Annual Report Two Thousand and Five

Crescent Steel &
Allied Products Ltd.

Of about 13 million hectares of land on Earth,
a quarter has been converted into pasture for domesticated animals, an eighth into arable farmland and just 1.5% into built up areas. Although this
leaves a notional 60% of pristine land, almost all
of this has been effected by global warming,
mining, erosion and similar impositions.

Crescent Steel realises its responsibility and contributes to the protection of environment and conservation of nature.

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.

Contents

Company Information

From left to right: Mazhar Karim, Javed Iqbal, S.M. Ehtishamullah, Ahsan M. Saleem,

BOARD OF DIRECTORS

Chairman	Mazhar Karim
Chief Executive	Ahsan M. Saleem
Non-Executive Director	Javed A. Callea
Non-Executive Director	Javed Iqbal
Non-Executive Director	Mohammad Anwar
Non-Executive Director	Nasir Shafi
Finance Director & CFO	S.M. Ehtishamullah
Non-Executive Director	Zahid Bashir

COMPANY SECRETARY

Mohammad Amin

AUDIT COMMITTEE

Chairman	Javed A. Callea
	Javed Iqbal
	Nasir Shafi
Head of Internal Audit	Ford, Rhodes, Sidat, Hyder & Co. (Asim Siddiqui-Engagement Partner)

HUMAN RESOURCE COMMITTEE

Chairman	Ahsan M. Saleem
	Javed Iqbal
	Nasir Shafi

Crescent Steel & Allied Products Ltd.

Mohammad Anwar, Zahid Bashir, Nasir Shafi and Javed A. Callea.

THE MANAGEMENT

Chief Executive and Managing Director
Ahsan M. Saleem, 52
1983*

Advisor to CEO (Technical)
Mohammad Sharif, 73
1984*

Advisor (Corporate)
Dr. Wasim Azhar, 52
2001*

Finance Director
S.M. Ehtishamullah, 66
1996*

Commercial Director / Head of Buying
S.A.N. Kazmi, 63
1986*

General Manager Cotton Division
Abdul Rouf, 46
2000*

Chief Information Officer (Outsourced)
Shahid H. Mir, 51
2004*

Head of Marketing
Arif Raza, 44
1985*

Head of Manufacturing
Mushtaque Ahmed, 44
1985*

Controller Finance
Zeeshan Ghulam Muhammad, 32
2001*

EXECUTIVE COMMITTEE

Ahsan M. Saleem
S.M. Ehtishamullah
S.A.N. Kazmi

BUSINESS STRATEGY COMMITTEE

Ahsan M. Saleem
S.M. Ehtishamullah
S.A.N. Kazmi
Abdul Rouf

SYSTEM AND TECHNOLOGY COMMITTEE

Ahsan M. Saleem
Shahid H. Mir
Zeeshan Ghulam Muhammad

INVESTMENT COMMITTEE

Ahsan M. Saleem
S.M. Ehtishamullah
Farrukh Hussain

* *Year joined Company*

Crescent Steel & Allied Products Ltd.

Shareholders' 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 share is 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 the Company's Principal Office, Karachi. Telephone: 021-5674881-5 E.mail: farrukh.hussain@crescent.com.pk

Shareholders Information

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

Telephone: 042-111-912-912

Fax: 042-5875915-16

E.mail: csbm@csibl.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

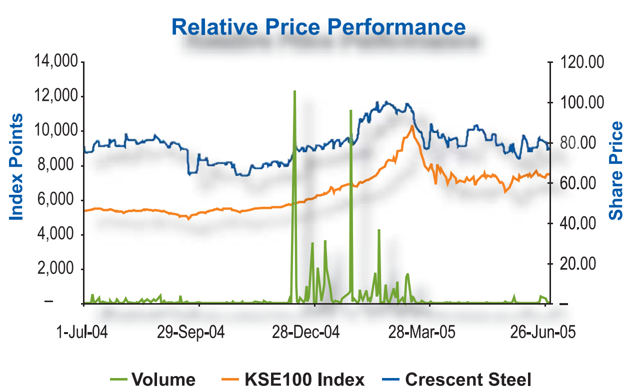
The 21st Annual General Meeting of Crescent Steel and Allied Products Limited will be held on Wednesday, 31 August 2005 at 3.00 p.m. at Pearl Continential Hotel, Lahore.

Auditors

KPMG Taseer Hadi Khalid & Co.

Legal Advisor

Hassan & Hassan, Advocates, Lahore



Bankers

Union Bank Limited

Muslim Commercial Bank Limited

Meezan Bank Limited

PICIC Commercial Bank Limited

Registered Office

4th Floor, Crescent Standard Tower, 10-B, Block E-2, Main Boulevard, Gulberg-III, Lahore.
Telephone: 042-111-912-912
Fax: 042-5875915-16
E.mail: csbm@csibl.com

Liaison Office Lahore

9th Floor, Crescent Standard Tower, 10-A, Block E-2, Main Boulevard, Gulberg-III, Lahore.
Telephone: 042-5879701-2
Fax: 042-5870357
E.mail: ejazahmed@csibl.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 Jamshoro, Sindh.
Telephone: 025-4670020-2,
E.mail: mushtaq.ahmed@nra.crescent.com.pk

Mills – Cotton Division

Crescent Cotton Products (Spinning Unit) 1st Mile, Lahore Road, Jaranwala.
Telephone: 041-4313799, 4312899, 4311741
Fax: 041-4315475
E.mail: abdul.rouf@jrn.crescent.com.pk

Company Profile

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 Jamshoro 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.

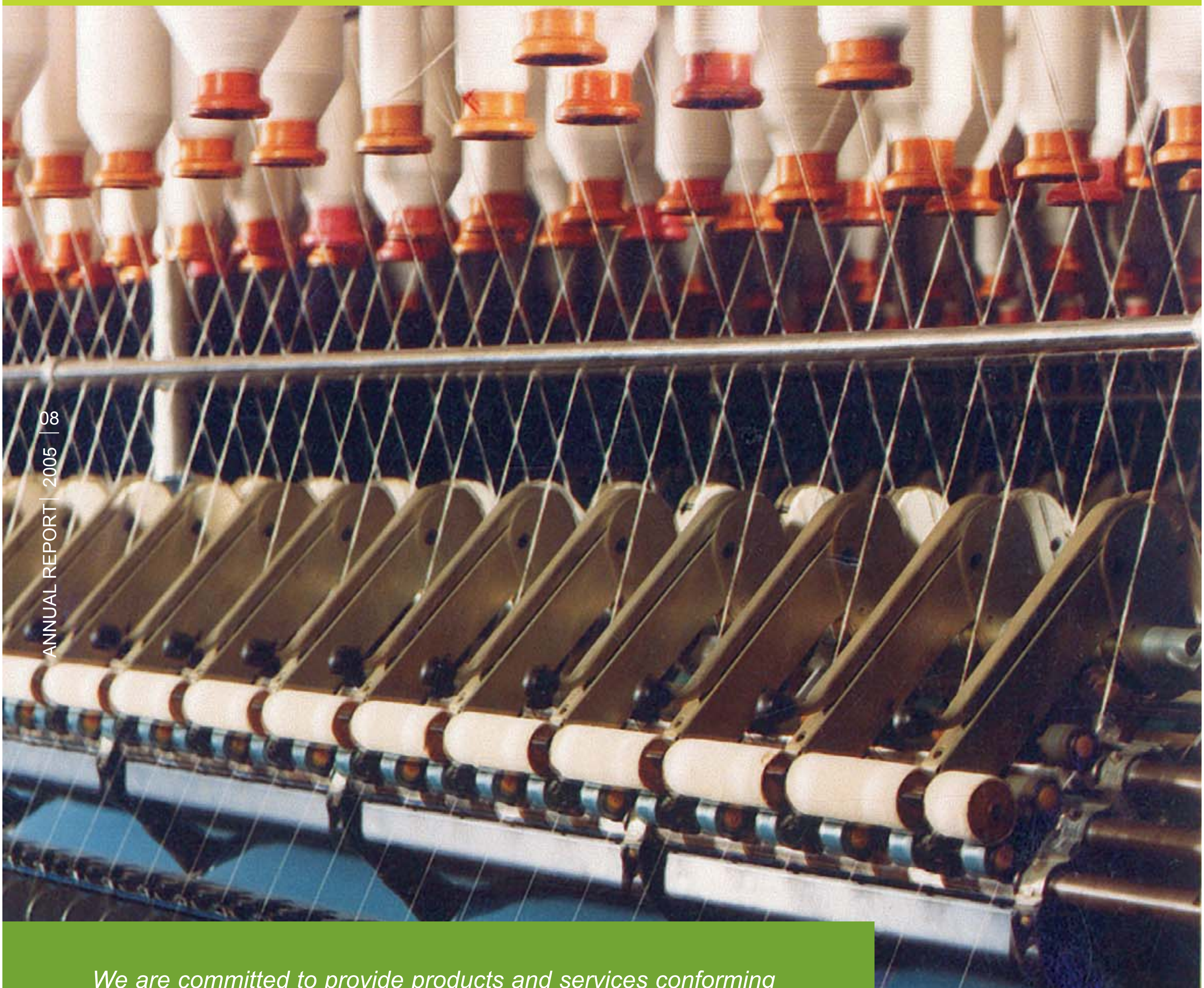
Steel Division

The Spiral Pipe Plant has a capability of manufacturing high quality steel pipes in the diameter range of 8-5/8” –90” (219 mm – 2286 mm) in wall thickness from 4 mm – 18 mm and material grades up to API 5L X-80. The Company has been gradually enhancing and upgrading the pipe production capacity which has increased from 80,000 tons initially to the present notional capacity of 90,000 tons per annum. The Company has authorization to use API monogram of the American Petroleum Institute – the highest international standard accredited for quality of steel line pipe. It also has the ISO 9001 : 2000 certification. The Polyolefin Coating Plant was added adjacent to the pipe mills which is capable of applying single and 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” – 48” (168 mm – 1219 mm). Crescent Steel maintains high quality norms in all its products and has consistently exceeded the requirements of

international standards both in steel line pipe and multi-layer coatings and will continue to remain at the cutting edge in terms of technology, quality control and quality assurance.

Cotton Division

In the year 2000, the Company acquired a running cotton spinning mill located at Jaranwala near Faisalabad, which is the hub of textile industry and carries out this activity 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 having a notional capacity based on 20s of 6.2 million kgs per annum and its products are consistently in demand and generally sold at a premium.



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

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 which sets the tone of our actions and underpins the functioning of our employees. We also insist that all transactions be open, transparent and with in the legal framework culminating in responsible financial reporting.

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

Board Committees

The Board has constituted an Audit Committee and a Human Resource Committee to review and improve the current human resource architecture.

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

We are looking at diversification opportunities in the engineering field to complement our leadership position as a large pipe manufacturing and coating company. Crescent Quality Assurance & Development setup ensures the highest quality standards on one hand and continuous research and development efforts in retaining cost leadership and improved operational efficiency on the other

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 crucial area of human resource development. 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 seven key functional areas as defined in the system manuals with clear responsibility and authority matrix have direct reporting lines to the Chief Executive Officer. Limits of authority at all levels are clearly defined in our control manual. 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 shareholders' 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.

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

Maintenance of health and safety standards at our plants and offices is an important issue for the company. We are committed to actively managing health and safety risk associated with our business and are actively working towards improving our procedures to reduce, remove or control the risk of fire, accidents or injuries to employees and visitors

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 envir-

onment. 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 actively working towards improving our procedures to reduce, remove or control the risk of fire, 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 enquiries.

Taking steps to improve its existing facilities especially in the areas of quality management. Installation of a pre-coating acid wash plant as part of our commitment to remain at the leading edge of technology. We have developed product design and engineering capabilities which would enable us to offer further value addition to the line pipe manufacturing and coating activities

Year in Brief

- Various measures to substantially improve product quality were taken including installation of pre-coating acid wash plant in steel division.
- Modification of SP mill was in process to produce pipes of larger wall thickness.
- Work on new spinning mill (Unit 2) adjacent to existing Cotton Mills Jaranwala commenced which would be completed by the end of FY06.
- Installation of three gas generators at Cotton Mills in FY04 resulted in reduction in fuel cost by Rs. 11.7 million during the current fiscal.
- IT initiatives including implementation of Plant Maintenance System and most of the modules of ERP were completed.
- Net sales and balance sheet footing crossed Rs. 2.6 billion and Rs 2.5 billion mark respectively.
- Break-up value increased to Rs.75.2 per share.
- Second batch of Crescent LUMS Diploma in Business Management has graduated.
- Some new avenues for diversification were identified. The company participated in privatization process of National Refinery Limited.
- Rs. 476.4 million were deposited into government treasury on account of direct and indirect taxes.

KEY FIGURES

		2005	2004
Sales Revenue	Rs. in million	2,687	1,348
Profit After Tax	Rs. in million	338	296
No. of Shares Outstanding	No. in million	24.3	24.3
Earnings per Share - Basic and Diluted	Rs.	13.9	12.2
Dividend			
- cash	Rs./share	3.0	3.5
- bonus	(%)	20	10
Return on Capital Employed	(%)	14.7	14.8
Current Ratio		3.9	4.2
Debt: Equity Ratio		13:87	21:79
Shareholders' Equity	Rs. in million	1,828	1,519
Total Assets	Rs. in million	2,537	2,228
Capital Expenditure	Rs. in million	66	163
Price - Earning Ratio		5.5	6.5
Break-up Value per Share	Rs.	75.2	68.8
Employees		695	713

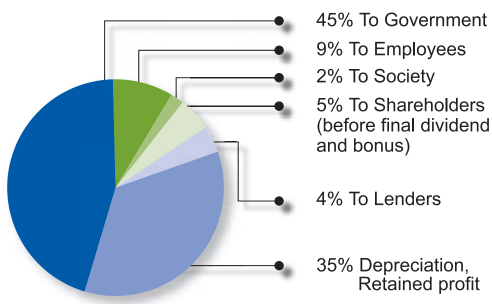
Strategy of utilizing our liquid resources judiciously in the capital market proved to be one of the main sources of income to provide a diversified pool of returns to our shareholders. For the current year company posted total revenue of Rs. 2,687 million. Net profit after tax of Rs. 338 million includes Rs. 234 million from investments. Hence investments play a vital role in the overall performance

Crescent Steel & Allied Products Ltd.

Statement of Value Added
As at 30 June 2005

	2005 Rupees in thousand	%	2004 Rupees in thousand	%
WEALTH GENERATED				
Total revenue inclusive of sales tax and other income	3,351,359		1,840,758	
Bought-in-material and services	(2,292,087)		(1,110,790)	
	1,059,272	100%	729,968	100%
WEALTH DISTRIBUTED				
To Employees				
Salaries, benefits and other costs	98,647	9%	93,520	13%
To Government				
Income tax, sales tax	476,361	45%	223,042	30%
To Society				
Donation towards education, health and environment	17,714	2%	12,874	2%
To Providers of Capital				
Dividend to shareholders	48,606	5%	97,141	13%
Mark up/interest expenses on borrowed funds	43,949	4%	20,391	3%
Reatined for reinvestment & future growth				
Depreciation, amortization & retained profit	373,995	35%	283,000	39%
	1,059,272	100%	729,968	100%

WEALTH DISTRIBUTION 2005



CSAPL recorded its highest ever sales revenue of Rs. 2,687 million.

Net of tax, the profit stood at Rs. 338 million an increase of 14%.

EPS increased from Rs. 12.18 for FY04 to Rs. 13.91 for this fiscal

The Company was able to substantially increase its wealth distribution

this year generating an amount of Rs. 1,059 million of this Rs. 374

million were retained for future reinvestment and growth

Crescent Steel & Allied Products Ltd.

Directors' Report

The directors of the company have the pleasure in submitting their report together with audited financial statements of the company for the year ended 30 June 2005.

The financial results of the Company are summarised below:

Operating Results

	2005	2004
	(Rupees in '000)	
Profit for the year	420,854	326,718
Taxation	82,790	30,818
Profit after taxation	338,064	295,900
Unappropriated profit brought forward	28,016	4,257
Profit available for appropriation	366,080	300,157
Appropriations	(48,606)	(272,141)
Unappropriated profit carried forward	317,474	28,016
Basic and diluted earning per share	Rs. 13.91	Rs. 12.18

The Board of Directors recommends payment of final cash dividend of Re. 1 in addition to two interim dividends of Re. 1 each making total payment of Rs. 3 (30%) for the year. Further, bonus shares in proportion of every one share for five shares held i.e. 20% is recommended.

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 change as stated in note 2.9 to the financial statements, and accounting estimates are based on reasonable and prudent judgment.
- Approved Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements. Approved accounting standards comprised of such standards as notified under the provisions of the Companies Ordinance, 1984 and the directives issued by the Securities and Exchange Commission of Pakistan.
- The system of internal control and other such procedures, which are in place, are being

The Board of Directors has always been an important source of guidance & support for the management. They have helped in not only directing the Company's strategies but also providing crucial input at the various sub committees. They have always contributed much in terms of their vast experience and practical advice

Directors' Report

continuously reviewed by the internal audit function. The process of review will continue and any weakness in controls will be removed.

- 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 Review on page no. 23.

- Key operating and financial data for last six years in summarized form on page no. 45.
- Information about taxes and levies is given in the notes to the financial statements.
- The number of employees at the end of year was 695 (2004: 713).
- The following is the value of investments of the following funds based on the audited accounts for the year ended 31 December 2002:
  - Provident fund Rs. 45.86 M
  - Gratuity fund Rs. 10.38 M
  - Pension fund Rs. 29.09 M
- During the year seven board meetings were held and the attendance by each director is attached separately.

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 except those that have been duly reported as per the law.

Directors

Since the last report, no change in directorship has taken place. The present term of the eight elected directors will expire on 29 January 2006.

Financial statements

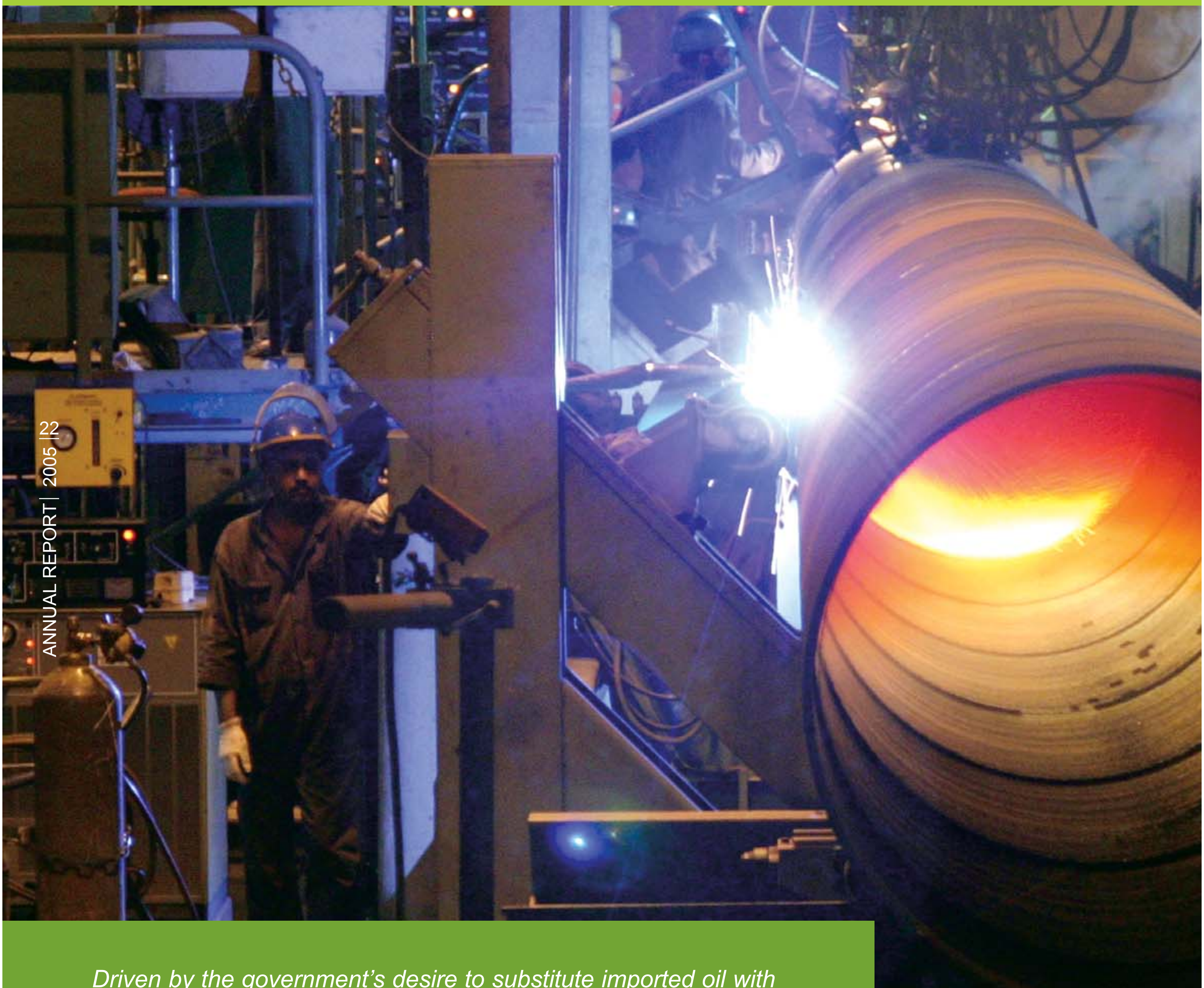
The financial statements of the Company have been duly audited and approved without qualification by the auditors of the Company, Taseer Hadi Khalid & Co. and their report is attached with the financial statements.

