

Annual Report 2008

Heritage of Pakistan



Crescent Steel &
Allied Products Ltd.



Heritage of Pakistan

The architectural heritage of any country or city encompasses many different types of structures, from ruins and fortifications, mosques, churches and temples, and other types of medieval buildings, to various, more recent buildings and complex installations.

The preservation of one's architectural heritage is important because it provides a unique source of knowledge about the past. The aesthetic and artistic qualities of buildings may hold a symbolic value within local communities, adding to the sense of history and identity of the inhabitants.

We are rich in our architectural heritage and must preserve these timeless monuments for future generations to utilize, enjoy and learn from.



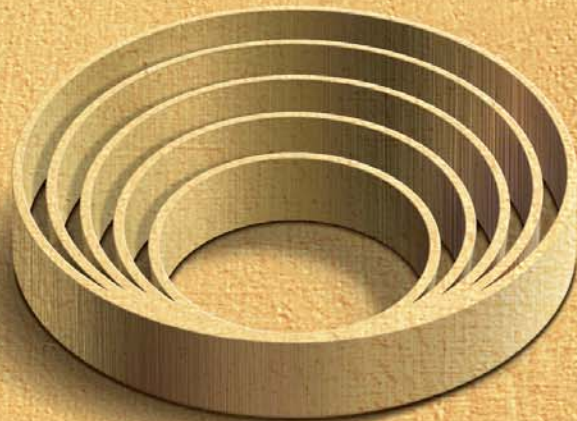
Mission, Vision, Values

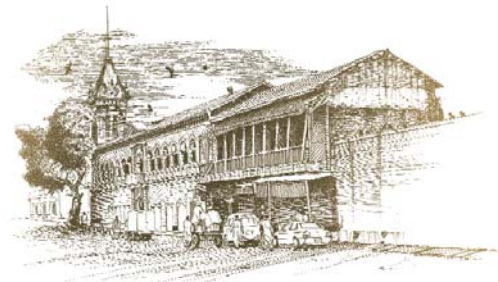
To add value to shareholders and the economy by giving the best returns and reinvest sensibly in products and markets we compete in.

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

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

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





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Company Information



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From left to right: M. Saad Thaniana, S.M. Ehtishamullah, Ahsan M. Saleem, Javed Iqbal, Zahid Bashir,

BOARD OF DIRECTORS

| | |
|---|--------------------|
| <i>Non-Executive Chairman</i> | Mazhar Karim |
| <i>Chief Executive & MD</i> | Ahsan M. Saleem |
| <i>Non-Executive Director (Independent)</i> | Javed A. Callea |
| <i>Non-Executive Director (Independent)</i> | Javed Iqbal |
| <i>Non-Executive Director</i> | Mohammad Anwar |
| <i>Non-Executive Director</i> | Nasir Shafi |
| <i>Finance Director & CFO</i> | S.M. Ehtishamullah |
| <i>Non-Executive Director</i> | Zahid Bashir |

COMPANY SECRETARY

M. Saad Thaniana

AUDIT COMMITTEE

| | |
|-----------------|---|
| <i>Chairman</i> | Javed A. Callea Javed Iqbal Nasir Shafi |
|-----------------|---|

Head of Internal Audit

Ford, Rhodes,
Sidat, Hyder & Co.
(Sharjeel Jamil Ahmed-
Engagement Partner)

HUMAN RESOURCE COMMITTEE

| | |
|-----------------|---|
| <i>Chairman</i> | Ahsan M. Saleem Javed Iqbal Nasir Shafi |
|-----------------|---|



Crescent Steel &
Allied Products Ltd.



Mazhar Karim, Nasir Shafi, Mohammad Anwar and Javed A. Callea.

THE MANAGEMENT

Chief Executive &
Managing Director
Ahsan M. Saleem, 55
1983*

Advisor to CEO (Technical)
Mohammad Sharif, 76
1984*

Finance Director & CFO
S.M. Ehtishamullah, 69
1996*

Commercial Director /
Head of Buying
S.A.N. Kazmi, 66
1986*

BU Head – Steel Division
Iqbal Zafar Siddiqui, 58
2008*

BU Head – Cotton Division
Abdul Rouf, 48
2000*

Chief Information Officer
Shahid H. Mir, 54
2006*

Senior Vice President
(Finance & Control)
M. Saad Thaniana, 41
2007*

Head of Risk & Compliance
Shah Muhammad Chaudhry
2008*

Human Resource Advisor
Ehsan Durrani
2008*

Head of Marketing
Steel Division
Arif Raza, 46
1985*

* Year joined Company



Crescent Steel &
Allied Products Ltd.

Management Committees

Executive Committee

Chairman

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

This Committee devises long term policies and visions for the Company with the sole objective for providing the best returns to shareholders by optimum allocation of existing resources. The Committee is also responsible for review of Company's operation on ongoing basis, establishing and ensuring adequacy of internal controls and monitoring compliance of key policies.

Business Strategy Committee

Chairman

Ahsan M. Saleem
S.M. Ehtishamullah
S.A.N. Kazmi
Abdul Rouf
Iqbal Zafar Siddiqui
M. Saad Thaniana

This Committee is responsible for formulation of business strategy, review of risks and their mitigation plan. Further, the Committee is also responsible for staying abreast of developments and trends in the Industry to assist the Board in planning for future capital intensive investments and growth of the Company.

System and Technology Committee

Chairman

Ahsan M. Saleem
M. Saad Thaniana
Shahid H. Mir

This Committee is responsible for devising the I.T strategy within the Organization to keep all information systems of the Company updated in a fast changing environment.

Investment Committee

Chairman

Ahsan M. Saleem
S.M. Ehtishamullah
M. Saad Thaniana

This Committee helps to maintain a balanced portfolio of investments and maximize returns while keeping risk at a desirable low level.



Crescent Steel &
Allied Products Ltd.

Shareholders' Information

Stock Exchange Listing

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

The Company's share is quoted in leading dailies under the Engineering Sector.

Public Information

Financial analysts, stock brokers, interested investors and financial media desiring information about 'Crescent Steel' should contact 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: 042-5783828-32 Fax: 042-5875916

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 24th Annual General Meeting of Crescent Steel and Allied Products Limited will be held on Saturday, 30 August 2008 at 11:30 a.m. at Qasr-e-Noor, 9 E-2, Main Boulevard, Gulberg-III, Lahore.

Auditors

KPMG Taseer Hadi & Co.

Legal Advisor

Hassan & Hassan, Advocates, Lahore

Bankers

Standard Chartered Bank (Pakistan) Limited
MCB Bank Limited
Allied Bank Limited
Meezan Bank Limited
HSBC Bank Middle East Limited

Registered Office

6th Floor, Crescent Standard Tower, 10-B, Block E-2, Main Boulevard, Gulberg-III, Lahore.
Telephone: 042-5783828-32 Fax: 042-5875916

Liaison Office Lahore

10th Floor, Crescent Standard Tower, 10-B, Block E-2, Main Boulevard, Gulberg-III, Lahore.
Telephone: 042-5783801-4 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: arif.raza@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: iqbal.siddiqui@crescent.com.pk

Mills – Cotton Division

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



Crescent Steel &
Allied Products Ltd.

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.

Company's Investment and Infrastructure Development Division manages an investment portfolio and real estate.

Crescent Steel and Allied Products Limited is an equal opportunity employer with a sense of social responsibility and strongly supports education, healthcare and environmental causes.

Steel Division

The Spiral Pipe Plant has a capability of manufacturing high quality steel pipes in the diameter range of 8" – 90" (219 mm – 2,286 mm) in wall thickness from 4 mm – 20 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

extendable upto maximum 200,000 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/TS 29001, 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 4" – 56" (114 mm – 1,422 mm). Crescent Steel maintains high quality norms in all its products and has consistently exceeded the requirements of international standards both in steel line pipe and multi-layer coatings and will continue to remain at the cutting edge in terms of technology, quality control and quality assurance.

Cotton Division

In the year 2000, the Company acquired a running cotton spinning mill located at Jaranwala near Faisalabad, which is the hub of textile industry and carries out this activity under the name and title of "Crescent Cotton Products" (CCP) a division of Crescent Steel





Crescent Steel &
Allied Products Ltd.

Company Profile

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.

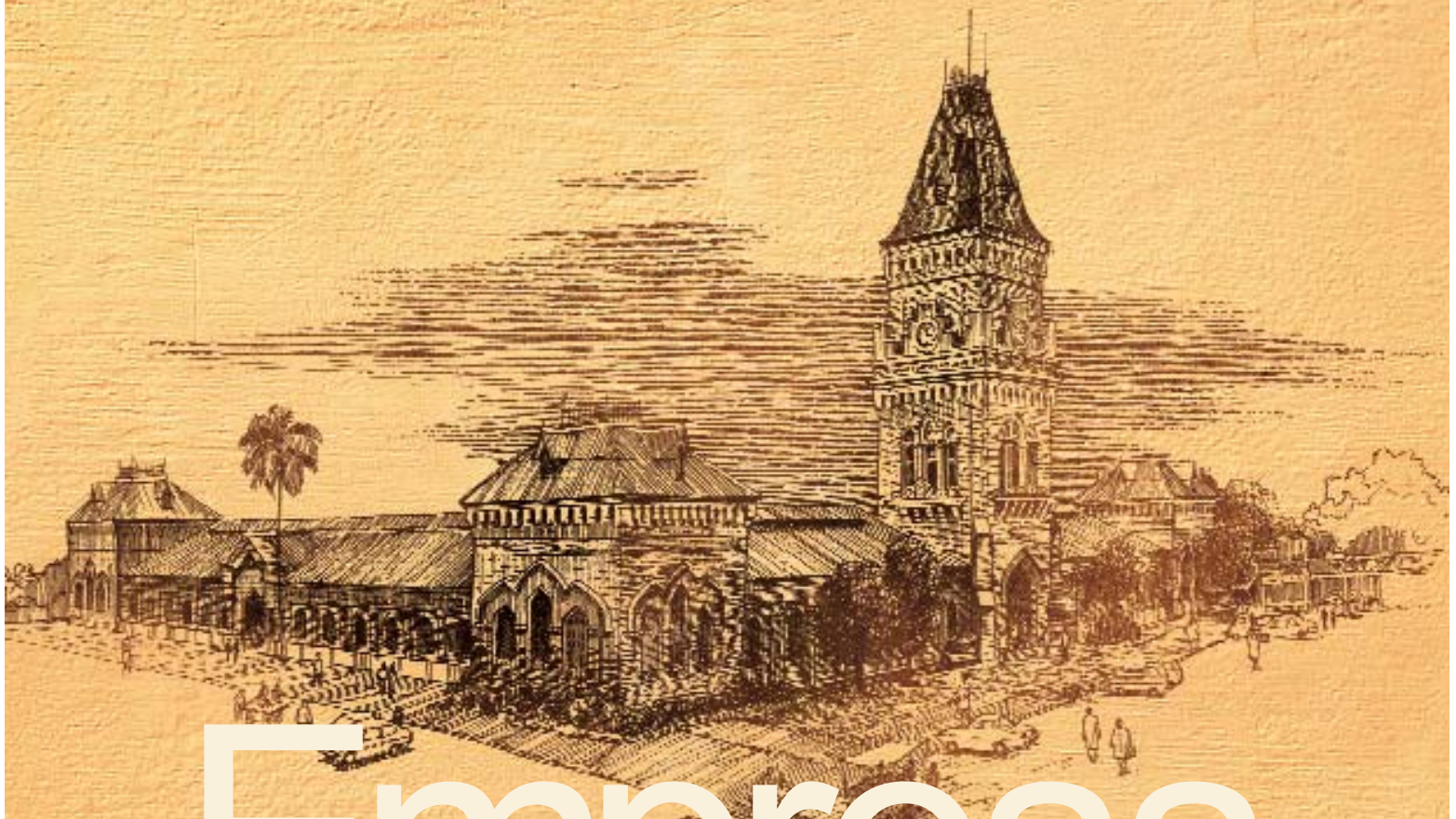


Investment and Infrastructure Development Division

During the year Investment and Infrastructure Development Division (IID) was carved separately from Steel Division under the new business Architecture. The division manages an investment portfolio in shares and other securities, across diversified sectors and real estate. Our strategy has been to focus on those sectors and projects which have potential for growth and where real investments are being made.



The Empress Market, situated in the center of Karachi, was built in 1888 by James Strachan. It is a huge symmetrically built Gothic structure crowned by a clock tower 50 meters high. The Market houses hundreds of stalls selling fruit, vegetables, meat, fish and other groceries, and is the biggest bus terminal of the city.



Empress Market



Crescent Steel &
Allied Products Ltd.

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 within the legal framework culminating in responsible financial reporting.

Integrity

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

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

Role of the Board of Directors

The Board has a fiduciary responsibility for the proper direction and control of the activities of the Company. This responsibility includes such areas of stewardship as the identification and control of the Company's business risks, the integrity of management information systems and clear, transparent reporting to shareholders.

The Board accepts its primary responsibility for the overall control architecture of the Company. However, it recognizes that the internal control system has to be cost effective and that no cost effective system will preclude all errors or irregularities. The system is based upon written

procedures, policies, guidelines, an organogram that provides an appropriate division of responsibility, a programme of internal audit,



manning of all key functions by qualified personnel and constant training.

Code of Conduct

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

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

Board Committees

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



Nooriabad is the newest industrial site situated about 100 km to the north of Karachi. The textile sector has become the major buyer of land because it is a cost effective option as real estate has gone up considerably in the Karachi industrial areas. Also it is closer to the ginneries that bring cotton from the interior of Sindh or the Punjab. Another factor for its economic viability is the provision of natural gas to run the mills and factories in place of electricity.



Nooriabad



Crescent Steel &
Allied Products Ltd.

Our Governing Principles

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 three distinct business units, a Steel Division, a Cotton Division and an



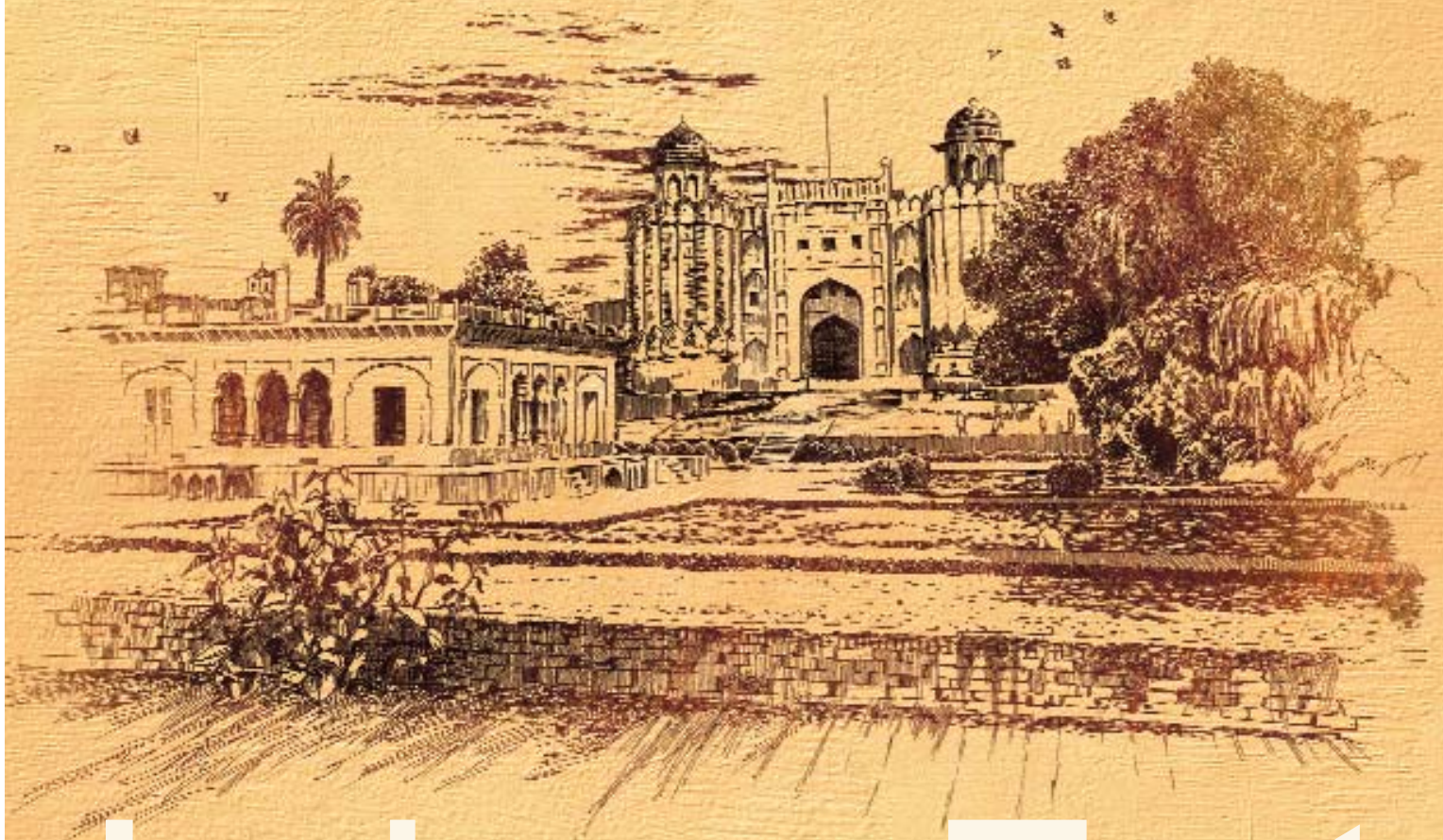
Investment and Infrastructure Development Division. The accounting for these units is done separately in an arms length manner to arrive at the true profit before tax for each unit. Three business unit heads and three corporate functional heads as defined in the management structure with clear responsibility and authority matrix have direct reporting lines to the Chief Executive Officer. Limits of authority at all levels are clearly defined in our control manual. The Internal Audit function is responsible to monitor compliance with the manual.

