Annual Report 2006

Crescent Steel &
Allied Products Ltd.

A variety of environmental problems now affect our entire world. As globalization continues and the earth's natural processes transform local problems into international issues, no society, including Pakistan, is being left untouched by Acid Rain, Air Pollution, Global Warming, Hazardous Waste, Ozone Depletion, Smog, Water Pollution, Overpopulation, and Rain Forest Destruction.

At Crescent Steel, we believe in finding solutions and contributing to change. How does change begin? It all starts with information. By educating the children of tomorrow and equipping them with confidence, awareness and education, we are helping address the root cause of environment, health and poverty issues. Our long-term association with and commitment to TCF is just a small ripple that, we hope, will create a big wave of socially responsible business practices.

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 enviroment; as an equal opportunity employer.

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

Crescent Steel & Allied Products Ltd.

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, 53
1983*

Advisor to CEO (Technical)
Mohammad Sharif, 74
1984*

Advisor (Corporate)
Dr. Wasim Azhar, 53
2001*

Finance Director & CFO
S.M. Ehtishamullah, 67
1996*

Commercial Director /
Head of Buying
S.A.N. Kazmi, 64
1986*

Sr. General Manager
Cotton Division
Abdul Rouf, 47
2000*

Chief Information Officer
(Outsourced)
Shakeel Akhtar, 42
2006*

Head of Marketing
Arif Raza, 45
1985*

Head of Manufacturing
Mushtaque Ahmed, 45
1985*

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
Shakeel Akhtar

INVESTMENT
COMMITTEE
Ahsan M. Saleem
S.M. Ehtishamullah
Mohammad Yamin

* *Year joined Company*

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 Mohammad Yamin at the Company's Principal Office, Karachi. Telephone: 021-5674881-5
E.mail: mohammad.yamin@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 80s.

Annual Meeting

The 22nd Annual General Meeting of Crescent Steel and Allied Products Limited will be held on Monday, 30 October 2006 at 3.00 p.m. at Qasr-e-Noor, 9E-2, Main Boulevard, Gulberg-III, Lahore.

Auditors

KPMG Taseer Hadi & Co.

Legal Advisor

Hassan & Hassan, Advocates, Lahore

Bankers

Union Bank Limited
MCB Bank Limited
Meezan Bank Limited
PICIC Commercial Bank Limited
Allied 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

Liaison Office Lahore

10th Floor, Crescent Standard Tower,
10-B, Block E-2, Main Boulevard,
Gulberg-III, Lahore.
Telephone: 042-5879701, 5783801
Fax: 042-5870357
E.mail: ejaz@shakarganj.com.pk

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

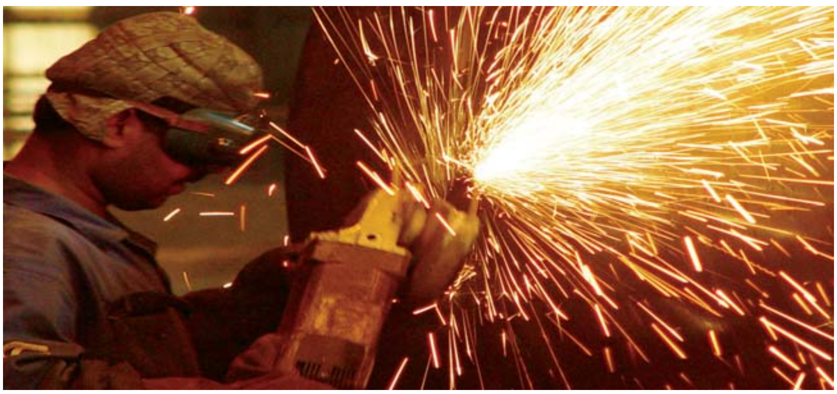
A/25, S.I.T.E., Nooriabad,
District Jamshoro, Sindh.
Telephone: 025-4670020-2
E.mail: mushtaque.ahmad@nra.crescent.com.pk

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 CCP-I and 25,344 spindles CCP-II 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. In addition, we have become the first Pakistani company to have acquired oil and gas industry specifics ISO 9000-2000 Quality Management System Certification from API. 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.

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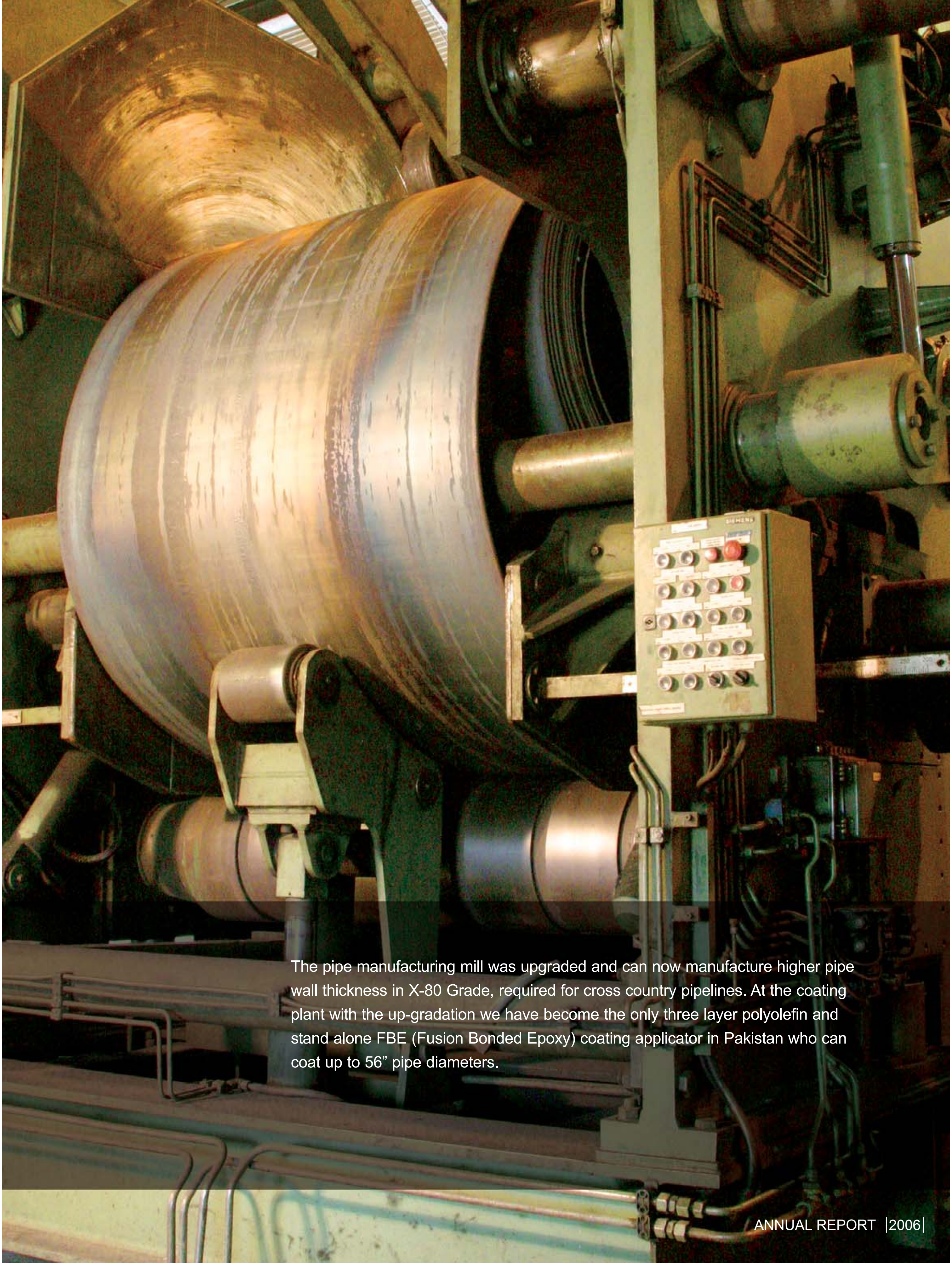


The pipe manufacturing mill was upgraded and can now manufacture higher pipe wall thickness in X-80 Grade, required for cross country pipelines. At the coating plant with the up-gradation we have become the only three layer polyolefin and stand alone FBE (Fusion Bonded Epoxy) coating applicator in Pakistan who can coat up to 56” pipe diameters.

Company Profile

Cotton Division

In the year 2000, the Company acquired a running cotton spinning mill located at Jaranwala near Faisalabad,

During the year, Unit II comprising of 25,344 spindles with state of the art German, Japanese and Swiss machinery was set up and commissioned during the year. This unit will be used mainly in the production of finer counts ranging from 40s to 80s.

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 80s having a notional capacity based on 20s of 6.5 and 9.3 million kgs per annum in CCP-I and CCP-II respectively and its products are consistently in demand and generally sold at a premium.

CCP is credited with ISO 9001 : 2000 Quality Management Credential. It produces good quality cotton yarn of various counts from 10s to 80s having a notional capacity based on 20s of 6.5 and 9.3 million kgs per annum in CCP-I and CCP-II respectively and its products are consistently in demand and generally sold at a premium.

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.

We are committed to conduct business in a responsible manner and with honesty and integrity. Our Board of Directors control the activities of the Company including the identification and control of the Company's business risks, the integrity of management information systems and clear, transparent reporting to shareholders.

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

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

- Relationship with employees, customers and regulators
- Confidentiality of information
- Trading in Company's shares
- Environmental responsibilities

A major HR exercise was undertaken this fiscal, termed as the Organization Review and Transformation Exercise (ORTE) - a complete assessment of the way we do business. Although mostly related to revamping our HR systems this exercise looked at all aspects of our organization, its functional structure, mission, vision and values.

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 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.

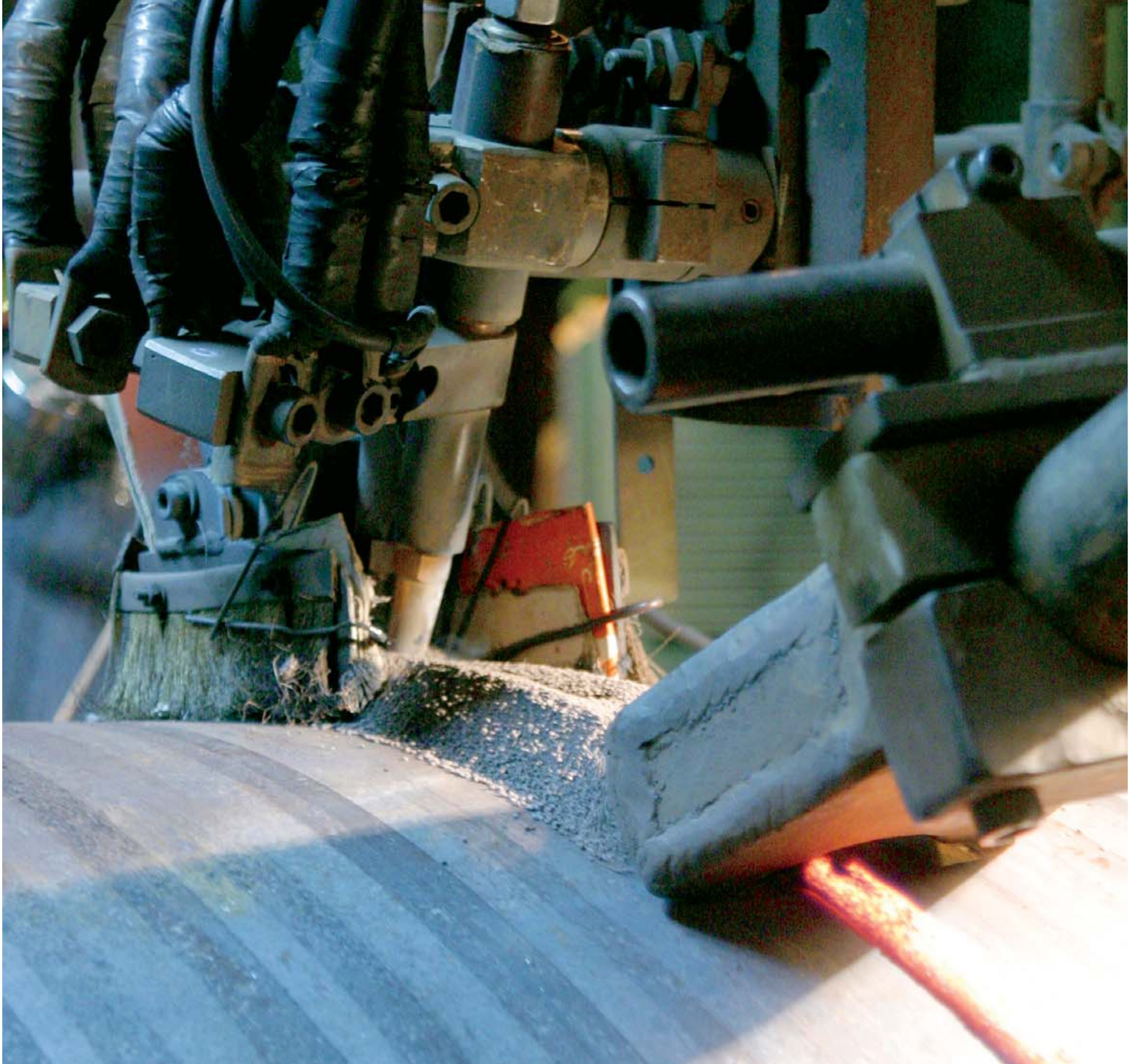
The Committee also ensures that the Company has an effective internal control framework. These controls include safe-guarding of assets, maintaining of proper accounting records complying with legislation and ensuring the reliability of financial information.

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



At CSAPL we are of the firm belief that complete alignment of our HR mission and vision with corporate goals is vital for any form of success. In today's competitive environment we foresee skills shortages and realize that it is important to place emphasis on retaining and developing current staff and making effective performance reviews and succession planning an essential part of our activities.

Our Governing Principles

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.

We are keenly aware of our responsibility to the society in which we operate. The cause of education has always remained very dear to us. We continued funding support for education at primary, secondary and tertiary levels and also provided considerable funds towards tsunami disaster affectees and earthquake victims.

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.

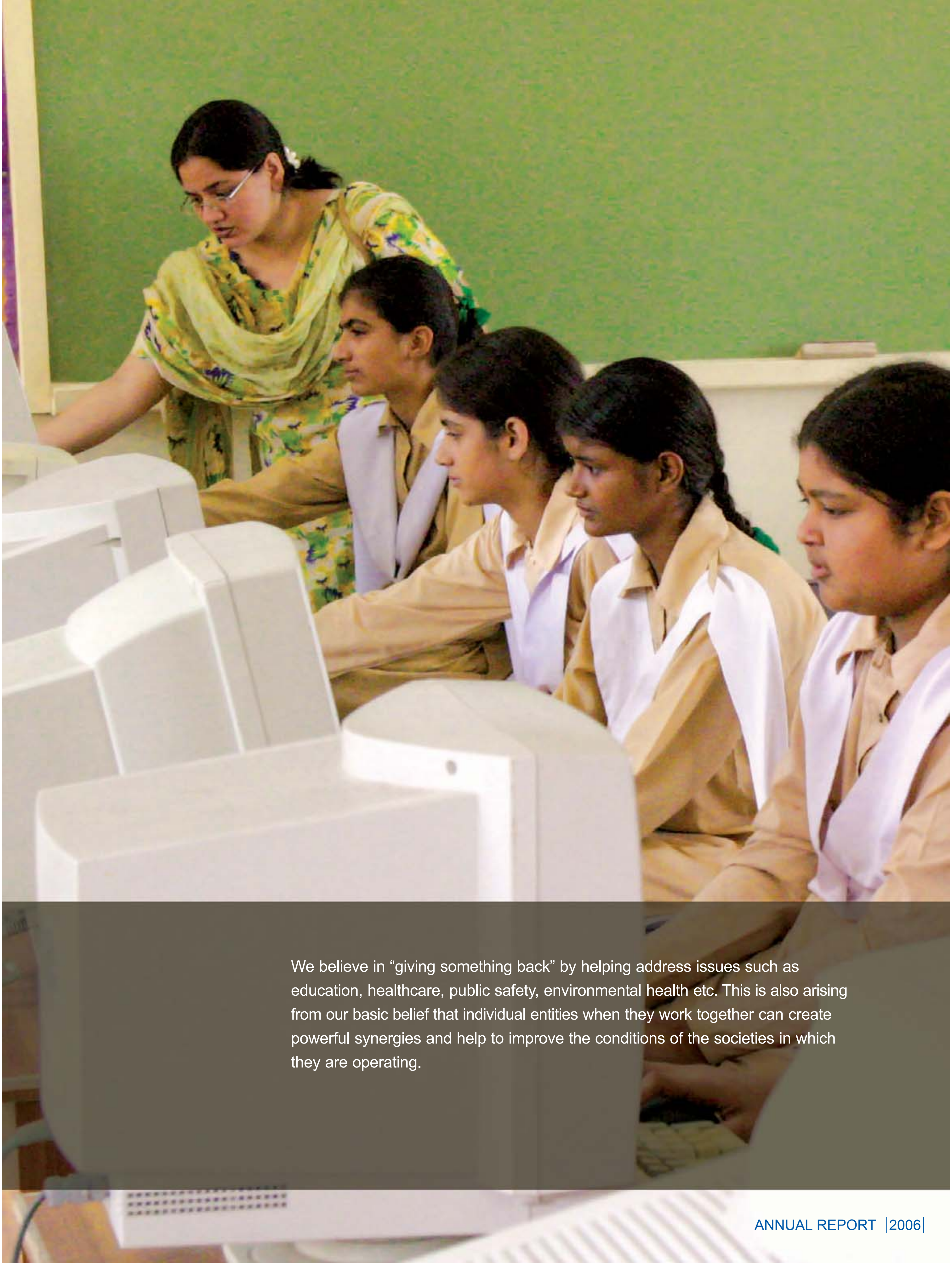
However the Company does not operate in isolation with its environment and accordingly feels responsible to all stakeholders which are:

- 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 safety, environmental health etc. This is also arising from our basic belief that individual entities when they work together can create powerful synergies and help to improve the conditions of the societies in which they are operating.

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



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Our Governing Principles

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.

All our employees undergo continuous training on all aspects of safety especially with regards to the safe delivery, storage and handling of the materials we produce. In addition we have initiated a rotation exercise at the factory whereby our aim is to ensure that all supervisors are also safety managers and are fully cognizant of all aspects of safety training.

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.

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

Year in Brief

- The pipe manufacturing mill was upgraded to higher wall thickness in X-80 Grade, required for cross country pipelines.
- Coating plant with the up-gradation has now become the only three layer polyolefin and stand alone FBE (Fusion Bonded Epoxy) coating facility in Pakistan with a capability to coat up to 56” pipe diameters.
- Installed state of the art gas furnaces for pipe heating thus bringing cost efficiencies in the coating process.
- New spinning mill (Unit II) adjacent to existing Cotton Mills Jaranwala completed and commenced production by the end of FY06.
- Balance sheet footing crossed Rs. 3.7 billion mark.
- Some new avenues for diversification were identified. Company committed significant investment in the energy sector by realigning its investment portfolio.
- Rs. 154.9 million were deposited into government treasury on account of direct and indirect taxes.

KEY FIGURES

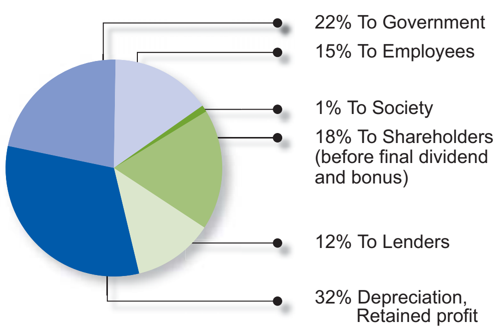
		2006	**2005**
Sales Revenue	Rs. in million	1,707	2,687
Profit After Tax	Rs. in million	260	312
No. of Shares Outstanding	No. in million	36.0	24.3
Earnings per Share - Basic and Diluted	Rs.	7.42	8.93
Dividend			
- cash	Rs./share	–	3.0
- bonus	(%)	20	20
Return on Capital Employed	(%)	7.5	13.4
Current Ratio		1.7	3.8
Debt: Equity Ratio		21:79	12:88
Shareholders’ Equity	Rs. in million	2,038	1,861
Total Assets	Rs. in million	3,715	2,570
Capital Expenditure	Rs. in million	997	66
Price - Earning Ratio		5.9	8.6
Break-up Value per Share	Rs.	56.6	76.6
Employees		1,083	695

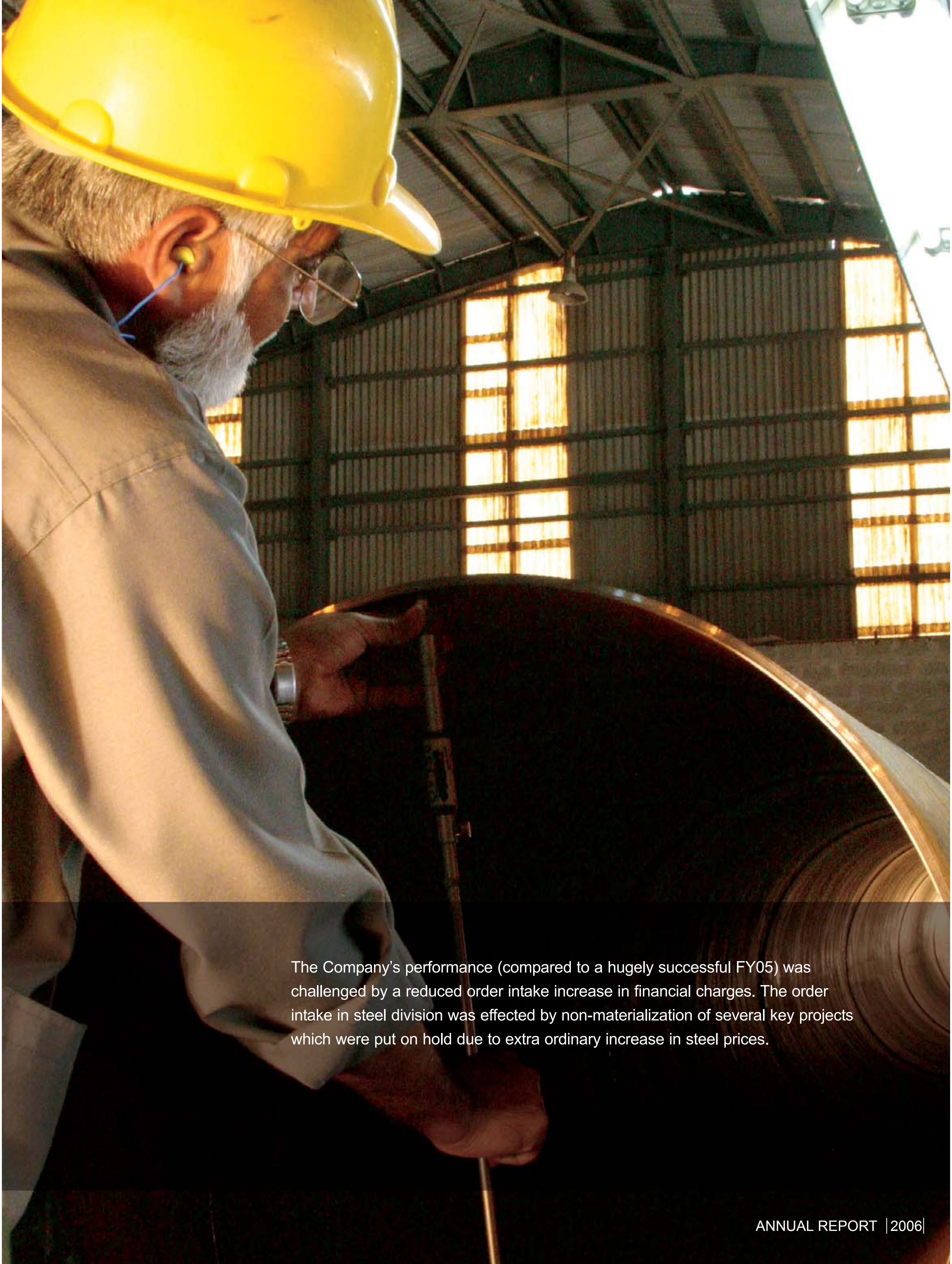
Economic activity remained robust during the year with the country meeting most of its macro economic goals. At present although economists and policy makers hold a cautiously optimistic view of the economy, trade deficit and soaring international oil prices pose a significant threat to economic growth.