No material changes and commitments affecting the financial position of your Company have occurred between the end of the financial year to which this Balance Sheet relates and the date of the Directors' Report.

By order of the Board

Ahsan M. Saleem
Chief Executive

30 July 2005



Driven by the government's desire to substitute imported oil with gas, state owned gas distribution companies are undertaking aggressive capital expenditure plans targeting a total investment of Rs. 64 bn (US$ 1.1 bn) over the next five years. In addition, gas consumption is increased by 17% during the period under review

Crescent Steel & Allied Products Ltd.

Chief Executive's Review

Dear CSAPL Shareholder,

Fiscal 2005 has been a good year for the Pakistan economy with all major economic indicators clearly surpassing their target. Significant positive structural reforms undertaken by the government fuelled by solid industrial growth and a strong agricultural sector performance all helped to build a strong macroeconomic front.

The capital market also provided substantial returns while good corporate results continued to prompt and fuel a portfolio shift.

Allahamdolillah against this backdrop, Crescent Steel & Allied Products Limited performed well and it gives me great pleasure to present a review of the performance for the year.

Gas consumption increased by as much as 17% during the period under review while ever increasing oil prices further directed the government's efforts to replace the use of imported fuel through indigenous means.

Towards the beginning of the last quarter inflationary concerns and a burgeoning interest rate led to some dampening of investment sentiments but a fundamentally strong economy and governments focus on deregulation and liberalization helped to mitigate the impact of these negatives providing many opportunities for growth.

Operation's Review

CSAPL recorded its highest ever sales revenue of Rs. 2,686.6 million this fiscal, double the revenue of Rs. 1,348.1 million posted last year. Pretax net profit also the highest in the company's history stood at Rs. 420.9 million (2004: Rs. 326.7 million)

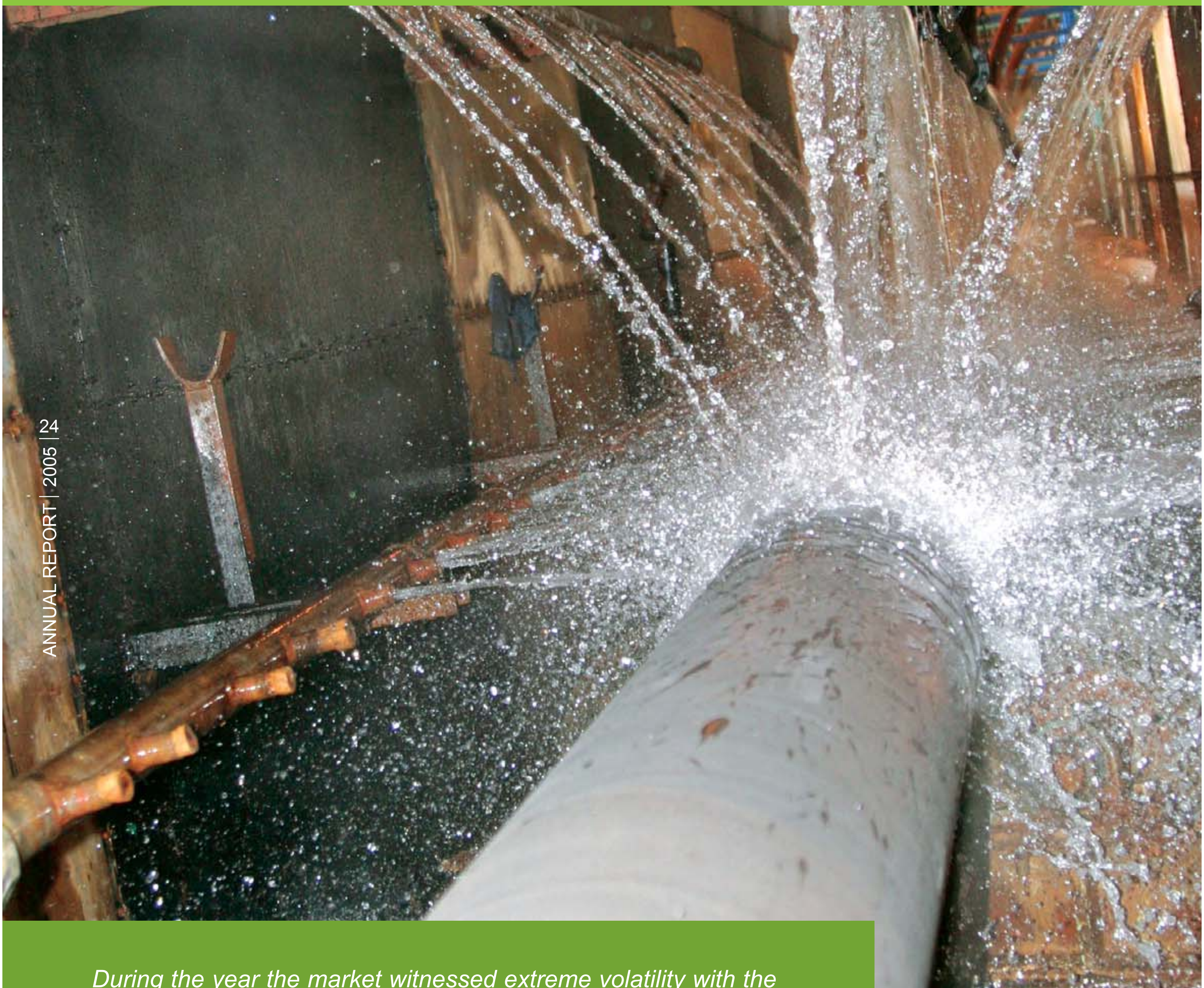
Net of tax, the profit stood at Rs. 338.0 million as compared to Rs. 295.9 million of last year, an increase of 14% while the EPS increased from Rs. 12.18 for FY04 to Rs. 13.91 for this fiscal.

The company was able to substantially increase its wealth distribution this year generating an amount of Rs. 1,059.3 million after deduction of all material and services. Of this Rs. 374.0 million were retained for future reinvestment and growth while the remaining was distributed amongst other stakeholders and for the betterment of society.

Since the steel division and the cotton division are in the nature of two separate under-takings, the operations of both have been discussed separately up till the pretax bottom line.

Steel Division

Order intake in FY 05 was double that of the last fiscal resulting in production of 42,099 tons as compared to 27,563 tons in the last fiscal year. Sales revenue of the steel division at



During the year the market witnessed extreme volatility with the KSE-100 index at 5,279 points at the start of the year, reaching an all time high of 10,303 points to close at 7,450 points on 30 June 2005. In this volatile market, the company earned Rs. 234.0 million comprising dividend income of Rs. 69.4 million and realized capital gains of Rs. 164.6 million

Rs. 2,046.5 million was 2.34 times higher than the Rs. 612.7 million of FY 04. This increase was mainly due to execution of own product sales versus conversion jobs last year, a strong economy, higher order intake and acceleration in expansion plans of the two gas distribution companies.

Coating of 250,717 square metres of pipe was carried out

during FY05 as compared to 259,629 square metres during FY04. Capacity utilization was 42% as against 43% in the previous year

Cost of sales for steel division stood at Rs. 1,697.5 million, compared to Rs. 459.5 million of last year while gross profit stood at Rs. 349.0 million (Rs. 153.2 million: FY04). Gross margin declined from the 25% in FY04 to 17% this fiscal mainly due to lower margins on own product sales and rapid escalation in steel prices. A word of caution at this point is pertinent. Due to higher steel prices in the international market and growing competition in the steel pipe industry, the margins would somewhat be further reduced in the future. The Company's management will, however, do its utmost to mitigate this threat.

Operating expenses increased from Rs. 93.8 million of the last fiscal to Rs. 150.5 million in FY05. The increase was mainly due to heightened activity, increased allocation towards social responsibility and higher legal and professional charges incurred as part of our diversification strategy. However, a vigilant eye helped to ensure a nominal increase in cost in terms of revenue generated.

Operating profit before financing cost stood at Rs. 456.9 million this fiscal (Rs. 358.2 million:FY04) while other operating income decreased from Rs. 298.7 million last year to Rs. 258.4 million mainly due to erratic movements of the capital market.

Financial cost stood at Rs. 14.3 million in FY05 as compared to Rs. 6.2 million of FY04. The increase was largely due to issuance of TFC worth Rs.300 million during Q3FY04 to finance planned capital expenditure and utilization of short term finances to support increased operational activities. Tightening of monetary policy by the government with resultant upward pressure on interest rates also contributed to the increase.

Investments

During the year under review, the market witnessed extreme volatility with the KSE-100 index at 5,279 points at the start of the year, reaching an all time high of 10,303 points only to close at 7,450 points on 30 June 2005. In this volatile

The textile industry in Pakistan is a peculiar manufacturing sector which has to assume the trading risks associated with commodity trade. The local cotton purchases have to be completed in a four months window during the cotton season and the goods manufactured are sold throughout the year based on the fixed price of cotton physically purchased

Chief Executive's Review

market, the company earned Rs. 234.0 million comprising dividend income of Rs. 69.4 million and realised capital gain of Rs. 164.6 million. This was in addition to bonus shares received and unrealised gain.

Unrealised gain on investments at the year end stood at Rs. 308.4 million. Of this Rs. 38.3 million relating to unrealised loss on held-for-

trading securities was taken to the profit and loss while unrealised profit of Rs. 346.6 million against available for sale investments was taken to equity in accordance with the provisions of IAS-39.

The total investments appearing in short-term and long-term classification aggregated to a market value of Rs. 1,193.9 million on 30 June 2005 as compared to Rs. 1,159.9 million last year.

We continued our policy of investing in blue chip scrips across diversified sectors to mitigate the inherent risks in equity investment. For the benefit of our shareholders, our strategy has been to focus on those sectors which have potential for growth. The portfolio is constantly reviewed, traded and switched to maintain an optimum balance between different sectors of equity investments and fixed income securities portfolio. Realising the uncertainties of the market, the weightage of the latter during FY05 was increased compared to the previous year.

Cotton Division

Our cotton spinning unit continued to work uninterrupted throughout the year on a three-shift basis and achieved production of 6.02 million kilograms yarn as compared to 5.95 million kilograms produced last year.

However, the affect of this increased production could not be reflected in the revenue which decreased from Rs. 735.5 million of FY04 to Rs. 640.1 million this current fiscal. Cost of sales also decreased from Rs. 714.4 million to Rs. 617.2 million. A major reason was record high yarn prices in the last fiscal compared to the relatively subdued prices this current fiscal and lower cotton prices.

The textile industry of Pakistan is a peculiar manufacturing sector which has to assume the trading risks associated with commodity trade. Local cotton purchases have to be completed in a four-month window during the cotton season. The goods manufactured are sold throughout the year based on the fixed price of cotton physically purchased by the mills. In any year when the cotton market is volatile, there are huge swings, both up and down based on a flexible sale price for goods manufactured from raw material bought physically

Apart from increase in the prices of basic raw materials for steel making, domestic demand for steel has risen sharply in the major steel producing / exporting nations – like China, Russia, India and Brazil (CRIB). Due to construction of dams, trans-country gas pipelines and enhanced production of automobiles in China the prices for HR coils which used to be between $ 300 to $ 400 per ton have shot up to $ 750 to $ 850 per ton

during the cotton season.

A plentiful cotton crop this season led to a new low in the prices of cotton. The prices were in the range of Rs. 2000-2300 as compared to Rs. 2700-2,900 last year. However, due to lower cotton prices, yarn prices also remained depressed which led to a squeeze in margins with the gross margin improving slightly to 3.5% this current fiscal

compared to the 2.8% of last year.

To save on costs, the Company this fiscal installed its own gas generators to produce electricity. There was a cost saving of Rs. 11.8 million in the current year. The cost effectiveness of this fuel conversion was fully redeemed and will prove to be even more effective in the future.

Selling and administrative expenses increased from Rs. 20.9 million in FY04 to Rs. 24.8 million this fiscal due to heightened activity. Other operating expenses however declined from Rs. 12.8 million in FY04 to Rs. 2.9 million this year due to a reversal in provision of an account maintained for diminution in the value of cotton.

Financial charges for the year were Rs. 29.7 million as compared to Rs. 14.2 million last year due to increased utilization of finances for cotton procurement, financing for the new project and rising interest rates in the market.

There was a net loss in the cotton division due to depressed yarn prices as compared to cotton cost. The total loss stood at Rs. 21.8 million as against Rs. 25.3 million of last year, an improvement of Rs. 3.5 million.

Balance Sheet

The Company's balance sheet continues to remain solid reflecting good fundamentals supported by strong capital reserves. The medium to long-term entity rating of the Company stays firm at A +.

The balance sheet footing has increased from Rs. 2,228 million to Rs. 2,537 million this year with a debt equity ratio of 13:87 and current ratio of 3.9:1. Both return on capital employed and return on assets slightly changed from 14.8% and 19.5% last year to 14.7% and 18.5% respectively for the current year.

Break up value of shares has gone up from Rs. 68.8 to Rs. 75.2, while EPS has increased from Rs. 12.2 to Rs. 13.9 in the current year. The company announced two interim dividends of 10% each and a final cash dividend of 10% bringing the total payout to 30% for the year. In addition, the directors have recommended issue of 20% bonus shares.

Challenges and Mitigation

In the past few years we have seen a major shift in focus towards exploitation of local energy

Pakistani manufacturers are generally at a disadvantage due to overseas suppliers having integrated pipe manufacturing Further because of structural reasons and inherent preference exploration companies rely on import of pipes. This situation has been aggravated as the differential between duty on pipe and HR coil has been done away with in the budget

sources and substitution of imported oil with indigenous gas. This has attained great importance due to the unprecedented rise in global oil prices, above $58 per barrel.

This policy has also created a demand for steel line pipe for gas transmission and distribution. Globally however the shortage in the supply of steel has greatly affected the price and availability of our main raw material.

The prices for HR Coils which used to be between $300 to $400 per ton few years back have shot up to $750 to $850 per ton resulting in suppliers hesitating to provide a realistic indicative quote making the task of pricing bids to customers more difficult. This element of additional risk has also contributed in reducing our gross margins. Prices are now showing signs of a downward trend in the lower steel grades but in grades X-70 prices are still above $700 per ton.

World steel exports have seen unprecedented pressures this year. This trend will most likely continue due to higher GDP growth rate in countries like China, Russia, India and Brazil.

Apart from increase in the prices of basic raw materials for steel making, domestic demand for steel has also risen sharply.

The local industry purchases raw materials from Pakistan Steel Mills and is at a disadvantage because Pakistan Steel is unable to deliver the quality and maintain a scheduled delivery time frame. This situation may get worse due to the expected privatization of Pakistan Steel. Regular maintenance at PS has also been adversely affected. However, looking ahead post privatization the performance of PS may improve. The industry may suffer heavy liquidation damages for default on deliveries, lose local and export opportunities even to countries where Pakistani manufacturers have freight advantage.

Pakistani manufacturers are generally at a disadvantage as compared to overseas suppliers due to the latter having integrated pipe manufacturing capability. Further because of structural reasons and inherent preference, exploration companies rely on import of pipes. This situation has been aggravated as the differential between duty on pipe and HR coil has been done away with in the budget.

The challenge facing us at present is our limited client base and the project based nature of our product correlated to the development plans of our customers mainly in the gas sector. To combat this, taking advantage of the government's policy of privatization and

Safety of our employees has always been a priority. We have increased attention on the integrity of operations and security at the sites where they work. This has minimized the likelihood of accidents. During the year no personal injury or accident was reported. Further, the Company as a matter of policy arranges and ensures orientation to new employees on security, safety of men, machines and fire fighting techniques

Chief Executive's Review

deregulation we are intensifying our efforts to be more responsive to our customer's needs and provide them the best possible quality, explore new avenues of value addition and identify synergies in other related areas.

The textile industry is exposed to risks of volatility in the commodity trade. There have been some developments in this where the recently launched

National Commodity Exchange Limited will serve as a platform for future trading in commodities providing an opportunity to hedge against risk. However there are still concerns of volumes and conflicts may arise with Karachi Cotton Association to participate in hedge trading for cotton.

The availability of Pakistani cotton is another issue for the industry. The rapid expansion in capacities and modernization of existing facilities has resulted in a higher overall demand and increasing need for better quality cotton. Tariff protection for the main alternative raw material, polyester staple fiber, has restricted the growth of Polyester in the composition of all textile products. This means that cotton remains the main raw material with a limited supply thus increasing our dependence on imports to fulfill the demand.

On the positive side, zero-rating of sales tax announced in the Federal Budget 2005-06 will help to ease the cash flows for the textile sector. It will help to reduce the need for borrowing to finance working capital and allow the industry to compete more effectively in the international market. Zero rating of sales tax will also remove the unfair advantage to the unscrupulous competition.

Safety, Health and Environment

At CSAPL we have always been committed to excellence in the area of Safety, Health and Environment (SHE). For us safety is not just restricted to safety at the plant but it incorporates and encompasses the safety of everyone involved in or affected by our operations. This alludes to the entire spectrum of our staff, our customers and our suppliers.

Safety of our employees has always been a priority for us. We have increased attention on the integrity of operations and security at the sites where they work. This has minimized the likelihood of accidents to a considerable extent. During the year no personal injury or accident was reported.

Further, the Company as a matter of policy arranges and ensures orientation to new employees on security, safety of men, machines and fire fighting techniques and a

We have always given special attention to education and continue *to support The Citizens Foundation which provides quality education* to the less privileged children of rural and urban areas. We have *been doing this over the last eight years and have funded the* building of ten primary and one secondary school. We are also *supporting the running of these schools. In the area of higher* education CSAPL supporting a number of other educational *institutes through out the country*

mentor is assigned to continually guide them in this regard.

Social Responsibility

As a progressive engineering concern our aim is not just to create wealth for our shareholders but also to deliver economic benefits to society in a number of ways. We have always given special attention to education and continue to support The

Citizens Foundation which provides quality education to the less privileged children of rural and urban areas of the country. We have been doing this over the last eight years and have funded the building of ten primary and one secondary school. We are also supporting the running of these schools each year. In the area of higher education, CSAPL is also supporting a number of other educational institutes through out the country, notably LUMS and Commecs.

In addition to education the Company also provides considerable funding towards health issues and supports many health institutes in the country. This year we donated funds towards the tsunami disaster victims and various research societies.

All donations are governed by a policy approved by the Board which requires that between 2 to 5 % of the profits be allocated for the welfare of the social sector. Accordingly, during the current fiscal contributions made in this sector were Rs. 17.7 million (FY 2004: Rs. 12.9 million). We hope to increase this in future.

Human Resource Initiatives

Our efforts to become a great company depend on our people. We know that in order to operate successfully we must recruit, develop and engage talented, motivated people who share our ambition to be competitive, successful and a force for good.

The performance management system has also been revised to bring it more in line with company strategies and goals.

Every employee of the Company has a tailor-made training plan. New sources of training have been identified while steps have been taken to monitor and evaluate the new skills and ensure its application to the job. At the management level, the training program initiated back in 2002 continues in full force. The second batch of the LUMS-CRESCENT Diploma in Business Management have completed their diploma and will be graduating this month. The executive courses have to a large extent helped in enriching and enhancing the skill sets of our employees, making them better prepared to face the challenges of tomorrow. Another

Most of the applications / modules of the new ERP have been implemented while some are in progress. In addition the company is continuously on the look out for new and latest technologies based on best practices to support its growing operational needs. A state of the art plant maintenance system is now operational at both the steel and cotton divisions. With this system the essential area of maintenance has now become completely automated with a more structured and quick response time

important area at the forefront of management attention has been that of succession planning. As a first step to this a special meeting of the Board was convened in May 2005 where the Board members were introduced to key functional heads of all departments. In keeping with CSAPL's tradition of transparency this meeting was conducted in the absence of the CEO. The meeting provided an

important platform for the Board to meet and assess the quality of workforce manning strategic positions in the Company on a one to one basis. The meeting also provided an opportunity to the team members to benefit from interacting directly with the Board members. Through this forum, the collective wisdom and opinion of the Board on the quality of human resource at the top tiers would also be available to the CEO. Realising the benefit it is intended to have a meeting of this nature on an annual basis.

