dividends received	388,256	1,937,359

41. Plant Capacity and Production

41.1 Pipe Plant

The plant's installed/rated capacity for production based on single shift is 26,500 tons (1998: 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 1,210 tons (1998: 36,988 tons) line pipes of varied sizes and thicknesses, which is equivalent to 5,957 tons (1998: 61,490 tons) if actual production is translated to the notional pipe size of 30" diameter.

41.2 Coating Plant

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

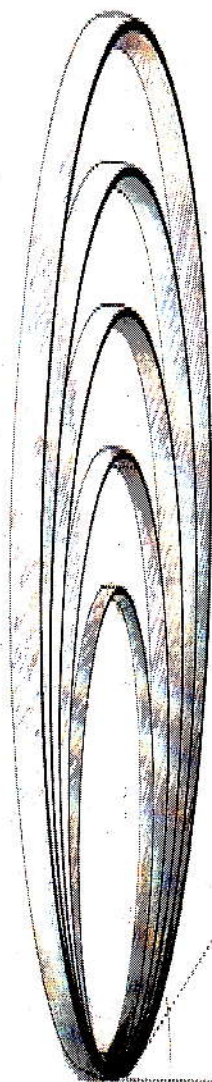
The annual capacity of the plant works out to 600,000 square metres outside surface of pipes based on notional size of 30" dia on single shift working. Coating of 9,106 metres of

different dia pipes (7,185 square metres surface area) was achieved during the year (1998: 244,841 square metres surface area).

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

42. Corresponding Figures

Previous year's figures have been rearranged, wherever necessary, to facilitate comparison.



Mazhar Karim
Chairman

Ahsan M. Saleem
Chief Executive

FORM '34' PATTERN OF HOLDING OF SHARES

Held by the Shareholders as at June 30, 1998.

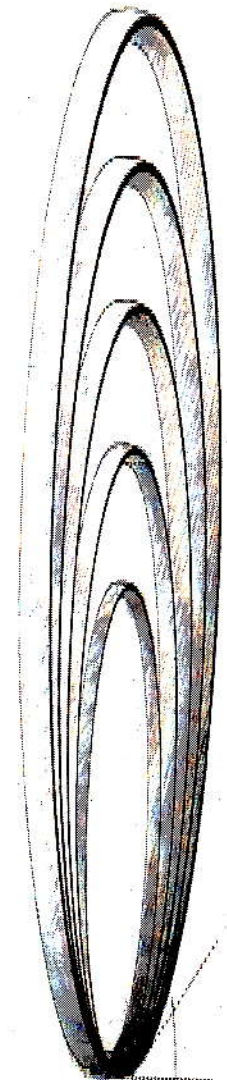
No. of Shareholders	From	Shareholding	To	Total Shares Held
122	1		100	4,881
596	101		500	136,585
126	501		1,000	96,642
231	1,001		5,000	562,397
88	5,001		10,000	640,557
41	10,001		15,000	491,186
25	15,001		20,000	417,748
17	20,001		25,000	373,369
6	25,001		30,000	162,158
3	30,001		35,000	96,232
4	35,001		40,000	151,729
4	40,001		45,000	171,853
7	45,001		50,000	328,551
4	50,001		55,000	209,253
2	55,001		60,000	114,091
1	60,001		65,000	62,453
2	65,001		70,000	136,145
1	70,001		75,000	72,834
2	75,001		80,000	152,086
1	80,001		85,000	84,640
1	90,001		95,000	93,989
3	95,001		100,000	287,152
1	110,001		115,000	111,751
1	125,001		130,000	123,000
2	145,001		150,000	289,695
1	150,001		155,000	152,087
1	160,001		165,000	161,560
1	165,001		170,000	170,000
1	185,001		190,000	189,370
1	195,001		200,000	198,836
1	290,001		295,000	293,825
1	345,001		350,000	343,267
1	365,001		370,000	366,662
1	415,001		420,000	417,211
1	470,001		475,000	474,809
1	495,001		500,000	499,270
1	510,001		515,000	514,823
1	705,001		710,000	707,182
1	885,001		890,000	888,988
1	910,001		915,000	912,525
1	1,005,001		1,010,000	1,005,100
1	1,225,001		1,200,000	1,227,345
1	1,365,001		1,370,000	1,368,787
1	1,375,001		1,380,000	1,378,101
1	1,685,001		1,690,000	1,690,000
1	1,750,001		1,755,000	1,754,138
1,312				20,084,863

Held by the Shareholders as at June 30, 1999.