Responsibility to Stakeholders

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



Emperor Akbar built the Lahore Fort (*Shahi Qila*) in the 16th century on the site of a mud-fort built in Mahmud Ghazni's times in the 11th century. A symbol of Mughal heritage, the Fort was extensively refurbished by later Mughal Emperors with beautiful murals and monuments. Ranjit Singh added several pavilions on the upper ramparts in the Sikh era.



Lahore Fort



Crescent Steel &
Allied Products Ltd.

Our Governing Principles

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.

Safety, Health and Environment

Maintenance of health and safety standards at our plants and offices is a serious issue at CSAPL. We are committed to actively managing health and safety risks associated with our business

and are actively working towards improving our procedures to reduce, remove or control the risk of fire, accidents or injuries to employees and



visitors. We also ensure that our products are shipped in a safe manner complying with the safety standards and legal requirements.

Role of Shareholders

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



Jaranwala, a city about 400 years old, is named after a well which had the roots (*jaraan* in Punjabi) of an old willow tree hanging inside. It is situated on the north bank of the River Ravi between two canals, the Gogira and the Rakh and is the second largest tehsil of Faisalabad in the Punjab. Jaranwala hosts the largest jute mill in Pakistan and is home to a Government college.



Jaranwala

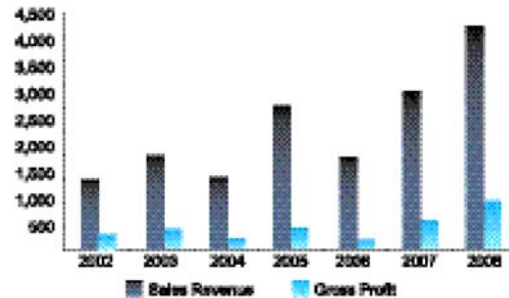


Crescent Steel &
Allied Products Ltd.

Year in Brief

- We have during the year explored new markets and diversified our product offering for construction and infrastructure projects.
- Bare pipe production during the year was 41,102 metric tons an increase of 77%.
- Sales revenue and gross contribution margin is Rs. 4.2 billion and Rs. 970 million respectively which is highest ever in Company's history.
- Company during the year initiated implementation of Oracle application suite.
- Our Annual Report 2007 received 1st position in Engineering Sector of "Best corporate Report Award-2007" from ICAP & ICMAP.
- Total investments increased to Rs. 2.7 billion from Rs. 2.3 billion last year.
- The balance sheet footing has increased to Rs. 4.8 billion whereas the gearing is 5 : 95.

Sales Revenue and Gross Profit



- During the year Company has donated Rs. 24.4 million to help community initiatives.
- Company during the year has contributed Rs. 712.3 million towards the national exchequer.
- During the year we have contributed to start with Paint a School Project for The Citizen Foundation.

KEY FIGURES

| | | 2008 | 2007 |
|--|----------------|--------|---------|
| Sales Revenue | Rs. in million | 4,200 | 2,950 |
| Gross Profit | Rs. in million | 896 | 511 |
| Net income | Rs. in million | 416 | 663 |
| No. of Shares Outstanding | No. in million | 51.3 | 46.7 |
| Earnings per Share - Basic and Diluted | Rs. | 8.1 | 13.3 |
| Dividend | | | |
| - cash | Rs./share | 3.0 | 3.0 |
| - bonus | (%) | 10 | 10 |
| Return on Average Capital Employed | (%) | 18.0 | 22.4 |
| Current Ratio | | 1.5 | 2.0 |
| Debt : Equity Ratio | | 5 : 95 | 10 : 90 |
| Shareholders' Equity | Rs. in million | 2,994 | 3,200 |
| Total Assets | Rs. in million | 4,847 | 4,696 |
| Capital Expenditure | Rs. in million | 153 | 127 |
| Price Earning Ratio | | 7.6 | 5.0 |
| Break-up Value per Share | Rs. | 58.3 | 68.6 |
| Employees | | 1,166 | 1,139 |
| Weighted average cost of debt | (%) | 10.64 | * |

* Not available



Peshawar was the heart of the ancient kingdom of Gandhara and is rich in archaeological remains. The University of Peshawar is one of its landmarks along with the Khyber Pass and the Qissa Khawani Bazar. The University was established in October 1950 and is a unique institution where educational facilities exist up to PhD. it operates as a residential campus spread over approximately 1,000 acres (4 km).



University of Peshawar

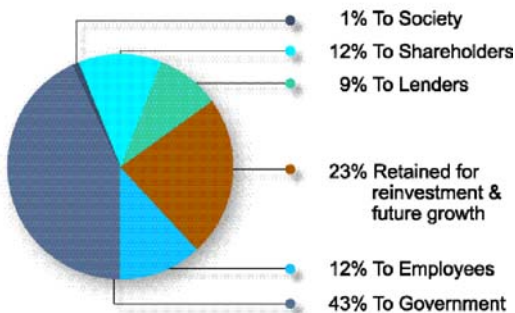


Crescent Steel &
Allied Products Ltd.

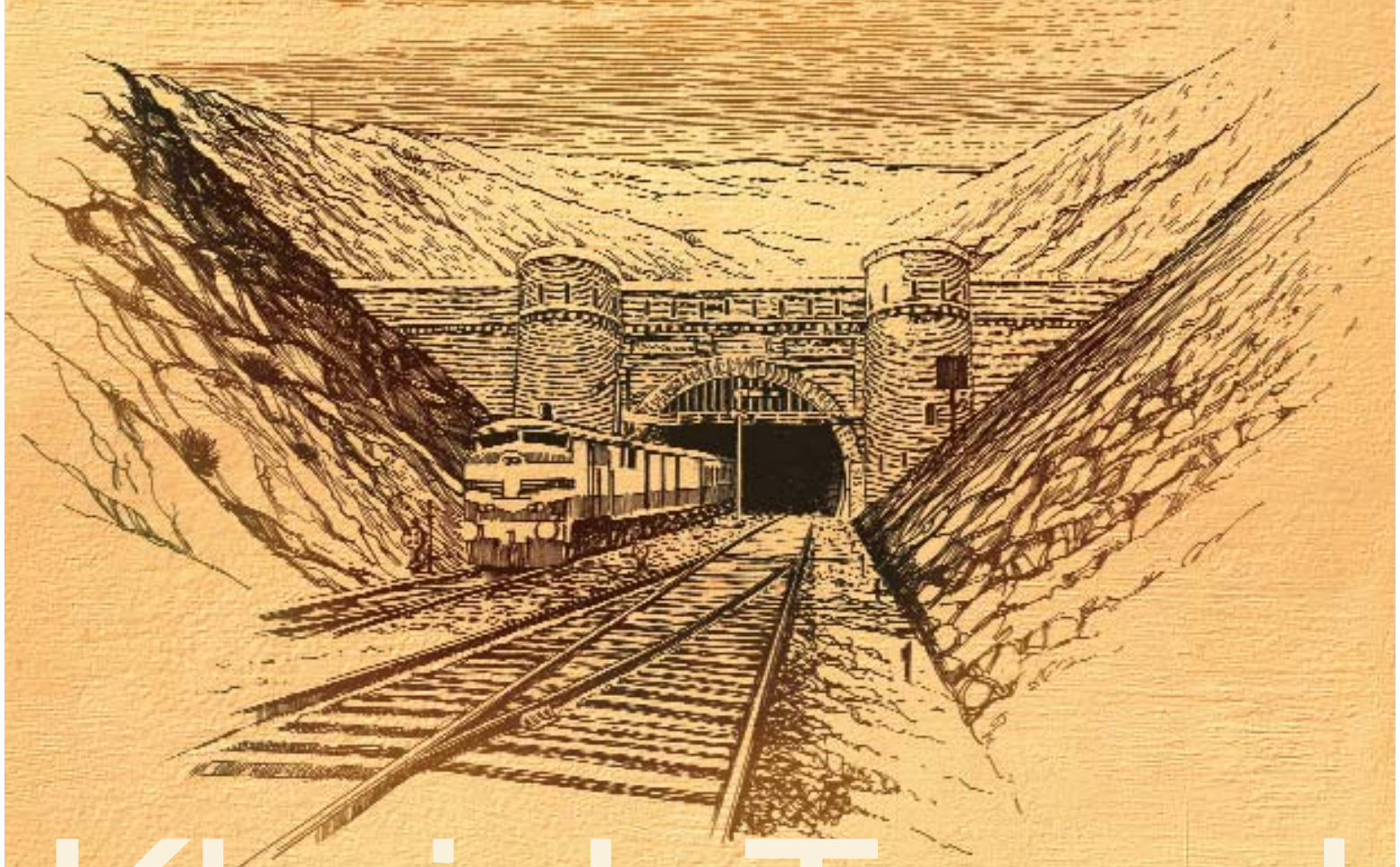
Statement of Value Added As at 30 June 2008

| | 2008 Rupees in '000 | % | 2007 Rupees in '000 | % |
|---|---------------------------|------|---------------------------|------|
| WEALTH GENERATED | | | | |
| Total revenue net of discount and allowances | 4,782,142 | 100% | 3,802,303 | 100% |
| Bought-in-material and services | (3,105,310) | 65% | (2,345,442) | 62% |
| | <u>1,676,832</u> | 35% | <u>1,456,861</u> | 38% |
| WEALTH DISTRIBUTED | | | | |
| To Employees | | | | |
| Salaries, benefits and other costs | 196,379 | 12% | 168,150 | 11% |
| To Government | | | | |
| Income tax, sales tax, custom duty, WWF and WPPF | 712,281 | 43% | 303,614 | 21% |
| To Society | | | | |
| Donation towards education, health and environment | 24,426 | 1% | 19,988 | 1% |
| To Providers of Capital | | | | |
| Dividend to shareholders | 205,308 | 12% | 186,644 | 13% |
| Mark-up/interest expenses on borrowed funds | 153,018 | 9% | 128,490 | 9% |
| Retained for reinvestment & future growth | | | | |
| Depreciation, amortization & retained profit | 385,420 | 23% | 649,975 | 45% |
| | <u>1,676,832</u> | 100% | <u>1,456,861</u> | 100% |

WEALTH DISTRIBUTION 2008



Built in the historic Khojak Pass, the Khojak Tunnel was built 117 years ago in 1891. It is a 3.91 kilometres long railway tunnel located in Killa Abdullah district of Balochistan in Pakistan approximately 1,945 meters above sea level. The Khojak Tunnel is the fourth longest tunnel in the world and a marvel of civil and mechanical engineering. It was featured on the old Rupee 5 notes.



Khojak Tunnel



Crescent Steel &
Allied Products Ltd.

Vertical Analysis

| | 2008 | % | 2007 | % | 2006 | % |
|--|-------|---------|-------|---------|-------|---------|
| Operating Results (Rupees in million) | | | | | | |
| Net sales | 4,200 | 100.0 | 2,950 | 100.0 | 1,707 | 100.0 |
| Cost of sales | 3,304 | 78.7 | 2,440 | 82.7 | 1,567 | 91.8 |
| Gross profit | 896 | 21.3 | 510 | 17.3 | 140 | 8.2 |
| Investment income - net | 74 | 1.8 | 411 | 13.9 | 333 | 19.5 |
| Distribution, selling and administrative expenses | 151 | 3.6 | 147 | 5.0 | 119 | 6.9 |
| Other operating expenses | 110 | 2.6 | 126 | 4.3 | 22 | 1.3 |
| Other operating income - net | 20 | 0.5 | 107 | 3.6 | 25 | 1.4 |
| Operating profit before finance costs | 729 | 17.4 | 757 | 25.6 | 357 | 20.9 |
| Finance costs | 153 | 3.6 | 128 | 4.4 | 83 | 4.9 |
| Share of profit / (loss) in associates | 51 | 1.2 | 99 | 3.4 | (12) | (0.7) |
| Profit before taxation | 627 | 14.9 | 727 | 24.7 | 262 | 15.4 |
| Income tax | 211 | 5.0 | 64 | 2.2 | 3 | 0.2 |
| Net income | 416 | 9.9 | 663 | 22.5 | 260 | 15.2 |
| Balance Sheet (Rupees in million) | | | | | | |
| Property, plant and equipment | 1,233 | 25.4 | 1,307 | 27.8 | 1,381 | 37.2 |
| Investments including investment property | 2,737 | 56.5 | 2,300 | 49.0 | 1,313 | 35.3 |
| Other non current asstes | 5 | 0.1 | 5 | 0.1 | 7 | 0.2 |
| Current assets (excluding investments) | 871 | 18.0 | 1,084 | 23.1 | 1,014 | 27.3 |
| Total assets | 4,847 | 100.0 | 4,696 | 100.0 | 3,715 | 100.0 |
| Shareholders' equity | 2,994 | 61.8 | 3,200 | 68.2 | 2,038 | 54.9 |
| Long term debt (excluding current maturity) | 168 | 3.5 | 354 | 7.5 | 548 | 14.8 |
| Deferred liabilities | 112 | 2.3 | 65 | 1.4 | 2 | - |
| Short term debt (including current maturity of long term debt) | 1,306 | 27.1 | 626 | 13.3 | 877 | 23.6 |
| Other Current liability | 267 | 5.4 | 451 | 9.6 | 250 | 6.7 |
| Total equity and libilities | 4,847 | 100.0 | 4,696 | 100.0 | 3,715 | 100.0 |
| Cash Flows (Rupees in million) | | | | | | |
| Cash generated from operations | 906 | 106.0 | 630 | 350.0 | 30 | 16.3 |
| Cash flows from / (used in) | | | | | | |
| operating activities | 566 | 66.2 | 486 | 270.0 | (88) | (47.8) |
| Cash flows used in investing activities | (893) | (104.5) | (392) | (217.8) | (778) | (422.8) |
| Cash flows (used in) / from financing activities | (528) | (61.8) | 86 | 47.8 | 682 | 370.7 |
| Net (decrease) / increase in cash and cash equivalents | (855) | (100.0) | 180 | 100.0 | (184) | (100.0) |



The famous Clock Tower of Faisalabad (former Lyallpur) has 8 streets leading from it and was designed in a pattern so as to form the 'Union Jack'. It stands in the centre of Faisalabad, a town named after Sir James Lyall, Lieutenant Governor of the Punjab, and now the textile hub of Pakistan.



Clock Tower



Crescent Steel &
Allied Products Ltd.