IT Initiatives

A number of IT initiatives were taken this current fiscal, some of which have now come on line. A state of the art plant maintenance system is now operational at both the steel and cotton divisions. With this system the essential area of maintenance has now become completely automated with a more structured and quick response time.

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Corporate Governance

Governance is not an exercise in compliance nor is it a higher form of management. Governance lies at the heart of all that is done by the board and the management and has a clear objective - ensuring the pursuit of the company's purpose. The Company places strong emphasis on areas concerning effective and efficient corporate governance. The continual efforts for strengthening internal controls, updating of policy manuals and effective functioning of the internal audit function is all in line with our higher emphasis on these areas. The directors and all employees are bound by a strict code of conduct which requires adherence to our governing principles described earlier in this report.

Business Growth and Diversification Plans

As the challenges increase and the environment becomes more competitive we have increased our efforts to identify

CSAPL as part of a Crescent consortium placed a bid for 51% strategic stake in the privatization of National Refinery Limited We also made an offer for acquiring equity stake in ICI's sell off of its PPTA plant. Both bids did not come through but the management stays resolved in finding and identifying new opportunities for expansion in the forthcoming year that are aligned with our strengths and present good growth potential.

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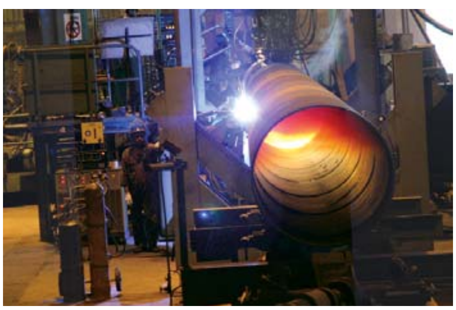


year - opportunities that are aligned with our strengths and present good growth potential.

To retain our position as vendor of first choice, Crescent Quality Assurance and Development continues to ensure highest quality standards on one hand and continuous research and development efforts in retaining cost leadership and improved operational efficiency on the other.

Future Outlook

We are optimistic of the future of the economy of Pakistan, although there are concerns over an increase in inflation and interest rates and we hope that the momentum built up over the last couple of years will help to propel the economy still forward.

Both the gas distribution companies i.e. SNGPL and SSGCL are pursuing their capital expenditure plans. This was done quite aggressively during this current fiscal and it is hoped this continues. However, although steel prices have some what come down in the short term due to China resorting to export of HR coils, soon the GDP growth in China will catch up and steel prices as a result may go up. High steel prices have affected the feasibility of many projects adversely and many such projects are being delayed as clients are hoping for a downturn in price to commence their projects.

The rise in the prices of steel has led to a likely shift from steel to other alternatives in the water supply sector.

There has been a positive move towards the Iran-Pakistan-India pipeline due to enormous energy requirements of India. Despite pressures from the US these countries are engaged in fruitful discussions and it is expected that the project will take off early next year. Over 700 km of pipe will be within Pakistan which would likely be procured from the domestic market. We are making necessary modification in our machines to gear up for the large dia heavy wall pipes required for the cross country pipeline.

The steel division has recently taken steps to improve its existing facilities especially in the areas of quality management. Our strategy will continue to be to make the best use of our resources and to proactively scan the environment for new and

The steel division has recently taken steps to improve its existing facilities especially in the areas of quality management. Our strategy will continue to be to make the best use of our resources and to proactively scan the environment for new and lucrative sources of return. Some of the modifications, initiatives started last year were completed during this year. In addition certain other modification are also being initiated as part of our commitment to remain at the leading edge of technology.

Chief Executive's Review

lucrative sources of return. Some of the modifications, initiatives started last year were completed during this year. In addition certain other modification are also being initiated as part of our commitment to remain at the leading edge of technology.

After record production of cotton this fiscal, it is forecast that there will be a shortage of cotton in the global market in

the next fiscal. Although Pakistan may attain a production figure close to this year's target, it may not be able to reap any significant price benefits due to a corresponding increase in demand for cotton. Therefore prices may remain high in the next fiscal posing a significant challenge in terms of subdued margins. However, the management will be vigilant on its cotton procurement activity and will at the same time closely monitor costs.

Work on the new cotton spinning unit is in progress and we hope to have the new plant in operation by the last quarter of fiscal FY06. The unit will be used to produce medium to super fine grade of cotton yarn up to 80 count and will comprise of 25,344 spindles. In the post quota regime we expect the demand for finer counts to rise.

Employees

Our commitment to our people is clearly expressed in our mission statement. Our employees provide the basis for a successful future. Every employee contributes a unique and valuable effort to our team. In order to honor and foster their commitment we continuously invest in their training and development. We are committed to developing and sustaining an environment that attracts and retains the best people for our company.

This responsibility towards our employees is something that has been firmly rooted in our company since the beginning.

Our employees are committed to their careers with us, and we encourage them to take initiative in developing themselves based on their personal goals. Along the way, we make sure compensation reflects individual performance and the important value each employee brings to the company. On behalf of the Directors and myself, I am pleased to record my appreciation of the entire CSAPL team for their continuous hard work and dedication and compliment them on a job well done.

Board of Directors

The Board of Directors has always been an important source of guidance and support for the management. They have helped in not only directing the Company's strategies but also providing crucial input at the various sub committees and

The responsibility towards our employees is something that has been firmly rooted in our company since the beginning. Our employees are committed to their careers with us, and we encourage them to take initiative in developing themselves based on their personal goals. Along the way, we make sure compensation reflects individual performance and the important value each employee brings to the company.

Chief Executive's Review

special committees that are formed from time to time. They have always contributed much in terms of their vast experience and practical advice. I would like to place on record my appreciation and gratitude for the same.

Stakeholders

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

In summary, we know the competitive environment is not going to get any easier, but we can see plenty of opportunities for further growth. Our challenge, quite simply, is to keep improving every aspect of our business every day of the year and through every one of our products.

At CSAPL we always strive for high ethical standards in all our dealings with our customers, our staff, our shareholders, the regulators and the community. We also strongly believe in giving something back to our stakeholders, the governing bodies that control us and the community in which we operate. Our contribution to the government increased substantially this year along with our distribution to our shareholders. We hope to increase this contribution in the coming years

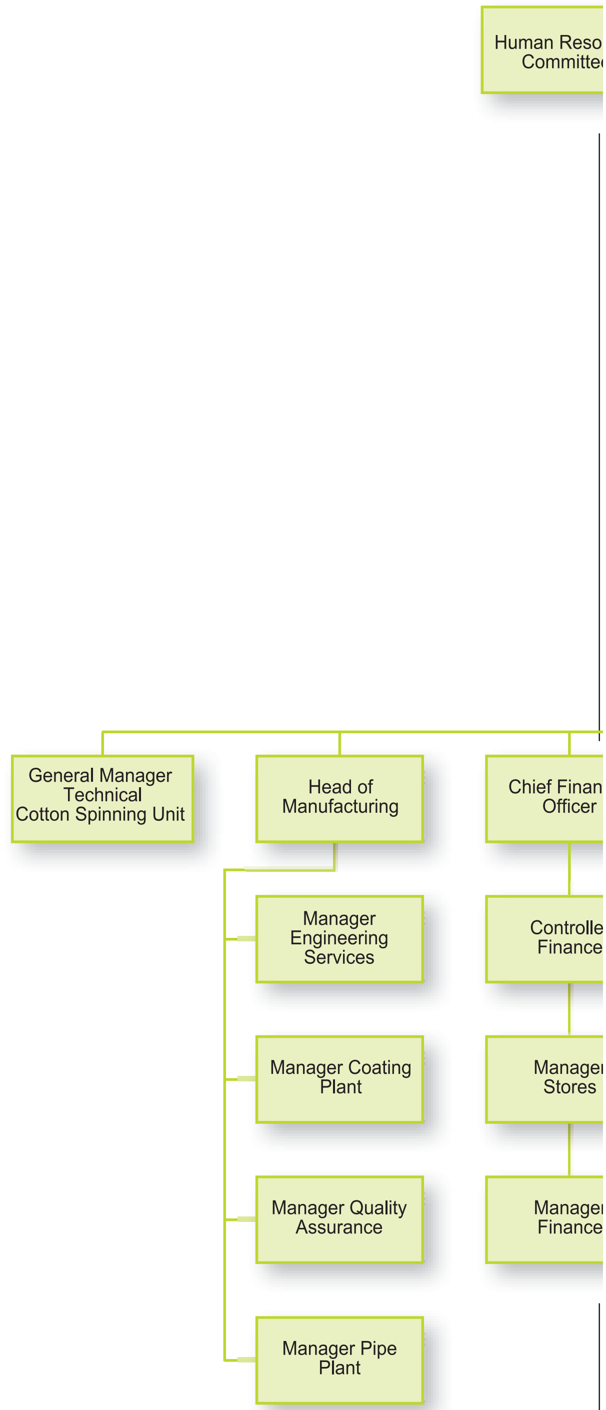
By Order of the Board

Ahsan M. Saleem

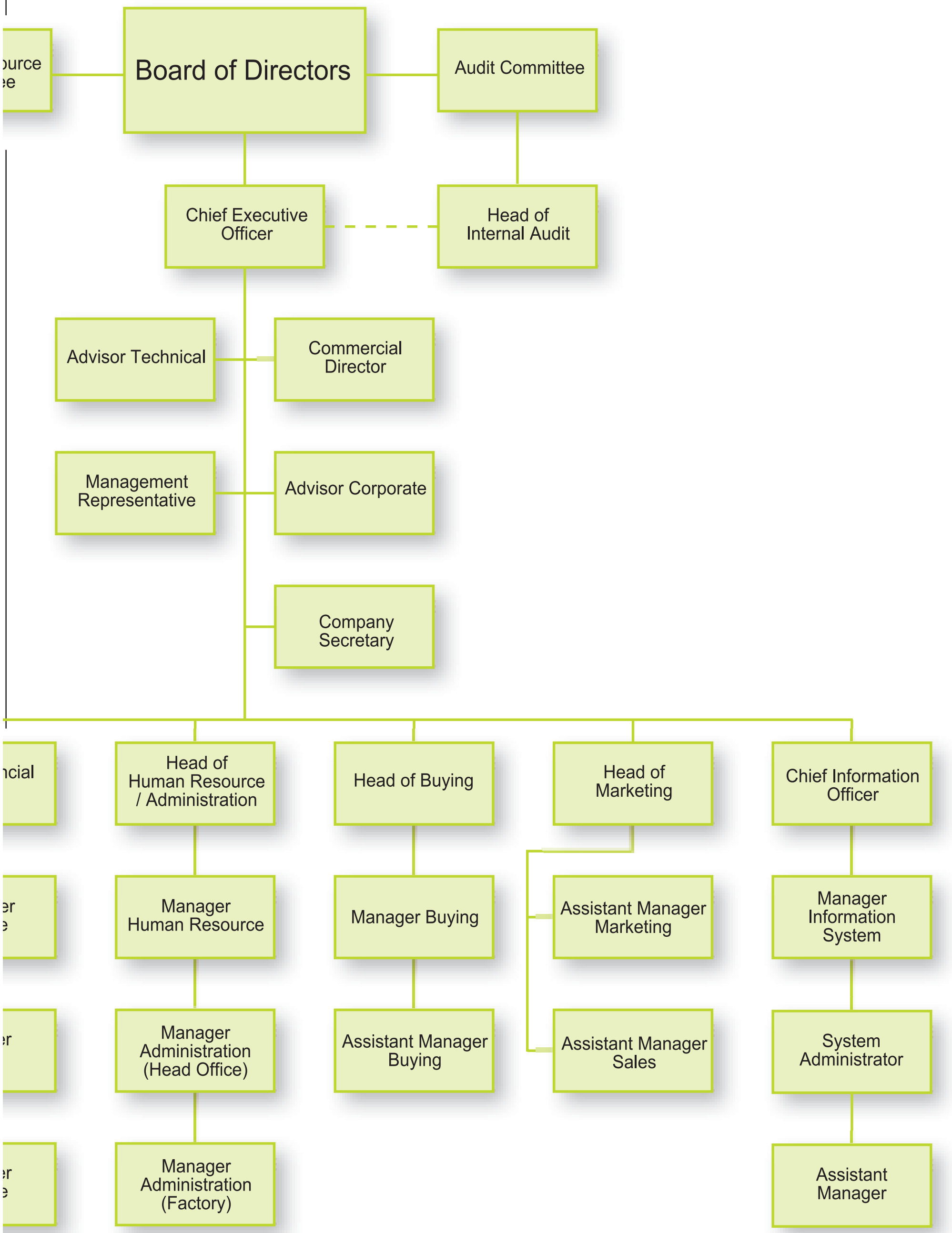
Chief Executive
30 July 2005

Crescent Steel &
Allied Products Ltd.

Management Structure



* outsourced to Ford Rhodes Sidat Hyder & Co., (Asim Siddiqui-Engagement Partner)


Board of Directors
Audit Committee
Chief Executive Officer
Head of Internal Audit
Advisor Technical
Commercial Director
Management Representative
Advisor Corporate
Company Secretary
Head of Human Resource / Administration
Head of Buying
Head of Marketing
Chief Information Officer
Manager Human Resource
Manager Buying
Assistant Manager Marketing
Manager Information System
Manager Administration (Head Office)
Assistant Manager Buying
Assistant Manager Sales
System Administrator
Manager Administration (Factory)
Assistant Manager

Crescent Steel & Allied Products Ltd.

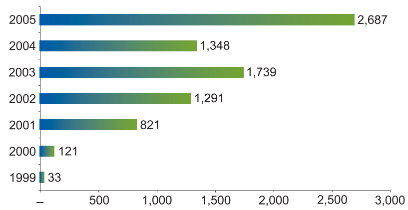
Financial Highlights

	2005	2004	2003	2002	2001	2000	1999
Operating Results (Rupees in million)							
Net sales	2,686.6	1,348.1	1,738.9	1,291.1	820.9	121.2	32.9
Cost of sales	2,314.7	1,173.9	1,398.0	1,055.2	741.1	150.0	105.0
Gross profit / (loss)	371.9	174.3	340.9	235.9	79.9	(28.8)	(72.1)
Distribution, selling and administrative expenses	108.3	90.7	91.2	61.5	42.4	36.7	44.7
Other operating expenses	70.0	36.9	26.1	20.3	28.9	35.2	40.9
Other operating income, net	271.2	300.4	174.6	68.4	87.6	170.0	83.6
Operating profit / (loss)	464.8	347.1	398.2	222.5	96.1	69.3	(74.1)
Financial expenses	43.9	20.4	16.8	23.7	23.0	2.7	5.2
Pre tax profit / (loss)	420.9	326.7	381.4	198.7	73.1	66.6	(79.3)
Income tax	82.8	30.8	97.2	60.5	18.3	(23.4)	(103.1)
Net income	338.1	295.9	284.2	138.2	54.8	90.0	23.8
Dividends	48.6	77.3	100.5	60.0	30.0	36.0	10.0
Per Share Results and Returns							
Earnings per share (Rupees)	13.9	12.2	11.7	5.7	2.3	3.7	1.0
Break-up value per share (Rupees)	75.2	68.8	57.9	39.3	35.7	34.5	31.8
Dividend per share (Rupees)-including final proposed	3.0	3.5	5.0	3.0	1.5	1.8	0.5
Dividend yield (%)-including final proposed	3.9	4.4	6.0	9.1	10.9	11.3	3.3
Dividend payout (%)	21.6	26.1	35.4	43.4	54.8	40.0	42.1
Bonus shares (%)-including final proposed	20	10	10	–	–	–	–
Market value per share (Rupees)	77.0	78.9	83.0	33.0	13.7	16.0	15.0
Stock price range (Rupees)	100-64	93-50	90-30	32-14	24-12	26-12	20-12
Price earning ratio (Rupees)	5.5	6.5	7.1	5.8	6.1	4.3	15.3
Financial Position (Rupees in million)							
Current assets	1,827.0	1,541.1	973.3	1,034.7	776.5	475.6	473.9
Current liability	468.9	370.9	260.3	584.4	382.3	136.8	105.8
Property plant and equipment	441.8	467.8	410.5	355.3	366.7	382.1	202.7
Total assets	2,537.1	2,228.2	1,460.9	1,439.1	1,181.3	894.6	756.8
Long-term debt (excluding current portion)	236.1	326.5	38.0	59.2	68.5	64.7	0.6
Deferred liabilities	3.6	10.6	–	5.1	12.8	–	11.1
Short-term debt (including current portion of long-term debt)	233.5	156.2	100.6	80.2	151.7	41.4	20.8
Reserves	1,585.1	1,298.5	961.2	588.9	516.8	492.2	438.3
Shareholders' equity	1,828.1	1,519.4	1,162.1	789.7	717.7	693.1	639.2
Financial Ratios							
Gross profit / (loss) to sales (%)	13.8	12.9	19.6	18.3	9.7	(23.8)	(219.0)
Operating profit / (loss) to sales (%)	17.3	25.7	22.9	17.2	11.7	57.2	(225.1)
Net income to sales (%)	12.6	21.9	16.3	10.7	6.7	74.3	72.1
Return on average assets (%)	19.5	18.8	27.5	17.0	9.3	8.4	(9.3)
Return on capital employed (%)	14.7	14.8	21.8	14.9	5.8	11.3	3.6
Return on equity (%)	18.5	19.5	24.5	17.5	7.6	13.0	3.7
Current assets to current liabilities	3.9	4.2	3.7	1.8	2.0	3.5	4.5
Net current assets (working capital) (Rs. in million)	1,358.1	1,170.2	712.9	450.3	394.2	338.8	368.1
Long term debt to equity (%)	12.9	21.5	3.3	7.5	9.6	9.3	0.1
Total debt to total assets (%)	27.8	31.3	20.4	44.7	38.2	22.5	14.1
Interest coverage (times)	10.6	17.0	23.7	9.4	4.2	25.6	(14.3)
Average collection period (days)	11.4	8.4	8.7	39.5	49.7	3.9	129.3
Debtors turnover (times)	32.0	43.5	42.0	9.2	7.3	93.6	2.8
Inventory turnover (times)	10.6	5.3	4.4	3.7	8.1	3.6	2.0
Property plant and equipment turnover (times)	6.1	2.9	4.2	3.6	2.2	0.3	0.2
Total assets turnover (times)	1.1	0.6	1.2	0.9	0.7	0.1	0.1
Other Data (Rupees in million)							
Depreciation/Amortisation	84.5	84.2	82.9	63.6	52.7	32.4	33.9
Capital expenditure (including leased assets)	66.3	163.2	130.0	101.6	8.4	211.9	11.8
Common shares (no. of shares in million)	24.3	24.3	24.3	24.3	24.3	24.3	24.3

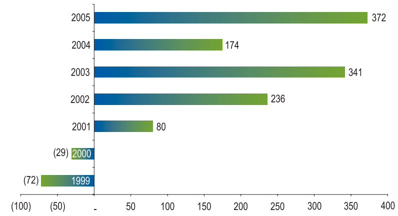
Crescent Steel & Allied Products Ltd.

