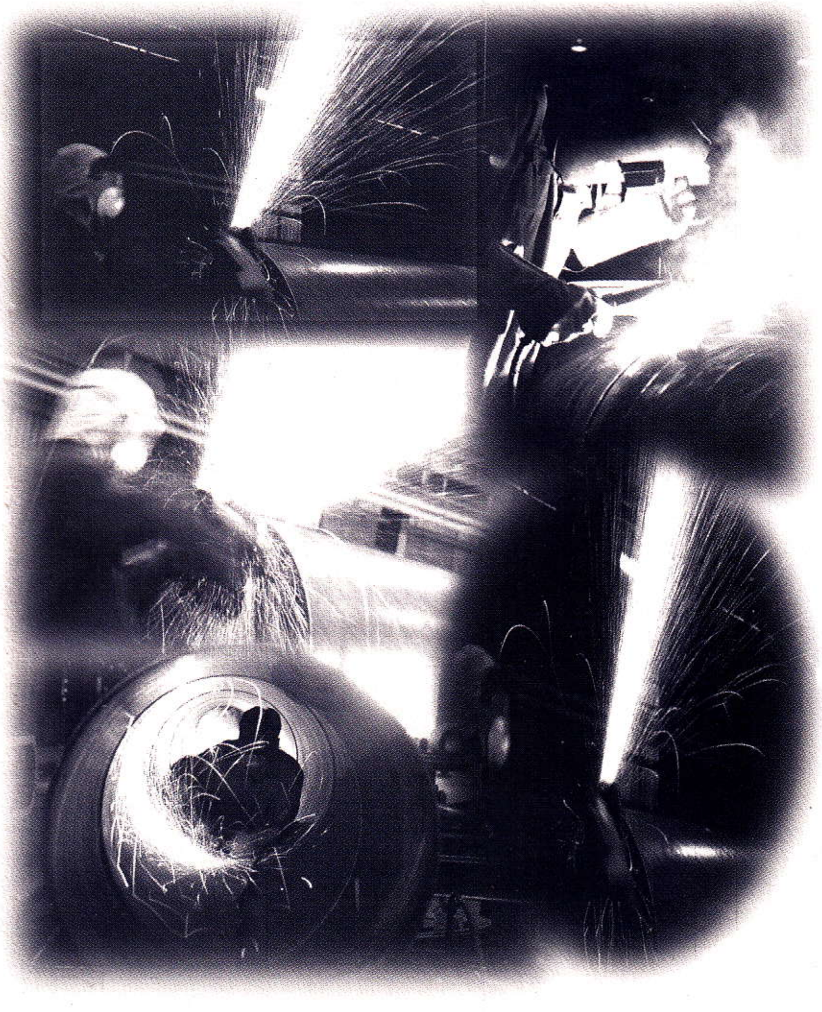
Crescent Steel and Allied Products Ltd.

ANNUAL REPORT 2000



Crescent Steel and Allied Products Ltd.

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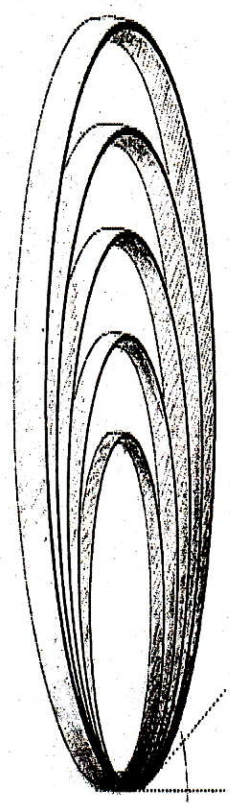


COMPANY INFORMATION

Crescent Steel and Allied Products Ltd.

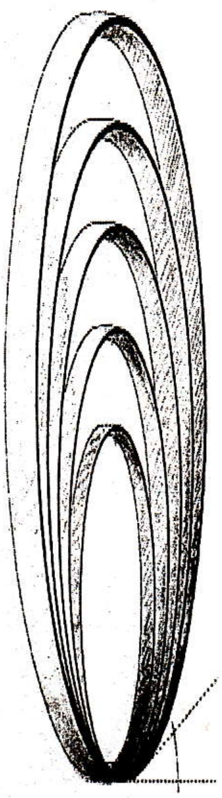
Board of Directors

Chairman	Mazhar Karim
Chief Executive	Ahsan M. Saleem
	Fiyaz Ahmed Longi
	Javed A. Callea
	Nasir Shafi
	Noman Ahmed Qureshi
	S.M. Ehtishamullah
	Zahid Bashir

Management

Chief Executive and Managing Director	Ahsan M. Saleem, 47 1983*
Advisor	Mohammad Sharif, 68 1984*
Finance Director	S.M. Ehtishamullah, 61 1996*
Executive Vice President Marketing and Sales	S.A.N. Kazmi, 58 1986*
Senior Vice President Finance and Control	Mohammad Amin, 53 1992*
Senior Vice President Head of Buying	Nadir Mazhar, 53 1993*
General Manager (Technical) Cotton Division	Abdul Rouf, 41 2000*

*Year joined company



COMPANY AND INVESTORS' INFORMATION

Crescent Steel and Allied Products Ltd.

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.

Company acquired a Cotton Spinning Unit on June 30, 2000 which manufactures good quality cotton yarn of various counts from 10s to 30s.

ANNUAL MEETING

Sixteenth Annual General Meeting of Crescent Steel and Allied Products Limited will be held on Saturday the December 30, 2000 at ~~11.00~~ 3:00 p.m. at Pearl Continental Hotel, Shahra-e-Quaid-e-Azam, Lahore.

CORPORATE SECRETARY

Rashid Sadiq

AUDITORS

A.F. Ferguson & Co.
Chartered Accountants

LEGAL ADVISOR

Hasan & Hasan

BANKERS

Crescent Investment Bank
National Bank of Pakistan
National Development Finance Corporation
Societe Generale The French & International Bank
Faysal Bank
Muslim Commercial Bank
Habib Bank Limited
Al-Falah Bank Limited
Pakistan Industrial Credit and Investment Corporation

REGISTERED OFFICE

83, Babar Block, New Garden Town, Lahore.
Telephones : 042-5839631,5881974-5
Fax : 5881976
E-mail : rashidsadiq@cressoft.com.pk

LIAISON OFFICE LAHORE

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

PRINCIPAL OFFICE

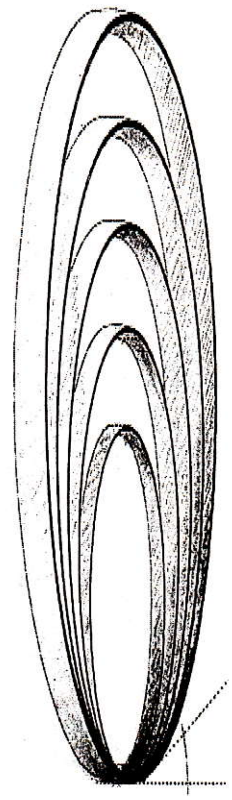
9th Floor , Sidco Avenue Centre,
264-R. A. Lines, Karachi, 74200.
Telephones : 021-5674881-5
Fax : 5680476
E-mail : mail@crescent.com.pk
URL : www.crescent.com.pk

FACTORY - Steel Division

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

MILLS – Cotton Division

Crescent Cotton Products (Spinning Unit)
1st Mile, Lahore Road, Jaranwala.
Telephones : 0468-313799, 312899, 311741
Fax : 315475
E-mail : ccpjrn@fsd.paknet.com.pk



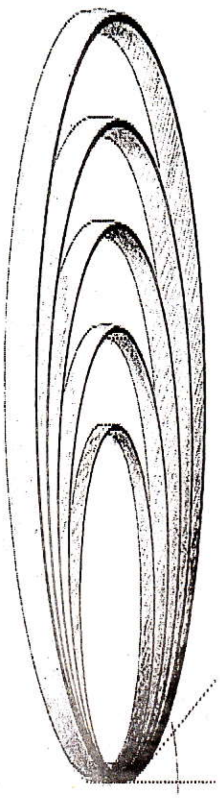
MISSION, VISION AND VALUES

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 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.



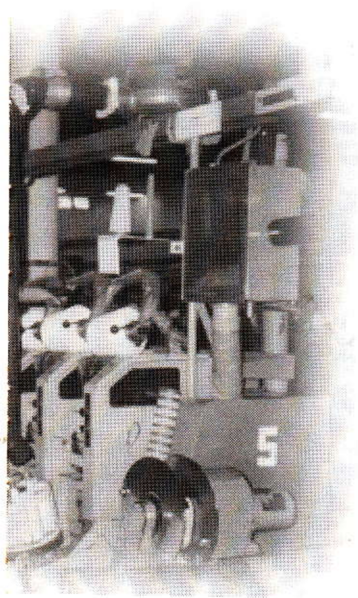
COMPANY PROFILE

Crescent Steel and Allied Products Ltd.

Crescent Steel and Allied Products 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 multi-layer Polyolefin and stand alone Epoxy 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.

STEEL DIVISION

The Spiral Pipe Plant has a capability of manufacturing high quality steel pipes in the diameter range of $8\frac{5}{8}$" (219 mm) - 90" (2286 mm) in wall thicknesses ranging from 4mm – 16 mm and material grades up to API 5L X-80 grade. The company has the unique distinction of having the authorisation to use API monogram of the American Petroleum Institute since 1987 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.



A multi-layer Polyolefin Coating Plant was added adjacent to the pipe mills in 1992. This plant is capable of applying multi-layer Coatings comprising of Fusion Bonded Epoxy, Co-Polymer Adhesive and High Density Polyethylene/ Polypropylene and Polyethylene tape Coating on steel pipes ranging from $8\frac{5}{8}$" (219 mm) – 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 pipe diameter 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.

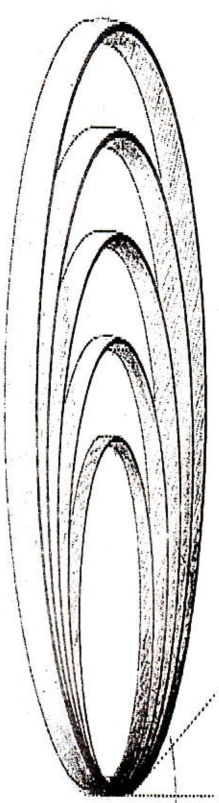
COTTON DIVISION

In view of the need for diversification, during the year the company acquired a running cotton spinning mill of 14,400 spindles with building area of over 100,000 square feet and land area of 22.7 acres located at Jaranwala near Faisalabad, which is the hub of textile industry. The cotton spinning activity is carried out under the name and title of "Crescent Cotton Products (CCP) a Division of Crescent Steel and Allied Products Limited". CCP as a division holds ISO 9002 Quality Management Credential. The plant capacity in 20's count based on 3 shifts per day for 360 working days is 4,645,411 kilograms of cotton yarn.

CCP as a division would be a separate profit centre, but at the corporate level its operational results would be included in the accounts of CSAPL.

CCP produces good quality cotton yarn of various counts from 10s to 30s and its products are consistently in demand and generally sold at a premium, for the time being only in local market. However, export potential also exists and would be duly explored.

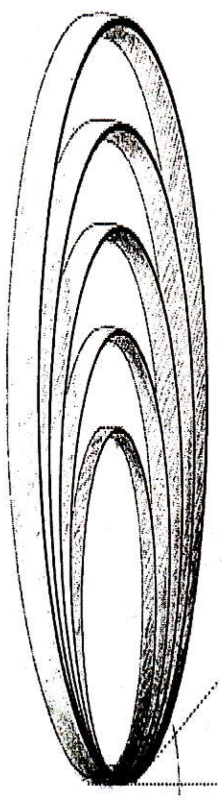
Crescent Steel and Allied Products Ltd.



FINANCIAL HIGHLIGHTS

Crescent Steel and Allied Products Ltd.

	Year ended June 30, 2000	Year ended June 30, 1999	Percentage Change + Increase - Decrease
Operating Results (Rs. 000's)			
Revenues	121,238	32,921	+ 268
Loss from operations	(65,454)	(116,825)	- 44
Net Income	90,022	23,788	+ 278
Data per common Share (Rs.)			
Earnings	4.48	1.18	+ 280
Book Value	34.51	31.82	+ 12
Stock Price Range	26-12	24-12	-
Financial Position at June 30 (Rs. 000's)			
Total Assets	894,584	756,754	+ 18
Capitalization	793,932	650,931	+ 22
Long-term Debts	64,728	11,749	+ 451
Lease Obligations	321	649	- 51
Deferred Taxation	-	11,100	- 100
Common Equity	693,050	639,181	+ 14
Current Liabilities	136,805	105,823	- 5
Other Statistics			
Return on average common equity	13.15%	3.97%	+ 250
Market to book value (times)	0.55	0.57	- 9
Common Shares (Nos.)	20,084,863	20,084,863	-



FINANCIAL SUMMARY

Crescent Steel and Allied Products Ltd.

	2000	1999	1998	1997	1996
Operating Results (Rs. 000's)					
Net Sales	121,238	32,921	1,184,177	991,639	506,867
Cost of Sales	150,034	105,027	913,938	693,120	261,622
Selling and Administrative expenses	36,657	44,720	74,451	64,180	34,610
Financial expenses	2,709	5,199	26,506	26,700	23,550
Other charges	35,245	40,881	30,308	41,461	41,858
Other income, Net	170,002	83,639	50,693	5,274	2,731
Pre tax (loss) / profit	66,593	(79,267)	189,667	171,452	147,957
Income tax	23,429	103,055	1,263	(39,539)	(50,158)
Extraordinary item (1998 only)	-	-	47,852	-	-
Net income	90,022	23,788	238,782	131,913	97,799
Per Share Results and Returns					
Earning per share (Rupees)	4.48	1.18	11.89	7.56	6.43
Net income to sales (%)	74.25	72.26	20.16	13.31	19.30
Return on average assets (%)	11.00	3.00	19.91	14.97	23.10
Return on average equity (%)	13.51	3.97	44.96	33.96	33.80
Financial Position (Rs. 000's)					
Current Assets	474,910	473,896	520,049	797,203	382,249
Current liability	100,652	105,822	166,195	575,576	267,873
Operating Fixed Assets	382,051	202,717	230,395	240,181	247,487
Total Assets	894,584	756,754	832,450	1,085,875	676,963
Long-term Debt	64,728	11,749	40,819	73,433	69,206
Shareholders' Equity	693,050	639,181	625,435	436,866	339,883
Break-up value per share (Rupees)	34.51	31.82	31.14	25.01	22.38
Financial Ratios					
Current assets to current liabilities	3.47	4.48	3.13	1.47	1.56
Long term debt to capitalization (%)	9.34	1.81	6.13	14.39	16.91
Total debt to total assets (%)	22.53	15.54	24.87	59.76	49.70
Interest coverage (times)	# 25.58	(14.25)	8.16	6.42	6.28
Average collection period (days)	# 3.96	131	24	33	29
Inventory turnover (times)	# 3.64	1.99	5.80	3.91	4.75
Fixed assets turnover (times)	# 0.70	0.16	5.14	4.25	4.62
Total assets turnover (times)	# 0.1	0.04	1.42	0.94	1.69
Other Data (Rs. 000's)					
Depreciation	32,403	33,892	35,920	35,285	48,459
Capital expenditure	* 211,915	11,843	29,485	24,716	31,595

For Steel Division only

* Includes Rs. 211.00 million towards assets of Cotton Spinning Mill. (Note 11.3)

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

DIRECTORS' REPORT

Crescent Steel and Allied Products Ltd.

