

ANNUAL REPORT | 2003



Crescent Steel &  
Allied Products Ltd.

## Mission, Vision, Values

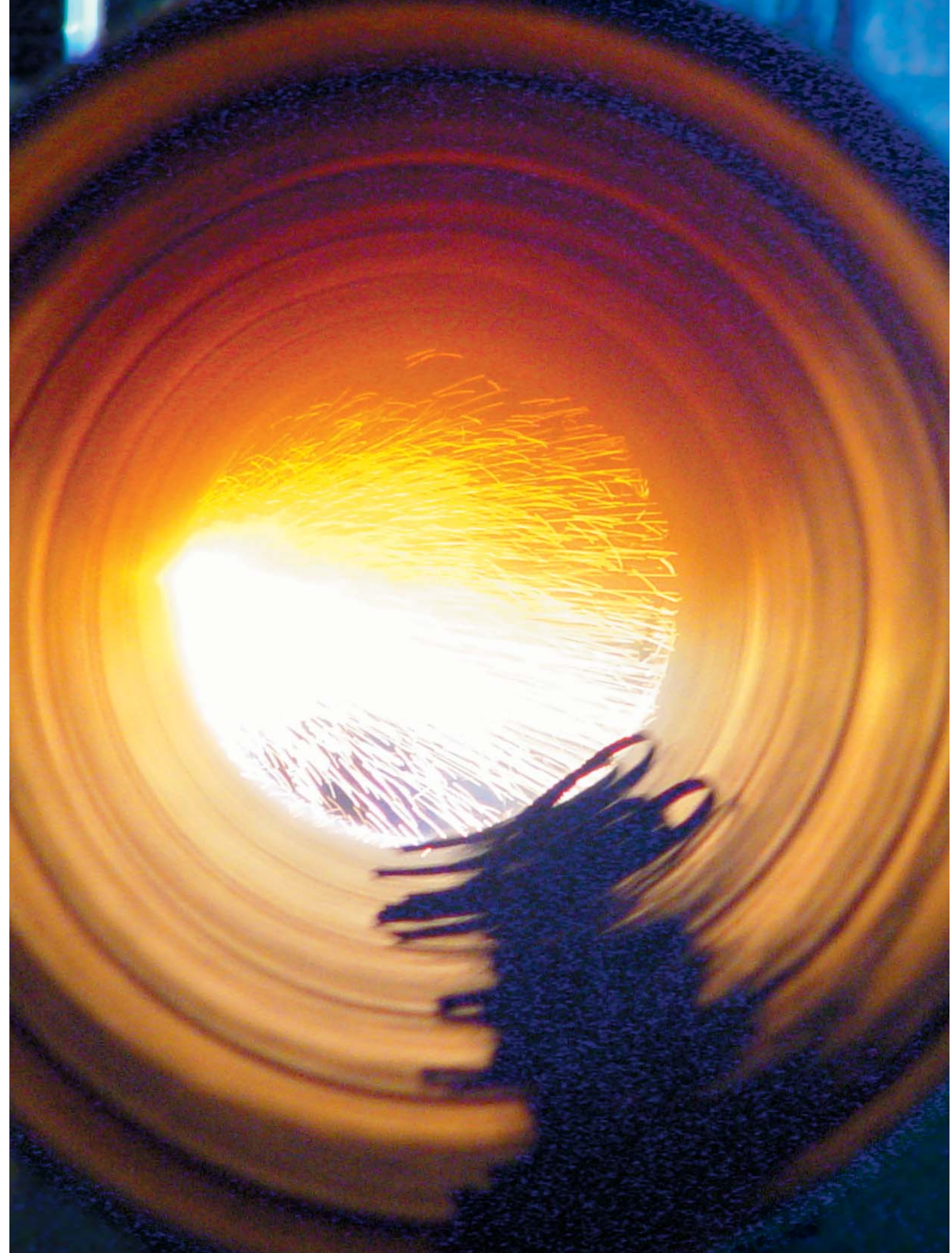
To add value to shareholders and the economy by engaging profitably in the supply of products for Water, Oil and Gas transmission as core business and other selected activities.

To gain and maintain cost and quality leadership in the international competitive environment, as world class manufacturers.

To promote best use and development of human talent in a safe environment; as an equal opportunity employer.

To conduct business as a responsible corporate citizen, and take constructive interest in supporting education and environmental causes.







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## Company Information

### Board of Directors

Chairman	Mazhar Karim
Chief Executive	Ahsan M. Saleem
	Javed Iqbal
	Javed A. Callea
	Mohammad Anwar
	Nasir Shafi
	S.M. Ehtishamullah
	Zahid Bashir

<u>Corporate Secretary</u>	Tariq Aleem
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### Audit Committee

Chairman	Javed A. Callea
	Javed Iqbal
	Nasir Shafi

### Human Resource Committee

Chairman	Ahsan M. Saleem
	Javed Iqbal
	Nasir Shafi

### The Management

Chief Executive and Managing Director	Ahsan M. Saleem, 50 1983*
Advisor to CEO (Technical)	Mohammad Sharif, 71 1984*
Advisor to CEO (Corporate)	Dr. Wasim Azhar, 50 2001*
Finance Director	S.M. Ehtishamullah, 64 1996*
Executive Vice President Marketing and Sales	S.A.N. Kazmi, 61 1986*
Senior Vice President Head of Internal Audit	Mohammad Amin, 56 1992*
Senior Vice President Head of Buying	Nadir Mazhar, 56 1993*
General Manager (Technical) Cotton Division	Abdul Rouf, 44 2000*
Vice President (Manufacturing) Steel Division	Arif Raza, 42 1985*

\* Year joined Company



## Company and Investors' Information

### Stock Exchange Listing

Crescent Steel and Allied Products Limited is a listed company and its shares are traded on all the three stock exchanges of Pakistan.

The Company's shares are quoted in leading dailies under the Engineering Sector.

### Public Information

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

Telephone: 021-5674881-5

E-mail: farrukh.hussain@crescent.com.pk

### 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.

Telephone: 042-5712036, 5877087

E-mail: crescent\_business@yahoo.com

### Products

#### Steel Division

Manufacturer of DSAW steel line pipes in diameters ranging from 8" to 90" and applicator of multi-layer polyolefin coating conforming to international standards.

#### Cotton Division

Manufacturer of quality cotton yarn of various counts of 10s to 30s.

### Annual Meeting

Nineteenth Annual General Meeting of Crescent Steel and Allied Products Limited will be held on Friday, October 31, 2003 at 10:30 a.m. at Pearl Continental Hotel Lahore.

### Legal Advisor

Hassan & Hassan Advocates, Lahore

### Bankers

- Union Bank Limited
- PICIC Commercial Bank Limited
- Meezan Bank Limited
- National Bank of Pakistan

### Registered Office

Unit No. 6, Happy Homes, 38-A-3, Main Gulberg, Lahore

Telephone : 042- 5712036, 5877087

Fax : 042- 5877325

E-mail :  
crescent\_business@yahoo.com

### Liaison Office Lahore

14-C, Main Gulberg, Jail Road, Lahore.

Telephone : 042-5870346

E-mail : ejazahmed@fsibl.com

### Principal Office

9th Floor, Sidco Avenue Centre, 264 R.A. Lines, Karachi-74200.

Telephone : 021- 5674881 – 5

Fax : 021- 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.

Telephone : 02202-660021, 660022, 660163

E-mail : mail@nra.crescent.com.pk

### Mills – Cotton Division

Crescent Cotton Products (Spinning Unit)  
1st Mile, Lahore Road, Jaranwala.





The maximum  
annual capacity  
of the pipe plant  
is 80,000 tons  
per annum.



The Spiral Pipe Plant has a capability of manufacturing high quality steel pipes in the diameter range of 8-5/8" (219 mm) - 90" (2286 mm) in wall thickness ranging from 4mm - 18 mm and material grades upto API 5L X-80 grade.



Crescent Steel and Allied Products Limited is a Public Limited Company listed on all the Stock Exchanges of Pakistan. It started commercial production in March 1987. The manufacturing facilities consist 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 and a Cotton Spinning Unit of 19,680 spindles at Jaranwala Faisalabad. 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 8-5/8" (219 mm) -90" (2286 mm) in wall thickness ranging from 4mm - 18 mm and material grades upto API 5L X-80 grade. The maximum annual capacity of the pipe plant is 80,000 tons per annum. The company has the unique distinction of having the authorisation to use API monogram of the American Petroleum Institute since 1987, the highest international standard accredited for quality of steel line pipe. In 1997 the company was awarded ISO 9001 Quality Management Standard Certification which it continues to maintain as ISO 9001 : 2000.

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 6-5/8" (168 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 and quality.



# QUALITY POLICY

*We are committed to provide products and services  
conforming to world-class quality standards—  
based on application of modern technology,  
within a safe environment; ensuring customer satisfaction,  
maintaining cost and quality leadership—  
setting measurable objectives for continual improvement,  
assured through an independent quality function.*







# CCP produces premium quality yarn 10s–30s.



The Cotton Division comprises of 19,680 spindles and holds ISO 9001:2000 Quality Management Credential.

### Cotton Division

In the year 2000, 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 Company has since then expanded to 19,680 spindles and the plant capacity converted to 20's based on three shifts for 360 working days is 6,452,874 kgs of cotton yarn. 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 is a division of the Company but its operating results are shown separately.

CCP as a division holds ISO 9001: 2000 Quality Management Credential. 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.





*We maintain high quality norms in all our products-  
have consistently exceeded the requirements  
of international standards and will continue to remain  
at the cutting edge in terms of technology and quality.*

*We are an equal opportunity employer  
with a sense of social responsibility and strongly  
support education and environmental causes.*





# CSAPL conducts its business in a responsible and honest manner.



The Board has adopted a code of conduct for its members, executives and staff, specifying the business standards and ethical considerations in conducting its business.

### Our Governing Principles

CSAPL conducts its business in a responsible manner and with honesty, and integrity. We also have the same expectations from all those with whom we have relationships. We insist on doing what is right and this sets the tone of all our actions and the actions of all our employees. We also insist that all transactions be open and transparent, and this extends to our responsibilities for financial reporting. We understand our responsibilities to the shareholders and ensure that all transactions not only comply with all laws but are also fairly and accurately reflected in the accounts.

**Integrity:** CSAPL does not use bribe as an instrument for any business or financial gain. Employees are not authorized to give or receive any gift or payment which may be construed as such.

Employees are also required to avoid engaging in any personal activity or financial interests which would conflict with their responsibility to the Company.

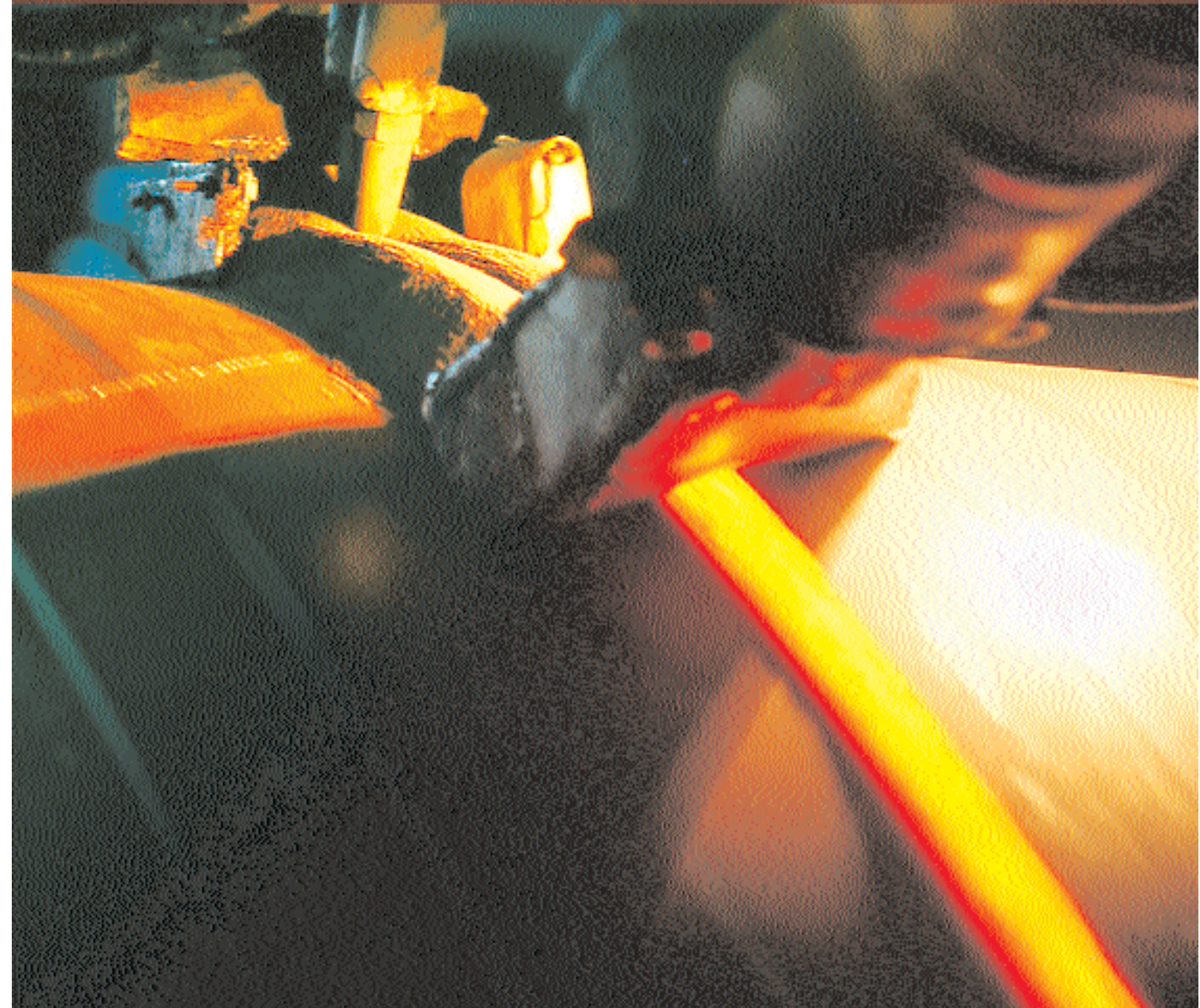
**Role of the Board of Directors:** The Board has a fiduciary responsibility for the proper direction and control of the activities of the Company. This responsibility includes such areas of stewardship as the identification and control of the Company's business risks, the integrity of management information systems and clear, transparent reporting to shareholders. The Board accepts its primary responsibility for the overall control architecture of the Company. However, it recognizes that the internal control system has to be cost effective and that no cost effective system will preclude all errors or irregularities. The system is based upon written procedures, policies, guidelines, an organogram that provides an appropriate division of responsibility, a programme of internal audit, manning of all key functions by qualified personnel and constant training.

**Code of Conduct:** The Board has adopted a code of conduct for its members, executives and staff, specifying the business standards and ethical considerations in conducting its business. The code includes:

- Corporate Governance
- Relationship with employees, customers and regulators
- Confidentiality of Information
- Trading in Company's Shares
- Environmental Responsibilities



An automatic plasma arc cutting device is installed in the pipe run-out section which cuts the pipe to a pre-determined length from the continuously produced pipe without causing interruption in pipe production. At the end facing machine both ends of pipes are machined to suit the joint to be used on the pipe line. Each end is worked separately, for mechanical coupling.







# The Company has an effective internal control function ensured by the Audit Committee of the Board.



The Audit Committee ensures that the Company has an effective internal control framework while the HR Committee ensures the attainment of the maximum effectiveness from the overall HR service delivery system.

**Board Committees:** The Board has constituted an Audit Committee and a Human Resource Committee.

**Audit Committee:** The Audit Committee operates under a charter approved by the Board. The governing charter of the Audit Committee addresses the requirement of the code of corporate governance issued by the SECP and includes the requirements of best practices. The Committee is accountable to the Board for the recommendation of appointment of external auditors, directing and monitoring the audit function and reviewing the adequacy and quality of the audit process. CEO and the CFO are responsible for the accuracy of financial information for inclusion in the annual report; the Committee provides the Board with additional assurance.

The Committee also ensures that the Company has an effective internal control framework. These controls include safeguarding of assets, maintaining of proper accounting records complying with legislation and ensuring the reliability of financial information.

**HR Committee:** The HR Committee has been constituted to address and improve the current human resource architecture. The Committee has framed a terms of reference and its aim is to guide the management in formulating an overall strategic plan for HR, in developing new program initiatives and formulation of policies. In short to ensure the attainment of the maximum effectiveness from the overall HR service delivery system.

**Management Structure:** The Company has two distinct business units, a Steel Division and a Cotton Division. The accounting for these units is done separately in an arms length manner to arrive at the true profit before tax for each unit. The five key functional areas as defined in the system manuals with clear responsibility and authority matrix have direct reporting lines to the Chief Executive Officer and are fully documented in the relevant Company manuals. The Internal Audit function is responsible to monitor compliance with the manual.

**Responsibility to Stakeholders:** Our primary purpose is to run our business efficiently and profitably to enhance shareholder value but we do it with responsibility to all stakeholders. Profitability is essential to discharge this responsibility and the corporate resources are primarily deployed in the achievement of this end.



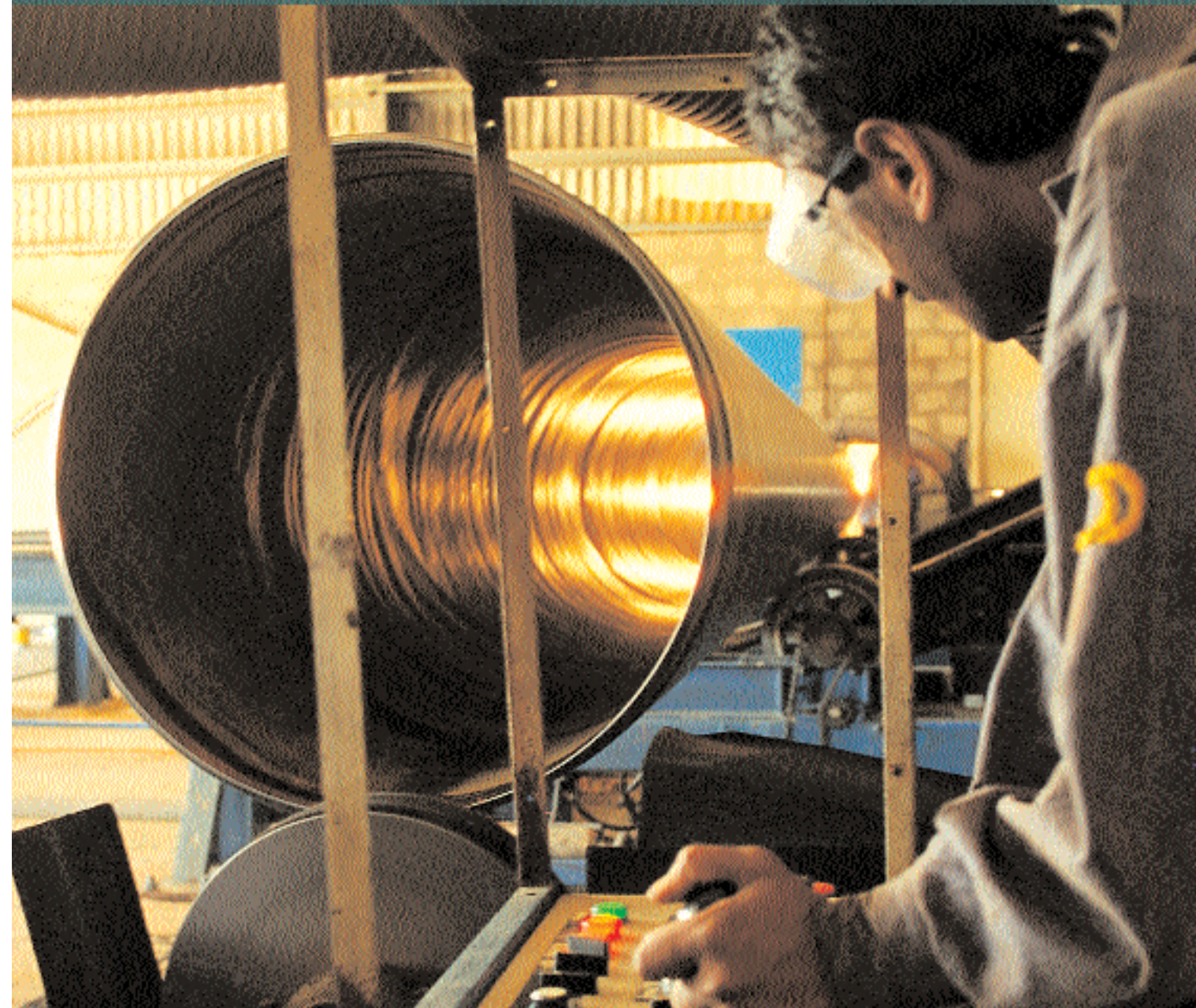
*Due to favorable pipe forming and H.R. coil rolling direction*

*it is possible to produce thin walled Spiral Pipe from high grade material upto X-80 which is difficult in ERW pipes*

*with longitudinal seam due to U-O forming system transverse to the rolling direction being not suited for high strength steel*

*Incremental cost of higher grade of steel is nominal whereas less thickness means less weight, less costs*

*of material, transportation, erection and laying of pipes*







## Our Governing Principles

CSAPL is a responsible corporate citizen and fulfills a wide variety of community needs.