Financial Highlights

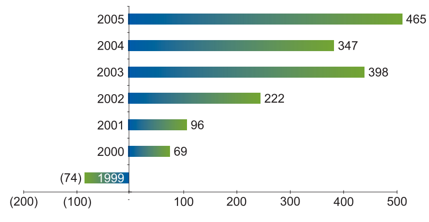
Net Sales
Rupees in million



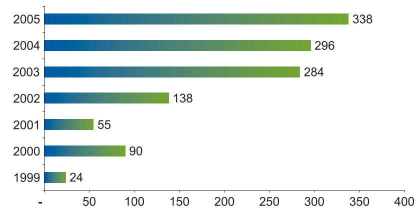
Gross Profit
Rupees in million



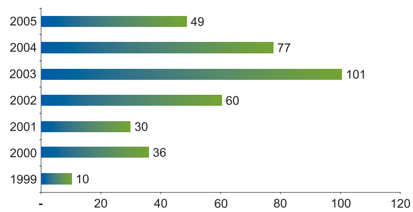
Operating Profit
Rupees in millions



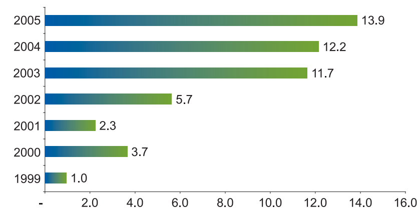
Profit After Taxation
Rupees in million



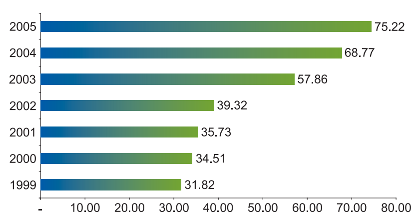
Dividends
Rupees in million



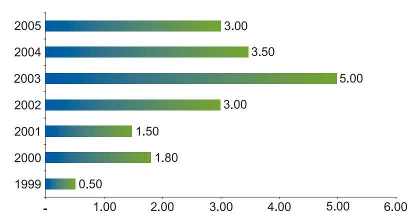
Earnings Per Share
Rupees



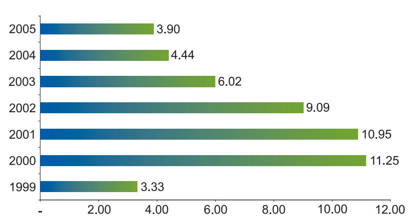
Break-Up Value Per Share
Rupees



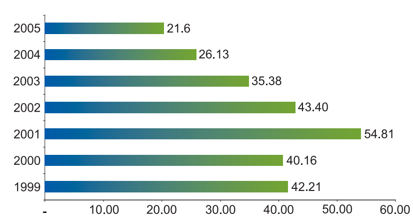
Dividend Per Share
Rupees



Dividend Yield (%)

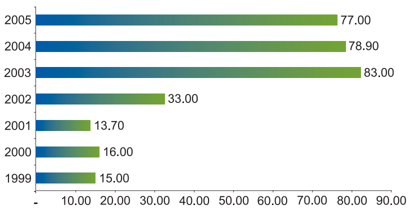


Dividend Payout (%)

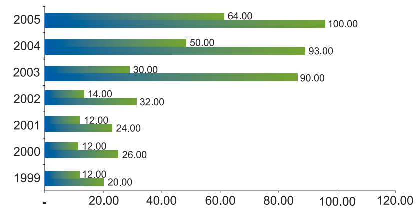


Financial Highlights

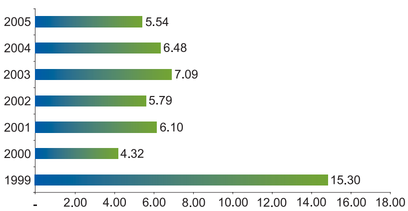
Market Value Per Share
Rupees



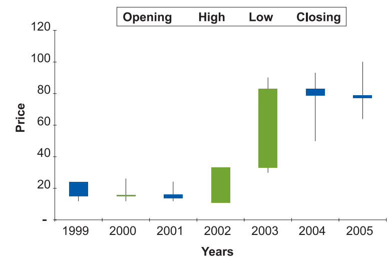
Stock Price Range
Rupees



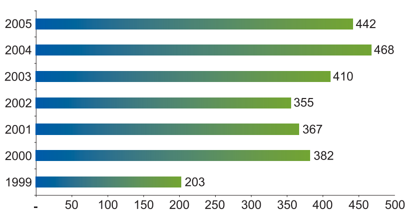
Price Earning Ratio



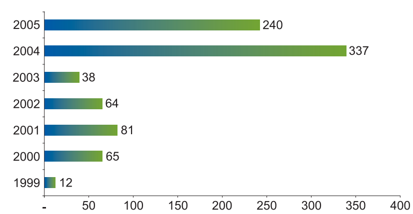
Stock Price



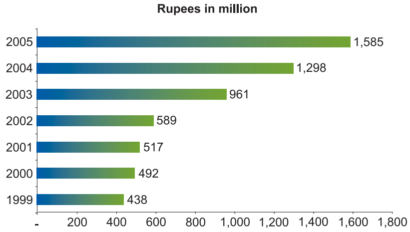
Property Plant and Equipment
Rupees in million



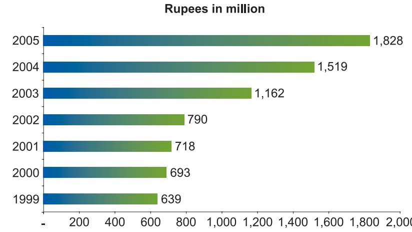
Long Term and Deferred Liabilities
Rupees in million



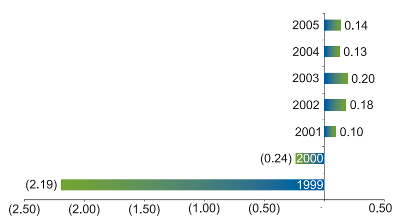
Reserves
Rupees in million



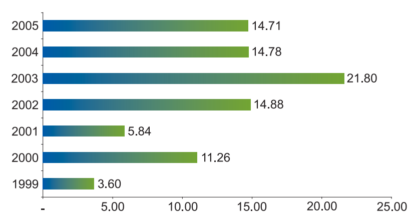
Shareholders Fund
Rupees in million



Gross Profit Ratio

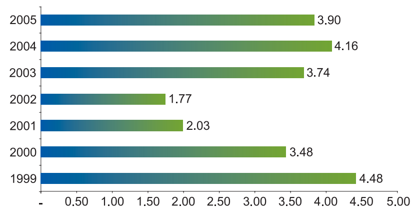


Return on Capital Employed (%)



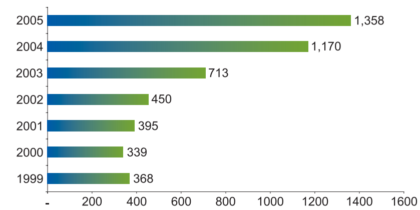
Financial Highlights

Currunt Ratio

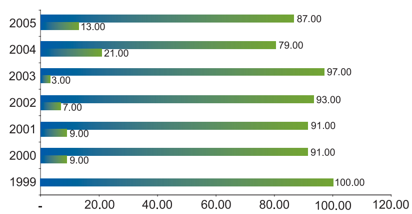


Net Currunt Assets

Rupees in million

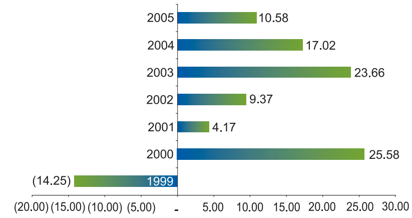


Debt Equity Ratio (%)



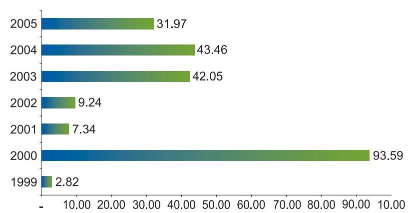
Interest Coverage

(In Times)



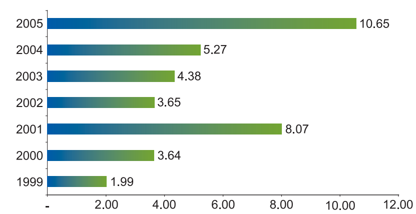
Debtors Turnover

(In Times)



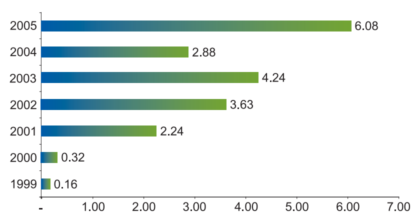
Inventory Turnover

(In Times)



Property, Plant and Equipment Turnover

(In Times)



Board and Audit Committee Meetings and Attendance by the Directors

During the year seven meetings of the board of directors were held. Attendance by each director was as follows:

Name of Director	No. of meetings attended
Mr. Mazhar Karim	–
Mr. Ahsan M. Saleem	7
Mr. Javed A. Callea	5
Mr. Javed Iqbal	7
Mr. Muhammad Anwar	4
Mr. Nasir Shafi	4
Mr. S. M. Ehtishamullah	7
Mr. Zahid Bashir	6

During the year five meetings of the audit committee were held. Attendance by each member (director) was as follows:

Name of Member (Director)	No. of meetings attended
Mr. Javed A. Callea	4
Mr. Javed Iqbal	5
Mr. Nasir Shafi	3

Statement of Compliance with the Code of Corporate Governance

Crescent Steel & Allied Products Ltd.

This statement is being presented to comply with the Code of Corporate Governance as contained in the listing regulations of the stock exchanges of Pakistan 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:

1. The Company encourages representation of independent non-executive directors. At present the Board has one independent non-executive director.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. 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.

4. No casual vacancy occurred during the year ended 30 June 2005.

5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.

6. The Board has developed a vision / mission statement, and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. Significant policies are formally approved by the Board, however, the overall corporate strategy is in the process of being formulated for Board's approval.

8. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and 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.

9. 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 30 June 2005. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days prior to the meetings. The minutes of the meetings were appropriately recorded and circulated.

10. In-house orientations for the directors were made to apprise them of their duties and responsibilities and to brief them of the amendments in the Companies Ordinance / Corporate Laws.

11. The Board has approved appointment of the CFO / Company Secretary and the Head of Internal Audit, including their remuneration and terms and conditions of employment, as recommended by the CEO.

Statement of Compliance with the Code of Corporate Governance

12. The Directors' report for the year ended 30 June 2005 has been prepared in compliance with the requirements of the Code and it fully describes the salient matters required to be disclosed.

13. The financial statements of the Company were duly endorsed by the CEO and CFO before approval by the Board.

14. 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.

15. The Company has complied with all the corporate and financial reporting requirements of the Code.

16. 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 at least two members of the Audit Committee must be financially literate.

17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

18. The Board has set-up an effective internal audit function. This function has been outsourced to Ford Rhodes Sidat Hyder & Co., Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

19. 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.

20. 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.

21. 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

30 July 2005

Taseer Hadi Khalid &Co.
Chartered Accountants
First Floor,
Sheikh Sultan Trust Building No. 2,
Beaumont Road,
Karachi 75530 Pakistan

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Fax +92 (21) 568 5095
Internet www.kpmg.com.pk

Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

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 the Listing Regulations of the Lahore Stock Exchange and Section 36 (Chapter XI) of the 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 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 30 June 2005.

Taseer Hadi Khalid & Co
Chartered Accountants
30 July 2005

KPMG

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Auditors' Report to the Members

We have audited the annexed balance sheet of Crescent Steel and Allied Products Limited as at 30 June 2005 and the related profit and loss account, cash flow statement and statement of changes in equity 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 account have been kept by the company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change referred to in note 2.9 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, cash flow statement and statement of changes in equity 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 30 June 2005 and of the profit, its cash flows and changes in equity for the year then ended; and

d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Taseer Hadi Khalid & Co
Chartered Accountants
30 July 2005

Crescent Steel & Allied Products Ltd.

Balance Sheet
As at 30 June 2005

	Note	2005	2004
		(Rupees in '000)	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital			
30,000,000 ordinary shares of Rs 10 each		300,000	300,000
Issued, subscribed and paid-up capital	3	243,027	220,934
Reserves	4	1,267,608	1,270,464
Unappropriated profit		317,474	28,016
		1,828,109	1,519,414
Deferred income	5	304	792
Non-current liabilities			
Redeemable capital	6	221,854	295,955
Liabilities against assets subject to finance leases	7	14,289	30,561
Deferred taxation	8	3,624	10,582
Current liabilities			
Trade and other payables	9	221,942	174,482
Interest and mark-up accrued	10	13,454	7,032
Short-term borrowings	11	142,204	142,734
Current portion of redeemable capital	6	75,000	–
Current portion of liabilities against assets subject to finance leases	7	16,292	13,514
Proposed dividend		–	33,140
		468,892	370,902
Contingencies and commitments	12		
		2,537,072	2,228,206

Balance Sheet
As at 30 June 2005

	Note	2005	2004
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	13	441,836	467,805
Intangible assets	14	4,989	2,875
Long-term investments	15	258,917	210,651
Long-term deposits	16	4,313	5,737
Current assets			
Stores, spares and loose tools	17	34,937	39,256
Stock-in-trade	18	194,329	240,451
Trade debts	19	132,037	36,024
Advances	20	15,663	6,756
Trade deposits and short-term prepayments	21	3,583	3,422
Current portion of long-term investments	22	10	12,061
Investments	23	1,210,887	1,012,511
Mark-up accrued	24	4,730	1,372
Other receivables	25	164,571	111,282
Taxation-net	26	13,188	59,989
Cash and bank balances	27	53,082	18,014
		1,827,017	1,541,138
		2,537,072	2,228,206

The annexed notes 1 to 49 form an integral part of these financial statements.

Chairman

Chief Executive

Crescent Steel & Allied Products Ltd.

Profit and Loss Account
For the year ended 30 June 2005

	Note	2005 Steel division	2005 Cotton division	2005 Total	2004 Steel division	2004 Cotton division	2004 Total
		(Rupees in '000)					
Sales	28	2,046,540	640,060	2,686,600	612,651	735,488	1,348,139
Cost of sales	29	1,697,491	617,193	2,314,684	459,495	714,387	1,173,882
Gross profit		349,049	22,867	371,916	153,156	21,101	174,257
Distribution and selling costs	30	7,748	4,110	11,858	6,183	7,667	13,850
Administrative expenses	31	75,717	20,731	96,448	63,502	13,326	76,828
Other operating expenses	32	67,058	2,937	69,995	24,089	12,776	36,865
		150,523	27,778	178,301	93,774	33,769	127,543
Other operating income	33	258,431	12,757	271,188	298,769	1,626	300,395
Operating profit before financing costs		456,957	7,846	464,803	358,151	(11,042)	347,109
Finance costs	34	14,286	29,663	43,949	6,151	14,240	20,391
Profit / (loss) before taxation		442,671	(21,817)	420,854	352,000	(25,282)	326,718
Taxation	35			82,790			30,818
Profit after taxation				338,064			295,900
Basic and diluted earnings per share	36			Rs. 13.91			Rs. 12.18

The annexed notes 1 to 49 form an integral part of these financial statements.

Chairman

Chief Executive

Cash Flow Statement
For the year ended 30 June 2005

	Note	2005	2004
		(Rupees in '000)	
Cash flows from operating activities			
Cash generated from operations	38	264,972	95,939
Taxes paid		(43,703)	(83,383)
Financial charges paid		(37,527)	(13,328)
Contributions to pension and gratuity fund		(5,494)	(4,886)
Payment for the Workers Welfare Fund		–	(5,393)
Insurance commission received		–	1,347
Increase in long-term deposits and prepayments		1,424	(448)
Net cash from / (used in) operating activities		179,672	(10,152)
Cash flows from investing activities			
Capital expenditure		(59,451)	(144,656)
Purchase of intangible assets		(4,051)	(4,288)
Proceeds from sale of fixed assets		13,841	6,476
Investments - net		(79,220)	(166,594)
Dividends received		68,752	53,491
Interest received		6,326	5,361
Net cash used in investing activities		(53,803)	(250,210)
Cash flows from financing activities			
Receipts against short term loans		70,000	50,000
Receipts against redeemable capital		–	300,000
Receipts against commercial papers		(75,000)	73,727
Payment of liabilities against assets subject to finance leases		(13,494)	(29,968)
Dividends paid		(76,678)	(87,245)
Net cash (used in) / from financing activities		(95,172)	306,514
Net increase in cash and cash equivalents		30,697	46,152
Cash and cash equivalents at beginning of the year		181	(45,971)
Cash and cash equivalents at end of the year	39	30,878	181

The annexed notes 1 to 49 form an integral part of these financial statements.

Chairman

Chief Executive

Crescent Steel & Allied Products Ltd.

Statement of Changes in Equity For the year ended 30 June 2005

	Issued, subscribed and paid-up capital	General reserve	Reserve for issue of bonus shares	Unrealised gain on remeasurement of available for sale investment securities	Unappropriated profit	Total
			(Rupees in '000)			
Balance as at 1 July 2003	200,849	746,000	22,363	188,610	4,257	1,162,079
Profit for the year	–	–	–	–	295,900	295,900
Unrealised gains on available-for-sale investment securities	–	–	–	207,462	–	207,462
Realised gain on sale of investments	–	–	–	(68,701)	–	(68,701)
Issuance of bonus shares	20,085	–	(20,085)	–	–	–
Transfer to general reserve	–	175,000	–	–	(175,000)	–
Dividends - First interim (10%)	–	–	–	–	(22,093)	(22,093)
- Second interim (10 %)	–	–	–	–	(22,093)	(22,093)
- Final (15 %)	–	–	–	–	(33,140)	(33,140)
					(77,326)	(77,326)
Transfer to reserve for issue of bonus shares	–	–	19,815	–	(19,815)	–
Balance as at 30 June 2004	220,934	921,000	22,093	327,371	28,016	1,519,414
Profit for the year	–	–	–	–	338,064	338,064
Unrealised gains on available-for-sale investment securities	–	–	–	78,725	–	78,725
Realised gain on sale of investments	–	–	–	(59,488)	–	(59,488)
Issuance of bonus shares	22,093	–	(22,093)	–	–	–
Dividends - First interim (10%)	–	–	–	–	(24,303)	(24,303)
- Second interim (10 %)	–	–	–	–	(24,303)	(24,303)
					(48,606)	(48,606)
Balance as at 30 June 2005	243,027	921,000	–	346,608	317,474	1,828,109

The annexed notes 1 to 49 form an integral part of these financial statements.

Chairman

Chief Executive

Notes to the Financial Statements
For the year ended 30 June 2005

1. LEGAL STATUS AND OPERATIONS

1.1 The company was incorporated on 1 August 1983 as a public limited company under the provisions of Companies Ordinance, 1984 and is quoted on all stock exchanges of Pakistan. It is one of the downstream industries of Pakistan Steel Mills manufacturing large diameter spiral arc welded steel line pipes at Nooriabad (District Jamshoro). 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 16 November 1992.

1.2 The company acquired a running spinning unit of 14,400 spindles (now 19,680 spindles) at Jaranwala (District Faisalabad) on 30 June 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 was made on 31 October 2000 effective from 30 June 2000, 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 at mark-up rates of 7.5 and 9.0 percent (2004 : 7.5 percent) subject to financial charges incurred by the steel division.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. (The Ordinance) Approved Accounting Standards comprise of such International Accounting Standards as notified under the provisions of the Ordinance and the directives issued by Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Ordinance or directives issued by the SECP differ with the requirements of these Standards, the requirements of the Companies Ordinance, 1984 or the said directives take precedence.

2.2 Accounting convention

The financial statements are prepared in Pak Rupees. These financial statements have been prepared under the historical cost convention, except available for sale investment securities (Refer para 2.12) and investments held for trading (Refer para 2.12) which are stated at fair value.

2.3 Mark-up bearing borrowings

Mark-up bearing borrowings are recognised initially at cost, less attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

2.4 Borrowing costs

Borrowing costs are recognized as an expense in the year in which they are incurred.

2.5 Employee benefits

2.5.1 Compensated absences

The company accounts for all accumulated compensated absences when employees render services that increase their entitlement to future compensated absences.

2.5.2 Post retirement benefits

2.5.2.1 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 to the Fund are made at the rate of 8.33 percent of basic pay plus cost of living allowance (COLA) for those employees who have served the company for a period less than five years and after completion of five years, contributions are made at the rate of 10 percent.

Cotton division

Provision and collection from employees are made at the rate of 6.5 percent of the basic pay plus COLA of cotton division employees . A trust was established and its approval has been obtained from the Commissioner of Income Tax and funds have been transferred to the Fund subsequent to the year end.

2.5.2.2 Defined benefit plans

Pension and gratuity fund

The company operates pension and gratuity fund schemes for its permanent management employees.

The pension scheme provides life time 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 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 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.

2.6 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 liability determined under section 113 of the Income Tax Ordinance, 2001, whichever is higher.

Deferred

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the current rates of taxation.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.7 Provisions

A provision is recognised in the balance sheet when the company has a legal or constructive obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.8 Trade and other payables

Trade and other payables are stated at their cost.

2.9 Dividends

Dividend is recognised as a liability in the period in which it is declared. Upto previous year dividends that were proposed after the balance sheet date but before the financial statements were authorised for issue were recorded as a liability. The change was considered necessary due to revision in the Fourth Schedule to the Companies Ordinance, 1984 effective 5 July 2004. The pro-forma information as required under International Accounting Standards-8 "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies" (IAS 8) is presented in the note 37 to the financial statements.

2.10 Property, plant and equipment and depreciation

Owned

Property, plant and equipment 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.

Items of fixed assets costing Rs. 5,000 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.

Leased

Leases in terms of which the company assumes substantially all the risk and rewards of ownership are classified as finance leases. Assets acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any.

Depreciation is charged on the same basis as used for own assets.

Financial charges are allocated to accounting period in a manner so as to provide a constant rate of charge on outstanding liability.

2.11 Intangible assets

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

2.12 Investments

Investments are being categorised as follows:

Held for trading

These investments are 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

Where the company has the positive intent and ability to hold debt securities upto maturity, these are stated at their amortised cost, less impairment losses, if any. These investments are carried at amortised cost using the effective yield method.

Loans and advances originated by enterprise

Loans and advances originated by enterprise are recognised initially at cost, plus attributable transaction cost. Subsequent to initial recognition, loans and advances originated by enterprise are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss account over the period of the investments on an effective yield method.

Available-for-sale

Other investments including investments in associates and subsidiary held by the company are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity. Gains or losses on available-for-sale investments are recognised directly in equity until the investments are sold or disposed off, or until the investments are determined to be impaired, at that time cumulative gain or loss previously reported in the equity is included in income.