Horizontal Analysis

| | 2008 | Variance vs Last Year Increase / (Decrease) % | 2007 | Variance vs Last Year Increase / (Decrease) % | 2006 | Variance vs Last Year Increase / (Decrease) % |
|---|-------|---|-------|---|-------|---|
| Operating Results (Rupees in million) | | | | | | |
| Net sales | 4,200 | 42.4 | 2,950 | 72.8 | 1,707 | (36.5) |
| Cost of sales | 3,304 | 35.4 | 2,440 | 55.7 | 1,567 | (32.3) |
| Gross profit | 896 | 75.6 | 510 | 263.8 | 140 | (62.3) |
| Investment income - net | 74 | (82.1) | 411 | 23.6 | 333 | 88.7 |
| Distribution, selling and administrative expenses | 151 | 2.9 | 147 | 23.6 | 119 | 9.5 |
| Other operating expenses | 110 | (12.6) | 126 | 474.1 | 22 | (68.8) |
| Other operating income - net | 20 | (81.7) | 107 | 335.7 | 25 | (72.0) |
| Operating profit before finance costs | 729 | (3.7) | 757 | 111.8 | 357 | (21.9) |
| Finance costs | 153 | 19.1 | 128 | 54.9 | 83 | 88.7 |
| Share of profit / (loss) in associates | 51 | (48.8) | 99 | (931.5) | (12) | (38.9) |
| Profit before taxation | 627 | (13.8) | 727 | 177.2 | 262 | (33.4) |
| Income tax | 211 | 228.9 | 64 | 2,199.1 | 3 | (96.6) |
| Net income | 416 | (37.3) | 663 | 155.4 | 260 | (16.9) |
| Balance Sheet (Rupees in million) | | | | | | |
| Property, plant and equipment | 1,233 | (5.6) | 1,307 | (5.4) | 1,381 | 212.6 |
| Investments including investment property | 2,737 | 19.0 | 2,300 | 75.3 | 1,313 | (12.6) |
| Other non current asstes | 5 | (4.1) | 5 | (26.0) | 7 | (26.3) |
| Current assets (excluding investments) | 871 | (19.6) | 1,084 | 6.9 | 1,014 | 64.6 |
| Total assets | 4,847 | 3.2 | 4,696 | 26.4 | 3,715 | 44.6 |
| Shareholders' equity | 2,994 | (6.4) | 3,200 | 57.1 | 2,038 | 9.5 |
| Long term debt (excluding current maturity) | 168 | (52.5) | 354 | (35.4) | 548 | 132.2 |
| Deferred liabilities | 112 | 72.7 | 65 | 3,850.1 | 2 | (57.9) |
| Short term debt (including current maturity of long term debt) | 1,306 | 108.7 | 626 | (28.6) | 877 | 275.6 |
| Other Current liability | 267 | (40.9) | 451 | 80.4 | 250 | 6.3 |
| Total equity and liabilities | 4,847 | 3.2 | 4,696 | 26.4 | 3,715 | (44.6) |
| Cash Flows (Rupees in million) | | | | | | |
| Cash generated from operations | 906 | 43.8 | 630 | 2,000.0 | 30 | (88.8) |
| Cash flows from / (used in) operating activities | 566 | 16.5 | 486 | (646.1) | (89) | (147.6) |
| Cash flows (used in) / from investing activities | (893) | 127.9 | (392) | (49.6) | (778) | 1,241.4 |
| Cash flows (used in) / from financing activities | (528) | (714.0) | 86 | (87.4) | 682 | (795.9) |
| Net (decrease) / increase in cash and cash equivalents | (855) | (575.0) | 180 | (197.8) | (184) | (693.5) |







Crescent Steel &
Allied Products Ltd.

Directors' Report

The directors of the company have the pleasure in submitting their report together with audited financial statements of the company for the year ended 30 June 2008.

Operating Results

The financial results of the Company are summarised below:

| | 2008 | 2007 |
|---------------------------------------|----------------------|-----------|
| | Rupees in '000 | |
| Profit for the year | 626,622 | 727,323 |
| Taxation | 210,941 | 64,145 |
| Profit after taxation | 415,681 | 663,178 |
| Unappropriated profit brought forward | 599,273 | 450,417 |
| Profit available for appropriation | 1,014,954 | 1,113,595 |
| Appropriations: | | |
| - First interim dividend | 2008 - @10% (51,327) | (46,661) |
| - Second interim dividend | 2008 - @10% (51,327) | (46,661) |
| - Third interim dividend | 2008 - @10% (51,327) | - |
| - Final dividend | 2007 - @10% (46,661) | - |
| - Bonus shares issued | 2007 - @10% (46,661) | - |
| - Transfer to General Reserve | 2007 (500,000) | (421,000) |
| | (747,303) | (514,322) |
| Unappropriated profit carried forward | 267,651 | 599,273 |
| Basic and diluted earning per share | Rs. 8.10 | Rs. 13.30 |

The Board of Directors recommends bonus shares in proportion of every one share for ten shares held i.e. 10% in addition to three interim dividends of Re. 1.00 each (Rs. 3.00) per share (30%) already paid.

Board of Directors and its Committees

Board of Directors

The Board has formulated formal policies including risk management, procurement of fixed assets, goods and services, investments, borrowings, donations, charities and contributions, delegation of financial authority, transactions with related parties and transfer pricing, provision for slow moving store and spares







Crescent Steel &
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Directors' Report

and impairment of assets etc. which are implemented and monitored through delegation of duties to two standing committees of the Board i.e. the Audit and Human Resources Committees.

Audit Committee

The Committee comprises three members including the Chairman all of whom are Non-Executive Directors out of which two are Independent Directors of the Company.

The terms of reference of the Audit Committee was revised during the year to bring it in line with Global Best Practices. The purpose of the committee includes inter alia:

- To provide the Board of Directors (“the Board”) with an independent and objective evaluation of the operations, policies, procedures and controls implemented within the Company,
- To provide supplemental assistance and resources to the internal audit department of the Company in order for them to provide the management and the Board of the Company with an independent, objective evaluation of their operations, policies, procedures and controls,
- To provide the Board with an oversight of the internal audit department in the Company to assure that an effective internal audit function is in place system-wide, which includes a risk based annual and long-range audit plan, a reporting mechanism and a quality control plan,
- To provide assistance to BOD in fulfilling their oversight responsibility relating to integrity of the financial statements and financial reporting, and

- To review and evaluate procedures established to comply with laws and regulations and to monitor compliance thereof.



Human Resources Committee

The Committee comprises three members including the Chief Executive as Chairman and other two are Non-Executive Directors of the Board. The HR Committee has been constituted to address and improve the area of Human Resource Development. The main aim of the committee is to guide the management in formulating an overall strategic plan for HR and to provide the best working environment.

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.







Crescent Steel &
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Directors' Report

- Proper books of account of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design. The system is being continuously monitored by Internal Audit and through other such monitoring procedures. The process of monitoring internal controls will continue as an ongoing process with the objective to further strengthen the controls and bring improvements in the system.
- 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 1,166 (2007:1,139).



- The following is the value of investments of the following funds based on the audited accounts for the year ended 31 December 2006:

| | |
|------------------|-------------------|
| - Provident fund | Rs. 87.02 million |
| - Gratuity fund | Rs. 27.35 million |
| - Pension fund | Rs. 82.44 million |

- During the year six 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.







Crescent Steel &
Allied Products Ltd.

Directors' Report

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.

Auditors

The auditors, KPMG Taseer Hadi & Co. retire and offer themselves for re-appointment. The Audit Firm has been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan (ICAP) and the firm is fully compliant with the International Federation of Accountants' (IFAC) Guidelines on Code of Ethics, as adopted by the ICAP. The Board Audit Committee and the Board of Directors of the Company have endorsed their appointment for shareholders consideration at the forthcoming annual general meeting. The Board Audit

Committee and the Board of Directors of the Company have endorsed their appointment for



shareholders consideration at the forthcoming annual general meeting.

By order of the Board

Ahsan M. Saleem
Chief Executive

31 July 2008







Crescent Steel &
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Chief Executive's Review

Dear Shareholders,

I am pleased to present the Annual Report and the audited financial statements including review of the performance of the Company for the year ended 30 June 2008 together with Auditors' report thereon.

Economy

Pakistan's economy which had been growing rapidly in the last few years saw one of the most challenging periods in the year under review. A growth of only 5.8 percent could be achieved against a target of 7.2 percent for the year. This can be attributed to combination of domestic and international issues. At the home front, political uncertainty combined with lower contribution of agriculture and industry has contributed to this under achievement. Soaring oil and commodity prices internationally have added to the economic woes and will precipitate an economic slowdown.

With food and energy prices rising to unprecedented level, a huge trade gap due to high consumer import and rising oil bill, foreign exchange reserves have started depleting putting a pressure on rupee dollar parity.

Tightening of the monetary policy, so far, has not improved the situation but added significantly to the cost of doing business for the industry. There continues to be looming fear about worsening political prospects, rising prices and slowing economic growth. The greater challenge now is the high inflation and while the central bank continues to take steps to contain inflation, the coming year will pose a severe test of economic and political management.

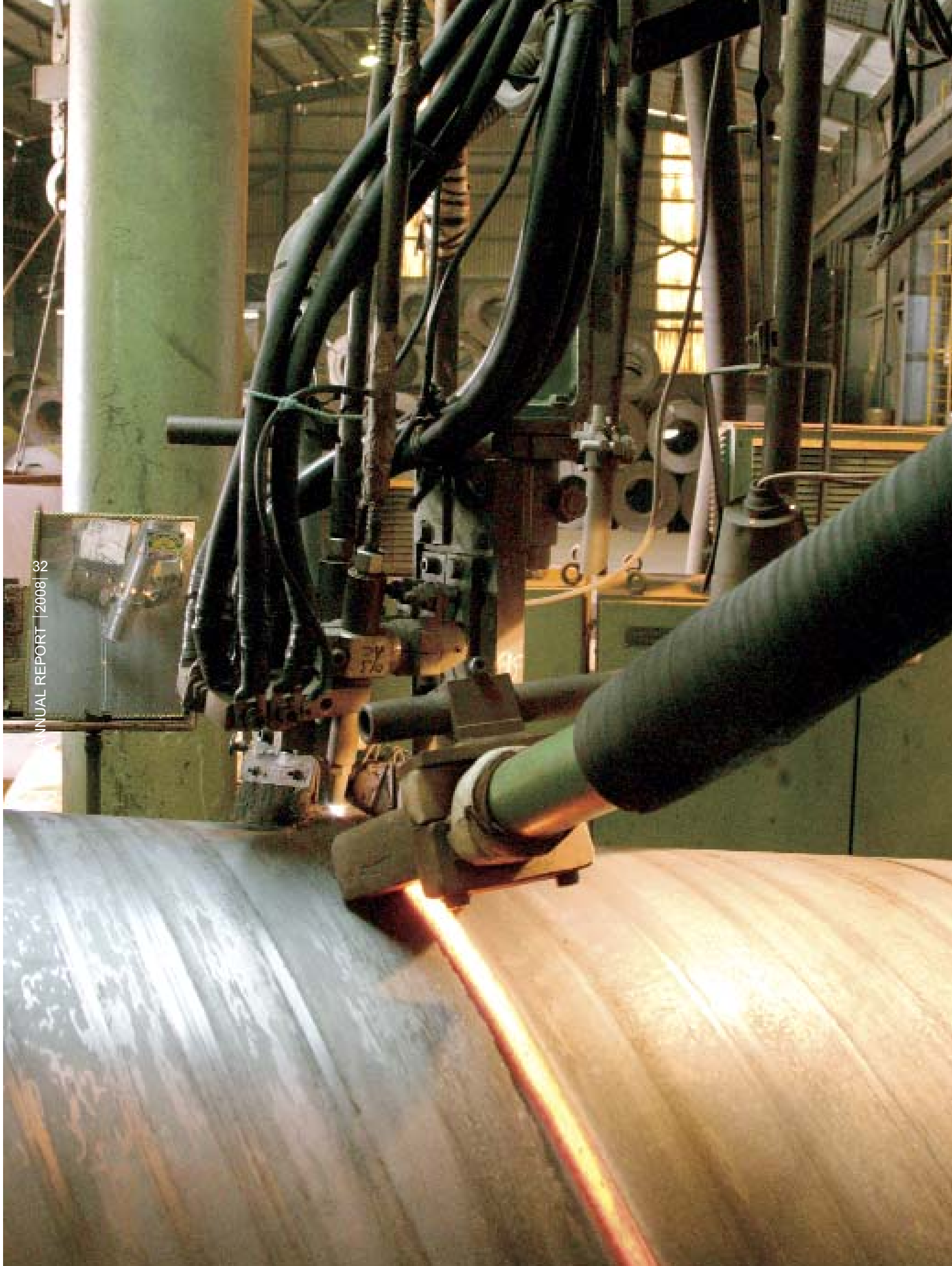
Financial and Operational Performance

The performance of the Company during the



year under review in terms of revenue as well as profits was satisfactory. And the Company was able to post highest ever revenues of rupees 4.2 billion. The Steel Division contributed significantly to the top line growth in revenue and improved margins. The capital market which continued to perform well for the first nine months despite political uncertainty finally succumbed to fall by 3,387 points (22%) from its peak by the end of June 2008. In addition to the above mentioned reasons, increase in discount rate and devaluation of rupee contributed to this steep downturn. Profits of IID Division were consequently, badly hit particularly during the last quarter. Despite this down turn the division bottom line stayed in positive. Similarly, the textile sector remained under pressure throughout the year to which power and gas outages and higher borrowing costs affected the bottom line in the cotton division.







Crescent Steel & Allied Products Ltd.

Chief Executive's Review

Highlights of 2008 results are given below:

Sales Revenue increased by 42% over last year and amounted to Rs. 4.2 billion including a record turnover of Rs. 2.8 billion in Steel Division increased by 77%.

Production of bare pipes mix dia increased by 77% from 23,180 metric tons to 41,102 metric tons.

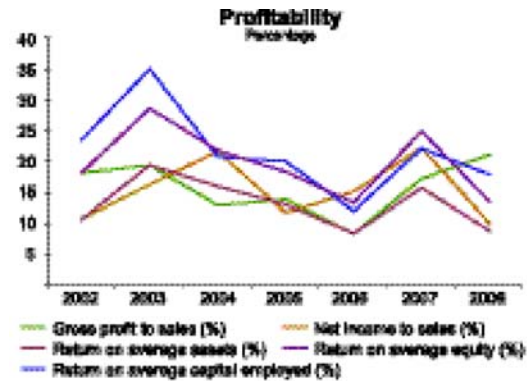
Gross profit increased by 76 percent as compared to the corresponding period and amounted to Rs. 896.4 million.

Earning per share of Rs. 8.1 per share.

In Steel Division, performance both in terms of revenue and profits for the year ended 30 June 2008 was exceptional as compared to the last year due to healthier order book for pipe production, improved plant utilization and diversification of product offering for construction / infrastructure projects.

Gross contribution margin as a whole during the year was 23.1% of sales as against 31.2% in corresponding period last year. The gross margin of steel division is 29.6% (2007: 25%) played a vital role in bringing the entire gross contribution to 23.1%. Gross contribution during the year is Rs. 970 million (2007: Rs. 921.9 million) in which Rs. 819.9 million (2007: Rs. 390.3 million) gross profit was contributed by Steel Division which constitutes almost 84.5% of the gross contribution margin.

In the ensuing paragraphs operating performance of divisions is set out separately.



Steel Division

Performance of steel division both in terms of revenue and profits for the year ended 30 June 2008 was exceptional as compared to the last year. Sales for year amounted to Rs. 2.8 billion, increased by 77.3% as compared to last year. The gross profit of Rs. 819.9 million was well above the prior year of Rs. 390.3 million i.e. increase of Rs. 429.6 million over last year resulting in record profit from operations amounting to Rs. 650.7 million. Steel Division profit before taxation amounted to Rs.641.3 million as against Rs.217.7 million last year.

During the year, we have explored new markets and diversified our product offering for construction and infrastructure projects. Bare pipe production during the year was 41,102 metric tons as compared to 23,180 metric tons during last year. This includes own products as well as conversion items.







Crescent Steel & Allied Products Ltd.

Chief Executive's Review

During the year under review, the steel division maintained its market share of 40 percent in spiral pipe segment.

Cotton Division

This year was again a challenging year for the Textile industry particularly for Spinning sector. Cotton production for 2007-08 was 11.7 million bales decreased by 9.3 percent. This resulted in shortage of cotton for local consumption and consequently significant increase in cotton prices. Global cotton prices also showed upward trend while prices of cotton yarn did not show proportionate increase. The cost of production was also affected due to increase in oil prices and overall inflation in the country.

The spinning unit-I operated for 365 days whereas unit-II of cotton division operated only for 341 days, due to stoppage for 25 days which was caused by non-availability of gas for generation of power. Non-availability of gas resulted in a loss of over Rs. 14 million. Top line had increased by 3% mainly due to increase in sales price by 9.4% whereas gross profit margin decreased from 8.7% to 5.4% in current year mainly due to high prices of raw cotton, energy and labour, affecting cost of manufacturing of yarn.