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, 2000. 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, 2000	Year ended June30, 1999
	Rupees (000's)	
PROFIT FOR THE YEAR AND SURPLUS		
Profit / (Loss) before taxation	66,593	(79,267)
Taxation		
- Current	(606)	(165)
- Prior	12,935	95,220
- Deferred	11,100	8,000
	23,429	103,055
Profit after taxation	90,022	23,788
Unappropriated Profit brought forward	15,055	1,309
Profit available for appropriation	105,077	25,097
APPROPRIATIONS:		
- Proposed Dividend @ 18% (1999: 5%)	(36,153)	(10,042)
- General Reserve	(50,000)	-
	(86,153)	(10,042)
UNAPPROPRIATED PROFIT CARRIED FORWARD	18,924	15,055
Earning per share	Rs.4.48	Rs.1.18

AUDITORS

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

NUMBER OF EMPLOYEES

The number of employees at the end of June 30, 2000 was 167.

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
Chief Executive
Karachi: November 13, 2000

CHIEF EXECUTIVE'S REVIEW

Dear Shareholder,

Bismillah Ar Rahman Ar Rahim

I am pleased to present herewith the 16th Annual Report of the company. However before commenting on the results of the company, I would like to briefly apprise you of the general economic condition prevailing in the country during the year 1999-2000.

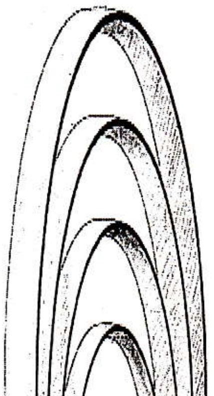
THE ECONOMY

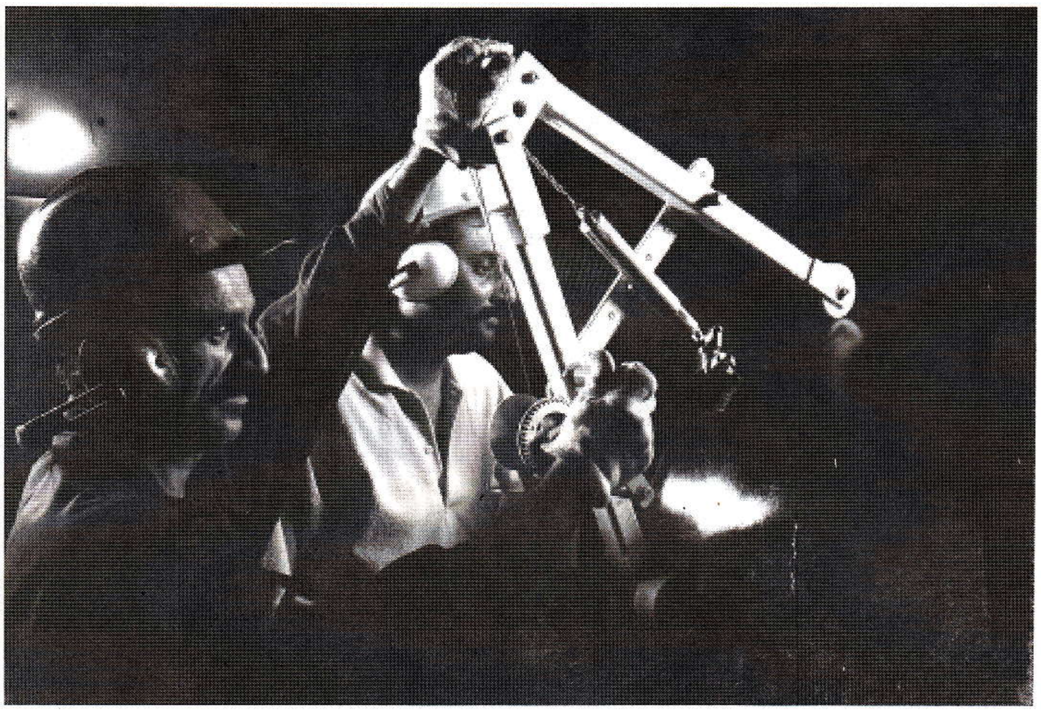
The country's economy during Fiscal 2000 showed some signs of improvement and stability, alongwith a modest growth rate. However, a combination of domestic and external shocks coupled with structural shifts kept the economy under stress.

The residual vestiges of May 1998, the political uncertainty and the change of government in October 1999, were major domestic shocks to the economy. On the external front, a breakdown in negotiations with the IMF in May-September 1999, the spike in world oil prices, the lingering dispute with HUBCO, and serious reservations in some international quarters on the emergence of a military government, exacerbated the situation. Since October 1999, the new government's economic agenda, which is based on accountability, improved governance, widening the tax net and closure of official avenues of hiding wealth, created major structural shifts in the economy. Although, the Pakistani economy has been inherently resilient and weathered many shocks in the past, its capacity to absorb domestic and external shocks along with fundamental structural changes at the same time has been tested to the limits during fiscal 2000.

These structural changes coupled with reduction and rationalisation of interest rates and good governance would lay the foundations for a more sustainable and equitable growth in the future. However, in the short-term there are transitional costs which are not insignificant. The withdrawal of investors who had built their fortunes on the basis of concessions, privileges, connections, tax evasion and loan defaults, has created a vacuum for the time being. The potential beneficiaries of the new system are yet to emerge and will take time to establish themselves. The government could have filled in this gap, but its own public finance are structurally weak.

The combination of a slowdown in the informal economy and the cumulative cuts in the productive public sector and project spending over the last few years has not only grossly reduced opportunities for economic expansion in the country in general but for companies like CSAPL it has had a negative impact as witnessed during the last two years.





ACQUISITION OF SPINNING UNIT

Realising the difficulties arising from somewhat cyclical nature of our pipe manufacturing business, as reported in my last report, we had been looking into the possibility of acquisition of some "bread-and-butter" type industry to complement and broaden the base of our operation providing an opportunity to reduce business risks and at the same time absorbing some of the costs.

After an extensive search both directly and through professional consultants, the management finally decided to go in for a cotton spinning unit in good running condition which generally met our investment criteria for such a new activity. The purchase of this spinning unit was approved by the Board of Directors and its physical acquisition took place on 30th June 2000. The unit works as an operating division of the company.

It may not be out of place to mention that textile continues to be the primary industry of Pakistan. During the year under report, the bumper cotton crop, low domestic cotton prices and falling interest rates created very favourable conditions for this sector. Value added in this sector during fiscal 2000 grew by 13%. It is predicted that the woes of textile industry are over and with good cotton crops expected the industry can look forward to bright prospects in the future. This made all the more sense to go for the acquisition of cotton spinning unit in preference to any other industry.

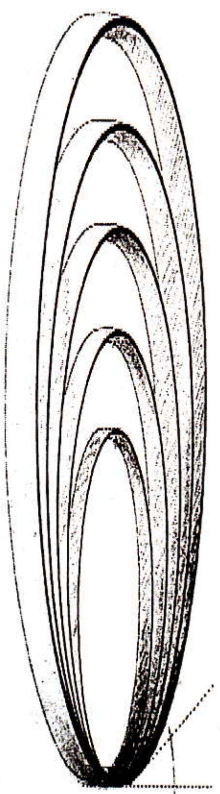
The spinning unit comprises 14,400 spindles with all ancillaries and is located at Jaranwala in the district of Faisalabad the hub of cotton industry in the country. The cost of this unit was Rs.221 million for fixed assets. Against this there is a long term loan of Rs.84 million from PICIC which has been taken over and the balance of Rs.137 million has been paid in cash from internal generation. I am pleased to report to you that your company did not have to resort to any borrowings, other than the continuing PICIC loan, to acquire this spinning unit. These figures are reflected in the Balance Sheet as on 30th June 2000, however no sale of yarn took place on 30th June and therefore in the Profit and Loss Account for the year there is no effect of spinning unit's operations.

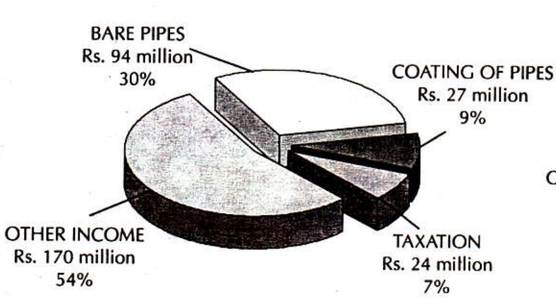
OPERATIONS

Corresponding to the signs of "some" improvement in the economy as mentioned in opening paragraph, the sales during the year registered a modest increase to Rs.94 million from bare pipes compared to Rs.27 million in the last year. Similarly compared to previous year's figure of Rs.6 million, the revenue from coating jobs was Rs.27 million.

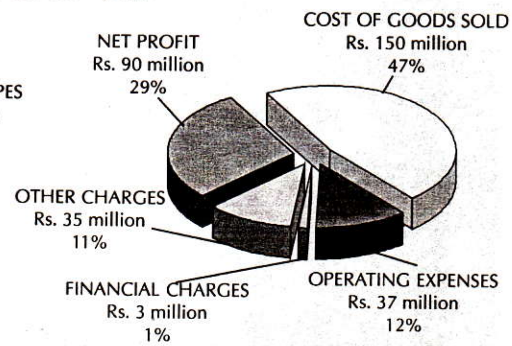
Thus the total sales revenue of Rs.121 million shows an improvement of 268% in percentage terms compared to last year, but the total utilisation of assets or capacity utilisation even on a single shift basis was only 20% for bare pipes and 7% for coating. This level of capacity utilisation is far below the break even level even at the gross profit stage.

As such, from the figures in front of you, you will observe that there was a gross loss of Rs.29 million during fiscal 2000. Compared to previous year's loss of Rs.72 million, this

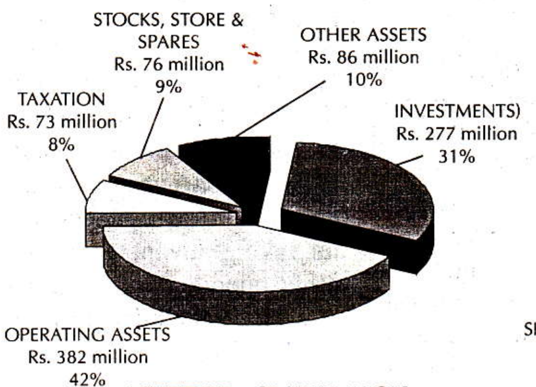




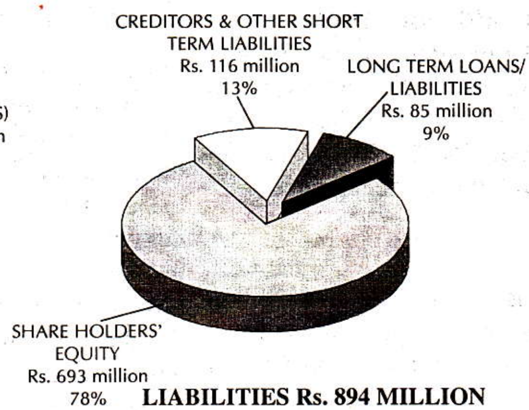
REVENUES Rs. 315 MILLION



DISTRIBUTION Rs. 315 MILLION



ASSETS Rs. 894 MILLION



LIABILITIES Rs. 894 MILLION

reduction is some relief. However, it continues to be a matter of concern for your management which is trying to do everything possible to improve the situation including staff rationalisation, cost control and tapping alternative opportunities. Diversification into the cotton spinning business is also a step in this direction.

Your management's efforts to keep the expenses under control have also borne some fruit and these reflect a reduction of 18% moving down from Rs. 45 million to Rs.37 million.

Other charges of Rs.35 million (Rs.41 million in fiscal 1999) relate to full provision against our investments in Crescent Greenwood Limited and Crescent Industrial Chemicals Limited. In case of Crescent Greenwood the break-up value of this company though operational, shows a negative net worth. In case of Crescent Industrial Chemicals, the break-up value on paper as per their last accounts appear as Rs.10 per share, but in view of the serious difficulty that this company is faced with in the aftermath of May 1998 atomic explosion, the chance of its coming on stream is rather remote. In relation to both these companies, there is the upside potential that if profitable operations commence, our investment will be restored to its original value by writing back the provision there-against.

At this stage, it may be appropriate to inform you that in view of our perception with regard to Afghanistan problem not finding a solution in the foreseeable future coupled with the fact that no major partner could be found for the Central Asia Gas Pipeline Company Limited, we have decided to withdraw from this project to save having to contribute to the ongoing administrative and maintenance expenditure of that company.

Financial charge of Rs.3 million (Rs.5 million in fiscal 1999) reflect mainly the interest paid on the last instalment of NDFC loan which was paid off in January 2000.

Other income of Rs.170 million (Rs.84 million in fiscal 1999) primarily reflects capital gain and dividends on our investments, return on placement of funds and writing back of provisions made earlier.

Taxation shows a credit of Rs.23 million (Rs.103 million in fiscal 1999). This represents partly reversal of deferred tax liability no longer required and write back of some excess provision consequent to the finalisation of the assessment for the year 1997-98.

I would like to bring to your notice that the determined tax refund of Rs.34 million upto the assessment year 1996-97 was finally paid by the department almost at midnight on the 30th of June 2000 apparently as per the general directive of the CBR to clear all cases where refunds were determined. For this we are grateful to the CBR and the tax authorities. Unfortunately, however, this policy does not seem to be continuing. The law prescribes that while finalising an assessment, if there is a refund, a refund voucher must be issued alongwith the assessment order. However, when we received the assessment for 1997-98 determining a refund of Rs.43 million there was no refund voucher ! We hope the refund of this will not take as long as it did for 1996-97. As shareholders you may wish to take note of the fact that a total Rs.72 million inclusive of the above Rs.43 million is stuck up with the tax department.

PROFITABILITY

It is a matter of some satisfaction to report that notwithstanding a loss at the normal operational level, from its core activity of pipe manufacturing, the cumulative effect of the various aspects of costs and income as described hereinabove, has resulted into your company posting a profit of Rs.90 million for the year (Rs.24 million in fiscal 1999). This gives an EPS of Rs.4.48 for the year compared to Rs.1.18 last year.