Statement of Value Added
For the year ended 30 June

	2006 Rupees in '000	%	2005 Rupees in '000 Restated	%
WEALTH GENERATED				
Total revenue inclusive of sales tax and other income	2,204,785		3,324,723	
Bought-in-material and services	(1,492,879)		(2,292,087)	
	711,906	100%	1,032,636	100%
WEALTH DISTRIBUTED				
To Employees				
Salaries, benefits and other costs	110,989	15%	98,647	10%
To Government				
Income tax, sales tax	154,917	22%	475,394	45%
To Society				
Donation towards education, health and environment	4,000	1%	17,714	2%
To Providers of Capital				
Dividend to shareholders	131,235	18%	48,606	5%
Mark-up/interest expenses on borrowed funds	82,940	12%	43,949	4%
Reatined for reinvestment & future growth				
Depreciation, amortization & retained profit	227,825	32%	348,326	34%
	711,906	100%	1,032,636	100%

WEALTH DISTRIBUTION 2006





The Company's performance (compared to a hugely successful FY05) was challenged by a reduced order intake increase in financial charges. The order intake in steel division was effected by non-materialization of several key projects which were put on hold due to extra ordinary increase in steel prices.

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 2006.

Operating Results

The financial results of the Company are summarised below:

		2006	2005
		Rupees in '000	
Profit for the year		262,409	394,218
Taxation		2,790	81,823
Profit after taxation		259,619	312,395
Unappropriated profit brought forward		322,033	58,244
Profit available for appropriation		581,652	370,639
Appropriations:			
- First interim dividend	2005 - 10%	–	(24,303)
- Second interim dividend	2005 - 10%	–	(24,303)
- Final dividend	2005 - 10%	(24,303)	–
- Bonus shares issued - Final	2005 - 20%	(48,605)	–
- Interim	2006 - 20%	(58,327)	–
		(131,237)	(48,606)
Unappropriated profit carried forward		450,417	322,033
Basic and diluted earning per share		Rs.7.42	Rs.8.93

The Board of Directors have recommended a transfer of Rs.421.0 million out of unappropriated profit of Rs.450.4 million as on 30 June 2006. The transfer to General Reserve will be reflected in the accounts for the year 2007.

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.

The SBP's firm stance on continuing with its tightened monetary policy may lead to a further hike in interest rates and decline in consumer spending with the added risk of deceleration in the growth process. It is therefore imperative to improve our export base and competitiveness, while ensuring a steady flow of FDI to meet GDP targets for the year.

Crescent Steel & Allied Products Ltd.

Directors' Report

- 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 charges as stated in notes 6.7, 6.10 and 6.18 to the financial statements and accounting estimates are based on reasonable and prudent judgment.

- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

- The system of internal control and other such procedures, which are in place, are being 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.

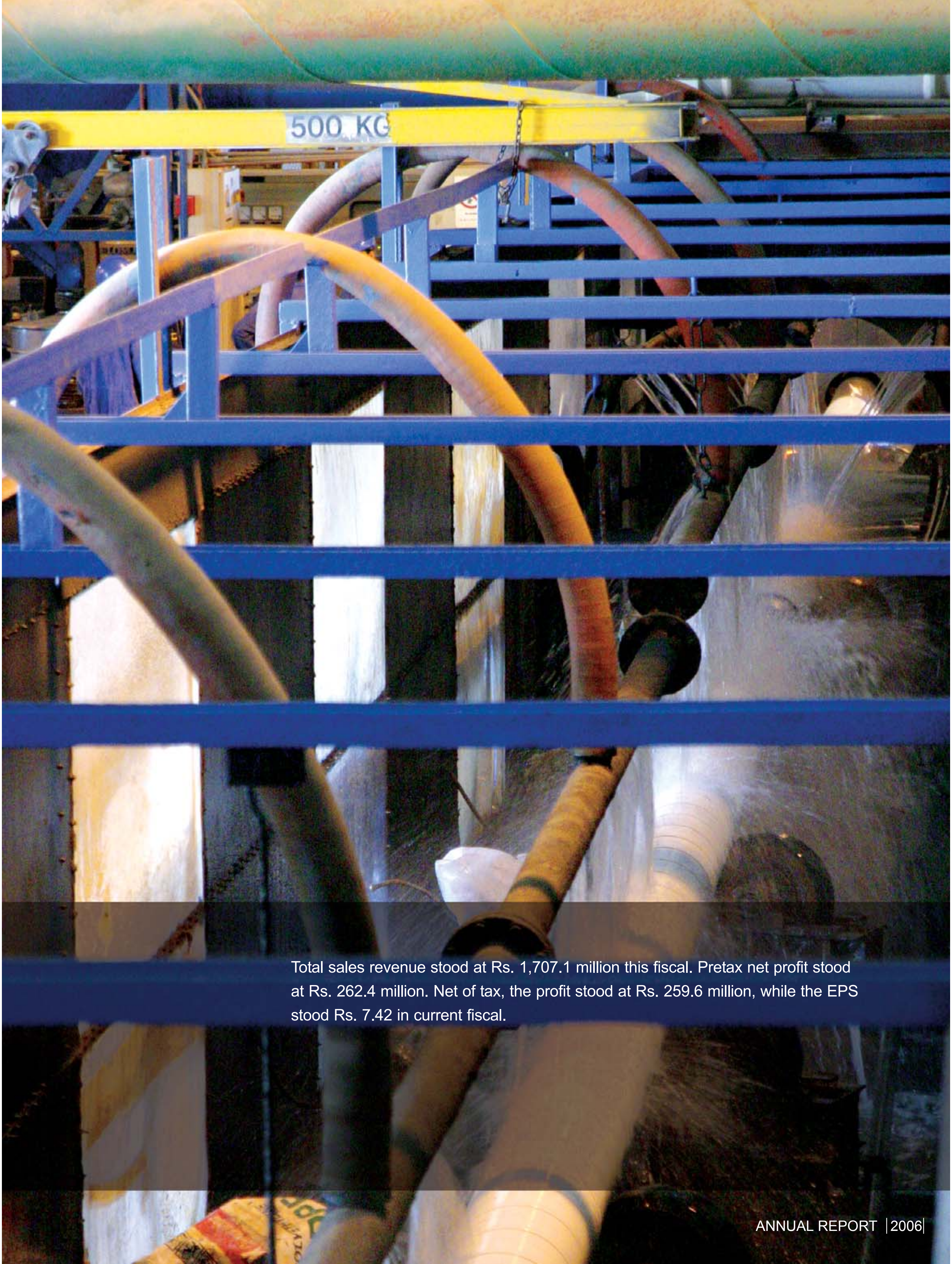
- Details of significant improvements in the company's operations during the current year and significant plans and decisions for the future are stated in the Chief Executive Review.

- Key operating and financial data for last six years in summarized form is annexed.

- Information about taxes and levies is given in the notes to the financial statements.

- The number of employees at the end of year was 1,083 (2005: 695).

- 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



Total sales revenue stood at Rs. 1,707.1 million this fiscal. Pretax net profit stood at Rs. 262.4 million. Net of tax, the profit stood at Rs. 259.6 million, while the EPS stood Rs. 7.42 in current fiscal.

Directors' Report

- 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

Election of Directors was held on 28 January 2006 and out of eight Directors, the seven retiring Directors were elected unopposed whose term of office will expire on 29 January 2009.

Financial statements

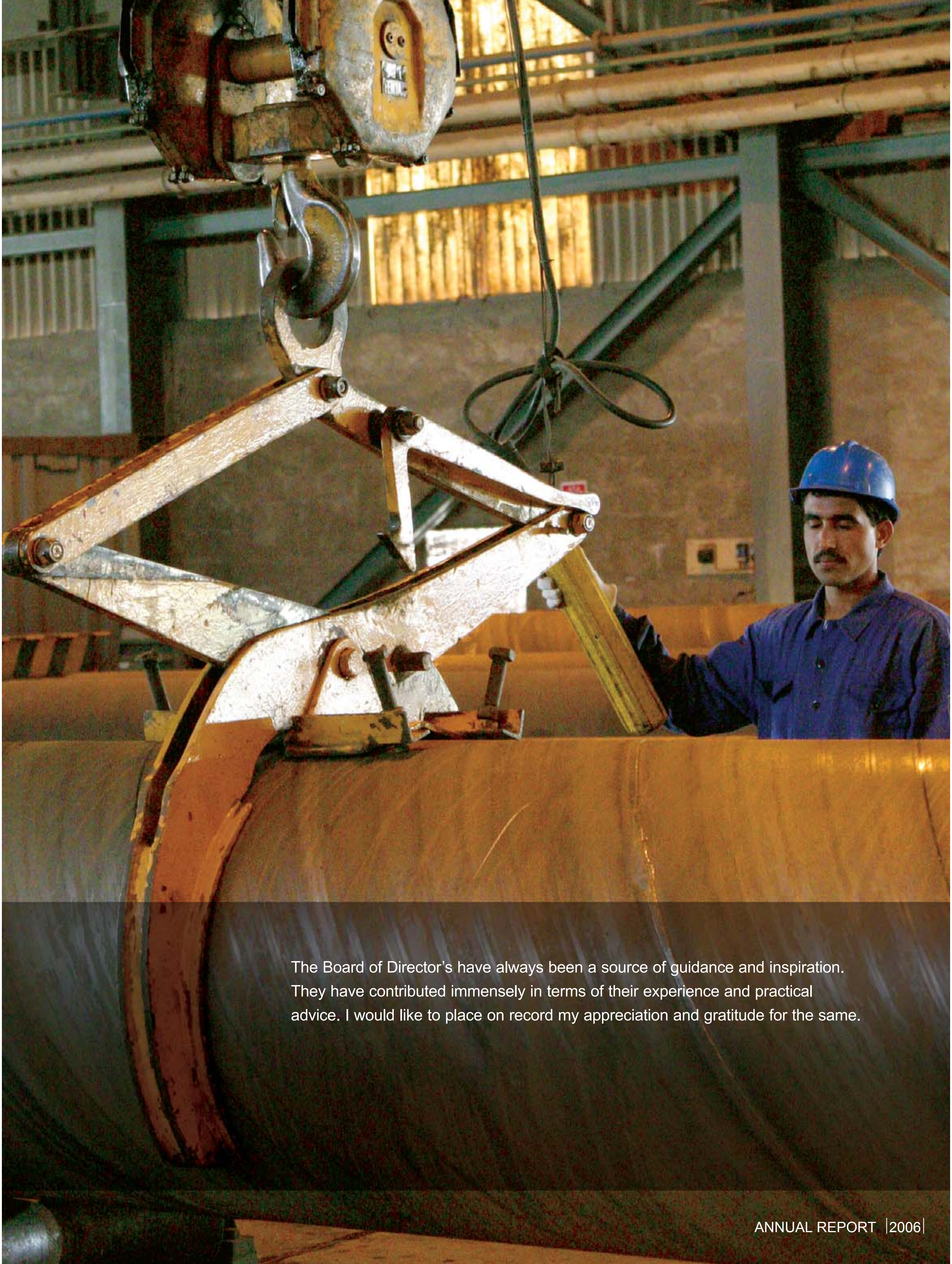
The financial statements of the Company have been duly audited and approved without qualification by the auditors of the Company, KPMG Taseer Hadi & Co., Chartered Accountants and their report is attached with the financial statements.

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

12 September 2006



The Board of Director’s have always been a source of guidance and inspiration. They have contributed immensely in terms of their experience and practical advice. I would like to place on record my appreciation and gratitude for the same.

Chief Executive's Review

Dear Shareholders,

It gives me great pleasure to present to you the results of your company for the year ended 30 June 2006.

We have proved our leadership in Quality by becoming the first Pakistani company to have acquired oil and gas industry specifics ISO 9000-2000, Quality Management System Certification from American Petroleum Institute. We already have American Petroleum Institute API-5L pipe manufacturing license since 1987.

Economic activity remained robust during the year with the country meeting most of its macro economic goals. At present although economists and policy makers hold a cautiously optimistic view of the economy, trade deficit and soaring international oil prices pose a significant threat to economic growth.

The SBP's firm stance on continuing with its tightened monetary policy may lead to a further hike in interest rates and decline in consumer spending with the added risk of deceleration in the growth process. It is therefore imperative to improve our export base and competitiveness, while ensuring a steady flow of FDI to meet GDP targets for the year.

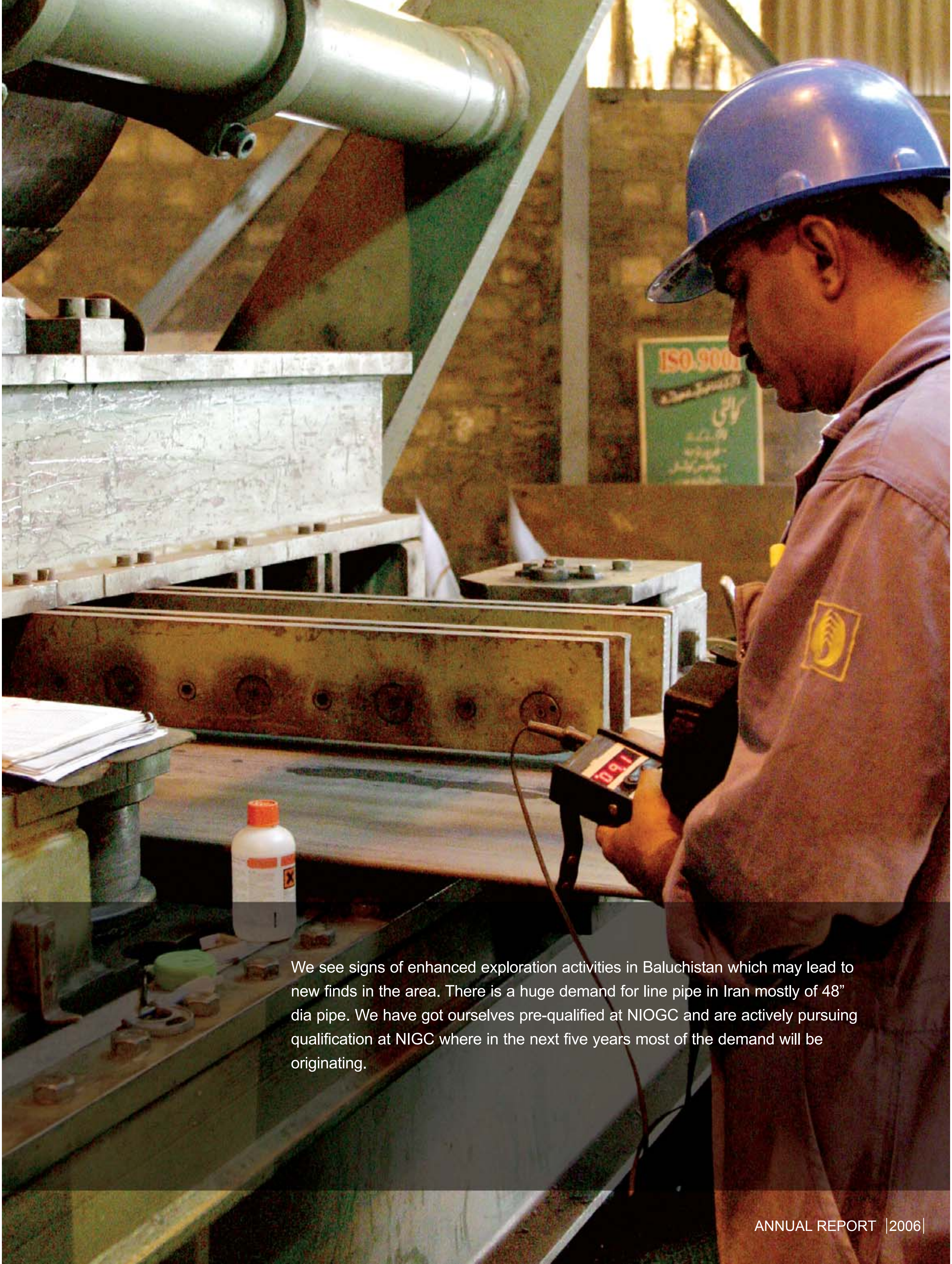
Currently, the world steel market is characterized by high demand and high prices. So far, price lowering effects such as news of China becoming a net steel exporter in 2006, have not influenced steel prices. However moving forward we foresee steel prices to stabilize and even decline in future.

Operation's Review

The Company's performance (compared to a hugely successful FY05) was challenged by a reduced order intake and increase in financial charges. The order intake in steel division was effected by non-materialization of several key projects which were put on hold due to extra ordinary increase in steel prices.

Total sales revenue stood at Rs. 1,707.1 million this fiscal, a decline of 36% from the Rs. 2,686.6 million posted last year. Pretax net profit stood at Rs. 262.4 million as against Rs. 394.2 million of FY05.

Net of tax, the profit stood at Rs. 259.6 million as compared to Rs. 312.4 million of last year, a decline of 17% while the EPS declined from RS. 8.93 of FY05 to Rs. 7.42 in current fiscal.



We see signs of enhanced exploration activities in Baluchistan which may lead to new finds in the area. There is a huge demand for line pipe in Iran mostly of 48” dia pipe. We have got ourselves pre-qualified at NIOGC and are actively pursuing qualification at NIGC where in the next five years most of the demand will be originating.

Chief Executive's Review

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

Currently, the world steel market is characterized by high demand and high prices. So far, price lowering effects such as news of China becoming a net steel exporter in 2006, have not influenced steel prices. However moving forward we foresee steel prices to stabilize and even decline in future.

Steel Division

Order intake in FY06 was much less than the previous fiscal mainly due to high steel prices and deferring of projects by customers. Bare pipe production stood at 21,820 tons in FY06 as compared to 42,099 tons during the last fiscal year.

Sales revenue of the steel division at Rs. 1,014.1 million was 50% less than the Rs. 2,046.5 million of FY05. High steel prices and non availability of any large orders largely led to a decline in sales volume. Coating revenue was affected due to higher orders for smaller diameter pipes and fewer orders for large diameter pipes.

Coating of 242,847 square metres of pipe was carried out during the FY06 as compared to 250,717 square metres coated during FY05 a decrease of 3%. Capacity utilization was 40% as against 42% in the previous year.

Cost of sales for the steel division stood at Rs. 902.9 million in FY06 as against Rs.1,697.5 million in FY05 while gross profit stood at Rs.111.2 million as compared to Rs.349.1 million of FY05.

The gross profit margin as a whole during the FY06 was 11% as against 17% last year. The reduction in gross profit margin was due to high price of steel, price fluctuation of local as well as imported raw materials and stiffer competition in the steel line pipe industry.

Operating expenses declined from Rs. 150.5 million of last year to Rs. 108.6 million this current fiscal and were well within budget. Operating profit before financing cost amounted to Rs. 357.7 million this fiscal (FY05: Rs.449.8 million) while other operating income posted a handsome gain of Rs. 355.1 million from Rs. 251.3 million of FY05, mainly due to active portfolio trading. Financial cost stood at almost the same levels mainly due to the increase in interest cost which stood at Rs. 14.9

SNGPL has already started work on project 9 for up-gradation of their transmission network and construction of pipeline to take additional gas from newly discovered Gurguri field in NWFP. Over 300 km of 16”, 24” and 36” dia pipe construction is expected besides over 400 km of 12” and 8” dia pipes.

Chief Executive's Review

million in the current fiscal. (FY05: Rs. 14.3 million)

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 shareholder, our strategy has been to focus on those sectors which have potential for growth and where real investments are being made.

Investments

The Stock Market was characterized by its usual erratic movement with the KSE-100 index starting the year at 7,450 points and closing at 9,989 points, a gain of 34% on average. Active portfolio switching and capital gains realization resulted in the company earning Rs. 300.4 million, comprising of dividend income of Rs. 66.9 million and realized capital gain of Rs. 233.5 million. This was in addition to bonus shares received and unrealized gains.

Total investments appearing in short term and long term classification aggregated to a market value of Rs. 742.0 million on 30 June 2006 as compared to Rs. 944.3 million last year.

In addition investment in associate companies value on equity method amounted to Rs.428.4 million as compared to Rs.282.3 million last year.

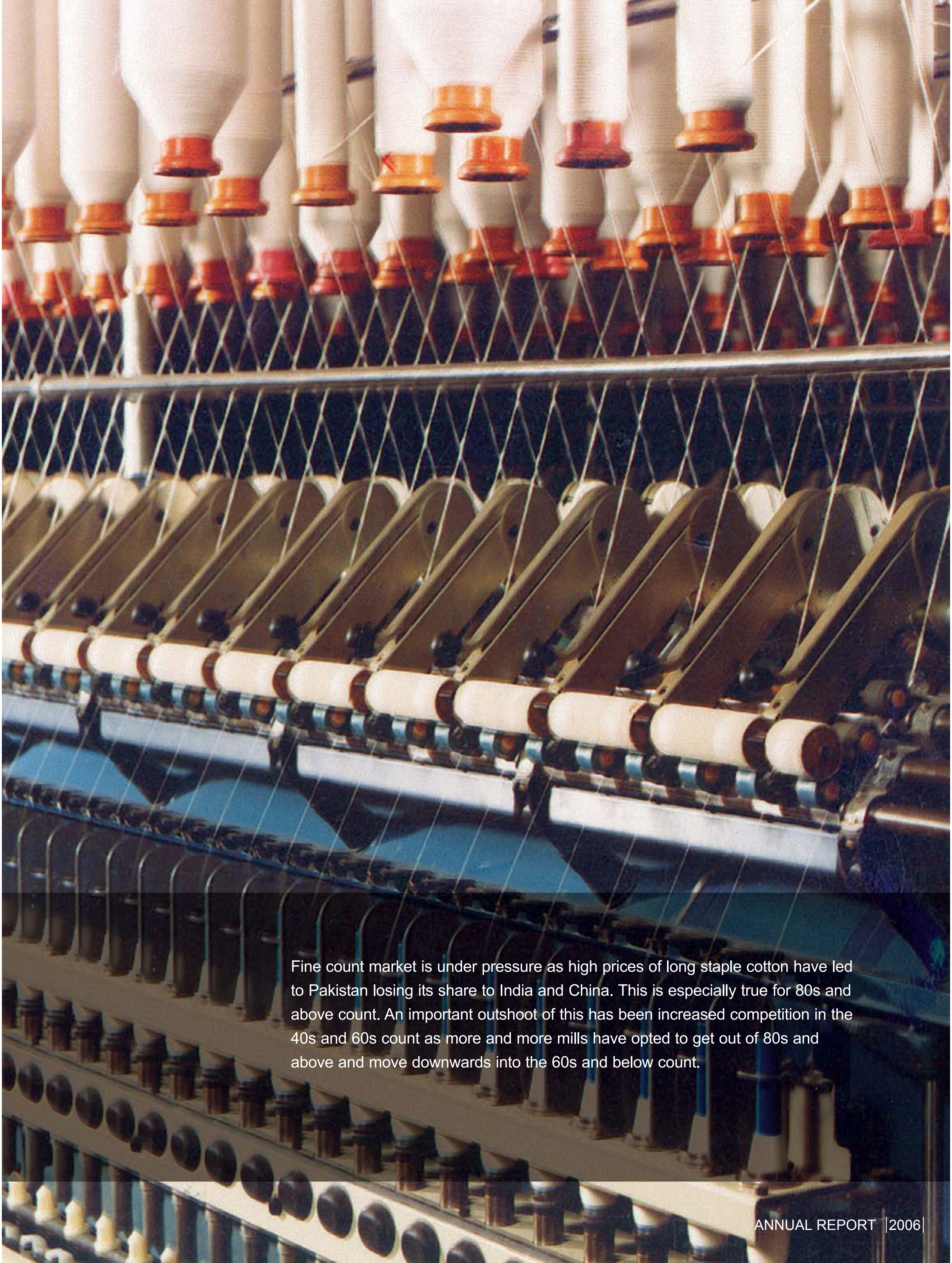
We continued our policy of investing in blue chip scrips across diversified sectors to mitigate the inherent risks in equity investment. For the benefit of our shareholder, our strategy has been to focus on those sectors which have potential for growth and where real investments are being made.