2.12.1 Investments are initially stated at cost inclusive of transaction cost, if any. 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. Fair values of unlisted securities are estimated using appropriate valuation methods if it is practicable to determine it.

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

2.13 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.

2.14 Stores and spares

Stores and spares are valued on a weighted average cost basis. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

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.

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

Scrap stocks are valued at their estimated net realisable value.

2.16 Trade debts and other receivables

These are originated by the company and are stated at cost less provisions for any uncollectible amount. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written off.

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

2.18 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 significant risks and rewards of ownership are transferred to the buyer.

Interest income is recognised on the basis of constant periodic rate of return.

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 accounted for in the year in which it arises.

Loss arising from sale and lease back transactions are recognised through profit and loss account immediately. Gain on sale and lease back transactions are treated as deferred income. The deferred income is being amortised over the respective periods of lease terms.

2.19 Foreign currency translation

Foreign currency transactions are translated into Pak Rupees at exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Exchange differences, if any, are taken to profit and loss account. Unexecuted forward contracts are valued at their estimated fair value.

2.20 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and only the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amount and the company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.21 Financial instruments

All the financial assets and liabilities are recognised at the time when the company becomes a party to the contractual provisions of the instrument. Any gains or losses on derecognition of financial assets and liabilities are taken to profit and loss account.

2.22 Impairment

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists the asset's recoverable amount is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account.

2.23 Segment (division)

A segment is a distinguishable component of the company that is engaged either in providing products (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3. ISSUED, SUBSCRIBED AND PAID-UP-CAPITAL

2005	2004		2005	2004
(Number of shares)			(Rupees in '000)	
10,564,900	10,564,900	Ordinary shares of Rs. 10 each fully paid in cash	105,649	105,649
13,737,784	11,528,449	Ordinary shares of Rs. 10 each fully issued as bonus shares	137,378	115,285
24,302,684	22,093,349		243,027	220,934

4. RESERVES

	2005	2004
General Reserve		
At the beginning of the year	921,000	746,000
Transfer from profit and loss account	–	175,000
	921,000	921,000
Reserve for issue of bonus shares		
At the beginning of the year	22,093	2,278
Transfer from profit and loss account	–	19,815
Transfer to share capital	(22,093)	–
	–	22,093
Unrealised gain on available-for-sale investment securities		
At the beginning of the year	327,371	188,610
Transferred during the year	78,725	207,462
Realised during the year	(59,488)	(68,701)
	346,608	327,371
	1,267,608	1,270,464

5. DEFERRED INCOME

The company entered into sale and lease back arrangements resulting in deferred income of Rs. 0.980 million and Rs. 0.911 million in the year 2002 and 2004 respectively. The amount credited to the profit and loss account during the year was Rs 0.49 million (2004: Rs. 0.57 million).

6. REDEEMABLE CAPITAL - secured (non-participatory)

	2005	2004
	(Rupees in '000)	
Term Finance Certificates (TFCs)		
Initial amount raised	295,955	300,000
(60,000 certificates issued against cash of Rs. 5,000 each)		
Initial transaction cost	–	(4,494)
	295,955	295,506
Transaction cost amortised	899	449
	296,854	295,955
Less : Current portion	75,000	–
	221,854	295,955

6.1 The company issued term finance certificates for Rs.300 million. These TFCs are not listed. The company has a call option exercisable at par, in multiples of Rs.50 million or whole after eighteen months from the date of issue with 60 days advance notice. TFCs were issued as follows:

Commercial Banks	215,000	215,000
Financial Institution	82,000	82,000
Crescent Leasing Corporation Limited- an associated company	3,000	3,000
	300,000	300,000

6.2 Principal purpose for the use of subscription money

The TFCs are issued to carry on the business authorised by the company's Memorandum and Articles of Association.

6.3 Redemption of TFCs

The terms of redemption are as under :

Tenor	5 years
Expected profit rate	Base rate plus 250 bps
Floor	None
Cap	9%
Principal redemption	Principal will be redeemed after one year grace period starting from the 18th month from the date of issue in 8 equal semi annual installments.

The base rate is defined as the cut off yield on the last successful SBP auction of the six months T Bills. The base rate for the first coupon payment will be set on the last working day prior to disbursement and subsequently on the last working day at the beginning of each semi annual period for the profit due at the end of that semi annual period.

6.4 Security

The TFCs have been secured by pari passu charge by way of hypothecation on all present and future assets of the company to the tone of outstanding TFCs amount with a 25% margin.

6.5 Trustee

In order to secure the interest of the TFC holders, Orix Investment Bank Pakistan Limited has been appointed to act as trustee for the issue. The trust deed dated 22 December 2003 between the company and Orix Investment Bank Pakistan Limited, specifies the rights and obligations of the trustees. the deed requires that the trustees will ensure the safeguard of interest of TFC holders and adherence to terms and conditions of the security documents.

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

		2005			2004		
		Steel division	Cotton division	Total	Steel division	Cotton division	Total
				(Rupees in '000)			
Long-term	7.1 & 7.2	14,289	–	14,289	20,728	9,833	30,561
Current portion	7.1 & 7.2	6,459	9,833	16,292	6,001	7,513	13,514
		20,748	9,833	30,581	26,729	17,346	44,075

7.1 Steel division

The company has acquired plant and machinery and vehicles under finance lease agreements. The amounts of future payments for the lease and the period in which the lease payments will become due are as follows:

	2005			2004		
	Not later than one year	Later than one year but not later than five years	Total	Not later than one year	Later than one year but not later than five years	Total
Minimum lease payments	7,925	15,535	23,460	7,810	23,116	30,926
Financial charges	(1,466)	(1,246)	(2,712)	(1,809)	(2,388)	(4,197)
	6,459	14,289	20,748	6,001	20,728	26,729
Current portion	(6,459)	–	(6,459)	(6,001)	–	(6,001)
	–	14,289	14,289	–	20,728	20,728

The present values of minimum lease payments have been discounted at an effective mark up rate of 7.5 percent to 9.5 percent per annum (2004: 7.5 percent to 9.5 percent per annum). The company intends to exercise its option to purchase the leased assets at the termination of the lease period at 5 to 10 percent of the leased amount.

7.2 Cotton division

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:

	2005			2004		
	Not later than one year	Later than one year but not later than five years	Total	Not later than one year	Later than one year but not later than five years	Total
	(Rupees in '000)					
Minimum lease payments	10,387	–	10,387	8,887	10,387	19,274
Financial charges	(554)	–	(554)	(1,374)	(554)	(1,928)
	9,833	–	9,833	7,513	9,833	17,346
Current portion	(9,833)	–	(9,833)	(7,513)	–	(7,513)
	–	–	–	–	9,833	9,833

The present values of minimum lease payments have been discounted at an effective mark up rate of 10.50 percent per annum (2004: 10.50 percent per annum). The company intends to exercise its option to purchase the leased asset at the termination of lease period at 5 percent of the leased amount.

8. DEFERRED TAXATION

	2005	2004
	(Rupees in '000)	
Deferred tax credits / (debits) arising in respect of temporary taxable differences due to :		
Accelerated tax depreciation / amortisation	37,983	43,436
Finance lease arrangements	2,459	371
Employee benefits - Provident Fund	(1,685)	(1,286)
Provisions for stock-in-trade and stores and spares	(14,399)	(17,262)
Provisions for doubtful debts, advances and other receivables	(11,676)	(5,620)
Provisions for impairment in unquoted investments	(9,058)	(9,057)
	3,624	10,582

9. TRADE AND OTHER PAYABLES

		2005			2004		
		Steel division	Cotton division	Total	Steel division	Cotton division	Total
		(Rupees in '000)					
Creditors		25,500	1,407	26,907	7,247	83,885	91,132
Commission payable		–	1,430	1,430	–	–	–
Murabaha financing	9.1	90,000	–	90,000	–	–	–
Accrued liabilities	9.2	20,681	6,209	26,890	21,700	5,587	27,287
Provisions	9.3	27,942	–	27,942	15,942	–	15,942
Advances from customers		623	340	963	2,757	1,263	4,020
Retention money		109	196	305	185	195	380
Due to associated undertakings	9.4	1,122	1,629	2,751	1,787	2,285	4,072
Payable to provident fund		–	4,814	4,814	522	3,673	4,195
Unclaimed dividend		15,694	–	15,694	10,626	–	10,626
Sales tax payable		10,082	–	10,082	4,389	–	4,389
Workers Welfare Fund		5,165	–	5,165	984	–	984
Income tax payable		143	–	143	421	–	421
Customer security deposit		300	1,000	1,300	110	1,178	1,288
Others		4,136	3,420	7,556	3,546	6,200	9,746
		201,497	20,445	221,942	70,216	104,266	174,482

9.1 Murabaha - Meezan Bank Limited

During the year Istijrar facilities (Master Murabaha Facility) amounting to Rs.325 million (2004 : Rs. 325 million) has been renewed and availed. The rate of mark-up is to be agreed for each sub-murabaha. These facilities are secured against first pari passu charge over stocks and book debts of the company. These facilities have expired on 30 June 2005.

The facility for opening letters of credit as at 30 June 2005 amounted to Rs. 500 million (2004: Rs. 500 million) and letters of guarantees amounted to Rs.80 million (2004: 80 million). These facilities are secured against first pari passu charge on the stocks and debts of the company.

9.2 Accrued liabilities

	2005			2004		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
			(Rupees in '000)			
Salaries, wages and other benefits	3,839	–	3,839	7,784	1,970	9,754
Accrual for 10C bonus	562	–	562	527	–	527
Leave encashment	3,946	921	4,867	4,185	657	4,842
Accruals	12,334	5,288	17,622	9,204	2,960	12,164
	20,681	6,209	26,890	21,700	5,587	27,287

9.3 Movement of provisions

	Infrastructure fee (Note 9.3.1)	Sales Tax (Note 9.3.2)	Liquidated damages (Note 9.3.3)	Total
Opening balance 1 July 2004	12,700	3,242	–	15,942
Provision for the year	6,000	–	6,000	12,000
Closing balance 30 June 2005	18,700	3,242	6,000	27,942

9.3.1 This has been made against infrastructure fee levied by Government of Sindh through Sindh Finance (Amendment) Ordinance, 2001. The company has provided bank guarantees amounting to Rs. 18.7 million (2004: 12.7 million) in favour of Excise and Taxation Department. However, the company is contesting this issue in High Court.

9.3.2 These have been made against sales tax claims long outstanding with the sales tax department.

9.3.3 The provision has been made on account of liquidated damages claimed by a customer on delayed supply of goods during the year. The company is in process of negotiating this matter and expects that this may be resolved. However, on a prudent basis full provision has been made.

9.4 This represents the expenses incurred by associated companies on behalf of the company and insurance premiums payable to an associated undertaking.

9.5 Maximum amount due to associated undertakings at the end of any month during the year was Rs. 2.75 million (2004: Rs. 4.07 million).

10 INTEREST AND MARK-UP ACCRUED

	2005 Steel division	2005 Cotton division	2005 Total	2004 Steel division	2004 Cotton division	2004 Total
	(Rupees in '000)					
- on Secured Loans	–	565	565	–	564	564
- on Term Finance Certificates	5,529	4,228	9,757	3,429	2,622	6,051
- on Running Finance	2,440	576	3,016	271	–	271
- on Leases	104	12	116	123	23	146
	8,073	5,381	13,454	3,823	3,209	7,032

11 SHORT-TERM BORROWINGS

	Note	2005 Steel division	2005 Cotton division	2005 Total	2004 Steel division	2004 Cotton division	2004 Total
Secured-From Banking Companies							
Running finances under mark-up arrangements							
Union Bank Limited	11.1	22,204	–	22,204	17,581	–	17,581
PICIC Commercial Bank Limited		–	–	–	–	252	252
Short-term loans- Banking Companies							
Union Bank Limited		–	–	–	50,000	–	50,000
Muslim Commercial Bank Limited	11.2	120,000	–	120,000	–	–	–
Unsecured-From Other Financial Institutions							
Pak Oman Investment Company Limited		–	–	–	–	74,901	74,901
		142,204	–	142,204	67,581	75,153	142,734

11.1 Union Bank Limited

The facilities for running finance available amount to Rs. 425 million (2004: Rs. 125 million). The rate of mark-up is 6 months KIBOR (Ask) plus 2.0 percent with a floor of 7.0 percent per annum (2004: 7.25 percent per annum). The purchase prices are repayable within 120 to 180 days depending upon nature of financing. The mark-up is payable quarterly. The facilities amounting to Rs. 200 million has expired on 30 June 2005 while the remaining will be expiring on 31 March 2006.

The facility for opening letters of credit and guarantees as at 30 June 2005 amounted to Rs. 467 million (2004: Rs. 672.72 million).

The above facilities are secured against pledge on stocks of raw cotton with 25% margin to the extent of Rs. 400 million, pledge of shares of public limited companies acceptable to the bank with a 40% margin and first pari passu charge on the stocks and books debts of the company for Rs.600 million.

11.2 Muslim Commercial Bank Limited

The facility for running finance amounted to Rs. 200 million (2004: Nil). The mark-up rate is 1 month KIBOR plus 2.5% with a floor of 5.0%.The facility will remain valid till 30 August 2005. The facility for running finance is secured against first pari passu hypothecation charge for Rs.316.67 million over stocks and books debts of the company, lien over import documents and duly accepted bills of exchange.

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. 47.85 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 considering to file a constitutional petition in the High Court and is confident of a favourable outcome. Thus, no provision has been made for the aforementioned amount in these financial statements.

12.2 The sales tax authorities issued a show cause relating to sales tax of Rs. 2.48 million by disallowing input tax claimed on certain items and spare parts imported during the period from August 1997 to June 1998. The company filed an appeal with the Customs, Excise and Sales Tax Appellate Tribunal who has referred the case to 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 from encashing a bank guarantee of Rs. 0.89 million issued while availing concessionary benefits of SRO 671(1)/94 dated 3 July 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. 0.89 million is contingently payable by the company in case the High Court decides the case against the company.

12.4 The company has filed a claim against SNGPL for return of its performance bond relating to a contract that was completed in the past. By way of a counter claim, SNGPL is claiming liquidated damages amounting to US dollar 904,447 and mark-up. The matter is currently pending before the Arbitrators. Management of the company, based on legal advice, is confident that there is no significant chance of the counter claim of SNGPL being allowed as the relevant guarantees have long since expired. Hence, no provision has been made in these financial statements.

12.5 The company has filed a suit in the Sindh High Court against Federation of Pakistan and others, for levy of import license fee at 6% against import of coating plant in 1992. The company contested that as per SRO 1317 (1)/94 dated 22 December 1990, being located in rural area, is only liable to pay 2 % of import license fee. The company has provided bank guarantee of Rs. 3.42 million as directed by the Honourable Court. The petition was dismissed by High Court as having been incompetently filed. The company has filed the application with Honourable Supreme Court to obtain leave for appeal. No provision has been made in the financial statements as management considers that the company would be able to file appeal before Honourable Supreme Court and case would be decided in company's favour.

12.6 Sindh Industrial Trade Estate (SITE)has cancelled allotment of plot A-26 and A-27 and charged non-utilisation fees of Rs. 285,184 and Rs. 620,573 respectively. The company has challenged the cancellation and filed a suit in Sindh High Court. The High Court has restrained the SITE from taking any adverse action against the Company. Therefore, management considers that no provision is required.

Notes to the Financial Statements
For the year ended 30 June 2005

12.7 Aggregate amount of guarantees given by the banks on behalf of the company in respect of the performance of various contracts aggregated Rs. 264.36 million (2004: Rs. 195.49 million).

12.8 The company filed a suit in the High Court of Sindh for recovery of retention money amounting to Rs. 3.27 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.

12.9 Commitments in respect of capital expenditure contracted for as at 30 June 2005 amounted to Rs. 51.71 million (2004: Rs. 1.09 million).

12.10 Commitments under letters of credit as at 30 June 2005 amounted to Rs.445.15 million (2004: Rs. 282.42 million).

13. PROPERTY PLANT AND EQUIPMENT

Description		Cost as at 1 July 2004	Additions / (transfers) / (disposals)	Cost as at 30 June 2005	Accumulated depreciation as at 1 July 2004	Depreciation charge for the year / (on disposals)	Accumulated depreciation as at 30 June 2005	Net book value as at 30 June 2005
					(Rupees in '000)			
Steel division other than coating plant	13.1	468,829	19,716 (17,482)	471,063	309,348	33,403 (7,976)	334,775	136,288
Coating plant	13.2	160,397	10,069	170,466	143,871	5,153	149,024	21,442
Cotton division	13.3	412,015	36,488 (511)	447,992	120,213	44,042 (369)	163,886	284,106
Total property plant and equipment as at June 30, 2005		1,041,241	66,273 – (17,993)	1,089,521	573,432	82,598 – (8,345)	647,685	441,836
Total property plant and equipment as at June 30, 2004		909,076	163,155 (15,702) (15,288)	1,041,241	498,587	82,413 – (7,564)	573,436	467,805

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

Description		Cost as at 1 July 2004	Additions / (transfers) / (disposals)	Cost as at 30 June 2005	Accumulated depreciation as at 1 July 2004	Depreciation charge for the year / (on disposals)	Accumulated depreciation as at 30 June 2005	Net book value as at 30 June 2005	Rate of depreciation rate %
					(Rupees in '000)				
Freehold land		1,740	–	1,740	–	–	–	1,740	–
Leasehold land		8,054	–	8,054	1,090	81	1,171	6,883	1
Improvements to leasehold land		106	–	106	18	1	19	87	1
Building on leasehold land		59,804	–	59,804	42,117	2,990	45,107	14,697	5
Plant and machinery									
- owned	13.1.1	242,467	4,292	246,759	190,909	13,683	204,592	42,167	5 to 20
- leased		20,000	–	20,000	4,000	2,000	6,000	14,000	10
Office premises		49,443	– (9,010)	40,433	17,135	3,254 (1,626)	18,763	21,670	10
Furniture and fixtures		17,958	157 (491)	17,624	13,779	1,467 (49)	15,197	2,427	10
Office and other equipment		8,105	454 (1,822)	6,737	6,919	381 (644)	6,656	81	20
Computers		13,501	1,033 (230)	14,304	11,865	719 (179)	12,405	1,899	33.33
Vehicles-owned		29,975	8,979 (5,929)	33,025	18,163	5,693 (5,478)	18,378	14,647	20
-leased		11,940	–	11,940	3,015	3,015	6,030	5,910	20 & 33.33
Workshop equipment		4,041	–	4,041	338	119	457	3,584	5 to 20
		467,134	14,915 (17,482)	464,567	309,348	33,403 (7,976)	334,775	129,792	
Capital work-in-progress	13.4	1,695	4,801	6,496	–	–	–	6,496	
	2005	468,829	19,716 (17,482)	471,063	309,348	33,403 (7,976)	334,775	136,288	
		409,963	67,736 (10,565)	467,134	280,320	35,225 (6,196)	309,349	157,785	
Capital work-in-progress	13.4	9,336	– (7,641)	1,695	–	–	–	1,695	
	2004	419,299	67,736 (7,641) (10,565)	468,829	280,320	35,225 – (6,196)	309,349	159,480	

13.1.1 Net book value of plant and machinery includes book value of Rs. 3.72 million (2004: 2.78 million) of capitalised spares.

13.2 Coating Plant

Description		Cost as at 1 July 2004	Additions	Cost as at 30 June 2005	Accumulated depreciation as at 1 July 2004	Depreciation charge for the year	Accumulated depreciation as at 30 June 2005	Net book value as at 30 June 2005	Rate of depreciation rate %
					(Rupees in '000)				
Building on leasehold land		8,528	675	9,203	4,814	461	5,275	3,928	5
Plant and machinery	13.2.1	151,496	9,394	160,890	138,836	4,631	143,467	17,423	5 to 20
Office and other equipment		325	–	325	177	60	237	88	20
Furniture and fixtures		48	–	48	44	1	45	3	10
	2005	160,397	10,069	170,466	143,871	5,153	149,024	21,442	
	2004	158,871	1,526	160,397	138,699	5,175	143,874	16,523	

13.2.1 Net book value of plant and machinery includes book value of Rs. 4.3 million (2004: Rs. 1.27 million) of capitalised spares.