In accordance with the law, to avoid attracting the mischief of tax at the rate of 10% on the reserves of the company, the Board has proposed the mandatory dividend equivalent 40% of the profit which translates to 18% of the paid-up capital. It is worth mentioning, however, that the company can ill afford such a mandatory cash outflow in view of the fact that major element of the year's profit is held up by the tax department and also that the company is in the process of positioning itself in the diversified business of cotton spinning which requires large working capital.

BALANCE SHEET

The balance sheet of your company continues to improve in strength and all ratios, with the exception of those related to the turnover, are robust. The current ratio is 3.47:1 (4.48:1 in 1999). The debt equity ratio is 8.54 : 91.46 despite the fact that the company has acquired a running cotton spinning unit at the cost of Rs.221 million. The break-up value of shares would go up from Rs. 31.82 to Rs. 34.51 after the proposed dividend payout. The debt servicing during the year was satisfactory and even the last two instalments of NDFC loan were paid off in July 1999 and January 2000 on due dates. We have in fact been able to have their charge on our assets vacated. The following components of the balance sheet namely Investment and Capital expenditure need to be commented upon separately.

INVESTMENT

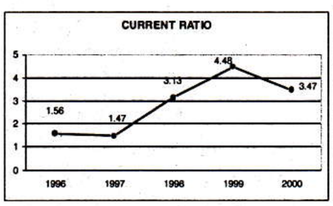
The investments appear under the classification of short term and long term. Including the current maturity of long term investment and short term deposits and bank balances which are shown separately in the balance sheet, these aggregate to Rs.316 million. Of these marketable securities are 72%, fixed income securities 18% and cash and cash placements are 10%.

Long term includes such investments that are not likely to be sold off in the near future, whereas short term investments are made in the capital market for taking advantage of the profit opportunities inclusive of capital gain, offered by the shares listed on the stock exchanges.

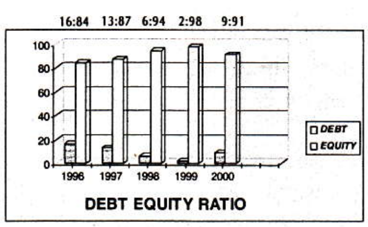
During the first half of fiscal 2000, the KSE index starting from 1055 at the end of June 1999, generally remained stable and witnessed limited upward movement from time to time due to positive political and economic climate perceived by the investors. Subsequently in the first quarter of calendar year 2000 and upto almost the end of April, the capital markets saw massive activity and buoyancy across the board propelling the index to 2054.

However, the market could not sustain or consolidate this level. There was large scale selling in May and June 2000 bringing down the index by over 500 points to 1529 at the end of fiscal 2000. This was primarily due to change in investors perception largely due to:

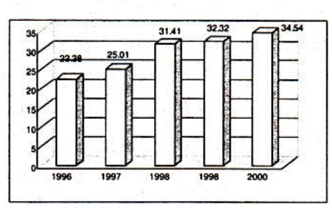
- members' over exposure and settlement problems with



CURRENT RATIO



DEBT EQUITY RATIO



BREAK UP VALUE OF SHARES

stock exchange,

- rising fiscal deficit,
- IPP controversy; and
- Delay and uncertainty about disbursement of IMF loans.

During the year under review, the market was highly volatile and moved both ways. Under these conditions, the challenge was to seek yields superior to fixed income securities. This would not have been possible through the normal traditional "buy and hold" policy and required an active trading approach. Our strategy has been to invest in high cap large float stocks and through the combined mechanism of sale and switching over of investments, realise on the one hand capital gains against short term investments wherever prudent and reduce the average carrying value of the stock on the other.

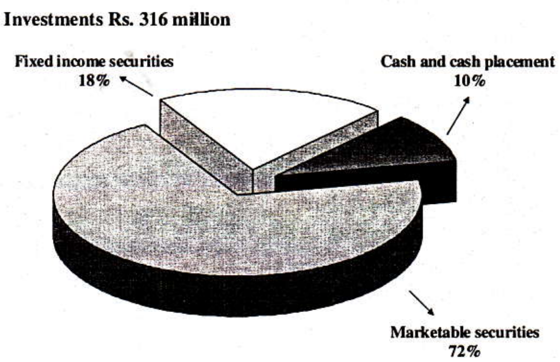
Dividend yields and capital gains on account of portfolio activity were Rs.16 million and Rs.72 million respectively.

At the year end the market value of long and short term portfolio investments were Rs.211 million and Rs.17 million respectively against cost of Rs.227 million and Rs.53 million. Full provisions against the differential including provisions against some of the long term investments such as Crescent Greenwood and Crescent Industrial Chemicals have been made as mentioned earlier in the report. This is in keeping with our accounting policy that in case of long term investments if the market value is lower than the cost and such difference is considered to be of a rather permanent nature, due provision is to be made to account for such permanent diminution.

CAPITAL EXPENDITURE

No major capital expenditure, requiring monetary outlay, was incurred in the pipe factory. Nevertheless, significant inhouse technical improvements were carried out. As a result the coating plant is now capable of coating the pipes with polypropylene also in addition to the polyethylene coating thus catering to the requirements of some customers who want the coated pipes to be operational in hotter conditions upto 110 degrees centigrade rather than upto 80 degrees centigrade only, which polyethylene coating provides. This makes the plant more versatile and in fact we have executed some orders requiring higher grade coating.

Investments



However in monetary terms, as at 30 June 2000, the new cotton spinning mill was acquired at a cost of Rs.221 million. Of this Rs.211 million appears as addition to fixed assets and the balance under different heads of the balance sheet as appropriate.

The effect of this expenditure on the operations of the company will feature in the next annual report that is for the fiscal 2001.

QUALITY PROGRAM

Excellence in quality is of utmost priority not only as a matter of company preference or choice but more as a matter of survival as the products of the pipe manufacturing and coating divisions have to compete against international manufacturers of long standing. Accordingly the company has established a formal quality program covering the entire organisation and ensures compliance thereto through an independent quality function reporting directly to me in my capacity as the CEO.

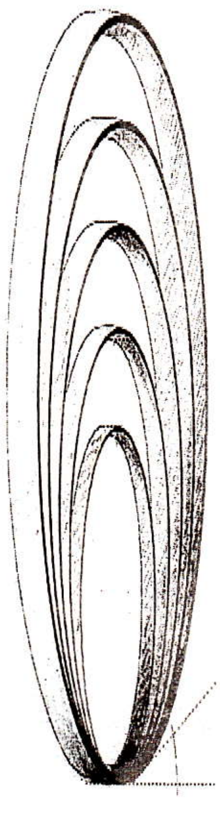
Your company was the first to get the ISO 9001 recognition in the industry segment in addition to the API licence.

The cotton spinning division that has been acquired also has ISO 9002 recognition.

INDUSTRY PROBLEMS

The engineering industry has suffered over the years due to skewed policies of the government with the result that the contribution to the economy from this sector instead of increasing have tended to decline. As a matter of policy the government should ensure that engineering industry in Pakistan has access to raw materials at the same price and on some terms as are available to their competitors in other countries. The provisions and mechanisms of WTO protocol ought to be explored for this purpose.

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 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 a 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 pointed out that although there is a stated policy of the government that "contracts be awarded to local manufacturer producing goods of international standard", this is more often ignored or circumvented rather than implemented. In the present economic situation of the country, it is all the more essential to adhere to this policy.

I might draw your attention to my report of last year where I mentioned that in Turkey, the President had intervened and stopped the contractors wanting to import line pipe as the engineering industry there could manufacture these pipes. Drawing a lesson from this our government could provide some rescue and incentive to the local engineering goods industry in general and to pipe manufactures in particular specially for major gas or oil transmission projects.

In this context it may also be mentioned that there is need for a concerted effort that the relevant ministries and divisions of the government work in a coordinated fashion while planning for projects involving transmission of oil and gas. It should be done taking into account the pipe manufacturing and coating capability as well as pipeline construction capacity existing within the country. It is rather unfortunate that at times the concerned ministry and other agencies spend years and years in planning and paperwork and when it comes to implementation of a project or procurement for it, the targets set are unrealistic and all at once in terms of time making it impossible for the local industry to meet such targets. This opens up an opportunity for vested interests to recommend for and ultimately resort to imports thus defeating the objectives of self reliance, self sufficiency and the stated policy of the government about using local resources where international standards are met.

SOCIAL RESPONSIBILITY

Despite our limitation our commitment to promote education continues. With our contributions five primary schools under the umbrella of The Citizens Foundation are already running. Another school is planned at the site of our newly acquired cotton spinning unit in Jaranwala mainly to cater to the needs of the low income workers.

For the future also we remain committed to the cause of education, environment and health care and continue to play a role according to our financial capacity, in making the country a better place to live.

FUTURE OUTLOOK

Last year while presenting my report, I had mentioned that the ebb in the economic cycle of engineering industry such as ours, was with some improvement, likely to continue through fiscal 2000 and thereafter the cycle would witness upward trend. As mentioned earlier in the report the fiscal 2000 was indeed little better than its predecessor. unfortunately, the projects expected to mature in fiscal 2001 seem to be getting delayed which may cause pipe manufacturers' problems to continue during this fiscal year also.

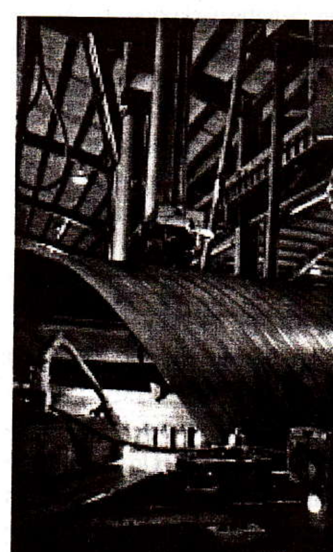
During the current fiscal therefore, our operating strategy continues to be focussed on recovering as much of the fixed costs as possible. Accordingly our marketing effort is geared towards generating some business from non-traditional sources with a degree of success, in addition to the usual business that will be generated consequent to the projects of the gas and oil companies which are in different stages of finalisation.

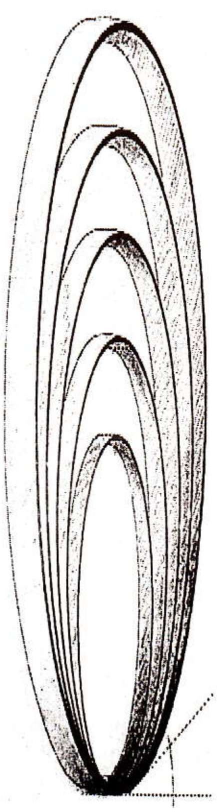
Most of these projects are coming up as a result of the government policy relating to exploration and energy being in the right direction. Through increased exploration activities gas reserves at quite a few places have been found such as at Sawan by OMV, at Bhit by LASMO and in Zamzama by Premier and Shell. The total reserves of these fields are estimated to be 3 trillion cubic feet. As these fields are located in the South and major consumption centres (and shortages) are in the North, for transportation of the gas a number of projects are planned.

SNGPL have already launched their Project- VII for laying approximately 650 k.m. of pipeline. For the initial phase of this project, SNGPL have already invited and received bids and implementation is expected within the fiscal 2001. To fully exploit these newly found reserves large scale development of the infrastructure and system augmentation by both the gas companies namely SNGPL and SSGC would be undertaken. For this the initial estimates, indicate that additional 1770 km of pipelines of different dia meters ranging from 16" to 36" would be required by the gas companies generating substantial business for the pipe manufacturers in the next three to five years period.

The 840 km White Oil Pipeline project is moving ahead. PARCO has received bids in response to their tender from 5 pre-qualified EPC Contractors which are presently being evaluated. CSAPL as a pre-qualified supplier of pipes has submitted its bids to the EPC Contractors. Commencement of linepipe procurement activity is expected by middle of 2001.

It would be appropriate to make some mention about the future of cotton industry. As mentioned earlier, the prospects appeared to be very bright until the commencement of arrival of the new lint in the market towards end of September and in October. In this context it might be worth mentioning that last year despite some indications by the government of its intention to exercise control over the cotton prices by fixing a support price level, in actual fact the government refrained from any intervention.





CHIEF EXECUTIVE'S REVIEW

The pricing was left entirely to the market forces which benefited both the growers as well as the textile mills. This year also it appears that although the government has indicated a floor price of Rs.725 per maund for the phutti, it does not seem to be taking concrete steps of actually playing any role in the pricing mechanism directly or through TCP. The current price levels which are somewhat higher than expected are mainly due to uncertainties.

The perception and reports of some cotton growing areas being infected by Kala Teela having a negative impact on the expected bumper cotton crop are rather premature as the season is just starting. Moreover the machinery for collecting the statistical information is not very scientific. This also does not help in making a realistic estimate of the crop size which we feel will be equal to or better than previous year.

Accordingly with further crop arrival in the market the picture would become clearer and, hopefully the prices would come down to a more rational level. As I have mentioned earlier that textile is the backbone of industrial activity of the country and with rational cotton prices the spinning unit would generate reasonable return and be a source of value addition to your shareholding on a long term continuous basis.

BOARD OF DIRECTORS

Upon completion of the three year term, all the elected directors retired as of 30 January 2000 and a new board was elected with effect from the same date. All the existing directors were re-elected with the exception of Mr. Mohammad Arshad and Mr. Mohammad Sharif in whose place Mr. Javed A. Callea and Mr. S.M. Ehtishamullah joined the board.

The board wishes to place on record its appreciation for the services rendered by Mr. Mohammad Arshad who has been on the board since 30th January 1994 and Mr. Mohammad Sharif who has been associated with the company since inception in executive capacity and as a director since 1st July 1990 for their valuable services during their tenures and in their respective capacities.

The board welcomes the new directors namely Mr. Javed A. Callea and Mr. S.M. Ehtishamullah.

Mr. Afsar Ahmed Siddiqui nominee of NDFC resigned as a director with effect from 7th April 2000 consequent to the repayment of the NDFC loan. The board wishes to place on record its appreciation for the services rendered by Mr. Afsar Ahmed Siddiqui 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.

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.

Ahsan M. Saleem

Ahsan M. Saleem
Chief Executive

AUDITORS' REPORT TO THE MEMBERS

A. F. FERGUSON & CO.
CHARTERED ACCOUNTANTS

OTHER OFFICES AT
LAHORE - ISLAMABAD

STATE LIFE BUILDING 1-C
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KARACHI 74000
PAKISTAN

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

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Crescent Steel and Allied Products Limited as at June 30, 2000 and the related profit and loss account, statement of changes in equity and 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.