Cotton Division

Unit I of our cotton division continued to work uninterrupted through out the year on a three shift basis. Unit II comprising of 25,344 spindles with state of the art German, Japanese and Swiss machinery was set up and commissioned during the year. This unit will be used mainly in the production of finer counts ranging from 40s to 80s.

The result of the current fiscal reflects only a month's sale of Unit II. The cotton division achieved 20s converted production of 7.69 million kgs yarn as compared to 6.17 million kgs produced last year.

Revenue however increased by 8.2% from Rs. 640.1 million of FY05 to



Fine count market is under pressure as high prices of long staple cotton have led to Pakistan losing its share to India and China. This is especially true for 80s and above count. An important outshoot of this has been increased competition in the 40s and 60s count as more and more mills have opted to get out of 80s and above and move downwards into the 60s and below count.

Chief Executive's Review

Rs. 692.9 million this year. Cost of sales stood at Rs. 663.8 million as compared to Rs. 617.1 million last year. As Unit II started operations in the middle of the season, much of the cotton procurement for it was at very high prices however strict cost monitoring and efficient running helped to improve gross margins from 3.6% last year to 4.2% in FY06. Cotton prices remained higher than the previous year but the effect was offset by somewhat higher yarn prices.

The challenges in the textile industry remain the availability of quality cotton locally. The rapid expansion in capacities and modernization of existing facilities has resulted in higher overall demand and increasing need for better cotton.

Operating expenses increased to Rs. 31.9 million in FY06 from Rs. 27.8 million of the same period last year.

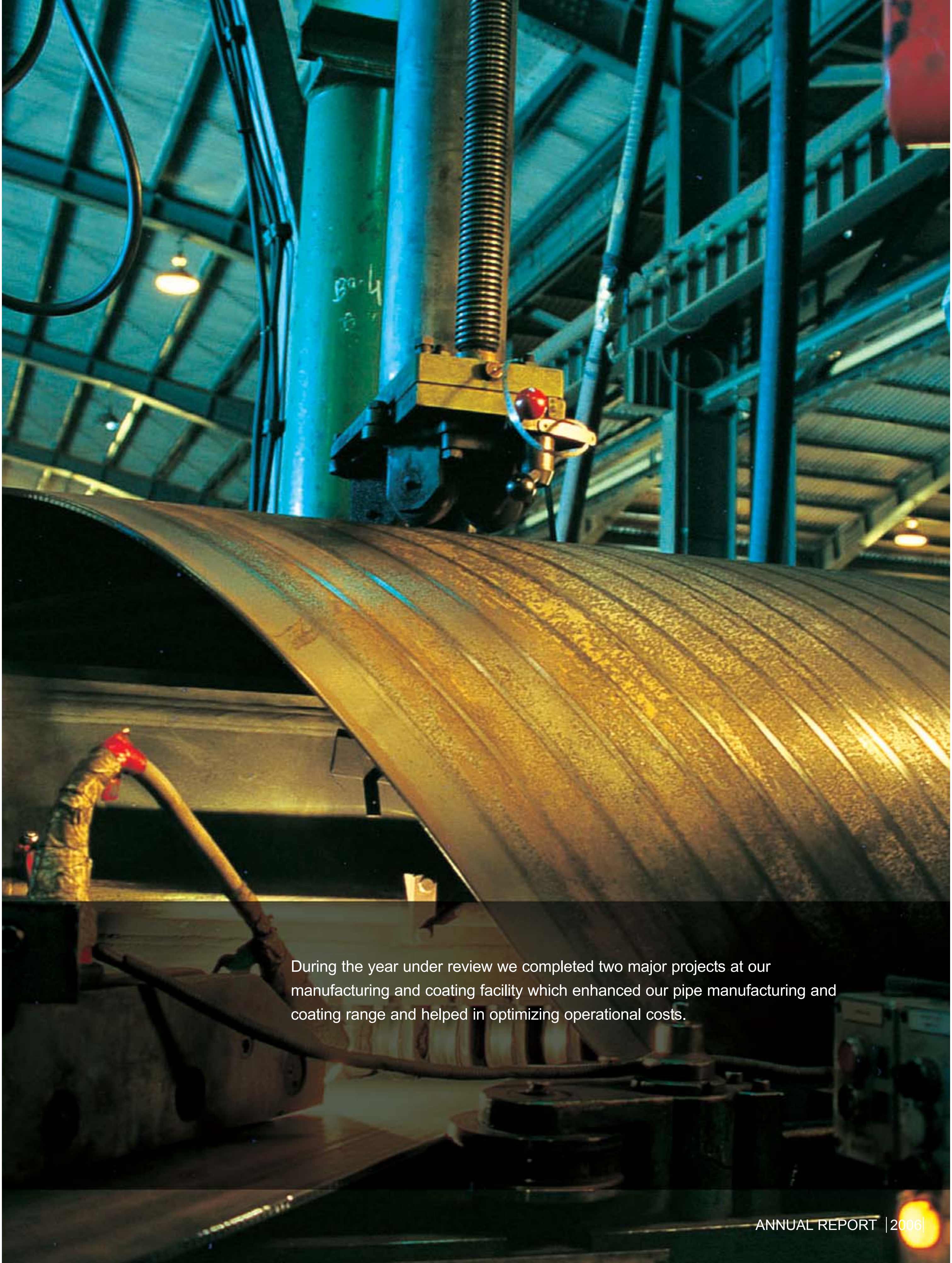
Financial charges increased due to a long term loan of Rs. 450 million during Q2FY06 to finance planned capital expenditure of Unit-II and utilization of short term finances during the current year to support increased operational activities. In addition a regular upward trend in interest rates, an increase of as much as 400 basis points led to an increase in financial expenses from Rs. 29.7 million in FY05 to Rs. 67.9 million in current fiscal.

The cotton division reported a net loss of Rs. 68.4 million as compared to the loss of Rs. 21.8 million last year, mainly due to high financial costs.

Balance Sheet

The Company's balance sheet continues to remain solid supported by strong capital reserves. Balance sheet footing has increased to Rs. 3,714.7 million this year with a debt equity ratio of 21:79 and current ratio of 1.7: 1. Return on capital employed and return on equity is 7.5% and 12.7% respectively.

Break up value of shares has gone down to Rs. 56.6 from Rs. 76.6 last year due to issue of bonus shares and dividend announcements. The Company has completed the right issue of Rs. 466.6 million in September 2006 which will strengthen its balance sheet, reduce the gearing and hence improve the financials.



During the year under review we completed two major projects at our manufacturing and coating facility which enhanced our pipe manufacturing and coating range and helped in optimizing operational costs.

Chief Executive's Review

Challenges and Mitigation

During the year under review we completed two major projects at our

Inauguration ceremony of Murree Gas Suppliy Project in which CSAPL was the main pipe supplier.

manufacturing and coating facility which enhanced our pipe manufacturing and coating range and helped in optimizing operational costs.

The pipe manufacturing mill was upgraded and can now manufacture higher pipe wall thickness in X-80 Grade, required for cross country pipelines. At the coating plant with the up-gradation we have become the only three layer polyolefin and stand alone FBE (Fusion Bonded Epoxy) coating applicator in Pakistan who can coat up to 56" pipe diameters. We have installed state of the art gas furnaces for pipe heating thus reducing our power consumption bill, as before pipes were heated through electricity.

We have also proved our leadership in Quality by becoming the first Pakistani company to have acquired oil and gas industry specifics ISO 9000-2000, Quality Management System Certification from American Petroleum Institute. We already have American Petroleum Institute API-5L pipe manufacturing license since 1987.

We see signs of enhanced exploration activities in Baluchistan which may lead to new finds in the area. There is a huge demand for line pipe in Iran mostly of 48" dia pipe. We have got ourselves pre-qualified at NIOGC and are actively pursuing qualification at NIGC where in the next five years most of the demand will be originating.

The challenges in the textile industry remain the availability of quality cotton locally. The rapid expansion in capacities and modernization of existing facilities has resulted in higher overall demand and increasing need for better cotton.

Health, Safety and Environment

The health and safety of your workforce, our team and the community at large is of utmost priority at CSAPL. All our employees undergo continuous

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

Chief Executive's Review

training on all aspects of safety especially with regards to the safe delivery, storage and handling of the materials we produce. In addition we have initiated a rotation exercise at the factory whereby our aim

is to ensure that all supervisors are also safety managers and are fully cognizant of all aspects of safety training.

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

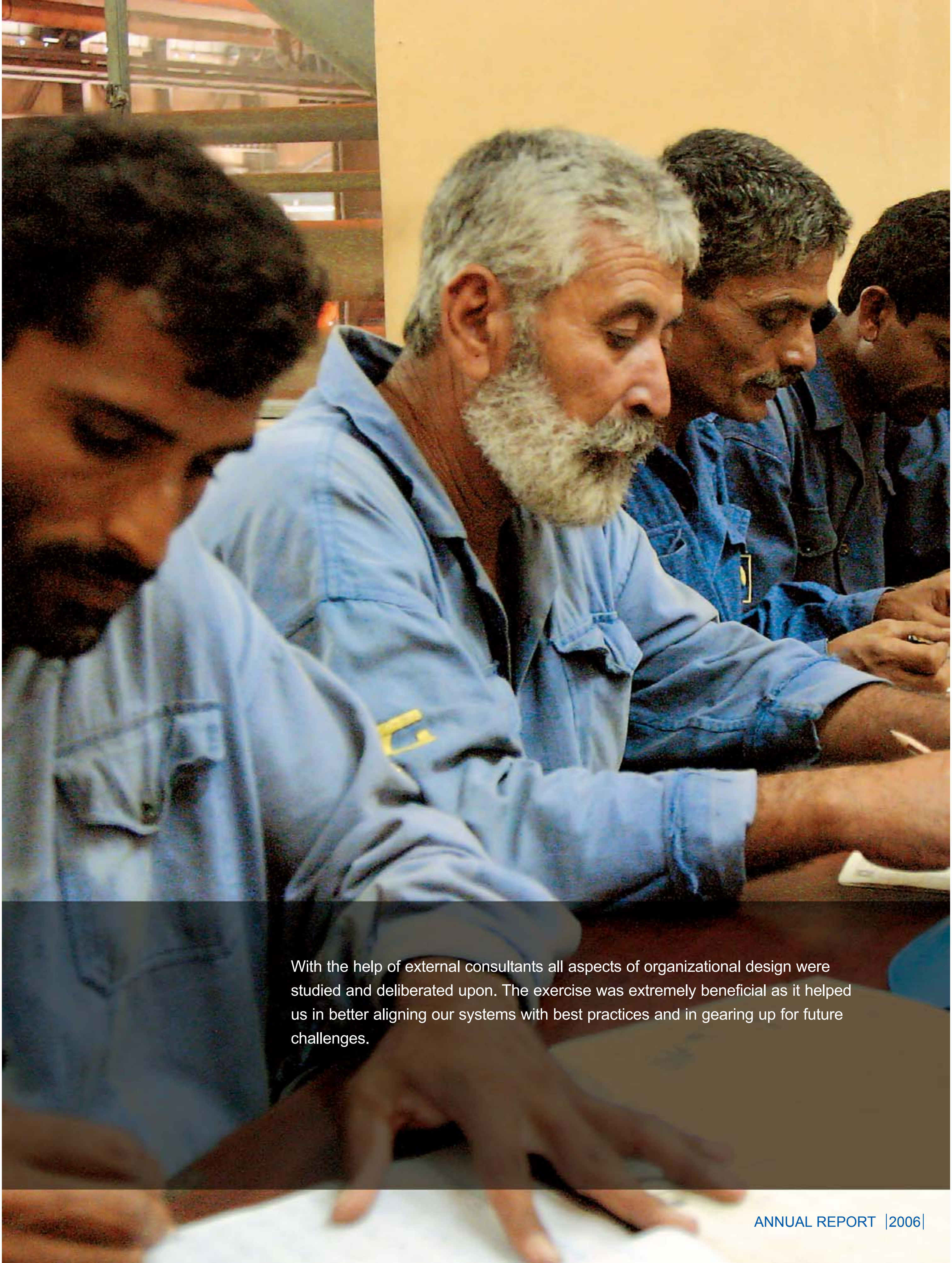
Social Responsibility

We are keenly aware of our responsibility to the society in which we operate. The cause of education has always remained very dear to us and we have been consciously and earnestly doing this for the past nine years. We continued funding support for education at primary, secondary and tertiary levels and also provided considerable funds towards tsunami disaster affectees and earthquake victims.

HR Initiatives

At CSAPL we are of the firm belief that complete alignment of our HR mission and vision with corporate goals is vital for any form of success. In today's competitive environment we foresee skills shortages and realize that it is important to place emphasis on retaining and developing current staff and making effective performance reviews and succession planning an essential part of our activities. We strongly uphold that staff development is crucial for motivating staff to engage in behavior essential for improved individual and corporate performance.

Towards this end, a major exercise was undertaken this fiscal, termed as the Organization Review and Transformation Exercise (ORTE) - a complete assessment of the way we do business. Although mostly related to revamping our HR systems this exercise looked at all aspects of our organization, its functional structure, mission, vision and values ultimately cascading down to implementation of a new performance management system, development of KPIs (Key Performance Indicators) for all departments, initiation of a change readiness culture, valuations of jobs and implementation of new training strategies. With the help of external consultants all aspects of organizational design were



With the help of external consultants all aspects of organizational design were studied and deliberated upon. The exercise was extremely beneficial as it helped us in better aligning our systems with best practices and in gearing up for future challenges.

Chief Executive's Review

studied and deliberated upon. The exercise was extremely beneficial as it helped us in better aligning our systems with best practices and in gearing up for future challenges.

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.

In line with the Company's decision on a paradigm shift to an "employee centered enterprise", the necessary first steps for creation of Business Units have already been taken. Enterprise mapping has been completed and a new business model, together with a strategy for transition has been evolved with consulting support from Ferguson Associates (Pvt) Limited Management Consultants. The cotton division will be transformed first, to be followed by steel division and investments. The new model is designed to enable our organisational talent to operate at its very best, and convert unleashed power of talent into enhanced shareholder value.

Corporate Governance

Corporate governance is not about compliance rather it is a system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance.

CSAPL places strong emphasis on all areas concerning effective and efficient corporate governance. A good example is the organization review and transformation exercise mentioned earlier which in addition to the continual efforts of strengthening internal controls, updating of policy manuals and effective functioning of the internal audit are all in line with our higher emphasis on this area. 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.

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Chief Executive's Review

Corporate Reporting

At CSAPL we always strive for high corporate reporting standards. This claim is justified from the fact that our Annual Report for 2004 received 3rd position in engineering sector of ICAP Best Corporate Report Award-2004. We hope to improve ourselves further in coming years.

The Chief Financial Officer of CSAPL receiving the ICAP Best Corporate Report Award - 2004 from Dr. Salman Shah, Advisor to the Prime Minister of Pakistan for Finance, Revenue & Economic Affairs.

Diversification Plans

CSAPL's strategy of diversification as an important tactical move has always benefited the Company in the past. Towards this end the Company committed significant investment in the energy sector by realigning its investment portfolio.

Future Outlook

Future in the oil, gas and water sector looks quite promising. SNGPL has already started work on project 9 for up-gradation of their transmission network and construction of pipeline to take additional gas from newly discovered Gurguri field in NWFP. Over 300 km of 16", 24" and 36" dia pipe construction is expected besides over 400 km of 12" and 8" dia pipes.

Approximately 150 km of 12", 20", 24" and 36" dia pipe is planned in SSGC network. Another 36" dia pipeline will be constructed for the LNG project by Jamshoro Joint Venture while another 470 km of 16", 12" dia pipeline to carry company wide products from Attock to Taru Jabba are also likely to be constructed in 2007-2008. Work on Indus Refinery has already started and another refinery with Kuwaiti participation is also planned. The combined large diameter requirement for this refinery is 25,000 tons.

In the cotton division looking ahead things look rough compelling us to use all measures within our means to prepare for next year. Fine count market is under pressure as high prices of long staple cotton have led to Pakistan losing its share to India and China. This is especially true for 80s and above count. An important outshoot of this has been increased competition in the 40s and 60s count as more and more mills have opted to get out of 80s and above and move downwards into the 60s and below count.

However with Unit II now in full operations, synergies from a bigger unit will become evident in the coming years.

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Chief Executive's Review

Special attention to efficient procurement and costs control will further help to diminish the adverse impact of increased competition.

Contradictory news is circulating

regarding damage to the crop by excessive monsoon rains in the new fiscal. While there have, no doubt, been losses in the Southern province of Sindh, it is too early to assess the main producing areas of Punjab. For the time being, most private estimates agree that the official target of 13.8 million bales will not be reached, resulting in a possible loss of 1.0 to 1.5 million local bales, or a crop of slightly below 10.0 million statistical bales.

We are fully cognizant of this possible shortfall in cotton and are prepared to do everything possible to mitigate the adverse impact of such an event.

Our employees are committed to their careers with us, and we encourage them to take initiative in developing themselves based on their personal goals.

Board of Directors

The Board of Director's have always been a source of guidance and inspiration. They have contributed immensely in terms of their 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.

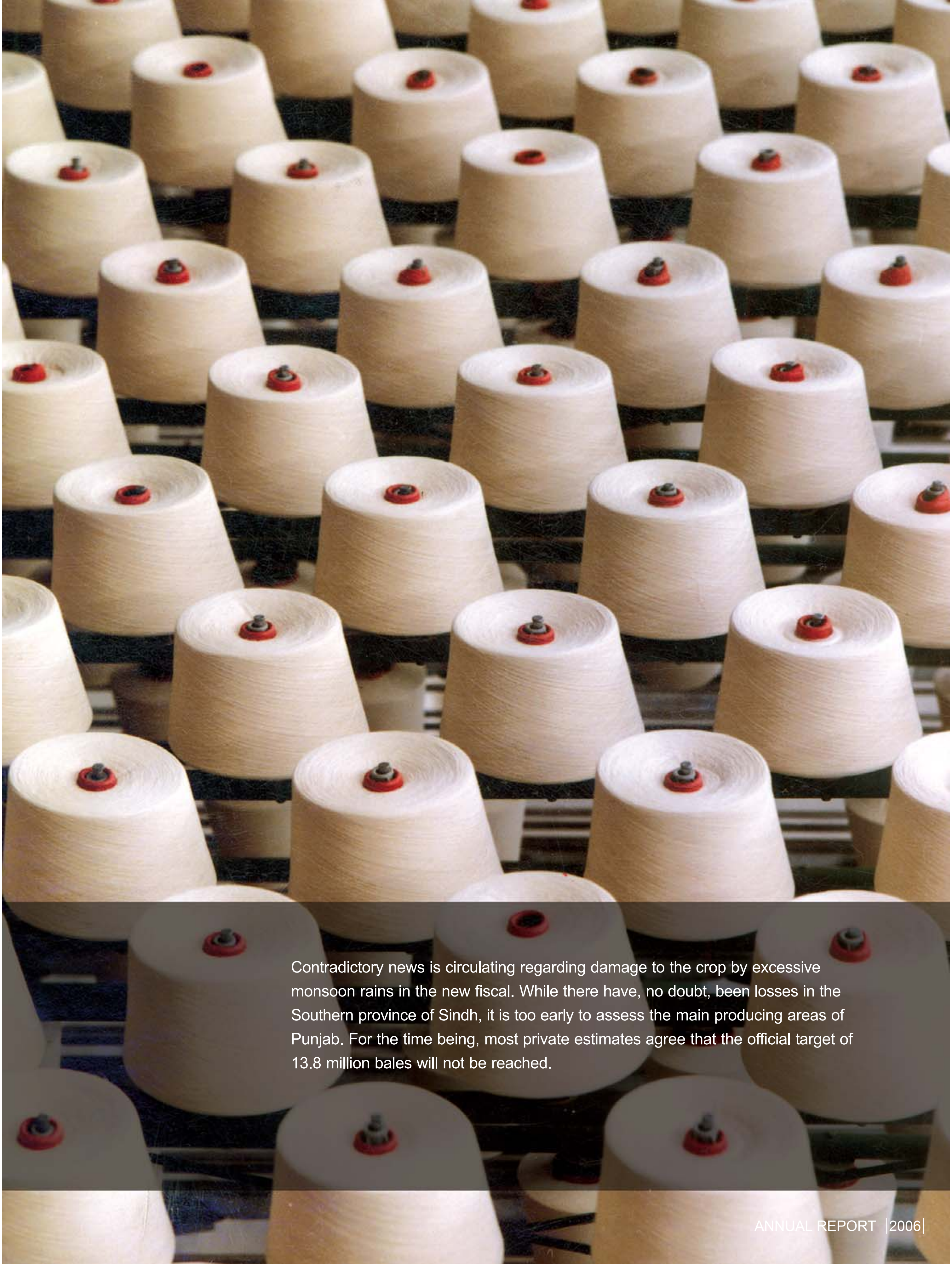
Employees

Our employees are our strength. Their dedication, enthusiasm and motivation are highly appreciated. The Company continues to benefit from the efforts of all its employees and on behalf of the directors and myself, I am pleased to record our appreciation.