Spinning unit production in 20's counts converted for the year was 15.6 million Kgs as compared to 16.7 million Kgs produced in last year. However, sales revenue increased from Rs. 1,385.8 million to Rs. 1,426 million during the current year due to increase in prices of cotton yarn.

Gross profit for the year under review amounted to Rs. 76.5 million as compared to Rs. 120.2 million in last year— decreased by

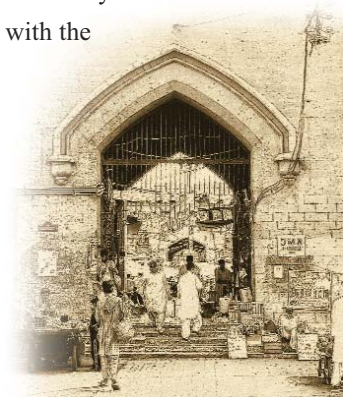


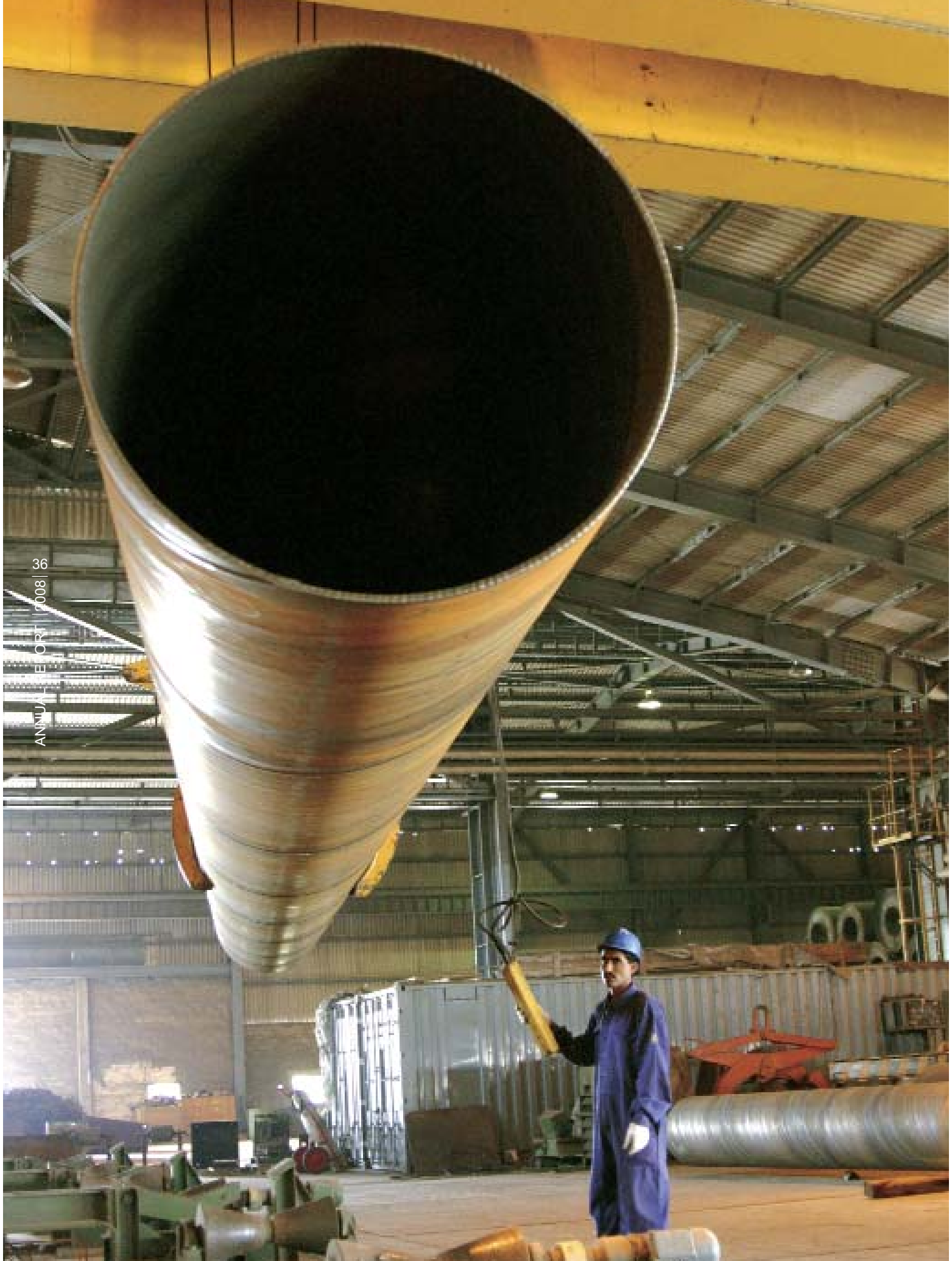
36.4 percent. The operating profit was Rs. 59.3 million as compared to Rs. 99.4 million in the corresponding period last year, decrease of Rs. 40.1 million. The financial charges for the year increase by Rs. 6.6 million. As a result division make loss of Rs. 46.7 million during the year.

Investment and Infrastructure Development Division

During the last few years, portfolio investment has contributed a major portion of profits. However, during the current year, contribution of Investment and Infrastructure Development Division (IID) to the bottom line was only Rs. 32 million because of turmoil in Karachi Stock Exchange.

During the year under review, the market kept on swinging in both directions; it made the all time high of 15,676 and witnessed intra-day deepest plunge of 636 points, fought with the







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after effects of Emergency, political disturbance in last week of December and tight monetary policy. And despite continuing Capital Gain Tax exemption, negatives superseded the positives and shifted the balance in negative zone as KSE-100 Index shed 1,483 points or 10.8% from 13,772 to 12,289 with an average daily turnover of 241 million shares. KSE-100 index during last quarter plunged by over 2,800 points or 18.75% to end the quarter at 12,289 on average daily turnover of 198.7 million shares whilst the KSE-30 Index dropped by over 4,000 points or 22.30% to 14,326. However despite this turmoil, by grace of Allah, during the year under review, company generated 5.2% return on average portfolio investment (excluding equity accounted undertakings).

Profit before tax amounted to Rs. 32 million compared to Rs. 509.6 million including one-off profit on disposal of office premises last year. Net share of profit in associates (entities which are accounted on equity accounting method) for the year amounted to Rs. 50.8 million (2007: Profit of Rs. 99.1 million).

Total investments appearing in short term and long term classification aggregated to a market value of Rs. 2.7 billion on 30 June 2008 as compared to Rs. 2.3 billion last year. During the period under review shares amounting to Rs.3.0 billion (including Rs. 260.2 million Shakarganj Mills Limited) were purchased while shares amounting to Rs. 2.2 billion were sold on account of trading and switching positions. The total value of our

investment in infrastructure development property including capital work in progress- at cost amounted to Rs. 122.1 million as at 30 June



2008. This represents industrial and non-industrial lands, office premises, apartment and warehouse.

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

Balance Sheet

The Company's balance sheet continues to remain robust supported by strong reserves. Balance sheet footing has increased to Rs. 4,846.7 million this year. Net long term borrowing at the year end reduced to Rs. 168.1 million (2007: Rs. 354.0 million). The balance sheet gearing (Company's long term debt to equity ratio) as at 30 June 2008 is 5: 95 (2007 - 10: 90). The liquidity position







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Chief Executive's Review

of the Company is comfortable with a current ratio of 1.5 (2007 – 2). Return on average capital employed (ROCE) and return on average equity (ROE) for the year is 18% and 13.4% versus 22.4% and 25.3% for last year respectively.

Shareholders' funds at the year end totaled Rs. 3 billion (2007: Rs. 3.2 billion). The decrease is mainly due to reduction in capital reserves related to unrealized gain on available for sale investment and other reserve for investment in associates by Rs. 208.9 million and Rs. 212.5 million respectfully. Break up value of shares has decreased to Rs. 58.3 from Rs. 68.6 in last year, mainly due to increase in number of shares by bonus issue during the year.

Cash Flow Management

The Company has an effective Cash Flow Management System in place whereby cash inflows and cash outflows are projected on regular basis. Working capital requirements of the Company for 2008 have been planned to be financed through internal cash generations and short term financings from external sources. Provisions have also been made for payments on account of capital commitments stated in financial statements for 2008.

During the year cash generated from operation amounted to Rs. 906.4 million which is higher than Rs. 629.6 million last year. Net decrease in cash and cash equivalents amounted to Rs. 855.2 million as against increase of Rs. 179.9 million during last year due to net cash outflow of Rs. 893.4 million for investing activity.

Going forward working capital requirements of the Company is likely to increase substantially due to significant increase in price of raw material



mainly steel and cotton. With the increase in interest rates the financial cost will also increase. The management is taking steps to counter the negativity and to effectively manage the cash flows and to contain the interest / mark-up cost.

Contribution to National Exchequer

The company has contributed Rs. 712.3 million towards the national exchequer on account of government levies and taxes as compared to Rs. 303.6 million during last year. This is an increase of 2.4 times.

Quality

CSAPL is committed to provide products and services conforming to international standards and customer requirements – based on application of modern technology; ensuring customer satisfaction, maintaining cost and quality leadership, and doing right the first time – making objectives for continual improvement and monitoring them







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to ensure effectiveness of Quality Management System through an independent quality function.

Safety, Health and Environment

The Company is committed to continually improve its environment by providing training to all its employees with regards to Safety, Health and Environment and complying with current legislation and maintain standards of Safety, Health and Environment by adopting safe working practices to protect people, property, computing systems and facilities, protecting human health within our boundaries, protecting the environment by conserving resources and preventing pollution in a cost effective way. These integrated efforts of the entire organization have brought fruitful results with no major accidents occurring at the factory. We are now preparing ourselves for the certification of ISO 14001 and OHSAS 18001 Systems.

Social responsibility

Social responsibility has long been a part of CSAPL's values and how we operate. Company has a policy to allocate 2% - 5% of its Pre-tax profits in the form of donations and community support initiatives. In 2008 donations and payments helping community initiatives amounted to Rs. 24.4 million or 4 percent of pre-tax profits. In line with our vision, our focus in social development initiatives continues to be in Primary, Secondary and Tertiary education support and Healthcare. In partnership with The Citizens Foundation, we have contributed fourteen school

campuses in the past years. In line with our long term commitment to education and to develop a sense of owning we contributed to start with Paint



a School Project in which all staff headed by Chief Executive, painted a school. To have a better coordination, giving more assistance, guidance and to assess the performance and requirement of schools, we have started with School Visit Program carried out by our Executives and Managers. A written report is submitted by visitors to Chief Executive for review. In addition we contributed to support running of schools, purchase of vehicles, computer labs and books.

We have also a long term commitment to tertiary education and have been contributing to Lahore University of Management Sciences and Commecc Institute of Business and Emerging Sciences. As a Healthcare initiative, we have contributed to Indus Hospital - managed by Rufaydh Foundation. Further Hepatitis "B" vaccination and anti flue shots and awareness program for employees were carried out during the year.







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Chief Executive's Review

HR Initiatives

With a stated objective and keeping with global best management practices, HR initiatives will drive CSAPL towards betterment and growth. This has also interconnected with our major exercise carried out termed as ORTE- Organization Review and Transformation Exercise. HR department under the guidance of an HR consultant has successfully introduced new performance management system, prepared recruitment plan, implemented KPI (key performance indicators), formulated goals and objectives both for departments as well as individuals at management level for all departments, change management concept, job evaluation and advance training strategies beneficial for all employees throughout the company. During the year the Company has also invested on Human Resource Management System which is in implementation phase and will be operational within couple of months.

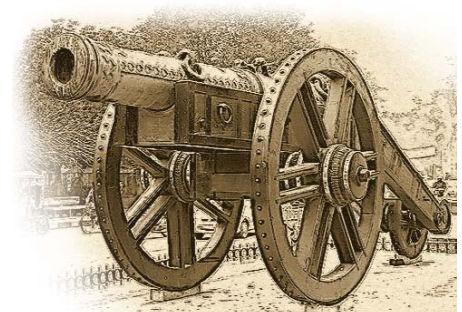
Good Governance

The Board places paramount importance on Good Governance and has, therefore, developed effective Governance structures, processes and frameworks including "Core Values", "Standard of Conduct for Directors", "Standard of Conduct for Employees", and, "Policy Statement of Ethics and Business Practices", in conformity with the Code of Corporate Governance of Pakistan. Priority has been accorded to values and ethical conduct, in addition to international best practices, to cater for the evolving and ever

changing commercial, social and environmental requirements.



Values and ethics encompass a trustworthy relationship between organizations and their business partners which paves the way towards a mutually beneficial relationship. These are, therefore, ingrained in CSAPL's culture. These standards are regularly reviewed and updated to ensure effectiveness and relevance for achievement of long term objectives of the Company and are applicable to everybody in the Company. The Board acknowledges its responsibility for the overall strategy, management, identification and solution for risks and challenges, sustained business prosperity and safeguarding the rights of shareholders. It endorses the Best Practices of the Code of Corporate Governance as an effective tool in discharging these duties in addition to enhancing the timeliness, accuracy, comprehensiveness and transparency of financial and non-financial information through accountability and integrity.



BEST CORPORATE R





Crescent Steel & Allied Products Ltd.

Chief Executive's Review

Best Corporate Report

Our Annual Report 2007 received 1st position in Engineering Sector of "Best corporate Report Award-2007". This competition was held jointly by Institute of Chartered Accountants of Pakistan and Institute of Cost and Management Accountants of Pakistan. This reflects our focus on excellence in corporate governance, transparency and dedication to best practice, ethics and values.

Credit Rating

JCR-VIS Credit Rating Company Limited in its recent annual review of the Company's creditworthiness has maintained Company's entity and debt security ratings as A+/A-1 "A plus / A one" and AA- "Double A Minus" respectively. These ratings reflect the Company's financial and management strength and denote a low expectation of credit risk and the capacity for timely payment of financial commitments.

Business Process Reengineering and Management Information System

To enhance efficiencies and as a part of business process reengineering for continuous improvement, the Company during the year initiated implementation of Oracle application suite, an Enterprise Resource Planning system for its financial, supply chain, manufacturing, projects and human resource management system to replace our legacy applications. This is in the implementation phase and so far all the milestones have been achieved as per plan.

In order to support this ERP, state of the art Blade servers were selected and installed. Business locations are also now connected over a High

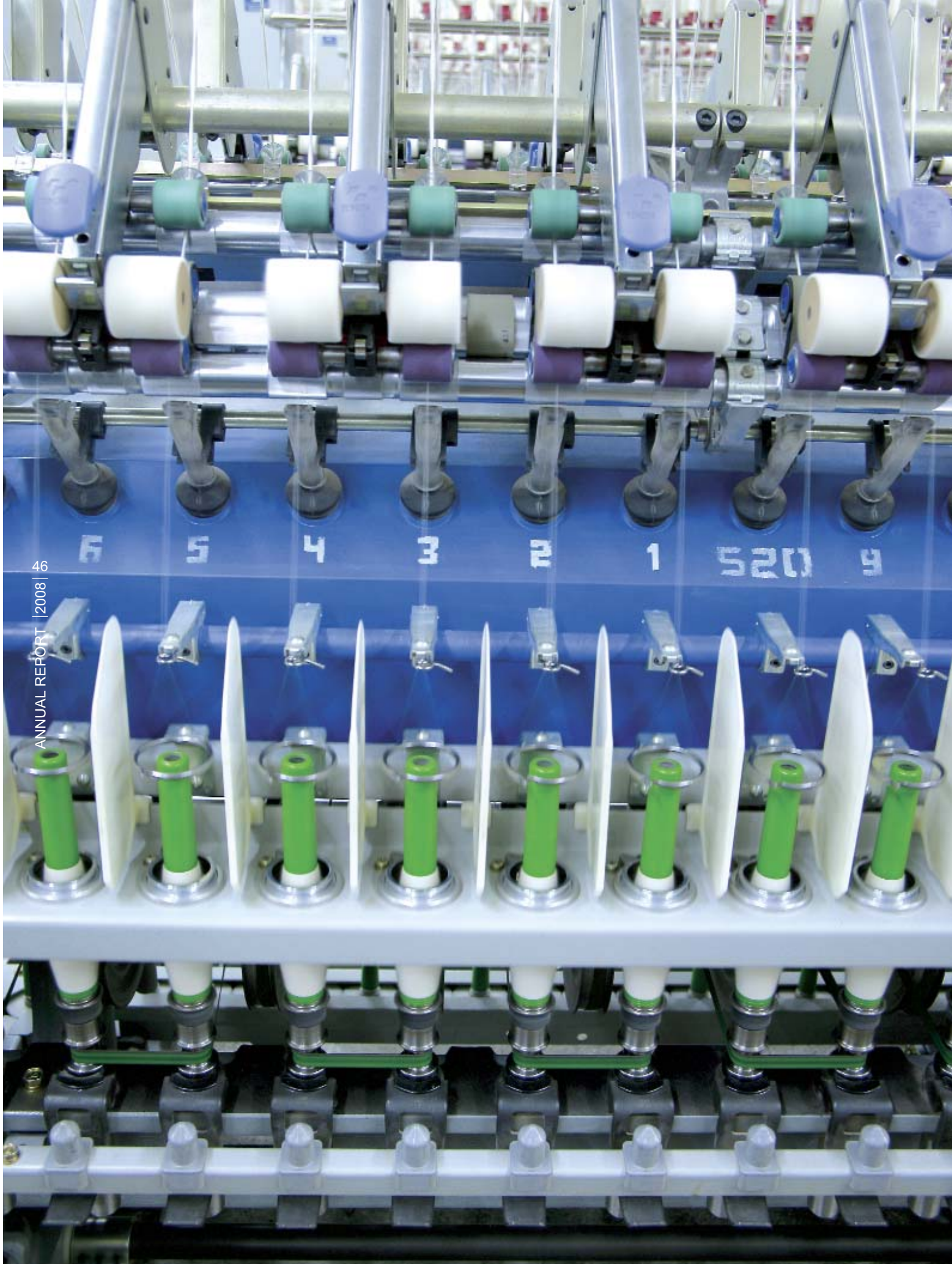


Speed Wide Area Network which has a high level of security through firewalls of state of the art technology.