13.3 Cotton division

Description		Cost as at 1 July 2004	Additions / (transfers) / (disposals)	Cost as at 30 June 2005	Accumulated depreciation as at 1 July 2004	Depreciation charge for the year / (on disposals)	Accumulated depreciation as at 30 June 2005	Net book value as at 30 June 2005	Rate of depreciation rate %
					(Rupees in '000)				
Freehold land	13.3.2	6,155	4,172	10,327	–	–	–	10,327	
Building on freehold land		25,690	14,678	40,368	7,477	4,038	11,515	28,853	10
Plant and machinery - owned		335,096	9,235 (100)	344,231	96,275	35,293 (40)	131,528	212,703	10 to 20
- leased		30,000	–	30,000	9,000	3,000	12,000	18,000	10
Electric installation		11,831	5	11,836	4,709	1,184	5,893	5,943	10
Office and other equipment		291	90	381	92	49	141	240	10 to 20
Computers		1,993	27	2,020	1,973	19	1,992	28	33.33
Furniture and fixtures		152	–	152	61	15	76	76	10
Vehicles		807	1,828 (411)	2,224	626	444 (329)	741	1,483	20
	2005	412,015	30,035 (511)	441,539	120,213	44,042 (369)	163,886	277,653	
Capital work-in-progress	13.4	–	6,453	6,453	–	–	–	6,453	
	2005	412,015	36,488 – (511)	447,992	120,213	44,042 – (369)	163,886	284,106	
		322,845	93,893 (4,723)	412,015	79,568	42,013 (1,368)	120,213	291,802	
Capital work-in-progress	13.4	8,061	– (8,061)	–	–	–	–	–	
	2004	330,906	93,893 (8,061) (4,723)	412,015	79,568	42,013 – (1,368)	120,213	291,802	

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

13.3.2 The company had acquired the freehold land during the year. The transfer of legal title of the freehold land in the name of the company is in process.

13.3.3 The following assets were disposed off during the year:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particular of buyers
		(Rupees in '000)				
Steel division						
Office premises	9,010	1,626	7,384	9,173	Negotiation	International Housing Finance Limited - an associated company
Furniture and fixtures	491	49	442	549	Negotiation	International Housing Finance Limited - an associated company
Office and other equipment	1,573	395	1,178	1,465	Negotiation	International Housing Finance Limited - an associated company
	222	222	–	26	Negotiation	Arfat Trading
	27	27	–	–	Scrapped	Scrapped
Motor vehicles	645	645	–	193	Company Scheme	Mr. M. Sharif -Employee (Advisor to CEO-Technical)
	643	643	–	193	Company Scheme	Mr. S.A.N.Kazmi -Employee (Commercial Director)
	616	616	–	185	Company Scheme	Mr. Nadir Mazhar
	63	63	–	44	Company Scheme	Mr. M.Akram
	349	349	–	267	Negotiation	Mr. Waseem Mirza
	504	302	202	219	Company Scheme	Mr. M.Amir
	69	28	41	44	Company Scheme	Mr. Abdul Razzak
	2,820	2,820	–	900	Negotiation	Mr. Zeeshan Rashid
	54	–	54	54	Insurance claim	EFU General Insurance Limited
	54	–	54	54	Insurance claim	EFU General Insurance Limited
	54	–	54	54	Insurance claim	EFU General Insurance Limited
	58	12	46	54	Insurance claim	EFU General Insurance Limited
Computers	152	101	51	63	Negotiation	International Housing Finance Limited - an associated company
	78	78	–	3	Negotiation	Ms. Saima Hussain
	17,482	7,976	9,506	13,540		
Cotton division						
Plant and machinery	100	40	60	100	Negotiation	Crescent Ujala Limited - an associated company
Vehicles	411	329	82	201	Negotiation	Mr. Abdul Rouf
	511	369	142	301		
2005	17,993	8,345	9,648	13,841		
2004	15,288	7,564	7,724	10,266		

13.4 Capital work-in-progress

	2005			2004		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
			(Rupees in '000)			
Plant and machinery	5,419	6,389	11,808	1,332	–	1,332
Civil work	1,077	64	1,141	–	–	–
Advance payment for development of software	–	–	–	363	–	363
	6,496	6,453	12,949	1,695	–	1,695

14. INTANGIBLE ASSETS

Description	Cost as at 1 July 2004	Additions	Cost as at 30 June 2005	Accumulated amortisation as at 1 July 2004 (Rupees in '000)	Amortisation charge for the year	Accumulated amortisation as at 30 June 2005	Net book value as at 30 June 2005	Amortisation rate %
Steel division								
Software licences	4,171	1,226	5,397	2,087	1,459	3,546	1,851	33.33
Club memberships	–	2,580	2,580	–	–	–	2,580	–
	4,171	3,806	7,977	2,087	1,459	3,546	4,431	
Cotton division								
Software licenses	1,310	245	1,555	519	478	997	558	33.33
2005	5,481	4,051	9,532	2,606	1,937	4,543	4,989	
2004	1,193	4,288	5,481	778	1,828	2,606	2,875	

15. LONG-TERM INVESTMENTS

		2005			2004		
		Steel division	Cotton division	Total	Steel division	Cotton division	Total
				(Rupees in '000)			
Related Parties							
Available for sale	15.1	177,602	–	177,602	185,656	–	185,656
Held to maturity	15.2	29,994	–	29,994	–	–	–
		207,596	–	207,596	185,656	–	185,656
Others							
Available for sale	15.3	24,500	–	24,500	–	–	–
Held to maturity	15.4	26,821	–	26,821	24,995	–	24,995
		258,917	–	258,917	210,651	–	210,651

Investment in Related Parties

15.1 Available-for-sale

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

2005	2004			2005	2004
(Number of shares)				(Rupees in '000)	
		Quoted			
2,828,820	1,380,600	Crescent Commercial Bank Limited		29,278	19,742
–	1,957,054	Trust Commercial Bank Limited		–	22,115
2,769,380	2,769,380	Sharkarganj Mills Limited		135,700	134,315
847,279	557,879	Crescent Leasing Corporation Limited		12,624	9,484
				177,602	185,656
		Unquoted			
2,403,725	2,403,725	Crescent Bahuman Limited	15.1.1	24,037	24,037
1,047,000	1,047,000	Crescent Industrial Chemicals Limited	15.1.2	10,470	10,470
				34,507	34,507
		Provision for impairment loss		(34,507)	(34,507)
				–	–
2	2	Crescent Continental Gas Pipelines Limited (US $ 1 each)	15.1.3	–	–
9,896,206	10,115,640			177,602	185,656

15.1.1 The chief executive of Crescent Bahuman Limited is Mr. Nasir Shafi. The company's break up value of shares was 'NIL' as at September 30, 2004 due to negative equity.

15.1.2 The chief executive of Crescent Industrial Chemicals Limited is Mr. Tariq Shafi. The company's break up value of shares could not be ascertained as the financial statements of the company are not available.

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

15.2 Held to maturity

		2005	2004
		(Rupees in '000)	
Redeemable Capital - Term Finance Certificates (TFCs)	15.2.1	–	–
Shakarganj Mills Limited (Preference Shares)	15.2.2	29,994	–
		29,994	–

15.2.1 Redeemable capital - Term Finance Certificates (TFCs)

		2005	2004
Shakarganj Mills Limited			
(2,000 TFCs of Rs. 5,000 each)	15.2.1.1	–	3,332
Current maturity shown under current assets		–	(3,332)
		–	–
		–	–

15.2.1.1 These term finance certificates are being redeemed half yearly over a period of four years commenced from 10 April 2001 and ending on 10 April 2005. These certificates carry mark-up rate of 15% per annum.

15.2.2 During the period, the company subscribed right cumulative preference shares ("shares") of Shakarganj Mills Limited amounting to Rs. 29.99 million. These shares have a face value of Rs. 10 each. These shares carry dividend rate of 8.5% per annum payable annually. The preference shares will be redeemed after 5 years from the date of issue.

The preference shares are convertible into ordinary shares of Rs. 10 each. The conversion option could be exercisable at the end of every financial year of the investee company.

Other Investments

15.3 Available-for-sale

Unless stated other wise the holding are in ordinary shares certificates of Rs. 10 each.

2005	2004			2005	2004
(Number of shares)				(Rupees in '000)	
		Unquoted			
175,000	–	Central Depository Company of Pakistan Limited	15.3.1	24,500	–

15.3.1 During the year Company made investments in the shares of Central Depository Company of Pakistan Limited (CDC). The securities are recorded at cost since the fair value of the shares cannot be measured reliably.

15.4 Held to maturity

Redeemable Capital - Term Finance Certificates (TFCs)	15.4.1	24,985	24,995
Maple Leaf Cement Limited (Preference Shares)	15.4.2	1,836	–
		26,821	24,995

15.4.1 Redeemable capital - Term Finance Certificates (TFCs)

United Bank Limited (5,000 TFCs of Rs. 5,000 each)	15.4.3	24,995	25,000
Current maturity shown under current assets		(10)	(5)
		24,985	24,995

15.4.2 During the year, the company subscribed right cumulative preference shares ("shares") of Maple Leaf Cement Factory Limited amounting to Rs. 1.84 million. These shares have a face value of Rs. 10 each and carry dividend rate of 9.75% per annum. These preference shares will be matured after six years from the date of issuance.

15.4.3 This represents investments in Term Finance Certificate issued by United Bank Limited. The tenor of the TFC is eight years with semi-annual installments comprising of principal and profit. The rate of profit is 8.45 percent per annum.

16. LONG TERM DEPOSITS

	2005			2004		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	(Rupees in '000)					
Lease deposits	2,194	–	2,194	2,194	1,500	3,694
Security deposits	793	1,326	2,119	722	1,321	2,043
	2,987	1,326	4,313	2,916	2,821	5,737

17. STORES, SPARES AND LOOSE TOOLS

Stores		3,431	–	3,431	2,870	–	2,870
Spare parts	17.1	19,243	–	19,243	12,521	–	12,521
Loose tools		595	–	595	436	–	436
Stores and spares	17.2	–	20,750	20,750	–	26,895	26,895
		23,269	20,750	44,019	15,827	26,895	42,722
Provision for slow moving items		(5,507)	(3,575)	(9,082)	(1,754)	(1,712)	(3,466)
		17,762	17,175	34,937	14,073	25,183	39,256

17.1 Spare parts include items in-transit as at 30 June 2005 of Rs. 2.91 million (2004: Rs. 2.55 million).

17.2 This includes items in-transit as at 30 June 2005 of Rs. 2.58 million (2004: Rs. 4.28 million).

18. STOCK-IN-TRADE

		2005			2004		
		Steel division	Cotton division	Total	Steel division	Cotton division	Total
				(Rupees in '000)			
Raw materials							
Hot rolled steel coils		47,690	–	47,690	27,568	–	27,568
Coating materials		17,498	–	17,498	6,579	–	6,579
Others - pipe plant		10,274	–	10,274	9,068	–	9,068
Raw cotton	18.1	–	62,607	62,607	–	91,919	91,919
Stock-in-transit		5,137	–	5,137	7,455	78,005	85,460
		80,599	62,607	143,206	50,670	169,924	220,594
Provision for slow-moving and obsolescence							
Hot rolled steel coils		–	–	–	(3,879)	–	(3,879)
Coating materials		(84)	–	(84)	(901)	–	(901)
Raw cotton		–	–	–	–	(11,378)	(11,378)
Others		(200)	–	(200)	(205)	–	(205)
		(284)	–	(284)	(4,985)	(11,378)	(16,363)
		80,315	62,607	142,922	45,685	158,546	204,231
Work-in-process		4,021	2,979	7,000	1,379	4,433	5,812
Finished goods		30,302	18,417	48,719	19,245	13,395	32,640
Scrap / cotton waste		169	1,009	1,178	441	837	1,278
Provision for slow -moving and obsolescence finished goods		(4,784)	(706)	(5,490)	(2,855)	(655)	(3,510)
		29,708	21,699	51,407	18,210	18,010	36,220
		110,023	84,306	194,329	63,895	176,556	240,451

18.1 Stock-in-trade of the cotton division amounting to Rs. 35.39 million (2004: Rs. 26.33 million) was pledged as security with a financial institution.

19. TRADE DEBTS

	Note	2005 Steel division	2005 Cotton division	2005 Total	2004 Steel division	2004 Cotton division	2004 Total
		(Rupees in '000)					
Secured							
Considered good		3,118	–	3,118	30,421	–	30,421
Unsecured							
Considered good	19.1	127,552	1,367	128,919	1,601	4,002	5,603
Considered doubtful		–	–	–	–	–	–
		127,552	1,367	128,919	1,601	4,002	5,603
		130,670	1,367	132,037	32,022	4,002	36,024

19.1 This includes amount due from an associated undertaking of Rs. 0.98 million (2004: Rs. Nil). The maximum amount due from associated undertakings at the end of any month during the year was Rs. 2.75 million (2004: Rs. 5.41 million).

20. ADVANCES

		2005			2004		
		Steel division	Cotton division	Total	Steel division	Cotton division	Total
				(Rupees in '000)			
Considered good							
Executives	20.1 & 20.2	–	–	–	564	–	564
Other staff		98	–	98	23	–	23
		98	–	98	587	–	587
Considered Doubtful							
Advances to others		3,000	5,025	8,025	–	2,500	2,500
Provision for doubtful advances to others		(3,000)	–	(3,000)	–	–	–
		–	5,025	5,025	–	2,500	2,500
Suppliers for goods and services		9,801	1,500	11,301	3,695	886	4,581
Provision for doubtful advances		(537)	(224)	(761)	(537)	(375)	(912)
		9,264	1,276	10,540	3,158	511	3,669
		9,362	6,301	15,663	3,745	3,011	6,756

20.1 This represents advances made to executives for traveling and other expenses.

20.2 The maximum aggregate amount due at the end of any month during the year from executives was Rs. 0.10 million (2004: Rs. 0.56 million).

21. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Security deposits	1,340	1,501	2,841	1,107	1,350	2,457
Prepayments	587	155	742	965	–	965
	1,927	1,656	3,583	2,072	1,350	3,422

22. CURRENT PORTION OF LONG-TERM INVESTMENTS

	2005			2004		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
			(Rupees in '000)			
Held to maturity						
Government of Pakistan						
US Dollar bonds	–	–	–	8,724	–	8,724
Redeemable capital						
Sharkarganj Mills Limited	–	–	–	3,332	–	3,332
United Bank Limited	10	–	10	5	–	5
	10	–	10	12,061	–	12,061

23. INVESTMENTS

	Note	2005 Steel division	2005 Cotton division	2005 Total	2004 Steel division	2004 Cotton division	2004 Total
Related parties							
Available for sale	23.1	85,881	–	85,881	173,162	–	173,162
Held for trading	23.2	4,200	–	4,200	–	–	–
Held to maturity	23.3	212,000	–	212,000	37,370	–	37,370
		302,081	–	302,081	210,532	–	210,532
Others							
Available for sale	23.4	370,860	–	370,860	242,132	–	242,132
Held for trading	23.5	530,915	–	530,915	546,908	–	546,908
Loans and advances originated by the enterprise	23.6	7,031	–	7,031	12,939	–	12,939
		908,806	–	908,806	801,979	–	801,979
		1,210,887	–	1,210,887	1,012,511	–	1,012,511

Investment in Related Parties

23.1 Available for sale

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

2005	2004			2005	2004
(Number of shares)		Name of investee company		(Rupees in '000)	
		Quoted			
3,922,088	1,980,143	Crescent Commercial Bank Limited		40,594	28,316
373,868	373,868	Crescent Textile Mills Limited		20,488	11,216
91,300	91,300	Crescent Jute Products Limited (CJPL)	23.1.1	–	–
26,934	17,734	Crescent Leasing Corporation Limited		401	301
26,490	26,490	Jubilee Spinning and Weaving Mills Limited	23.1.2	–	185
260,864	244,197	Pakistan Industrial Credit and Investment Corporation Limited		18,260	17,594
2,821	759,321	Shakarganj Mills Limited		138	36,827
120,000	120,000	Suraj Cotton Mills Limited		6,000	5,520
–	1,878,981	Trust Commercial Bank Limited		–	21,232
–	3,248,190	Safeway Mutual Fund	23.1.3	–	51,971
4,824,365	8,740,224			85,881	173,162

23.1.1 Investments in CJPL and CSIBL is carried at their break up values, which are Rs. NIL and Rs.14.45 per share, respectively, as their rate were not quoted on the stock exchange due to certain defaults. The break up values have been calculated on the basis of the financial statements for the period ended 31 December 2004.

23.1.2 Investments in Jubilee Spinning Mills is carried at break-up value which is Rs. Nil. The break-up value has been calculated on the basis of financial statements for the year ended 30 September 2004.

23.1.3 Holding in Safeway Mutual Fund as at 30 June 2005 aggregates to 8.95 percent (2004: 19.68 percent)

23.2 Held for trading

2005	2004	Name of investee company	2005	2004
(Number of shares)			(Rupees in '000)	
		Quoted		
60,000	–	Pakistan Industrial Credit & Investment Corporation Limited	4,200	–

23.3 Held to maturity

Musharika Arrangements - Crescent Standard Modaraba	23.3.1	212,000	37,370

23.3.1 During the year, First Crescent Modaraba and Financial Link Modaraba merged with Crescent Standard Modaraba (CSM). Hence, the amount of Rs.37.37 million was transferred to CSM. Musharika investments amounting to Rs. 11.37 million were realised and, the following further musharika arrangements were made with CSM.

Date of Investment	Amount of Musharika	Expected return
11-Feb-05	75,000	4%
4-Feb-05	25,000	4%
14-Jun-05	30,000	4%
8-Sep-04	56,000	PLS

Other Investment

23.4 Available for sale

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

2005	2004			2005	2004
(Number of shares)		Name of investee company		(Rupees in '000)	
		Quoted			
50,000	40,000	Cherat Cement Limited		3,075	2,870
399,225	399,225	Crescent Standard Investment Bank Limited (CSIBL)	23.1.1	5,769	3,101
152,088	100,000	Fauji Fertilizer Company Limited		18,456	11,885
28,800	28,800	First Equity Modaraba		390	821
190,000	190,000	Hub Power Company Limited		5,016	6,137
239,062	230,750	PICIC Growth Fund		12,838	10,903
–	30,000	Mari Gas Company Limited		–	2,489
50,738	50,738	National Refinery Limited		16,048	9,379
255,495	225,330	Nishat Chunian Mills Limited		24,298	13,294
10,500	10,500	Nestle Milkpak Limited		5,565	5,030
36,517	30,431	National Bank of Pakistan		3,942	2,022
31,137	–	National Investment Trust		1,323	–
836	294,836	Oil & Gas Development Company Limited		88	19,017
590,500	1,040,500	Pakistan Telecommunication Company Limited		38,943	43,857
81,703	55,580	Packages Limited		11,438	11,005
–	108,000	PICIC Commercial Bank Limited		–	3,645
453,882	453,882	PICIC Investment Fund		6,808	8,170
111,360	111,360	Pakistan Oilfields Company Limited		31,337	23,219
3,346,000	–	Pakistan Strategic Allocation Fund		32,289	–
–	13,500	Shell Pakistan Limited		–	4,714
5,300	5,300	Siemens (Pakistan) Engineering Company Limited		3,631	2,809
57,208	57,208	Sui Northern Gas Pipelines Limited		3,507	3,701
90,507	66,262	The Pakistan Stock Market Fund		10,417	7,421
199,800	199,800	Tripack Films Limited		9,590	16,573
20,460	19,400	Unilever Pakistan Limited		28,849	30,070
4,060,238	–	Safeway Mutual Fund		97,243	–
10,461,356	3,761,402			370,860	242,132

23.5 Held for trading

2005	2004	Name of investee company		2005	2004
(Number of shares)				(Rupees in '000)	
		Quoted			
509,850	440,000	Al Meezan Mutual Fund Limited		5,455	6,798
10,000	–	Arif Habib Securities Limited		3,660	–
50,000	–	Askari Commercial Bank Limited		3,900	–
196,700	145,000	Attock Cement Pakistan Limited		13,376	7,540
124,000	80,000	Attock Refinery Limited		19,784	7,320
140,000	140,000	Century Paper and Board Mills Limited		11,613	13,160
270,000	–	Crescent Standard Investment Bank Limited (CSIBL)	23.1.1	3,902	–
100,000	235,000	D.G.Khan Cement Company Limited		5,575	13,513
–	1,375,000	Dewan Salman Fibre Limited		–	31,144
10,450	10,750	Dawood Hercules Chemicals Limited		1,735	1,942
125,000	–	Dewan Cement Limited		2,375	–
9,500	–	Ecopack Limited		471	–
–	25,000	Engro Chemicals Pakistan Limited		–	2,437
332,313	221,800	Fauji Fertilizer Company Limited		40,326	26,361
25,000	25,000	First Habib Bank Modaraba		313	390
50,000	200,000	Fauji Fertilizer Bin Qasim Limited		1,345	3,780
25,000	268,000	Fauji Cement Company Limited		320	4,368
232,000	–	Faysal Bank Limited		12,482	–
1,652,500	4,238,500	Hub Power Company Limited		43,626	136,903
10,000	–	Indus Motors Co Limited		900	–
202,500	76,500	PICIC Growth Fund		10,874	3,615
34,700	21,000	Javed Omer Vohra & Company Limited		9,268	13,062
–	63,500	JDW Sugar Mills Limited		–	3,239
371,000	425,000	Kohinoor Energy Limited		9,646	14,790
361,000	–	Kohinoor Textile Mills Limited		13,718	–
823,200	–	Kot Addu Power Co Limited		31,076	–
250	225,000	Lucky Cement Limited		11	8,798
660,000	700,000	Maple Leaf Cement Factory Limited		14,388	26,600
2,000,000	–	Meezan Balance Fund		16,400	–

2005	2004		2005	2004
(Number of shares)		Name of investee company	(Rupees in '000)	
		Quoted		
–	8,300	Mari Gas Company Limited	–	688
50,000	50,000	New Jubilee Insurance Company Limited	1,063	1,300
–	153,100	National Refinery Limited	–	28,300
48,000	30,000	National Bank of Pakistan	5,181	1,994
105,000	260,000	Oil & Gas Development Corporation Limited	11,057	16,770
36,750	–	Packages Limited	5,145	–
85,750	20,000	Pak Suzuki Motor Company Limited	8,575	2,318
689,333	822,333	PICIC Investment Fund	10,340	14,802
600,000	500,000	Pakistan Capital Market Fund	7,170	5,125
57,500	–	Pakistan Petroleum Limited	12,368	–
166,406	253,125	Pakistan Premier Fund Limited	2,471	4,860
35,000	–	Pakistan Reinsurance Company Limited	1,804	–
220,500	90,000	Pakistan Oil Fields Limited	62,049	18,765
47,500	15,000	Pakistan State Oil Company Limited	18,335	3,851
–	50,000	Pakistan PTA Limited	–	867
215,000	1,299,000	Pakistan Telecommunication Company Limited	14,179	54,753
–	50,000	Pakistan International Airlines Corporation	–	895
–	20,800	Pakistan Refinery Limited	–	3,120
150,000	–	Sui Northern Gas Pipelines Limited	9,195	–
2,694,000	1,819,500	Sui Southern Gas Company Limited	62,366	59,680
–	200,000	Southern Electrical Power Company Limited	–	3,060
12,000	–	Shell Pakistan Limited	6,647	–
415,980	–	Union Bank Limited	16,431	–
13,953,682	14,556,208		530,915	546,908

23.6 Loans and advances originated by the enterprise

		2005	2004
		(Rupees in '000)	
Islamic Republic of Pakistan Bonds 10%	23.6.1	7,031	12,939

23.6.1 These bonds were issued by the Government of Pakistan on 13 December 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 30 June 2000.