By Order of the Board

Ahsan M. Saleem

Chief Executive
12 September 2006

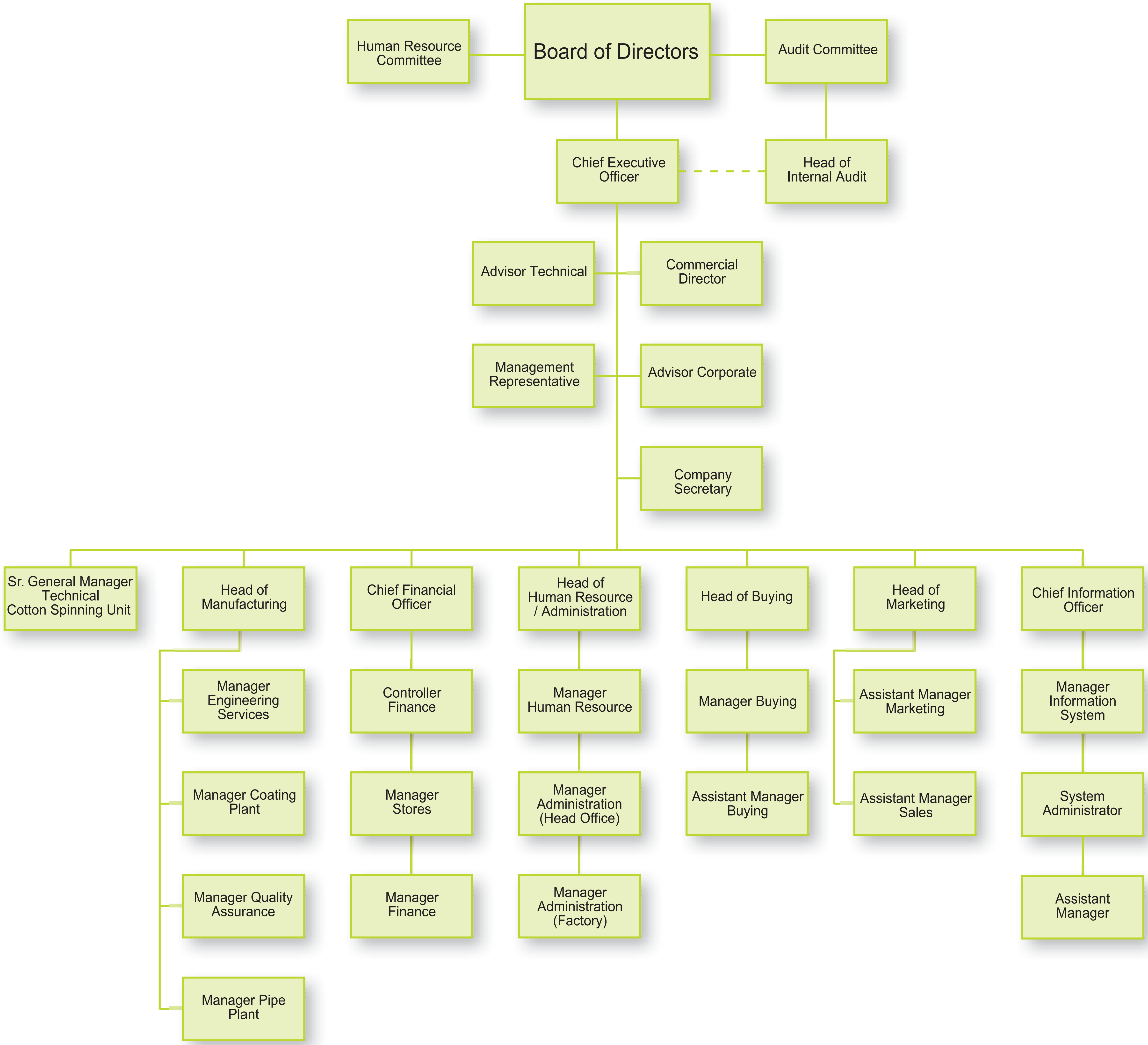


Contradictory news is circulating regarding damage to the crop by excessive monsoon rains in the new fiscal. While there have, no doubt, been losses in the Southern province of Sindh, it is too early to assess the main producing areas of Punjab. For the time being, most private estimates agree that the official target of 13.8 million bales will not be reached.

Management Structure

Crescent Steel &
Allied Products Ltd.

Management Structure



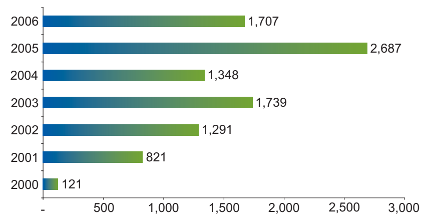
* Outsourced to Ford Rhodes Sidat Hyder & Co., (Asim Siddiqui-Engagement Partner

Financial Highlights

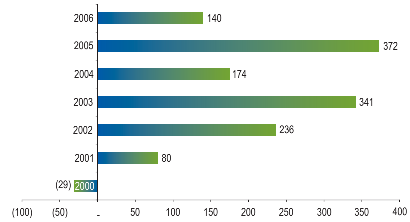
	2006	2005	2004	2003	2002	2001	2000
Operating Results (Rupees in million)							
Net sales	1,707.1	2,686.6	1,348.1	1,738.9	1,291.1	820.9	121.2
Cost of sales	1,566.8	2,314.7	1,173.9	1,398.0	1,055.2	741.1	150.0
Gross profit / (loss)	140.3	371.9	174.3	340.9	235.9	79.9	(28.8)
Distribution, selling and administrative expenses	118.6	108.3	90.7	91.2	61.5	42.4	36.7
Other operating expenses	21.9	70.0	36.9	26.1	20.3	28.9	35.2
Other operating income, net	357.4	264.1	300.4	174.6	68.4	87.6	170.0
Operating profit	357.3	457.7	347.1	398.2	222.5	96.1	69.3
Financial expenses	82.9	43.9	20.4	16.8	23.7	23.0	2.7
Share of loss in associates	(11.9)	(19.5)	–	–	–	–	–
Pre tax profit	262.4	394.2	326.7	381.4	198.7	73.1	66.6
Income tax	2.8	81.8	30.8	97.2	60.5	18.3	(23.4)
Net income	259.6	312.4	295.9	284.2	138.2	54.8	90.0
Dividend	24.3	48.6	77.3	100.5	60.0	30.0	36.0
Per Share Results and Return							
Earnings per share (Rupees)	7.4	8.9	8.5	8.1	3.9	1.6	2.6
Break-up value per share (Rupees)	56.6	76.6	68.8	57.8	39.3	35.7	34.5
Dividend per share - including final proposed (Rupees)	–	3.0	3.5	5.0	3.0	1.5	1.8
Dividend yield (%) - including final proposed	–	3.9	4.4	6.0	9.1	10.9	11.3
Dividend pay out (%) - including final proposed	–	23.3	26.1	35.4	43.4	54.8	40.0
Bonus shares (%) - including final proposed	20	20	10	10	–	–	–
Market value per share (Rupees)	43.5	77.0	78.9	83.0	33.0	13.7	16.0
Stock price range (Rupees)	90-37	100-64	93-50	90-30	32-14	24-12	26-12
Price earning ratio (Rupees)	5.9	8.6	9.3	10.2	8.4	8.8	6.2
Financial Position (Rupees in million)							
Current assets	1,883.1	1,779.5	1,541.1	973.3	1,034.7	776.5	475.6
Current liability	1,127.1	468.9	370.9	260.3	584.4	382.3	136.8
Property, plant and equipment	1,339.6	441.8	467.8	410.5	355.3	366.7	382.1
Total assets	3,714.7	2,569.8	2,228.2	1,460.9	1,439.1	1,181.3	894.6
Long-term debt (excluding current maturity)	548.3	236.1	326.5	38.0	59.2	68.5	64.7
Deferred liabilities	1.6	3.9	10.6	–	5.1	12.8	–
Short-term debt (including current maturity of long-term debt)	876.9	233.5	156.2	100.6	80.2	151.7	41.4
Reserves	1,687.7	1,617.5	1,298.5	961.2	588.9	516.8	492.2
Shareholders' equity	2,037.7	1,860.5	1,519.4	1,162.1	789.7	717.7	693.1
Financial Ratios							
Gross profit / (loss) to sales (%)	8.2	13.8	12.9	19.6	18.3	9.7	(23.8)
Operating profit to sales (%)	20.9	17.0	25.7	22.9	17.2	11.7	57.2
Net income to sales (%)	15.2	11.6	21.9	16.3	10.7	6.7	74.3
Return on average assets (%)	11.0	18.3	18.8	27.5	17.0	9.3	8.4
Return on capital employed (%)	7.5	13.4	14.8	21.8	14.9	5.8	11.3
Return on equity (%)	12.7	16.8	19.5	24.5	17.5	7.6	13.0
Current assets to current liabilities	1.7	3.8	4.2	3.7	1.8	2.0	3.5
Net current assets (working capital)	756.0	1,310.6	1,170.2	712.9	450.3	394.2	338.8
Long term debt to equity (%)	26.9	12.7	21.5	3.3	7.5	9.6	9.3
Total debt to total assets (%)	45.1	27.4	31.3	20.4	44.7	38.2	22.5
Interest coverage (times)	4.3	10.4	17.0	23.7	9.4	4.2	25.6
Average collection period (days)	8.0	11.4	8.4	8.7	39.5	49.7	3.9
Debtors turnover (times)	45.4	32.0	43.5	42.0	9.2	7.3	93.6
Inventory turnover (times)	4.7	10.6	5.3	4.4	3.7	8.1	3.6
Property, plant and equipment turnover (times)	1.3	6.1	2.9	4.2	3.6	2.2	0.3
Total assets turnover (times)	0.5	1.0	0.6	1.2	0.9	0.7	0.7
Other Data (Rupees in million)							
Depreciation / Amortisation	99.4	84.5	84.2	82.9	63.6	52.7	32.4
Capital expenditure (including leased assets)	996.5	66.3	163.2	130.0	101.6	8.4	211.9
Common shares (no. of shares in million)	36.0	24.3	22.1	20.1	20.1	20.1	20.1

Financial Highlights

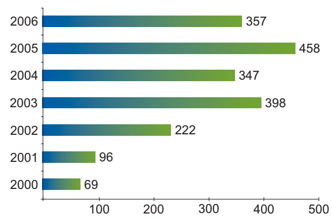
Net Sales
Rupees in million



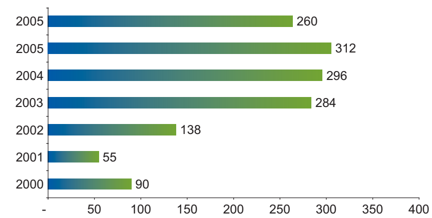
Gross Profit
Rupees in million



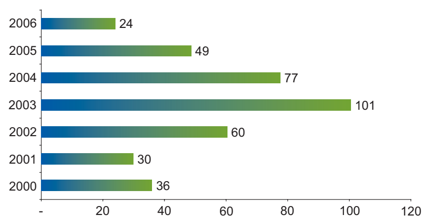
Operating Profit
Rupees in millions



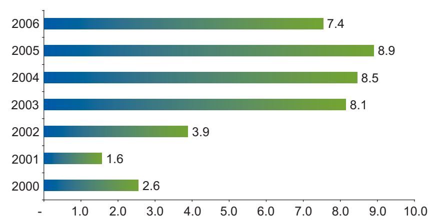
Profit After Taxation
Rupees in million



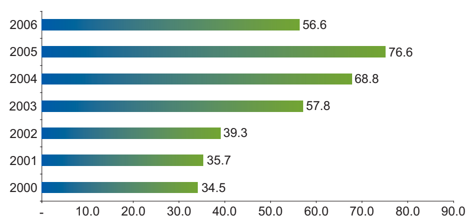
Dividends
Rupees in million



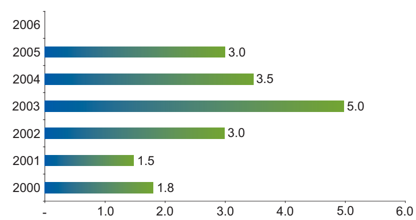
Earning Per Share
Rupees



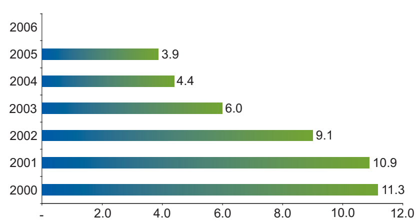
Break-Up Value Per Share
Rupees



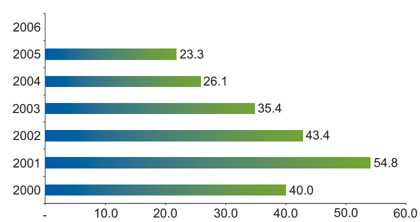
Dividend Per Share
Rupees



Dividend Yield (%)

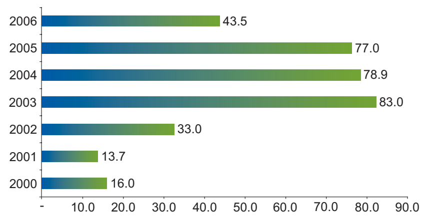


Dividend Payout (%)

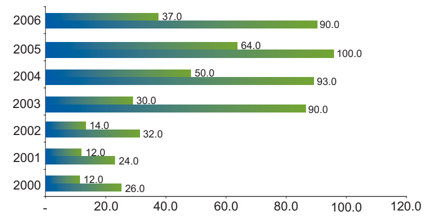


Financial Highlights

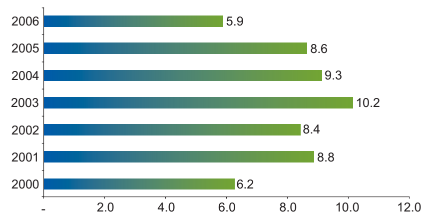
Market Value Per Share
Rupees



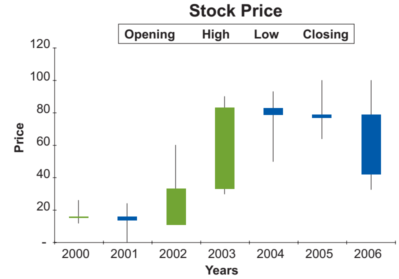
Stock Price Range
Rupees



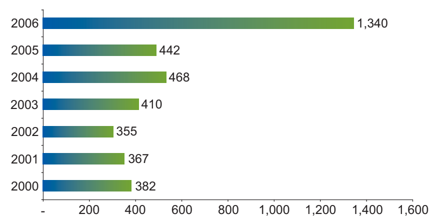
Price Earning Ratio



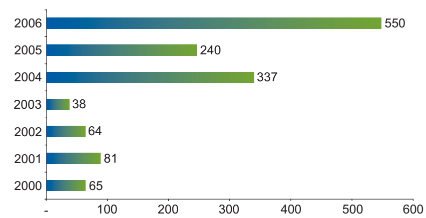
Stock Price



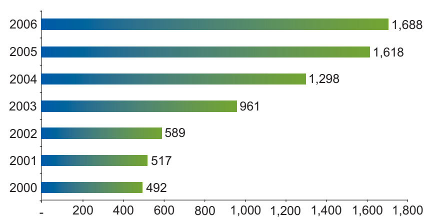
Property, Plant and Equipment
Rupees in million



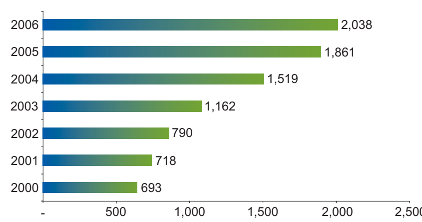
Long Term and Defferred Liabilities
Rupees in million



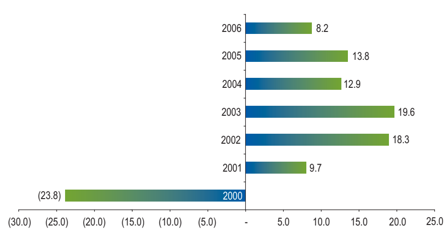
Reserves
Rupees in million



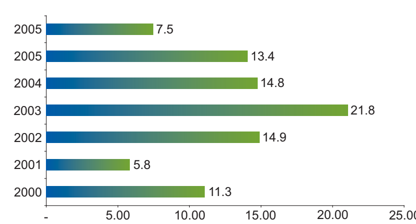
Shareholder's Fund
Rupees in million



Gross Profit Percentage

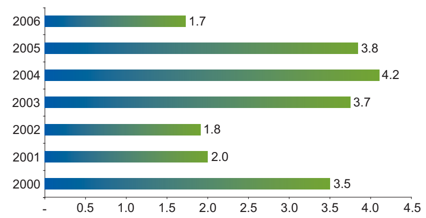


Return on Capital Employed (%)



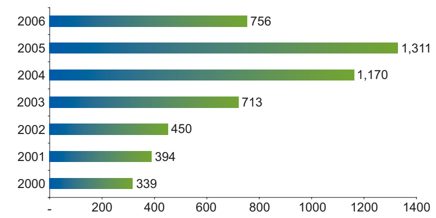
Financial Highlights

Currunt Ratio

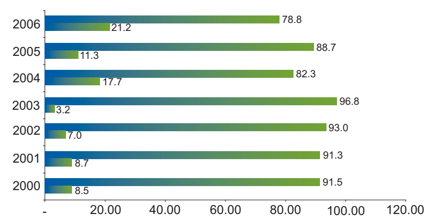


Net Currunt Assets

Rupees in million

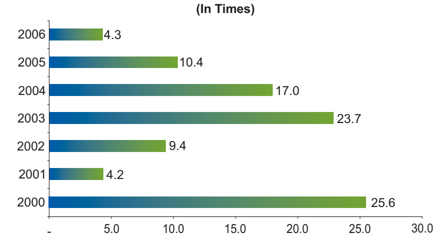


Debt Equity Ratio (%)



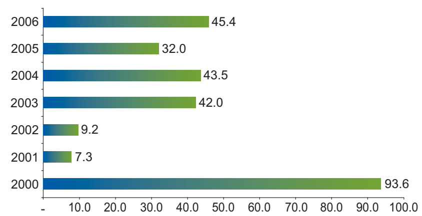
Interest Coverage

(In Times)



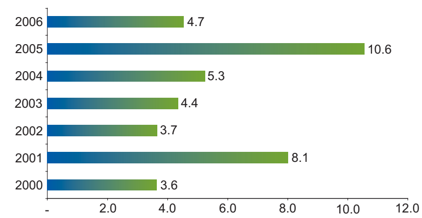
Debtors Turnover

(In Times)



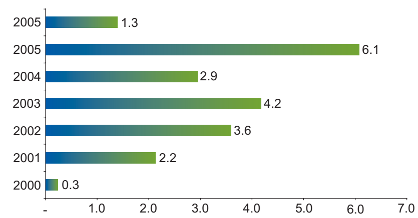
Inventory Turnover

(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	1
Mr. Ahsan M. Saleem	7
Mr. Javed A. Callea	7
Mr. Javed Iqbal	6
Mr. Muhammad Anwar	6
Mr. Nasir Shafi	4
Syed M. Ehtishamullah	7
Mr. Zahid Bashir	5

During the year four 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	3
Mr. Javed Iqbal	3
Mr. Nasir Shafi	1

Statement of Compliance with the Code of Corporate Governance

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 June 30, 2006.

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 alongwith the dates on which they were approved or amended has been maintained.

7. Significant polices 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 June 30, 2006. Written notices of the Board meetings, alongwith 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 CFO / Company Secretary and the Head of Internal Audit, including their remuneration and terms and conditions of employment, as recommended by the CEO.

12. The Directors' Report for the year ended June 30, 2006 has been prepared in compliance with the requirements of the Code and it fully describes the salient matters required to be disclosed.

Statement of Compliance with the Code of Corporate Governance

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

12 September 2006

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

Telephone +92 (21) 568 5847
Fax +92 (21) 568 5095
Internet www.kpmg.com.pk

Review Report to the Members on Statement of Compliance

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 2006.

KPMG Taseer Hadi

12 September 2006
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants.

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 2006 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 notes 6.7, 6.10 and 6.18 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 2006 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.

KPMG Taseer Hadi

12 September 2006
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants.

Crescent Steel & Allied Products Ltd.

Balance Sheet
As at 30 June 2006

	Note	2006	2005 Restated
		(Rupees in '000)	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital			
100,000,000 ordinary shares of Rs 10 each (2005: 30,000,000 ordinary shares of Rs 10 each)		1,000,000	300,000
Issued, subscribed and paid-up capital	7	349,959	243,027
Reserves		1,237,322	1,295,472
Unappropriated profit		450,417	322,033
		2,037,698	1,860,532
Deferred income	8	–	304
Non-current liabilities			
Long term loan	9	392,591	–
Redeemable capital	10	147,753	221,854
Liabilities against assets subject to finance leases	11	7,970	14,289
Deferred taxation	12	1,635	3,883
Current liabilities			
Trade and other payables	13	229,887	221,942
Interest and mark-up accrued	14	20,272	13,454
Short-term borrowings	15	739,374	142,204
Current portion of long term loan	9	56,250	–
Current portion of redeemable capital	10	75,000	75,000
Current portion of liabilities against assets subject to finance leases	11	6,319	16,292
		1,127,102	468,892
Contingencies and commitments	16		
		3,714,749	2,569,754

Balance Sheet
As at 30 June 2006

	Note	2006	2005
			Restated
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	17	1,339,589	441,836
Intangible assets	18	1,106	4,989
Long-term investments	19	485,191	339,122
Long-term deposits and prepayments	20	5,748	4,313
Current assets			
Stores, spares and loose tools	21	36,342	34,937
Stock-in-trade	22	468,519	194,329
Trade debts	23	75,147	132,037
Advances	24	221,325	15,663
Trade deposits and short-term prepayments	25	2,804	3,583
Current portion of long-term investments		10	10
Investments	26	827,350	1,163,364
Mark-up accrued	27	8,780	4,730
Other receivables	28	210,342	164,571
Taxation-net	29	16,738	13,188
Cash and bank balances	30	15,758	53,082
		1,883,115	1,779,494
		3,714,749	2,569,754

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 2006

	Note	2006 Steel division	2006 Cotton division	2006 Total	2005 Steel division (Restated)	2005 Cotton division (Restated)	2005 Total (Restated)
		(Rupees in '000)					
Sales	31	1,014,182	692,950	1,707,132	2,046,540	640,060	2,686,600
Cost of sales	32	902,974	663,829	1,566,803	1,697,491	617,193	2,314,684
Gross profit		111,208	29,121	140,329	349,049	22,867	371,916
Distribution and selling expenses	33	7,618	7,195	14,813	7,748	4,110	11,858
Administrative expenses	34	88,372	15,453	103,825	75,717	20,731	96,448
Other operating expenses	35	12,578	9,290	21,868	67,058	2,937	69,995
		108,568	31,938	140,506	150,523	27,778	178,301
Other operating income	36	355,083	2,365	357,448	251,296	12,757	264,053
Operating profit / (loss) before financing costs		357,723	(452)	357,271	449,822	7,846	457,668
Finance costs	37	14,978	67,962	82,940	14,286	29,663	43,949
Share of loss in associates		(11,922)	–	(11,922)	(19,501)	–	(19,501)
Profit / (loss) before taxation		330,823	(68,414)	262,409	416,035	(21,817)	394,218
Taxation	38			2,790			81,823
Profit for the year				259,619			312,395
Basic and diluted earnings per share	39			Rs. 7.42			Rs. 8.93

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

Chairman **Chief Executive**

Statement of Changes in Equity

For the year ended 30 June 2006

	Issued subscribed and paid-up capital	Reserve: General reserve	Reserve: Reserve for issue of bonus shares	Reserve: Unrealised gain on remeasurement of available-for-sale investment securities	Reserve: Others*	Unappropriated profit	Total
	(Rupees in '000)						
Balance as at 1 July 2004 as previously reported	**220,934**	**921,000**	**22,093**	**327,371**	**–**	**28,016**	**1,519,414**
Net effect of change in accounting policy (refer note 6.10):							
- Reversal of fair value in available-for-sale investements	–	–	–	(170,159)	–	–	(170,159)
- Proportionate share of reserves	–	–	–	–	105,916	–	105,916
- Proportionate share of profits	–	–	–	–	–	30,228	30,228
Effect of change in Accounting policy with respect to bonus shares (refer note 6.7)	–	–	(22,093)	–	–	22,093	–
Balance as at 1 July 2004 as restated	**220,934**	**921,000**	**–**	**157,212**	**105,916**	**80,337**	**1,485,399**
Changes in equity for the year ended 30 June 2005							
Unrealised gains on available-for-sale investment securities - restated	–	–	–	52,528	–	–	52,528
Realised gain on sale of investments - restated	–	–	–	(35,992)	–	–	(35,992)
Propotionate share of various reserve of associated undertakings	–	–	–	–	94,808	–	94,808
Profit for the year - restated	–	–	–	–	–	312,395	312,395
Total recognised income and expenses for the year	–	–	–	16,536	94,808	312,395	423,739
Dividends - First interim 2005 (10%)	–	–	–	–	–	(24,303)	(24,303)
- Second interim 2005 (10%)	–	–	–	–	–	(24,303)	(24,303)
Issuance of bonus shares final 2004 (10%)	22,093	–	–	–	–	(22,093)	–
Balance as at 30 June 2005	**243,027**	**921,000**	**–**	**173,748**	**200,724**	**322,033**	**1,860,532**
Changes in equity for the year ended 30 June 2006							
Unrealised loss on available-for-sale investment securities	–	–	–	(9,865)	–	–	(9,865)
Realised gain on sale of investments	–	–	–	(57,903)	–	–	(57,903)
Propotionate share of various reserve of associated undertakings	–	–	–	–	9,618	–	9,618
Profit for the year	–	–	–	–	–	259,619	259,619
Total recognised income and expense for the year	–	–	–	(67,768)	9,618	259,619	201,469
Dividend final 2005 (10%)	–	–	–	–	–	(24,303)	(24,303)
Issuance of bonus shares final 2005 (20%)	48,605	–	–	–	–	(48,605)	–
Issuance of bonus shares interim 2006 (20%)	58,327	–	–	–	–	(58,327)	–
Balance as at 30 June 2006	**349,959**	**921,000**	**–**	**105,980**	**210,342**	**450,417**	**2,037,698**

*This represents various reserves maintained by the associates

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

Chairman

Chief Executive

Crescent Steel & Allied Products Ltd.