Business Risks and Challenges

Doing business inherently involves taking risks, and by taking measured risks we strive to be a sustainable Company. Risk management is one of the essential elements of the Company's corporate governance. This calls for creating a proper balance between entrepreneurial attitude and risk levels associated with business opportunities. Through our risk management framework we want to provide reasonable assurance that our business objectives can be achieved and our obligations to customers, shareholders, employees, and society can be met. Primarily Risk Management is the responsibility of the business managers whereas, Head of Risk and Compliance has a responsibility for the oversight of the key risks and compliance of legal requirements.







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As a part of our policy to produce forward looking statements we are outlining the risks which may affect our business. This exercise also helps the management focus on a strategy to mitigate risk factors. Under the explicit understanding that this is not an exhaustive enumeration, our major risk factors are listed below:

Raw Material Sourcing

Inability to access raw materials, growth in cost and expenses for raw materials and natural gas, may adversely influence the future results of the Company. The Company aims to use its purchasing power and long term relationships with suppliers to acquire raw materials and safeguard their constant delivery at the best conditions. Company is sensitive to price movements that may lead to erosion of margins and liquidated damages due to non-availability of raw material.

Investment Risk

Company has made significant investment in marketable securities. Adverse stock market developments may affect the profitability and assets of the Company. The Company follows diversified investment policy and actively manages its investment portfolio to match the required risk profiles.

Currency Risk

Since the significant parts of the Company's operations are based on imported raw material, exchange rate fluctuations can have an impact on the Company's financial results. Recently State Bank of Pakistan has withdrawn forward

cover facility and the falling value of Pakistan Rupee, mitigation of adverse currency fluctuation has become more challenging.



Interest Rate Risk

With increase in price of steel, cotton and other inputs the working capital requirements of the Company will also enhance, significant portion of this is arranged through short term borrowings. The Company's financial condition and results of operations could be adversely affected if the Company does not successfully mitigate risks associated with interest rate changes.

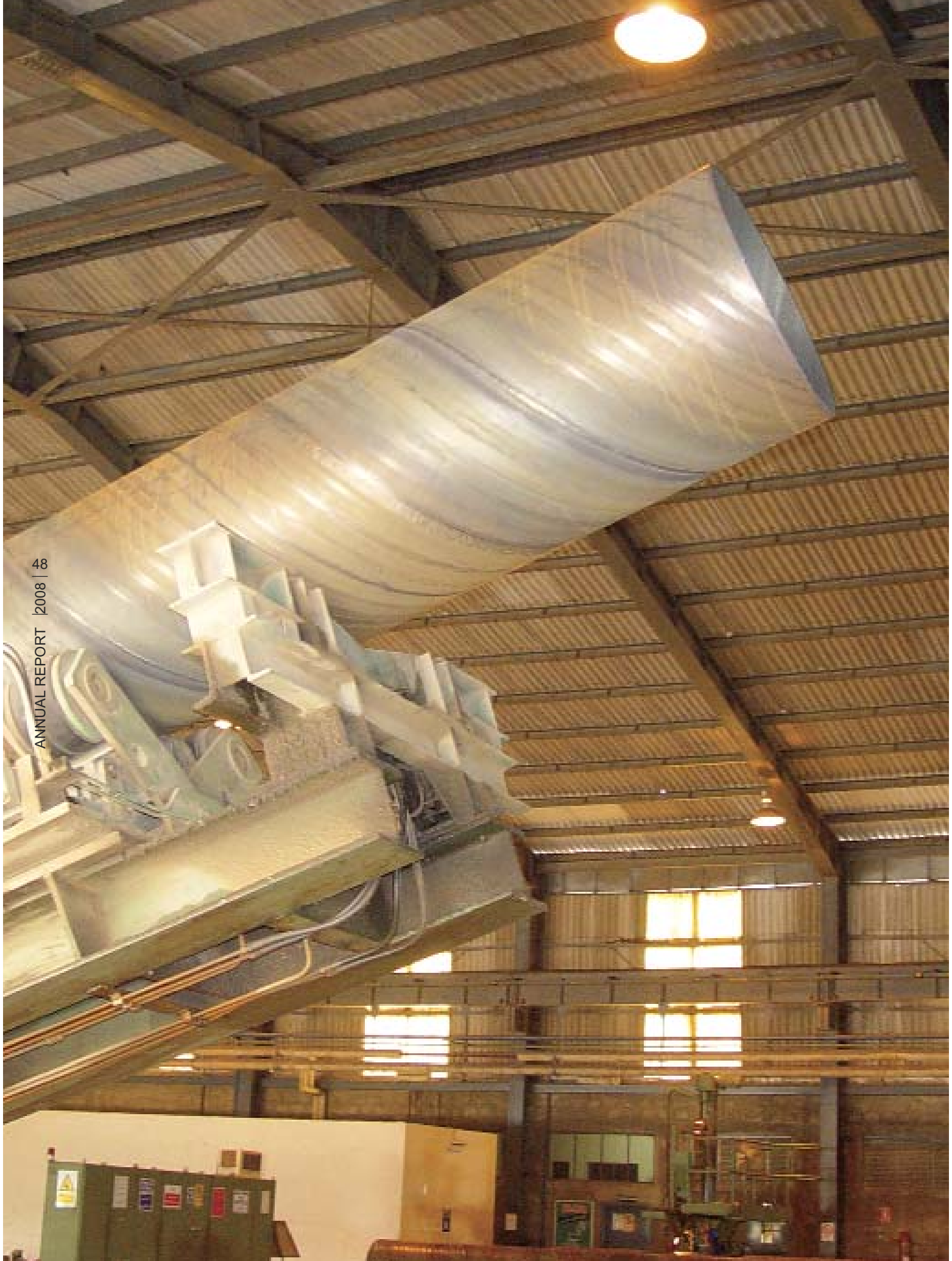
Employee Retention and Recruitment

The Company's ambitious growth plans may not be achieved when we fail to attract and retain the right people. The Company puts emphasis on attracting, retaining, motivating, and educating staff, using Human Resources instruments.

Internal Controls

Without effective internal controls the Company may be exposed to financial irregularities and







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Chief Executive's Review

losses. This covers the areas ranging from safeguarding the assets, compliance with laws and regulations and accuracy and reliability of its records and financial reporting.

Technological Advantages

Our competitors may be able to identify and implement a major technological step change resulting in product substitution, improve their production efficiencies and lower costs. Our inability to implement similar steps may make us uncompetitive. Similarly we have to ensure that we match or exceed the quality and service performance of our competitors.

Future Prospects and Outlook

Exorbitant steel prices and resultant high product cost are forcing the major clients to slow down their development due to increased capital requirement and limited availability of funds in the form of approved budget. Nevertheless exceptionally high prices of crude oil and acute power shortage would favour emphasis on maximizing gas utilization which should expedite approval of new projects, new IPPs and thus generate business for steel pipes.

Iran-Pakistan-India gas pipeline arrangement is in finalization stage and Gas Sales Agreement is expected to be signed very soon and the construction of pipeline in Pakistan is likely to commence in the later part of 2009. This involves supply of 1,035 Km of 56" and 42" dia pipes (approx. half million ton of steel pipes). Similar demand of approximately half million ton will

be internally generated by the gas companies for the development of their infrastructure to take gas from the point of delivery to the point of consumption.



The infrastructure development like water supply projects, sea ports up gradation, power projects is expected to generate substantial demand during next few years.

In the cotton division, the situation is again not looking very favorable. Market is under pressure due to high prices of raw cotton, energy and labour, affecting cost of manufacturing of yarn. This may lead to Pakistan losing its share to India, China & Bangladesh due to their government supportive export policies.

Government has set the cotton target for the year 2008-09 as 14.1 million bales. Due to early sowing in some area of Punjab and supportive weather (till now) and the growth of BT cotton in massive area, it is expected that the production will be close to this target. But on the other hand the consumption is estimated as 16 million bales.







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Chief Executive's Review

It means Pakistan is facing 2 million bales shortfall of cotton even if the target is achieved. Another development in our neighboring country India is that they have lifted the 14% duty on cotton imports and removed 1% rebate on cotton export, in results, the India is importing cotton from Pakistan in early start of cotton season in Pakistan. This may further increase the cotton prices in Pakistan.

International cotton market is also at high tune and the world production is expected to be lower by 3.5% over last year. This along with the high inflation, increase in gas price and increase in minimum wages will significantly push the production cost. This will also enhance the working capital requirement and with the rise in SBP discount rates and KIBOR rates, the financing cost may also go up drastically. In case the cotton yarn prices do not move in proportion to the production cost, this will affect the bottom line.

The management is aware of the challenges and will do everything possible to mitigate the adverse impact of such an event.

Capital Market substantially fell over the last couple of months. However, it is expected that due to the fiscal and monetary measures taken by the Government and State Bank of Pakistan the market may stabilize at these levels. However, capital markets are always subject to market risk and we have to be vigilant in terms of current economic and political instability. We are taking all the measures to mitigate the market risks through diversification in the portfolio.

General

The management would like to record its

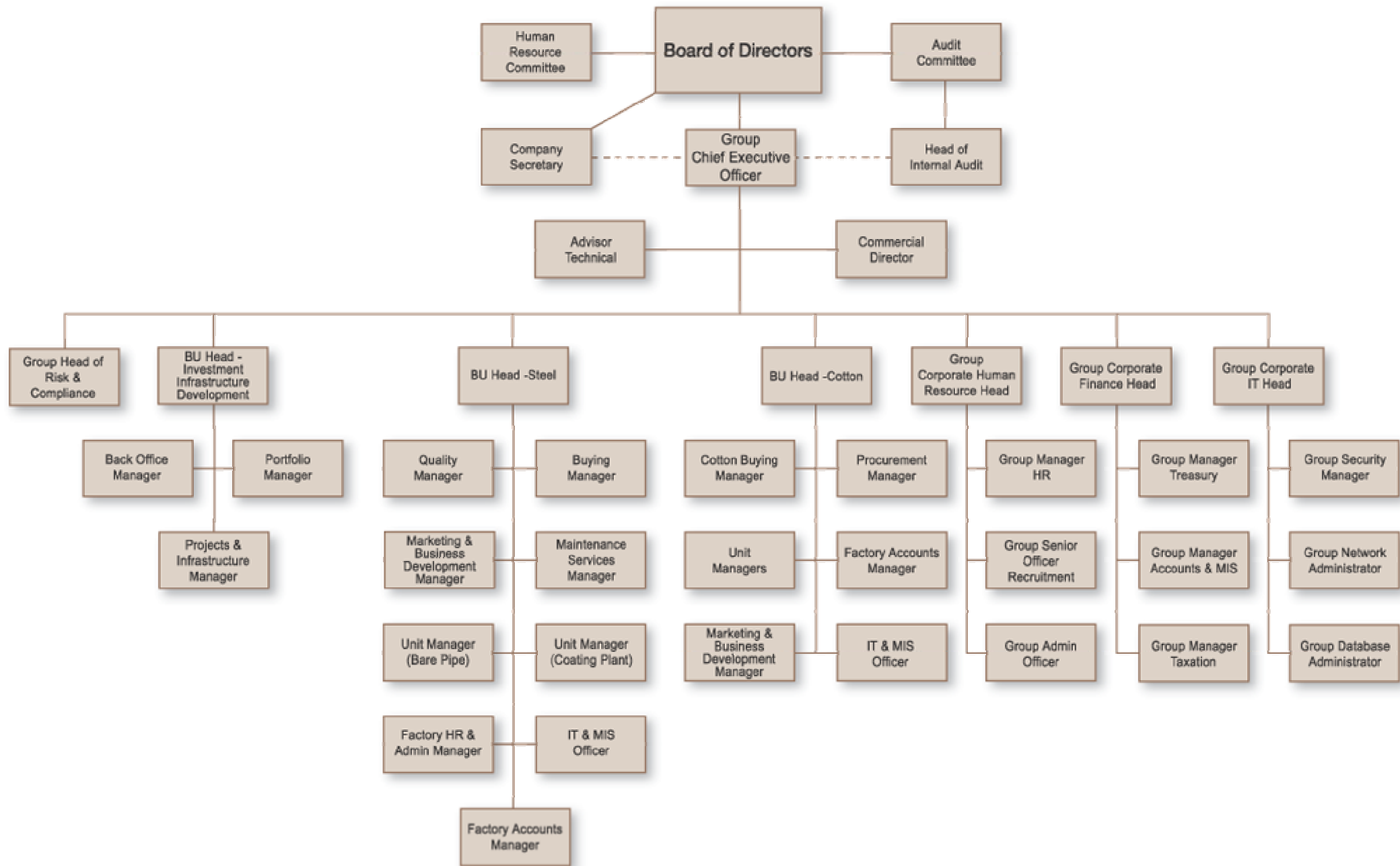


deep appreciation to the active role of the Board of Directors and the Audit Committee in supporting and guiding the Management on matters leading to success in achieving the targets of the Company.

We would like to express warm gratitude to our customers for their support and believe that all our efforts and success are possible because of vital role played by them and their confidence for potential growth in our products and services. Our employees have demonstrated great dedication, enthusiasm and sense of motivation in taking the company's performance to new heights. On behalf of the directors and myself, I am pleased to record our appreciation.