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

Face value US$ 125,507 (2004: US$ 250,833)		
Cost US$ 79,070 (2004: US$ 158,025)	12,939	18,287
Redemption of bonds	(7,288)	(7,204)
Amortisation of discount on acquisition of bonds	1,231	1,796
Exchange gain	149	60
	7,031	12,939

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

23.7 The following investments having an aggregate face value of Rs.73.15 million (2004: Rs.12.60 million) are deposited as security with commercial banks.

	2005	2004
	(Rupees in '000)	
Attock Cement Pakistan Limited	500	–
Century Paper and Board Mills Limited	1,000	–
D.G.Khan Cement Limited	500	–
Fauji Fertilizer Company Limited	4,000	–
Faysal Bank Limited	500	–
Hub Power Company Limited	17,000	10,000
Kohinoor Textile Mills Limited	1,000	–
Kot Addu Power Company Limited	5,000	–
Maple Leaf Cement Company Limited	5,000	–
National Bank of Pakistan	300	–
Nishat Chunian Limited	1,000	–
National Refinery Limited	350	–
Packages Limited	500	500
Pak Suzuki Motor Company Limited	500	–
Pakistan Industrial Credit and Investment Corporation Limited	2,000	1,500
Pakistan Oil Fields Limited	2,000	–
Pakistan State Oil Company Limited	250	–
Pakistan Telecommunication Company Limited	5,000	–
PICIC Growth Fund	3,000	–
Shell Pakistan Limited	–	100
Sui Northern Gas Pipelines Limited	1,000	–
Sui Southern Company Limited	20,000	–
Tripack Films Limited	1,500	500
Union Bank Limited	500	–
Unilever Pakistan Limited	750	–
	73,150	12,600

24. MARK-UP ACCRUED

	2005			2004		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
			(Rupees in '000)			
Considered good						
Mark-up accrued on						
- deposits	96	–	96	363	25	388
- others	4,634	–	4,634	984	–	984
	4,730	–	4,730	1,347	25	1,372

25. OTHER RECEIVABLES

	Note	2005 Steel division	2005 Cotton division	2005 Total	2004 Steel division	2004 Cotton division	2004 Total
				(Rupees in '000)			
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		1,975	–	1,975	1,254	–	1,254
Receivable on account of sale of shares		2,466	–	2,466	15,436	–	15,436
Receivable from Sui Northern Gas Pipelines Ltd		–	–	–	72,850		72,850
Claim receivable		57	–	57	–	–	–
Due from associated undertakings	25.1 25.2	597	114	711	1,639	119	1,758
Sales tax refundable		5,702	1,126	6,828	4,814	11,363	16,177
Less: Provision thereagainst		3,605	741	4,346	2,308	741	3,049
		2,097	385	2,482	2,506	10,622	13,128
Receivable against deposit for building		5,461	–	5,461	5,461	–	5,461
Less: Provision thereagainst		5,461	–	5,461	5,461	–	5,461
		–	–	–	–	–	–
Earnest money receivable	25.3	150,000	–	150,000	–	–	–
Receivable from staff retirement funds	40.3	6,675	–	6,675	6,140	–	6,140
Others		4	201	205	3	713	716
		163,871	700	164,571	99,828	11,454	111,282

25.1 Due from associated undertakings

	2005			2004		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
			(Rupees in '000)			
Crescent Jute Products Ltd.	–	–	–	704	–	704
Crescent Textile Mills Ltd.	14	–	14	14	–	14
Crescent Ujala Ltd.	19	–	19	–	–	–
Jubilee Spinning Mills Ltd.	17	–	17	17	–	17
Pak Industrial Leasing Corporation		–	–	–	–	–
Shakarganj Mills Ltd.	535	–	535	892	–	892
Suraj Cotton Mills Ltd.	11	–	11	11	–	11
Trust Commercial Bank Ltd.	1	–	1	1	–	1
Premier Insurance Company of Pakistan Ltd.	–	114	114	–	119	119
	597	114	711	1,639	119	1,758

25.2 Maximum aggregate amount due from associated undertakings at the end of any month during the year was Rs. 2.75 million (2004: Rs. 3.21 million).

25.3 This represents earnest money for bid of acquisition of National Refinery Limited.

26. TAXATION-NET

The income tax assessments of the company have been finalized upto tax year 2004.

	2005	2004
	(Rupees in '000)	
Advance tax	338,238	295,294
Provision for taxation	(325,050)	(235,305)
	13,188	59,989

The Commissioner of Income Tax (Appeals) has decided the appeals of the company in respect of the assessment year 2000-01 through 2002-03 in favor of the company. No adjustment has been made in the accounts pending the finalization of appeal effect in consequence of these appeals and earlier appeals filed with the ITAT relating to assessment years 1996-97 and 1997-98 by the taxation authorities.

27. CASH AND BANK BALANCES

	2005			2004		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	(Rupees in '000)					
With banks						
- in deposit accounts						
- local currency	23,819	15,059	38,878	3,920	5,708	9,628
- foreign currency	12,385	–	12,385	4,084	–	4,084
	36,204	15,059	51,263	8,004	5,708	13,712
- in current accounts	327	905	1,232	2,064	1,997	4,061
Cash in hand	197	390	587	145	96	241
	36,728	16,354	53,082	10,213	7,801	18,014

28. SALES

Bare Pipes (own product excluding coating revenue)	1,963,210	–	1,963,210	481,193	–	481,193
Revenue from conversion	97,669	–	97,669	140,625	–	140,625
Coating of pipes	254,915	–	254,915	77,110	–	77,110
Cotton yarn	–	711,328	711,328	–	814,988	814,988
Raw cotton	–	–	–	–	–	–
Scrap / waste	37,727	17,570	55,297	8,267	21,668	29,935
Sales returns	–	(2,248)	(2,248)	–	(3,488)	(3,488)
	2,353,521	726,650	3,080,171	707,195	833,168	1,540,363
Sales tax	(306,981)	(86,590)	(393,571)	(94,544)	(97,680)	(192,224)
	2,046,540	640,060	2,686,600	612,651	735,488	1,348,139

29. COST OF SALES

Bare Pipes	29.1	1,571,039	–	1,571,039	409,131	–	409,131
Coating of Pipes	29.4	126,452	–	126,452	50,364	–	50,364
Cotton	29.7	–	617,193	617,193	–	714,387	714,387
		1,697,491	617,193	2,314,684	459,495	714,387	1,173,882

29.1 Cost of sales - bare pipes

	Note	2005	2004
		(Rupees in '000)	
Raw materials consumed		1,486,431	321,125
Store and spares consumed		10,523	9,073
Fuel, power and electricity		11,519	9,669
Salaries, wages and other benefits	29.2	24,383	21,895
Insurance		1,546	1,322
Repairs and maintenance		3,055	1,739
Depreciation		20,116	20,192
Other expenses		24,678	8,470
Expenses allocated to CCP		(825)	(1,028)
		1,581,426	392,457
Opening stock of work-in-process		1,379	758
Closing stock of work-in-process		(4,021)	(1,379)
		(2,642)	(621)
Cost of goods manufactured		1,578,784	391,836
Opening stock of finished goods		18,906	36,201
Closing stock of finished goods		(26,651)	(18,906)
		(7,745)	17,295
		1,571,039	409,131

29.2 Detail of salaries, wages and other benefits

	Note	2005	2004
Salaries, wages and other benefits		22,430	19,846
Provident fund contributions		807	791
Pension fund	29.3	957	957
Gratuity	29.3	189	301
		24,383	21,895

29.3 Staff retirement benefits

	2005		2004	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	1,015	351	837	336
Interest cost	1,027	328	806	300
Expected return on plan assets	(1268)	(542)	(894)	(387)
Actuarial loss	–	–	34	–
Past service cost	183	52	174	52
	957	189	957	301

29.4 Cost of sales - coating of pipes

		2005	2004
		(Rupees in '000)	
Materials consumed		94,441	13,043
Stores and spares consumed		3,991	8,675
Fuel and power		10,907	7,293
Salaries, wages and other benefits	29.5	9,594	10,368
Insurance		621	946
Repairs and maintenance		1,389	1,204
Depreciation		7,603	7,259
Other expenses		1,571	1,929
Expenses allocated to CCP		(353)	(440)
Cost of goods manufactured		129,764	50,277
Opening stock of finished goods		339	426
Closing stock of finished goods		(3,651)	(339)
		(3,312)	87
		126,452	50,364

29.5 Detail of salaries, wages and other benefits

		2005	2004
		(Rupees in '000)	
Salaries, wages and other benefits		8,824	9,426
Provident fund contributions		313	370
Pension fund	29.6	382	435
Gratuity	29.6	75	137
		9,594	10,368

29.6 Staff retirement benefits

	2005		2004	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	405	140	380	153
Interest cost	410	130	366	137
Expected return on plan assets	(506)	(216)	(406)	(176)
Actuarial loss	–	–	16	–
Past service cost	73	21	79	23
	382	75	435	137

29.7 Cost of sales - cotton

	Note	2005	2004
		(Rupees in '000)	
Raw materials consumed		465,860	562,599
Packing materials consumed		7,470	6,346
Stores and spares consumed		13,637	8,667
Fuel and power		48,874	60,606
Salaries, wages and other benefits	29.8	32,836	31,365
Insurance		1,712	1,587
Repairs and maintenance		1,295	3,612
Depreciation		44,042	42,013
Amortisation of intangible assets		478	437
Other expenses		3,378	3,721
Expenses allocated from steel division		1,178	1,468
		620,760	722,421
Opening stock of work-in-process		4,434	2,777
Closing stock of work-in-process		(2,979)	(4,434)
		1,455	(1,657)
Cost of goods manufactured		622,215	720,764
Opening stock of finished goods		13,395	7,018
Closing stock of finished goods		(18,417)	(13,395)
		(5,022)	(6,377)
		617,193	714,387

29.8 Detail of salaries, wages and other benefits

	Note	2005	2004
Salaries, wages and other benefits		31,753	30,424
Provident fund contributions		739	580
Pension fund	29.9	344	361
		32,836	31,365

29.9 Staff retirement benefits – Pension

	2005	2004
	(Rupees in '000)	
Current service cost	365	315
Interest cost	369	304
Expected return on plan assets	(456)	(337)
Actuarial loss	–	13
Past service cost	66	66
	344	361

30. DISTRIBUTION AND SELLING COST

		2005			2004		
		Steel division	Cotton division	Total	Steel division	Cotton division	Total
				(Rupees in '000)			
Salaries, wages and other benefits	30.1	3,941	528	4,469	3,818	–	3,818
Commission		–	3,060	3,060	–	4,835	4,835
Traveling and conveyance		630	20	650	477	14	491
Depreciation		201	–	201	–	–	–
Insurance		70	–	70	82	–	82
Postage, telephone and telegram		62	93	155	–	249	249
Advertisement		1,641	–	1,641	432	–	432
Bid bond expenses		317	–	317	544	–	544
Transportation		–	281	281	–	1,751	1,751
Legal and professional charges		214	–	214	348	–	348
Others		672	128	800	482	818	1,300
		7,748	4,110	11,858	6,183	7,667	13,850

30.1 Detail of salaries, wages and other benefits

		2005			2004		
		Steel division	Cotton division	Total	Steel division	Cotton division	Total
		(Rupees in '000)					
Salaries, wages and other benefits		3,563	528	4,091	3,229	–	3,229
Provident fund contributions		119	–	119	171	–	171
Pension fund	30.2	216	–	216	318	–	318
Gratuity	30.2	43	–	43	100	–	100
		3,941	528	4,469	3,818	–	3,818

30.2 Staff retirement benefits

	2005		2004	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	230	79	278	112
Interest cost	232	74	268	100
Expected return on plan assets	(287)	(122)	(297)	(129)
Actuarial loss	–	–	11	–
Past service cost	41	12	58	17
	216	43	318	100

31. ADMINISTRATION EXPENSES

		2005			2004		
		Steel division	Cotton division	Total	Steel division	Cotton division	Total
				(Rupees in '000)			
Salaries, wages and other benefits	31.1	27,893	–	27,893	26,074	–	26,074
Rents, rates and taxes		662	–	662	285	–	285
Traveling, conveyance and entertainment		5,207	377	5,584	4,572	183	4,755
Fuel and power		3,076	–	3,076	2,789	–	2,789
Postage, telephone and telegram		1,663	–	1,663	2,169	–	2,169
Insurance		1,199	–	1,199	809	–	809
Repairs and maintenance		2,762	–	2,762	1,587	–	1,587
Auditors' remuneration	31.3	626	–	626	878	–	878
Legal and professional and corporate service charges		19,954	658	20,612	6,172	1,269	7,441
Advertisement		88	–	88	261	–	261
Donations	31.4	12,939	4,775	17,714	9,542	3,332	12,874
Depreciation		10,638	–	10,638	12,949	–	12,949
Amortisation of intangible assets		1,459	–	1,459	1,391	–	1,391
Printing, stationery and office supplies		1,380	–	1,380	1,372	–	1,372
Newspapers, subscriptions and periodicals		403	–	403	642	–	642
Others		689	–	689	517	35	552
		90,638	5,810	96,448	72,009	4,819	76,828
Charges allocated to the cotton division		(14,921)	14,921	–	(8,507)	8,507	–
		75,717	20,731	96,448	63,502	13,326	76,828

31.1 Detail of salaries, wages and other benefits

		2005			2004		
		Steel division	Cotton division	Total	Steel division	Cotton division	Total
		(Rupees in '000)					
Salaries, wages and other benefits		24,477	–	24,477	22,479	–	22,479
Provident fund contributions		1,109	–	1,109	1,091	–	1,091
Pension fund	31.2	1,922	–	1,922	1,936	–	1,936
Gratuity	31.2	385	–	385	568	–	568
		27,893	–	27,893	26,074	–	26,074

31.2 Staff retirement benefits

	2005		2004	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	2,039	714	1,694	633
Interest cost	2,063	667	1,630	566
Expected return on plan assets	(2,547)	(1,102)	(1,810)	(728)
Actuarial loss	–	–	70	–
Past service cost	367	106	352	97
	1,922	385	1,936	568

31.3 Auditors' remuneration

	2005	2004
	(Rupees in '000)	
Audit fee*	500	500
Fee for audit of funds' financial statements and other reports	70	310
Out of pocket expenses	56	68
	626	878

* Audit fee includes services for audit of annual accounts, limited review of half yearly accounts and certificates under Code of Corporate Governance.

31.4 Donations

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 2005	Amount donated 2004
			(Rupees in '000)	
Mr. Ahsan M. Saleem	Chairman	The Citizens Foundation 9th Floor, NIC Building, Karachi.	16,580	9,567
	Member	Lyallpur Golf Club Race Course Club, Faisalabad	125	–
			16,705	9,567

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

32. OTHER OPERATING EXPENSES

	2005			2004		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	(Rupees in '000)					
Provision against sales tax refundable	1,297	–	1,297	327	–	327
Fair value adjustment	38,219	–	38,219	10,353	–	10,353
Provision for stock-in-trade	3,568	52	3,620	–	12,034	12,034
Provision for slow moving stores and spares	3,753	1,863	5,616	78	–	78
Provision for workers welfare fund	4,937	–	4,937	1,027	–	1,027
Provision for infrastructure fee	6,000	–	6,000	11,300	–	11,300
Provision for impairment of investments	284	–	284	1,004	–	1,004
Provision against advances	3,000	–	3,000	–	–	–
Provision for other receivables, prepayments and others	–	–	–	–	375	375
Provision for liquidated damages	6,000	–	6,000	–	–	–
Exchange loss	–	1,022	1,022	–	367	367
	67,058	2,937	69,995	24,089	12,776	36,865

33. OTHER OPERATING INCOME

	Note	2005 Steel division	2005 Cotton division	2005 Total	2004 Steel division	2004 Cotton division	2004 Total
				(Rupees in '000)			
Income From Financial Assets							
Return on deposits, advances and investments		5,039	185	5,224	5,228	187	5,415
Dividend income	33.1	69,473	–	69,473	53,681	–	53,681
Exchange gain		342	–	342	183	–	183
Gain on sale of investments							
- Available-for-sale		103,648	–	103,648	161,265	–	161,265
- Held for trading		60,948	–	60,948	64,571	–	64,571
Income From Related Parties							
Return on deposits, advances and investments		4,493	–	4,493	795	–	795
Provision written back on investment		684	–	684	–	–	–
Other Income							
Liabilities written-back		–	–	–	160	–	160
Provision written back for stock-in-trade		6,340	11,378	17,718	9,345	–	9,345
Gain on disposal of fixed assets		4,034	159	4,193	1,796	746	2,542
Deferred income	5	304	185	489	304	265	569
Insurance commission		882	–	882	494	157	651
Others		2,244	850	3,094	947	271	1,218
		258,431	12,757	271,188	298,769	1,626	300,395

33.1 Dividend income

	2005			2004		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	(Rupees in '000)					
From Related Parties						
Pakistan Industrial Credit and Investment Corporation	644	–	644	305	–	305
Crescent Leasing Corporation Limited	720	–	720	504	–	504
Shakarganj Mills Limited	6,175	–	6,175	5,293	–	5,293
Suraj Cotton Mills Limited	240	–	240	–	–	–
Crescent Textile Mills Limited	374	–	374	374	–	374
	8,153	–	8,153	6,476	–	6,476
Others	61,320	–	61,320	47,205	–	47,205
	69,473	–	69,473	53,681	–	53,681

34. FINANCE COSTS

Interest on provident fund	–	324	324	–	226	226
Mark-up on:						
Running finances	5,861	–	5,861	2,092	2	2,094
Short-term loans	14,075	2,081	16,156	1,156	4,180	5,336
Redeemable capital	9,720	7,434	17,154	3,429	2,622	6,051
Assets subject to finance leases	1,840	1,364	3,204	2,291	2,911	5,202
Bank charges	807	443	1,250	431	1,051	1,482
	32,303	11,646	43,949	9,399	10,992	20,391
Financial charges allocated to the cotton division	(18,017)	18,017	–	(3,248)	3,248	–
	14,286	29,663	43,949	6,151	14,240	20,391

35. TAXATION

	2005	2004
	(Rupees in '000)	
Current		
- for the year	88,870	18,500
- for prior years'	878	658
	89,748	19,158
Deferred	(6,958)	11,660
	82,790	30,818

35.1 Relationship between tax expense and accounting profit

	2005	2004
	(Rupees in '000)	
Profit before taxation	420,854	326,718
Tax at the applicable rate of 35%	147,299	114,351
Effect of non-deductible expenses	(41,734)	(68,087)
Tax effect of exempt income and export sales under presumptive tax regime	(791)	–
Tax effect of change in tax WDV of fixed assets	(2,110)	–
Tax effect of dividend income taxed at different rate	(20,841)	(16,104)
Prior years' tax effect	878	658
Others	89	–
	82,790	30,818