Cash Flow Statement
For the year ended 30 June 2006

	Note	2006	2005 Restated
		(Rupees in '000)	
Cash flows from operating activities			
Cash generated from operations	40	29,876	268,000
Taxes paid		(14,085)	(42,477)
Financial charges paid		(96,759)	(34,293)
Contribution to pension and gratuity fund		(5,556)	(5,046)
Payment for 10C bonus		(483)	(448)
(Increased) / decrease in long-term deposits and prepayments		(1,546)	1,424
Net cash (used in) / from operating activities		(88,553)	187,160
Cash flows from investing activities			
Capital expenditure		(980,504)	(66,273)
Purchase of intangible assets		(802)	(4,051)
Proceeds from sale of property, plant and equipment		2,125	13,841
Investments - net		127,991	(69,550)
Dividends received		65,526	61,617
Interest received		7,616	6,359
Net cash used in investing activities		(778,048)	(58,057)
Cash flows from financing activities			
Receipts against short term loans		360,000	70,000
Receipts against long term loan		448,687	–
Redemption of commercial paper		–	(75,000)
Repayment of redeemable capital		(75,000)	–
Repayment of liabilities against assets subject to finance leases		(18,312)	(16,728)
Dividend paid		(33,268)	(76,678)
Net cash from / (used in) financing activities		682,107	(98,406)
Net (decrease) / increase in cash and cash equivalents		(184,494)	30,697
Cash and cash equivalents at beginning of the year		30,878	181
Cash and cash equivalents at end of the year	41	(153,616)	30,878

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 2006

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 down stream 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). Another spinning unit CCP-II has been added with 25,344 spindles. 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).

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 utilized by inter division are charged at mark-up rate of 9.0 percent (2005 : 7.5 and 9 percent) subject to financial charges incurred by the steel division.

2. 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.

3 BASIS OF MEASUREMENT

3.1 Accounting convention

The financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are stated at fair value (refer para 6.12)
- investments classified as held for trading are stated at fair value (refer para 6.10)
- investments classified as available for sale are stated at fair value (refer para 6.10)
- certain assets are stated at cost plus borrowing cost (refer para 6.8)

3.2 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is the company's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand.

4 USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 47 to these financial statements.

5 NEW ACCOUNTING STANDARDS AND IFRIC INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning on or after 1 July 2006 and are not expected to have a significant effect on company's financial statements or not relevant to the company:

- Amendments to IAS 1 Presentation of Financial Statements Capital Disclosures
- IAS 19 (Amendment) Employee Benefits contractual agreement between the multi employer plan and defined benefit plans disclosures
- IAS 39 (Amendment) Cash Flow Hedge Accounting of Forecast Intergroup Transactions
- IAS 39 (Amendment) The Fair Value Option
- IAS 21 (Amendment) The Effects of Changes in Foreign Exchange Rates: net investment in foreign operation
- IFRIC 4 Determining whether an Arrangement contains a Lease
- IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IFRIC 6 Liabilities arising from Participating in a specific market - Waste Electrical and Electronic Equipment
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 10 Interim Financial Reporting and Impairment

6 SIGNIFICANT ACCOUNTING POLICIES

6.1 Mark-up bearing borrowings

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

6.2 Employee benefits

6.2.1 Compensated absences

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

6.2.2 Post retirement benefits

6.2.2.1 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 has been established and its approval has been obtained from Commissioner of Income Tax.

6.2.2.2 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 amortized over the expected average remaining working lives of the eligible employees. Past service cost is recognized immediately to the extent that the benefits are already vested. For non-vested benefits past service costs is amortized on a straight line basis over the average period until the amended benefits become vested.

Amounts recognized in the balance sheet represent the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost and as reduced by the fair value of plan assets. Any assets resulting from this calculation is limited to the unrecognized actuarial losses and unrecognized past service cost plus the present value of available refunds and reduction in future contributions to the plan.

6.3 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.

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 realization or settlement of the carrying amount of assets and liabilities, using the current rates of taxation.

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

6.4 Provisions

A provision is recognized 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.

6.5 Trade and other payables

Liabilities for trade and other amounts payable are recognised and carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

6.6 Dividend

Dividend is recognized as a liability in the period in which it is declared.

6.7 Issue of bonus shares

During the year, the Institute of Chartered Accountants of Pakistan issued a circular number 06-2006 dated 19 June 2006, which requires that all declarations of dividends to holders of equity instruments including declaration of bonus issues and other appropriations except appropriations which are required by law after the balance sheet date, should not be recognized as liabilities or change in reserves at the balance sheet date. Previously, all declarations of bonus issue to holders of equity instruments and transfers to reserves relating to profit for the year although declared subsequent to year end, were accounted for in the year to which those related. This change has been applied retrospectively and comparatives have been restated. The change does not have any affect on current year's equity.

6.8 Property, plant and equipment and depreciation

Owned assets

Property, plant and equipment, except free hold land and capital work-in-progress are stated at cost less accumulated depreciation and impairment losses, if any. Free hold land and capital work-in-progress are stated at cost.

Subsequent cost

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is charged to income on straight line basis at the rates specified in note 17 to these financial statements.

Upto the last year, full year's depreciation was charged on additions whereas no depreciation was charged on assets disposed off during the year. From the current year, the company has decided to charge depreciation from the month of addition till the month of disposal of assets.

Had the estimate not been changed the profit for the year and carrying value of property, plant and equipment would have been lower by Rs. 72.19 million.

Impairment

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

Leased assets

Leases in terms of which the company assumes substantially all the risks and rewards of ownership are classified as finance leases. Asset 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 owned assets.

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

6.9 Intangible assets

Intangible assets acquired by the company are stated at cost less accumulated amortisation and impairment losses, if any.

Subsequent expenditures

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Amortisation

Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. All intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use.

Upto the last year, full year's amortisation was charged on additions whereas no amortisation was charged on intangible assets disposed off during the year. From the current year, the company has decided to charge amortisation from the month of addition till the month of disposal of intangible assets.

Had the estimate not been changed the profit for the year and carrying value of intangible assets would have been lower by Rs. 0.115 million.

Impairment

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

6.10 Investments

Investments are being categorized as follows:

Investment at fair value through profit or loss

An investment is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Investments are designated at fair value through profit or loss if the company manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction cost are recognised in profit or loss when incurred. Investments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Held to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

Investments classified as held to maturity are recognized initially at cost, plus attributable transaction cost. Subsequent to initial recognition, these are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss account over the period of the investments on an effective yield method.

Loans and advances originated by enterprise

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

Investments in associates - Equity Method

Entities in which the company has significant influence but not control and which are neither its subsidiary nor joint ventures are associates and are accounted for by using the equity method of accounting.

These investments are initially recognised at cost, thereafter the company's share of the changes in the net assets of the associates are accounted for at the each balance sheet date. Share of post acquisition profit and loss of associates is accounted for in the company's profit and loss account, whereas changes in the associate's equity which has not been recognized in the associates' profit and loss account, are recognised directly in the equity of the company.

Up to the previous year, investments in associates were classified as "Investments Available-for-sale" and were carried at fair value, while dividend income was recognized in the profit and loss account of the period in which right to receive the same was established in line with the option available in International Accounting Standard "Accounting for Investments in Associates" (IAS-28).

IAS-28 has been revised and replaced by International Accounting Standard 28 "Investments in Associates" {IAS-28(Revised)}. The revised IAS-28 is applicable for accounting periods beginning on or after 1 January 2005 and has withdrawn the options for valuing investments in associates at cost and fair value where the investment in associates have been classified as 'Available-for-sale' investments. The revised IAS -28 requires that the measurement of the value of investments in associates can only be made on equity basis of accounting under which the carrying amount of such investments are increased or decreased for the company's share of gains and losses of associates (including the changes in items recognized directly in the associate's equity) and dividend distributions.

In order to comply with the requirements of revised IAS-28, during the year, the management of the company has decided to change its accounting policy for valuation of investments in associates, in which the company has significant influence but not control, from fair value measurement to equity basis of accounting. This change in accounting policy has been accounted for retrospectively in accordance with the International Accounting Standard "Accounting Policies, Changes in Accounting Estimates and Errors" (IAS-8) and accordingly the comparative statements have been restated.

Because of change in accounting policy, opening retained earnings for the year ended 30 June 2005 have been increased by Rs. 30.23 million, which is the amount of the adjustment relating to periods prior to 1 July 2004. The effect of proportionate share of reserves of associates and fair value reserves on available for sale investments relating to periods prior to 1 July 2004 increased equity by Rs. 105.92 million and decreased equity by Rs. 170.16 million respectively.

Had the policy not been changed, the carrying value of investments in associates as at 30 June 2006, in which the company has significant influence but not control, would have been lower by Rs.127.97 million (2005: Rs.32.68 million), the profit for the year would have been higher by Rs. 12.22 million (2005: Rs.25.67 million), deferred tax liability would have been higher by Rs. 0.384 million (2005: lower by Rs.0.259 million) and equity would have been lower by Rs. 128.35 million (2005: Rs. 32.42 million).

Available-for-sale

Other investments not covered in any of the above categories including investments in associates in which the company has no significant influence are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognized directly in equity. Gains or losses on available-for-sale investments are recognized 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 current year's profit and loss.

All investments classified as available-for-sale are initially recognized at cost inclusive of transaction costs and subsequently quoted investments are marked to market using the last quoted rate at the close of the financial year. Fair value of unquoted investments is estimated based on appropriate valuation method if it is practicable to determine it.

Upto 30 June 2005, reversal of impairment losses on available-for-sale investments was recognized in profit and loss account. However, in view of the revised International Accounting Standard "Financial Instruments: Recognition and Measurement" effective from accounting period beginning on or after 1 January 2005, impairment losses recognised in profit and loss account shall not be reversed through profit and loss account. There is no financial impact of this change in the current and prior years.

6.11 Fair value of listed securities are the quoted prices on stock exchange at balance sheet date.

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

6.12 Derivative financial instruments

The company enters into derivative financial instruments which include future contracts in stock market. Derivatives are initially recorded at cost and are remeasured to fair value on subsequent reporting dates. The fair value of a derivative is the equivalent of the unrealized gain or loss from marking to market the derivative using prevailing market rates. Derivatives with positive market values (unrealized gains) are included in other receivables and derivatives with negative market values (unrealized 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. No derivative is designated as hedging instrument by the company.

6.13 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.

6.14 Stocks

Stock-in-trade is stated at the lower of cost and net realizable 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 realizable value is the estimated selling price in the ordinary course of business less costs of completion and selling expenses. 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 realizable value.

6.15 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.

6.16 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.

6.17 Revenue recognition

Revenue from sales is recognized on dispatch of goods to customers. The company also recognizes 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 recognized on the basis of constant periodic rate of return.

Dividend income relating to post acquisition profit if practicable to determine is recognized when the right to receive is established i.e. the book closure date of the investee company declaring the dividend.

Gains and losses on sale of investments are accounted for when the commitment (trade date) for sale of security is made.

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

6.18 Borrowing costs

Borrowing costs incurred on long term finances directly attributable for the construction / acquisition of qualifying assets are capitalised up to the date the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the profit and loss account currently.

Up to the previous year, borrowing costs were charged to profit and loss account when incurred. During the current year, the management has decided to capitalize the borrowing costs incurred on long term finances that are directly attributable to the acquisition, construction or production of a qualifying asset. This change does not have financial effect on prior years.

Had the policy not been changed, the profit for the year and carrying amount of property, plant and equipment would have been decreased by Rs. 22.47 million.

6.19 Impairment

All company's assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the assets' recoverable amount is estimated. Impairment losses are recognized in the profit and loss account currently.

6.20 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.

6.21 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 recognized amount and the company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

6.22 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.

7. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2006	2005		2006	2005
(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
24,430,965	13,737,784	Ordinary shares of Rs. 10 each fully issued as bonus shares	244,310	137,378
34,995,865	24,302,684		349,959	243,027

8. DEFERRED INCOME

The company entered into sale and lease back arrangements resulting in deferred income of Rs. 0.98 million and Rs. 0.91 million in the years 2002 and 2004 respectively. The amount credited to the profit and loss account during the year was Rs. 0.3 million (2005: Rs. 0.49 million).

9. LONG TERM LOAN

	2006			2005		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	(Rupees in '000)					
Allied Bank Limited	–	450,000	450,000	–	–	–
Initial transaction cost	–	(1,313)	(1,313)	–	–	–
Amortization of initial transaction cost	–	154	154	–	–	–
	–	448,841	448,841	–	–	–
Less : Current portion	–	56,250	56,250	–	–	–
	–	392,591	392,591	–	–	–

During the year, the company has obtained demand finance term loan amounting to Rs. 450 million for expansion of the spinning unit. The mark-up rate is 6 month KIBOR prevailing on the base rate setting date plus 1.9 percent per annum. Mark-up is payable on quarterly basis.

The tenor of the loan is five years. Principal is repayable on quarterly basis with one year grace period. Call option is exercisable after 18 months by the bank.

This facility has been secured against first equitable mortgage pari passu charge on all present and future fixed assets including land and building with 25% margin.

10. REDEEMABLE CAPITAL - secured (non-participatory)

	2006	2005
	(Rupees in '000)	
Term Finance Certificates (TFCs)		
Balance as at 1 July	221,854	295,955
Transaction cost amortised	899	899
	222,753	296,854
Less : Current portion	75,000	75,000
Balance as at 30 June	147,753	221,854

10.1 The company issued term finance certificates for Rs.300 million in 2004. These TFCs are not listed. The company has a call option exercisable at par, in multiples of Rs.50 million or whole 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

10.2 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.

10.3 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.

10.4 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.

10.5 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 trustee will ensure the safeguard of interest of TFC holders and adherence to terms and conditions of the security documents.

11. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

		2006			2005		
		Steel division	Cotton division	Total	Steel division	Cotton division	Total
		(Rupees in '000)					
Long-term	11.1	7,970	–	7,970	14,289	–	14,289
Current portion	11.1	6,319	–	6,319	6,459	9,833	16,292
		14,289	–	14,289	20,748	9,833	30,581

11.1 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:

	2006			2005		
	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	7,203	8,332	15,535	7,925	15,535	23,460
Financial charges	(884)	(362)	(1,246)	(1,466)	(1,246)	(2,712)
	6,319	7,970	14,289	6,459	14,289	20,748
Current portion	(6,319)	–	(6,319)	(6,459)	–	(6,459)
	–	7,970	7,970	–	14,289	14,289

12. DEFERRED TAXATION

	2006	2005
	(Rupees in '000)	
Deferred tax credits / (debits) arising in respect of temporary taxable differences due to :		
Accelerated tax depreciation / amortisation	177,109	37,983
Finance lease arrangements	212	2,459
Employee benefits - Provident Fund	–	(1,685)
Provisions for stock-in-trade and stores and spares	(11,940)	(14,399)
Provisions for doubtful debts, advances and other receivables	(12,675)	(11,676)
Provisions for impairment in unquoted investments	(9,058)	(9,058)
Current year tax loss	(141,629)	–
Share of (loss) / profit from Associates	(384)	259
	1,635	3,883

13. TRADE AND OTHER PAYABLES

		2006			2005		
		Steel division	Cotton division	Total	Steel division	Cotton division	Total
		(Rupees in '000)					
Creditors		107,160	1,873	109,033	25,500	1,407	26,907
Commission payable		–	1,651	1,651	–	1,430	1,430
Murabaha financing	13.1	–	–	–	90,000	–	90,000
Accrued liabilities	13.2	17,735	19,674	37,409	20,681	6,209	26,890
Provisions	13.3	35,642	–	35,642	27,942	–	27,942
Advances from customers		8,014	3,063	11,077	623	340	963
Retention money		252	3,557	3,809	109	196	305
Due to associated undertakings	13.4 & 13.5	2,573	10,237	12,810	1,122	1,629	2,751
Payable to provident fund		–	132	132	–	4,814	4,814
Unclaimed dividend		6,729	–	6,729	15,694	–	15,694
Sales tax payable		–	–	–	10,082	–	10,082
Workers Welfare Fund		–	–	–	5,165	–	5,165
Withholding tax payable		592	–	592	143	–	143
Customer security deposit		300	1,231	1,531	300	1,000	1,300
Others		4,931	4,541	9,472	4,136	3,420	7,556
		183,928	45,959	229,887	201,497	20,445	221,942

13.1 Murabaha - Meezan Bank Limited

During the year, Istijrar facilities (Master Murabaha Facility) amounting to Rs. 325 million (2005 : Rs. 325 million) have been paid on due date.

The facility for opening letters of credit and guarantees as at 30 June 2006 amounted to Rs. 500 million (2005: Rs. 580 million).

These facilities are secured against first pari passu charge over stocks and book debts of the company.

13.2 Accrued liabilities

	2006			2005		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	(Rupees in '000)					
Salaries, wages and other benefits	4,183	2,000	6,183	3,839	–	3,839
Accrual for 10C bonus	593	–	593	562	–	562
Leave encashment	3,856	773	4,629	3,946	921	4,867
Accruals	9,103	16,901	26,004	12,334	5,288	17,622
	17,735	19,674	37,409	20,681	6,209	26,890

13.3 Movement of provisions

	Infrastructure fee	Sales Tax	Liquidated damages	Total
	(Rupees in '000)			
	(Note 13.3.1)	(Note 13.3.2)	(Note 13.3.3)	
Opening balance 1 July 2005	18,700	3,242	6,000	27,942
Provision for the year	7,700	–	–	7,700
Closing balance 30 June 2006	26,400	3,242	6,000	35,642

13.3.1 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. 26.4 million (2005: Rs. 18.7 million) in favour of Excise and Taxation Department. However, the company is contesting this issue in High Court.

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

13.3.3 The provision has been made on account of liquidated damages claimed by a customer on delayed supply of goods during last 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.

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

13.5 Maximum amount due to associated undertakings at the end of any month during the year was Rs. 12.81 million (2005: Rs. 2.75 million).

14. INTEREST AND MARK-UP ACCRUED

	2006			2005		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	(Rupees in '000)					
- on Secured Loans	–	2,706	2,706	–	565	565
- on Term Finance Certificates	–	9,653	9,653	5,529	4,228	9,757
- on Running Finance	7,553	292	7,845	2,440	576	3,016
- on Leases	68	–	68	104	12	116
	7,621	12,651	20,272	8,073	5,381	13,454

15. SHORT-TERM BORROWINGS

		2006			2005		
		Steel division	Cotton division	Total	Steel division	Cotton division	Total
		(Rupees in '000)					
Secured From Banking Companies							
Running finances under mark-up arrangements							
Union Bank Limited	15.1	80,331	9,589	89,920	22,204	–	22,204
Allied Bank Limited	15.2	29,812	–	29,812	–	–	–
MCB Bank Limited	15.3	49,642	–	49,642	–	–	–
Short-term loans - Banking Companies							
Allied Bank Limited	15.2	320,000	–	320,000	–	–	–
MCB Bank Limited	15.3	250,000	–	250,000	120,000	–	120,000
		729,785	9,589	739,374	142,204	–	142,204

15.1 Union Bank Limited

The facilities for running finance available amount to Rs. 325 million (2005: Rs. 425 million). The rate of mark-up is 3 months KIBOR (Ask) plus 1.75 percent with a floor of 9.0 percent per annum (2005: 7.0 percent per annum). The mark-up is payable quarterly.

The facility for opening letters of credit and guarantees as at 30 June 2006 amounts to Rs. 600 million (2005: Rs. 467 million).

The facility for purchase or discounting of clean or discrepant export bills as at 30 June 2006 amounts to Rs. 25 million (2005: Nil).

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

15.2 Allied Bank Limited

The company has obtained short-term running finance facility interchangeable with demand finance - money market transaction amounting to Rs. 350 million (2005: nil). The mark-up rate for running finance facility is three months KIBOR on the last working day of the previous quarter plus 1.5 percent per annum. Mark-up on demand finance - money market transaction is one month KIBOR (Ask) plus one percent. Mark-up is payable on quarterly basis. This facility will remain valid till 31 August 2006.

The company has obtained facility for opening letter of credit and guarantees as at 30 June 2006 amounting to Rs. 400 million (2005 : Nil) however, the facility is unavailed as at 30 June 2006.

The running finance facility has been secured against first pari passu charge on the current assets with existing charge holders with 25% margin on the facility amount.

The facility for letter of credit is secured against lien over import documents and accepted bills of exchange / trust receipt.

15.3 MCB Bank Limited

The company has availed the facilities for running and demand finance amounting to Rs. 50 million and Rs. 250 million respectively (2005 :Rs.200 million). The mark-up rate is 1 month KIBOR plus 1.5 percent for running finance facility and 1 month KIBOR plus 0.75 percent for demand finance facility. These facilities will remain valid till 30 August 2006.

The facility for opening letters of credit and guarantees as at 30 June 2006 amounted to Rs. 400 million (2005: Nil).

The demand finance term loan is 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 book debts of the company for Rs. 600 million.

The facility for running finance is secured against first pari passu hypothecation charge for Rs. 316.67 million over present and future stocks and book debts and plant and machinery, pledge of shares of first class companies, pledge of stocks of local cotton / cotton bales imported, man-made fibre and yarn with 15% margin and lien over import documents.

16. CONTINGENCIES AND COMMITMENTS

16.1 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.

16.2 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. However, SNGPL has offered a direct settlement of this at a nominal value of US $ 12,000 only.

16.3 The company has filed a suit in the Sindh High Court against Federation of Pakistan and others, for levy of import licence 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 licence 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.

16.4 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.

16.5 Aggregate amount of guarantees given by the banks on behalf of the company in respect of the performance of various contracts aggregated Rs. 341.30 million (2005: Rs. 264.36 million).

16.6 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, the company has not filed any execution petition for the recovery of said amount.

16.7 Commitments in respect of capital expenditure contracted for as at 30 June 2006 amounted to Rs. 39.60 million (2005: Rs. 51.71 million).

16.8 Commitments under letters of credit as at 30 June 2006 amounted to Rs. 106.33 million (2005: Rs. 445.15 million).

16.9 Commitments in respect of future purchase of shares amounting to Rs. 15.29 million (2005: Nil).

16.10 The company entered into an underwriting agreement alongwith related parties and other to undertake unsubscribed right issue of a related party. The company share is 14.83% (total issue is of Rs. 3.2 billion) of unsubscribed right issue.