Categories of Shareholders	Number	Shares Held	Percentage
Individuals	1,241	9,082,123	45.22
Investment Companies	10	777,193	3.87
Insurance Companies	3	545,677	2.72
Joint Stock Companies	23	603,964	3.00
Financial Institutions	17	7,202,844	35.86
Others	18	1,873,062	9.33
TOTAL	1,312	20,084,863	100.00
Others			
Modarabas	6	66,601	0.34
Non-Residents	11	1,711,407	8.52
Trust	1	95,054	0.47
TOTAL	18	1,873,062	9.33



Crescent Steel and Allied Products Ltd.



NOTICE OF ANNUAL GENERAL MEETING



Crescent Steel
and Allied
Products Ltd.

NOTICE is hereby given that the 15th Annual General Meeting of the shareholders of CRESCENT STEEL AND ALLIED PRODUCTS LIMITED will be held on Wednesday, December 29, 1999 at 11:00 a.m. at Pearl Continental Hotel, Shahrah-e-Quaid-e-Azam, Lahore to transact the following business:

- a) To receive and adopt the Directors' and Auditors' reports and audited accounts for the year ended June 30, 1999.
- b) To declare dividend. The directors have recommended the payment of cash dividend @ 5%.
- c) To appoint auditors and fix their remuneration. The present auditors A.F. Ferguson & Co, Chartered Accountants, retire and being eligible, offer themselves for reappointment.
- d) To elect seven directors of the company for a period of three years commencing from January 30, 2000 in accordance with the provisions of the Companies Ordinance, 1984 (in addition to two directors one each nominated by Saudi Pak Industrial & Agricultural Investment Company (Private) Limited and National Development Finance Corporation who

hold their directorships under respective agreements). The following retiring directors shall be eligible to offer themselves for re-election:

1. Mr. Mazhar Karim
2. Mr. Ahsan M. Saleem
3. Mr. Muhammad Arshad
4. Mr. Mohammad Sharif
5. Mr. Nasir Shafi
6. Mr. Samir Ahmed
7. Mr. Zahid Bashir

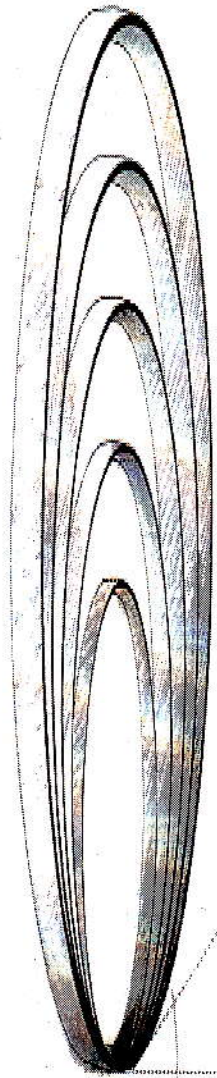
BY ORDER OF THE BOARD
Ahsan M. Saleem
Chief Executive

Lahore: December 7, 1999

NOTE:

1. The register of members of the company shall remain closed from December 22, 1999 to December 29, 1999 (both days inclusive).
2. Nominations from shareholders for election to the office of directors must be received at the Registered office of the company at least 14 clear days before the date of the meeting.
3. A member eligible to attend and vote at this meeting may appoint another member as his/her proxy. Proxies in order to be effective must be received by the Company at the Registered Office not later than 48 hours before the time for holding the Meeting.

4. Account holders and sub-account holders holding shares through Central Depository Company (CDC) who wish to attend the Annual General Meeting are requested to please bring original I.D. card along with CDC reference number.



CRESCENT GROUP