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

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

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

(b) in our opinion –

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in notes 2.4 and 2.11 to the accounts with which we concur;

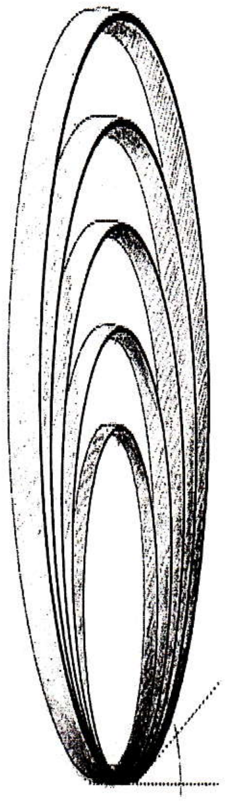
(ii) the expenditure incurred during the year was for the purpose of the company's business; and

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2000 and of the profit, its changes in equity and 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.

AFFerguson & Co.
Chartered Accountants
AF & Co.
November 29, 2000

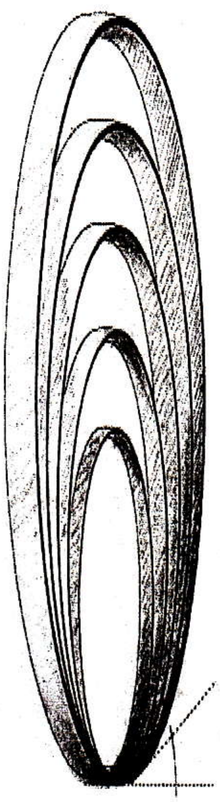


BALANCE SHEET

Crescent Steel and Allied Products Ltd.

As at June 30, 2000

	Note	2000 Rupees	1999 Rupees
Share capital and reserves			
Authorised capital			
30,000,000 (1999: 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	473,278,056	423,278,056
Unappropriated profit		18,924,294	15,054,731
		693,050,980	639,181,417
Long-term loans	5	64,407,261	-
Liabilities against assets subject to finance lease	6	320,802	649,453
Deferred taxation	7	-	11,100,000
Current liabilities			
Current maturity of long-term loans	5	20,232,032	19,473,582
Current maturity of liabilities against assets subject to finance lease	6	328,650	1,336,283
Short term running finance under markup arrangement	8	20,546,423	-
Creditors, accrued and other liabilities	9	59,545,031	74,970,363
Proposed dividend		36,152,753	10,042,431
		136,804,889	105,822,659
Contingencies and commitments	10		
		894,583,932	756,753,529



	Note	2000 Rupees	1999 Rupees
Tangible fixed assets			
Operating fixed assets	11	374,752,372	194,052,622
Assets subject to finance lease	12	327,705	1,737,421
Capital work-in-progress	13	6,970,820	6,926,580
		382,050,897	202,716,623
Long-term investments	14	32,003,511	79,083,577
Long-term deposits		1,701,932	1,057,670
Staff retirement benefits	15	3,917,942	-
Current assets			
Stores, spares and loose tools	16	37,929,460	30,831,038
Stock-in-trade	17	38,483,650	43,869,786
Trade debts	18	220,303	2,410,756
Short-term advances	19	1,606,084	1,050,602
Short-term deposits and prepayments	20	5,075,302	2,713,185
Current maturity of long-term investment in redeemable capital	21	7,581,754	9,316,548
Short-term investments	22	245,444,048	149,371,827
Other receivables	23	34,559,021	24,285,747
Taxation	24	72,519,795	93,776,020
Short-term deposits with non-banking financial institutions	25	15,000,000	40,015,000
Cash and bank balances	26	16,490,233	76,255,150
		474,909,650	473,895,659
		894,583,932	756,753,529

The annexed notes form an integral part of these accounts.

Mazhar Karim
Chairman

Ahsan M. Saleem
Chief Executive

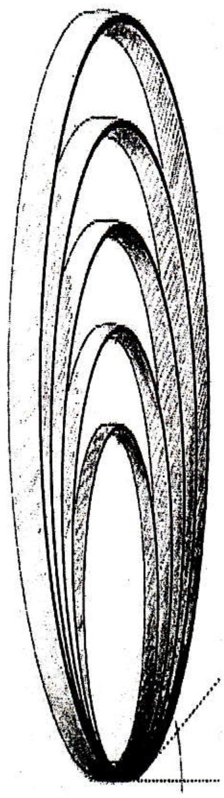
PROFIT AND LOSS ACCOUNT

Crescent Steel and Allied Products Ltd.

For the Year ended June 30, 2000

	Note	2000 Rupees	1999 Rupees
Sales	27	121,237,877	32,921,317
Cost of sales	28	150,034,283	105,026,514
Gross loss		(28,796,406)	(72,105,197)
Selling expenses	29	5,475,746	5,923,298
Administration expenses	30	31,181,372	38,796,538
		36,657,118	44,719,836
Operating loss		(65,453,524)	(116,825,033)
Other income	31	170,001,647	83,638,531
		104,548,123	(33,186,502)
Financial charges	32	2,709,181	5,199,170
Other charges	33	35,245,468	40,881,153
		37,954,649	46,080,323
Profit / (loss) before taxation		66,593,474	(79,266,825)
Taxation	34	(23,428,842)	(103,055,273)
Profit after taxation		90,022,316	23,788,448
Basic earnings per share	35	Rs. 4.48	Rs. 1.18

The annexed notes form an integral part of these accounts.



Mazhar Karim
Chairman

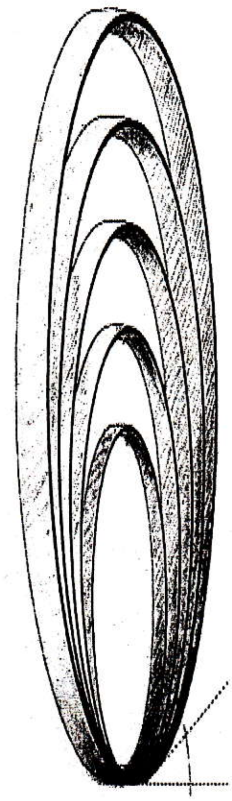
Ahsan M. Saleem
Chief Executive

STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2000

	Issued, subscribed and paid-up share capital	General reserve	Unappropriated profit	Total
	Rupees			
Balance as at July 1, 1998	200,848,630	423,278,056	1,308,714	625,435,400
Profit for the year	-	-	23,788,448	23,788,448
Dividend 5 %	-	-	(10,042,431)	(10,042,431)
Balance as at June 30, 1999	200,848,630	423,278,056	15,054,731	639,181,417
Profit for the year	-	-	90,022,316	90,022,316
Transfer to general reserve	-	50,000,000	(50,000,000)	-
Proposed dividend 18 %	-	-	(36,152,753)	(36,152,753)
Balance as at June 30, 2000	200,848,630	473,278,056	18,924,294	693,050,980

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, 2000

	Note	2000 Rupees	1999 Rupees
Cash flow from operating activities			
Cash generated from / (used in) operations	37	12,286,806	(8,865,854)
Taxes refunded /(paid)		33,585,067	(4,360,867)
Financial charges paid		(9,650,770)	(6,536,950)
Contributions to pension and gratuity fund		(2,836,967)	-
(Decrease) / increase in long-term deposits		(644,262)	391,300
Net cash inflow / (outflow) from operating activities		32,739,874	(19,372,371)
Cash flow from investing activities			
Fixed capital expenditure		(211,959,053)	(8,240,523)
Investments made		(397,982,134)	(301,327,917)
Sale proceeds of fixed assets		991,646	3,268,160
Sale proceeds of investments		378,760,169	154,044,048
Dividends received		13,048,700	3,888,074
Redemption of redeemable capital		9,314,548	5,782,024
Return on deposits - associated undertakings		10,555	14,243,559
- others		15,921,301	20,339,986
Net cash (outflow) from investing activities		(191,894,268)	(108,002,589)
Cash flow from financing activities			
Long term loan		84,639,293	-
Repayments of			
- a long term loan		(19,473,582)	(16,626,315)
- liabilities against assets subject to finance lease		(1,336,283)	(1,896,449)
Dividends paid		(10,001,374)	(50,046,958)
Net cash inflow / (outflow) from financing activities		53,828,054	(68,569,722)
Net (decrease) in cash and cash equivalents		(105,326,340)	(195,944,682)
Cash and cash equivalents at the beginning of the year		116,270,150	312,214,832
Cash and cash equivalents at the end of the year	38	10,943,810	116,270,150

The annexed notes form an integral part of these accounts.

Mazhar Karim
Chairman

Ahsan M. Saleem
Chief Executive

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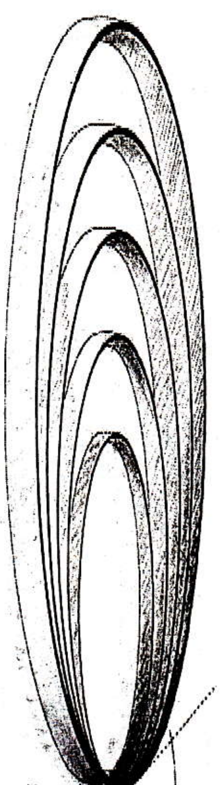


The annexed notes form an integral part of these accounts.

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, 2000

1. LEGAL STATUS AND OPERATIONS

1.1 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 1997 the company was awarded ISO 9001 Quality Management Standard certification, which it continues to maintain.

1.2 The Company has acquired a running spinning unit of 14,400 spindles at Jaranwala (District Faisalabad) on June 30, 2000 from its associated undertaking, Crescent Jute Products Limited (CJPL). The cotton spinning activity is carried out by the company under the name and title of "Crescent Cotton Products a division of Crescent Steel and Allied Products Limited". Crescent Cotton Products the division, is also a holder of ISO 9002 Quality Management Standard Credential. A basic agreement has been entered into, however, transfer of legal title is in the process of being completed.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These accounts have been prepared in accordance with the requirements of the Companies Ordinance, 1984 and International Accounting Standards as applicable in Pakistan.

2.2 Accounting convention

These accounts have been prepared under the historical cost convention.

2.3 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 % 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 its permanent management employees. The pension scheme provides lifetime pension to retired employees or to their spouse. Contributions are payable to the pension and gratuity funds on a monthly basis according to the actuarial recommendations. Actuarial valuations are conducted annually.

Consequential to adoption of IAS 19 (revised 1998), the actuarial valuation has been conducted in accordance with the IAS 19 (revised 1998). The projected unit credit method based on the following significant assumptions is used for valuation of schemes mentioned above:

- discount rate at 12 % per annum;
- expected rate of increase in salaries 10 % per annum; and
- expected rate of interest on investment at 12 % per annum.

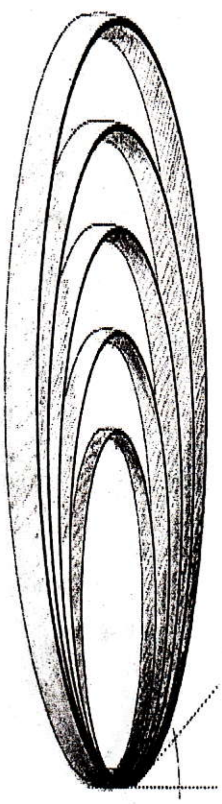
2.4 Compensated absences (leave)

IAS 19 (revised 1998) requires that liability in respect of accumulated compensated absences (leave) of employees should be accounted for in the periods in which these absences are earned. According to the previous accounting policy of the company these absences were accounted for on payment basis. Accordingly, the management has decided to change the accounting policy of the company and has made a total provision of Rs 2.636 million, in the current year's profit and loss account, in respect of accumulated compensated absences (leave) as at June 30, 2000. Had such a policy not been changed the profit after tax would have been higher by Rs 2.314 million.

Had the benchmark treatment of change in accounting policy been followed, opening retained earnings (unappropriated profit) would have been lower by Rs 2.760 million and profit after tax for the year ended June 30, 2000 would have been higher by Rs 2.438 million.

2.5 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.

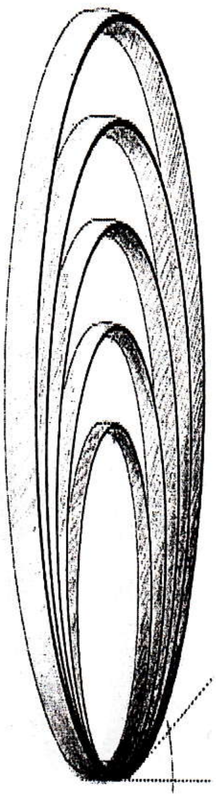
Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired. Profit or loss on sale or retirement of fixed assets is included in income currently.

2.6 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 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.



2.7 Stores and spares

Stores and spares are valued on a weighted average basis.

2.8 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.

2.9 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.

2.10 Taxation

Consistent with prior years provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, or the minimum tax at the rate of 0.5 percent of the turnover, whichever is higher.

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 debit balance only if it is likely to reverse in the foreseeable future.

2.11 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 such confirmed orders where the payments are secure.

Consequent upon the Institute of Chartered Accountants of Pakistan's circular no. 06/2000 dated March 31, 2000, effective July 1, 1999 the dividend income is recognised when the right to receive is established i.e. at the book closure date of the company declaring the dividend. Upto June 30, 1999 the dividend was recognised on actual receipts basis. The policy has been changed to account for such dividend income on accrual basis.

Had the policy of recognition not been changed the profit after tax would have been lower by Rs 3.188 million whereas there is no effect on the profit after tax for the year ended June 30, 1999.

Effective July 1, 1999 the gain and loss on sale of investment are recognised on accrual basis, however, upto June 30, 1999 the capital gains are recognised on receipt basis. Had the previous policy not been changed the profit after tax would have been higher by Rs 0.454 million. The effect of such change on the accounts of the company for the year ended June 30, 1999 is not material. The policy has been changed to account for capital gains on accrual basis.

2.12 Investments

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.

3. Issued, subscribed and paid-up-capital

2000	1999		2000	1999
No. of shares			Rupees	Rupees
10,564,900	10,564,900	Ordinary shares of Rs10 each fully paid in cash	105,649,000	105,649,000
9,519,963	9,519,963	Ordinary shares of Rs10 each issued as bonus shares	95,199,630	95,199,630
20,084,863	20,084,863		200,848,630	200,848,630

4. Reserves

	2000 Rupees	1999 Rupees
General Reserve		
At the beginning of the year	421,000,000	421,000,000
Transfer from profit and loss account	50,000,000	-
	471,000,000	421,000,000
Reserve for issue of bonus shares	2,278,056	2,278,056
	473,278,056	423,278,056

5. Long-term loan

	2000 Rupees	1999 Rupees
Secured		
From National Development Finance Corporation (NDFC)	-	19,473,582
From Pakistan Industrial Credit and Investment Corporation (PICIC) at 14% per annum - note 5.1	46,361,860	-
at 16% per annum - note 5.2	38,277,433	-
	84,639,293	19,473,582
Less: Current maturity shown under current liabilities	20,232,032	19,473,582
	64,407,261	-

The above loans of Rs 46.362 million and Rs 38.277 million relating to Crescent Cotton Products (CCP) obtained by CJPL from PICIC have been taken over by the company effective June 30, 2000 as part of purchase consideration for CCP. An agreement in this regard is in the process of formalisation.