17. PROPERTY, PLANT AND EQUIPMENT

Description		Cost as at 1 July 2005	Additions/ adjustment /(disposal) /transfer	Cost as at 30 June 2006	Accumulated depreciation as at 1 July 2005	Depreciation charge for the year/adjustment/ (disposal)/transfer	Accumulated depreciation as at 30 june 2006	Net book value as at 30 June 2006
		(Rupees in '000)						
Steel division other than coating plant	17.2	471,063	51,093	514,693	334,775	40,102	367,497	147,196
			(3,054)			(4,159)		
			(3,981)			(2,802)		
			(428)			(419)		
Coating plant	17.3	170,466	22,076	188,032	149,024	7,510	153,252	34,780
			(4,510)			(3,282)		
Cotton division	17.4	447,992	923,282	1,371,702	163,886	49,784	214,089	1,157,613
			–			–		
			–			–		
			428			419		
Total property, plant and equipment as at 30 June 2006		1,089,521	996,451	2,074,427	647,685	97,396	734,838	1,339,589
			(7,564)			(7,441)		
			(3,981)			(2,802)		
			–			–		

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

17.1 The depreciation charge for the year has been allocated as follows:

		2006	2005
		(Rupees in '000)	
Cost of sales - bare pipes	32.1	25,866	20,116
Cost of sales - coating of pipes	32.4	10,454	7,601
Cost of sales - cotton	32.7	49,784	44,042
Distribution and selling expenses	33	306	201
Administrative expenses	34	10,986	10,638
		97,396	82,598

17.2 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 2005	Additions / adjustment /(disposal) /transfer	Cost as at 30 June 2006	Accumulated depreciation as at 1 July 2005	Depreciation charge for the year/adjustment/ (disposal)/transfer	Accumulated depreciation as at 30 june 2006	Net book value as at 30 June 2006	Rate of depreciation %
					(Rupees in '000)				
Freehold land		1,740	–	1,740	–	–	–	1,740	–
Leasehold land		8,054	–	8,054	1,171	83	1,254	6,800	1
Improvements to leasehold land		106	–	106	19	1	20	86	1
Building on leasehold land		59,804	–	59,804	45,107	2,990	48,097	11,707	5
Plant and machinery									
- owned	17.2.1	246,759	8,761 5,233	260,753	204,592	20,091 541	225,224	35,529	5 to 20
- leased		20,000	–	20,000	6,000	2,000	8,000	12,000	10
Office premises		40,433	–	40,433	18,763	3,254	22,017	18,416	10
Furniture and fixtures		17,624	314 (4,294)	13,644	15,197	794 (4,055)	11,936	1,708	10
Office and other equipment		6,737	1,038 (149) (11)	7,615	6,656	680 (1,398) (11)	5,927	1,688	20
Computers		14,304	26,112 (2,342) (845) (428)	36,801	12,405	1,331 (1,282) (831) (419)	11,204	25,597	33.33
Vehicles - owned		33,025	5,509 (34) (3,125)	35,375	18,378	5,832 (34) (1,960)	22,216	13,159	20
- leased		11,940	–	11,940	6,030	3,015	9,045	2,895	20 & 33.33
Workshop equipment		4,041	– (1,468)	2,573	457	31 2,069	2,557	16	5 to 20
		464,567	41,734 (3,054) (3,981) (428)	498,838	334,775	40,102 (4,159) (2,802) (419)	367,497	131,341	
Capital work-in-progress	17.6	6,496	37,873 (28,514)	15,855	–	–	–	15,855	
2006		471,063	51,093 (3,054) (3,981) (428)	514,693	334,775 –	40,102 (4,159) (2,802) (419)	367,497	147,196	
2005		468,829	19,716 (17,482)	471,063	309,348	33,403 (7,976)	334,775	136,288	

17.2.1 Net book value of plant and machinery includes book value of Rs. 1.42 million (2005:Rs. 3.72 million) of capitalised spares.

17.3 Coating plant

Description		Cost as at 1 July 2005	Additions / adjustment	Cost as at 30 June 2006	Accumulated depreciation as at 1 July 2005	Depreciation charge for the year/adjustment	Accumulated depreciation as at 30 june 2006	Net book value as at 30 June 2006	Rate of depreciation %
					(Rupees in '000)				
Building on leasehold land		9,203	–	9,203	5,275	460	5,735	3,468	5
Plant and machinery	17.3.1	160,890	22,076 (4,335)	178,631	143,467	7,011 (3,099)	147,379	31,252	5 to 20
Office and other equipment		325	– (133)	192	237	38 (143)	132	60	20
Furniture and fixtures		48	– (42)	6	45	1 (40)	6	–	10
2006		170,466	22,076 (4,510)	188,032	149,024	7,510 (3,282)	153,252	34,780	
2005		160,397	10,069	170,466	143,871	5,153	149,024	21,442	

17.3.1 Net book value of plant and machinery includes book value of Rs. 1.2 million (2005: Rs. 4.3 million) of capitalised spares.

17.4 Cotton division

Description		Cost as at 1 July 2005	Additions / transfer	Cost as at 30 June 2006	Accumulated depreciation as at 1 July 2005	Depreciation charge for the year/ transfer	Accumulated depreciation as at 30 june 2006	Net book value as at 30 June 2006	Rate of depreciation %
					(Rupees in '000)				
Freehold land	17.4.1	10,327	48,839	59,166	–	–	–	59,166	–
Building on freehold land		40,368	724	41,092	11,515	4,068	15,583	25,509	10
Plant and machinery									
- owned		344,231	681,127 30,000	1,055,358	131,528	43,976 12,000	187,504	867,854	10 to 20
- leased		30,000	– (30,000)	–	12,000	– (12,000)	–	–	10
Electric installation		11,836	2,430	14,266	5,893	1,227	7,120	7,146	10
Office and other equipment		381	97	478	141	56	197	281	10 to 20
Computers		2,020	608 428	3,056	1,992	56 419	2,467	589	33.33
Furniture and fixtures		152	–	152	76	12	88	64	10
Vehicles		2,224	345	2,569	741	387	1,128	1,441	20
Loose Tools		–	209	209	–	2	2	207	10
2006		441,539	734,379 428	1,176,346	163,886	49,784 419	214,089	962,257	
Capital work-in-progress	17.6	6,453	188,903	195,356	–	–	–	195,356	
2006		447,992	923,282 428	1,371,702	163,886	49,784 419	214,089	1,157,613	
2005		412,015	36,488 (511)	447,992	120,213	44,042 (369)	163,886	284,106	

17.4.1 The company had acquired freehold land from Crescent Jute Products Limited "an associated undertaking" amounting to Rs. 44.05 million during the year. The transfer of legal title of the freehold land in the name of the company is in process.

17.5 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)					
Office and other equipment	11	11	–	1	Negotiation	Mohammad Qasim
Motor vehicles	293	293	–	236	Negotiation	Mr. Irtaza Akbar Baloch
	615	615	–	185	Company Scheme	Mr. Mohammad Amin
	469	414	55	144	Company Scheme	Mr. Muzaffar Naseem Usmani
	327	142	185	250	Company Scheme	Mr. Mehtab Ahmed
	59	33	26	38	Company Scheme	Mr. Ghulam Nabi
	59	30	29	47	Company Scheme	Mr. Sona Khan
	69	41	28	45	Company Scheme	Mr. Rajab Ali
	496	99	397	496	Company Scheme	Mr. Muzaffar Ahmed
	69	52	17	35	Company Scheme	Mr. Mohammad Rafiq
	64	7	57	64	Company Scheme	Mr. Israr Ahmed
	605	234	371	582	Insurance Claim	EFU General Insurance Limited
Computers	99	99	–	2	Negotiation	Mr. Tamour
	746	732	14	–	Donation	The Citizens Foundation
2006	3,981	2,802	1,179	2,125		
2005	17,993	8,345	9,648	13,841		

17.6 CAPITAL WORK-IN-PROGRESS

	2006			2005		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	(Rupees in '000)					
Plant and machinery	734	17,143	17,877	5,419	6,389	11,808
Civil work	15,121	178,213	193,334	1,077	64	1,141
	15,855	195,356	211,211	6,496	6,453	12,949

18. INTANGIBLE ASSETS

Description	Cost as at 1 July 2005	Additions / transfer	Cost as at 30 June 2006	Accumulated amortisation/ impairment as at 1 July 2005	Amortisation charge/transfer/ impairment loss for the year	Accumulated amortisation/ impairment as at 30 June 2006	Net book value as at 30 June 2006	Rate of amortisation %
				(Rupees in '000)				
Steel division								
Software licences	5,397	132 588	6,117	3,546	1,472 588	5,606	511	33.33
Club memberships	2,580	60	2,640	–	2,640	2,640	–	–
	7,977	192 588	8,757	3,546	1,472 588 2,640	8,246	511	
Cotton division								
Software licences	1,555	610	2,165	997	573	1,570	595	33.33
2006	9,532	802 588	10,922	4,543	2,045 588 2,640	9,816	1,106	
2005	5,481	4,051	9,532	2,606	1,937	4,543	4,989	

18.1 The amortisation charge and impairment loss for the year has been allocated as follows:

		2006	2005
		(Rupees in '000)	
Cost of sales - cotton	32.7	573	478
Administrative expenses	34	1,472	1,459
Other operating expenses	35	2,640	–
		4,685	1,937

19. LONG TERM INVESTMENTS

		2006			2005		
		Steel division	Cotton division	Total	Steel division	Cotton division	Total
				(Rupees in '000)			
Related Parties							
Equity method	19.1	428,386	–	428,386	282,307	–	282,307
Held to maturity	19.2	29,994	–	29,994	29,994	–	29,994
Available for sale	19.3	–	–	–	–	–	–
Others							
Held to maturity	19.4	26,811	–	26,811	26,821	–	26,821
		485,191	–	485,191	339,122	–	339,122

Investments in Related Parties

19.1 Equity method

The following associates over which the company has significant influence either due to representation on investee company's board or percentage of holding of voting power or both are accounted for using equity method of accounting as defined in IAS-28 "Investments in Associates".

2006	2005	Name of investee company	2006	2005
(Number of shares)			(Rupees in '000)	
		Quoted		
10,423,875	–	Altern Energy Limited (Chief Executive Officer - Sheikh MuhammadIqbal)	96,603	–
9,003,956	6,750,908	Crescent Commercial Bank Limited (Chief Executive Officer - Mr Shehzad Naqvi)	28,073	29,752
983,490	874,213	Crescent Leasing Corporation Limited (Chief Executive Officer - Mr Javed Aslam Callea)	13,837	12,843
–	28,800	First Equity Modarba (Chief Executive Officer - Mr Adil A. Ghaffar)	–	385
3,881,081	2,772,201	Shakarganj Mills Limited (Chief Executive Officer - Mr. Ahsan M. Saleem)	259,169	206,419
–	120,000	Suraj Cotton Mills Limited (Chief Executive Officer - Mr Nadeem Maqbool)	–	8,933
			397,682	258,332
		Unquoted		
227,500	175,000	Central Depository Company of Pakistan Limited (Chief Executive Officer - Mr. Mohammad Hanif Jakhura)	30,704	23,975
			428,386	282,307

19.1.1 The above figures are based on financial statements of these companies upto the period ended 31 March 2006 (prorated upto 30 June 2006) (2005: 30 June 2005)

19.1.2 Market value of investments in associates are as follows:

	2006	2005
	(Rupees in '000)	
Name of investee company		
Quoted		
Altern Energy Limited	80,785	–
Crescent Commercial Bank Limited	78,785	69,872
Crescent Leasing Corporation Limited	8,114	13,025
First Equity Modarba	–	390
Shakarganj Mills Limited	106,730	135,838
Suraj Cotton Mills Limited	–	6,000
	274,414	225,125
Unquoted		
Central Depository Company of Pakistan Limited **	15,274	10,124
	289,688	235,249

** Based on break-up value per share

19.1.3 Percentage holding of equity investments in associates are as follows:

	2006	2005
	%	
Name of investee company		
Quoted		
Altern Energy Limited	47.17	–
Crescent Commercial Bank Limited	3.25	3.05
Crescent Leasing Corporation Limited	2.17	2.17
First Equity Modarba	–	0.05
Shakarganj Mills Limited	7.50	7.14
Suraj Cotton Mills Limited	–	0.67
Unquoted		
Central Depository Company of Pakistan Limited	1.75	1.75

19.1.4 The latest available summarised financial information as at 31 March 2006 (2005: 30 June 2005) of the associated companies where there is significant influence.

Name of investee company	Total Assets	Total Liabilities	Revenuse	Profit / (loss)
	(Rupees in '000)			
2006				
Altern Energy Limited	650,426	598,749	–	(65,298)
Crescent Commercial Bank Limited	10,971,794	8,969,027	447,151	(589,392)
Crescent Leasing Corporation Limited	7,224,588	6,477,022	525,811	65,779
Shakarganj Mills Limited	12,346,974	8,979,149	3,996,077	179,664
Central Depository Company of Pakistan Limited	1,093,921	220,980	648,978	270,306
2005				
Altern Energy Limited	454,288	337,313	24,847	(101,482)
Crescent Commercial Bank Limited	10,505,144	8,487,162	511,809	(282,394)
Crescent Leasing Corporation Limited	5,062,994	4,384,732	421,832	81,498
Shakarganj Mills Limited	9,133,934	6,418,337	4,636,336	127,904
Central Depository Company of Pakistan Limited	863,199	284,668	668,745	302,310

19.2 Held to maturity

		2006	2005
		(Rupees in '000)	
Shakarganj Mills Limited (Preference Shares)	19.2.1	29,994	29,994

19.2.1 During the last year, 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 five 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.

19.3 Available-for-sale

2006	2005	Name of investee company		2006	2005
(Number of shares)				(Rupees in '000)	
		Unquoted			
2,403,725	2,403,725	Crescent Bahuman Limited	19.3.1	24,037	24,037
1,047,000	1,047,000	Crescent Industrial Chemicals Limited	19.3.2	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)	19.3.3	–	–
				–	–

19.3.1 The chief executive of Crescent Bahuman Limited is Mr. Nasir Shafi. The company's break-up value of shares could not be ascertained as the latest financial statements of the company are not available.

19.3.2 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.

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

Other Investments

19.4 Held to maturity

		2006	2005
		(Rupees in '000)	
Redeemable Capital - Term Finance Certificates (TFCs)	19.4.1	24,975	24,985
Maple Leaf Cement Limited (Preference Shares)	19.4.2	1,836	1,836
		26,811	26,821

19.4.1 Redeemable capital - Term Finance Certificates (TFCs)

United Bank Limited (5,000 TFCs of Rs. 5,000 each)	19.4.3	24,985	24,995
Current maturity shown under current assets		(10)	(10)
		24,975	24,985

19.4.2 During the last 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.

19.4.3 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.

20. LONG TERM DEPOSITS AND PREPAYMENTS

	2006			2005		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	(Rupees in '000)					
Lease deposits	1,724	–	1,724	2,194	–	2,194
Security deposits	881	1,326	2,207	793	1,326	2,119
Prepayments	1,817	–	1,817	–	–	–
	4,422	1,326	5,748	2,987	1,326	4,313

21. STORES, SPARES AND LOOSE TOOLS

Stores		5,523	–	5,523	3,431	–	3,431
Spare parts	21.1	21,218	–	21,218	19,243	–	19,243
Loose tools		519	–	519	595	–	595
Stores and spares	21.2	–	20,351	20,351	–	20,750	20,750
		27,260	20,351	47,611	23,269	20,750	44,019
Provision for slow moving items	21.3	(6,488)	(4,781)	(11,269)	(5,507)	(3,575)	(9,082)
		20,772	15,570	36,342	17,762	17,175	34,937

21.1 Spare parts include items in-transit as at 30 June 2006 of Rs. 3.31 million (2005: Rs. 2.91 million).

21.2 This includes items in-transit as at 30 June 2006 of Rs. 0.3 million (2005: Rs. 2.58 million).

21.3 Movement of provision for slow moving items

	2006			2005		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	(Rupees in '000)					
Opening balance	5,507	3,575	9,082	1,754	1,712	3,466
Provision made during the year	981	1,206	2,187	3,753	1,863	5,616
Closing balance	6,488	4,781	11,269	5,507	3,575	9,082

22. STOCK-IN-TRADE

	Note	Steel division 2006	Cotton division 2006	Total 2006	Steel division 2005	Cotton division 2005	Total 2005
Raw materials							
Hot rolled steel coils		132,423	–	132,423	47,690	–	47,690
Coating materials		19,076	–	19,076	17,498	–	17,498
Others - pipe plant		11,985	–	11,985	10,274	–	10,274
Raw cotton	22.1	–	178,665	178,665	–	62,607	62,607
Stock-in-transit		48,824	–	48,824	5,137	–	5,137
		212,308	178,665	390,973	80,599	62,607	143,206
Provision for slow-moving and obsolescence							
Coating materials	22.2	(84)	–	(84)	(84)	–	(84)
Others	22.2	(191)	–	(191)	(200)	–	(200)
		(275)	–	(275)	(284)	–	(284)
		212,033	178,665	390,698	80,315	62,607	142,922
Work-in-process		3,545	6,745	10,290	4,021	2,979	7,000
Finished goods		39,639	26,686	66,325	30,302	18,417	48,719
Scrap / cotton waste		280	1,184	1,464	169	1,009	1,178
Provision for slow-moving and obsolescence finished goods	22.3	(201)	(57)	(258)	(4,784)	(706)	(5,490)
		43,263	34,558	77,821	29,708	21,699	51,407
		255,296	213,223	468,519	110,023	84,306	194,329

22.1 Stock-in-trade of the cotton division amounting to Rs.141.73 million (2005: Rs. 35.39 million) was pledged as security with a financial institution.

22.2 Movements of provision for slow-moving and obsolescence raw material

	2006			2005		
	Coating material	Others	Total	Coating material	Others	Total
	(Rupees in '000)					
Opening balance	84	200	284	901	205	1,106
Provision (reversed) during the year	–	(9)	(9)	(817)	(5)	(822)
Closing balance	84	191	275	84	200	284

22.3 Movements of provision for slow-moving and obsolescence finished goods

	2006			2005		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	(Rupees in '000)					
Opening balance	4,784	706	5,490	2,855	655	3,510
Provision (reversed) / made during the year	(4,583)	(649)	(5,232)	1,929	51	1,980
Closing balance	201	57	258	4,784	706	5,490

23. TRADE DEBTS

Secured							
Considered good		16,006	–	16,006	3,118	–	3,118
Unsecured							
Considered good	23.1	39,374	19,767	59,141	127,552	1,367	128,919
Considered doubtful		–	151	151	–	–	–
Provision for doubtful trade debts		–	(151)	(151)	–	–	–
		39,374	19,767	59,141	127,552	1,367	128,919
		55,380	19,767	75,147	130,670	1,367	132,037

23.1 This includes amount due from an associated undertaking of Rs. 1.59 million (2005: Rs. 0.98 million). The maximum amount due from associated undertakings at the end of any month during the year was Rs. 3.5 million (2005: Rs. 2.75 million).

24. ADVANCES

	Note	2006 Steel division	2006 Cotton division	2006 Total	2005 Steel division	2005 Cotton division	2005 Total
		(Rupees in '000)					
Considered good							
Advances to staff		104	–	104	98	–	98
Advances to others		–	12,114	12,114	–	5,025	5,025
Suppliers for goods and services		2,793	1,161	3,954	9,264	1,276	10,540
Advance against purchase of shares	24.1	205,153	–	205,153	–	–	–
Considered doubtful							
Advances to others		3,000	–	3,000	3,000	–	3,000
Provision for doubtful advances to others		(3,000)	–	(3,000)	(3,000)	–	(3,000)
		–	–	–	–	–	–
Suppliers for goods and services		78	243	321	537	224	761
Provision for doubtful advances	24.2	(78)	(243)	(321)	(537)	(224)	(761)
		–	–	–	–	–	–
		208,050	13,275	221,325	9,362	6,301	15,663

24.1 This represents advances given to Altern Energy Limited against purchase of shares. The details of such advances are as follows:

	Note	2006	2005
		(Rupees in '000)	
Advance given by the company to Altern Energy Limited against subscription of right issue		60,372	–
Advance given by Crescent Standard Business Management (Pvt) Limited to Altern Energy Limited out of part settlement of Musharika agreement with the company against subscription of right issue		34,000	–
Advance given to Altern Energy Limited by Crescent Standard Investment Bank Limited out of sale proceeds of Rs. 130 million received by it on behalf of the company against disposal of company's holding in shares of Creek Marina (Private) Limited	45.1	110,781	–
		205,153	–

24.2 Movement of provision for doubtful advances

		2006			2005	
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	(Rupees in '000)					
Opening balance	537	224	761	537	375	912
Provision (reversed) / made during the year	(459)	19	(440)	–	(151)	(151)
Closing balance	78	243	321	537	224	761

25. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Security deposits	1,357	501	1,858	1,340	1,501	2,841
Prepayments	488	458	946	587	155	742
	1,845	959	2,804	1,927	1,656	3,583

26. INVESTMENTS

Related parties							
Held to maturity	26.1	85,313	–	85,313	212,000	–	212,000
Available for sale	26.2	23,562	–	23,562	38,748	–	38,748
Held for trading	26.3	7,769	–	7,769	4,200	–	4,200
		116,644	–	116,644	254,948	–	254,948
Others							
Available for sale	26.4	287,447	–	287,447	370,470	–	370,470
Held for trading	26.5	423,259	–	423,259	530,915	–	530,915
Loans and advances originated by the enterprise - Islamic Republic of Pakistan Bonds 10%		–	–	–	7,031	–	7,031
		710,706	–	710,706	908,416	–	908,416
		827,350	–	827,350	1,163,364	–	1,163,364

Investment in Related Parties

26.1 Held to maturity

		2006	2005
		(Rupees in '000)	
Musharika Arrangements - Crescent Standard Modaraba	26.1.1	85,313	212,000

26.1.1 During the year, Musharika investments amounting to Rs.127 million were realised and no new musharika arrangements were with Crescent Standard Modaraba.

26.2 Available for sale

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

2006	2005	Name of inestee company		2006	2005
(Number of shares)				(Rupees in '000)	
		Quoted			
373,868	373,868	Crescent Textile Mills Limited		8,262	20,488
91,300	91,300	Crescent Jute Products Limited	26.2.1	–	–
26,490	26,490	Jubilee Spinning and Weaving Mills Limited	26.2.2	–	–
359,993	260,864	Pakistan Industrial Credit and Investment Corporation Limited		15,300	18,260
				23,562	38,748

26.2.1 Investments in Crescent Jute Products Limited is carried at their break-up value, which is Rs. Nil per share, as this company is on the defaulters counter of Karachi Stock Exchange. The break-up value has been calculated on the basis of the financial statements for the period ended 31 December 2004.

26.2.2 Investments in Jubilee Spinning and Weaving Mills Limited is carried at break-up value which is Rs. Nil per share. The break-up value has been calculated on the basis of the financial statements for the period ended 30 September 2004.