36. EARNINGS PER SHARE

	2005	2004
	(Rupees in '000)	
Net profit after taxation	338,064	295,900
	Number of shares	
Average number of ordinary shares in issue during the year	24,302,684	24,302,684
Basic and diluted earnings per share	Rs. 13.91	Rs. 12.18

37. PROFORMA INFORMATION

	30 June 2005	30 June 2004	Proforma Restated 30 June 2005	Restated 30 June 2004
		(Rupees in '000)		
Opening retained earning as previously stated	28,016	4,257	28,016	4,257
Change in accounting policy for dividends	–	–	33,140	40,170
Opening retained earnings as restated	28,016	4,257	61,156	44,427
Profit for the year	338,064	295,900	338,064	295,900
Transfer to general reserve	–	(175,000)	–	(175,000)
Dividends - First interim 10% (2004: 10%)	(24,303)	(22,093)	(24,303)	(22,093)
- Second interim 10 % (2004:10%)	(24,303)	(22,093)	(24,303)	(22,093)
- Final (2004: 15 %)	–	(33,140)	(33,140)	(40,170)
	(48,606)	(77,326)	(81,746)	(84,356)
Transfer to reserve for issue of bonus shares	–	(19,815)	–	(19,815)
Closing retained earnings	317,474	28,016	317,474	61,156

38. CASH GENERATED FROM OPERATIONS

		2005	2004
		(Rupees in '000)	
Profit before taxation		420,854	326,718
Depreciation		82,598	90,618
Amortisation		1,937	1,828
Adjustment arising from measurement to fair value		38,219	10,352
Provision against dividend receivable		–	–
Provision against stock-in-trade and stores and spares		9,236	12,112
Reversal of provision against stock-in-trade		(17,718)	(9,345)
Liabilities written back		–	(160)
Provision for workers welfare fund		4,937	1,027
Provision against other receivables		1,297	702
Provision for diminution in the value of investments		284	1,004
Provision for infrastructure fee		6,000	11,300
Provision against advances		3,000	–
Provision against liquidated damages		6,000	–
Exchange loss		1,022	184
Exchange gain		(342)	–
Gain on sale of investments		(164,596)	(225,836)
Pension and gratuity expense		4,511	5,114
Financial charges		43,949	20,391
Deferred income		(489)	(569)
Gain on disposal of fixed assets		(4,193)	(2,542)
Dividend income		(69,473)	(53,681)
Provision written back on investments		(684)	–
Return on deposits, advances and investments		(9,684)	(6,210)
Amortisation of initial transaction cost		(899)	(4,066)
Insurance commission		–	(1,869)
Working capital changes	38.1	(90,794)	(81,133)
		264,972	95,939

38.1 Working capital changes

	2005	2004
	(Rupees in '000)	
(Increase) / decrease in current assets		
Stores, spares and loose tools	(1,297)	(18,031)
Stock-in-trade	46,122	(38,120)
Trade debts	(96,013)	(9,940)
Short-term advances	(11,756)	117
Short-term deposits and prepayments	(161)	2,176
Mark-up accrued	(3,391)	–
Other receivables (net)	(50,474)	(76,021)
	(116,970)	(139,819)
Increase / (decrease) in current liabilities		
Trade and other payables	26,176	58,686
	(90,794)	(81,133)

39. CASH AND CASH EQUIVALENTS

		2005	2004
Running finances under mark-up arrangements	11	(22,204)	(17,833)
Cash and bank balances	27	53,082	18,014
		30,878	181

40. STAFF RETIREMENT BENEFITS

40.1 The actuarial valuation has been conducted in accordance with IAS 19 "Employee benefits" as of 30 June 2005. The projected unit credit method based on the following significant assumptions is used for valuation of schemes mentioned below:

	2005	2004
	Percentage per annum	
n discount rate	9	8
n expected rate of increase in salaries - For next three years	10	7
- After three years	8	–
n expected rate of return on plan assets	11	11
n average working life of employees	11 years	10 years

40.2 Amount recognised in balance sheet as follows:

	2005			2004		
	Pension	Gratuity	Total	Pension	Gratuity	Total
			(Rupees in '000)			
Defined benefits obligations	(65,735)	(18,379)	(84,114)	(51,256)	(14,987)	(66,243)
Fair value of plan assets	60,744	20,687	81,431	46,024	18,024	64,048
Past service cost	3,326	(1,161)	2,165	5,828	2,285	8,113
Actuarial loss	5,099	2,094	7,193	3,051	(1,174)	1,877
Benefits payable	–	–	–	(71)	(1,584)	(1,655)
	3,434	3,241	6,675	3,576	2,564	6,140

40.3 Movements in the net assets recognised in the balance sheet are as follows:

Opening prepayments as at 1 July	3,576	2,564	6,140	4,089	2,279	6,368
Expense	(3,820)	(691)	(4,511)	(4,007)	(1,107)	(5,114)
Company's contributions	3,678	1,368	5,046	3,494	1,392	4,886
	3,434	3,241	6,675	3,576	2,564	6,140

40.4 The following assets have been charged in the profit and loss account:

Current service cost	4,054	1,284	5,338	3,506	1,234	4,740
Interest cost	4,100	1,199	5,299	3,373	1,103	4,476
Expected return on assets	(5,063)	(1,983)	(7,046)	(3,745)	(1,420)	(5,165)
Actuarial gains and losses charged	–	–	–	144	–	144
Past service cost charged	729	191	920	729	190	919
Total amount chargeable to profit and loss account	3,820	691	4,511	4,007	1,107	5,114

40.5 The actual return on plan assets of pension and gratuity funds aggregated Rs. 12.58 million (2004: Rs. 9.02 million) and Rs. 4.48 million (2004: Rs. 3.58 million) respectively.

40.6 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 1 July 1999.

41. FINANCIAL ASSETS AND LIABILITIES

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. The company is exposed to interest / mark-up rate risk in respect of the following:

	Effective rate of interest / mark-up %	Interest / mark-up bearing			Non-interest / mark-up bearing			
		Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	Total
		(Rupees in '000)						
Financial assets								
Investments	4 to 28.7	137,041	56,817	193,858	617,115	658,841	1,275,956	1,469,814
Long-term deposits	–	–	–	–	–	2,119	2,119	2,119
Trade debts	–	–	–	–	132,037	–	132,037	132,037
Short-term deposits	–	–	–	–	1,341	–	1,341	1,341
Other receivables	–	–	–	–	152,237	–	152,237	152,237
Cash and bank balances	1.5 to 3.5	51,263	–	51,263	1,819	–	1,819	53,082
2005		188,304	56,817	245,121	904,549	660,960	1,565,509	1,810,630
2004		25,773	75,304	101,077	1,100,871	187,699	1,288,570	1,389,647
Financial liabilities								
Long-term loans	4.2 to 6.8	75,000	221,854	296,854	–	–	–	296,854
Liabilities against assets subject to finance leases	7.5 to 10.5	16,292	14,289	30,581	–	–	–	30,581
Short term borrowings	3.5 to 4.5	142,204	–	142,204	–	–	–	142,204
Trade and other payables	7 to 8.86	90,000	–	90,000	118,146	–	118,146	208,146
2005		323,496	236,143	559,639	118,146	–	118,146	677,785
2004		156,248	326,516	482,764	201,406	–	201,406	684,170
On-balance sheet gap :								
2005		(135,192)	(179,326)	(314,518)	786,403	660,960	1,447,363	1,132,845
2004		(130,475)	(251,212)	(381,687)	899,465	187,699	1,087,164	705,477
Off balance sheet items - financial commitments								
- Outstanding letters of credit		–	–	–	445,150	–	445,150	445,150

Notes to the Financial Statements
For the year ended 30 June 2005

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 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.Nil million (2004: Rs 82.73 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.

41.4 Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

The company is expected to market risk with respect to its investments.

The company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity and term finance certificates (TFCs) markets. In addition, the company actively monitors the key factors that affect stocks and TFCs market movements.

42. REMUNERATION TO THE CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	Chief Executive		Director		Executives		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
				(Rupees in '000)				
Managerial remuneration	3,852	3,789	1,932	1,860	6,184	6,220	11,968	11,869
House rent	1,733	1,705	869	837	2,638	2,429	5,240	4,971
Utilities	385	379	193	186	618	622	1,196	1,187
Traveling expenses	361	360	–	104	–	53	361	517
Others	726	708	–	–	193	–	919	708
Medical	118	58	39	49	348	273	505	380
Contribution to:								
- Provident fund	385	379	193	186	286	411	864	976
- Gratuity fund	274	267	138	130	171	236	583	633
- Pension fund	674	625	338	307	674	756	1,686	1,688
Club subscription and expenses	315	236	8	12	4	4	327	252
Entertainment	–	–	36	36	126	150	162	186
Conveyance	–	–	–	–	–	–	–	–
Telephone	–	–	12	12	28	31	40	43
	8,823	8,506	3,758	3,719	11,270	11,185	23,851	23,410
Number of persons	1	1	1	1	7	7	9	9

42.1 The aggregate amount charged in the account in respect of directors' fees paid to six (2004: six) directors was Rs.140,000 (2004: Rs. 140,000).

42.2 The chief executive, a director and seven 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 RELATED PARTIES

All transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using admissible valuation modes, i.e. comparable uncontrolled price method except service charges received / paid on cost plus method. The related parties and associated undertakings comprise local associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings, other than remuneration and benefits to key management personnel under the terms of their employment disclosed elsewhere in these financial statements, are as follows:

		2005			2004		
		Steel division	Cotton division	Total	Steel division	Cotton division	Total
				(Rupees in '000)			
Insurance premium paid		373	620	993	7,325	2,290	9,615
Donations	31.4	11,930	4,775	16,705	6,234	3,333	9,567
Sale of pipes / yarn		12,261	94,127	106,388	5,401	74,705	80,106
Purchase of fixed assets / office premises		–	18,850	18,850	26,062	–	26,062
Contribution to pension fund	40.3	3,372	306	3,678	3,133	361	3,494
Contribution to provident fund		4,697	656	5,353	2,423	–	2,423
Service charges paid		3,052	1,731	4,783	4,270	4,586	8,856
Financial charges on Term Finance Certificates		76	58	134	–	–	–
Interest to Provident Fund on accumulated balance		–	323	323	–	104	104
Dividends received	33.1	7,671	–	7,671	6,476	–	6,476
Return on deposits		2,488	–	2,488	777	–	777
Redemption of term finance certificates		3,332	–	3,332	1,666	–	1,666
Contribution to gratuity fund	40.3	1,368	–	1,368	1,392	–	1,392
Service charges received		318	–	318	391	–	391
Short term placement		65,000	–	65,000	–	–	–
Subscription in right shares		8,818	–	8,818	–	–	–
Subscription in preference shares	15.2	29,994	–	29,994	–	–	–
Advance for Equity participation	20	3,000	–	3,000	–	–	–
Insurance commission		–	–	–	494	157	651
Sale of fixed assets	13.3.2	11,250	–	11,250	–	600	600
Certificate of Investments (CSIBL)		20,000	–	20,000	–	–	–
Musharika arrangements	23.3.1	186,000	–	186,000	–	–	–

44. PLANT CAPACITY AND PRODUCTION

44.1 Steel division

Pipe plant

The plant's installed / rated capacity for production based on single shift is 30,000 tons (2004: 30,000 tons) annually on the basis of notional pipe size of 30" dia x _" thickness. The actual production achieved during the year was 42,099 tons (2004: 27,563 tons) line pipes of varied sizes and thickness, which is equivalent to 73,501 tons (2004: 44,412 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 meters 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 meters outside surface of pipes based on notional size of 30" dia on single shift working. Coating of 175,609 meters of different dia

pipes (250,717 square meters surface area) was achieved during the year (2004: 259,629 square meters 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 is 6,452,874 kilograms. Actual production converted into 20s count was 6,165,830 kilograms.

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

45. NUMBER OF EMPLOYEES

Total number of permanent employees as at June 30, 2005 was 695 (2004: 713)

46. NON ADJUSTING EVENTS AFTER BALANCE SHEET DATE

The Board of Directors in their meeting held on 30 July 2005 have (i) proposed a final dividend of Re. 1 per share (2004: Rs. 1.5 per share) amounting to Rs. 24.3 million (2004: Rs. 33.1 million) in addition to interim dividends of Rs. 2 per share (2004: Rs. 2 per share) already distributed and recorded in the financial statements, and (ii) 20% bonus shares (2004: 10% bonus shares) of Rs. 48.6 million. These financial statements do not include the effect of the proposed dividend and bonus due to change in accounting policy as explained in note 2.9.

47. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue in the board of directors meeting held on 30 July 2005.

48. COMPARATIVES

The comparatives have been re-arranged where necessary due to revisions in Fourth Schedule to the Companies Ordinance, 1984

49. GENERAL

Figures have been rounded off to the nearest thousand rupees

Chairman

Chief Executive

Form "34" Pattern of Holding of Shares

Held by Shareholders as at 30 June 2005

NO. OF SHAREHOLDERS	SHAREHOLDING FROM	TO	TOTAL SHARES HELD
305	1	100	11,554
509	101	500	128,709
110	501	1,000	78,059
221	1,001	5,000	521,874
63	5,001	10,000	457,047
47	10,001	15,000	591,487
16	15,001	20,000	290,227
17	20,001	25,000	381,487
7	25,001	30,000	201,310
3	30,001	35,000	101,433
4	35,001	40,000	152,283
1	40,001	45,000	42,818
4	45,001	50,000	189,873
3	50,001	55,000	163,900
4	55,001	60,000	228,317
2	60,001	65,000	128,795
1	65,001	70,000	65,014
3	70,001	75,000	214,922
1	90,001	95,000	94,431
4	95,001	100,000	393,881
1	100,001	105,000	102,414
4	105,001	110,000	437,188
2	115,001	120,000	230,074
3	125,001	130,000	378,216
2	135,001	140,000	272,011
1	140,001	145,000	140,227
1	145,001	150,000	145,800
1	160,001	165,000	163,350
1	165,001	170,000	166,585
1	195,001	200,000	195,523
1	220,001	225,000	224,225
1	235,001	240,000	237,006
1	240,001	245,000	243,932
1	280,001	285,000	284,405
1	305,001	310,000	308,712
1	485,001	490,000	487,829
1	510,001	515,000	514,823
1	530,001	535,000	535,000
1	560,001	565,000	565,000
1	570,001	575,000	570,500
1	855,001	860,000	855,690
1	1,075,001	1,080,000	1,076,927
1	1,160,001	1,165,000	1,161,615
1	1,290,001	1,295,000	1,293,600
1	1,485,001	1,490,000	1,485,086
1	1,720,001	1,725,000	1,722,264
1	2,670,001	2,675,000	2,672,899
1	3,390,001	3,395,000	3,394,362
1,360			24,302,684

Crescent Steel & Allied Products Ltd.

Pattern of Holding of Shares

Held by Shareholders as at 30 June 2005

CATEGORIES OF SHAREHOLDERS		SHARES HELD	PERCENTAGE
a)	**Directors, Chief Executive Officer, Their Spouse and Children**		
	Directors		
	Mr. Ahsan M. Saleem	72,400	0.30
	Mr. Javed Aslam Callea	605	0.00
	Mr. Mazhar Karim	65,014	0.27
	Mr. Nasir Shafi	14,823	0.06
	Mr. Zahid Bashir	49,313	0.20
	Syed Mehmood Ehtishamullah	605	0.00
	Directors Spouse and Their Children		
	Mrs. Abida Mazhar	8,594	0.04
	Mrs. Shahnaz A. Saleem	22,812	0.09
	Executives		
	Kh. Muhammad Sharif	18,400	0.08
	Syed Ali Nazir Kazmi	7,360	0.03
		259,926	1.07
b)	**Associated Companies, Undertakings & Related Parties**		
	Crescent Commercial Bank Limited	1,076,927	4.43
	Crescent Jute Products Limited	96,800	0.40
	Crescent Sugar Mills & Distillery Limited	855,690	3.52
	Jubilee Spinning & Weaving Mills Limited	121	0.00
	Muhammad Amin Muhammad Bashir Limited	355	0.00
	Pakistan Industrial Credit and Investment Corporation Limited	195,523	0.81
	Shakarganj Mills Limited	487,829	2.01
	The Crescent Textile Mills Limited	2,672,899	11.00
	The Premier Insurance Company of Pakistan Limited	42,818	0.18
		5,428,962	22.35
c)	**NIT & ICP (Name Wise Detail)**		
	Investment Corporation Of Pakistan	6,370	0.02
	National Bank Of Pakistan,Trustee Deptt.	3,394,362	13.97
		3,400,732	13.99

Pattern of Holding of Shares

d)	**Banks, DFI's, NBFI's**	2,564,407	10.55
e)	**Insurance Companies**	860,338	3.54
f)	**Modaraba and Mutual Funds**	2,136,574	8.79
g)	**Other Companies**	2,413,015	9.93
h)	**Non Resident**		
	Bankers Trust Company	117	0.00
	Baring Brothers (Guernsey) Limited	29	0.00
	Exchange Trading Limited	9,199	0.04
	H. S. B. C. International Trustee Limited	20	0.00
	Hong Kong Bank International Trustee Limited	174	0.00
	Islamic Development Bank	1,485,086	6.11
	Midland Bank Trust Corporation (Jersey) Limited	624	0.00
	Royal Trust Corporation Of Canada	14	0.00
	The Northern Trust Company	375	0.00
		1,495,638	6.15
i)	**General Public**	5,743,092	23.63
		24,302,684	100.00

Shareholders More Than 10%		
National Bank Of Pakistan,Trustee Deptt.	3,394,362	13.97
The Crescent Textile Mills Limited	2,672,899	11.00
	6,067,261	24.79

Notice of Annual General Meeting

Crescent Steel & Allied Products Ltd.

NOTICE is hereby given that the 21st Annual General Meeting of the shareholders of CRESCENT STEEL AND ALLIED PRODUCTS LIMITED will be held on Wednesday, 31 August 2005 at 3.00 p.m. at Pearl Continental Hotel, Shahrah-e-Quaid-e-Azam, Lahore to transact the following business:

1. To confirm the minutes of the preceding meeting of the shareholders of the Company.

2. To receive, consider and adopt the Audited Accounts together with Directors' and Auditors' reports thereon for the year ended 30 June 2005.

3. To consider and approve dividend for the year ended 30 June 2005 as recommended by the Directors of the Company as under:

    a) Two interim cash dividends at the rate of Re.1.00 each (Rs.2.00) and a final dividend of Re. 1.00 making a total cash payout of Rs. 3 per share (30%).

    b) Bonus shares in proportion of one share for every 5 shares held i.e. 20%.

4. To appoint auditors and fix their remuneration.

5. To discuss any other business with the permission of the Chair.

BY ORDER OF THE BOARD
Mohammad Amin
Company Secretary
Lahore: 30 July 2005

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 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 Cards along with 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 grantors and the signatures on the proxy form should be the same as that appearing on the National Identity Cards.

BOOK CLOSURE

The Share Transfer Books of the Company will remain closed from 23 August to 31 August 2005 (both days inclusive). Transfers received in order at the Registered Office of the Company upto the close of Business on 22 August 2005, will be considered in time to be eligible for payment of Final Dividend and issuance of Bonus to the Transferees.

Crescent Steel &
Allied Products Ltd.

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 21st Annual General Meeting of the Company to be held on Wednesday, 31 August 2005 at 3:00 p.m. at Pearl Continental Hotel, Shahrah-e-Quaid-e-Azam, Lahore and at any adjournment thereof.

As witness my / our hand this___________________________ day of ___________________________2005.

Signature on Five-Rupees Revenue Stamp

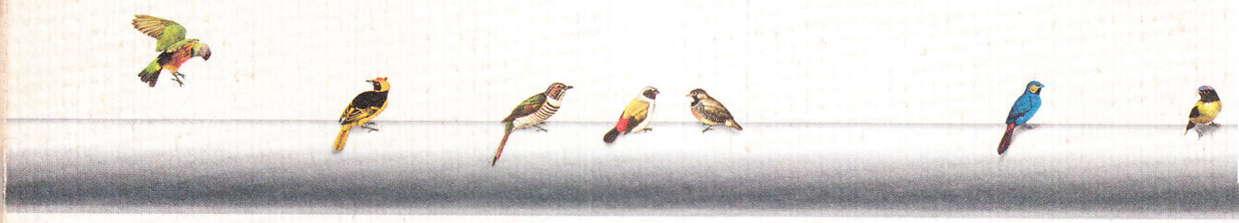
The signature should agree
with the specimen registered
with the Company.

Dated:
Place:

Notes:

1. The Proxy Form should be deposited at our Registered Office, 4th Floor, Crescent Standard Tower, 10-B, Block E-2, 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.



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