5.1 The loan of Rs 46.362 million is repayable by December 2003 in half yearly installments.

5.2 The loan of Rs 38.277 million is repayable by November 2003 in monthly installments.

These loans are secured against first charge on fixed assets of cotton division. After completion of legal formalities for transfer of title this loan will continue to be secured thereagainst together with depositing of post dated cheques for the remaining installments of loans.

NOTES TO THE ACCOUNTS

6. Liabilities against assets subject to finance lease

The company has acquire three vehicles under finance lease agreements with a leasing company. The rentals are payable in monthly installments under the lease agreements. The amounts of future payments for the leases and the period in which the lease payments will become due are :

	2000	1999	2000	1999	2000	1999
	Minimum lease payments		Financial charges		Present value of minimum lease payments	
	Rupees		Rupees		Rupees	
Year to June 30, 2000	-	1,538,315	-	202,031	-	1,336,284
Year to June 30, 2001	405,385	405,385	76,735	76,735	328,650	328,650
Year to June 30, 2002	343,755	343,755	22,953	22,953	320,802	320,802
Total	749,140	2,287,455	99,688	301,719	649,452	1,985,736
Less: Current maturity shown under current liabilities					328,650	1,336,283
					320,802	649,453

The present values of minimum lease payments have been discounted at an effective interest rates ranging from 21.48% to 22.02% per annum. Repairs and insurance costs are to be borne by the lessee. The company intends to exercise its option to purchase the leased assets for Rs 163,858 on completion of the lease periods.

7. Deferred taxation

The net timing differences due to accelerated tax depreciation, provision against slow-moving stocks, doubtful debts and assessed and returned losses have resulted in deferred tax debit of Rs 4.315 million. The company has not accounted for such deferred tax assets as it considers that it is not likely to reverse in the foreseeable future (1999: Rs 11.10 million deferred tax credit).

	2000 Rupees	1999 Rupees
8. Short-term running finance under mark-up arrangements		
Secured		
From Societe Generale, The French and International Bank - note 8.2	20,546,423	-

NOTES TO THE ACCOUNTS

8.1 National Bank of Pakistan
The facility for running finance available amounts to Rs 20 million (1999: Rs 20 million). The rate of mark-up is 49.5 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 was repayable on December 31, 1999. The agreement has not yet been renewed by the bank. 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.

8.2 Societe Generale, The French and International Bank
The facility of running finance available amounts to Rs 50 million (1999: Rs 50 million). The rate of mark-up is 15% per annum. The purchase price is payable on Feburary 28, 2001. 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.

The facility for opening letters of credit and guarantees as at June 30, 2000 amounted to Rs 193 million (1999: Rs 193 million) of which amount remaining unutilised at the year end was Rs 178.375 million (1999: Rs 165.42 million).

	2000 Rupees	1999 Rupees
9. Creditors, accrued and other liabilities		
Creditors	1,626,942	1,207,868
Excise duty payable	3,133,076	8,620,831
Sales tax payable	477,680	-
Accrued liabilities	15,745,100	21,884,815
Interest accrued on a secured loan	-	1,472,690
Accrued mark-up	57,663	38,807
Advances from customers	17,363,901	23,649,244
Workers' welfare fund	5,180,067	13,050,527
Retention money	627,428	695,607
Due to associated undertakings	10,547,148	336,967
Payable to gratuity fund	-	80,115
Payable to pension fund	-	170,512
Payable to provident fund	418,545	406,932
Unclaimed dividend	952,061	911,004
Others	3,415,420	2,444,444
	59,545,031	74,970,363

9.1 Maximum amount due to associated undertakings at the end of any month during the year was Rs 10.54 million (1999: Rs 0.90 million).

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, 2000.

10.2 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.

10.3. Aggregate commitments for capital expenditures amounted to Rs 13.334 million (1999: Rs 13.278 million).

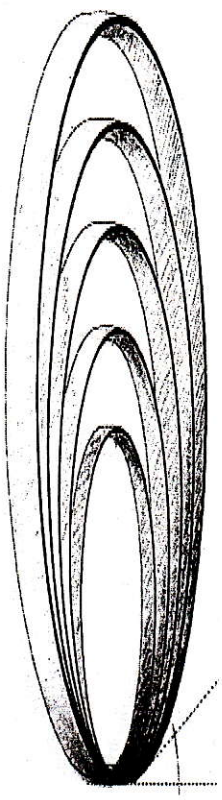
Crescent Steel and Allied Products Ltd.

11. Operating fixed assets

11.1 The following is a statement of all operating fixed assets other than coating and cotton spinning units:

Description	Cost as at July 1, 1999	Additions/ * transfers/ (disposals)	Cost as at June 30, 2000
Leasehold land	8,053,796	-	8,053,796
Improvements to leasehold land	105,922	-	105,922
Building on leasehold land	59,167,270	-	59,167,270
Plant and machinery	196,941,335	-	196,941,335
Office premises	14,292,244	-	14,292,244
Furniture and fixtures	15,648,966	149,200	15,798,166
Office and other equipments	13,030,926	376,250	13,407,176
Vehicles	18,893,587	182,000 *2,705,000 (1,784,347)	19,996,240
Workshop equipments	3,172,773	-	3,172,773
2000	329,306,819	707,450 *2,705,000 (1,784,347)	330,934,922
1999	321,968,278	11,830,101 (4,491,560)	329,306,819

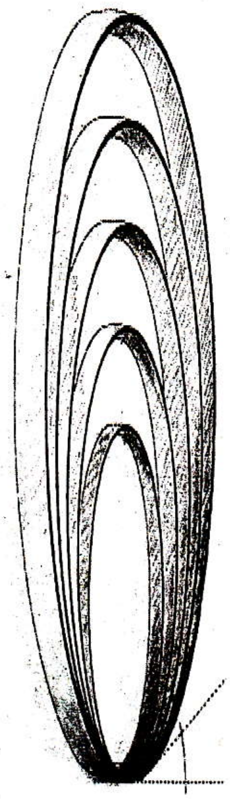
(*) Leased assets transferred to own assets on the expiry of lease terms during the year.



	Accumulated depreciation as at July 1, 1999	Depreciation charge for the year/ *transfers/ (on disposals)	Accumulated depreciation as at June 30, 2000	Net book value as at June 30, 2000	Rate of depreciation as a % of cost
	Rupees				
	684,508	81,348	765,856	7,287,940	1
	12,796	3,208	16,004	89,918	1
	27,276,987	2,957,134	30,234,121	28,933,149	5
	126,040,938	8,311,289	134,352,227	62,589,108	5 to 20
	7,295,802	1,294,033	8,589,835	5,702,409	10
	6,100,378	1,529,965	7,630,343	8,167,823	10
	10,687,460	1,274,900	11,962,360	1,444,816	20 to 40
	10,733,576	3,166,759 *1,623,000 (1,562,438)	13,960,897	6,035,343	20
	2,997,049	60,316	3,057,365	115,408	5 to 20
	191,829,494	18,678,952 *1,623,000 (1,562,438)	210,569,008	120,365,914	
	174,830,057	19,690,573 (2,691,136)	191,829,494	137,477,325	

11.2 Coating plant

Description	Cost as at July 1, 1999	Additions / disposals/ * transfers during the year	Cost as at June 30, 2000
Building on leasehold land	8,527,578	-	8,527,578
Plant and machinery	137,493,262	200,000	137,693,262
Office and other equipments	78,350	-	78,350
Furniture and fixtures	47,690	-	47,690
2000	146,146,880	200,000	146,346,880
1999	142,281,120	12,760 *3,853,000	146,146,880



Accumulated depreciation as at July 1, 1999	Depreciation charge for the year/ on *transfer	Accumulated depreciation as at June 30, 2000	Net book value as at June 30, 2000	Rate of depreciation as a % of cost
Rupees				
2,425,017	427,017	2,852,034	5,675,544	5
87,036,046	12,909,186	99,945,232	37,748,030	5 to 20
78,350	-	78,350	-	20
32,170	3,664	35,834	11,856	10
89,571,583	13,339,867	102,911,450	43,435,430	
74,461,343	13,332,711 *1,777,529	89,571,583	56,575,297	

NOTES TO THE ACCOUNTS

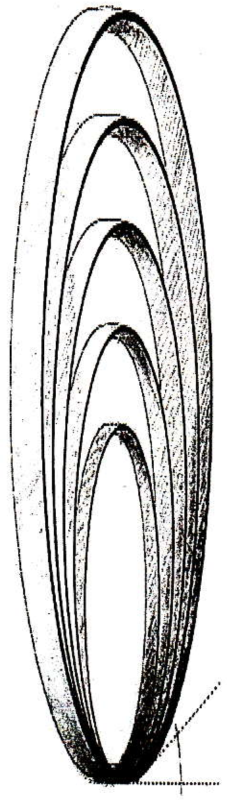
11.3 Cotton Spining Unit

Description	Cost as at July 1, 1999	Additions/ disposal/* transfers during the year	Cost as at June 30, 2000
Freehold land	-	6,155,149	6,155,149
Building on freehold land	-	15,432,972	15,432,972
Plant and machinery	-	176,791,296	176,791,296
Electric installation	-	11,707,526	11,707,526
Furniture and fixtures	-	150,507	150,507
Vehicles	-	769,913	769,913
2000	-	211,007,363	211,007,363
1999	-	-	-
Total operating fixed assets as at June 30, 2000	475,453,699	211,914,813 *2,705,000 (1,784,347)	688,289,165
Total operating fixed assets as at June 30, 1999	464,249,398	11,842,861 (4,491,560) *3,853,000	475,453,699

11.3.1 Effective June 30, 2000 the company had acquired the cotton division however transfer of legal title of assets in the name of the company is in process.

11.3.2 In accordance with company's policy the depreciation has been prorated for one day.

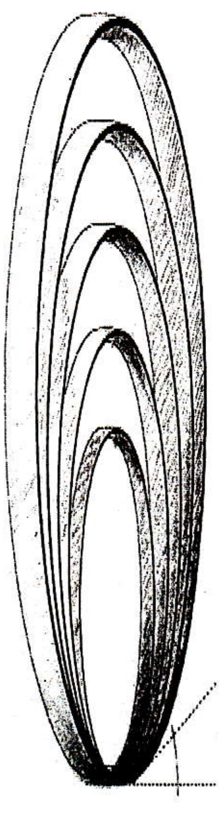
	Accumulated depreciation as at July 1, 1999	Depreciation charge (note-11.3.2)/ *on transfer (on disposals)	Accumulated depreciation as at June 30, 2000	Net book value as at June 30, 2000	Rate of depreciation as a % of cost
	Rupees				
	-	-	-	6,155,149	
	-	4,228	4,228	15,428,744	10
	-	48,436	48,436	176,742,860	10
	-	3,208	3,208	11,704,318	10
	-	41	41	150,466	10
	-	422	422	769,491	20
	-	56,335	56,335	210,951,028	
	-	-	-	-	
	281,401,077	32,075,154 *1,623,000 (1,562,438)	313,536,793	374,752,372	
	249,291,400	33,023,284 (2,691,136) *1,777,529	281,401,077	194,052,622	



NOTES TO THE ACCOUNTS

11.4 Following are the details of fixed assets disposed off during the year:

Description	Cost	Accumulated depreciation	Book value	Sale proceed	Mode of disposal	Sold to
	Rupees					
Vehicle	232,200	232,200	-	80,972	Company scheme	Mr. Syed Ayub Ali, R-152/20 F.B Area, Block-20, Karachi.
-- do--	282,524	282,524	-	114,424	-- do--	Mr. Arif Raza, A-33, Flat-9, Block-7, Gulshan-e-Iqbal, Karachi.
-- do--	46,231	46,231	-	16,180	-- do--	Mr. Mehtab Ahmed, H.No. 8/13, unit # 5, Liaqatabad, Hyderabad.
-- do--	46,231	46,231	-	16,180	-- do--	Mr. Mohammad Ramzan, H.No. 90, Garden West, 3rd Lane, near Ali Bhai School Karachi.
-- do--	46,231	46,231	-	16,180	-- do--	Mr. Mohammad Ali, H.No. 2426, Street No. 4, Azam Basti, Karachi.
-- do--	46,231	46,231	-	16,180	-- do--	Mr. Bashir Ahmed, Village Ishaq Dhonalia, PO Taluka, Thana Bola Khan, Distt. Dadu.
-- do--	46,231	46,231	-	16,180	-- do--	Mr. Mehboob Alam, H.No. 17, Millat Market, Drigh Road, Karachi.
-- do--	46,231	46,231	-	16,180	-- do--	Mr. Misbah-ud-din, A-83, 13-D/3, Gulshan-e-Iqbal, Karachi.
-- do--	46,231	46,231	-	16,180	-- do--	Mr. Anwar Sabir, Butt 47-D, Mehmoodabad-3, Karachi.
-- do--	46,231	46,231	-	16,180	-- do--	Mr. Mohammad Haroon, C-93, Block-6, Gulshan-e-Iqbal, Karachi.
-- do--	58,280	46,368	11,912	29,140	-- do--	Mr. Ahmed Fahim, F-127, Malir Cantt. Karachi.
-- do--	46,200	18,480	27,720	16,170	-- do--	Mr. Ziauddin Ansari, 96-C, Block-2, P.E.C.H.S, Karachi.
-- do--	59,500	23,800	35,700	59,500	Insurance Claim	The Premier Insurance Wallace Road, Karachi.
-- do--	62,700	12,540	50,160	61,000	-- do--	-- do--
-- do--	60,700	24,280	36,420	59,000	-- do--	-- do--
-- do--	492,300	492,300		330,000	-- do--	-- do--
-- do--	60,300	36,180	24,120	55,000	-- do--	-- do--
-- do--	59,795	23,918	35,877	57,000	-- do--	-- do--
	1,784,347	1,562,438	221,909	991,646		

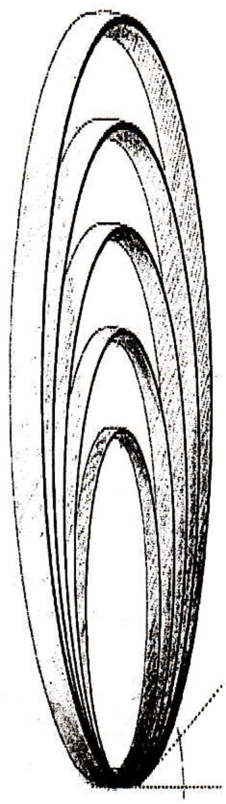


12. Assets subject to finance lease

Description	Cost as at July,1 1999	* Transfers/ (disposals)	Cost as at June 30, 2000	Accumulated depreciation as at July 1, 1999	Depreciation charge for the year/ *transfers/ (on disposals)	Accumulated depreciation as at June 30, 2000	Net book value as at June 30, 2000	Rate of depreciation as a % of cost
	Rupees							
Vehicles	4,343,580	- *(2,705,000)	1,638,580	2,606,159	327,716 *(1,623,000)	1,310,875	327,705	20
2000	4,343,580	- *(2,705,000)	1,638,580	2,606,159	327,716 *(1,623,000)	1,310,875	327,705	
1999	8,574,580	- *(3,853,000) (378,000)	4,343,580	3,666,172	868,716 *(1,777,529) (151,200)	2,606,159	1,737,421	

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 assets.