We actively strive to promote issues of education, health and environment. Major portion of our budget for philanthropy and sponsorship is allocated to primary and secondary schooling for less privileged children.

However the Company does not operate in isolation with its environment and accordingly feels responsible to all stakeholders which are:

- Our Shareholders
- Our Customers
- Our People
- Our Business Partners
- Our Society

**Service to Society:** We are increasingly conscious of the role we have to play as responsible corporate citizens in fulfilling a wide variety of community needs. We believe in "giving something back" by helping address issues such as education, healthcare, public safety, environmental health etc. This is also arising from our basic belief that individual entities when they work together can create powerful synergies and help to improve the conditions of the societies in which they are operating.

These principles are not just put forth on paper but we have over the years actively strived to promote issues of education, health and environment. Major portion of our budget for philanthropy and sponsorship is allocated to primary and secondary schooling for less privileged children.

**Health and Safety:** Maintenance of health and safety standards at our plants and offices is a serious issue at CSAPL. We are committed to actively managing health and safety risks associated with our business and are working towards improving our procedures to remove, reduce or control the risk of fires, accidents or injuries to employees and visitors. We also ensure that our products are shipped in a safe manner complying with the safety standards and legal requirements.

**Role of Shareholders:** The Board aims to ensure that shareholders are informed of all major developments affecting the company's state of affairs. Information is communicated to the shareholders in the annual report and the interim quarterly reports. The Board encourages the shareholders' participation at the Annual General Meetings to ensure a high level of accountability. The Company's financial statements are available on the Company's website and an officer is designated to answer all shareholder inquires.



The company has arranged for in-house  
Adult literacy classes based on "Jugnoo Sabaq"  
to enable all workers to reach upto matric standard  
which now is the minimum qualification  
for any fresh-intake of workers in the steel division.  
Similar policy is under formulation  
for the cotton division.







The directors of the company have the pleasure in submitting their report together with the audited financial statements of the company for the year ended June 30, 2003.

## Financial Results

The financial results of the Company are summarised below:

	2003	2002
	<u>Rupees in thousand</u>	
Profit for the year	381,375	198,697
Taxation	97,219	60,464
Profit after taxation	284,156	138,233
Unappropriated profit brought forward	5,611	43,566
Effect of adopting IAS-39	-	(5,933)
Profit available for appropriation	289,767	175,866
<b>Appropriations:</b>		
- First interim dividend @ 10% (2002: Nil)	(20,085)	-
- Second interim dividend @ 10% (2002: Nil)	(20,085)	-
- Third interim dividend @ 10% (2002: Nil)	(20,085)	-
- Proposed final dividend @ 20% (2002: 30%)	(40,170)	(60,255)
- Transfer to reserve for issue of bonus shares	(20,085)	-
- General Reserve	(165,000)	(110,000)
	(285,510)	(170,255)
Unappropriated profit carried forward	4,257	5,611
Earning per share	Rs.14.15	Rs.6.88

## Statement on corporate and financial reporting framework

- These financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements except for the changes as stated in notes 2.11 and 2.13 to the financial statements, and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Details of significant improvements in the company's operations during the current year and significant plans and decisions for the future are stated in the Chief Executive's Review on page no. 18.



*Spiral pipes have superior shock resistance*

*and are less vulnerable to transportation damages*

*The spiral seam forms a reinforcing rib*

*and prevents distortion of pipes.*

*Due to continuous pipe forming process*

*of spiral pipe making there is no difference between*

*the middle of the pipes and the ends of pipes*

*Lining up of spiral pipes is easier compared to ERW pipes.*







- Key operating and financial data for last six years in summarized form is annexed on page no. 33.
- Information about taxes and levies is given in the notes to the financial statement.
- Total number of employees at the year end was 684 (2002 : 587).
- The following is the value of investments based on audited accounts for the year ended December 31, 2000:
  - Provident fund Rs. 26,847,401
  - Gratuity fund Rs. 5,503,384
  - Pension fund Rs. 16,728,986
- During the year seven board meetings were held and the attendance by each director is attached separately on page no. 34.

## Pattern of Shareholding

The pattern of shareholding and additional information regarding pattern of shareholding is attached separately.

No trade in the shares of the company were carried out by CEO, CFO and Company Secretary and their spouses and minor children.

## Directors

All the directors were re-elected in Annual General Meeting held on October 23, 2002, for the three years period commenced from January 30, 2003 except for Mr. Fiyaz Ahmed Longi in place of whom Mr. Javed Iqbal has been elected as a nominee of NIT.

## Auditors

The present auditors M/s. A.F Ferguson & Co., Chartered Accountants retire and will not offer themselves for reappointment. We place our sincere thanks and appreciation for their services. The Audit Committee has recommended the appointment of M/s. Taseer Hadi Khalid & Co., Chartered Accountants as auditors for the year ending June 30, 2004.

By order of the Board

Ahsan M. Saleem  
Chief Executive  
September 22, 2003



*In its employment policy the Company encourages*

*long term commitment providing employees*

*the opportunity to not only work in a*

*safe and congenial environment but also*

*achieve personal growth and development.*

*This is reflected in our low turnover rate.*







# The financial year 2003 has been a significant year for CSAPL.



The company was able to sustain and surpass its growth of last year to post total revenues of Rs. 1,738.9 million, an increase of 34.7% y.o.y

## Dear Shareholder,

The financial year 2003 has been a significant year for CSAPL where, favorable economic conditions coupled with significant demand in the oil and gas sector helped us to emerge in a substantially better shape than a year earlier. The company was able to sustain and surpass its growth of last year to post total revenues of Rs. 1,738.9 million, an increase of 34.7%. Given the high correlation between our industry and the economic conditions of the country it seems pertinent to touch on some of the major highlights of the year under review before moving on to an operational review.

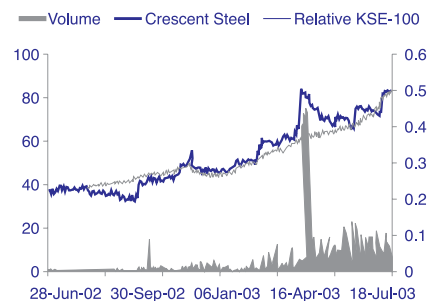
Pakistan's economy once again displayed remarkable resilience as all its key macroeconomic indicators showed marked improvement during the period under review - all the more significant given a subdued global economy, rising international oil prices and increasing war uncertainties.

Improved country fundamentals helped boost private investment where exploration in the oil and gas sector alone attracted over \$ 40 million in the last six months of the current fiscal. Escalation of the KSE index over the 3500 psychological barrier, increased remittances, an appreciating rupee and declining interest rates all helped to bring an improvement in the overall business climate. At present the country seems poised for an economic take off. The engineering industry is an important beneficiary of these favorable conditions and continues to reap benefits from it.

## Operational Review

Effective operational strategies and favorable economic environment helped in enhancing shareholder value as reflected in the strong earning per share and the share performance of your company against the KSE index.

### Relative Price Performance





*Our primary purpose is to run our business efficiently*

*and profitably to enhance shareholder value*

*but we do it with responsibility to all stakeholders.*

*The Board has a fiduciary responsibility for the proper direction and control of the activities of the Company.*

*This responsibility includes such areas of stewardship as the identification and control of the Company's business risks,*

*the integrity of management information systems and clear, transparent reporting to shareholders.*





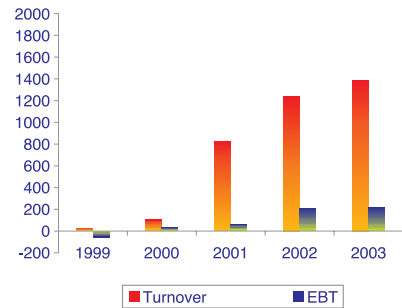


Both pretax and after tax profits were the highest ever in the history of the company.

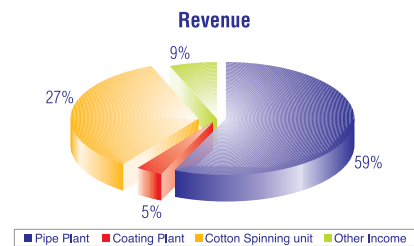


Net profit before tax stood at Rs. 381.4 million as against Rs. 198.7 million last year, a jump of as much as 91.9%.

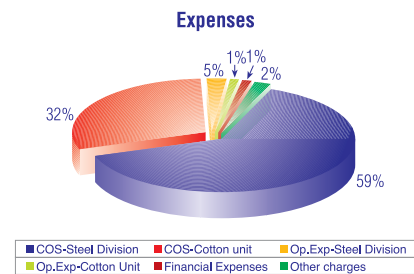
The company posted total revenue of Rs. 1,738.9 million as against Rs. 1,291.1 million last year, an increase of 34.7%. Net profit before tax stood at Rs. 381.4 million as against Rs. 198.7 million last year, a jump of as much as 91.9%.



Net of tax the profit stood at Rs. 284.2 million as against Rs. 138.2 million in the last fiscal an increase of 105.6%. Both pretax and after tax profits were the highest ever in the history of the company.



This fiscal, all operational and financial indicators have shown a marked improvement from last year. As the steel division and the cotton division are in the nature of two separate undertakings the operations of both have been discussed separately uptill the bottom line of profit before tax.



### Steel Division

The steel division continued its steadfast growth to post total revenues of Rs.1,215.6 million as against Rs. 806.7 million in the same period last year; a growth of 50%. Actual production achieved in the pipe plant was 43,229 tons as compared to 22,033 tons last year. Similarly 259,013 square meters of coating was undertaken



*We are committed to actively managing health and safety risks*

*associated with our business and are working towards improving*

*our procedures to remove, reduce or control the risk of fires,*

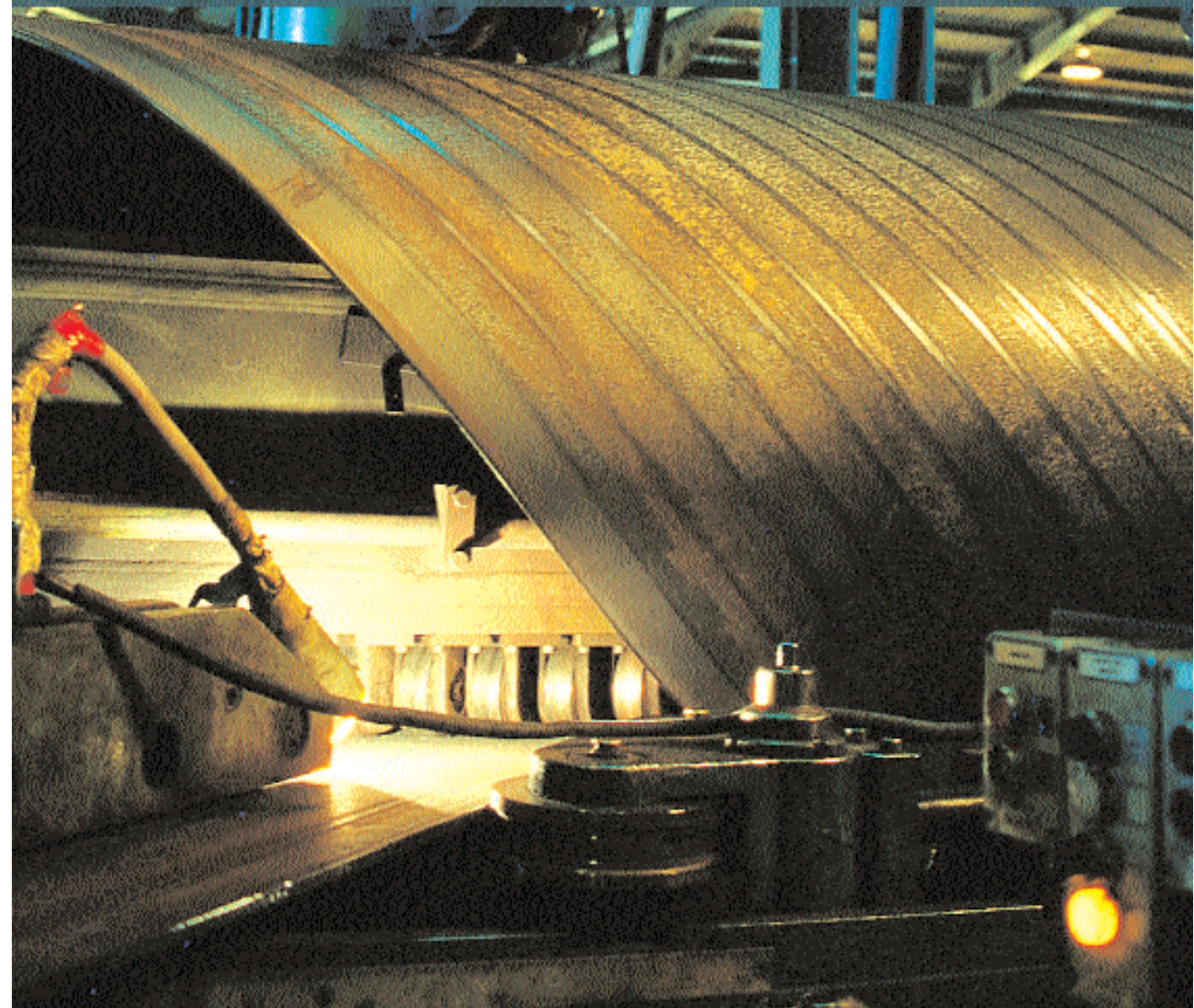
*accidents or injuries to employees and visitors*

*Our products are shipped in a safe manner complying*

*with the safety standards and legal requirements.*

*We believe in "giving something back" by helping address issues*

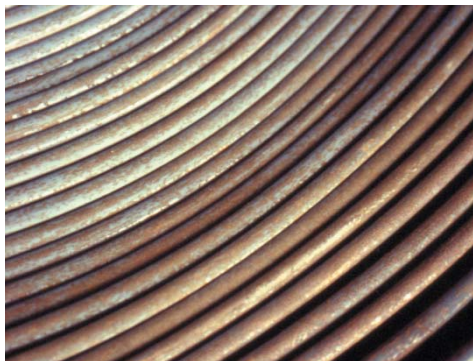
*such as education, healthcare, public safety and environmental health etc.*







**Gross profit increased by 44.3% from the last fiscal.**

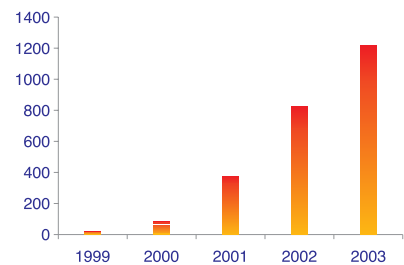


A major reason for this sustainable growth has been the infrastructure development by the two Suis and final realization of the WOPP, which has provided us with three shift business.

which reflects a 1.5 times increase over last year. However a word of caution at this point. A major reason for this sustainable growth has been the infrastructure development by the two Suis and final realization of the WOPP project, which has provided us with three shift business. At present there is a dearth of energy in neighboring regions, with no possible alternatives to meeting these requirements cheaply, other than through gas pipelines. Therefore we expect some major projects in the coming years. However a conducive and favourable geo-political condition is crucial and we hope the present policies undertaken by the government continue to be implemented. Large projects also have a tendency to drag, often creating a cavity in capacity utilisation.

Gross profit at Rs. 314.5 million has increased by 44.3% from the Rs. 217.9 million in the last fiscal. Gross margin has however come down from 27% last year to 25.9% this year. This was mainly due to higher prices of HR coils.

**Total Sales - Steel Division**



Operating expenses have come down from 7.1% to 6.2% mainly due to vigilant control of expenses. Operating profit stood at Rs. 239.1 million while other income increased considerably from Rs. 64.7 million last year to Rs. 181.11 million mainly due to profit realization on equity investments. Profit before tax increased from Rs. 205.7 million of the last fiscal to Rs. 388.1 million a staggering growth of 93%.

As always substantial funds were invested to upgrade the plant to keep it at the leading edge of technology. During the year new ultrasonic units were installed to replace the older version. An off-line ultrasonic unit was added to meet the NACE requirements for ultrasonic inspection of pipes after hydrostatic testing. The old on-line plasma cutting unit was replaced with the latest more efficient one. The fluoroscopy station was renovated with a new higher definition image intensifier and a computerized image enhancing and archiving unit. Impact testing and micro hardness measuring facilities have also been added to quality control laboratory of the company.



*Every length of pipe is subjected to a rigorous check*

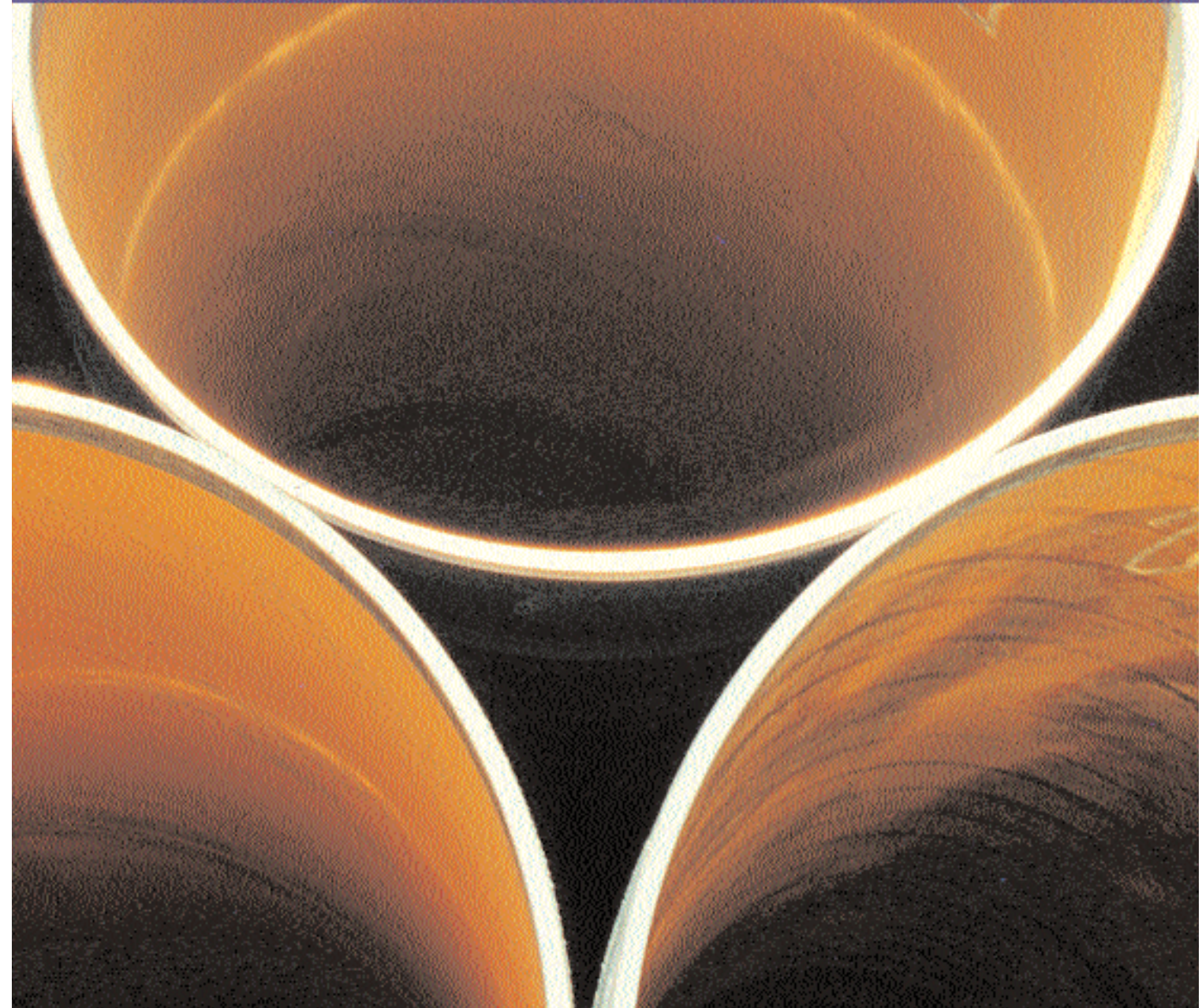
*at the illuminated customer inspection stand.*

*The entire pipe surface, weld seam, dimensional tolerances,*

*end finish, angle of bevel, root face etc. are all checked*

*for compliance with relevant standard of manufacture*

*as specified by the customer.*







**Equity investments at 88.5% constitute a major portion of liquid funds.**



During this period in addition to bonus shares, we have realized a capital gain of Rs. 72.6 million against trading of short term equity investments and received a dividend income of Rs. 37.4 million.

### Investments

Investments play a crucial role in the overall operational activity of Crescent Steel & Allied Products Limited. The total investments appear under the classification of short-term and long-term and together with short term deposits with NBFIs and bank balances, which are shown separately in the balance sheet, aggregate to Rs. 753.8 million. Equity investments at 88.5% constitute a major portion which in a declining interest rate scenario is quite logical, followed by fixed income securities at 4.5% and bank balances at 7.0%.