26.3 Held for trading

2006	2005	Name of investee company	2006	2005
(Number of shares)			(Rupees in '000)	
		Quoted		
182,800	60,000	Pakistan Industrial Credit and Investment Corporation Limited	7,769	4,200

Other Investments

26.4 Available for sale

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

2006	2005	Name of investee company		2006	2005
(Number of shares)				(Rupees in '000)	
		Quoted			
50,000	50,000	Cherat Cement Limited		3,250	3,075
399,225	399,225	Crescent Standard Investment Bank Limited		1,657	5,769
192,391	152,088	Fauji Fertilizer Company Limited		23,279	18,456
190,000	190,000	Hub Power Company Limited		4,370	5,016
26,490	–	Jubilee Spinning and Weaving Mills Limited	26.2.2	–	–
7,820	36,517	National Bank of Pakistan		1,685	3,942
33,633	31,137	National Investment Trust		1,626	1,323
10,500	10,500	Nestle Milkpak Limited		11,577	5,565
206,045	255,495	Nishat Chunian Mills Limited		9,169	24,298
–	50,738	National Refinery Limited		–	16,048
–	836	Oil & Gas Development Company Limited		–	88
–	590,500	Pakistan Telecommunication Company Limited		–	38,943
81,703	81,703	Packages Limited		17,105	11,438
139,540	111,360	Pakistan Oilfields Company Limited		46,718	31,337
3,346,000	3,346,000	Pakistan Strategic Allocation Fund		35,635	32,289
286,874	239,062	PICIC Growth Fund		9,065	12,838
300,000	453,882	PICIC Investment Fund		4,380	6,808
4,872,285	4,060,238	Safeway Mutual Fund		65,776	97,243
5,300	5,300	Siemens (Pakistan) Engineering Company Limited		6,254	3,631
8	57,208	Sui Northern Gas Pipelines Limited		1	3,507
115,620	90,507	The Pakistan Stock Market Fund		13,163	10,417
195,300	199,800	Tripack Films Limited		10,165	9,590
11,880	20,460	Unilever Pakistan Limited		22,572	28,849
				287,447	370,470

26.5 Held for trading

2006	2005	Name of investee company	2006	2005
(Number of shares)			(Rupees in '000)	
		Quoted		
429,850	509,850	Al Meezan Mutual Fund Limited	6,405	5,455
17,000	–	Adamjee Insurance Company Limited	2,083	–
46,500	–	Agriautos Industries Limited	3,199	–
15,000	10,000	Arif Habib Securities Limited	7,470	3,660
147,605	50,000	Askari Commercial Bank Limited	11,447	3,900
99,800	196,700	Attock Cement Pakistan Limited	9,082	13,376
10,000	–	Attock Petroleum Limited	3,230	–
185,200	124,000	Attock Refinery Limited	16,057	19,784
77,500	–	Azgard Nine	1,709	–
107,676	–	Bank of Punjab	8,905	–
75,000	140,000	Century Paper and Board Mills Limited	3,634	11,613
270,000	270,000	Crescent Standard Investment Bank Limited	1,120	3,902
12,018	10,450	Dawood Hercules Chemicals Limited	3,551	1,735
490,000	125,000	Dewan Cement Limited	7,742	2,375
30,000	100,000	D. G. Khan Cement Company Limited	2,700	5,575
30,000	–	Dewan Farooq Motors	698	–
–	9,500	Ecopack Limited	–	471
20,000	–	Engro Chemicals Pakistan Limited	3,388	–
77,000	25,000	Fauji Cement Company Limited	1,478	320
458,326	332,313	Fauji Fertilizer Company Limited	55,457	40,326
69,420	232,000	Faysal Bank Limited	4,269	12,482
20,000	25,000	First Habib Bank Modaraba	186	313
–	50,000	Fauji Fertilizer Bin Qasim Limited	–	1,345
150,000	–	Golden Arrow Selected Stock Fund	1,080	–
1,829,000	1,652,500	Hub Power Company Limited	42,067	43,626
38,600	10,000	Indus Motors Company Limited	7,373	900
50,000	–	ICI Pakistan Limited	5,455	–
–	202,500	PICIC Growth Fund	–	10,874
52,050	34,700	Javed Omer Vohra & Company Limited	2,397	9,268
371,000	371,000	Kohinoor Energy Limited	9,590	9,646
398,100	361,000	Kohinoor Textile Mills Limited	12,640	13,718

Notes to the Financial Statements
For the year ended 30 June 2006

2006	2005	Name of investee company	2006	2005
(Number of shares)			(Rupees in '000)	
		Quoted		
670,200	823,200	Kot Addu Power Company Limited	28,215	31,076
55,000	250	Lucky Cement Limited	5,695	11
240,000	660,000	Maple Leaf Cement Factory Limited	6,144	14,388
1,685,000	2,000,000	Meezan Balance Fund	16,934	16,400
30,000	–	MCB Bank Limited	6,309	–
40,000	50,000	New Jubilee Insurance Company Limited	880	1,063
–	48,000	National Bank of Pakistan	–	5,181
50,000	105,000	Oil & Gas Development Company Limited	6,838	11,057
30,750	36,750	Packages Limited	6,438	5,145
20,750	220,500	Pakistan Oil Fields Limited	6,947	62,049
92,000	–	Pakistan Strategic Allocation Fund	980	–
50,000	215,000	Pakistan Telecommunication Company Limited	2,030	14,179
600,000	600,000	Pakistan Capital Market Fund	8,658	7,170
36,000	57,500	Pakistan Petroleum Limited	7,626	12,368
178,008	166,406	Pakistan Premier Fund Limited	2,537	2,471
5,000	–	Pakistan Refinery Limited	1,069	–
10,000	35,000	Pakistan Reinsurance Company Limited	1,232	1,804
31,000	47,500	Pakistan State Oil Company Limited	9,579	18,335
128,250	85,750	Pak Suzuki Motor Company Limited	40,142	8,575
–	689,333	PICIC Investment Fund	–	10,340
143,437	–	PICIC Growth Fund	4,533	–
17,000	12,000	Shell Pakistan Limited	8,184	6,647
406,000	2,694,000	Sui Southern Gas Company Limited	11,733	62,366
–	150,000	Sui Northern Gas Pipelines Limited	–	9,195
50,000	–	Telecard Limited	567	–
75,362	415,980	Union Bank Limited	5,577	16,431
			423,259	530,915

26.6 The following investments having an aggregate face value of Rs. 69.19 million (2005: Rs.73.15 million) are deposited as security with commercial banks.

	2006	2005
	(Rupees in '000)	
Attock Cement Pakistan Limited	500	500
Askari Commercial Bank Limited	1,000	–
Arif Habib Securities Limited	100	–
Attock Refinery Limited	1,500	–
Century Paper and Board Mills Limited	–	1,000
D. G. Khan Cement Limited	–	500
Dewan Cement Limited	3,000	–
Fauji Fertilizer Company Limited	6,250	4,000
Faysal Bank Limited	500	500
Hub Power Company Limited	19,000	17,000
Indus Motors Company Limited	300	–
Kohinoor Textile Mills Limited	3,000	1,000
Kohinoor Energy Limited	3,000	–
Kot Addu Power Company Limited	6,500	5,000
Maple Leaf Cement Company Limited	2,000	5,000
Nestle Pakistan Limited	50	–
National Bank of Pakistan	1,000	300
Nishat Chunian Limited	–	1,000
National Refinery Limited	–	350
Oil and Gas Development Company Limited	300	–
Packages Limited	1,000	500
Pak Suzuki Motor Company Limited	1,100	500
Pakistan Industrial Credit and Investment Corporation Limited	3,500	2,000
Pakistan Oil Fields Limited	1,400	2,000
Pakistan Petroleum Limited	250	–
Pakistan State Oil Company Limited	220	250
Pakistan Telecommunication Company Limited	–	5,000
PICIC Growth Fund	3,000	3,000
PICIC Investment Fund	3,000	–
Sui Northern Gas Pipelines Limited	–	1,000
Sui Southern Company Limited	3,000	20,000
Siemens Pakistan Engineering Company Limited	30	–
Shakarganj Mills Limited	1,000	–
Shell Pakistan Limited	150	–
Tripack Films Limited	1,750	1,500
The Bank of Punjab	500	–
Union Bank Limited	750	500
Unilever Pakistan Limited	545	750
	69,195	73,150

27. MARK-UP ACCRUED

	2006 Steel division	2006 Cotton division	2006 Total	2005 Steel division	2005 Cotton division	2005 Total
	(Rupees in '000)					
Considered good						
Mark-up accrued on						
- deposits	6,338	–	6,338	96	–	96
- others	2,442	–	2,442	4,634	–	4,634
	8,780	–	8,780	4,730	–	4,730

28. OTHER RECEIVABLES

	Note	2006 Steel division	2006 Cotton division	2006 Total	2005 Steel division	2005 Cotton division	2005 Total
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		3,319	–	3,319	1,975	–	1,975
Receivable on account of sale of shares		113,444	–	113,444	2,466	–	2,466
Claim receivable		54	665	719	57	–	57
Due from associated undertakings	28.1 & 28.2	583	99	682	597	114	711
Sales tax refundable		23,094	23,271	46,365	5,702	1,126	6,828
Less: Provision thereagainst		(3,605)	(741)	(4,346)	(3,605)	(741)	(4,346)
		19,489	22,530	42,019	2,097	385	2,482
Receivable against deposit for building		41,521	–	41,521	5,461	–	5,461
Less: Provision thereagainst		–	–	–	(5,461)	–	(5,461)
		41,521	–	41,521	–	–	–
Earnest money receivable		–	–	–	150,000	–	150,000
Receivable from staff retirement funds	42.3	7,339	–	7,339	6,675	–	6,675
Others		1,299	–	1,299	4	201	205
		187,048	23,294	210,342	163,871	700	164,571

28.1 Due from associated undertakings

	2006			2005		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	(Rupees in '000)					
Crescent Textile Mills Limited	–	–	–	14	–	14
Crescent Ujala Limited	–	–	–	19		19
Jubilee Spinning Mills Limited	–	–	–	17	–	17
Shakarganj Mills Limited	583	–	583	535	–	535
Suraj Cotton Mills Limited	–	–	–	11	–	11
Trust Commercial Bank Limited	–	–	–	1	–	1
Premier Insurance Company of Pakistan Limited	–	99	99	–	114	114
	583	99	682	597	114	711

28.2 Maximum aggregate amount due from associated undertakings at the end of any month during the year was Rs. 1.15 million (2005: Rs. 2.75 million).

29. TAXATION-NET

The income tax assessments of the company have been finalized up to tax year 2005.

	2006	2005
	(Rupees in '000)	
Advance tax	345,823	338,238
Provision for taxation	(329,085)	(325,050)
	16,738	13,188

The Commissioner of Income Tax (Appeals) has decided the appeals of the company in respect of the assessment year 1996-1997, 1997-1998, 1999-2000 and 2001-2002. The company has filed appeals against orders passed by Commissioner of Income Tax (Appeals) for assessment years 2000-2001 and 2001-2002 and also filed a reference application against order passed by Income Tax Appellate Tribunal (ITAT) for assessment year 1997-1998. The appeals are pending adjudication. However, the company has made full provision their against. Further, the department has also filed appeals against orders passed by Commissioner of Income Tax (Appeals) in respect of assessment years 1997-1998, 1998-1999, 2000-2001, 2002-2003 and 2004. In case of adverse decisions, additional tax liability of Rs. 27.54 million may arise. However, no provision has been made in these financial statements as the management is confident for favourable outcome of these appeals.

30. CASH AND BANK BALANCES

	2006			2005		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	(Rupees in '000)					
With banks - in deposit accounts						
- local currency	321	2,974	3,295	23,819	15,059	38,878
- foreign currency	10,712	–	10,712	12,385	–	12,385
	11,033	2,974	14,007	36,204	15,059	51,263
- in current accounts	969	96	1,065	327	905	1,232
Cash in hand	190	496	686	197	390	587
	12,192	3,566	15,758	36,728	16,354	53,082

31. SALES

Bare Pipes (own product excluding coating revenue)	917,277	–	917,277	1,963,210	–	1,963,210
Revenue from conversion	39,511	–	39,511	97,669	–	97,669
Coating of pipes	191,469	–	191,469	254,915	–	254,915
Cotton yarn	–	678,834	678,834	–	711,328	711,328
Scrap / waste	18,052	18,890	36,942	37,727	17,570	55,297
Sales returns	–	(4,774)	(4,774)	–	(2,248)	(2,248)
	1,166,309	692,950	1,859,259	2,353,521	726,650	3,080,171
Sales tax	(152,127)	–	(152,127)	(306,981)	(86,590)	(393,571)
	1,014,182	692,950	1,707,132	2,046,540	640,060	2,686,600

32. COST OF SALES

Bare Pipes	32.1	772,325	–	772,325	1,571,039	–	1,571,039
Coating of Pipes	32.4	130,649	–	130,649	126,452	–	126,452
Cotton	32.7	–	663,829	663,829	–	617,193	617,193
		902,974	663,829	1,566,803	1,697,491	617,193	2,314,684

32.1 Cost of sales - bare pipes

	Note	2006 (Rupees in '000)	2005 (Rupees in '000)
Raw materials consumed		703,347	1,486,431
Store and spares consumed		11,478	10,523
Fuel, power and electricity		7,674	11,519
Salaries, wages and other benefits	32.2	24,464	24,383
Insurance		1,443	1,546
Repairs and maintenance		3,410	3,055
Depreciation	17.1	25,866	20,116
Other expenses		5,453	24,678
Expenses allocated to CCP		(929)	(825)
		782,206	1,581,426
Opening stock of work-in-process		4,021	1,379
Closing stock of work-in-process		(3,545)	(4,021)
		476	(2,642)
Cost of goods manufactured		782,682	1,578,784
Opening stock of finished goods		26,651	18,906
Closing stock of finished goods		(37,008)	(26,651)
		(10,357)	(7,745)
		772,325	1,571,039

32.2 Detail of salaries, wages and other benefits

	Note	2006	2005
Salaries, wages and other benefits		22,571	22,430
Provident fund contributions		787	807
Pension fund	32.3	901	957
Gratuity	32.3	205	189
		24,464	24,383

32.3 Staff retirement benefits

	2006		2005	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	909	311	1,015	351
Interest cost	1,315	406	1,027	328
Expected return on plan assets	(1,485)	(559)	(1,268)	(542)
Past service cost	162	47	183	52
	901	205	957	189

32.4 Cost of sales - coating of pipes

		2006	2005
		(Rupees in '000)	
Materials consumed		95,359	94,441
Stores and spares consumed		6,804	3,991
Fuel and power		3,717	10,907
Salaries, wages and other benefits	32.5	10,057	9,594
Insurance		591	621
Repairs and maintenance		1,692	1,389
Depreciation	17.1	10,454	7,601
Other expenses		1,353	1,573
Expenses allocated to CCP		(398)	(353)
Cost of goods manufactured		129,629	129,764
Opening stock of finished goods		3,651	339
Closing stock of finished goods		(2,631)	(3,651)
		1,020	(3,312)
		130,649	126,452

32.5 Detail of salaries, wages and other benefits

		2006	2005
Salaries, wages and other benefits		9,249	8,824
Provident fund contributions		328	313
Pension fund	32.6	391	382
Gratuity	32.6	89	75
		10,057	9,594

32.6 Staff retirement benefits

	2006		2005	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	394	135	405	140
Interest cost	569	176	410	130
Expected return on plan assets	(642)	(242)	(506)	(216)
Past service cost	70	20	73	21
	391	89	382	75

32.7 Cost of sales - cotton

	Note	2006	2005
		(Rupees in '000)	
Raw materials consumed		487,769	465,860
Packing materials consumed		8,746	7,470
Stores and spares consumed		14,559	13,637
Fuel and power		58,895	48,874
Salaries, wages and other benefits	32.8	41,114	32,836
Insurance		1,770	1,712
Repairs and maintenance		3,073	1,295
Depreciation	17.1	49,784	44,042
Amortisation of intangible assets	18.1	573	478
Other expenses		4,658	3,378
Expenses allocated from steel division		1,327	1,178
		672,268	620,760
Opening stock of work-in-process		2,979	4,434
Closing stock of work-in-process		(6,745)	(2,979)
		(3,766)	1,455
Cost of goods manufactured		668,502	622,215
Opening stock of finished goods		18,417	13,395
Finished goods purchased		3,596	–
Closing stock of finished goods		(26,686)	(18,417)
		(4,673)	(5,022)
		663,829	617,193

32.8 Detail of salaries, wages and other benefits

	Note	2006	2005
Salaries, wages and other benefits		39,948	31,753
Provident fund contributions		775	739
Pension fund	32.9	391	344
		41,114	32,836

32.9 Staff retirement benefits - Pension

	2006	2005
Current service cost	395	365
Interest cost	570	369
Expected return on plan assets	(644)	(456)
Past service cost	70	66
	391	344

33. DISTRIBUTION AND SELLING EXPENSES

		2006			2005		
		Steel division	Cotton division	Total	Steel division	Cotton division	Total
		(Rupees in '000)					
Salaries, wages and other benefits	33.1	3,503	1,185	4,688	3,941	528	4,469
Commission		–	3,170	3,170	–	3,060	3,060
Traveling and conveyance		437	7	444	630	20	650
Depreciation	17.1	306	–	306	201	–	201
Insurance		76	–	76	70	–	70
Postage, telephone and telegram		134	138	272	62	93	155
Advertisement		1,477	–	1,477	1,641	–	1,641
Bid bond expenses		433	–	433	317	–	317
Bad debts expenses		892	–	892	–	–	–
Transportation		36	2,008	2,044	–	281	281
Legal and professional charges		4	–	4	214	–	214
Others		320	687	1,007	672	128	800
		7,618	7,195	14,813	7,748	4,110	11,858

33.1 Detail of salaries, wages and other benefits

Salaries, wages and other benefits		3,062	1,185	4,247	3,563	528	4,091
Provident fund contributions		136	–	136	119	–	119
Pension fund	33.2	249	–	249	216	–	216
Gratuity	33.2	56	–	56	43	–	43
		3,503	1,185	4,688	3,941	528	4,469

33.2 Staff retirement benefits

	2006		2005	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	252	86	230	79
Interest cost	363	112	232	74
Expected return on plan assets	(411)	(155)	(287)	(122)
Past service cost	45	13	41	12
	249	56	216	43

34. ADMINISTRATIVE EXPENSES

		2006			2005		
		Steel division	Cotton division	Total	Steel division	Cotton division	Total
		(Rupees in '000)					
Salaries, wages and other benefits	34.1	30,666	–	30,666	27,893	–	27,893
Rents, rates and taxes		210	–	210	662	–	662
Traveling, conveyance and entertainment		4,383	245	4,628	5,207	377	5,584
Fuel and power		3,542	–	3,542	3,076	–	3,076
Postage, telephone and telegram		1,538	–	1,538	1,663	–	1,663
Insurance		1,282	–	1,282	1,199	–	1,199
Repairs and maintenance		2,210	–	2,210	2,762	–	2,762
Auditors' remuneration	34.3	581	–	581	626	–	626
Legal, professional and corporate service charges		39,653	1,046	40,699	19,954	658	20,612
Advertisement		376	–	376	88	–	88
Donations	34.4	2,893	1,107	4,000	12,939	4,775	17,714
Depreciation	17.1	10,986	–	10,986	10,638	–	10,638
Amortisation of intangible assets	18.1	1,472	–	1,472	1,459	–	1,459
Printing, stationery and office supplies		1,296	9	1,305	1,380	–	1,380
Newspapers, subscriptions and periodicals		175	–	175	403	–	403
Others		141	14	155	689	–	689
		101,404	2,421	103,825	90,638	5,810	96,448
Charges allocated to the cotton division		(13,032)	13,032	–	(14,921)	14,921	–
		88,372	15,453	103,825	75,717	20,731	96,448

34.1 Detail of salaries, wages and other benefits

		2006			2005		
		Steel division	Cotton division	Total	Steel division	Cotton division	Total
		(Rupees in '000)					
Salaries, wages and other benefits		26,863	–	26,863	24,477	–	24,477
Provident fund contributions		1,193	–	1,193	1,109	–	1,109
Pension fund	34.2	2,126	–	2,126	1,922	–	1,922
Gratuity	34.2	484	–	484	385	–	385
		30,666	–	30,666	27,893	–	27,893

34.2 Staff retirement benefits

	2006		2005	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	2,145	734	2,039	714
Interest cost	3,099	959	2,063	667
Expected return on plan assets	(3,500)	(1,320)	(2,547)	(1,102)
Past service cost	382	111	367	106
	2,126	484	1,922	385

34.3 Auditors' remuneration

	2006	2005
	(Rupees in '000)	
Audit fee*	500	500
Fee for audit of funds' financial statements and other reports	70	70
Out of pocket expenses	11	56
	581	626

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

34.4 Donations

Donations include the following in which a director is interested:

Name of the director	Interest in donee	Name and address of the donee	Amount donated 2006	2005
			(Rupees in '000)	
Mr. Ahsan M. Saleem	Chairman	The Citizens Foundation 9th Floor, NIC Building, Karachi	3,338	16,580
	Member Managing Committee	Commecs Institute of Business Education, ST-9, Block-13 Gulistan-e-Johar Karachi	60	–
	Member	Lyallpur Golf Club Race Course Club, Faisalabad	110	125
			3,508	16,705

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

35. OTHER OPERATING EXPENSES

	Note	2006 Steel division	2006 Cotton division	2006 Total	2005 Steel division	2005 Cotton division	2005 Total
		(Rupees in '000)					
Provision against sales tax refundable		–	–	–	1,297	–	1,297
Fair value adjustment		–	–	–	38,219	–	38,219
Provision for stock-in-trade		–	–	–	3,568	52	3,620
Provision for slow moving stores, spares and tools		981	1,206	2,187	3,753	1,863	5,616
Provision for workers welfare fund		332	–	332	4,937	–	4,937
Provision for infrastructure fee		7,700	–	7,700	6,000	–	6,000
Provision for impairment of intangible asset	18.1	2,640	–	2,640	–	–	–
Provision for impairment of investments		–	–	–	284	–	284
Provision against advances		111	–	111	3,000	–	3,000
Provision for other receivables, prepayments and others		–	20	20	–	–	–
Other receivables, prepayments and others written off		63	–	63	–	–	–
Fixed assets written off		123	–	123	–	–	–
Provision for doubtful trade debts		–	151	151	–	–	–
Provision for liquidated damages		–	–	–	6,000	–	6,000
Exchange loss		628	7,913	8,541	–	1,022	1,022
		12,578	9,290	21,868	67,058	2,937	69,995

36. OTHER OPERATING INCOME

	Note	2006 Steel division	2006 Cotton division	2006 Total	2005 Steel division	2005 Cotton division	2005 Total
		(Rupees in '000)					
Income From Financial Assets							
Return on deposits, advances and investments		4,539	47	4,586	5,039	185	5,224
Dividend income	36.1	66,870	–	66,870	62,338	–	62,338
Exchange gain		–	–	–	342	–	342
Gain on sale of investments							
- Available-for-sale		69,146	–	69,146	103,648	–	103,648
- Held for trading		164,378	–	164,378	60,948	–	60,948
Unrealized gain on held-for-trading investments		26,424	–	26,424	–	–	–
Income From Related Parties							
Return on deposits, advances and investments		7,080	–	7,080	4,493	–	4,493
Provision written back on investment		368	–	368	684	–	684
Other Income							
Liabilities written-back		2,446	99	2,545	–	–	–
Provision written back for stock-in-trade		4,592	649	5,241	6,340	11,378	17,718
Provision written back against deposit for building		5,461	–	5,461	–	–	–
Gain on disposal of fixed assets		960	–	960	4,034	159	4,193
Deferred income	8	304	–	304	304	185	489
Insurance commission		1,192	–	1,192	882	–	882
Others		1,323	1,570	2,893	2,244	850	3,094
		355,083	2,365	357,448	251,296	12,757	264,053

36.1 Dividend income

	2006			2005		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	(Rupees in '000)					
From Related Parties						
Pakistan Industrial Credit and Investment Corporation	1,550	–	1,550	644	–	644
Crescent Textile Mills Limited	374	–	374	374	–	374
	1,924	–	1,924	1,018	–	1,018
Others	64,946	–	64,946	61,320	–	61,320
	66,870	–	66,870	62,338	–	62,338

37. FINANCE COSTS

	Steel division 2006	Cotton division 2006	Total 2006	Steel division 2005	Cotton division 2005	Total 2005
Interest on provident fund	–	–	–	–	324	324
Mark-up on:						
Running finances	10,898	979	11,877	5,861	–	5,861
Short-term loans	41,506	–	41,506	14,075	2,081	16,156
Long-term loans	–	26,807	26,807	–	–	–
Redeemable capital	6,971	14,984	21,955	9,720	7,434	17,154
Assets subject to finance leases	1,430	542	1,972	1,840	1,364	3,204
Bank charges	547	933	1,480	807	443	1,250
	61,352	44,245	105,597	32,303	11,646	43,949
Financial charges allocated to the cotton division	(46,374)	46,374	–	(18,017)	18,017	–
	14,978	90,619	105,597	14,286	29,663	43,949
Financial charges capitalized	–	22,657	22,657	–	–	–
	14,978	67,962	82,940	14,286	29,663	43,949