	2000 Rupees	1999 Rupees
13. Capital work-in-progress		
Civil works	5,461,350	5,461,350
Plant and machinery	1,509,470	1,465,230
	6,970,820	6,926,580
14. Long-term investments		
Portfolio investments – note 14.1	17,131,773	46,782,215
Government of Pakistan US$ Bonds - note 14.7	7,844,880	7,704,750
Redeemable capital – note 14.8	7,026,858	24,596,612
	32,003,511	79,083,577



Crescent Steel and Allied Products Ltd.

14.1 Portfolio Investments

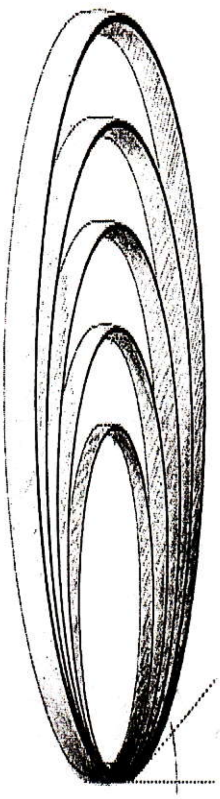
Unless stated otherwise the holdings are in ordinary shares certificates of Rs.10 each.

2000 Number of shares	1999 Number of shares		2000 Rupees	1999 Rupees
		Quoted - Associated undertakings		
585,000	585,000	Crescent Investment Bank Limited	7,177,300	7,176,300
		Pakistan Industrial Leasing		
1,062,000	1,062,000	Corporation Limited	9,229,000	9,229,000
		Less: Provision for dimunition in the value of long-term investments	(1,795,090)	(6,122,800)
			14,611,210	10,282,500
		Quoted - Others		
362,250	362,250	Crescent Leasing Corporation Limited	2,520,473	2,520,000
		Less: Provision for dimunition in the value of long-term investment	-	(527,625)
			2,520,473	1,992,375
			17,131,683	12,274,875
		Unquoted - Associated undertakings		
2,403,725	2,403,725	Crescent Greenwood Limited-note 14.4	24,037,250	24,037,250
1,047,000	1,047,000	Crescent Industrial Chemicals Limited-note 14.5	10,470,000	10,470,000
		Less: Provision for dimunition in the value of long-term investments	(34,507,250)	-
			-	34,507,250
		Unquoted - Wholly owned subsidiary		
		Crescent Continental Gas Pipelines		
2	2	Limited (US $. 1 each) - note 14.4	90	90
5,459,977	5,459,977		17,131,773	46,782,215

14.2 Aggregate market value of investments in shares quoted on the Karachi Stock Exchange as at June 30, 2000 was Rs. 19,685,250 (1999: Rs.12,274,875).

14.3 The following investments having an aggregate face value of Rs. 7.6 million (1999: Rs. 8.6 million) are deposited as security with a commercial bank.

	2000 Rupees	1999 Rupees
Crescent Leasing Corporation Limited	3,150,000	3,150,000
Crescent Investment Bank Limited	2,700,000	3,700,000
Pakistan Industrial Leasing Corporation Limited	1,750,000	1,750,000
	7,600,000	8,600,000



14.4 The chief executive of Crescent Greenwood Limited is Mr. Nasir Shafi and the company's break up value of shares was 'Nil' as at September 30, 1998 due to negative equity. The accounts of the company thereafter are not available.

14.5 The chief executive of Crescent Industrial Chemicals Limited is Mr. Tariq Shafi. The company which was in development stage till last year has run into serious financial difficulties following May 28, 1998 nuclear tests. The company's break up value of shares as at June 30, 1999 was Rs 10 per share. The accounts of the company for the year ended June 30, 2000 are not available.

14.6 The subsidiary has not commenced operation and accordingly no accounts have been prepared.

14.7 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, 1998 to November 18, 2001. Interest earned thereon is receivable on a half yearly basis

	2000 Rupees	1999 Rupees
14.8 Redeemable capital - term finance certificates (TFCs)		
ICI Pakistan Limited- note 14.8.1		
(150 TFCs of Rs100,000 each and 600 TFCs of Rs 5,000 each)	13,787,160	19,565,184
Less: Redeemed during the year	(6,761,959)	(5,778,024)
Current maturity shown under current assets	(5,038,062)	(6,761,959)
	1,987,139	7,025,201
First International Investment Bank Limited		
(100 TFCs of Rs 100,000 each)	-	10,000,000
Less: Redeemed during the year	-	(4,000)
Current maturity shown under current assets	-	(8,000)
	-	9,988,000
Saudi Pak Leasing Company Limited - note 14.8.2		
(100 TFCs of Rs100,000 each)	10,130,000	10,130,000
Less: Redeemed during the year	(2,546,589)	-
Current maturity shown under current assets	(2,543,692)	(2,546,589)
	5,039,719	7,583,411
	7,026,858	24,596,612

14.8.1 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.

14.8.2 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.

15. Staff retirement benefits

15.1 Movement in liability

	Pension 2000	Gratuity 2000	Total
	Rupees		
Opening liability as at July 1, 1999	(170,512)	(80,115)	(250,627)
Reversal	810,488	798,254	1,608,742
Company's contributions	1,877,113	959,854	2,836,967
Prepayments	2,517,089	1,677,993	4,195,082

NOTES TO THE ACCOUNTS

15.2 Balance sheet reconciliation at June 30, 2000

Defined benefits obligations	(19,152,152)	(5,649,000)	(24,801,152)
Fair value of plan assets'	13,625,395	5,167,348	18,792,743
Past service cost	8,742,185	3,045,929	11,788,114
Actuarial loss	(698,339)	(886,284)	(1,584,623)
Prepayments	2,517,089	1,677,993	4,195,082
Less: Current maturity – note 23	(148,064)	(129,076)	(277,140)
	2,369,025	1,548,917	3,917,942

15.3 The actual return on plan assets of pension and gratuity aggregated Rs 1,688,173 and Rs 1,271,078 respectively.

15.4 As determined by the actuary the past service cost is being amortised over the period such benefit will be vested i.e. for gratuity 17 years and for pension 13 years.

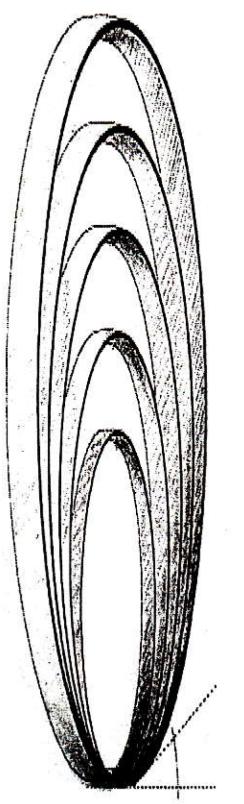
15.5 Since an actuarial valuation was not carried out at the beginning of the comparative period, it is impracticable to state the corresponding figures in notes 15.1 and 15.2.

16. Stores, spares and loose tools

	2000 Rupees	1999 Rupees
Stores	10,197,255	2,035,675
Spare parts - note 16.1	27,392,072	28,455,489
Loose tools	340,133	339,874
	37,929,460	30,831,038

16.1 Spare parts include those in transit as at June 30, 2000 of Rs 88,113 (1999: Rs 88,363).

17. Stock-in-trade



	2000 Rupees	1999 Rupees
Raw materials		
Hot rolled steel coils	10,461,191	16,988,563
Raw cotton	97,574	-
Coating materials	19,158,682	17,478,930
Others	2,464,100	4,621,799
Stock-in-transit	499,220	3,954
	32,680,767	39,093,246
Provision for obsolescence - hot rolled steel coils	(3,404,110)	(9,643,755)
Provision for slow moving and obsolete stock – coating material	(9,669,294)	(11,114,943)
	(13,073,404)	20,758,698
	19,607,363	18,334,548
Work-in-process		
Pipes	99,470	111,811
Cotton yarn	2,511,069	-
	2,610,539	111,811
Finished goods		
Cotton yarn – note 28.5	1,084,858	-
Cotton waste	18,490	-
Pipes	20,464,749	36,941,820
Provision for obsolescence - finished bare pipes	(5,302,349)	(11,518,393)
	16,265,748	25,423,427
	38,483,650	43,869,786

17.1 The stock-in-trade amounting to Rs 7.06 million (1999: Rs 15.27 million) is pledged as security with a commercial bank.

	2000 Rupees	1999 Rupees
18. Trade debts		
Unsecured		
Considered good	220,303	2,410,756
Considered doubtful	655,844	1,071,113
	876,147	3,481,869
Provision for doubtful trade debts	(655,844)	(1,071,113)
	220,303	2,410,756

18.1 Maximum amount due from associated undertakings at the end of any month during the year was Rs 196,911 (1999: Rs 612,431).

	2000 Rupees	999 Rupees
19. Short-term advances		
Considered good		
Executives	30,160	42,010
Other staff	31,396	21,687
	61,556	63,697
Suppliers for goods and services	1,544,528	986,905
	1,606,084	1,050,602

19.1 The maximum amount due at the end of any month during the year from executives was Rs 88,260 (1999: Rs 234,308) representing unadjusted travelling and other advances.

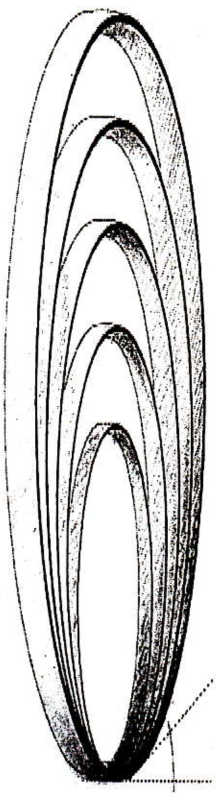
	2000 Rupees	1999 Rupees
20. Short-term deposits and prepayments		
Security deposits	4,649,406	2,251,156
Prepayments	425,896	462,029
	5,075,302	2,713,185
21. Current maturity of long-term investments in redeemable capital – note 14.8		
ICI Pakistan Limited	5,038,062	6,761,959
First International Investment Bank Limited	-	8,000
Saudi Pak Leasing Company Limited	2,543,692	2,546,589
	7,581,754	9,316,548
22. Short-term investments		
Portfolio – note 22.1	211,342,655	109,180,257
Islamic Republic of Pakistan Bond 10% – note 22.2	34,101,393	30,791,570
Others	-	9,400,000
	245,444,048	

Crescent Steel and Allied Products Ltd.

22.1 Portfolio

Unless stated otherwise the holdings are in instruments of Rs10 each. These investments are stated below at the lower of cost and market value.

2000 Number of shares	1999 Number of shares		2000 Rupees	1999 Rupees
		Quoted – Associated undertakings		
1,389,044	780,560	Crescent Investment Bank Limited	21,316,932	8,995,542
348,635	326,135	Crescent Textile Mills Limited	3,642,438	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
844,840	729,840	Pakistan Industrial Leasing Corporation Limited	9,164,661	8,227,257
919,854	919,854	Shakarganj Mills Limited	8,803,241	8,803,241
262,300	255,300	Crescent Leasing Corporation Limited	1,783,186	1,737,933
		Quoted – Others		
30,500	23,000	American Life Insurance Company Limited	625,641	647,500
-	14,883	Askari Commercial Bank Limited	-	268,750
-	23,400	Askari Leasing Limited	-	260,561
600,000	244,500	Commercial Union Life Assurance Company (Pakistan) Limited	7,524,610	3,358,350
-	25,500	Century Paper and Board Mills Limited	-	384,110
400,000	-	Dhan Fibres Limited	5,957,200	-
65,110	1,510	Engro Chemical Pakistan Limited	4,720,661	75,255
-	227,000	F F C Jordan Fertilizer Company Limited	-	3,273,253
50,000	-	Faisal Spinning Mills Limited	1,326,000	-
180,900	225,000	Fauji Fertilizer Company Limited	9,972,855	10,388,881
-	73,000	Faysal Bank Limited	-	1,146,637
133,075	120,075	First Crescent Modaraba	430,345	364,180
-	646,000	Hub Power Company Limited	-	11,198,070
1,019,000	20,050	ICI Pakistan Limited	16,500,330	190,020
292,000	60,000	Ibrahim Fibres Limited	4,723,038	439,336
100,000	50,000	Ibrahim Energy Limited	1,475,225	718,675
483,000	110,000	ICP S.E.M.F	8,606,483	1,205,500
-	105,500	Indus Motor Company Limited	-	1,564,260
-	40,000	Japan Power Generation Limited	-	250,888
120,800	-	Javed Omer Vohra & Company Limited	6,741,744	-
-	189,000	Karachi Electric Supply Corporation Limited	-	1,936,970
30,000	-	Kohinoor Raiwind Mills Limited	754,715	-
780	500	Lever Brothers Pakistan Limited (Rs 50 each)	578,020	325,500
225,000	-	Lucky Cement Limited	2,217,411	-
50,000	-	Mari Gas Company Limited	1,054,905	-
203,000	-	Maple Leaf Cement Factory Limited	1,150,760	-
24,500	-	Millat Tractors Limited	3,109,425	-
-	162	Modaraba Al Mali	-	648
125,025	25,025	National Development Leasing Corporation Limited	681,977	109,975
25,000	411,000	Nishat Mills Limited	1,047,100	6,069,522
291,400	-	Nishat Chunian Mills Limited	6,011,428	-
-	10,000	ORIX Investment Bank Limited	-	53,500
56,000	2,000	Packages Limited	3,607,890	72,260
405,500	-	Pak Datacom Limited	11,876,710	-
6,300	75,000	Pakistan State Oil Company Limited	1,143,914	6,255,663
600,500	204,500	Pakistan Industrial Credit and Investment Corporation Limited	7,422,060	1,859,607
557,000	546,300	Pakistan Telecommunication Company Limited	15,585,371	10,971,481
-	1,337	Prime Commercial Bank Limited	-	16,113
-	15,000	S G Power Company Limited	-	176,288
426,000	-	Samin Textile Mills Limited	4,486,500	-
27,000	26,200	Shell Pakistan Limited	6,772,071	4,519,627
3,600	-	Siemens (Pakistan) Engineering Company Limited	338,796	-
140,000	130,000	Sitara Energy Limited	3,364,458	2,824,685
-	14,520	Soneri Bank Limited	-	239,250
1,802,061	1,646,577	Sui Northern Gas Pipelines Limited	23,349,974	19,023,495
562,265	734,288	Sui Southern Gas Company Limited	8,884,074	10,773,904
-	41	Searle Pakistan Limited	-	-
205,000	265,000	Tri pack Films Limited	6,530,687	6,179,119
100,000	100,000	Trust Investment Bank Limited	850,000	850,000
67,000	-	Umer Fabrics Limited	1,345,360	-
50,000	-	Zainab Textile Mills Limited	557,000	-
		Book value of short-term investments	226,821,257	139,578,674
		Less: Provision for diminution in the value of short-term investments	(15,478,602)	(30,398,417)
			211,342,655	109,180,257



22.2 Islamic Republic of Pakistan Bond

These bonds were issued by the Government of Pakistan on December 13, 1999 in exchange of its outstanding eurobonds and exchangeable notes.