On account of across the board improvement in the economic indicators of the country, the capital market remained buoyant and closed the year at 3402 points. The company seized the opportunity given by the robust performance of the market by realizing capital gain and made proper switching not only in dividend yielding stocks but also in those scrips which had potential to rise further.

During this period in addition to bonus shares, we have realized a capital gain of Rs. 72.6 million against trading of short term equity investments and received a dividend income of Rs. 37.4 million. Further we have also booked capital gain of Rs. 6.1 million against disposal of part of our fixed income security.

Further total unrealized gain on investments at year end stood at Rs. 218.6 million. In accordance with IAS-39 guidelines, out of foregoing unrealized gain, Rs.30 million is reflected in the profit and loss account and the balance amount of Rs. 188.6 million inclusive of Rs. 7.9 million of prior year fair value adjustment is taken to equity. This reflects a change in accounting policy for recording fair value adjustment and if it had not been done the figure of reserve would have been lower and the profit figure higher by Rs. 188.6 million.

The company in order to mitigate risk is maintaining a balanced portfolio which includes quality scrips of various sectors. This has increased the breadth of the portfolio and enables the management to switch positions according to market movement. We feel that the abundant liquidity, declining interest rate and better corporate governance will further augment the corporate results which will consequently stimulate the capital market.





## Chief Executive's Review

### Cotton Division

The spinning unit continued to work uninterrupted through out the year on a three shift basis achieving a production of 4.87 million kilograms as compared to 4.62 million kilograms last year.

Proactive and prudent procurement of cotton led to a reduction in cotton cost which together with effective yield utilization helped in realization of a gross margin of 5.0% as compared to 3.7% last year. Careful stocking allowed the company to accumulate lower cost cotton thus cushioning itself against high cotton prices in the last two quarters of FY03 while increase in yarn prices during the same period helped to post a sales revenue of Rs. 523.4 million (LY: Rs. 484.3 million) and a gross profit of Rs 26.4 million as compared to Rs. 18.0 million in the same period last year.

The BMR exercise undertaken during the year led to the addition of 5,280 new spindles bringing the total spindles to 19,680. With this addition the cotton division will be able to achieve optimum utilization of both space and back processes as well as increase its production. The effect of this expansion will become more evident in the next fiscal year.

Operating expenses have increased due to increase in expenses as a result of expansion and a larger allocation towards the social responsibility in the area the unit operates.

Financial charges have come down considerably from Rs. 23.7 million in the last fiscal to Rs. 15.7 million this year mainly as a result of the declining interest rates and revision of rates on existing lease obligations.

The bottom line is still in the red and showed a net loss of Rs. 6.7 million compare to Rs. 7.0 million in the same period last year. Once the effect of BMR is realized, the cost is likely to come down further and contribute to the bottom line.

### Taxation

Taxation is computed on overall company basis. Taxation charge of Rs. 97.2 million includes Rs. 12.1 million for prior years and a reversal of deferred tax of Rs. 6.2 million. A number of appeals upto the year

The spinning unit achieved production of 4.87 M kgs compared to 4.62 M kgs last year.



Proactive and prudent procurement of cotton led to a reduction in cotton cost which together with effective yield utilization helped in realization of a gross margin of 5.0% as compared to 3.7% last year.





**EPS has gone up to Rs. 14.2 as compared to Rs. 6.9 last year.**



Return on capital employed improved from 15.5% last year to 22.4% this current fiscal, while the ROA improved from 17.0% to 27.5%.

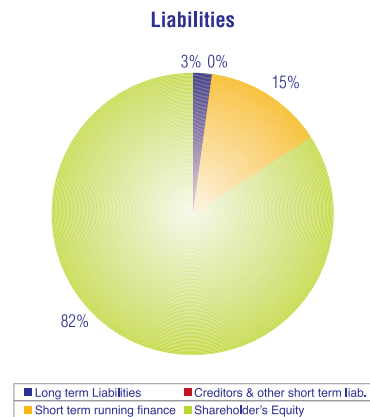
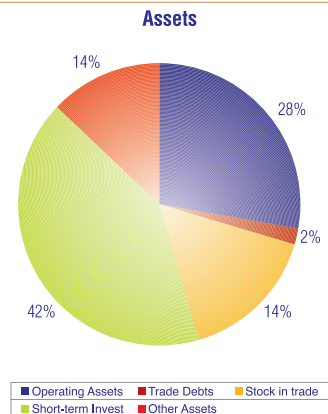
1999 have been finalized at the Appellate Commissioner's level, mostly in company's favor except for some small amounts. Against such disallowances also appeals have been filed with the ITAT.

**Balance Sheet**

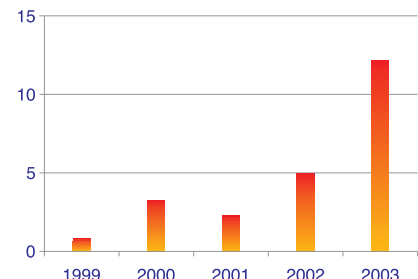
The company's balance sheet continues to remain robust reflecting good fundamentals supported by strong capital reserves. Interest coverage ratio increased from 9.6 times to 23.7 times while the current ratio also improved considerably from 1.8:1 last year to 3.7:1 This was mainly because this year the company had mostly conversion jobs wherein the raw material was provided by the customer hence a massive reduction in payable which are usually earmarked against L/C's for imported raw material. Fixed asset turnover has gone up considerably from 3.6 last year to 4.2 this year.

Return on capital employed improved from 15.5% last year to 22.4% this current fiscal, while the ROA improved from 17.0% to 27.5%.

Compared to the last year, during the current fiscal, the break up value of shares has



**EPS**







## Chief Executive's Review

gone up from Rs. 39.3 to Rs. 59.9 while EPS has increased from Rs. 6.88 to Rs. 14.15. The company announced three interim dividends of 10% each and a final payout of 20% bringing the total dividend payout to 50% for the year. In addition, the directors have also recommended a bonus issue of 10%.

### Industry Problems

The present government with its emphasis on exploitation of local energy sources has done much to retract the injury done to our industry in the past. This has been the much-needed step in the right direction as furnace oil import as opposed to gas as a source of energy, proves an enormous burden on the economy and also adversely affects the environment. Also with the passing of the Koyoto declaration gas has been recognized as the fuel of choice given its environmental friendly nature and due to minimization of the green house effect.

This policy has created demand for steel line pipe for gas transmission and distribution, as most sources of gas are generally in the southern region while consumption is in the northern region.

The Engineering Development Board has played a positive role in acting as a mediator between the industry and the 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 finalized. This should be done by taking into account the pipe manufacturing and coating capability existing within the country. It is rather unfortunate that at times the concerned ministries and other agencies spend years and years in planning and paperwork but when the time comes for implementation the targets are found to be unrealistic making it impossible for the local industry to meet their requirements. The gas companies are planning major pipeline network extension and there is a need to phase out the construction plan in a manner that local industries are able to meet the projected requirement. In this regard it is imperative that the line pipe manufactures be taken in confidence in the formulation of the design specification so that if there is a need to augment their existing facilities the respective manufacturers may act in time for modernization and up gradation.

## GOP's energy policy needs to be consistent and long term.



It is imperative that the line pipe manufactures be taken in confidence in the formulation of the design specification of major pipeline network extension by gas companies.





## TCP's intervention has a negative impact on free market mechanism.



The company maintains a strong commitment to safety, health and environmental performance in all its operations and this applies to the safety of everyone involved in or affected by operations.

The capability of Pakistan Steel both in quality as well as delivery is questionable. As the local industry has to purchase raw materials from Pakistan Steel Mills whatever they claim to be within their manufacturing range, the industry is at a disadvantage as it has to suffer heavy liquidated damages for default on deliveries by Pakistan Steel or lose local and export opportunities even to countries where Pakistani manufacturers have freight advantage.

We would like to record our appreciation of the role of EDB in helping to protect the interests of the local industry. It is very important that where the local industry is gearing itself to produce high quality competitive products indigenously, it is often denied a level playing field vis a vis imports.

For our cotton division, I would once again like to reiterate the importance of high quality cotton availability. The entire process from cotton picking and ginning needs to be revamped and improved. More cotton research centers are needed with farmers being made aware of the effects of contaminated cotton. The government should strictly enforce Pakistan Cotton Standards and Cotton Grading Systems at ginning stage to ensure that the quality of lint cotton is comparable to international standards. TCP's intervention in the market at the behest of the government has a negative impact on free market mechanism and sale by TCP to foreign buyers at lower than market price is an issue that also needs urgent correction. There is a dire need to leave the entire trading system free of intervention by the government.

### Safety, Health and Environment

Your company maintains a strong commitment to safety, health and environmental performance in all its operations and this applies to the safety of everyone involved in or affected by our operations. This includes employees, contract partners in the workplace, and our customers and is achieved through its leadership, the dedication of its staff and the applications of the highest professional standards of work.

All new employees are given an orientation on security, safety of men and machines and fire fighting and are also assigned a mentor to continually guide them in this regard.





## Chief Executive's Review

### Social Responsibility

CSAPL has always remained acutely conscious of its responsibility towards the society in which it operates. Our emphasis remains primarily on education and health and our funding towards philanthropy was doubled this year. The company, over the last five years has provided funding to build eight primary schools and is currently supporting all these schools under the umbrella of The Citizens Foundation. The company also supports tertiary level education and provides considerable funding to many other educational institutes through out the country such as Lahore University of Management Sciences and Commecs Institute of Business Education, Karachi.

All givings to CSO's and CBO's are governed by a policy approved by the Board which requires that between 2 to 5% of the profits should be used on the social sector.

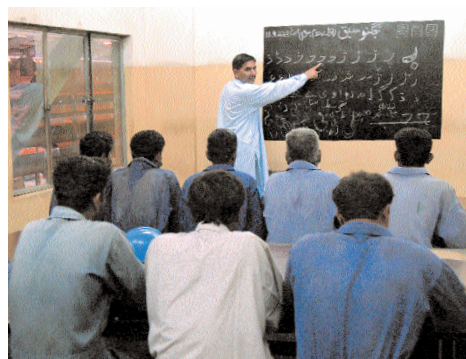
### HR Initiatives

Development of management and staff has always remained a source of high priority for us. The Company in collaboration with Lahore University of Management Sciences is training its employees in business management skills through a diploma course spread over a period of more than a year. This shall remain an ongoing exercise to train future leadership of the company.

The company has also arranged for in-house Adult Literacy classes based on "Jugnoo Sabaq" to enable all workers to reach upto matric standard which now is the minimum qualification for any fresh in-take of workers in the steel division. Similar policy is under formulation for the Cotton Division.

In addition a HR committee of the Board has been constituted whose main purpose is to guide and support the management in its HR initiatives, in the development and direction of new programs and in setting goals and standards for maximum effectiveness of the total HR service delivery model.

## Jugnoo Sabaq session in progress.



CSAPL has always remained acutely conscious of its responsibility towards the society in which it operates. Our emphasis remains primarily on education and health and our funding towards philanthropy was doubled this year.



Despite accelerated exploration there will exist a huge gap in supply and demand of gas.



Gas distribution companies are continuing their plans to expand their network on the back of increased government attention and heightened demand.

## I.T Initiatives

A number of initiatives have been taken to strengthen the role of Information Technology and to develop it into a strategic function in order to provide an important source of competitive advantage. The main aim is to ensure seamless connectivity between the units, better integration of business systems, formulation of policies and procedures all under a corporate wide MIS policy.

## Future Outlook

There is a new entrant in the spiral arc welded pipe industry with two pipe machines and one coating machine. This plant was set-up primarily to meet the requirements of the White Oil Pipeline Project. There is a possibility that the local partner of the contractor may retain the equipment and add to the competition.

Work on WOPP has gained momentum keeping both our pipe as well as coating plant working at optimum capacity utilization. This is likely to extend till end of November.

Gas distribution companies are continuing their plans to expand their network on the back of increased government attention and heightened demand. Sui Northern Gas Pipelines is working on a proposal to spend Rs. 7 billion to increase its gas distribution network over the next two years in addition to the ongoing Rs. 12.4 billion expansion plan of the company which is expected to be completed by February 2004. Also the infrastructure development towards Project-VIII has been approved which will generate good demand for 36 and 24 inch dia pipes.

SSGC will also procure approximately 15,000 tons of large diameter pipes for GIREP. It also has plans for expansion to be taken up in phases as GIREP II project.

As a result of government emphasis on privatization and the incentives given to private sector investment industrial activity in the country is expected to take off, generating high energy demands in the years to come, of which your industry will be a direct beneficiary.

Despite accelerated exploration there will exist a huge gap in supply and demand through out the region due to expected industrial activity. The requirement of gas will have to be fulfilled through import option earlier than expected.





## Chief Executive's Review

The three mega gas projects currently being evaluated are the Qatar, Iran and Turkmenistan gas pipeline projects. The Turkmenistan-Afghanistan-Pakistan (TAP) trans-national gas pipeline project will transport upto 30 billion cubic meters of natural gas annually from Daulatabad fields (world's fourth largest gas reserve) in south east Turkmenistan to the consumers in Afghanistan and Pakistan.

The current expansion being undertaken by the two Suis is likely to generate good demand for 2004. Concrete large projects like TAP are likely to follow in the next two to three years. Notwithstanding the political risk in Afghanistan, the TAP pipeline is still the most feasible alternative available to meet future energy requirements. Asian Development Bank is working on the feasibility, prequalification of contractors and financiers for this project. For this project also, capacity exists for the entire project to be executed by using Pakistani resources which will result in a substantial reduction in project cost.

Expectations of a good cotton crop, large scale investment in spinning capacity, cheaper agri-finance should cause cotton prices to remain high in the FY 2003/2004; these higher prices may or may not translate into higher yarn prices. Agricultural output is however at most unpredictable. Efforts will be increased to further diversify our customer base, control expenses and to continue to earn premium prices for our product.

### Employees

Our employees are an important asset of the company and continue to remain committed and devoted. It is their hard work and commitment which has ensured a sound base for the company and stable long term growth. Each employee continues to remain focused on ones responsibility and on increasing shareholder value. On behalf of the Directors and myself I am pleased to record our appreciation.

### Board of Directors

The Board of Directors have always been an important source of guidance and support for the management and I would like to place on record my appreciation and gratitude for the same. I would also like to thank our outgoing Director Mr. Fiyaz Ahmed Longi for his invaluable contribution during his term with us and welcome Mr. Javed Iqbal as a valued addition to the Board

Our employees  
are an important  
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devoted.



The Company in collaboration with Lahore University of Management Sciences is training its employees in business management skills through a diploma course spread over a period of more than a year.



## Shareholder value is our first priority.



CSAPL has a long history of adhering to a strong ethical code. It is a tradition of which we are proud and, as custodians of that tradition, we are deeply conscious of the trust placed in us.

### Auditors

A.F. Ferguson & Co. have been the auditors of the Company since its inception in 1983. Their high level of professional services largely contributed to improving the company's in-house record keeping, procedures and systems and also to the quality of our reporting both internally or externally. We greatly appreciate their services and place on record our sincere thanks for the same. The Audit Committee has recommended the appointment of M/s. Taseer Hadi Khalid & Co., Chartered Accountants as auditors for the year ending June 30, 2004.

### Stake Holders

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 and look forward to the potential of growth in their business with hope. Our thanks also go to the financial institutions and banks that have continued to support the company at all times.

### General

Finally, a comment on corporate governance. CSAPL has a long history of adhering to a strong ethical code. It is a tradition of which we are proud and, as custodians of that tradition, we are deeply conscious of the trust you have placed in us. I want to assure you that the Board continues to remain dedicated to the highest standard of corporate governance, financial control and reporting. We have always been determined that our Report should openly and honestly outline our performance. It shows we have performed well this year but we know still more can and will be done to ensure sustainable organizational development. I would like to thank all stakeholders for their support and to give you our pledge that we will continue to do all in our power to deliver value to you, our shareholders.

By order of the Board

Ahsan M. Saleem  
Chief Executive  
September 22, 2003





## Financial Highlights

	2003	2002	2001	2000	1999	1998	1997
<b>Operating Results ( Rupees in million)</b>							
Net Sales	1,738.9	1,291.1	820.9	121.2	32.9	1,184.2	991.6
Cost of Sales	1,398.0	1,055.2	741.1	150.0	105.0	913.9	693.1
Selling and Administrative expenses	91.2	61.5	42.4	36.7	44.7	74.5	64.2
Financial expenses	16.8	23.7	23.0	2.7	5.2	17.6	26.7
Other charges	26.1	20.3	28.9	35.2	40.9	30.3	41.5
Other income, Net	182.5	68.4	87.6	170.0	83.6	89.7	5.3
Fair value adj. on available-for-sale investment	(7.9)	-	-	-	-	-	-
Pre tax profit/(loss)	381.4	198.7	73.1	66.6	(79.3)	237.6	171.5
Income tax	97.2	60.5	18.3	(23.4)	(103.1)	(1.3)	39.5
Net income	284.2	138.2	54.8	90.0	23.8	238.8	131.9

### Per Share Results and Returns

Earning per share (Rupees)	14.2	6.9	2.7	4.5	1.2	11.9	6.6
Net income to sales (%)	16.3	10.7	6.7	74.3	72.1	20.2	13.3
Return on average assets (%)	27.5	17.0	9.3	8.4	(9.4)	26.9	22.5
Return on capital employed (%)	23.2	15.5	6.7	11.6	3.5	35.9	26.6
Return on equity (%)	24.5	17.5	7.6	13.0	3.7	38.2	30.2
Dividend per share (%)	50	30	5	18	5	25	20
Bonus Shares (%)	10	-	-	-	-	-	15
Stock price range	90-30	32-14	24-12	26-12	20-12	25-20	44-25

### Financial Position (Rupees in million)

Current Assets	966.9	1,034.7	776.5	474.9	473.9	520.0	797.2
Current liability	260.3	584.4	382.3	136.8	105.8	166.2	575.6
Operating fixed assets	410.5	355.3	366.7	382.1	202.7	230.4	240.2
Total assets	1,460.9	1,439.1	1,181.3	894.6	756.8	832.4	1,085.9
Long-term debt (excluding current maturity)	38.0	59.2	68.5	64.7	11.7	21.7	40.3
Short-term debt (including current maturity of long-term debt)	100.6	80.2	151.7	41.4	20.8	18.3	24.2
Shareholders' equity	1,162.1	789.7	717.7	693.1	639.2	625.4	436.9
Break-up value per share (Rupees)	57.9	39.3	35.7	34.5	31.8	31.1	25.0

### Financial Ratios

Current assets to current liabilities	3.7	1.8	2.0	3.5	4.5	3.1	1.4
Long term debt to equity (%)	3.3	7.5	9.6	9.3	1.8	3.5	9.2
Total debt to total assets (%)	20.4	44.7	38.2	22.5	15.5	22.6	56.7
Interest coverage (times)	23.7	9.4	4.2	25.6	(14.3)	14.5	7.4
Average collection period (days)	8.7	39.5	49.7	3.9	129.3	34.6	49.3
Inventory turnover (times)	4.4	3.7	8.1	3.6	2.0	4.5	2.7
Fixed assets turnover (times)	4.2	3.6	2.2	0.3	0.2	5.1	4.1
Total assets turnover (times)	1.19	0.9	0.7	0.1	0.1	1.5	0.9

### Other Data (Rupees in million)

Depreciation/Amortisation	82.9	63.6	52.7	32.4	33.9	35.9	35.3
Capital expenditure (including leased assets)	130.0	101.6	8.4	211.9	11.8	29.5	38.6
Common Shares (million)	20.1	20.1	20.1	20.1	20.1	20.1	17.5



## Board Meetings and Attendance by the Directors During the year July 2002 to June 2003

Name of Director	No. of meetings held	No. of meetings attended
<b>Mr. Mazhar Karim</b>	7	3
<b>Mr. Ahsan M. Saleem</b>	7	7
<b>Mr. Fiyaz Ahmed Longi</b> – July 1 to January 30, 2003	3	0
<b>Mr. Javed Iqbal</b> – January 30 to June 30, 2003	4	4
<b>Mr. Javed A. Callea</b>	7	6
<b>Mr. Muhammad Anwar</b>	7	4
<b>Mr. Nasir Shafi</b>	7	6
<b>Mr. S. M. Ehtishamullah</b>	7	7
<b>Mr. Zahid Bashir</b>	7	4





## Statement of Compliance with the Code of Corporate

This statement is being presented to comply with the Code of Corporate Governance as contained in Regulation No. 37 of the Listing Regulations of the Karachi Stock Exchange and Chapter XIII of Listing Regulations of Lahore Stock exchange and Chapter XI of Listing Regulations of Islamabad Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the Code in the following manner:

- The company encourages representation of independent non-executive directors. At present the Board has one independent non-executive director.
- The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
- All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI. None of them is a member of a stock exchange.
- No casual vacancy occurred during the year ended June 30, 2003.
- The company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the company.
- The Board has developed a vision/ mission statement, overall corporate strategy, and significant policies of the company. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.
- The company is in process of getting significant policies formally approved by the Board
- All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and



## Statement of Compliance with the Code of Corporate

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determination of remuneration and terms and conditions of employment of the Chief executive Officer (CEO) and an executive director have been taken by the Board.