Ahsan M. Saleem
Chief Executive
31 July 2008



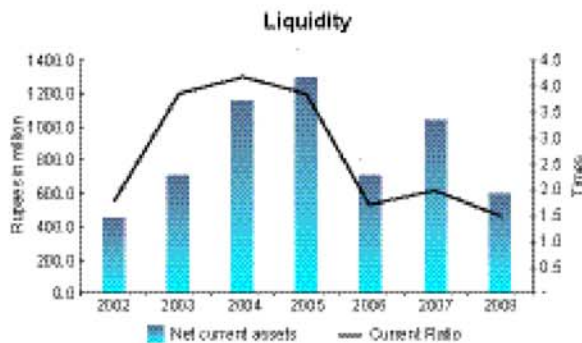
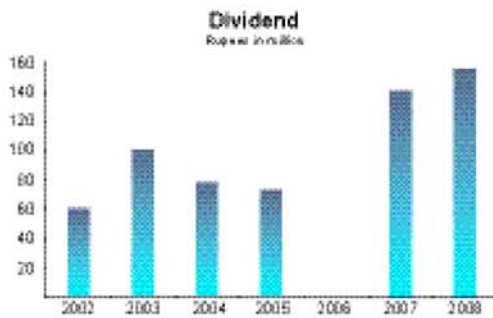
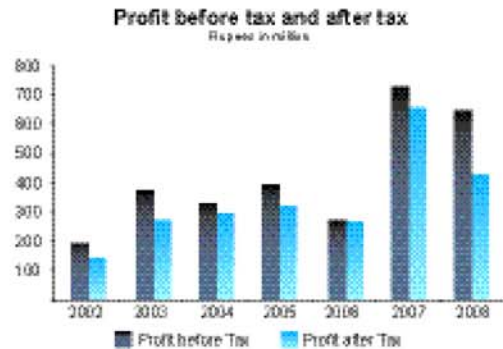
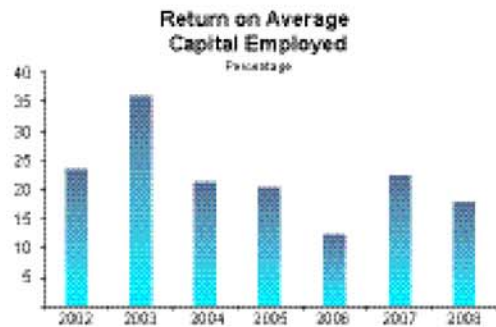
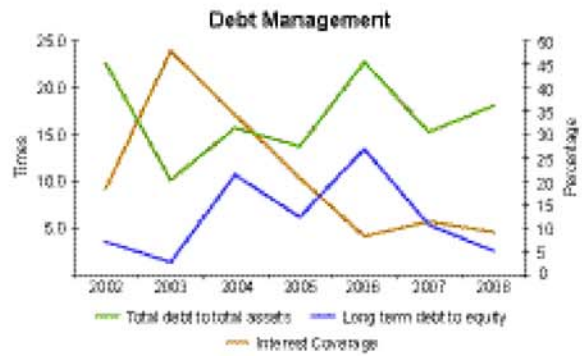
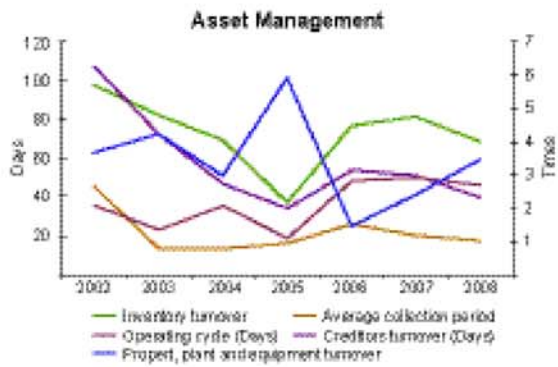
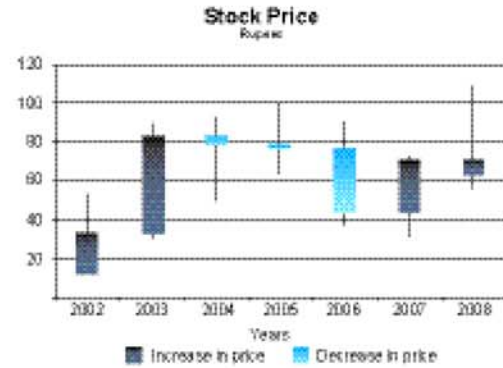


Financial Highlights

| | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|---------|---------|---------|---------|---------|---------|---------|
| Operating Results (Rupees in million) | | | | | | | |
| Net sales | 4,200.2 | 2,950.1 | 1,707.1 | 2,686.6 | 1,348.1 | 1,738.9 | 1,291.1 |
| Cost of sales | 3,303.8 | 2,439.7 | 1,566.8 | 2,314.7 | 1,173.9 | 1,398.0 | 1,055.2 |
| Gross profit | 896.4 | 510.5 | 140.3 | 371.9 | 174.3 | 340.9 | 235.9 |
| Investment income - net | 73.6 | 411.4 | 332.9 | 176.4 | 221.2 | 113.5 | 46.2 |
| Distribution, selling and administrative expenses | 151.0 | 146.6 | 118.6 | 108.3 | 90.7 | 91.2 | 61.5 |
| Other operating expenses | 109.7 | 125.5 | 21.9 | 70.0 | 36.9 | 26.1 | 20.3 |
| Other operating income - net | 19.6 | 107.0 | 24.6 | 87.7 | 79.2 | 61.1 | 22.2 |
| Operating profit before finance costs | 728.9 | 756.7 | 357.3 | 457.7 | 347.1 | 398.2 | 222.5 |
| Finance costs | 153.0 | 128.5 | 82.9 | 43.9 | 20.4 | 16.8 | 23.7 |
| Share of profit / (loss) in associates | 50.8 | 99.1 | (11.9) | (19.5) | - | - | - |
| Profit before taxation | 626.6 | 727.3 | 262.4 | 394.2 | 326.7 | 381.4 | 198.7 |
| Income tax | 210.9 | 64.1 | 2.8 | 81.8 | 30.8 | 97.2 | 60.5 |
| Net income | 415.7 | 663.2 | 259.6 | 312.4 | 295.9 | 284.2 | 138.2 |
| Earning before interest, taxes and depreciation and amortization (EBITDA) | 954.7 | 1,029.3 | 444.8 | 522.7 | 431.4 | 481.1 | 286.1 |
| Dividend | 154.0 | 140.0 | - | 72.9 | 77.3 | 100.5 | 60.0 |
| Per Share Results and Return | | | | | | | |
| Earnings per share (Rupees) | 8.1 | 13.3 | 6.7 | 8.1 | 7.6 | 7.3 | 3.6 |
| Break-up value per share (Rupees) | 58.3 | 68.6 | 58.2 | 76.6 | 68.8 | 57.8 | 39.3 |
| Dividend per share - including final proposed (Rupees) | 3.0 | 3.0 | - | 3.0 | 3.5 | 5.0 | 3.0 |
| Dividend yield (%) - including final proposed | 4.9 | 4.2 | - | 3.9 | 4.4 | 6.0 | 9.1 |
| Dividend pay out (%) - including final proposed | 37.0 | 21.1 | - | 23.3 | 26.1 | 35.4 | 43.4 |
| Bonus shares (%) - including final proposed | 10 | 10 | 20 | 20 | 10 | 10 | - |
| Market value per share (Rupees) | 61.7 | 71.0 | 43.5 | 77.0 | 78.9 | 83.0 | 33.0 |
| Market value per share high - low (Rupees) | 108-58 | 72-32 | 90-37 | 100-64 | 93-50 | 90-30 | 32-14 |
| Price earning ratio (Rupees) | 7.6 | 5.0 | 5.9 | 6.0 | 5.9 | 5.9 | 4.8 |
| Financial Position (Rupees in million) | | | | | | | |
| Current assets | 2,279.1 | 2,124.8 | 1,841.6 | 1,779.5 | 1,541.1 | 973.3 | 1,034.7 |
| Stock-in-trade | 606.1 | 633.5 | 468.5 | 194.3 | 240.5 | 205.0 | 432.9 |
| Trade debt | 118.7 | 181.4 | 75.1 | 132.4 | 36.0 | 26.0 | 56.7 |
| Current liability | 1,573.1 | 1,077.1 | 1,127.1 | 468.9 | 370.9 | 260.3 | 584.4 |
| Trade and other payables | 240.8 | 435.1 | 229.9 | 221.9 | 174.5 | 114.2 | 442.2 |
| Property, plant and equipment | 1,233.2 | 1,306.6 | 1,381.1 | 441.8 | 467.8 | 410.5 | 355.3 |
| Total assets | 4,846.7 | 4,696.1 | 3,714.7 | 2,569.8 | 2,228.2 | 1,460.9 | 1,439.1 |
| Long term debt (excluding current maturity) | 168.1 | 354.0 | 548.3 | 236.1 | 326.5 | 38.0 | 59.2 |
| Deferred liabilities | 111.5 | 64.6 | 1.6 | 3.9 | 10.6 | - | 5.1 |
| Short term debt (including current maturity of long term debt) | 1,306.4 | 625.8 | 876.9 | 233.5 | 156.2 | 100.6 | 80.2 |
| Reserves | 2,480.7 | 2,733.8 | 1,687.7 | 1,617.5 | 1,298.5 | 961.2 | 588.9 |
| Shareholders' equity | 2,994.0 | 3,200.4 | 2,037.7 | 1,860.5 | 1,519.4 | 1,162.1 | 789.7 |
| Financial Ratios | | | | | | | |
| Gross profit to sales (%) | 21.3 | 17.3 | 8.2 | 13.8 | 12.9 | 19.6 | 18.3 |
| Operating profit to sales (%) | 17.4 | 25.6 | 20.9 | 17.0 | 25.7 | 22.9 | 17.2 |
| Net income to sales (%) | 9.9 | 22.5 | 15.2 | 11.6 | 21.9 | 16.3 | 10.7 |
| Return on average assets (%) | 8.7 | 15.8 | 8.3 | 13.0 | 16.6 | 19.6 | 10.5 |
| Return on average capital employed (%) | 18.0 | 22.4 | 11.9 | 20.2 | 21.0 | 35.7 | 23.8 |
| Return on average equity (%) | 13.4 | 25.3 | 13.3 | 18.5 | 22.1 | 29.1 | 18.3 |
| Quick / acid ratio | 1.1 | 1.4 | 1.2 | 3.4 | 3.5 | 3.0 | 1.0 |
| Current ratio | 1.5 | 2.0 | 1.6 | 3.8 | 4.2 | 3.7 | 1.8 |
| Net current assets (working capital) | 706.1 | 1,047.7 | 714.5 | 1,310.6 | 1,170.2 | 712.9 | 450.3 |
| Long term debt to equity (%) | 5.6 | 11.1 | 26.9 | 12.7 | 21.5 | 3.3 | 7.5 |
| Long term debt : equity ratio | 5 : 95 | 10 : 90 | 21 : 79 | 11 : 89 | 18 : 82 | 3 : 97 | 7 : 93 |
| Total debt to total assets (%) | 35.9 | 30.5 | 45.1 | 27.4 | 31.3 | 20.4 | 44.7 |
| Interest coverage (times) | 4.8 | 5.9 | 4.3 | 10.4 | 17.0 | 23.7 | 9.4 |
| Debtors turnover (times) | 28.0 | 23.0 | 16.5 | 31.9 | 43.5 | 42.0 | 8.4 |
| Inventory turnover (times) | 5.3 | 4.4 | 4.7 | 10.6 | 5.3 | 4.4 | 3.7 |
| Average collection period (days) | 13.0 | 15.9 | 22.2 | 11.4 | 8.4 | 8.7 | 43.3 |
| Inventory turnover (days) | 68.5 | 82.4 | 77.2 | 34.3 | 69.3 | 83.3 | 100.0 |
| Creditors turnovers (days) | 37.3 | 49.7 | 52.6 | 31.3 | 44.9 | 72.6 | 110.4 |
| Operating cycle (days) | 44.2 | 48.6 | 46.8 | 14.5 | 32.8 | 19.3 | 32.9 |
| Property, plant and equipment turnover (times) | 3.4 | 2.3 | 1.2 | 6.1 | 2.9 | 4.2 | 3.6 |
| Total assets turnover (times) | 0.9 | 0.6 | 0.5 | 1.0 | 0.6 | 1.2 | 0.9 |
| Other Data (Rupees in million) | | | | | | | |
| Depreciation / amortization | 175.0 | 173.4 | 99.4 | 84.5 | 84.2 | 82.9 | 63.6 |
| Capital expenditure (including leased assets) | 153.5 | 126.9 | 996.5 | 66.3 | 163.2 | 130.0 | 101.6 |
| Common shares (no. of shares in million) | 51.3 | 46.7 | 35.0 | 24.3 | 22.1 | 20.1 | 20.1 |



Financial Highlights



Board and Audit Committee Meetings Attendance by the Directors / Members

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

| Name of Director | No. of meetings attended |
|-----------------------|--------------------------|
| Mazhar Karim | 1 |
| Ahsan M. Saleem | 6 |
| Javed A. Callea | 4 |
| Javed Iqbal | 6 |
| Muhammad Anwar | 3 |
| Nasir Shafi | 5 |
| Syed M. Ehtishamullah | 6 |
| Zahid Bashir | 3 |

During the year four meetings of the audit committee were held. Attendance by each of Audit Committee member was as follows:

| Name of Member | No. of meetings attended |
|-----------------|--------------------------|
| Javed A. Callea | 3 |
| Javed Iqbal | 4 |
| Nasir Shafi | 3 |



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 Board comprises eight directors including the CEO. The company encourages representation of independent non-executive Directors. At present the Board has six non-executive Directors out of which two are independent non-executive Directors.
2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including this Company.
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a Banking Company, a DFI or an NBFI. None of them is a member of a Stock Exchange.
4. No casual vacancy occurred during the year ended 30 June 2008.
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. The corporate strategy of the Company is reviewed and approved by the Board alongwith the annual plan.

7. 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.
8. All 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. The Board met six times during the year ended 30 June 2008 including once in every quarter to approve the financial statements of the Company. Following the Best Practices of Corporate Governance, the Board met to discuss with the key members of the management team with out the Chief Executive to assess the adequacy of controls, alignment of key managers with overall objectives of the Company and to make an independent assessment of adequacy of succession. A separate meeting of the Board was held to approve the Annual plan/Budget. 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 in time.
9. In-house orientations for the Directors were made to apprise them of their duties and responsibilities and to brief them regarding amendments in the Companies Ordinance / Corporate Laws.
10. 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.
11. The Directors' Report for the year ended 30 June 2008 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

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

compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
13. 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.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. 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 was reviewed during the year to bring it in line with International Best Practice. It requires that at least two members of the Audit Committee must be financially literate.
16. 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 framed and advised to the Committee for compliance.
17. 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.
18. 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
19. 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.
20. The Management of the Company is committed to good corporate governance, and appropriate steps are taken to comply with the best practices.
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

31 July 2008



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

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Internet www.kpmg.com.pk

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Crescent Steel and Allied Products Limited (“the Company”) 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 2008.

31 July 2008
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants.



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Sheikh Sultan Trust Building No. 2
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Auditors' Report to the Members

We have audited the annexed balance sheet of **Crescent Steel and Allied Products Limited** ("the Company") as at 30 June 2008 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;
 - 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 2008 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.

31 July 2008
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants.



Crescent Steel &
Allied Products Ltd.

Balance Sheet

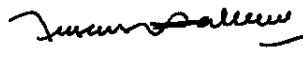
As at 30 June 2008

| | Note | 2008 | 2007 |
|--|------|-----------|-----------|
| (Rupees in '000) | | | |
| EQUITY AND LIABILITIES | | | |
| Share capital and reserves | | | |
| Authorized capital 100,000,000 ordinary shares of Rs. 10 each | | 1,000,000 | 1,000,000 |
| Issued, subscribed and paid-up capital | 6 | 513,273 | 466,612 |
| Capital reserves | | 371,080 | 792,518 |
| Revenue reserves | | 2,109,651 | 1,941,273 |
| | | 2,994,004 | 3,200,403 |
| Non-current liabilities | | | |
| Long term loan | 7 | 168,117 | 280,354 |
| Redeemable capital | 8 | – | 73,652 |
| Deferred taxation | 9 | 111,505 | 64,584 |
| | | 279,622 | 418,590 |
| Current liabilities | | | |
| Trade and other payables | 10 | 240,819 | 435,080 |
| Interest and mark-up accrued | 11 | 19,765 | 16,150 |
| Short term borrowings | 12 | 1,119,331 | 432,799 |
| Current portion of long term loan | 7 | 112,500 | 112,500 |
| Current portion of redeemable capital | 8 | 74,551 | 75,000 |
| Taxation - net | 13 | 6,098 | – |
| Current portion of liabilities against assets subject to finance leases | | – | 5,544 |
| | | 1,573,064 | 1,077,073 |
| Total equity and liabilities | | 4,846,690 | 4,696,066 |
| Contingencies and commitments | 14 | | |

Balance Sheet
As at 30 June 2008

| | Note | 2008 | 2007 |
|---|------|------------------|-----------|
| | | (Rupees in '000) | |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 15 | 1,233,231 | 1,306,641 |
| Intangible assets | 16 | 620 | 503 |
| Investment property | 17 | 50,003 | – |
| Long term investments | 18 | 1,279,480 | 1,259,546 |
| Long term loan and deposits | 19 | 4,241 | 4,567 |
| | | 2,567,575 | 2,571,257 |
| Current assets | | | |
| Stores, spares and loose tools | 20 | 77,385 | 48,849 |
| Stock-in-trade | 21 | 606,059 | 633,452 |
| Trade debts | 22 | 118,696 | 181,408 |
| Advances | 23 | 24,599 | 83,119 |
| Trade deposits and short term prepayments | 24 | 2,413 | 4,750 |
| Current portion of long term investments | | 10 | 10 |
| Investments | 25 | 1,407,638 | 1,040,919 |
| Mark-up accrued | 26 | 2,387 | 2,476 |
| Other receivables | 27 | 31,729 | 72,635 |
| Taxation - net | 13 | – | 20,192 |
| Cash and bank balances | 28 | 8,199 | 36,999 |
| | | 2,279,115 | 2,124,809 |
| Total assets | | 4,846,690 | 4,696,066 |

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


Chief Executive


Director




Crescent Steel &
Allied Products Ltd.