The company has swaped its 6% PTCL exchangeable notes (face value US$ 980,000) with the Islamic Republic of Pakistan (IROP) bonds (face value US$ 1,035,000).

The IROP Bond carries interest rate of 10% payable semi-annually commencing from December 13, 1999. Principal will be repaid in 4 equal yearly installments commencing from December 2002.

	2000 Rupees	1999 Rupees
6% Exchangeable notes		
Balance as at June 30,	-	32,618,669
(Face value US$ 980.000; cost US$ 589,400)		
Less: Provision for diminution in the value	-	(1,827,099)
	-	30,791,570
IROP Bonds		
6% PTCL exchangeable bonds swaped for IROP Bonds valuing US$ 652,050 (Face value US$ 1,035,000)	32,618,670	-
Add: Exchange gain	1,482,723	-
	34,101,393	-

These bonds are in the name of a financial institution, an associated undertaking, and are held by it on behalf of the company.

22.3 Aggregate market value of investments in shares / modaraba certificates quoted on the stock exchange as at June 30, 2000 was Rs. 211,342,655 (1999: Rs. 109,180,257) which at the close of business on October 31, 2000 was Rs. 211,117,120.

22.4 The following investments having an aggregate face value of Rs. 17,872,020 (1999: Rs. 32,283,950) are deposited as security with a commercial bank.

	2000 Rupees	1999 Rupees
American Life Insurance Company Limited	-	230,000
Askari Leasing Company Limited	-	195,000
Commercial Union Life Assurance Limited	885,000	2,085,000
Crescent Investment Bank Limited	5,991,450	5,991,450
Crescent Jute Products Limited	-	913,000
Crescent Leasing Corporation Limited	840,000	1,890,000
Crescent Textile Mills Limited	-	2,687,430
Sitara Energy Limited	-	240,000
FFC Jordan Fertilizer Company Limited	-	380,000
Pakistan Industrial Credit and Investment Corporation Limited	-	170,000
Jubilee Spinning and Weaving Mills Limited	-	96,000
Pakistan Industrial Leasing Corporation Limited	600,000	5,027,000
Shakarganj Mills Limited	6,678,470	7,678,470
Sui Northern Gas Pipelines Limited	358,600	2,182,100
Sui Southern Gas Company Limited	2,518,500	2,518,500
	17,872,020	32,283,950

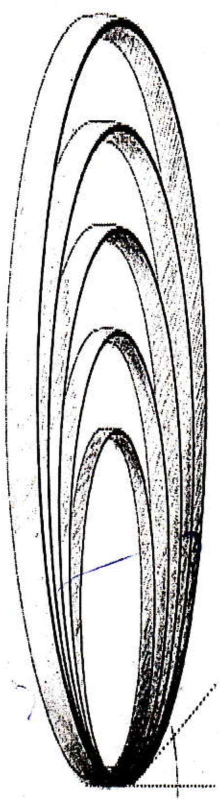
23. Other receivables

	2000 Rupees	1999 Rupees
Considered good		
Markup accrued on deposits	2,178,633	4,396,937
Octroi refundable	-	1,128,388
Margin on letters of credit and guarantees	1,094,693	1,436,693
Dividend receivables	3,355,551	-
Receivable on account of sale of shares	23,835,765	-
Due from associated undertakings - note 23.2	901,041	13,774,447
Sales tax refundable	2,896,532	3,524,389
Staff retirement benefit - note 15.2	277,140	-
Others	19,666	24,893
	34,559,021	24,285,747
Considered doubtful		
Others	-	2,789,102
	34,559,021	27,074,849
Provision for doubtful receivables	-	(2,789,102)
	34,559,021	24,285,747

23.1 Maximum amount due from associated undertakings at the end of any month during the year was Rs 46.74 million (1999: Rs 66.84 million).

23.2 Due from associated undertakings

	2000 Rupees	1999 Rupees
Crescent Jute Products Limited	-	12,448,535
Crescent Textile Mills Limited	-	427,412
Crescent Apparal Manufacturing Company	870,009	870,009
Crescent Knitwear Limited	12,999	12,999
Crescent Industrial Chemicals Limited	17,200	14,660
Pakistan Industrial Leasing Corporation Limited	833	832
	901,041	13,774,447



24. Taxation

The income tax authorities for the assessment year 1997-98 have allowed the company a net benefit in the form of tax refunds and reduced tax liability. Consequently, the provision for the assessment year 1997-98 has been reduced by Rs 12,935,031 in the company's books. An aggregate amount of Rs 72,519,795 is appearing as tax refundable as at June 30, 2000 in respect of assessment years 1996-97 to 2000-2001.

25. Short-term deposits with non-banking financial institutions

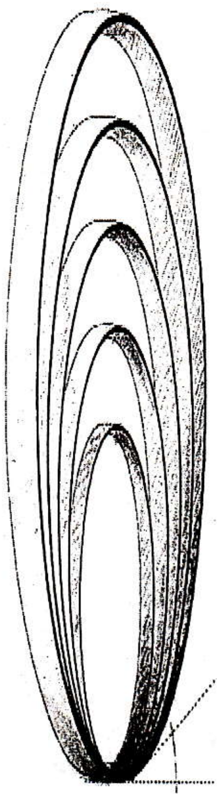
	2000 Rupees	1999 Rupees
First Crescent Modaraba – note 25.1	15,000,000	30,000,000
First Grindlays Modaraba	-	10,015,000
	15,000,000	40,015,000

NOTES TO THE ACCOUNTS

25.1 The company has placed funds in various tranches with the aforementioned non-banking financial institutions. The rates of mark-up on deposits with First Crescent Modaraba ranges from 16.0% to 21.2% per annum.

	2000 Rupees	1999 Rupees
26. Cash and bank balances		
With banks - in deposit accounts	15,796,749	75,831,425
- in current accounts	587,424	287,439
Cash in hand	106,060	136,286
	16,490,233	76,255,150
27. Sales		
Bare pipes	94,118,876	27,244,439
Coating of pipes	27,119,001	5,676,878
	121,237,877	32,921,317
28. Cost of sales		
Bare pipes - note 28.1	112,728,077	73,613,911
Coating of pipes - note 28.3	37,306,206	31,412,603
	150,034,283	105,026,514
28.1 Cost of sales - bare pipes		
Raw material consumed	63,391,837	22,119,850
Stores and spares consumed	1,929,987	2,611,538
Fuel, power and electricity	4,465,663	4,558,024
Salaries, wages and other benefits – note 28.2	11,809,637	15,867,906
Insurance	1,386,829	1,558,259
Repairs and maintenance	574,038	675,415
Depreciation	12,026,526	12,198,726
Other expenses	1,387,244	2,030,369
	33,579,924	39,500,237
	96,971,761	61,620,087
Opening stock of work-in-process	111,811	805,049
Closing stock of work-in-process	(99,470)	(111,811)
	12,341	693,238
Cost of goods manufactured	96,984,102	62,313,325
Opening stock of finished goods	35,959,739	35,741,932
Closing stock of finished goods	(20,215,764)	(35,959,739)
Provision for obsolescence – finished pipes	-	11,518,393
	15,743,975	11,300,586
	112,728,077	73,613,911
28.2 Details of salaries, wages and other benefits		
Salaries wages and other benefits	12,114,184	12,205,242
Provident fund contributions	149,543	619,731
Pension fund – note 28.6	(228,772)	2,178,265
Staff retirement gratuity – note 28.6	(225,318)	864,668
	11,809,637	15,867,906

Crescent Steel and Allied Products Ltd.



	2000 Rupees	1999 Rupees
28.3 Cost of sales – coating of pipes		
Material consumed	11,050,128	2,491,730
Stores and spares consumed	1,910,059	1,828,382
Fuel and power	970,178	584,411
Salaries, wages and other benefits – note 28.4	5,610,271	8,011,312
Insurance	856,926	1,038,839
Repairs and maintenance	601,685	545,699
Depreciation	14,879,460	15,521,811
Other expenses	694,403	997,165
	25,522,982	28,527,619
Cost of goods manufactured	36,573,110	31,019,349
Opening stock of finished goods – coated pipes	982,081	1,375,335
Closing stock of finished goods – coated pipes	(248,985)	(982,081)
	37,306,206	31,412,603

	2000 Rupees	1999 Rupees
28.4 Details of salaries, wages and other benefits		
Salaries wages and other benefits	5,767,173	6,432,446
Provident fund contributions	35,979	263,479
Pension fund contributions – note 28.6	(97,174)	941,603
Provision for staff retirement gratuity – note 28.6	(95,707)	373,784
	5,610,271	8,011,312

	2000 Rupees	1999 Rupees
28.5 Cost of goods manufactured-cotton spinning unit		
Raw cotton consumed	859,680	-
Fuel and power	99,571	-
Service charges	32,117	-
Packing materials consumed	60,202	-
Depreciation	56,335	-
Cotton cess	990	-
	249,215	-
	1,108,895	-
Opening stock of work-in-process	2,487,032	-
Closing stock of work-in-process	(2,511,069)	-
	(24,037)	-
Cost of goods manufactured	1,084,858	-
Closing stock - finished goods	(1,084,858)	-
	-	-

28.6 Staff retirement benefits

	Cost of goods sold			
	Bare pipes (note 28.2)		Coating of pipes (note 28.4)	
	Pension 2000	Gratuity 2000	Pension 2000	Gratuity 2000
	Rupees			
Current service cost	351,954	160,123	149,497	68,014
Interest cost	561,593	196,601	238,544	83,509
Expected return on plan assets	(354,272)	(143,359)	(150,481)	(60,894)
Past service cost	205,634	53,735	87,345	22,825
Transitional assets	(993,681)	(492,418)	(422,079)	(209,161)
	(228,772)	(225,318)	(97,174)	(95,707)

NOTES TO THE ACCOUNTS

28.7 Since an actuarial valuation was not carried out at the beginning of the comparative period, therefore, it is impracticable to state the corresponding figures in note 28.6.

	2000 Rupees	1999 Rupees
29. Selling expenses		
Salaries, wages and other benefits – note 29.1	2,817,662	2,883,812
Travelling and conveyance	403,954	514,405
Depreciation	342,759	379,441
Advertisement	458,740	543,161
Bid bond expenses	32,486	31,450
Bad debts written off	-	401,242
Provision for bad debts	655,844	-
Transportation	195,768	26,291
Legal and professional charges	25,000	370,000
Others	543,533	773,496
	5,475,746	5,923,298
29.1 Details of salaries, wages and other benefits		
Salaries wages and other benefits	2,850,804	1,971,447
Provident fund contributions	144,069	110,376
Pension fund – note 30.2	(89,279)	574,123
Staff retirement gratuity – note 30.2	(87,932)	227,866
	2,817,662	2,883,812

	2000 Rupees	1999 Rupees
30. Administration expenses		
Salaries, wages and other benefits	14,008,783	17,734,513
Rents, rates and taxes	403,797	121,269
Travelling, conveyance and entertainment	2,577,809	3,010,263
Fuel and power	1,699,274	1,509,666
Postage, telephone and telegram	1,158,840	1,145,396
Insurance	975,934	987,298
Repairs and maintenance	1,112,734	1,201,095
Auditors' remuneration - note 30.4	853,298	909,952
Legal and professional and corporate service charges	1,661,311	1,758,851
Donations - note 30.5	316,575	3,078,000
Depreciation	5,097,790	5,792,021
Advertisement	-	5,721
Printing, stationery and office supplies	265,697	405,795
Newspapers, subscriptions and periodicals	530,304	444,901
Others	519,226	691,797
	31,181,372	38,796,538

	2000 Rupees	1999 Rupees
30.1 Details of salaries, wages and other benefits		
Salaries wages and other benefits	14,130,414	12,746,446
Provident fund contributions	662,929	618,662
Pension fund – note 30.2	(395,263)	3,127,866
Staff retirement gratuity – note 30.2	(389,297)	1,241,539
	14,008,783	17,734,513

NOTES TO THE ACCOUNTS

30.2 **Staff retirement benefits**

	Selling expenses (note 29.1)		Administration expenses (note 30.1)	
	Pension 2000	Gratuity 2000	Pension 2000	Gratuity 2000
	Rupees			
Current service cost	137,352	62,489	608,093	276,654
Interest cost	219,166	76,726	970,302	339,680
Expected return on plan assets	(138,257)	(55,947)	(612,098)	(247,690)
Past service cost	80,250	20,970	355,286	92,841
Transitional asset	(387,790)	(192,170)	(1,716,846)	(850,782)
	(89,279)	(87,932)	(395,263)	(389,297)

30.3 Since an actuarial valuation was not carried out at the beginning of the comparative period, it is impracticable to state the corresponding figures in note 30.2.