- The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met once in every quarter during the year ended June 30, 2003. Written notices of the Board meetings, alongwith agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- The Board has arranged an orientation course for its directors during the year to apprise them of their duties and responsibilities.
- The Board has approved appointment of CFO/Company Secretary and the Head of Internal Audit, including their remuneration and terms and conditions of employment, as recommended by CEO.
- The Directors' Report for the year ended June 30, 2003 has been prepared in compliance with the requirements of the Code and it fully describes the salient matters required to be disclosed.
- The financial statements of the company were duly endorsed by the CEO and CFO before approval by the Board.
- The directors, CEO and executives do not hold any interest in the shares of the company, other than that disclosed in the pattern of shareholding.
- The company has complied with all the corporate and financial reporting requirements of the Code.
- The Board has formed an audit committee. It comprises of three members, all of whom are non-executive directors including the Chairman of the Committee. The Audit Charter of the company requires that atleast two members of the Audit Committee must be financially literate.
- The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the





## Statement of Compliance with the Code of Corporate

company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

- The Board has set-up an effective internal audit function by appointing a full-time Head of Internal Audit. The day-to-day operations of this function have been outsourced to Sidat Hyder Morshed Associates (Private) Limited, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
- The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
- The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- We confirm that all other material principles contained in the Code have been complied with.

By order of the Board

Ahsan M. Saleem

Chief Executive

September 22, 2003

## Review Report to the Members on Statement of Compliance with

A.F. Ferguson & Co  
Chartered Accountants  
State Life Building No. 1-C  
I.I. Chundrigar Road, P.O. Box 4716  
Karachi-74000, Pakistan  
Telephone: (021) 2426682-6/2426711-5  
Facsimile: (021) 2415007/2427938

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Crescent Steel and Allied Products Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange, chapter XIII of Listing Regulations of Lahore Stock Exchange and chapter XI of Listing Regulations of the Islamabad Stock Exchange where the company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the company personnel and review of various documents prepared by the company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the status of the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2003.



Chartered Accountants  
Karachi: October 2, 2003



## Auditors' Report to the Members

A.F. Ferguson & Co  
Chartered Accountants  
State Life Building No. 1-C  
I.I. Chundrigar Road, P.O. Box 4716  
Karachi-74000, Pakistan  
Telephone: (021) 2426682-6/2426711-5  
Facsimile: (021) 2415007/2427938

We have audited the annexed balance sheet of Crescent Steel and Allied Products Limited as at June 30, 2003 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 statements 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 2.11 and 2.13 to the financial statements 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, 2003 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.



Chartered Accountants  
October 2, 2003

**Balance Sheet**

As at June 30, 2003

	Note	2003	2002
Rupees in thousand			
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised capital 30,000,000 (2002: 30,000,000) ordinary shares of Rs 10 each		300,000	300,000
Issued, subscribed and paid-up capital	4	200,849	200,849
Reserves	5	956,973	583,278
Unappropriated profit		4,257	5,611
		1,162,079	789,738
Deferred income	6	450	715
<b>Non-current liabilities</b>			
Long-term loans	7	-	13,893
Liabilities against assets subject to finance leases	8	38,015	45,330
Deferred taxation	9	-	5,100
<b>Current liabilities</b>			
Current maturity of long-term loans	7	-	26,127
Current maturity of liabilities against assets subject to finance leases	8	27,087	17,852
Short-term finances	10	73,485	36,174
Taxation	28	4,236	-
Creditors, accrued expenses and other liabilities	11	115,364	443,952
Proposed dividend		40,170	60,255
		260,342	584,360
Contingencies and commitments	12		
		1,460,886	1,439,136

The annexed notes form an integral part of these financial statements.



**Balance Sheet**

As at June 30, 2003

	Note	2003	2002
Rupees in thousand			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible fixed assets			
Operating fixed assets	13	318,056	280,864
Assets subject to finance leases	14	75,036	65,044
Capital work-in-progress	15	17,397	9,382
		<u>410,489</u>	<u>355,290</u>
Intangible assets	16	415	760
Long-term investments	17	70,329	39,374
Long-term deposits	18	5,289	7,649
Staff retirement benefits	19	6,368	1,345
Deferred taxation	9	1,078	-
<b>Current assets</b>			
Stores, spares and loose tools	20	21,303	40,451
Stock-in-trade	21	205,021	432,904
Trade debts	22	26,023	56,692
Short-term advances	23	7,248	2,203
Short-term deposits and prepayments	24	5,598	2,017
Current maturity of long-term investments	25	3,332	5,844
Investments	26	626,692	307,400
Other receivables	27	18,187	78,755
Taxation	28	-	6,613
Cash and bank balances	29	53,514	101,839
		966,918	1,034,718
		<u>1,460,886</u>	<u>1,439,136</u>

Chairman

Chief Executive



## Profit and Loss Account

### For the year ended June 30, 2003

	Note	2003			2002		
		Steel division	Cotton division	Total	Steel division	Cotton division	Total
Rupees in thousand							
Sales	30	1,215,567	523,381	1,738,948	806,708	484,351	1,291,059
Cost of sales	31	901,060	496,980	1,398,040	588,808	466,392	1,055,200
Gross profit		314,507	26,401	340,908	217,900	17,959	235,859
Selling expenses	32	6,224	2,701	8,925	6,262	1,365	7,627
Administration expenses	33	69,196	13,073	82,269	51,218	2,689	53,907
		75,420	15,774	91,194	57,480	4,054	61,534
Operating profit		239,087	10,627	249,714	160,420	13,905	174,325
Other income	34	181,174	1,292	182,466	64,738	3,669	68,407
		420,261	11,919	432,180	225,158	17,574	242,732
Financial Charges	35	1,114	15,714	16,828	-	23,748	23,748
Other Charges	36	23,189	2,905	26,094	19,426	861	20,287
Fair valuation gain on revaluation of available-for-sale investments		7,883	-	7,883	-	-	-
		32,186	18,619	50,805	19,426	24,609	44,035
Profit / (loss) before taxation		388,075	(6,700)	381,375	205,732	(7,035)	198,697
Taxation	37			97,219			60,464
Profit after taxation				284,156			138,233
Earning per share	38			Rs. 14.15			Rs. 6.88
Dividend per share				Rs. 5.00			Rs. 3.00

The annexed notes form an integral part of these financial statements.

  
Chairman

  
Chief Executive





## Statement of Changes in Equity

### For the year ended June 30, 2003

	Issued, subscribed and paid-up capital	General reserve	Reserve for issue of bonus shares	Fair value reserve on available- for-sale investments	Unappropri- ated profit	Total
	Rupees in thousand					
Balance as at July 1, 2001						
- as previously reported	200,849	471,000	2,278	-	43,566	717,693
- effect of adopting International Accounting Standard 39	-	-	-	-	(5,933)	(5,933)
	200,849	471,000	2,278	-	37,633	711,760
Profit for the year	-	-	-	-	138,233	138,233
Transfer to general reserve	-	110,000	-	-	(110,000)	-
Proposed dividend (30%)	-	-	-	-	(60,255)	(60,255)
Balance as at June 30, 2002	200,849	581,000	2,278	-	5,611	789,738
Balance as at July 1, 2002	200,849	581,000	2,278	-	5,611	789,738
Profit for the year	-	-	-	-	284,156	284,156
Fair value gain on available- for-sale investments						
- for the year ended June 30, 2003	-	-	-	180,727	-	180,727
- for the year ended June 30, 2002	-	-	-	7,883	-	7,883
First interim dividend (10%)	-	-	-	-	(20,085)	(20,085)
Second interim dividend (10%)	-	-	-	-	(20,085)	(20,085)
Third interim dividend (10%)	-	-	-	-	(20,085)	(20,085)
Proposed final dividend (20%)	-	-	-	-	(40,170)	(40,170)
Transfer to general reserve	-	165,000	-	-	(165,000)	-
Transfer to reserve for issue of bonus shares	-	-	20,085	-	(20,085)	-
Balance as at June 30, 2003	200,849	746,000	22,363	188,610	4,257	1,162,079

The annexed notes form an integral part of these financial statements.

Chairman

Chief Executive



# Cash Flow Statement

## For the year ended June 30, 2003

	Note	2003	2002
Rupees in thousand			
<b>Cash flow from operating activities</b>			
Cash generated from operations	39	349,470	369,959
Taxes paid		(93,321)	(4,526)
Financial charges paid		(17,480)	(26,399)
Contributions to pension and gratuity fund		(12,169)	(3,329)
Payment for the Workers' Welfare Fund		(3,638)	-
Long-term deposits and prepayments		2,360	(2,255)
Net cash inflow from operating activities		<u>225,222</u>	<u>333,450</u>
<b>Cash flow from investing activities</b>			
Fixed capital expenditure		(139,281)	(33,799)
Purchase of intangible assets		(53)	(1,140)
Sale proceeds of fixed assets		1,502	22,371
Investments made		(61,747)	(146,986)
Dividends received		37,751	28,618
Interest income received		21,042	17,802
Net cash outflow from investing activities		<u>(140,786)</u>	<u>(113,134)</u>
<b>Cash flow from financing activities</b>			
Short-term loans		(20,000)	(46,000)
Repayments of:			
- long term loans		(40,020)	(23,557)
- liabilities against assets subject to finance leases		(18,080)	(12,426)
Dividends paid		(111,972)	(26,641)
Net cash outflow from financing activities		<u>(190,072)</u>	<u>(108,624)</u>
Net (decrease) / increase in cash and cash equivalents		<u>(105,636)</u>	<u>111,692</u>
Cash and cash equivalents at the beginning of the year		85,665	(26,027)
Cash and cash equivalents at the end of the year	40	<u>(19,971)</u>	<u>85,665</u>

The annexed notes form an integral part of these financial statements.

Chairman

Chief Executive





## Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2003

### 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 has a coating facility capable of applying three layer high density polyethylene coating on steel line pipes. The coating plant commenced commercial production from November 16, 1992.
- 1.2 The company acquired a running spinning unit of 14,400 spindles at Jaranwala (District Faisalabad) on June 30, 2000 from 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" (the cotton division). A basic sale and purchase agreement has been entered into, however, the transfer of legal title is in the process of being completed.
- 1.3 The activities of the company have been grouped into two segments of related products. The steel division comprises manufacturing and coating of steel pipes whereas the cotton division is involved in yarn manufacturing activity. The steel division charges certain percentage of the common administrative expenditure to the cotton division. In addition, the funds utilised by inter division are charged a mark-up of 7.5 percent (2002: 10 percent) subject to financial charges incurred by the steel division.

### 2. Significant accounting policies

#### 2.1 Accounting convention

These financial statements have been prepared under the historical cost convention, except certain investments which are carried at fair value.

#### 2.2 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance), and the International Accounting Standards (IASs) issued by the International Accounting Standards Committee (IASC) and interpretations issued by the Standing Interpretations Committee of the IASC (the interpretations), as adopted in Pakistan. However, the requirements of the Ordinance have been followed in case where its requirements are not consistent with the requirements of the IASs and the interpretations.

#### 2.3 Bank borrowings

Mark-up bearing loans and overdrafts are recorded at the proceeds received, net of direct issue cost. Financial charges are accounted for on an accrual basis.



## Notes to and Forming Part of the Financial Statements

### For the year ended June 30, 2003

#### 2.4 Employee benefits

##### 2.4.1 Compensated absences

Compensated absences (leave) of employees are accounted for in the period in which these absences are earned.

##### 2.4.2 Post retirement benefits

###### 2.4.2.1 Defined contribution plan

###### Provident fund

The company operates a provident fund scheme for its permanent employees. Equal monthly contributions are made by the company and its employees.

###### Steel division

Contributions are made at the rate of 8.33 percent of basic pay 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 percent.

###### Cotton division

The company makes a provision at the rate of 6.25 percent of the basic pay of cotton division employees which shall eventually be transferred to a provident fund, which is yet to be established.

###### 2.4.2.2 Defined benefit plans

###### Pension and gratuity fund

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 spouses. Contributions are paid to the pension and gratuity funds on the basis of actuarial recommendations. The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses which exceed 10 percent of the greater of the present value of the company's pension obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the eligible employees. Past service cost is recognised immediately to the extent that the benefits are already vested. For non-vested benefits past service cost is amortised on a straight line basis over the average period until the amended benefits become vested.

Amounts recognised in the balance sheet represent the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost and as reduced by the fair value of plan





## Notes to and Forming Part of the Financial Statements

### For the year ended June 30, 2003

assets. Any assets resulting from this calculation is limited to the unrecognised actuarial losses and unrecognised past service cost plus the present value of available refunds and reduction in future contributions to the plan.

#### 2.5 Taxation

##### Current

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

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and their tax base. Deferred tax liabilities are generally recognised for all taxable temporary differences. The company also recognises deferred tax assets on all deductible temporary differences to the extent that it is probable that taxable profits will be available against which these deductible temporary differences can be utilised. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

#### 2.6 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be used of the amount of obligation.

#### 2.7 Creditors, accrued expenses and other liabilities

Liabilities for trade and other amounts payable are stated at their nominal values.

#### 2.8 Tangible fixed assets and depreciation

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

Where the carrying amount of assets exceeds its estimated recoverable amount it is written down immediately to its recoverable amount.

Depreciation on fixed assets is charged to the 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 a pro-rata basis for the period of use during the year. No depreciation is charged on assets disposed off during the year.



## Notes to and Forming Part of the Financial Statements

### For the year ended June 30, 2003

Consistent with prior years, items of fixed assets costing Rs. 5000 or less are not capitalised and are charged off in the year of purchase.

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. Gains and losses on disposals are determined by comparing sales proceeds with carrying amount and are included in income currently.

#### 2.9 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 period 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.

#### 2.10 Intangible assets

Expenditure incurred to acquire software licences is capitalised as intangible assets and stated at cost less accumulated amortisation and impairment loss. Intangible assets are amortised using the straight line method over a period of three years. Where the carrying amounts of assets exceed its estimated recoverable amount it is written down immediately to its recoverable amount.

#### 2.11 Investments

Investments are being categorised as follows:

##### Held for trading

These are investments acquired principally for the purpose of generating profit from short-term fluctuations in prices or dealers' margins, or are securities included in a portfolio in which a pattern of short-term profit taking exists.

##### Held to maturity

These are investments with fixed or determinable payments and fixed maturity and the company has the positive intent and ability to hold such investments to maturity.

##### Available-for-sale

These are investments that do not fall under the 'held for trading', 'held to maturity' or 'loans and advances originated by the enterprise' categories.





## Notes to and Forming Part of the Financial Statements

### For the year ended June 30, 2003

Investments are initially stated at cost inclusive of transaction costs. Cost of investment portfolio is determined on a moving average basis. The market value refers to the closing quotations of stock exchanges on the last working day of the accounting year which are considered as their fair values.

Held for trading and available-for-sale investments are subsequently carried at fair market value on an individual basis, whilst loans and advances originated by the enterprise and held to maturity investments are carried at amortised cost using the effective yield method. Realised and unrealised gains and losses arising from changes in the fair value of held for trading investments are taken to income statement in the period in which they arise.

Effective July 1, 2002 any unrealised gains and losses on available-for-sale investments are taken directly in equity. Previously the gains and losses arising on investments classified as 'available-for-sale' were included in the net profit or loss for the period in which they arise. The reason and effect of this change in accounting policy are stated in note 3.1 below.

The company follows trade date accounting for purchase and sales of investments.

#### 2.12 Derivative financial instruments

The company enters into derivative financial instruments which include future contracts in stock market. Derivatives are initially recorded at cost and are remeasured to fair value on subsequent reporting dates. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates. Derivatives with positive market values (unrealised gains) are included in other receivables and derivatives with negative market values (unrealised losses) are included in other liabilities in the balance sheet. The resultant gains and losses from derivatives held for trading purposes are included in income currently.

#### 2.13 Stores and spares

Stores and spares are valued on a weighted average cost basis.

Effective July 1, 2002 spare parts of capital nature which can be used only in connection with an item of property, plant and equipment are classified as tangible fixed assets under the 'plant and machinery' category and are depreciated over a time period not exceeding the useful life of the related assets. The reason and effect of this change in accounting policy are stated in note 3.2 below.

#### 2.14 Stocks

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 include cost of materials and appropriate portion of production overheads. Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale. Goods-in-transit are valued at actual cost accumulated to the balance sheet date.



## Notes to and Forming Part of the Financial Statements

### For the year ended June 30, 2003

The cost of finished goods of steel division is measured on the specific identification method.

Scrap stocks are valued at their estimated realisable value.

#### 2.15 Trade debts

Trade debts are carried at original invoice amount less provision made for doubtful receivables based on a review of all outstanding amounts at the year end. Debts considered irrecoverable are written off.

#### 2.16 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held with banks and running finances. In the balance sheet, running finances are included in short-term finances.

#### 2.17 Revenue recognition

Revenue from sales is recognised on despatch of goods to customers. The company also recognises sales when it specifically appropriates deliverable goods against such confirmed orders where the payments are secured and significant risks and rewards of ownership are transferred to the buyer.

Interest income is accrued on a time basis, by reference to the principal outstanding at an effective rate of interest.

Dividend income is recognised when the right to receive payment is established i.e. at the book closure date of the company declaring the dividend.

Gains and losses on sale of investments are recognised on an accrual basis.

#### 2.18 Foreign currencies

Transactions in foreign currencies are recorded in Pakistan rupees at the rates of exchange approximating those prevalent on the date of the transaction except if such transactions are covered through forward foreign exchange contracts in which case they are recorded at the contracted rate.

Monetary assets and liabilities in foreign currencies are reported in Pakistan rupees at the rates of exchange approximating those prevalent on the balance sheet date except those liabilities covered under forward foreign exchange contracts which are reported at the contractual rates.

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.





## Notes to and Forming Part of the Financial Statements

### For the year ended June 30, 2003

#### 2.19 Offsetting of financial assets and financial liabilities

Consistent with prior years a financial asset and a financial liability is set off and the net amount is reported in the balance sheet if the company has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### 2.20 Segment (division)

A segment (division) is a distinguished component within a company that is engaged in providing products (business segment), which is subject to risks and rewards which are different from those of other segments.

### 3. Reasons and Effects of Change in Accounting Policies

3.1 Effective July 1, 2002 the company has changed its accounting policy of recording unrealised gains and losses arising from changes in fair values of available-for-sale investments. Previously gains and losses on revaluation were taken to profit and loss account in the period in which they arose. In accordance with the allowable treatment of IAS 39 "Financial Instruments – Recognition and Measurement" unrealised gains and losses on available-for-sale investments are now recognised directly in the equity. Gains or losses on disposal are transferred from equity to profit and loss account. This change is considered prudent in presenting the results of the company more appropriately. The company has changed this policy on grounds of prudence in order to recognise gains and losses resulting from changes in market values of available-for-sale investments on actual realisation. Had this accounting policy not been changed, the balance in 'fair value reserve on available-for-sale investments' would have been lower by Rs. 188.610 million as at June 30, 2003 and the profit after taxation for the year ended June 30, 2003 would have been higher by Rs. 188.610 million.

3.2 The company has classified spare parts that are machinery specific as operating fixed assets under 'plant and machinery' category in accordance with the requirements of IAS 16 'Property, Plant and Equipment'. Depreciation is charged on these parts over a time period not exceeding the useful life of the related assets. Previously, the spare parts of capital nature were included in stores, spares and loose tools. Had this accounting policy not been changed, the carrying amount of fixed assets would have been lower by Rs. 3.769 million, stores, spares and loose tools would have been higher by an amount of Rs. 22.450 million, accumulated depreciation as at June 30, 2003 would have been lower by Rs. 22.364 million and provision for slow moving stores spares and loose tools would have been higher by Rs. 3.683 million, depreciation charge for the year ended June 30, 2003 would have been lower by Rs. 22.364 million and profit for the year would have been higher by 12.143 million.

3.3 As a result of aforementioned changes in accounting policies, the restated pro-forma information has been presented in notes 3.4.1 and 3.4.2 in accordance with the allowed alternative treatment stated in IAS 8 'Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies'.