Profit and Loss Account

For the year ended 30 June 2008

| | Note | 2008 | 2007 |
|--|------|-----------|-----------|
| (Rupees in '000) | | | |
| Sales | 29 | 4,200,205 | 2,950,120 |
| Cost of sales | 30 | 3,303,807 | 2,439,656 |
| Gross profit | | 896,398 | 510,464 |
| Investment income | 31 | 73,607 | 411,402 |
| | | 970,005 | 921,866 |
| Distribution and selling expenses | 32 | 15,262 | 13,286 |
| Administrative expenses | 33 | 135,705 | 133,362 |
| Other operating expenses | 34 | 109,744 | 125,543 |
| | | 260,711 | 272,191 |
| | | 709,294 | 649,675 |
| Other operating income | 35 | 19,573 | 107,002 |
| Operating profit before finance costs | | 728,867 | 756,677 |
| Finance costs | 36 | 153,018 | 128,490 |
| Share of profit in associated undertakings | | 50,773 | 99,136 |
| Profit before taxation | | 626,622 | 727,323 |
| Taxation | 37 | 210,941 | 64,145 |
| Profit for the year | | 415,681 | 663,178 |
| (Rupees) | | | |
| Earning per share basic and diluted | 38 | 8.10 | 13.28 |

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


Chief Executive


Director


Cash Flow Statement

For the year ended 30 June 2008

| | Note | 2008 | 2007 |
|---|------|------------------|-----------|
| | | (Rupees in '000) | |
| Cash flows from operating activities | | | |
| Cash generated from operations | 39 | 906,443 | 629,572 |
| Taxes paid | | (137,730) | (4,650) |
| Financial charges paid | | (148,690) | (131,399) |
| Contribution to pension and gratuity fund | | (9,771) | (6,571) |
| Contribution to workers' profit participation fund | | (44,067) | - |
| Payment for 10-C bonus | | (587) | (483) |
| Liquidated damages paid | | - | (427) |
| Increase / (decrease) in long term deposits and prepayments | | 326 | (17) |
| Net cash from operating activities | | 565,924 | 486,025 |
| Cash flows from investing activities | | | |
| Capital expenditure | | (153,461) | (126,907) |
| Purchase of intangible assets | | (456) | (194) |
| Proceeds from sale of property, plant and equipment | | 2,631 | 127,419 |
| Investments - net | | (820,361) | (435,910) |
| Dividends received | | 76,166 | 37,862 |
| Interest received | | 2,121 | 6,015 |
| Net cash used in investing activities | | (893,360) | (391,715) |
| Cash flows from financing activities | | | |
| Repayments against short term loans | | (139,869) | (147,925) |
| Proceeds from issue of shares | | - | 466,612 |
| Repayments against long term loan | | (112,500) | (56,250) |
| Repayment of redeemable capital | | (75,000) | (75,000) |
| Repayment of liabilities against assets subject to finance leases | | (5,931) | (9,934) |
| Dividends paid | | (194,465) | (91,922) |
| Net cash (used in) / from financing activities | | (527,765) | 85,581 |
| Net (decrease) / increase in cash and cash equivalents | | (855,201) | 179,891 |
| Cash and cash equivalents at beginning of the year | | 26,275 | (153,616) |
| Cash and cash equivalents at end of the year | 40 | (828,926) | 26,275 |

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


 Chief Executive


 Director



Crescent Steel &
Allied Products Ltd.

Statement of Changes in Equity

For the year ended 30 June 2008

| | Issued, subscribed and paid-up capital | Capital reserve | | | Revenue reserves | | Total |
|--|---|------------------|--|-----------|--------------------|--------------------------|-----------|
| | | Share Premium | Unrealised gain on remeasurement of available for sale investment securities | Others* | General reserve | Unappropriated profit | |
| (Rupees in '000) | | | | | | | |
| Balance as at 1 July 2006 | 349,959 | - | 105,980 | 210,342 | 921,000 | 450,417 | 2,037,698 |
| Changes in equity for the year ended 30 June 2007 | | | | | | | |
| Unrealized gain on available for sale investment securities | - | - | 193,126 | - | - | - | 193,126 |
| Realized gain on sale of investments securities | - | - | (54,581) | - | - | - | (54,581) |
| Proportionate share of various reserves of associated undertakings | - | - | - | (19,828) | - | - | (19,828) |
| Reclassification for better presentation, inadvertently classified in previous years | - | - | 49,693 | (49,693) | - | - | - |
| Reversal of proportionate share of reserve on disposal of shares | - | - | - | 7,520 | - | - | 7,520 |
| Profit for the year | - | - | - | - | - | 663,178 | 663,178 |
| Total recognized income and expenses for the year | - | - | 188,238 | (62,001) | - | 663,178 | 789,415 |
| Issuance of right shares | 116,653 | 349,959 | - | - | - | - | 466,612 |
| Transfer to general reserve | - | - | - | - | 421,000 | (421,000) | - |
| Dividend - First interim 2007 (10%) | - | - | - | - | - | (46,661) | (46,661) |
| Dividend - Second interim 2007 (10%) | - | - | - | - | - | (46,661) | (46,661) |
| Balance as at 30 June 2007 | 466,612 | 349,959 | 294,218 | 148,341 | 1,342,000 | 599,273 | 3,200,403 |
| Changes in equity for the year ended 30 June 2008 | | | | | | | |
| Unrealized gain on available for sale investment securities | - | - | 854 | - | - | - | 854 |
| Realized gain on sale of investments securities | - | - | (209,793) | - | - | - | (209,793) |
| Proportionate share of various reserves of associated undertakings | - | - | - | (249,466) | - | - | (249,466) |
| Reversal of proportionate share of reserve on disposal of shares | - | - | - | 36,967 | - | - | 36,967 |
| Profit for the year | - | - | - | - | - | 415,681 | 415,681 |
| Total recognized income and expenses for the year | - | - | (208,939) | (212,499) | - | 415,681 | (5,757) |
| Transfer to general reserve | - | - | - | - | 500,000 | (500,000) | - |
| Dividend - Final 2007 (10%) | - | - | - | - | - | (46,661) | (46,661) |
| Issuance of bonus shares final 2007 (10%) | 46,661 | - | - | - | - | (46,661) | - |
| Dividend - First interim 2008 (10%) | - | - | - | - | - | (51,327) | (51,327) |
| Dividend - Second interim 2008 (10%) | - | - | - | - | - | (51,327) | (51,327) |
| Dividend - Third interim 2008 (10%) | - | - | - | - | - | (51,327) | (51,327) |
| Balance as at 30 June 2008 | 513,273 | 349,959 | 85,279 | (64,158) | 1,842,000 | 267,651 | 2,994,004 |

*This represents various reserves maintained by the associated undertakings

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

Chief Executive

Director

Notes to the Financial Statements

For the year ended 30 June 2008

1. THE COMPANY AND ITS OPERATIONS

- 1.1 Crescent Steel and Allied Products Limited ("the Company") was incorporated on 1 August 1983 as a public limited company in Pakistan under Companies Act, 1913 (now Companies Ordinance, 1984) and is quoted on all stock exchanges of Pakistan. The registered office of the Company is located a 6th floor, Crescent Standard Tower, 10-B, Block E-2, Main Boulevard, Gulberg-III, Lahore.
- 1.2 The Company's steel segment is one of the down stream industries of Pakistan Steel Mills, manufacturing large diameter spiral arc welded steel line pipes at Nooriabad (District Dadu). The Company has a coating facility capable of applying three layer high density polyethylene coating on steel line pipes. The coating plant commenced commercial production from 16 November 1992.
- 1.3 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. Another spinning unit CCP-II was added with 25,344 spindles in 2006. 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".

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984 provision of and directives issued under the Companies Ordinance, 1984. In case requirement differ, the provisions of and directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

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

- investments classified as held for trading are stated at fair value (refer para 5.10.1)
- investments classified as available-for-sale are stated at fair value (refer para 5.10.1)
- derivative financial instruments are stated at fair value (refer para 5.10.4)

2.3 Functional and presentation currency

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



Notes to the Financial Statements

For the year ended 30 June 2008

3. 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 estimates are 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 the 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.

4. 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 2008 and are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures in the certain cases:

- Revised IAS 1 - Presentation of Financial Statements;
- Revised IAS 23 - Borrowing costs;
- IAS 29 - Financial Reporting in Hyperinflationary Economies;
- IAS 32 (amendment) - Financial instruments: presentation and consequential amendments to IAS 1 - Presentation of Financial Statements;
- IFRS 2 (amendment) - Share-based payments;
- IFRS 3 (amendment) - Business Combinations and consequential amendments to IAS 27 - Consolidated and separate financial statements, IAS 28 - Investment in associates and IAS 31 - Interest in Joint Ventures;
- IFRS 7 - Financial Instruments: Disclosures;
- IFRS 8 - Operating Segments;
- IFRIC 12 - Service Concession Arrangements;
- IFRIC 13 - Customer Loyalty Programmes;
- IFRIC 14 - IAS 19-The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction;
- IFRIC 15 - Agreement for the Construction of Real Estate;
- IFRIC 16 - Hedge of Net Investment in a Foreign Operation;

Notes to the Financial Statements

For the year ended 30 June 2008

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 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.

5.2 Employee benefits

5.2.1 Compensated absences

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

5.2.2 Post retirement benefits

5.2.2.1 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. Obligation for contributions to the fund are recognised as an expense in profit or loss when they are due.

Cotton segment

Provision and collection from employees are made at the rate of 6.25 percent of the basic pay plus Cost Of Living Allowance (COLA) of cotton division employees. A trust has been established and its approval has been obtained from Commissioner of Income Tax.

All Employees except cotton segment

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.

5.2.2.2 Defined benefit plans

Pension and gratuity fund

The Company operates pension and gratuity fund schemes for its permanent management employees as per the terms of employment.

The pension scheme provides life time pension to retired employees or to their spouses.



Notes to the Financial Statements

For the year ended 30 June 2008

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 cost 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 reductions in future contributions to the plan.

5.3 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.

5.4 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.

5.5 Trade and other payables

Liabilities for trade and other amounts payable are recognized 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.

Notes to the Financial Statements

For the year ended 30 June 2008

5.6 Dividend

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

5.7 Property, plant and equipment and depreciation

Owned assets

Property, plant and equipment, except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and impairment losses, if any. Freehold 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 recognised 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 15 to these financial statements. Depreciation on additions to property, plant and equipment is charged from the month in which an item is acquired or capitalized while no depreciation is charged for the month in which the item is disposed off.

The assets' residual values and useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant.

The gain or loss on disposal or requirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

Impairment

Where the carrying amount of asset 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 lease. 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.

5.8 Investment property

Property not held for own use or for sale in the ordinary course of business is classified as investment property. The investment properties of the Company comprise land and buildings and is valued using the cost method i.e. at cost less any accumulated depreciation and any identified impairments loss.



Notes to the Financial Statements

For the year ended 30 June 2008

Depreciation is charged to profit on the straight line method so as to write off the depreciable amount over its estimated useful life. Depreciation on additions to investment property is charged from the month in which a property is acquired or capitalized while no depreciation is charged for the month in which the property is disposed off.

The residual values and useful lives of investment property are reviewed at each financial year end and adjusted if impact on depreciation is significant.

The Company assesses at each balance sheet date whether there is any indication that investment property may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future period to allocate the asset's revised carrying amount over its estimated useful life.

The gain or loss on disposal of investment property represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

5.9 Intangible assets

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

Subsequent expenditures

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

Amortization

Amortization 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. Amortization on additions to intangible assets is charged from the month in which an item is acquired or capitalized while no amortization is charged for the month in which the item is disposed off.

Impairment

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

Notes to the Financial Statements

For the year ended 30 June 2008

5.10 Investments

5.10.1 Investments are being categorized as follows:

Investment at fair value through profit or loss

A non-derivative financial asset 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 recognized in profit or loss when incurred. Investments at fair value through profit or loss are measured at fair value, and changes therein are recognized 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 associate - Equity Method

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

These investments are initially recognized at cost, thereafter the carrying amount is increased or decreased to recognize the Company's share of profit or loss of associates. Share of post acquisition profit and loss of associates is accounted for in the Company's profit and loss account. Distribution received from investee, reduces the carrying amount of investment. The changes in the associate's equity which are not been recognized in the associates' profit and loss account, are recognized directly in the equity of the Company.

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 account.



Notes to the Financial Statements

For the year ended 30 June 2008

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.

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

5.10.3 The Company follows trade date accounting for regular way of purchase and sales of securities, except for sale and purchase of securities in future market, which are accounted for at settlement date.

5.10.4 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.

5.11 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.

5.12 Stock-in-trade

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. The cost of finished goods of steel segment is measured on the specific identification method. Scrap stocks are valued at their estimated net realizable value.

5.13 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.

Notes to the Financial Statements

For the year ended 30 June 2008

5.14 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.

5.15 Revenue recognition

Revenue from sales is recognised when significant risks and rewards of ownership are transferred to the buyer.

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

Dividend income relating to post acquisition profit, if practicable to determine, is recognised 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.

Unrealized gains / (losses) arising on revaluation of securities classified as 'held for trading' are included in profit and loss account in the period in which they arise. Gains / (losses) arising on the revaluation of the derivatives to the fair value are taken to profit and loss account.

Rental income (net of any incentives given to lessees) from investment profit is recognized on a straight line basis over the lease term.

5.16 Borrowing costs

Borrowing costs incurred on long term finances directly attributable for the construction / acquisition of qualifying assets are capitalized 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.

5.17 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.

5.18 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.



Crescent Steel &
Allied Products Ltd.

Notes to the Financial Statements

For the year ended 30 June 2008

5.19 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.

5.20 Segment reporting

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. The Company's primary format for segment reporting is based on business segments.

6. ISSUED, SUBSCRIBED AND PAID-UP-CAPITAL

| 2008 | 2007 | | 2008 | 2007 |
|--------------------|-------------------|---|------------------|----------------|
| (Number of shares) | | | (Rupees in '000) | |
| 22,230,188 | 22,230,188 | Ordinary shares of Rs. 10 each fully paid in cash | 222,302 | 222,302 |
| 29,097,079 | 24,430,965 | Ordinary shares of Rs. 10 each fully issued as bonus shares | 290,971 | 244,310 |
| <u>51,327,267</u> | <u>46,661,153</u> | | <u>513,273</u> | <u>466,612</u> |

6.1 During the current period, 4,666,114 shares of Rs. 10 each were issued as 10% bonus shares.

6.2 Ordinary shares of the Company held by associated undertakings as at year end are as follows:

| | 2008 | 2007 |
|---|--------------------|-----------|
| | (Number of shares) | |
| Crescent Jute Products Limited | – | 139,392 |
| Shakarganj Mills Limited | 2,563,693 | 2,330,630 |
| Crescent Sugar Mills & Distillery Limited | 965,062 | 1,127,193 |
| Muhammad Amin Muhammad Bashir Limited | 562 | 511 |
| The Crescent Textile Mills Limited | 5,645,160 | 5,131,964 |
| Premier Insurance Limited | 27,400 | – |

Notes to the Financial Statements

For the year ended 30 June 2008

7. LONG TERM LOAN

| | 2008 | 2007 |
|--|------------------|-----------|
| | (Rupees in '000) | |
| Allied Bank Limited | 392,854 | 448,841 |
| Amortization of initial transaction cost | 263 | 263 |
| Repayment | (112,500) | (56,250) |
| | 280,617 | 392,854 |
| Current portion | (112,500) | (112,500) |
| | 168,117 | 280,354 |

- 7.1 The mark-up rate is 6 months KIBOR prevailing on the base rate setting date plus 1.9 percent per annum. Mark-up is payable on quarterly basis. The effective mark-up charged during the year ranges from 11.86% to 15.04% (2007: 11.6% to 12.5%).

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. The loan was disbursed on 17 December 2005.

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.