	2000 Rupees	1999 Rupees
30.4 Auditors' remuneration		
Audit fee	225,000	225,000
Audit fee for funds' accounts and special reports	40,000	128,000
Taxation	534,980	527,898
Out of pocket expenses	53,318	29,054
	853,298	909,952

30.5 **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 2000 Rupees	Amount donated 1999 Rupees
Ahsan M. Saleem	Director	The Citizens Foundation, 9th Floor, NIC Building, Karachi	60,000	2,763,000

31. Other incomes

	2000	1999
Liability written back		
- liquidated damages	-	14,651,659
- workers' welfare fund	7,754,208	4,689,360
- others	11,481,424	3,875,029
Provision written back for stocks in trade	13,901,338	-
Provision written back for diminution in the value of		
- term investments	14,919,815	-
- exchangeable notes	1,827,099	-
- long term investment	4,855,335	-
Return on deposits, advances and investments	13,713,552	31,222,284
Profit on redeemable capital certificates	4,844,748	2,256,155
Markup recovered from		
- associated undertakings	5,208,986	6,663,168
- others	-	514,109
Gain on disposals of fixed assets	769,737	1,240,936
Gain on sale of investments	71,468,257	11,200,346
Gain on sale of investments - TFC and WAPDA Bonds	999,600	-
Rentals from an associated undertaking	187,980	187,980
Dividend income - note 31.1	16,404,251	3,888,074
Exchange gain	1,665,317	783,777
Miscellaneous	-	2,465,654
	170,001,647	83,638,531

NOTES TO THE ACCOUNTS

	2000 Rupees	1999 Rupees
31.1 Dividend Income		
From associated undertakings		
Pakistan Industrial Leasing Corporation Limited	1,343,880	-
Crescent Investment Bank Limited	2,270,151	-
Crescent Textile Mills Limited	902,843	388,256
	4,516,874	388,256
Others	11,887,377	3,499,818
	16,404,251	3,888,074

32. Financial charges

	2000 Rupees	1999 Rupees
Interest on a long-term loan	968,666	4,040,411
Markup on		
Running finances	893,223	50,359
Assets subject to finance lease	202,031	514,292
Bank charges	645,261	594,108
	2,709,181	5,199,170

33. Other charges

	2000 Rupees	1999 Rupees
Provision for uncertainties against project investment	-	27,132,666
Expenses in respect of project investment	738,218	-
Provision for diminution in the value of		
- long-term investment	34,507,250	6,650,425
- short-term investments	-	5,270,963
- exchangeable notes	-	1,827,099
	35,245,468	40,881,153

34. Taxation

	2000 Rupees	1999 Rupees
Current	606,189	164,607
Prior	(12,935,031)	(95,219,880)
Deferred	(11,100,000)	(8,000,000)
	(23,428,842)	(103,055,273)

35. Basic earnings per share

	2000 Rupees	1999 Rupees
Net profit after taxation	90,022,316	23,788,448

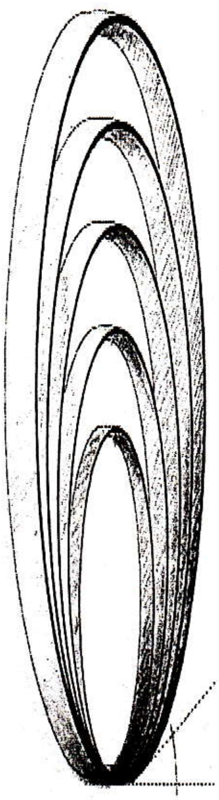
	2000 Number of Shares	1999 Number of Shares
Average number of ordinary shares in issue during the year	20,084,863	20,084,863
Basic earnings per share	Rs 4.48	Rs 1.18

36. Information about business segments

	2000		
	Pipe and coating	Cotton products	Total
	Rupees		
Segment assets	235,463,682	226,395,071	461,858,753
Un-allocated corporate assets			432,725,179
Consolidated total assets			894,583,932
Segment liabilities	17,841,581	94,753,826	112,595,407
Un-allocated corporate liabilities			52,784,792
Consolidated total liabilities			165,380,199
Capital expenditure	244,240	211,007,363	
Depreciation	26,905,986	56,355	
Non-cash expenses other than depreciation	655,844	-	

36.1 The cotton products division was acquired on June 30, 2000 and no sales were made for this segment on that day.

36.2 In order to comply with the requirements of International Accounting Standard 14 'Segment Reporting', the activities of company have been grouped into two segments of related products. The pipe and coating segment mainly relates to manufacturing and coating of steel pipes whereas cotton products division is involved in yarn manufacturing activity.



37. Cash generated from / (used in) operations

	2000 Rupees	1999 Rupees
Profit / (loss) before taxation	66,593,474	(79,266,825)
Adjustments for non cash charges and other items:		
Depreciation	32,402,870	33,892,000
Provision for uncertainties against project investment	-	27,132,666
Provision for diminution in the value of		
- long-term investments	29,651,915	6,650,425
- short-term investments	(14,919,815)	5,270,963
- exchangeable bonds	(1,827,099)	1,827,099
Gain on sale of WAPDA Bonds and TFC	(999,600)	-
Exchange gain	(1,622,854)	-
Reversal of pension and gratuity	(1,608,742)	-
Financial charges	2,709,181	5,199,170
Gain on disposals of fixed assets	(769,737)	(1,240,936)
Gain on sale of investments	(71,468,257)	(11,200,346)
Dividend income	(16,404,251)	(3,888,074)
Return on deposit, advances and investment	(13,713,552)	(31,222,284)
Working capital changes – note 37.1	4,263,273	37,980,288
Cash generated from / (used in) operations	12,286,806	(8,865,854)

NOTES TO THE ACCOUNTS

	2000 Rupees	1999 Rupees
37.1 Working capital changes		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(7,098,422)	1,488,422
Stock-in-trade	5,386,136	17,776,525
Trade debts	2,190,453	18,823,895
Short-term advances	(555,482)	859,028
Short-term deposits and prepayments	(2,362,117)	357,960
Other receivables (net)	14,976,878	14,611,611
	12,537,446	53,917,441
Increase / (decrease) in current liabilities		
Creditors, accrued and other liabilities (net)	(8,274,173)	(15,937,153)
	4,263,273	37,980,288

38. Cash and cash equivalents

	2000 Rupees	1999 Rupees
Short-term deposits with non-banking financial institutions – note 25	15,000,000	40,015,000
Short-term finance – note 8	(20,546,423)	-
Cash and bank balances – note 26	16,490,233	76,255,150
	10,943,810	116,270,150

39. Financial assets and liabilities

	Intrest/mark-up bearing			Non-Interest/mark-up bearing			Total	Total
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	2000	1999
	Rupees							
Financial assets								
Long-term deposits	-	-	-	-	1,701,932	1,701,932	1,701,932	1,057,670
Investments	41,683,147	14,871,738	56,554,885	211,342,655	17,131,773	228,474,428	285,029,313	237,771,952
Trade debts	-	-	-	220,303	-	220,303	220,303	2,410,756
Short-term advances	-	-	-	61,556	-	61,556	61,556	18,687
Short-term deposits	-	-	-	2,615,406	-	2,615,406	2,615,406	2,251,156
Other receivables	-	-	-	31,385,349	-	31,385,349	31,385,349	24,285,747
Short-term deposits with NBFI	15,000,000	-	15,000,000	-	-	-	15,000,000	40,015,000
Cash and bank	15,796,749	-	15,796,749	693,484	-	693,484	16,490,233	76,255,150
2000	72,479,896	14,871,738	87,351,634	246,318,753	18,833,705	265,152,458	352,504,092	384,066,118
1999	177,287,149	32,301,362	209,588,511	126,637,722	47,839,885	174,477,607	384,066,118	
Financial liabilities								
Long-term loan	20,232,032	64,407,261	84,639,293	-	-	-	84,639,293	19,473,582
Liabilities against assets subject to finance lease	320,803	328,650	649,453	-	-	-	649,453	1,985,736
Short-term running finance under markup arrangement	20,546,423	-	20,546,423	-	-	-	20,546,423	-
Creditors, accrued and other liabilities	-	-	-	18,198,487	-	18,198,487	18,198,487	29,649,761
Proposed dividend	-	-	-	36,152,753	-	36,152,753	36,152,753	10,042,431
2000	41,099,258	64,735,911	105,835,169	54,351,240	-	54,351,240	160,186,409	61,151,510
1999	20,809,865	649,453	21,459,318	39,692,192	-	39,692,192	61,151,510	
Off balance sheet items - Financial commitments								
Open letter of credit	-	-	-	721,039	-	721,039	721,039	

39.1 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.

39.2 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.

39.3 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 except for certain long term investments which are stated at the cost.

NOTES TO THE ACCOUNTS

40. Remuneration to the chief executive, directors and executives

Description	Chief Executive 2000	Chief Executive 1999	Directors 2000	Directors 1999	Executives 2000	Executives 1999	Total 2000	Total 1999
	Rupees							
Managerial remuneration	2,592,300	2,430,300	984,008	998,700	7,978,745	7,631,930	11,555,053	11,060,930
House rent	1,166,400	1,093,500	435,356	449,280	3,358,545	3,201,930	4,960,301	4,744,710
Utilities	259,200	243,000	96,746	99,840	746,339	711,539	1,102,285	1,054,379
Travelling expense personal (as per entitlement)	831,416	213,870	-	1,045	10,840	-	842,256	214,915
Other allowances	1,333,534	470,786	405,274	-	1,126,464	-	2,865,272	470,786
Medical	43,111	24,739	34,931	23,622	385,486	323,468	463,528	371,829
Contribution to:								
Provident fund	259,236	243,036	90,744	99,876	687,566	676,059	1,037,546	1,018,971
Gratuity fund – note 40.1	(152,982)	170,100	(57,368)	69,888	(427,075)	498,073	(637,425)	738,061
Pension fund – note 40.1	(161,073)	362,070	(60,402)	148,762	(449,662)	1,060,184	(671,137)	1,571,016
Club subscription and expenses	160,429	214,370	10,285	14,659	-	-	170,714	229,029
Entertainment	-	-	50,000	60,000	118,000	96,000	168,000	156,000
Conveyance	-	-	-	-	82,704	71,323	82,704	71,323
Telephone	-	-	15,500	18,000	27,700	19,200	43,200	37,200
	6,331,571	5,465,771	2,005,074	1,983,672	13,645,652	14,289,706	21,982,297	21,739,149
Number of persons	1	1	2	1	34	32	37	34

40.1 Represent reversal of such cost due to the adoption of International Accounting Standard 19 which has resulted in transitional asset (notes 28.6 and 30.2).

40.2 The aggregate amount charged in the accounts in respect of directors' fee paid to nine (1999: nine) directors was Rs 27,500 (1999: Rs 37,500).

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

40.4 The chief executive, directors and executives and their families are also covered under group and hospitalisation insurance.

41. Transactions with associated undertakings

	2000 Rupees	1999 Rupees
Guarantee commission paid	-	84,100
Insurance premium paid	4,033,703	3,677,305
Sale of pipes	171,227	632,328
Purchases	3,982,181	-
Purchase consideration of cotton division (net)	137,074,232	-
Return on deposits	10,555	11,789,966
Recovery of financial charges	5,208,986	6,663,168
Rentals from an associated undertaking	187,980	187,980
Dividends received	4,516,874	388,256

42. Plant capacity and production

42.1 **Pipe plant**
The plant's installed/rated capacity for production based on single shift is 26,500 tons (1999: 26,500 tons) annually on the basis of notional pipe size of 30".dia x ½" thickness. The actual production achieved during the year was 3,374 tons (1999: 1,210 tons) line pipes of varied sizes and thicknesses, which is equivalent to 15,882 tons (1999: 5,957 tons) if actual production is translated to the notional pipe size of 30" diameter.

42.2 **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 16,522 metres of different dia pipes (41,793 square metres surface area) was achieved during the year (1999: 7, 185 square metres surface area).

42.3 **Spinning unit**
The plant capacity converted at 20s count based on 3 shifts per day for 1,080 shifts is 4,645,411 kilograms.
Actual production converted into 20s count for one day was 11,817 kilograms.

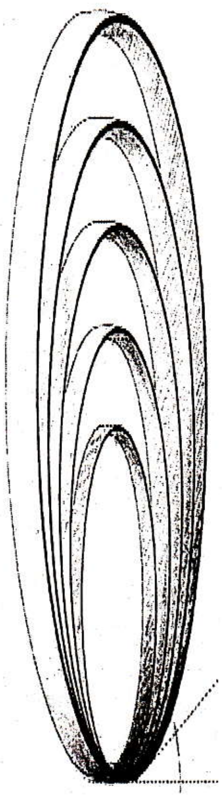
42.4 The capacities of the plant were utilised to the extent of orders received .

43. 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, 2000

No. of Shareholders	Shareholding From	Shareholding To	Total Shares Held
134	1	100	5,966
591	101	500	142,186
141	501	1000	109,778
228	1001	5000	589,524
88	5001	10000	646,938
41	10001	15000	495,437
25	15001	20000	417,960
13	20001	25000	294,668
6	25001	30000	160,058
3	30001	35000	96,232
4	35001	40000	152,754
6	40001	45000	254,910
6	45001	50000	283,245
3	50001	55000	156,854
1	55001	60000	55,700
1	60001	65000	60,031
3	65001	70000	200,524
2	75001	80000	152,086
1	80001	85000	84,640
1	85001	90000	88,681
2	90001	95000	189,213
2	95001	100000	195,054
1	100001	105000	103,000
1	110001	115000	111,751
2	140001	145000	288,637
1	150001	155000	152,087
1	160001	165000	161,560
1	165001	170000	166,043
1	180001	185000	181,100
1	185001	190000	186,812
1	300001	305000	301,000
1	305001	310000	307,000
1	335001	340000	339,825
1	340001	345000	343,568
1	365001	370000	366,662
1	470001	475000	474,809
1	510001	515000	514,823
1	560001	565000	561,000
1	610001	615000	611,525
1	705001	710000	707,182
1	885001	890000	888,388
1	1225001	1230000	1,227,345
1	1365001	1370000	1,368,787
1	1750001	1755000	1,753,938
1	1875001	1880000	1,877,971
1	2255001	2260000	2,257,611
1327			20,084,863

Categories of Shareholders	Number	Shares Held	Percetage
INDIVIDUALS	1245	4189336	20.86
INVESTMENT COMPANIES	5	611986	3.05
INSURANCE COMPANIES	3	545677	2.72
JOINT STOCK COMPANIES	32	4452068	22.17
FINANCIAL INSTITUTION	25	8441728	42.03
OTHER	17	1844068	9.18
TOTAL	1327	20084863	100.00
OTHERS			
MODARABA	5	37607	0.19
NON RESIDENTS	11	1711407	8.52
TRUST	1	95054	0.47
TOTAL	17	1844068	9.18

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 16th Annual General Meeting of the shareholders of CRESCENT STEEL AND ALLIED PRODUCTS LIMITED will be held on Saturday the December 30, 2000 at 3:00 p.m. at Pearl Continental Hotel, Shahrah-e-Quaid-e-Azam, Lahore to transact the following business:-

1. To receive, consider and adopt the Directors' and Auditors' Reports and Audited Accounts for the year ended June 30, 2000.

2. To declare dividend. The Directors have recommended the payment of Cash Dividend @ Rs. 1.80 per share (i.e. @ 18%).

3. To appoint Auditors and fix their remuneration.

BY ORDER OF THE BOARD

Rashid Sadiq
Corporate Secretary

Lahore, November 13, 2000.

NOTE:

1. The Members Register will remain closed from December 23, 2000 to December 30, 2000 (both days inclusive) for the purposes of entitlement of Cash Dividend and to attend the Annual General Meeting.

2. A member eligible to attend and vote at this meeting may appoint another member as proxy to attend and vote in the meeting. 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.

3. CDC account holders will further have to follow the under mentioned guidelines as laid down in circular No.1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan:

a. For Attending The Meeting

i) In case of individuals, the account holder or sub-account holder and/ or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his original National Identity Card (NIC) or original passport at the time of attending the meeting.

ii) In case of corporate entity, the Board of Directors' resolution/ power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting

b. For Appointing Proxies

i) In case of individuals, the account holder or sub-account holder and/ or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.

ii) The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.

iii) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iv) The proxy shall produce his original NIC or original passport at the time of the Meeting.

v) In case of corporate entity, the Board of Directors' resolution/ power of attorney with specimen signatures shall be submitted (unless it has been provided earlier) along with proxy form to the company.

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