## Notes to and Forming Part of the Financial Statements

### For the year ended June 30, 2003

#### 3.4 Restated pro-forma information

##### 3.4.1 Extracts of the profit and loss account

	<b>Pro-forma</b>	
	<b>2003</b>	<b>2002</b>
	<b>Rupees in thousand</b>	
Profit after taxation	284,156	138,233
Cumulative effects of changes in accounting policies with respect to:		
- capitalisation of stores and spares	17,847	1,587
- fair value gain on investments classified as available-for-sale	7,883	(7,883)
- deferred taxation on changes in accounting policies relating to capitalisation of stores and spares	(6,247)	(555)
Profit after taxation as restated	<u>303,639</u>	<u>131,382</u>

##### 3.4.2 Statement of unappropriated profit (accumulated loss)

Opening unappropriated profit as previously reported	5,611	37,633
Cumulative effects of changes in accounting policies with respect to:		
- capitalisation of stores and spares	(11,600)	(12,632)
- fair value gain on investments classified as available-for-sale	(7,883)	-
Opening (accumulated loss) / unappropriated profit as restated	<u>(13,872)</u>	<u>25,001</u>
Net profit as restated	303,639	131,382
Transfer to general reserves	(165,000)	(110,000)
Transfer to reserve for issue of bonus shares	(20,085)	-
Dividend	100,425	(60,255)
Closing unappropriated profit / (accumulated loss)	<u>4,257</u>	<u>(13,872)</u>





## Notes to and Forming Part of the Financial Statements

### For the year ended June 30, 2003

#### 4. Issued, subscribed and paid-up capital

2003	2002	2003	2002		Rupees in thousand	
Number of shares						
10,564,900	10,564,900	Ordinary shares of Rs. 10 each fully paid in cash		105,649	105,649	
9,519,963	9,519,963	Ordinary shares of Rs. 10 each fully issued as bonus shares		95,200	95,200	
<u>20,084,863</u>	<u>20,084,863</u>			<u>200,849</u>	<u>200,849</u>	

#### 5. Reserves

##### General Reserve

At the beginning of the year	581,000	471,000
Transfer from profit and loss account	165,000	110,000
	<u>746,000</u>	<u>581,000</u>

##### Reserve for issue of bonus shares

At the beginning of the year	2,278	2,278
Transfer from profit and loss account	20,085	-
	<u>22,363</u>	<u>2,278</u>
	768,363	583,278
Fair value reserve on available-for-sale investments	188,610	-
	<u>956,973</u>	<u>583,278</u>

#### 6. Deferred income

The company entered into sale and lease back arrangements during the year 2002 resulting in deferred income of Rs. 0.980 million. Deferred income represents the excess of the sales proceeds over the net book value of plant and machinery under sale and leaseback arrangements which have resulted in finance leases. The deferred income is being amortised each year over the respective periods of the lease terms. The amount credited to the profit and loss account during the year was Rs. 0.265 million (2002: Rs. 0.265 million).



## Notes to and Forming Part of the Financial Statements

### For the year ended June 30, 2003

#### 7. Long-term loans

	2003	2002
	Rupees in thousand	
Cotton division		
Secured		
From Pakistan Industrial Credit and Investment Corporation (PICIC), an associated undertaking		
at 14 percent	-	22,575
at 16 percent	-	17,445
	-	40,020
Less: Current maturity shown under current liabilities	-	26,127
	-	13,893

7.1 During the year the company has fully repaid the remaining balance of long-term loans of Rs. 17.445 million and Rs. 22.575 million. These loans were repayable by November and December 2003 respectively.

#### 8. Liabilities against assets subject to finance leases

	2003			2002		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Long-term - notes 8.1 and 8.2	20,669	17,346	38,015	4,913	40,417	45,330
Current maturity - notes 8.1 and 8.2	4,228	22,859	27,087	802	17,050	17,852
	<u>24,897</u>	<u>40,205</u>	<u>65,102</u>	<u>5,715</u>	<u>57,467</u>	<u>63,182</u>

##### 8.1 Steel Division

The company has acquired plant and machinery and a vehicle under finance lease agreements. The rentals are payable in quarterly installments under the lease agreement. The amounts of future payments for the lease and the period in which the lease payments will become due are as follows:



## Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2003

	2003	2002	2003	2002	2003	2002
	Minimum lease payments		Finance charges		Present value of minimum lease payments	
	Rupees in thousand					
Year to June 30, 2003	-	1,689	-	887	-	802
2004	6,248	1,689	2,020	728	4,228	961
2005	6,248	1,689	1,587	537	4,661	1,152
2006	6,248	1,689	1,102	309	5,146	1,380
2007	6,051	1,475	573	55	5,478	1,420
2008	5,591	-	207	-	5,384	-
Total	<u>30,386</u>	<u>8,231</u>	<u>5,489</u>	<u>2,516</u>	<u>24,897</u>	<u>5,715</u>
Less: Current maturity shown under current liabilities					<u>4,228</u>	<u>802</u>
					<u>20,669</u>	<u>4,913</u>

The present values of minimum lease payments have been discounted at an effective mark up rate of 7.5% to 17.5% per annum (2002: 18.5% per annum). Repairs and insurance costs are to be borne by the lessee. The company intends to exercise its option to purchase the leased asset at the termination of the lease period at 5 to 10 percent of the leased amount.

## 8.2 Cotton Division

The company has acquired plant and machinery for its spinning unit under finance lease agreements. The rentals are payable in quarterly 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 as follows:





## Notes to and Forming Part of the Financial Statements

### For the year ended June 30, 2003

	2003	2002	2003	2002	2003	2002
	Minimum lease payments		Finance charges		Present value of minimum lease payments	
	Rupees in thousand					
Year to June 30, 2003	-	23,440	-	6,391	-	17,049
2004	25,914	26,636	3,055	3,782	22,859	22,854
2005	8,887	9,250	1,374	1,731	7,513	7,519
2006	10,387	10,750	554	705	9,833	10,045
Total	<u>45,188</u>	<u>70,076</u>	<u>4,983</u>	<u>12,609</u>	<u>40,205</u>	<u>57,467</u>
Less: Current maturity shown under current liabilities					<u>22,859</u>	<u>17,050</u>
					<u>17,346</u>	<u>40,417</u>

The present values of minimum lease payments have been discounted at effective mark up rates ranging from 10.50 percent to 18.40 percent per annum (2002: 13.0% to 18.40 %). Repairs and insurance costs are to be borne by the lessee. The company intends to exercise its option to purchase the leased assets at the termination of lease period at 5 to 10 percent of the leased amount.

#### 9. Deferred taxation

	2003	2002
	Rupees in thousand	
Deferred credit / (debit) balance arising on account of		
Accelerated tax depreciation / amortisation	16,274	21,612
Finance lease arrangements	3,319	402
Employee benefits	(940)	-
Provisions against assets	(19,731)	(16,914)
	<u>(1,078)</u>	<u>5,100</u>



## Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2003

## 10. Short-term finances

		2003			2002		
		Steel division	Cotton division	Total	Steel division	Cotton division	Total
		Rupees in thousand					
Secured							
Running finances under mark-up arrangements							
Meezan Bank Limited	10.1	50,000	-	50,000	53	-	53
Union Bank Limited	10.2	23,459	26	23,485	16,096	-	16,096
PICIC Commercial Bank Limited	10.3	-	-	-	-	25	25
National Bank of Pakistan	10.4	-	-	-	-	-	-
Short-term loans							
Saudi Pak Industrial and Agricultural Investment Company (Private) Limited							
	10.5	-	-	-	-	20,000	20,000
		<u>73,459</u>	<u>26</u>	<u>73,485</u>	<u>16,149</u>	<u>20,025</u>	<u>36,174</u>

## 10.1 Meezan Bank Limited

The facility of Murabaha finance available amounts to Rs. 100 million (2002: Rs. 75 million) from Meezan Bank Limited. The rate of profit is variable. This facility is available upto June 30, 2004 and is secured against 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, 2003 amounted to Rs. 155 million (2002: Rs. 405 million from Meezan Bank Limited of which amount remaining unutilised at the year end was Rs. 29.359 million (2002: Rs. 191.48 million).

## 10.2 Union Bank Limited

The facilities for running finance available amounts to Rs. 125 million (2002: Rs. 25 million). The rate of mark-up is 7.25 percent per annum (2002: 12.5 percent per annum). The purchase prices are repayable on March 31, 2004. The above facilities are secured against pledge of shares of public limited companies to the extent of Rs. 41.67 million with 40 percent margin for Rs. 25 million facility and pledge on stocks of raw cotton with 25 percent margin to the extent of Rs. 133.34 million for Rs. 100 million facility.

The facility for opening letters of credit and guarantees as at June 30, 2003 amounted to Rs. 710 million (2002: Rs. 588.08 million) of which amount remaining unutilised at the year end was Rs. 672.725 million (2002: Rs. Nil.).



## Notes to and Forming Part of the Financial Statements

### For the year ended June 30, 2003

#### 10.3 PICIC Commercial Bank Limited

The facility for running finance available amounts to Rs. 40 million (2002: Rs. 40 million) subject to condition that the company will carry out export business upto two to three times of the facility with the bank. The rate of mark-up is 16 percent per annum (2002: 16 percent per annum). The above facility is secured against pledge of cotton stock, with 25 percent margin and hypothecation charge of Rs. 40 million on stocks and receivables of the company.

The facility for opening letters of credit and guarantees as at June 30, 2003 amounted to Rs. 80 million (2002: Rs. 50 million) of which amount remaining unutilised at the year end was Rs. 59.777 million (2002: Rs. 15.56 million).

#### 10.4 National Bank of Pakistan

The facilities have expired, however, a guarantee in the favor of Sui Northern Gas Pipelines Limited amounted to Rs. 10.947 million has not been released.

#### 10.5 Saudi Pak Industrial and Agricultural Investment Company (Private) Limited

The short-term loan facility for cotton purchases available amounts to Rs. 50 million (2002: Rs. 30 million). The rate of mark-up is 9.5 percent per annum (2002: 14 percent per annum). The purchase price is repayable within twelve months effective from the date of disbursement. The above facility is secured against pledge of cotton stock with margin as per prudential regulations.



**Notes to and Forming Part of the Financial Statements**

For the year ended June 30, 2003

**11. Creditors, accrued expenses and other liabilities**

	2003			2002		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Creditors	7,845	4,115	11,960	7,767	771	8,538
Excise duty payable	-	-	-	3,133	-	3,133
Sales tax payable	3,630	-	3,630	-	1,574	1,574
Bills payable	3,742	25,028	28,770	383,949	1,847	385,796
Accrued liabilities	32,509	6,754	39,263	14,930	6,699	21,629
Interest accrued on secured loans	-	847	847	-	804	804
Accrued mark-up	130	166	296	144	847	991
Advances from customers	548	416	964	4,688	416	5,104
Retention money	235	94	329	93	-	93
Due to associated undertakings	1,913	733	2,646	429	333	762
Payable to provident fund	302	2,685	2,987	495	1,633	2,128
Unclaimed dividend	13,515	-	13,515	4,977	-	4,977
Others	8,580	1,577	10,157	7,367	1,056	8,423
	<u>72,949</u>	<u>42,415</u>	<u>115,364</u>	<u>427,972</u>	<u>15,980</u>	<u>443,952</u>

11.1 Maximum amount due to associated undertakings at the end of any month during the year was Rs. 1.958 million (2002: Rs. 1.476 million).

**12. Contingencies and commitments**

12.1 The Ministry of Labour, Manpower and Overseas Pakistani's Division (the Ministry) in response to an application for establishment of separate fund for cotton division under Clause 15 of the Scheme to the Companies Profit (Workers' Participation) Act, 1968 has granted the permission for the same. The Ministry has, however, asked the company to deposit an amount of Rs. 47.850 million on account of Workers Profits' Participation Fund for the period between 1990 to 1997. This demand is being contested by the company as there were no eligible workers. The management, based on the advice of its legal consultants, is filing a constitutional petition in the High Court and is confident of a favourable outcome as company contends that such claim or other claims, if any, are untenable. Thus, no provision has been made for the aforementioned amount in these financial statements.



## Notes to and Forming Part of the Financial Statements

### For the year ended June 30, 2003

- 12.2 The sales tax authorities had issued a show cause notice relating to sales tax of Rs. 2.482 million by disallowing input tax claimed on certain items and spare parts imported during the period from August 1997 to June 1998. The company had filed an appeal with the Customs, Excise and Sales Tax Appellate Tribunal who has referred the case to a Collector Sales Tax (Appeals) for fresh assessment. Based on the advice of legal advisor the management is confident that the matter will be decided in favour of the company. Accordingly, no provision has been made in these financial statements for the aforementioned amount.
- 12.3 The company has filed a suit in the High Court of Sindh for restraining the customs authorities for encashing a bank guarantee of Rs. 0.895 million 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 0.895 million is contingently payable by the company in case the High Court decides the case against the company.
- 12.4 The company filed a suit in the High Court of Sindh for recovery of retention money amounting to Rs. 3.265 million from Indus Steel Pipes Limited against supply of pipes. The High Court has decided the case in the company's favour, however, pending a formal judgement the gain has not been recognised in these financial statements.
- 12.5 Aggregate amount of guarantees given by the banks on behalf of the company in respect of the performance of various contracts aggregated Rs. 117.52 million (2002: Rs. 221.577 million).
- 12.6 Commitments in respect of capital expenditure contracted for as at June 30, 2003 amounted to Rs. 0.663 million (2002: Rs. Nil).



## Notes to and Forming Part of the Financial Statements

### For the year ended June 30, 2003

#### 13. Operating fixed assets

Description	Cost as at July 1, 2002	Additions / (disposals) during the year	Cost as at June 30, 2003	Accumulated depreciation as at July 1, 2002	Depreciation charge for the year/ (on disposals)	Accumulated depreciation as at June 30, 2003	Net book value as at June 30, 2003
Rupees in thousand							
Steel division other than coating plant - note 13.1	344,503	42,590 (3,446)	383,647	242,222	36,746 (3,174)	275,794	107,853
Coating plant - note 13.2	146,347	12,524 -	158,871	129,337	9,362 -	138,699	20,172
Cotton division - note 13.3	200,604	54,895 (105)	255,394	39,031	26,343 (11)	65,363	190,031
Total operating fixed assets as at June 30, 2003	691,454	110,009 (3,551)	797,912	410,590	72,451 (3,185)	479,856	318,056
Total operating fixed assets as at June 30, 2002	684,566	33,799 (26,911)	691,454	363,348	55,230 (7,988)	410,590	280,864





## Notes to and Forming Part of the Financial Statements

### For the year ended June 30, 2003

13.1 The following is a statement of all operating fixed assets other than those relating to the coating plant and the cotton division:

Description	Cost as at July 1, 2002	Additions / (disposals) during the year	Cost as at June 30, 2003	Accumulated Depreciation charge for the year/ (on disposals) as at July 1, 2002	Accumulated depreciation as at June 30, 2003	Net book value as at June 30, 2003	Rate of depreciation as a % of cost	
Rupees in thousand								
Leasehold land	8,054	-	8,054	928	81	1,009	7,045	1
Improvements to leasehold land	106	-	106	20	1	21	85	1
Building on lease hold land	59,167	54	59,221	36,148	2,979	39,127	20,094	5
Plant and machinery	201,168	25,738	226,906	151,365	22,968	174,333	52,573	5 to 20
Office premises	14,292	7,332	21,624	11,178	1,722	12,900	8,724	10
Furniture and fixtures	15,984	1,050	17,034	10,665	1,559	12,224	4,810	10
Office and other equipments	5,339	400	5,739	5,039	242	5,281	458	20
Computers	12,354	606	12,960	6,998	2,977	9,975	2,985	33.33
Vehicles	24,089	7,319 (3,446)	27,962	16,651	4,129 (3,174)	17,606	10,356	20
Workshop equipments	3,950	91	4,041	3,230	88	3,318	723	5 to 20
2003	344,503	42,590 (3,446)	383,647	242,222	36,746 (3,174)	275,794	107,853	
2002	329,451	21,366 (6,314)	344,503	226,703	21,442 (5,923)	242,222	102,281	



## Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2003

### 13.2 Coating plant

Description	Cost as at July 1, 2002	Additions / (disposals) during the year	Cost as at June 30, 2003	Accumulated depreciation as at July 1, 2002	Depreciation charge for the year/ (on disposals)	Accumulated depreciation as at June 30, 2003	Net book value as at June 30, 2003	Rate of depreciation as a % of cost
Rupees in thousand								
Building on leasehold land	8,528	-	8,528	3,706	681	4,387	4,141	5
Plant and machinery	137,693	12,277	149,970	125,510	8,629	134,139	15,831	5 to 20
Office and other equipments	78	247	325	78	49	127	198	20
Furniture and fixtures	48	-	48	43	3	46	2	10
2003	146,347	12,524	158,871	129,337	9,362	138,699	20,172	
2002	146,347	-	146,347	116,251	13,086	129,337	17,010	

### 13.3 Cotton division

Description	Cost as at July 1, 2002	Additions / (disposals) during the year	Cost as at June 30, 2003	Accumulated depreciation as at July 1, 2002	Depreciation charge for the year/ (on disposals)	Accumulated depreciation as at June 30, 2003	Net book value as at June 30, 2003	Rate of depreciation as a % of cost
Rupees in thousand								
Freehold land	6,155	-	6,155	-	-	-	6,155	-
Building on freehold land	15,433	2,749	18,182	3,090	1,818	4,908	13,274	10
Plant and machinery	164,371	51,802 (105)	216,068	32,593	22,477 (11)	55,059	161,009	10 to 20
Electric installation	11,707	107	11,814	2,345	1,181	3,526	8,288	10
Office and other equipments	66	187	253	15	37	52	201	10 to 20
Computers	1,963	-	1,963	655	654	1,309	654	33.33
Furniture and fixtures	152	-	152	30	15	45	107	10
Vehicles	757	50	807	303	161	464	343	20
2003	200,604	54,895 (105)	255,394	39,031	26,343 (11)	65,363	190,031	
2002	208,768	12,433 (20,597)	200,604	20,394	20,702 (2,065)	39,031	161,573	



## Notes to and Forming Part of the Financial Statements

### For the year ended June 30, 2003

13.3.1 The company had acquired the cotton division effective June 30, 2000. The transfer of legal title of assets in the name of the company is in process.

13.3.2 The following assets were disposed off during the year:

Description	Cost depreciation	Accumulated	Book value	Sale proceeds	Mode of disposal	Particular of buyers
			Rupees in thousand			
<b>Steel division</b>						
Vehicles	69	14	55	69	Insurance Claim	The Premier Insurance Company of Pakistan Limited, Karachi
-----do-----	69	14	55	69	----do----	The Premier Insurance Company of Pakistan Limited, Karachi
-----do-----	163	163	-	163	Negotiation	Mr. Mohammad Arif
-----do-----	36	36	-	41	----do----	Mr. Abdul Rehman
-----do-----	66	40	26	33	Company Scheme	Mr. Gul Hassan (Employee)
-----do-----	508	508	-	153	----do----	Mr. Ejaz A. Sheikh (Employee)
-----do-----	60	60	-	21	----do----	Mr. Turk Ali (Employee)
-----do-----	60	60	-	21	----do----	Mr. Naseer Ahmed (Employee)
-----do-----	66	26	40	27	----do----	Mr. Zakaria Hussain (Employee)
-----do-----	63	50	13	23	----do----	Mr. Sohail Rafiq Khan (Employee)
-----do-----	60	60	-	21	----do----	Mr. Shabbir Ahmed (Employee)
-----do-----	60	60	-	21	----do----	Mr. Ghulam Nabi (Employee)
-----do-----	60	60	-	21	----do----	Mr. Ali Nawaz (Employee)
-----do-----	60	60	-	21	----do----	Mr. Mohammad Abdullah (Employee)
-----do-----	60	60	-	21	----do----	Mr. Mohammad Saleem (Employee)
-----do-----	60	60	-	21	----do----	Mr. Ghazi Shah (Employee)
-----do-----	61	61	-	21	----do----	Mr. Mohammad Yaqoob (Employee)
-----do-----	60	60	-	21	----do----	Mr. Naseem Akhter (Employee)
-----do-----	60	60	-	21	----do----	Mr. Arshad Ali (Employee)
-----do-----	61	61	-	21	----do----	Mr. Shah Hussain (Employee)
-----do-----	402	402	-	121	----do----	Mr. Syed Salman Ghani (Employee)
-----do-----	63	50	13	25	----do----	Mr. Abdul Aziz (Employee)
-----do-----	402	402	-	121	----do----	Mr. Najib Ahmed (Employee)
-----do-----	351	281	70	154	----do----	Mr. Khawar Siddiqui (Employee)
-----do-----	405	405	-	122	----do----	Mr. Khawja Mohd Sharif (Employee)
-----do-----	61	61	-	24	----do----	Mr. Jamal Hamid (Employee)
	<u>3,446</u>	<u>3,174</u>	<u>272</u>	<u>1,397</u>		
<b>Cotton division</b>						
Plant and machinery	105	11	94	105	Negotiation	Crescent Ujala Limited - an associated undertaking, Jhang
Total 2002-2003	<u>3,551</u>	<u>3,185</u>	<u>366</u>	<u>1,502</u>		
Total 2001-2002	<u>27,553</u>	<u>8,630</u>	<u>18,923</u>	<u>22,371</u>		





## Notes to and Forming Part of the Financial Statements

### For the year ended June 30, 2003

#### 14. Assets subject to finance leases

<b>Description</b>	<b>Cost as at July 1, 2002</b>	<b>Additions / (disposals) during the year</b>	<b>Cost as at June 30, 2003</b>	<b>Accumulated Depreciation charge for as at July 1, 2002</b>	<b>Depreciation charge for the year/ (on disposals)</b>	<b>Accumulated depreciation as at June 30, 2003</b>	<b>Net book value as at June 30, 2003</b>	<b>Rate of deperciation as a % of cost</b>
<b>Rupees in thousand</b>								
<b>Steel division</b>								
Vehicles	6,316	-	6,316	1,263	1,263	2,526	3,790	20
Plant and machinery	-	20,000	20,000	-	2,000	2,000	18,000	10
	6,316	20,000	26,316	1,263	3,263	4,526	21,790	
<b>Cotton division</b>								
Plant and machinery	67,451	-	67,451	7,460	6,745	14,205	53,246	10
	67,451	-	67,451	7,460	6,745	14,205	53,246	
Total assets subject to finance leases as at June 30, 2003	73,767	20,000	93,767	8,723	10,008	18,731	75,036	
Total assets subject to finance leases as at June 30, 2002	7,793	66,616 (642)	73,767	1,357	8,008 (642)	8,723	65,044	



## Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2003

### 15. Capital work-in-progress

	2003			2002		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Owned						
Plant and machinery	-	8,061	8,061	-	-	-
Civil work	9,336	-	9,336	9,382	-	9,382
	<u>9,336</u>	<u>8,061</u>	<u>17,397</u>	<u>9,382</u>	<u>-</u>	<u>9,382</u>

### 16. Intangible assets

Description	Cost as at July 1, 2002	Additions / (disposals) during the year	Cost as at June 30, 2003	Accumulated amortisation as at July 1, 2002	Amortisation charge	Accumulated amortisation as at June 30, 2003	Net book value as at June 30, 2003	Amortisation as a % of cost
	Rupees in thousand							
Software licences								
Steel division	1,016	53	1,069	339	357	696	373	33.33
Cotton division	124	-	124	41	41	82	42	33.33
2003	<u>1,140</u>	<u>53</u>	<u>1,193</u>	<u>380</u>	<u>398</u>	<u>778</u>	<u>415</u>	
2002	<u>-</u>	<u>1,140</u>	<u>1,140</u>	<u>-</u>	<u>380</u>	<u>380</u>	<u>760</u>	

### 17. Long-term investments

	2003			2002		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Available-for-sale investments						
- note 17.1	58,339	-	58,339	23,707	-	23,707
Government of Pakistan US \$						
Bonds - note 17.6	8,658	-	8,658	9,003	-	9,003
Redeemable capital - note 17.7	3,332	-	3,332	6,664	-	6,664
	<u>70,329</u>	<u>-</u>	<u>70,329</u>	<u>39,374</u>	<u>-</u>	<u>39,374</u>



## Notes to and Forming Part of the Financial Statements

### For the year ended June 30, 2003

#### 17.1 Available-for-sale investments

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

2003	2002		2003	2002
Number of shares			Rupees in thousand	
		<b><u>Quoted - Associated undertakings</u></b>		
585,000	585,000	Crescent Investment Bank Limited	4,680	7,020
1,805,400	-	Trust Investment Bank Limited	5,310	-
952,380	952,380	Shakarganj Mills Limited	9,905	10,000
-	1,062,000	Pakistan Industrial Leasing Corporation Limited	-	5,204
488,145	464,900	Crescent Leasing Corporation Limited	3,812	2,747
			<u>23,707</u>	<u>24,971</u>
		Adjustment arising from measurement to fair values	34,632	(1,264)
			<u>58,339</u>	<u>23,707</u>
		<b><u>Unquoted - Associated undertakings</u></b>		
2,403,725	2,403,725	Crescent Bahuman Limited (formerly Crescent Greenwood Limited)-note 17.3	24,037	24,037
1,047,000	1,047,000	Crescent Industrial Chemicals Limited-note 17.4	10,470	10,470
		Adjustment arising from measurement to fair values	(34,507)	(34,507)
			-	-
		<b><u>Unquoted - Subsidiary company</u></b>		
2	2	Crescent Continental Gas Pipelines Limited (US \$ 1 each) - note 17.5	-	-
<u>7,281,652</u>	<u>6,515,007</u>		<u>58,339</u>	<u>23,707</u>

17.2 Aggregate market value of investments in shares quoted on the Karachi Stock Exchange as at June 30, 2003 was Rs. 58.339 million (2002: Rs. 23.707 million).





## Notes to and Forming Part of the Financial Statements

### For the year ended June 30, 2003

17.3 The chief executive of Crescent Bahuman Limited (formerly Crescent Greenwood Limited) is Mr. Nasir Shafi. The company's break up value of shares was 'NIL' as at September 30, 2002 due to negative equity.

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

17.5 The investment in a subsidiary is Rs. 90 only. The subsidiary has not commenced operation and accordingly no financial statements have been prepared.

	2003	2002
	Rupees in thousand	
17.6 Government of Pakistan US dollar bonds	9,003	9,656
Exchange loss	(345)	(653)
	<u>8,658</u>	<u>9,003</u>

These bonds were issued by the Government of Pakistan for a period of 3 years commencing from November 18, 2001 to November 18, 2004. Interest earned thereon is receivable on a half- yearly basis.

	2003	2002
	Rupees in thousand	
17.7 Redeemable capital - Term finance Certificates (TFCs)		
Saudi Pak Leasing Company Limited (100 TFCs of Rs.100,000 each)	-	5,040
Less: Redeemed during the year	-	(2,528)
Less: Current maturity shown under current assets - note 25	-	(2,512)
	-	-
Shakarganj Mills Limited- note 17.7.1 (2,000 TFCs of Rs. 5,000 each)	6,664	9,996
Less: Current maturity shown under current assets - note 25	(3,332)	(3,332)
	<u>3,332</u>	<u>6,664</u>
	<u>3,332</u>	<u>6,664</u>

17.7.1 These term finance certificates are being redeemed half yearly over a period of four years commenced from April 10, 2001 and ending on April 10, 2005.



## Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2003

### 18. Long term deposits

2003			2002		
Steel division	Cotton division	Total	Steel division	Cotton division	Total
Rupees in thousand					
2,468	2,821	5,289	1,540	6,109	7,649

### 19. Staff retirement benefits

2003			2002		
Pension	Gratuity	Total	Pension	Gratuity	Total
Rupees in thousand					

#### 19.1 Movement

Opening prepayments as at July 1	272	1,073	1,345	1,523	1,569	3,092
Expense	(5,200)	(1,946)	(7,146)	(3,669)	(1,407)	(5,076)
Company's contributions	9,017	3,152	12,169	2,418	911	3,329
	<u>4,089</u>	<u>2,279</u>	<u>6,368</u>	<u>272</u>	<u>1,073</u>	<u>1,345</u>

#### 19.2 Balance sheet reconciliation at June 30

Defined benefits obligations	(42,168)	(13,786)	(55,954)	(28,506)	(9,545)	(38,051)
Fair value of plan assets	34,046	12,911	46,957	21,156	7,676	28,832
Past service cost	6,556	2,475	9,031	7,286	2,665	9,951
Actuarial loss	5,655	679	6,334	336	277	613
	<u>4,089</u>	<u>2,279</u>	<u>6,368</u>	<u>272</u>	<u>1,073</u>	<u>1,345</u>

19.3 The actuarial valuation has been conducted in accordance with IAS 19 'Employee benefits' as of June 30, 2003. The projected unit credit method based on the following significant assumptions is used for valuation of schemes mentioned above:

	2003	2002
	Percentage per annum	
• discount rate	8	11
• expected rate of increase in salaries	7	10
• expected rate of return on plan assets	11	12



## Notes to and Forming Part of the Financial Statements

### For the year ended June 30, 2003

- 19.4 The actual return on plan assets of pension and gratuity funds aggregated Rs. 4.688 million (2002: Rs. 2.812 million) and Rs. 2.188 million (2002: Rs. 0.981 million) respectively.
- 19.5 As determined by the actuary the past service cost is being amortised over the period such benefit will be vested i.e. for pension 13 years and for gratuity 17 years from the date of transitional liability determined as on July 1, 1999.

### 20. Stores, spares and loose tools

	2003			2002		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Stores	2,694	-	2,694	2,275	-	2,275
Spare parts - note 20.1	11,108	-	11,108	30,835	-	30,835
Loose tools	381	-	381	372	-	372
Stores and spares- note - 20.2	-	10,508	10,508	-	11,704	11,704
Less: Provision for slow moving items	(1,676)	(1,712)	(3,388)	(4,735)	-	(4,735)
	<u>12,507</u>	<u>8,796</u>	<u>21,303</u>	<u>28,747</u>	<u>11,704</u>	<u>40,451</u>

- 20.1 Spare parts include items in-transit as at June 30, 2003 of Rs. 0.471 million (2002: Rs. 0.277 million).
- 20.2 Includes items in-transit as at June 30, 2003 of Rs. 0.073 million (2002: Rs. 2.070 million).





## Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2003

### 21. Stock-in-trade

	2003			2002		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Raw materials						
Hot rolled steel coils	22,183	-	22,183	40,443	-	40,443
Coating materials	11,573	-	11,573	10,918	-	10,918
Others - Pipe plant	9,140	-	9,140	10,343	-	10,343
Raw Cotton	-	103,312	103,312	-	69,571	69,571
Stock-in-transit	9,194	19,446	28,640	257,848	16,129	273,977
	<u>52,090</u>	<u>122,758</u>	<u>174,848</u>	<u>319,552</u>	<u>85,700</u>	<u>405,252</u>
Provision for obsolescence						
Hot rolled steel coils	(6,570)	-	(6,570)	(2,499)	-	(2,499)
Coating materials	(2,225)	-	(2,225)	(2,738)	-	(2,738)
Others - Pipe plant	(205)	-	(205)	(229)	-	(229)
	<u>(9,000)</u>	<u>-</u>	<u>(9,000)</u>	<u>(5,466)</u>	<u>-</u>	<u>(5,466)</u>
	<u>43,090</u>	<u>122,758</u>	<u>165,848</u>	<u>314,086</u>	<u>85,700</u>	<u>399,786</u>
Work-in-process	758	2,777	3,535	6,147	2,465	8,612
Finished goods	36,627	7,018	43,645	22,807	7,681	30,488
Scrap / cotton waste	-	177	177	168	434	602
Provision for obsolescence- finished pipes	(8,184)	-	(8,184)	(6,584)	-	(6,584)
	<u>29,201</u>	<u>9,972</u>	<u>39,173</u>	<u>22,538</u>	<u>10,580</u>	<u>33,118</u>
	<u>72,291</u>	<u>132,730</u>	<u>205,021</u>	<u>336,624</u>	<u>96,280</u>	<u>432,904</u>

21.1 Stock-in-trade of the cotton division amounting to Rs. 102.600 million (2002: Rs. 26.669 million) was pledged as security with a financial institution.



## Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2003

### 22. Trade debts

	2003			2002		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Secured						
Considered good	15,746	2,029	17,775	54,536	-	54,536
Unsecured						
Considered good	5,839	2,409	8,248	528	1,628	2,156
Considered doubtful	61	-	61	485	-	485
	5,900	2,409	8,309	1,013	1,628	2,641
Provision for doubtful trade debts	(61)	-	(61)	(485)	-	(485)
	<u>21,585</u>	<u>4,438</u>	<u>26,023</u>	<u>55,064</u>	<u>1,628</u>	<u>56,692</u>

22.1 This includes amount due from an associated undertaking of Rs. 0.743 million (2002: Rs. 0.169 million). The maximum amount due from associated undertakings at the end of any month during the year was Rs. 2.365 million (2002: Rs. 0.883 million).

### 23. Short-term advances

	2003			2002		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Considered good						
Executives	141	-	141	96	-	96
Other staff	267	14	281	21	-	21
	408	14	422	117	-	117
Suppliers for goods and services	6,404	959	7,363	2,484	139	2,623
Provision thereagainst	(537)	-	(537)	(537)	-	(537)
	<u>5,867</u>	<u>959</u>	<u>6,826</u>	<u>1,947</u>	<u>139</u>	<u>2,086</u>
	<u>6,275</u>	<u>973</u>	<u>7,248</u>	<u>2,064</u>	<u>139</u>	<u>2,203</u>

23.1 The maximum amount due at the end of any month during the year from executives was Rs. 0.582 million (2002: Rs. 0.425 million) representing unadjusted travelling and other advances.



## Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2003

### 24. Short-term deposits and prepayments

	2003			2002		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Security deposits	951	3,960	4,911	2,408	400	2,808
Provision thereagainst	-	-	-	(1,516)	-	(1,516)
	951	3,960	4,911	892	400	1,292
Prepayments	682	5	687	644	81	725
	<u>1,633</u>	<u>3,965</u>	<u>5,598</u>	<u>1,536</u>	<u>481</u>	<u>2,017</u>

### 25. Current maturity of long-term investments

Redeemable capital - note 17.7						
Saudi Pak Leasing Company Limited	-	-	-	2,512	-	2,512
Shakarganj Mills Limited	3,332	-	3,332	3,332	-	3,332
	<u>3,332</u>	<u>-</u>	<u>3,332</u>	<u>5,844</u>	<u>-</u>	<u>5,844</u>

### 26. Investments

Available-for-sale investments - note 26.1	422,340	-	422,340	81,851	-	81,851
Held for trading - note 26.2	186,065	-	186,065	176,135	-	176,135
Loans and advances originated by the enterprise - Islamic Republic of Pakistan						
Bonds 10% - note 26.3	18,287	-	18,287	49,414	-	49,414
	<u>626,692</u>	<u>-</u>	<u>626,692</u>	<u>307,400</u>	<u>-</u>	<u>307,400</u>





## Notes to and Forming Part of the Financial Statements

### For the year ended June 30, 2003

#### 26.1 Available-for-sale investments

The company hold investments in ordinary shares of Rs. 10/- each, unless stated otherwise, in the following listed investee companies:

2003	2002	Name of investee company	2003	2002
Number of shares	Number of shares		Rupees in thousand	Rupees in thousand
<b><u>Quoted - Associated undertakings</u></b>				
839,044	839,044	Crescent Investment Bank Limited	6,712	10,023
373,868	373,868	Crescent Textile Mills Limited	8,674	5,907
91,300	91,300	Crescent Jute Products Limited (note 26.5)	164	137
65,517	42,269	Crescent Leasing Corporation Limited	347	262
26,490	26,490	Jubilee Spinning and Weaving Mills Limited	111	79
-	784,340	Pakistan Industrial Leasing Corporation Limited	-	3,843
649,945	877,718	Pakistan Industrial Credit and Investment Corporation Limited (note - 26.4)	9,598	14,816
508,135	508,135	Shakarganj Mills Limited	5,285	5,316
1,733,378	400,000	Trust Investment Bank Limited	6,505	2,835
<b><u>Quoted - Others</u></b>				
40,000	40,000	Cherat Cement Limited	912	660
133,075	133,075	First Crescent Modaraba	520	496
100,000	-	Fauji Fertilizer Company Limited	4,988	-
28,800	-	First Equity Modaraba	225	-
190,000	-	Hub Power Company Limited	5,001	-
141,500	-	Investment Corporation of Pakistan S.E.M.F	2,667	-
299,000	-	10th ICP Mutual fund (note - 26.6)	4,794	-
-	100,000	Kohinoor Raiwind Mills Limited (note - 26.4)	-	2,007
25,000	-	Mari Gas Company Limited	939	-
55,738	4,738	National Refinery Limited	4,594	258
-	125,025	National Development Leasing Corporation Limited	-	594
275,330	250,300	Nishat Chunian Mills Limited (note - 26.4)	7,096	4,393
10,500	-	Nestle Milkpak Limited	1,996	-
192,359	-	National Bank of Pakistan	3,958	-
1,665,500	-	Pakistan Telecommunication Company Limited	36,540	-
64,680	64,680	Packages Limited (note - 26.4)	5,045	3,687
40,000	-	Pak Suzuki Motor Company Limited	1,084	-
25,100	475,600	Pak Datacom Limited	249	4,456
-	109,500	Pakistan Tobacco Company Limited (note - 26.4)	-	1,287
344,500	-	PICIC Commercial Bank Limited	6,568	-
200,600	-	Pakistan Oilfields Company Limited	32,161	-
75,400	-	Pakistan State Oil Company Limited (note - 26.4)	9,122	-
2,952,900	525,000	Safeway Mutual Fund (note - 26.6)	25,890	1,391
250,000	-	Suraj Cotton Mills Limited	5,188	-
70,000	25,000	Shell Pakistan Limited (note - 26.4)	21,483	5,816
5,300	5,300	Siemens (Pakistan) Engineering Company Limited	1,060	557
1,507,208	-	Sui Northern Gas Pipelines Limited (note - 26.4)	27,858	-
66,262	50,000	The Pakistan Stock Market Fund	2,515	2,500
190,500	60,000	Tripack Films Limited (note - 26.4)	8,545	1,851
16,880	1,000	Unilever Pakistan Limited (formerly Lever Brothers Pakistan Limited) (Rs 50 each)	17,851	797
			276,245	73,968
Add: Adjustments arising from measurement to fair values			146,095	7,883
			422,340	81,851



## Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2003

### 26.2 Held for trading investments

The company hold investments in ordinary shares of Rs. 10/- each, unless stated otherwise, in the following listed investee companies:

2003	2002	Name of investee company	2003	2002
Number of shares	Number of shares		Rupees in thousand	Rupees in thousand
-	600,000	Commercial Union Life Assurance Company (Pakistan) Limited	-	3,702
-	50,000	Dewan Farooque Motors Limited	-	413
100,000	-	D.G.Khan Cement Company Limited	2,752	-
9,750	-	Dawood Hercules Chemicals Limited	934	-
-	25,861	Engro Chemicals Pakistan Limited	-	1,643
135,500	20,000	Fauji Fertilizer Company Limited	10,419	936
375,000	-	Fauji Cement Company Limited	1,868	-
100,000	-	Faysal Bank Limited	1,853	-
610,000	25,000	FFC Jordan Fertilizer Company Limited	8,054	167
-	28,800	First Equity Modaraba	-	219
59,500	-	Gatron Industries Limited	5,817	-
650,000	400,000	Hub Power Company Limited (note - 26.4)	22,853	8,946
70,000	-	Honda Atlas Cars Limited	4,548	-
-	200	Ibrahim Fibres Limited	-	3
-	985	ICI Pakistan Limited (note - 26.4)	-	24
-	306,500	Investment Corporation of Pakistan S.E.M.F	-	4,663
30,000	-	7th ICP Mutual Fund	459	-
300,000	-	10TH ICP Mutual Fund (note 26.6)	4,554	-
1,048,000	-	24TH ICP Mutual Fund	5,657	-
-	300	Javed Omer Vohra & Company Limited	-	11
150,000	604,500	JDW Sugar Mills Limited	2,892	5,552
80,000	200,000	Karachi Electric Supply Corporation Limited	444	1,489
-	75,000	Kohinoor Energy Limited	-	919
325,000	-	Kohinoor Textile Mills Limited	1,429	-
-	18,140	Maple Leaf Cement Limited	-	147
-	25,000	Mari Gas Company Limited	-	550
-	10,100	Nestle Milkpak Limited (note - 26.4)	-	1,890
25,000	143,757	National Bank of Pakistan (note - 26.4)	692	2,967
-	526,000	Nishat Mills Limited (note - 26.4)	-	8,741
-	50,000	Pak Suzuki Motor Company Limited	-	913
140,000	807,500	PICIC Commercial Bank Limited (note - 26.4)	1,312	14,052
7,500	267,000	Pakistan State Oil Company Limited (note 26.4)	1,420	35,775
-	49,050	Pakistan PTA Limited	-	231
1,325,000	1,150,500	Pakistan Telecommunication Company Limited (note - 26.4)	33,581	18,647
300,000	-	Pakistan International Airlines Corporation	2,966	-
9,300	-	Pakistan Refinery Limited	503	-
1,000,000	3,795,208	Sui Northern Gas Pipelines Limited (note 26.4)	28,747	47,134
50,000	381,006	Sui Southern Gas Company Limited (note - 26.4)	795	4,244
-	25,000	Samin Textile Mills Limited	-	145
200,000	100,000	Southern Electrical Power Company Limited	3,143	905
25,000	300,000	Suraj Cotton Mills Limited	519	6,206
21,400	-	Shell Pakistan Limited (note 26.4)	7,722	-
10,000	-	TRG Pakistan Limited	100	-
-	82,500	Umer Fabrics Limited	-	1,181
			156,033	172,415
			30,032	3,720
			186,065	176,135

Add: Adjustment arising from measurement to fair values



## Notes to and Forming Part of the Financial Statements

### For the year ended June 30, 2003

#### 26.3 Loans and advances originated by the enterprise - Islamic Republic of Pakistan bonds

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

The company had swapped its 6 percent PTCL exchangeable notes (face value US\$ 980,000) with the Islamic Republic of Pakistan (IROP) bonds (face value US\$ 1,035,000) during the year ended June 30, 2000.

The IROP bond carries interest rate of 10 percent payable semi-annually. Principal is repayable in four equal yearly installments commenced from December 2002.

	<b>2003</b>	<b>2002</b>
	<b>Rupees in thousand</b>	
Face value US\$ 376,250 (2002: US\$ 1,035,000)		
Cost US\$ 237,038 (2002: US\$ 652,050)	49,414	51,300
Adjustment arising on adoption of IAS 39	-	(3,772)
Disposals of bonds	(23,283)	-
Redemption of bonds	(8,573)	-
Amortisation of discount on acquisition of bonds	2,131	4,888
Exchange loss	(1,402)	(3,002)
	<u>18,287</u>	<u>49,414</u>

These bonds are not in the name of the company and are held by Crescent Investment Bank Limited, an associated undertaking, on behalf of the company.





## Notes to and Forming Part of the Financial Statements

### For the year ended June 30, 2003

26.4 The following investments having an aggregate face value of Rs. 10.350 million (2002: Rs.74.350 million) are deposited as security with a commercial bank.