38. TAXATION

	2006	2005
	(Rupees in '000)	
Current		
- for the year	4,113	88,870
- for prior years'	926	878
	5,039	89,748
Deferred	(2,249)	(7,925)
	2,790	81,823

38.1 Relationship between tax expense and accounting profit

	2006	2005
Profit before taxation	262,409	394,218
Tax at the applicable rate of 35%	91,843	137,976
Effect of non-deductible expenses	3,755	(41,734)
Tax effect of exempt income and export sales under presumptive tax regime	(77,538)	(791)
Tax effect of change in tax WDV of fixed assets	152	(2,110)
Tax effect of dividend income taxed at different rate	(20,343)	(20,841)
Tax effect on share of loss of associates taxed at different rate	3,859	8,356
Prior years' tax effect	926	878
Others	136	89
	2,790	81,823

39. BASIC AND DILUTED EARNINGS PER SHARE

	2006	2005
Profit for the year	259,619	312,395
	(Number of shares)	
Average number of ordinary shares in issue during the year	34,995,865	34,995,865
	(Rupees)	
Basic and diluted earnings per share	7.42	8.93

40. CASH GENERATED FROM OPERATIONS

		2006	2005
		(Rupees in '000)	
Profit before taxation		262,409	394,218
Depreciation		97,396	82,598
Amortisation		2,045	1,937
Amortization of advance to staff		111	–
Provision for impairment on intangibles		2,640	–
Adjustment arising from measurement to fair value		(26,424)	38,219
Provision against stock-in-trade and stores and spares		2,187	9,236
Reversal of provision against stock-in-trade		(5,241)	(17,718)
Liabilities written back		(2,545)	–
Provision for workers welfare fund		332	4,937
Provision against other receivables		20	1,297
Other receivables written off		63	–
Fixed assets written off		123	–
Reversal of provision against advance for building		(5,461)	–
Provision for diminution in the value of investments		–	284
Provision for infrastructure fee		7,700	6,000
Provision against advances		111	3,000
Provision against liquidated damages		–	6,000
Provision for doubtful trade debts		151	–
Exchange loss		8,541	1,022
Exchange gain		–	(342)
Gain on sale of investments		(233,524)	(164,596)
Pension and gratuity expense		4,892	4,511
Financial charges		82,940	43,949
Deferred income		(304)	(489)
Gain on disposal of fixed assets		(960)	(4,193)
Dividend income		(66,870)	(62,338)
Provision written back on investments		(368)	(684)
Return on deposits, advances and investments		(11,666)	(9,717)
Associate share of loss		11,922	19,501
Amortisation of initial transaction cost		1,053	998
Working capital changes	40.1	(101,397)	(89,630)
		29,876	268,000

40.1 Working capital changes

	2006	2005
	(Rupees in '000)	
(Increase) / decrease in current assets		
Stores, spares and loose tools	(3,592)	(1,297)
Stock-in-trade	(268,949)	60,221
Trade debts	56,739	(96,013)
Short-term advances	(69)	(11,756)
Short-term deposits and prepayments	779	(161)
Other receivables (net)	92,012	(66,835)
	(123,080)	(115,841)
Increase in current liabilities		
Trade and other payables	21,683	26,211
	(101,397)	(89,630)

41. CASH AND CASH EQUIVALENTS

Running finances under mark-up arrangements	15	(169,374)	(22,204)
Cash and bank balances	30	15,758	53,082
		(153,616)	30,878

42. STAFF RETIREMENT BENEFITS

42.1 The actuarial valuation has been conducted in accordance with IAS 19 "Employee benefits" as of 30 June 2006. The projected unit credit method based on the following significant assumptions is used for valuation of schemes:

		2006	2005
		(Percentage per annum)	
• discount rate		9	9
• expected rate of increase in salaries	- For next two years (2005: three years)	10	10
	- After two years (2005: three years)	8	8
• expected rate of return on plan assets		11	11
• average working life of employees		11 years	11 years

42.2 Amount recognised in balance sheet as follows:

	2006			2005		
	Pension	Gratuity	Total	Pension	Gratuity	Total
	(Rupees in '000)					
Defined benefits obligations	(71,422)	(19,776)	(91,198)	(65,735)	(18,379)	(84,114)
Fair value of plan assets	68,194	24,023	92,217	60,744	20,687	81,431
Past service cost	4,371	1,904	6,275	5,099	2,094	7,193
Actuarial gain / (loss)	2,336	(2,291)	45	3,326	(1,161)	2,165
	3,479	3,860	7,339	3,434	3,241	6,675

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

Opening balance as at 1 July	3,434	3,241	6,675	3,576	2,564	6,140
Expense	(4,058)	(834)	(4,892)	(3,820)	(691)	(4,511)
Company's contributions	4,103	1,453	5,556	3,678	1,368	5,046
	3,479	3,860	7,339	3,434	3,241	6,675

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

Current service cost	4,095	1,266	5,361	4,054	1,284	5,338
Interest cost	5,916	1,653	7,569	4,100	1,199	5,299
Expected return on assets	(6,682)	(2,276)	(8,958)	(5,063)	(1,983)	(7,046)
Past service cost charged	729	191	920	729	191	920
Total amount chargeable to profit and loss account	4,058	834	4,892	3,820	691	4,511

42.5 The actual return on plan assets of pension and gratuity funds aggregated Rs. 5.17 million (2005: Rs. 12.58 million) and Rs. 2.29 million (2005: Rs. 4.48 million) respectively.

42.6 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.

43. 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:

	2006							
		Interest/mark-up bearing			Non-interest/mark-up bearing			
	Effective rate of interest / mark-up %	Maturity upto one year	Maturity after one year and upto five years	Sub-total	Maturity upto one year	Maturity after one year and upto five years	Sub-total	Total
		(Rupees in '000)						
Financial assets								
Investments	8.5 to 11	85,323	56,805	142,128	742,037	428,386	1,170,423	1,312,551
Long-term deposits and prepayments		–	–	–	–	2,207	2,207	2,207
Trade debts		–	–	–	75,147	–	75,147	75,147
Short-term deposits		–	–	–	1,858	–	1,858	1,858
Mark-up accrued		–	–	–	8,780	–	8,780	8,780
Other receivables		–	–	–	126,802	–	126,802	126,802
Advances		–	–	–	205,153	–	205,153	205,153
Cash and bank balances		14,007	–	14,007	1,751	–	1,751	15,758
		99,330	56,805	156,135	1,161,528	430,593	1,592,121	1,748,256

	2005							
		Interest/mark-up bearing			Non-interest/mark-up bearing			
	Effective rate of interest / mark-up %	Maturity upto one year	Maturity after one year and upto five years	Sub-total	Maturity upto one year	Maturity after one year and upto five years	Sub-total	Total
		(Rupees in '000)						
Financial assets								
Investments	4 to 28.7	212,010	56,815	268,825	951,364	282,307	1,233,671	1,502,496
Long-term deposits and prepayments		–	–	–	–	2,119	2,119	2,119
Trade debts		–	–	–	132,037	–	132,037	132,037
Short-term deposits		–	–	–	1,341	–	1,341	1,341
Mark-up accrued		–	–	–	4,730	–	4,730	4,730
Other receivables		–	–	–	162,089	–	162,089	162,089
Cash and bank balances	1.5 to 3.5	51,263	–	51,263	1,819	–	1,819	53,082
		263,273	56,815	320,088	1,253,380	284,426	1,537,806	1,857,894

2006	Effective rate of interest / mark-up %	Interest/mark-up bearing: Maturity upto one year	Interest/mark-up bearing: Maturity after one year and upto five years	Interest/mark-up bearing: Sub-total	Non-interest/mark-up bearing: Maturity upto one year	Non-interest/mark-up bearing: Maturity after one year and upto five years	Non-interest/mark-up bearing: Sub-total	Total
		(Rupees in '000)						
Financial liabilities								
Long-term loans	10.9 to 11.58	56,250	392,591	448,841	–	–	–	448,841
Redeemable Capital	6.8 to 9	75,000	147,753	222,753	–	–	–	222,753
Liabilities against assets subject to finance leases	7.5 to 9.5	6,319	7,970	14,289	–	–	–	14,289
Short term borrowings	8.65 to 10.45	739,374	–	739,374	–	–	–	739,374
Trade and other payables		–	–	–	218,218	–	218,218	218,218
Interest and markup accrued		–	–	–	20,272	–	20,272	20,272
		876,943	548,314	1,425,257	238,490	–	238,490	1,663,747

2005	Effective rate of interest / mark-up %	Interest/mark-up bearing: Maturity upto one year	Interest/mark-up bearing: Maturity after one year and upto five years	Interest/mark-up bearing: Sub-total	Non-interest/mark-up bearing: Maturity upto one year	Non-interest/mark-up bearing: Maturity after one year and upto five years	Non-interest/mark-up bearing: Sub-total	Total
		(Rupees in '000)						
Financial liabilities								
Long-term loans		–	–	–	–	–	–	–
Redeemable Capital	4.2 to 6.8	75,000	221,854	296,854	–	–	–	296,854
Liabilities against assets subject to finance leases	7.5 to 9.5	16,292	14,289	30,581	–	–	–	30,581
Short term borrowings	8.63 to 10.06	142,204	–	142,204	–	–	–	142,204
Trade and other payables	7 to 8.86	90,000	–	90,000	120,754	–	120,754	210,754
Interest and markup accrued		–	–	–	13,454	–	13,454	13,454
		323,496	236,143	559,639	134,208	–	134,208	693,847

On-balance sheet gap :								
	2006	(777,613)	(491,509)	(1,269,122)	923,038	430,593	1,353,631	84,509
	2005	(60,223)	(179,328)	(239,551)	1,119,172	284,426	1,403,598	1,164,047
Off balance sheet items - financial commitments								
Outstanding LCs/LGs	2006	–	–	–	292,045	155,582	447,627	447,627
	2005	–	–	–	608,956	100,551	709,507	709,507

43.1 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.

43.2 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 (2005: Nil) against which no forward exchange contracts were obtained.

43.3 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.

43.4 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.

44. REMUNERATION TO THE CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	Chief Executive		Director		Executives		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
	(Rupees in '000)							
Managerial remuneration	4,290	3,852	2,339	1,932	5,792	6,184	12,421	11,968
House rent	1,931	1,733	1,052	869	2,428	2,638	5,411	5,240
Utilities	429	385	234	193	579	618	1,242	1,196
Traveling expenses	481	361	–	–	–	–	481	361
Others	672	726	–	–	–	193	672	919
Medical	64	118	86	39	293	348	443	505
Contribution to:								
- Provident fund	429	385	234	193	230	286	893	864
- Gratuity fund	311	274	169	138	87	171	567	583
- Pension fund	794	674	433	338	550	674	1,777	1,686
Club subscription and expenses	260	315	8	8	4	4	272	327
Entertainment	–	–	36	36	126	126	162	162
Telephone	–	–	12	12	30	28	42	40
	9,661	8,823	4,603	3,758	10,119	11,270	24,383	23,851
Number of persons	1	1	1	1	6	7	8	9

44.1 The aggregate amount charged in the account in respect of directors' fees paid to six (2005: six) directors was Rs. 175,000 (2005: Rs. 140,000).

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

44.3 The chief executive, a director, executives and their families are also covered under group life and hospitalisation insurance.

45. 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 theses financial statements, are follows:

Due from associated undertakings

	2006			2005		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	(Rupees in '000)					
Opening balance	1,049	378	1,427	13	–	13
Sale of pipes / yarn for the year	5,742	78,490	84,232	12,261	94,127	106,388
Received during the year	(6,791)	(77,279)	(84,070)	(11,225)	(93,749)	(104,974)
Closing balance	–	1,589	1,589	1,049	378	1,427

Due to associated undertakings

	2006			2005		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
Opening balance	1,122	1,629	2,751	1,787	2,285	4,072
Services received	22,141	4,612	26,753	3,052	1,731	4,783
Purchase of fixed assets	–	44,057	44,057	–	–	–
Purchase of yarn	–	3,596	3,596	–	–	–
Services rendered	(269)	(803)	(1,072)	(318)	–	(318)
Settlement of liability	–	(1,267)	(1,267)	–	–	–
Paid during the year	(20,421)	(41,587)	(62,008)	(3,399)	(2,387)	(5,786)
Closing balance	2,573	10,237	12,810	1,122	1,629	2,751

Other transactions

		2006			2005		
		Steel division	Cotton division	Total	Steel division	Cotton division	Total
		(Rupees in '000)					
Insurance premium paid		540	–	540	373	620	993
Donations	34.4	2,598	910	3,508	11,930	4,775	16,705
Sale of waste		–	24	24	–	–	–
Contribution to pension fund	42.3	3,712	391	4,103	3,372	306	3,678
Contribution to gratuity fund	42.3	1,453	–	1,453	1,368	–	1,368
Contribution to provident fund		2,444	1,578	4,022	4,697	656	5,353
Financial charges on Term Finance Certificates		208	159	367	76	58	134
Interest to Provident Fund on accumulated balance		–	–	–	–	323	323
Dividends received	36.1	2,864	–	2,864	7,671	–	7,671
Return on deposits		7,080	–	7,080	2,488	–	2,488
Redemption of term finance certificates		708	542	1,250	3,332	–	3,332
Short term placement		–	–	–	65,000	–	65,000
Subscription in right shares		–	–	–	8,818	–	8,818
Subscription in preference shares		–	–	–	29,994	–	29,994
Advance for Equity participation	24	205,153	–	205,153	3,000	–	3,000
Sale of fixed assets		–	–	–	11,250	–	11,250
Advance for purchase of apartment	45.1	20,000	–	20,000	–	–	–
Certificate of Investments		–	–	–	20,000	–	20,000
Musharika arrangements		–	–	–	186,000	–	186,000

45.1 During the year, the company made an investment of Rs. 150 million in the equity of Creek Marina (Private) Limited. In June 2006, an agreement was reached between Meinhardt Group Companies and various Crescent Group Companies including Crescent Standard Investment Bank Limited whereby, the company's holding in Creek Marina (Private) Limited was acquired by the Meinhardt Group, and Crescent Standard Investment Bank Limited (CSIBL) was authorised to collect the proceeds for the sale of shares held by various Crescent Group Companies. By another agreement between the company and CSIBL, it has been agreed to settle amount collected by CSIBL i.e. Rs. 130 million in respect of company's shares in Creek Marina (Private) Limited by transfer of following assets:

- 2,559,375 shares of Altern Energy Limited held by CSIBL valued at Rs. 20.47 million.

- CSIBL subscription for right issue in Altern Energy Limited in favour of the company amounting to Rs. 110.78 million.

The above shares acquired from CSIBL were transferred in the company's name subsequent to year end.

The remaining balance of Rs. 20 million with respect to disposal of company's shares in Creek Marina (Private) Limited was agreed to be settled by allotment of an apartment in Creek Marina. The allotment documents of the apartment in company's name is in process.

46. PLANT CAPACITY AND PRODUCTION

46.1 Steel division

Pipe plant

The plant's installed / rated capacity for production based on single shift is 30,000 tons (2005: 30,000 tons) annually on the basis of notional pipe size of 30" dia x 1/2" thickness. The actual production achieved during the year was 21,820 tons (2005: 42,099 tons) line pipes of varied sizes and thickness, which is equivalent to 46,981 tons (2005: 73,501 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 1,067 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 249,463 meters of different dia pipes (242,847 square meters surface area) was achieved during the year (2005: 250,717 square meters surface area).

46.2 Cotton division

Spinning unit I

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 6,325,735 kilograms.

Spinning unit II
The plant capacity converted to 20s count based on three shifts per day for 1,080 shifts is 9,284,825 kilograms. Actual production converted into 20s count was 1,361,947 kilograms.

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

47. ACCOUNTING ESTIMATES AND JUDGMENTS

Income taxes
In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

Held to maturity investment
The Company has classified certain investments as held to maturity. In this regard, judgement is involved in evaluating the intention and ability to hold these investments till their respective maturities.

Investment stated at fair value
Management has determined fair value of certain investments by using quotations from active market conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matters of judgement (e.g. valuation, interest rate, etc.) and therefore, cannot be determined with precision.

Property, plant and equipment
The Company reviews the rate of depreciation, useful life, residual value and value of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipments with a corresponding affect on the depreciation charge and impairment.

Intangible assets
The Company reviews the rate of amortization and value of intangible assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of intangible assets with a corresponding affect on the amortization charge and impairment.

Stock-in-trade and stores and spares
The Company reviews the net realizable value of stock-in-trade and stores and spares to assess any diminution in the respective carrying values. Any change in the estimates in future years might affect the carrying amounts of stock-in-trade and stores and spares with a corresponding affect on the amortization charge and impairment. Net realizable value is determined with respect to estimated selling price less estimated expenditures to make the sales.

48. NON ADJUSTING EVENTS AFTER BALANCE SHEET DATE

The Board of Directors have approved a transfer to general reserve for the year ended 30 June 2006 of Rs. 421 million at their meeting held on 12 September 2006. These financial statements do not reflect this transfer.

49. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue in the board of directors meeting held on 12 September 2006.

Chairman

Chief Executive

Crescent Steel & Allied Products Ltd.

Form “34” Pattern of Holding of Shares

Held by Shareholders as at 30 June 2006

NO. OF SHAREHOLDERS	SHAREHOLDING FROM	SHAREHOLDING TO	TOTAL SHARES HELD
315	1	100	14,535
525	101	500	141,117
370	501	1,000	250,759
472	1,001	5,000	1,056,822
99	5,001	10,000	677,137
55	10,001	15,000	678,487
32	15,001	20,000	562,272
17	20,001	25,000	379,183
13	25,001	30,000	364,299
9	30,001	35,000	298,520
3	35,001	40,000	111,846
6	40,001	45,000	248,757
3	45,001	50,000	144,446
3	50,001	55,000	158,527
5	55,001	60,000	284,249
1	60,001	65,000	61,200
2	65,001	70,000	134,333
3	70,001	75,000	215,593
5	75,001	80,000	389,844
3	80,001	85,000	249,303
2	85,001	90,000	177,360
1	90,001	95,000	93,619
2	95,001	100,000	200,000
1	115,001	120,000	120,000
1	125,001	130,000	126,000
2	135,001	140,000	276,659
1	140,001	145,000	142,005
3	145,001	150,000	447,475
1	150,001	155,000	152,400
1	165,001	170,000	165,619
2	175,001	180,000	352,749
3	180,001	185,000	544,096
2	195,001	200,000	395,840
1	200,001	205,000	204,000
1	205,001	210,000	205,320
1	220,001	225,000	220,560
1	240,001	245,000	241,200
1	280,001	285,000	281,552
1	300,001	305,000	300,255
1	310,001	315,000	314,224
1	320,001	325,000	322,884
1	405,001	410,000	409,759
1	485,001	490,000	487,912
1	595,001	600,000	600,000
1	1,185,001	1,190,000	1,185,889
1	1,230,001	1,235,000	1,232,193
1	1,350,001	1,355,000	1,350,472
1	1,425,001	1,430,000	1,425,585
1	1,550,001	1,555,000	1,550,772
1	1,690,001	1,695,000	1,693,660
1	2,135,001	2,140,000	2,138,523
1	2,475,001	2,480,000	2,479,200
1	3,845,001	3,850,000	3,848,973
1	4,885,001	4,890,000	4,887,880
1,984			34,995,864

Pattern of Holding of Shares

Held by Shareholders as at 30 June 2006

CATEGORIES OF SHAREHOLDERS		SHARES HELD	PERCENTAGE
a)	**Directors, Chief Executive Officer, Their Spouse and Children**		
	Directors		
	Mr. Ahsan M. Saleem	4,256	0.01
	Mr. Javed Aslam Callea	871	0.00
	Mr. Mazhar Karim	93,619	0.27
	Mr. Nasir Shafi	21,344	0.06
	Mr. Zahid Bashir	71,010	0.20
	Syed Mehmood Ehtishamullah	871	0.00
	Directors Spouse and Their Children		
	Mrs. Abida Mazhar	12,374	0.04
	Mrs. Shahnaz A. Saleem	137,267	0.39
	Executives		
	Kh. Muhammad Sharif	26,496	0.08
	Syed Ali Nazir Kazmi	10,598	0.03
		378,706	1.08
b)	**Associated Companies, Undertakings & Related Parties**		
	Crescent Commercial Bank Limited	1,550,772	4.43
	Crescent Jute Products Limited	139,392	0.40
	Crescent Sugar Mills & Distillery Limited	1,232,193	3.52
	Muhammad Amin Muhammad Bashir Limited	511	0.00
	Pakistan Industrial Credit and Investment Corporation Limited	281,552	0.80
	Shakarganj Mills Limited	1,350,472	3.86
	The Crescent Textile Mills Limited	3,848,973	11.00
	The Premier Insurance Company of Pakistan Limited	24,717	0.07
		8,428,582	24.08
c)	**NIT & ICP (Name Wise Detail)**		
	Investment Corporation of Pakistan	9,171	0.03
	National Bank of Pakistan, Trustee Deptt.	4,887,880	13.97
		4,897,051	14.00
d)	**Banks, DFI's, NBFI's**	1,218,323	3.48
e)	**Insurance Companies**	1,185,889	3.40
f)	**Modaraba and Mutual Funds**	3,185,387	9.10

Pattern of Holding of Shares

g)	**Other Companies**	3,397,855	9.71
h)	**Non Resident**	2,153,709	6.15
i)	**General Public**	10,150,362	29.00
		34,995,864	100.00

Shareholders More Than 10%

National Bank of Pakistan, Trustee Deptt.	4,887,880	13.97
The Crescent Textile Mills Limited	3,848,973	11.00
	8,736,853	24.97

Notice of Annual General Meeting

NOTICE is hereby given that the 22nd Annual General Meeting of the Shareholders of CRESCENT STEEL AND ALLIED PRODUCTS LIMITED will be held on Monday, 30 October 2006 at 3.00 p.m. at Qasr-e-Noor, 9 E 2 Main Boulevard, Gulberg-III, Lahore to transact the following business:

1. To confirm the minutes of Extraordinary General Meeting held on 14 July 2006.

2. To receive, consider and adopt the Audited Accounts together with Directors' and Auditors' reports thereon for the year ended 30 June 2006.

3. To appoint auditors and fix their remuneration.

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

BY ORDER OF THE BOARD
Mohammad Amin
Company Secretary

Lahore: 12 September 2006

Notes:

1. PARTICIPATION IN THE ANNUAL GENERAL MEETING

- A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote.

- The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially attested copy of the power of attorney must be deposited at the Registered Office of the Company at least 48 hours before the time of Meeting.

- 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.

2. BOOK CLOSURE NOTICE

The Share Transfer Books of the Company will remain closed from 23 October 2006 to 30 October 2006 (both days inclusive). Physical transfers/CDS Transaction Ids received in order at the Registered Office of the Company upto the close of business on 22 October 2006 will be considered in time for the determination of entitlement of shareholders to attend and vote at the meeting.

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 22nd Annual General Meeting of the Company to be held on Monday, 30 October 2006 at 3:00 p.m. at Qasr-e-Noor, 9E-2 Main Boulvard, Gulberg-III, Lahore and at any adjournment thereof.

As witness my / our hand this___________________________ day of ___________________________2006.

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.

www.crescent.com.pk

Designed & Produced by Citcuit/FCB