	2003	2002
	Rupees in thousand	
ICI Pakistan Limited	-	3,000
Kohinoor Raiwind Mills Limited	-	1,000
Pakistan Telecommunication Company Limited	-	1,000
Nestle Milkpak Limited	-	1,000
Nishat Mills Limited	-	3,000
Nishat (Chunian) Mills Limited	-	1,000
National Bank of Pakistan	-	1,000
Packages Limited	500	500
Pakistan Industrial Credit and Investment Corporation Limited	2,500	4,500
PICIC Commercial Bank Limited	-	13,000
Pakistan State Oil Company Limited	750	2,350
Pakistan Tobacco Company Limited	-	1,000
Sui Northern Gas Pipelines Limited	6,000	35,000
Sui Southern Gas Company Limited	-	3,500
Shell Pakistan Limited	100	-
Tripack Films Limited	500	500
Hub Power Company Limited	-	3,000
	<u>10,350</u>	<u>74,350</u>

26.5 The company has not transferred these shares in its name.

26.6 Holding in Safeway Mutual Fund and 10th ICP Mutual Fund as at June 30, 2003 aggregates to 19.68 percent (2002: 3.5 percent) and 11.98 percent (2002: Nil) respectively.



## Notes to and Forming Part of the Financial Statements

### For the year ended June 30, 2003

#### 27. Other receivables

	2003			2002		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Considered good						
Mark-up accrued on						
- deposits	27	29	56	1,715	118	1,833
- others	467	-	467	817	-	817
Margin on letters of credit and guarantee	1,095	-	1,095	1,095	-	1,095
Less: Provision thereagainst	(1,095)	-	(1,095)	(1,095)	-	(1,095)
	-	-	-	-	-	-
Dividend receivables	1,112	-	1,112	1,416	-	1,416
Less: Provision thereagainst	(48)	-	(48)	(48)	-	(48)
	1,064	-	1,064	1,368	-	1,368
Receivable on account of sale of shares	4,692	-	4,692	48,142	-	48,142
Insurance claim receivable	125	-	125	-	-	-
Due from associated undertakings - note 27.2	1,062	581	1,643	368	350	718
Sales tax refundable	4,508	8,285	12,793	21,542	741	22,283
Less: Provision thereagainst	(1,981)	(741)	(2,722)	(1,981)	-	(1,981)
	2,527	7,544	10,071	19,561	741	20,302
Receivable against deposit for building	5,461	-	5,461	5,461	-	5,461
Less: Provision thereagainst	(5,461)	-	(5,461)	-	-	-
	-	-	-	5,461	-	5,461
Others	2	67	69	-	114	114
	<u>9,966</u>	<u>8,221</u>	<u>18,187</u>	<u>77,432</u>	<u>1,323</u>	<u>78,755</u>

27.1 Maximum amount due from associated undertakings at the end of any month during the year was Rs. 3.564 million (2002: Rs. 1.589 million).



## Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2003

### 27.2 Due from associated undertakings

	2003			2002		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Shakarganj Mills Limited	368	-	368	48	-	48
Premier Insurance Company of Pakistan Limited	-	272	272	-	168	168
Crescent Jute Products Limited	665	309	974	257	182	439
Jubilee Spinning Mills Limited	17	-	17	34	-	34
Trust Investment Bank Limited	1	-	1	-	-	-
Crescent Textile Mills Limited	-	-	-	18	-	18
Suraj Cotton Mills	11	-	11	11	-	11
	<u>1,062</u>	<u>581</u>	<u>1,643</u>	<u>368</u>	<u>350</u>	<u>718</u>

### 28. Taxation

The Taxation Officer, while finalising the assessment for the assessment year 2000-2001, has raised a demand of additional liability of Rs 2.2 million on account of certain disallowances and add backs. The company has filed an appeal with the Commissioner of Income Tax (Appeals) against the aforementioned demand. No provision for the additional demand has been made in the financial statements as in the view of the management, the ultimate decision in the appeal would substantially be in the favour of the company.

### 29. Cash and bank balances

	2003			2002		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
With banks - in deposit accounts						
- in local currency - note 29.1	43,265	5,707	48,972	82,395	10,355	92,750
- in foreign currency	3,456	-	3,456	7,458	-	7,458
	<u>46,721</u>	<u>5,707</u>	<u>52,428</u>	<u>89,853</u>	<u>10,355</u>	<u>100,208</u>
- in current accounts	327	656	983	1,242	155	1,397
Cash in hand	-	103	103	117	117	234
	<u>47,048</u>	<u>6,466</u>	<u>53,514</u>	<u>91,212</u>	<u>10,627</u>	<u>101,839</u>





## Notes to and Forming Part of the Financial Statements

### For the year ended June 30, 2003

29.1 Included in a deposit account with a commercial bank is an amount of Rs. Nil (2002:Rs. 81.176 million) the withdrawal of which was restricted as a security for payment against an open letter of credit.

### 30. Sales

	2003			2002		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Bare Pipes (own product excluding coating revenue)	1,068,596	-	1,068,596	685,834	-	685,834
Revenue from conversion	47,039	-	47,039	7,438	-	7,438
Coating of pipes	87,741	-	87,741	100,845	-	100,845
Sale of pipe fittings	-	-	-	1,769	-	1,769
Cotton yarn [net of commission Rs. 3.283 million (2002 : Rs 2.738 million)]	-	505,988	505,988	-	460,838	460,838
Raw cotton	-	7,503	7,503	-	11,592	11,592
Scrap / waste	12,191	9,890	22,081	10,822	11,921	22,743
	<u>1,215,567</u>	<u>523,381</u>	<u>1,738,948</u>	<u>806,708</u>	<u>484,351</u>	<u>1,291,059</u>

### 31. Cost of Sales

	2003			2002		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Bare Pipes - note 31.1	838,326	-	838,326	520,359	-	520,359
Coating of Pipes - note 31.4	62,734	-	62,734	68,449	-	68,449
Cotton - note 31.7	-	496,980	496,980	-	466,392	466,392
	<u>901,060</u>	<u>496,980</u>	<u>1,398,040</u>	<u>588,808</u>	<u>466,392</u>	<u>1,055,200</u>



## Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2003

	2003	2002
	Rupees in thousand	
<b>31.1 Cost of sales - bare pipes</b>		
Raw materials consumed	764,332	471,795
Pipe fittings	-	1,522
Store and spares consumed	13,019	8,127
Fuel, power and electricity	10,460	7,215
Salaries, wages and other benefits - note 31.2	22,698	15,811
Insurance	1,163	1,231
Repairs and maintenance	1,458	730
Depreciation	28,928	13,274
Other expenses	4,467	5,135
	<u>846,525</u>	<u>524,840</u>
Opening stock of work-in-process	6,147	2,514
Closing stock of work-in-process	(758)	(6,147)
	<u>5,389</u>	<u>(3,633)</u>
Cost of goods manufactured	851,914	521,207
Opening stock of finished goods	22,613	21,765
Closing stock of finished goods	(36,201)	(22,613)
	<u>(13,588)</u>	<u>(848)</u>
	<u>838,326</u>	<u>520,359</u>

	2003	2002
	Rupees in thousand	
<b>31.2 Detail of salaries, wages and other benefits</b>		
Salaries, wages and other benefits	20,239	13,989
Provident fund contributions	731	575
Pension fund - note 31.3	1,300	881
Gratuity - note 31.3	428	366
	<u>22,698</u>	<u>15,811</u>



## Notes to and Forming Part of the Financial Statements

### For the year ended June 30, 2003

#### 31.3 Staff retirement benefits

	Pension 2003	Gratuity 2003	Pension 2002	Gratuity 2002
	Rupees in thousand			
Current service cost	916	341	458	229
Interest cost	784	231	730	263
Expected return on plan assets	(582)	(186)	(482)	(184)
Actuarial loss	-	-	-	9
Past service cost	182	42	175	49
	1,300	428	881	366

#### 31.4 Cost of sales - coating of pipes

	2003	2002
	Rupees in thousand	
Materials consumed	19,459	32,691
Stores and spares consumed	7,511	5,451
Fuel and power	8,125	3,598
Salaries, wages and other benefits - note 31.5	10,852	7,642
Insurance	921	975
Repairs and maintenance	993	656
Depreciation	12,281	14,952
Other expenses	2,656	1,773
Cost of goods manufactured	62,798	67,738
Opening stock of finished goods	362	1,073
Closing stock of finished goods	(426)	(362)
	(64)	711
	62,734	68,449



## Notes to and Forming Part of the Financial Statements

### For the year ended June 30, 2003

#### 31.5 Detail of salaries, wages and benefits

	2003	2002
	Rupees in thousand	
Salaries, wages and other benefits	9,658	6,734
Provident fund contributions	356	271
Pension fund - note 31.6	624	440
Gratuity - note 31.6	214	197
	10,852	7,642
	10,852	7,642

#### 31.6 Staff retirement benefits

	Pension 2003	Gratuity 2003	Pension 2002	Gratuity 2002
	Rupees in thousand			
Current service cost	440	171	229	123
Interest cost	376	115	365	141
Expected return on plan assets	(279)	(93)	(242)	(99)
Actuarial loss	-	-	-	5
Past service cost	87	21	88	27
	624	214	440	197
	624	214	440	197





## Notes to and Forming Part of the Financial Statements

### For the year ended June 30, 2003

#### 31.7 Cost of sales-cotton

	2003	2002
	Rupees in thousand	
Raw materials consumed	357,451	341,468
Packing materials consumed	5,463	4,927
Raw cotton sold	7,476	9,482
Stores and spares consumed	8,106	10,213
Fuel and power	54,433	47,743
Salaries, wages and other benefits - note 31.8	25,537	24,048
Insurance	1,286	1,575
Repairs and maintenance	1,255	572
Depreciation	33,088	27,447
Amortisation of intangible assets	41	41
Other expenses	2,493	2,550
	<u>496,629</u>	<u>470,066</u>
Opening stock of work-in-process	2,465	3,650
Closing stock of work-in-process	(2,777)	(2,465)
	<u>(312)</u>	<u>1,185</u>
Cost of goods manufactured	496,317	471,251
Opening stock of finished goods	7,681	2,822
Closing stock of finished goods	(7,018)	(7,681)
	<u>663</u>	<u>(4,859)</u>
	<u>496,980</u>	<u>466,392</u>

#### 31.8 Detail of salaries, wages and other benefits

Salaries, wages and other benefits	24,539	23,180
Provident fund contributions	530	501
Pension fund - note 31.9	468	367
	<u>25,537</u>	<u>24,048</u>



## Notes to and Forming Part of the Financial Statements

### For the year ended June 30, 2003

#### 31.9 Staff retirement benefits

	2003	2002
	Rupees in thousand	
Current service cost	330	191
Interest cost	282	304
Expected return on plan assets	(209)	(201)
Past service cost	65	73
	468	367

#### 32. Selling expenses

	2003			2002		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Salaries, wages and other benefits - note 32.1	3,864	-	3,864	3,013	-	3,013
Traveling and conveyance	596	10	606	809	-	809
Depreciation	328	-	328	427	-	427
Insurance	77	-	77	84	-	84
Postage, telephone and telegram	-	196	196	-	223	223
Advertisement	243	-	243	96	-	96
Bid bond expenses	129	-	129	398	-	398
Provision for doubtful debts	-	-	-	485	-	485
Transportation	-	1,670	1,670	25	500	525
Legal and professional charges	130	-	130	329	-	329
Others	857	825	1,682	596	642	1,238
	6,224	2,701	8,925	6,262	1,365	7,627

#### 32.1 Detail of salaries, wages and other benefits

Salaries, wages and other benefits	3,136	-	3,136	2,481	-	2,481
Provident fund contributions	156	-	156	140	-	140
Pension fund - note 32.2	416	-	416	283	-	283
Gratuity - note 32.2	156	-	156	109	-	109
	3,864	-	3,864	3,013	-	3,013



## Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2003

### 32.2 Staff retirement benefits

	<b>Pension 2003</b>	<b>Gratuity 2003</b>	<b>Pension 2002</b>	<b>Gratuity 2002</b>
	<b>Rupees in thousand</b>			
Current service cost	293	124	147	68
Interest cost	251	84	234	78
Expected return on plan assets	(186)	(67)	(154)	(55)
Actuarial loss	-	-	-	3
Past service cost	58	15	56	15
	<u>416</u>	<u>156</u>	<u>283</u>	<u>109</u>

### 33. Administration Expenses

	<b>2003</b>			<b>2002</b>		
	<b>Steel division</b>	<b>Cotton division</b>	<b>Total</b>	<b>Steel division</b>	<b>Cotton division</b>	<b>Total</b>
	<b>Rupees in thousand</b>					
Salaries, wages and other benefits - note 33.1	26,726	-	26,726	20,417	-	20,417
Rents, rates and taxes	273	-	273	683	-	683
Traveling, conveyance and entertainment	3,876	27	3,903	3,506	-	3,506
Fuel and power	2,649	-	2,649	2,242	-	2,242
Postage, telephone and telegram	1,713	-	1,713	1,552	-	1,552
Insurance	807	-	807	673	-	673
Repairs and maintenance	1,369	-	1,369	1,134	-	1,134
Auditors' remuneration - note 33.3	2,884	-	2,884	1,320	-	1,320
Legal and professional and corporate service charges	16,176	200	16,376	2,940	-	2,940
Advertisement	137	-	137	63	-	63
Donations - note 33.4	12,311	2,980	15,291	10,251	-	10,251
Depreciation	7,834	-	7,834	7,138	-	7,138
Amortisation of intangible assets	357	-	357	339	-	339
Printing, stationery and office supplies	871	-	871	613	-	613
Newspapers, subscriptions and periodicals	466	-	466	443	-	443
Others	613	-	613	593	-	593
	<u>79,062</u>	<u>3,207</u>	<u>82,269</u>	<u>53,907</u>	<u>-</u>	<u>53,907</u>
Charges allocated to the cotton division	(9,866)	9,866	-	(2,689)	2,689	-
	<u>69,196</u>	<u>13,073</u>	<u>82,269</u>	<u>51,218</u>	<u>2,689</u>	<u>53,907</u>



## Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2003

### 33.1 Details of salaries, wages and other benefits

	2003			2002		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Salaries, wages and other benefits	22,257	-	22,257	17,185	-	17,185
Provident fund contributions	929	-	929	799	-	799
Pension fund - note 33.2	2,392	-	2,392	1,698	-	1,698
Gratuity - note 33.2	1,148	-	1,148	735	-	735
	<u>26,726</u>	<u>-</u>	<u>26,726</u>	<u>20,417</u>	<u>-</u>	<u>20,417</u>

### 33.2 Staff retirement benefits

	Pension 2003	Gratuity 2003	Pension 2002	Gratuity 2002
		Rupees in thousand		
Current service cost	1,685	915	883	460
Interest cost	1,442	619	1,406	527
Expected return on plan assets	(1,070)	(498)	(928)	(369)
Actuarial loss	-	-	-	18
Past service cost	335	112	337	99
	<u>2,392</u>	<u>1,148</u>	<u>1,698</u>	<u>735</u>

### 33.3 Auditors' remuneration

	2003	2002
		Rupees in thousand
Audit fee	500	450
Fee for audit of funds' accounts and special reports	369	190
Tax services	1,794	612
	<u>2,663</u>	<u>1,252</u>
Out of pocket expenses	221	68
	<u>2,884</u>	<u>1,320</u>





## Notes to and Forming Part of the Financial Statements

### For the year ended June 30, 2003

#### 33.4 Donations

33.4.1 Donations include the following in whom a director is interested:

Name of the director	Interest in donee	Name and address of the donee	Amount donated	
			2003	2002
Mr. Ahsan M. Saleem	Chairman	The Citizens Foundation 9th Floor, NIC Building, Karachi	6,889	3,610
-do-	Member Managing Committee	Commecs Institute of Business Education, ST-9, Block 13, Gulistan-e-Johar, Scheme-36, Karachi	37	25
-do-	Member	Lyallpur Golf Club Race Course Club, Faisalabad	150	-
			<u>7,076</u>	<u>3,635</u>

33.4.2 Donations other than those mentioned above were not made to any donee in whom a director or his spouse had any interest at any time during the year.



## Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2003

### 34. Other Income

	2003			2002		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Liabilities written-back	3,581	-	3,581	1,154	-	1,154
Provision written back for stock-in-trade	3,727	-	3,727	577	-	577
Provision written back for spares	3,060	-	3,060	-	-	-
Return on deposits, advances and investments	14,544	236	14,780	14,794	234	15,028
Profit on redeemable capital certificates	1,281	-	1,281	1,297	-	1,297
Mark-up recovered from associated undertakings	2,854	-	2,854	2,419	-	2,419
Gain on disposal of fixed assets	1,125	11	1,136	430	3,018	3,448
Deferred income - note 6	-	265	265	-	265	265
Gain on sale of investments						
- Available-for-sale	27,070	-	27,070	3,208	-	3,208
- Held for trading	45,527	-	45,527	-	-	-
- I.R.O.P Bonds	6,121	-	6,121	-	-	-
Rentals from an associated undertaking	-	-	-	172	-	172
Dividend income - note 34.1	37,447	-	37,447	27,258	-	27,258
Fair value adjustment - note 26.2	30,032	-	30,032	11,603	-	11,603
Insurance commission	897	118	1,015	1,047	89	1,136
Others	3,908	662	4,570	779	63	842
	<u>181,174</u>	<u>1,292</u>	<u>182,466</u>	<u>64,738</u>	<u>3,669</u>	<u>68,407</u>

#### 34.1 Dividend income

	2003			2002		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
From associated undertakings						
Pakistan Industrial Leasing Corporation Limited	-	-	-	1,914	-	1,914
Pakistan Industrial Credit and Investment Corporation	2,299	-	2,299	-	-	-
Crescent Leasing Corporation Limited	930	-	930	-	-	-
Shakarganj Mills Limited	2,190	-	2,190	1,404	-	1,404
Crescent Textile Mills Limited	748	-	748	1,190	-	1,190
	<u>6,167</u>	<u>-</u>	<u>6,167</u>	<u>4,508</u>	<u>-</u>	<u>4,508</u>
Others	31,280	-	31,280	22,750	-	22,750
	<u>37,447</u>	<u>-</u>	<u>37,447</u>	<u>27,258</u>	<u>-</u>	<u>27,258</u>



## Notes to and Forming Part of the Financial Statements

### For the year ended June 30, 2003

#### 35. Financial Charges

	2003			2002		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Interest on a long-term loan	-	1,334	1,334	-	8,116	8,116
Interest on provident fund	-	301	301	-	-	-
Mark-up on:						
Running finances	2,482	3,832	6,314	2,160	-	2,160
Short-term loans	-	1,152	1,152	251	7,080	7,331
Assets subject to finance leases	762	5,787	6,549	309	4,990	5,299
Bank charges	352	826	1,178	113	729	842
	<u>3,596</u>	<u>13,232</u>	<u>16,828</u>	<u>2,833</u>	<u>20,915</u>	<u>23,748</u>
Financial charges allocated to the cotton division	(2,482)	2,482	-	(2,833)	2,833	-
	<u>1,114</u>	<u>15,714</u>	<u>16,828</u>	<u>-</u>	<u>23,748</u>	<u>23,748</u>

#### 36. Other Charges

	2003			2002		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Provision against sales tax refundable	-	741	741	1,051	-	1,051
Bad debts written off against amount due from associated undertakings	-	-	-	18	-	18
Fair value adjustment - note 17.1	-	-	-	1,264	-	1,264
Provision for stock-in-trade	8,863	-	8,863	-	-	-
Provision for slow moving stores and spares	-	1,712	1,712	4,735	-	4,735
Loss on sale and leaseback	1,257	-	1,257	-	856	856
Provision for workers welfare fund	5,553	-	5,553	4,209	-	4,209
Expenditure included in capital work-in-progress written off	-	-	-	1,509	-	1,509
Provision for other receivables, prepayments and others	5,461	-	5,461	3,196	-	3,196
Exchange loss	2,055	452	2,507	3,444	5	3,449
	<u>23,189</u>	<u>2,905</u>	<u>26,094</u>	<u>19,426</u>	<u>861</u>	<u>20,287</u>



## Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2003

## 37. Taxation

	2003	2002
	Rupees in thousand	
Current		
- for the year	91,283	58,991
- for prior years'	12,114	9,205
	<u>103,397</u>	<u>68,196</u>
Deferred	(6,178)	(7,732)
	<u>97,219</u>	<u>60,464</u>

## 37.1 Relationship between tax expense and accounting profit

Profit before taxation	<u>381,375</u>	<u>198,697</u>
Tax at the applicable rate of 35%	133,481	69,544
Net tax effect of income not subject to tax and expenses that are not allowable in determining taxable income	(27,055)	(5,975)
Tax credit under section 107AA of the Income Tax Ordinance, 1979	-	(1,577)
Tax effect of dividend income taxed at different rate	(11,234)	(8,177)
Net effect of deferred tax relating to prior years recognised currently	<u>(10,087)</u>	<u>(2,556)</u>
Tax charge for the year	<u>85,105</u>	<u>51,259</u>
- current	91,283	58,991
-deferred	(6,178)	(7,732)
	<u>85,105</u>	<u>51,259</u>

## 38. Earnings per share

Net profit after taxation	<u>284,156</u>	<u>138,233</u>
Average number of ordinary shares in issue during the year	<u>20,284,863</u>	<u>20,284,863</u>
Earnings per share	<u>Rs. 14.15</u>	<u>Rs. 6.88</u>





## Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2003

## 39. Cash generated from operations

	2003	2002
	Rupees in thousand	
Profit before taxation	381,375	198,697
Depreciation	82,459	63,238
Amortisation	398	380
Capital work-in-progress written off	-	1,509
Adjustment arising from measurement to fair values	(22,149)	(10,339)
Provision against dividend receivable	-	48
Provision against stores and spares	10,575	4,735
Reversal of provision against stock-in-trade	(3,727)	(577)
Reversal of provision against spare parts	(3,060)	-
Provision for workers welfare fund	5,553	4,209
Provision against bad debts	-	485
Provision against short term advances	-	537
(Reversal of provision)/provision against short term deposits and prepayments	(1,516)	1,516
Provision against other receivables	6,202	2,146
Exchange loss	2,678	653
Gain on sale of investments	(78,718)	(3,208)
Pension and gratuity expense	7,146	5,076
Financial charges	16,828	23,748
Gain on disposal of fixed assets	(1,136)	(3,448)
Dividend income	(37,447)	(27,258)
Return on deposits, advances and investments	(18,915)	(18,744)
Net loss on sales and lease back transaction	992	591
Working capital changes - note 39.1	1,932	125,965
	<u>349,470</u>	<u>369,959</u>
<b>39.1 Working capital changes</b>		
(Increase)/decrease in current assets		
Stores, spares and loose tools	20,495	(3,424)
Stock-in-trade	222,749	(287,227)
Trade debts	31,093	192,129
Short-term advances	(5,045)	(454)
Short-term deposits and prepayments	(2,065)	461
Other receivables (net)	8,485	(14,019)
	<u>275,712</u>	<u>(112,534)</u>
Increase/(decrease) in current liabilities		
Creditors, accrued expenses and other liabilities (net)	(273,780)	238,499
	<u>1,932</u>	<u>125,965</u>
<b>40. Cash and cash equivalents</b>		
Short -term finances - note 10	(73,485)	(16,174)
Cash and bank balances - note 29	53,514	101,839
	<u>(19,971)</u>	<u>85,665</u>



## Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2003

### 41. Financial assets and liabilities

	Interest/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		
	Rupees in thousand						2003	2002
<b>Financial assets</b>								
Investments	21,619	11,990	33,609	608,405	58,339	666,744	700,353	352,618
Long-term deposits	-	-	-	-	5,289	5,289	5,289	7,649
Trade debts	-	-	-	26,023	-	26,023	26,023	56,692
Short-term advances	-	-	-	422	-	422	422	117
Short-term deposits	-	-	-	4,911	-	4,911	4,911	1,292
Other receivables	-	-	-	8,116	-	8,116	8,116	58,453
Cash and bank balances	52,428	-	52,428	1,086	-	1,086	53,514	101,839
2003	74,047	11,990	86,037	648,963	63,628	712,591	798,628	578,660
2002	155,466	15,667	171,133	376,171	31,356	407,527	578,660	
<b>Financial liabilities</b>								
Long-term loans	-	-	-	-	-	-	-	40,020
Liabilities against assets								
subject to finance leases	27,087	38,015	65,102	-	-	-	65,102	63,182
Short term finances	73,485	-	73,485	-	-	-	73,485	36,174
Creditors, accrued expenses								
and other liabilities	2,685	-	2,685	103,698	-	103,698	106,383	417,298
Proposed dividends	-	-	-	40,170	-	40,170	40,170	60,255
2003	103,257	38,015	141,272	143,868	-	143,868	285,140	616,929
2002	80,153	59,223	139,376	477,553	103,698	477,553	616,929	
Off balance sheet items - financial commitments								
Outstanding letters of credit	-	-	-	47,792	-	47,792	47,792	609,018



## Notes to and Forming Part of the Financial Statements

For the year ended June 30, 2003

### 41.1 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.

### 41.2 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The company incurs foreign currency risk on sales and purchases that are entered in a currency other than Pak Rupees. The company uses forward foreign exchange contracts to hedge its foreign currency risk, when considered appropriate. As at the year end the company had liabilities in foreign currencies aggregating Rs 29 million (2002: Rs 386 million) against which no forward exchange contracts were obtained.

### 41.3 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.

## 42. Remuneration to the chief executive, director and executives

	Chief Executives		Director		Executives		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
	Rupees in thousand							
Managerial remuneration	3,224	2,931	1,320	1,172	15,246	11,714	19,790	15,817
House rent	1,451	1,319	594	526	6,757	5,097	8,802	6,942
Utilities	322	293	132	117	1,523	1,163	1,977	1,573
Traveling expenses	89	138	110	110	17	393	216	641
Others	868	942	-	-	103	253	971	1,195
Medical	79	36	59	57	601	444	739	537
Contribution to:								
-Provident fund	322	293	132	112	1,294	958	1,748	1,363
-Gratuity fund	234	190	96	77	805	532	1,135	799
-Pension fund	532	463	218	186	2,057	1,467	2,807	2,116
Club subscription and expenses	248	274	14	11	5	9	267	294
Entertainment	-	-	36	36	150	150	186	186
Conveyance	-	-	-	-	2	73	2	73
Telephone	-	-	12	12	31	31	43	43
	<u>7,369</u>	<u>6,879</u>	<u>2,723</u>	<u>2,416</u>	<u>28,591</u>	<u>22,284</u>	<u>38,683</u>	<u>31,579</u>
Number of persons	1	1	1	1	64	50	66	52



## Notes to and Forming Part of the Financial Statements

### For the year ended June 30, 2003

- 42.1 The aggregate amount charged in the account in respect of directors' fees paid to six (2002: six) directors was Rs. 77,500 (2002: Rs. 52,500).
- 42.2 The chief executive, a director and eight executives are provided with free use of company maintained cars, according to their entitlements.
- 42.3 The chief executive, a director, executives and their families are also covered under group and hospitalisation insurance.

#### 43. Transactions with associated undertakings

Transactions between the company and its related parties are at arm's length.

The company enters into transactions with related parties for purchase and sale of goods and services. Prices for these transactions are determined on the basis of comparable uncontrollable price method, which sets the price by reference to comparable goods sold in a economically comparable market to a buyer unrelated to the seller.

	2003			2002		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Insurance premium paid	7,079	1,558	8,637	6,909	1,654	8,563
Sale of pipes / yarn	1,934	16,266	18,200	1,006	501	1,507
Purchases	-	5,887	5,887	-	13,734	13,734
Sale of raw cotton	-	7,503	7,503	-	11,592	11,592
Return on deposits	4,135	-	4,135	2,419	-	2,419
Rentals from an associated undertaking	-	-	-	172	-	172
Dividends received	6,167	-	6,167	4,508	-	4,508
Insurance commission	897	118	1,015	1,047	89	1,136
Interest on long-term loans	-	1,334	1,334	-	8,116	8,116
Service charges	-	1,648	1,648	-	2,328	2,328

#### 44. Plant capacity and production

##### 44.1 Steel division

###### Pipe plant

The plant's installed/rated capacity for production based on single shift is 26,500 tons (2002: 26,500 tons) annually





## Notes to and Forming Part of the Financial Statements

### For the year ended June 30, 2003

on the basis of notional pipe size of 30" dia x 1/2" thickness. The actual production achieved during the year was 43,229 tons (2002: 22,033 tons) line pipes of varied sizes and thicknesses, which is equivalent to 66,984 tons (2002: 38,958 tons) if actual production is translated to the notional pipe size of 30" diameter.

#### Coating plant

The coating plant has a capacity of externally shot blasting 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 179,726 metres of different dia pipes (259,013 square metres surface area) was achieved during the year (2002: 105,790 square metres surface area).

#### 44.2 Cotton division

##### Spinning unit

The plant capacity converted to 20s count based on three shifts per day for 1,080 shifts was 4,645,411 kilograms (2002: 4,645,411 kilograms). Actual production converted into 20s count for one day was 13,398 kilograms (2002: 12,689 kilograms).

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

#### 45. Date of authorization for issue

These financial statements were authorised for issue on September 22, 2003 by the board of directors of the company.

Chairman

Chief Executive



## Form '34' Pattern of Holding of Shares

Held by Shareholders as at June 30, 2003

No. of Shareholders	Shareholding		Total Shares held
	From	To	
200	1	100	9,200
548	101	500	135,900
115	501	1,000	88,987
197	1,001	5,000	501,185
83	5,001	10,000	630,146
34	10,001	15,000	413,852
26	15,001	20,000	435,215
16	20,001	25,000	365,402
4	25,001	30,000	115,707
9	30,001	35,000	284,342
4	35,001	40,000	153,994
2	40,001	45,000	84,701
6	45,001	50,000	286,346
4	50,001	55,000	215,613
3	55,001	60,000	170,262
1	60,001	65,000	62,152
1	70,001	75,000	74,843
3	75,001	80,000	234,086
3	80,001	85,000	249,140
1	85,001	90,000	89,600
2	90,001	95,000	186,950
2	95,001	100,000	191,299
1	100,001	105,000	101,213
1	105,001	110,000	109,500
1	140,001	145,000	144,500
1	150,001	155,000	151,700
1	160,001	165,000	161,590
2	175,001	180,000	354,000
1	195,001	200,000	195,873
1	215,001	220,000	219,500
1	235,001	240,000	239,280
1	265,001	270,000	267,500
1	305,001	310,000	307,000
1	390,001	395,000	391,500
1	400,001	405,000	401,587
1	410,001	415,000	412,525
1	425,001	430,000	430,000
1	510,001	515,000	514,823
1	545,001	550,000	549,500
1	705,001	710,000	707,182
1	840,001	845,000	840,222
1	895,001	900,000	900,000
1	1,075,001	1,080,000	1,075,617
2	1,225,001	1,230,000	2,457,283
1	1,365,001	1,370,000	1,368,787
1	2,805,001	2,810,000	2,805,259
<b>1,290</b>			<b>20,084,863</b>



## Form '34' Pattern of Holding of Shares

S. No.	Categories of Shareholders	No. of Shareholders	Shares Held	Percentage
1	Financial Institutions	15	5,999,365	29.870
2	Individuals	1,198	6,242,942	31.083
3	Insurance Companies	4	575,677	2.866
4	Investment Companies	8	1,497,901	7.458
5	Joint Stock Companies	52	4,467,822	22.245
6	Others	13	1,301,156	6.478
		<b>1,290</b>	<b>20,084,863</b>	<b>100.00</b>



## Pattern of Holding of Shares

Held by Shareholders as at June 30, 2003

Categories of Shareholders	Shares Held	Percentage
<b>a) Directors, Chief Executive Officer, Their Spouse And Minor Children</b>		
<b>Chief Executive\Director</b>		
Mr. Ahsan M. Saleem	6,149	0.03
<b>Directors</b>		
Mr. Ahsan M. Saleem	53,628	0.27
Mr. Javed Aslam Callea	500	0.00
Mr. Mazhar Karim	500	0.00
Mr. Nasir Shafi	13,688	0.07
Mr. S.M.Ehtishamullah	500	0.00
Mr. Zahid Bashir	67	0.00
<b>Director's Spouse and Their Minor Children</b>		
Mrs. Abida Mazhar	7,103	0.04
Mrs. Shehnaz A. Saleem	22,812	0.11
<b>Executives</b>		
Kh. Muhammad Sharif	15,208	0.08
Mr. Muhammad Amin	1,899	0.01
Syed Ali Nazir Kazmi	6,083	0.03
	<b>128,137</b>	<b>0.64</b>
<b>b) Associated Companies, Undertaking &amp; Related Parties</b>		
Crescent Foundation	95,054	0.47
Crescent Jute Products Limited	80,000	0.40
Crescent Sugar Mills and Distillery Limited	707,182	3.52
Crescent Powertec Limited	4,000	0.02
Jubilee Energy (Pvt) Limited	96,245	0.48
Jubilee Spinning and Weaving Mills Limited	100	0.00
MashreqBank Pakistan Limited	1,076,646	5.36
Muhammad Amin Muhammad Bashir Limited	3,230	0.02
Paramount Leasing Limited	430,000	2.14
Safeway Mutual Fund Limited	391,551	1.95
Shakarganj Mills Limited	680,025	3.39
The Crescent Textile Mills Limited	2,209,009	11.00
The Premier Insurance Company of Pakistan Limited	30,000	0.15
Trust Investment Bank Limited	807	0.00
	<b>5,803,849</b>	<b>28.90</b>
<b>c) NIT &amp; ICP (Name Wise Detail)</b>		
Investment Corporation of Pakistan	5,266	0.03
National Bank of Pakistan, Trustee Deptt.	2,805,259	13.97
	<b>2,810,525</b>	<b>13.99</b>
<b>d) Banks, DFI's, NBFIs</b>		
Banks, DFI's, NBFIs	3,192,270	15.89
	<b>3,192,270</b>	<b>15.89</b>
<b>e) Insurance Companies</b>		
Insurance Companies	545,677	2.72
	<b>545,677</b>	<b>2.72</b>





## Pattern of Holding of Shares

<b>f) Modaraba and Mutual Funds</b>		
Modaraba and Mutual Funds	284,583	1.42
	<b>284,583</b>	<b>1.42</b>
<b>g) Other Companies</b>		
Other Companies	1,020,031	5.08
	<b>1,020,031</b>	<b>5.08</b>
<b>h) Non Resident</b>		
Bankers Trust Company	98	0.00
Baring Brothers (Guernsey) Limited	25	0.00
Exchange Trading Limited	7,603	0.04
HSBC International Trustee Limited	18	0.00
Hong Kong Bank International Trustee Limited	145	0.00
Islamic Development Bank Limited	1,227,345	6.11
Midland Bank Trust Corporation (Jersey) Limited	517	0.00
Royal Trust Corporation of Canada	12	0.00
The Northern Trust Company	310	0.00
	<b>1,236,073</b>	<b>6.15</b>
<b>i) General Public</b>		
A. Local	5,063,718	25.21
	<b>5,063,718</b>	<b>25.21</b>
	<b>20,084,863</b>	<b>100.00</b>
<b>Shareholders More Than 10%</b>		
National Bank of Pakistan, Trustee Deptt.	2,805,252	13.97



## Notice of Annual General Meeting

NOTICE is hereby given that the 19th Annual General Meeting of the shareholders of CRESCENT STEEL AND ALLIED PRODUCTS LIMITED will be held on Friday, October 31, 2003 at 10:30 a.m. at Pearl Continental Hotel, Shahrah-e-Quaid-e-Azam, Lahore to transact the following business:

### ORDINARY BUSINESS:

1. To confirm the minutes of the preceding Meeting of the shareholders of the Company.
2. To receive, consider and adopt the Directors' and Auditors' reports and Audited Accounts for the year ended June 30, 2003.
3. To consider and approve dividend for the year ended June 30, 2003 as recommended by the Directors of the Company as follows:
  - a) Three interim cash dividends at the rate of Re. 1.00 each (Rs. 3.00) and a final dividend of Rs. 2.00, making a total cash payout of Rs. 5.00 per Rs. 10.00 share (50%)
  - b) Bonus shares in proportion of one share for every ten shares held i.e. 10%.
4. To appoint auditors and fix their remuneration.

### SPECIAL BUSINESS:

5. To consider and pass the following resolutions as special resolutions under section 208 of the Companies Ordinance, 1984:

"RESOLVED THAT approval of the Company be and is hereby accorded to enhance the limit of investment in shares of associated undertakings from Rs. 100 million to Rs. 200 million.

"RESOLVED FURTHER THAT Chief Executive of the Company be and is hereby authorised to take any or all necessary actions to purchase/acquire the ordinary shares and to dispose off the shares so purchased/acquired as he thinks fit on behalf of the Company.

### STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984.

This statement sets out the material facts pertaining to the special business to be transacted at the 19th Annual General Meeting of the Company to be held on October 31, 2003.

### INVESTMENT IN ASSOCIATED COMPANIES

In 10th Annual General Meeting held on June 29, 1994 shareholders of the company accorded their approval to enhance the limit of investment in following associated undertakings to maximum of Rs. 100 million in aggregate:

- Crescent Jute Products Limited
- Shakarganj Mills Limited
- Pakistan Industrial Leasing Corporation (PILCORP)
- Crescent Investment Bank Limited (CIBL)
- The Crescent Textile Mills Limited
- Crescent Sugar Mills Limited
- Jubilee Spinning & Weaving Mills Limited
- The Premier Life Assurance Company Limited

Due to the strong performance of the capital market and availability of substantial internally generated liquidity the Directors have considered and approved to enhance the limit of investment in associated undertakings to a maximum of Rs. 200 million if, approved by the shareholders by special resolution. Further due to mergers and acquisitions the shareholding and names of



## Notice of Annual General Meeting

some of the associated undertakings have also been changed i.e. PILCORP has been merged with Trust Investment Bank Limited (TIBL) at the swap ratio of 1:1.70 i.e. 170 shares of TIBL against 100 shares of PILCORP and CIBL had been merged with MashreqBank Pakistan Limited (MBPL) at the swap ratio of 1:2.36 i.e. 236 shares of MBPL against 100 shares of CIBL. The company is fully authorized by its Memorandum of Association to make such investments.

Following are the material facts about the proposed special resolution:

(i)	Names of the investee companies	Crescent Leasing Corporation Limited ( <b>CLCL</b> ), Shakarganj Mills Limited ( <b>SML</b> ), Pakistan Industrial Credit & Investment Corporation Limited ( <b>PICIC</b> ), MashreqBank Pakistan Limited ( <b>MBPL</b> ) and Trust Investment Bank Limited ( <b>TIBL</b> )				
		CLCL	SML	PICIC	MBPL	TIBL
(ii)	Nature, amount and extent of investment. (Rs. in million)	10	80	20	25	25
(iii)	Average market price of the shares intended to be purchased during preceding six months. (Rs.)	15.54	19.14	41.06	15.39	5.18
(iv)	Breakup value of shares intended to be purchased on the basis of last published financial statement	18.65	17.98	24.13	N.A	13.75
(v)	Price at which shares will be purchased. (Rs.)	Market Value	Market Value	Market Value	Market Value	Market Value
(vi)	Earning per share of the investee company in last three years (Rs.):					
	2000	1.39	0.15	4.51	N.A	1.10
	2001	1.91	0.46	4.22	N.A	0.61
	2002	2.36	3.78	5.32	N.A	(0.23)
(vii)	Source of funds from where shares will be purchased.	Own Sources				
(viii)	Period for which investment will be made.	Long-term	Long-term	Long-term	Long-term	Long-term
(ix)	Purpose of investment.	Balanced diversification	Balanced diversification	Balanced diversification	Merger	Merger
(x)	Benefits likely to accrue to the company and the shareholders from the proposed investments.	To receive dividends that will increase profitability of Company and to take advantage of the potential capital gains that would increase shareholder value.				

The Directors of Crescent Steel and Allied Products Limited have no vested interest in the above said investment except that some of the Directors and their relatives are also Directors in the above said companies.

A copy of Memorandum and Articles of Association each of the above said companies is kept at the Registered Office of the Company, which can be inspected from 10:00 a.m. to 11:30 a.m. on all working days up to October 29, 2003.

BY ORDER OF THE BOARD

Tariq Aleem  
Company Secretary  
Lahore, September 22nd 2003.



## Notice of Annual General Meeting

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### PARTICIPATION IN THE ANNUAL GENERAL MEETING

1. A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote.
2. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially attested copy of the power of attorney must be deposited at the Registered Office of the Company at least 48 hours before the time of meeting.
3. Members, who have deposited their shares into Central Depository Company of Pakistan Limited, are being advised to bring their National Identity Card alongwith CDC Participant ID and account number at the meeting venue.

If any proxies are granted by any such shareholders, the same must be accompanied with attested copies of the National Identity Cards of the grantor and the signature on the proxy forms should be the same as appearing on the National Identity Cards.

### BOOK CLOSURE

The Share Transfer Books of the Company will remain closed from Thursday, October 23, 2003 to Friday, October 31, 2003 (both days inclusive). Transfers received in order at the Registered Office of the company upto the close of business on Wednesday, October 22, 2003, will be considered in time to be eligible for payment of Final Dividend and issuance of Bonus to the Transferees.





# Form of Proxy

Folio No. \_\_\_\_\_ CDC Participant's Identity Card No \_\_\_\_\_ A/C. No. \_\_\_\_\_

I/We \_\_\_\_\_ of \_\_\_\_\_ a member/ members of Crescent Steel & Allied Products Limited, and holder of \_\_\_\_\_ shares do hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or failing him/her \_\_\_\_\_ of \_\_\_\_\_ who is also a member of the Company, vide Registered Folio No. \_\_\_\_\_ as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the 19th Annual General Meeting of the Company to be held on Friday, October 31, 2003 at 10:30 a.m. at Pearl Continental Hotel, Shahrah-e-Quaid-e-Azam, Lahore and at any adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2003.

Signature on  
Five-Rupees  
Revenue Stamp

The signature should agree  
with the specimen registered  
with the Company.

Dated:

Place:

## Notes:

1. The Proxy Form should be deposited at our Registered Office, 2nd Floor, 131, A-E/1, Main Boulevard, Gulberg-III, Lahore, as soon as possible but not less than 48 hours before the time of holding the meeting and in default, the Proxy Form will not be treated as valid.
2. No person shall act as proxy unless he/she is a member of the company except a corporation being a member may appoint as its proxy any officer of such corporation whether a member of the company or not.