8. REDEEMABLE CAPITAL - secured (non-participatory)

| | 2008 | 2007 |
|----------------------------------|------------------|----------|
| | (Rupees in '000) | |
| Term Finance Certificates (TFCs) | | |
| Balance as at 1 July | 148,652 | 222,753 |
| Transaction cost amortized | 899 | 899 |
| Redemption | (75,000) | (75,000) |
| | 74,551 | 148,652 |
| Current portion | (74,551) | (75,000) |
| Balance as at 30 June | - | 73,652 |



Notes to the Financial Statements

For the year ended 30 June 2008

- 8.1 The Company issued TFCs 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 outstanding as at year end, excluding amortization of transaction cost are as follows:

| | 2008 | 2007 |
|------------------------|------------------|----------------|
| | (Rupees in '000) | |
| Commercial Banks | 55,000 | 107,500 |
| Financial Institutions | 20,000 | 42,500 |
| | <u>75,000</u> | <u>150,000</u> |

- 8.2 Principal purpose for the use of subscription money

The TFCs were issued to carry on the business authorized by the Company's Memorandum and Articles of Association.

- 8.3 Redemption of TFCs

The terms of redemption are as under :

| | | |
|----------------------|-------|--|
| Tenor | | 5 years |
| Expected profit rate | 8.3.1 | Base rate plus 250 bps |
| Floor | | None |
| Cap | | 9% |
| Principal redemption | | Principal redemption has started from 7 July 2006 in 8 equal semi-annual installments. |

- 8.3.1 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.

- 8.4 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 tenure of outstanding TFCs amount with a 25% margin.

- 8.5 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.

Notes to the Financial Statements

For the year ended 30 June 2008

9. DEFERRED TAXATION

| | 2008 | 2007 |
|--|------------------|----------|
| | (Rupees in '000) | |
| Deferred tax credits / (debits) arising in respect of temporary taxable differences due to : | | |
| Accelerated tax depreciation / amortization | 187,800 | 199,116 |
| Finance lease arrangements | 2,450 | 1,560 |
| Provisions for stock-in-trade and stores and spares | (23,365) | (25,920) |
| Provisions for doubtful debts, advances and other receivables | (47,208) | (32,121) |
| Provisions for impairment in unquoted available for sale investments | (9,058) | (9,058) |
| Current year tax loss | – | (82,187) |
| Share of profit from investments in equity accounted undertakings | 886 | 13,194 |
| | 111,505 | 64,584 |

10. TRADE AND OTHER PAYABLES

| | | | |
|-----------------------------------|------|---------|---------|
| Trade creditors | | 24,963 | 268,047 |
| Commission payable | | 2,804 | 2,434 |
| Accrued liabilities | 10.1 | 39,457 | 39,572 |
| Provisions | 10.2 | 52,421 | 44,631 |
| Advance from customers | | 55,589 | 15,460 |
| Retention money | | 2,901 | 3,808 |
| Due to associated undertakings | 10.3 | 3,395 | 12,973 |
| Payable to provident fund | | 27 | 803 |
| Unclaimed dividend | | 14,306 | 8,129 |
| Sales tax payable | | 2,680 | 138 |
| Special Excise Duty payable | | 180 | – |
| Workers Welfare Fund | | 27,964 | 14,849 |
| Workers Profit Participation Fund | 10.4 | 2,403 | 11,741 |
| Withholding tax payable | | 115 | 352 |
| Customer's security deposit | | 2,050 | 4,556 |
| Others | | 9,564 | 7,587 |
| | | 240,819 | 435,080 |

10.1 Accrued liabilities

| | | | |
|------------------------------------|--|--------|--------|
| Salaries, wages and other benefits | | 11,875 | 9,581 |
| Accrual for 10-C bonus | | 750 | 662 |
| Compensated absences | | 6,242 | 6,180 |
| Accruals | | 20,590 | 23,149 |
| | | 39,457 | 39,572 |



Notes to the Financial Statements

For the year ended 30 June 2008

10.2 Movement of provisions

| | Infrastructure fee | Sales Tax | Liquidated damages | Total |
|------------------------------|-----------------------|---------------|-----------------------|---------------|
| | (Rupees in '000) | | | |
| | (Note 10.2.1) | (Note 10.2.2) | (Note 10.2.3) | |
| Opening balance 1 July 2007 | 32,300 | 3,242 | 9,089 | 44,631 |
| Provision for the year | 7,200 | – | 1,501 | 8,701 |
| Provision written back | – | – | (911) | (911) |
| Closing balance 30 June 2008 | <u>39,500</u> | <u>3,242</u> | <u>9,679</u> | <u>52,421</u> |

10.2.1 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. 50 million (2007: Rs. 36 million) in favour of Excise and Taxation Department. However, the Company is contesting this issue in High Court. Current year charge has been calculated on the value of imports during the year.

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

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

10.3 This represents expenses incurred by associated undertakings on behalf of the Company and insurance premium payable to associated undertakings.

10.4 Workers' Profit Participation Fund

| | 2008 | 2007 |
|---|------------------|---------------|
| | (Rupees in '000) | |
| Balance at beginning of the year | 11,741 | – |
| Mark-up on funds utilized in the Company's business | 326 | – |
| Allocation for the year | 34,403 | 11,741 |
| | <u>46,470</u> | <u>11,741</u> |
| Amount paid to the trustees of the fund | (44,067) | – |
| Balance at end of the year | <u>2,403</u> | <u>11,741</u> |

Notes to the Financial Statements
For the year ended 30 June 2008

11. INTEREST AND MARK-UP ACCRUED

| | 2008 | 2007 |
|---|------------------|--------|
| | (Rupees in '000) | |
| - on Long term loan | 1,738 | 2,490 |
| - on Term Finance Certificates | 3,218 | 6,436 |
| - on Running finance and short term loans | 14,809 | 7,184 |
| - on Leases | - | 40 |
| | 19,765 | 16,150 |

12. SHORT TERM BORROWINGS

Secured from banking companies

| | | | |
|---|------|-----------|---------|
| Running finances under mark-up arrangements | 12.1 | 837,125 | 10,724 |
| Short term loans / Murabaha | 12.2 | 282,206 | 422,075 |
| | | 1,119,331 | 432,799 |

- 12.1 Short term running finance available from various commercial banks under mark-up arrangement amount to Rs. 2,350 million (30 June 2007: Rs. 725 million). This facility is interchangeable with Term Finance / Demand Finance as given Note No.12.2 below. The rate of mark-up ranges between 10.3% to 14.38% (30 June 2007: 10.12% to 12.37%) per annum.
- 12.2 The Company has also borrowed short term loan / murabaha financing from various commercial banks under mark-up arrangements amount to Rs. 625 million (30 June 2007: Rs. 570 million). Mark-up rates is normally negotiated at the time of the transaction. During the year, the mark-up on such arrangement ranges between 10.22% to 13.31% (30 June 2007: 9.37% to 11.62%) per annum.
- 12.3 The facilities for opening letters of credit and guarantees as at 30 June 2008 aggregate Rs. 2,850 million and Rs. 1,300 million respectively (30 June 2007: Rs. 1,700 million and Rs. 880 million respectively) of which the amounts unutilized as at 30 June 2008 were Rs. 2,587 million and Rs. 811 million (30 June 2007: Rs. 1,457 million and Rs. 409 million).

These facilities are secured by way of hypothecation of plant and machinery, stock-in-trade, trade debts and other current assets, pledge of shares and cotton/cotton yarn; and lien over import / export document.



Notes to the Financial Statements

For the year ended 30 June 2008

13. TAXATION - NET

The income tax assessments of the Company have been finalized up to tax year 2007.

| | 2008 | 2007 |
|------------------------|------------------|---------------|
| | (Rupees in '000) | |
| Advance tax | 488,203 | 350,472 |
| Provision for taxation | (494,301) | (330,280) |
| | <u>(6,098)</u> | <u>20,192</u> |

The Tax Officer (TO) and Income Tax Appellate Tribunal (ITAT) has issued the orders in respect of the assessment years 2001-2002, 2002-2003, Tax year 2003 and 2007. The Company has filed appeals against above mention orders passed by TO and ITAT. The appeals in respect of assessment years 2000-2001, 2001-2002, 2002-2003 and Tax year 2003 are pending adjudication, however appeal in respect of Tax year 2007 has been heard by the Commissioner Income Tax (Appeals), the order is still awaited. No provision, except for assessment year 2000-2001 against which full provision has been made, has been made in these financial statements as the management is confident for favourable outcome of these appeals. Additional tax liability of Rs. 22.03 million may arise against the above mentioned assessments in case decisions are made against the Company.

Further, the department has also filed appeals against orders of Commissioner of Income Tax (Appeals) in respect of assessment years 1997-1998, 2000-2001 Tax year 2004. In case of adverse decisions, additional tax liability of Rs. 20.47 million may arise. However, no provision has been made in these financial statements as the management is confident for favourable outcome of these appeals.

14. CONTINGENCIES AND COMMITMENTS

- 14.1 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 appeal with Honourable Supreme Court, which has been admitted for hearing. No provision has been made in the financial statements as management considers that the case would be decided in Company's favour.

Notes to the Financial Statements

For the year ended 30 June 2008

- 14.2 Sindh Industrial Trade Estate (SITE) has cancelled allotment of plot A-26 and A-27 and charged non-utilization fees of Rs. 0.285 million and Rs. 0.621 million 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 the case would be decided in Company's favour and no provision is required.
- 14.3 Aggregate amount of guarantees issued by the banks on behalf of the Company against various contracts aggregated Rs. 488.56 million (30 June 2007: Rs. 470.68 million).
- 14.4 The Company filed a suit in the High Court of Sindh for recovery of retention money amounting to Rs. 3.27 million (30 June 2007: 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.
- 14.5 Commitments in respect of capital expenditure contracted for as at 30 June 2008 amounted to Rs. 58.60 million (30 June 2007: Rs. 58.16 million). This includes commitment in respect of capital expenditure to be incurred on leasehold land, which has been provisionally allotted to the Company in the downstream Industrial Estate of Pakistan Steel, Bin Qasim amounting to Rs. 12.1 million (30 June 2007: Rs. 24.2 million). It also includes an amount of Rs. 25.66 million (30 June 2007: Rs. 30.85 million) payable over the period of six years in 20 quarterly installments representing office premises in Islamabad.
- 14.6 Commitments under letters of credit as at 30 June 2008 amounted to Rs. 263.07 million (30 June 2007: Rs. 242.87 million).
- 14.7 Commitments in respect of future purchase of shares amounted to Nil (30 June 2007: Rs. 5.33 million).

15. PROPERTY, PLANT AND EQUIPMENT

| | | 2008 | 2007 |
|--------------------------|------|------------------|------------------|
| | | (Rupees in '000) | |
| Operating fixed assets | 15.1 | 1,126,448 | 1,236,790 |
| Capital work-in-progress | 15.3 | 106,783 | 69,851 |
| | | <u>1,233,231</u> | <u>1,306,641</u> |



Crescent Steel &
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Notes to the Financial Statements

For the year ended 30 June 2008

15.1 Operating fixed assets

| Description | Land | | Buildings | | Office premises | |
|--|----------|---------------------------------|------------------|-------------------|-----------------|----------|
| | Freehold | Leasehold including improvement | On freehold Land | On Leasehold Land | | |
| (Rupees in '000) | | | | | | |
| Net carrying value as at 1 July 2007 | | | | | | |
| Opening net book value (NBV) | 15.1.1 | 69,242 | 6,804 | 210,790 | 12,634 | 15,735 |
| Additions | | – | – | 24,472 | 1,020 | 60 |
| Transfer (at NBV) | | – | (2,514)* | – | – | – |
| Disposals / writeoff (at NBV) | 15.4 | – | – | – | – | – |
| Depreciation charge | | – | (54) | (25,650) | (1,634) | (2,682) |
| Balance as at 30 June 2008 (NBV) | | 69,242 | 4,236 | 209,612 | 12,020 | 13,113 |
| Gross carrying value as at 30 June 2008 | | | | | | |
| Cost | | 69,242 | 5,646 | 267,845 | 70,027 | 40,493 |
| Accumulated depreciation | | – | (1,410) | (58,233) | (58,007) | (27,380) |
| Net book value | | 69,242 | 4,236 | 209,612 | 12,020 | 13,113 |
| Net carrying value as at 1 July 2006 | | | | | | |
| Opening net book value (NBV) | | 60,906 | 6,886 | 25,509 | 15,175 | 18,416 |
| Additions / transfers | | 8,336 | – | 202,281 | – | – |
| Disposals / transfers (at NBV) | | – | – | – | – | – |
| Depreciation charge | | – | (82) | (17,000) | (2,541) | (2,681) |
| Balance as at 30 June 2007 (NBV) | | 69,242 | 6,804 | 210,790 | 12,634 | 15,735 |
| Gross carrying value as at 30 June 2007 | | | | | | |
| Cost | | 69,242 | 8,160 | 243,373 | 69,007 | 40,433 |
| Accumulated depreciation | | – | (1,356) | (32,583) | (56,373) | (24,698) |
| Net book value | | 69,242 | 6,804 | 210,790 | 12,634 | 15,735 |
| Depreciation rate % per annum | | – | 1 | – | 5 | 10 |

* Transfer to investment property.

** Net book value of plant and machinery includes book value of Rs. 1.89 million (2007: Rs. 2.08 million) of capitalized spares.

Notes to the Financial Statements
For the year ended 30 June 2008

| Plant and Machinery | | Electrical / Office equipment and Installation | Furniture and fittings | Computers | Motor vehicles | | TOTAL |
|---------------------|---------------|---|------------------------------|---------------|----------------|------------|------------------|
| Owned ** | Lease | | | | Owned | Leases | |
| (Rupees in '000) | | | | | | | |
| 861,125 | 10,000 | 13,901 | 1,785 | 17,882 | 16,892 | - | 1,236,790 |
| 12,826 | - | 1,059 | 1,581 | 8,759 | 16,881 | - | 66,658 |
| 8,000 | (8,000) | - | - | - | - | - | (2,514) |
| (830) | - | - | - | - | (1,320) | - | (2,150) |
| (118,405) | (2,000) | (3,113) | (502) | (9,967) | (8,329) | - | (172,336) |
| <u>762,716</u> | <u>-</u> | <u>11,847</u> | <u>2,864</u> | <u>16,674</u> | <u>24,124</u> | <u>-</u> | <u>1,126,448</u> |
| 1,581,137 | - | 30,868 | 15,866 | 49,631 | 58,741 | - | 2,189,496 |
| (818,421) | - | (19,021) | (13,002) | (32,957) | (34,617) | - | (1,063,048) |
| <u>762,716</u> | <u>-</u> | <u>11,847</u> | <u>2,864</u> | <u>16,674</u> | <u>24,124</u> | <u>-</u> | <u>1,126,448</u> |
| 934,651 | 12,000 | 9,382 | 1,772 | 26,186 | 14,600 | 2,895 | 1,128,378 |
| 55,028 | - | 7,049 | 512 | 1,015 | 10,210 | (2,413) | 282,018 |
| - | - | - | (4) | - | (958) | - | (962) |
| (128,554) | (2,000) | (2,530) | (495) | (9,319) | (6,960) | (482) | (172,644) |
| <u>861,125</u> | <u>10,000</u> | <u>13,901</u> | <u>1,785</u> | <u>17,882</u> | <u>16,892</u> | <u>-</u> | <u>1,236,790</u> |
| 1,552,343 | 20,000 | 29,809 | 14,285 | 40,872 | 47,320 | - | 2,134,844 |
| (691,218) | (10,000) | (15,908) | (12,500) | (22,990) | (30,428) | - | (898,054) |
| <u>861,125</u> | <u>10,000</u> | <u>13,901</u> | <u>1,785</u> | <u>17,882</u> | <u>16,892</u> | <u>-</u> | <u>1,236,790</u> |
| 5 - 20 | 10 | 5 & 20 | 10 | 33.33 | 20 | 20 & 33.33 | |



Notes to the Financial Statements

For the year ended 30 June 2008

15.1.1 This includes freehold land represents land measuring 1.976 acres (71,150 square feet) provisionally allotted to the Company in Woven Garment Zone Value Addition City by Faisalabad Industrial Estate Development Management Company (FIEDMC), which is owned by the Government of Punjab. Final sale deed execution in Company's name is subject to certain conditions which include installation of industrial unit and obtaining completion certificate from FIEDMC.

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

| | | 2008 | 2007 |
|--------------------------------|------|------------------|----------------|
| | | (Rupees in '000) | |
| Cost of sales | 30.1 | 154,424 | 156,402 |
| Distribution and selling costs | 32 | 366 | 382 |
| Administrative expenses | 33 | 17,546 | 15,860 |
| | | <u>172,336</u> | <u>172,644</u> |

15.3 CAPITAL WORK-IN-PROGRESS

| | | | |
|----------------------|--------|----------------|---------------|
| Plant and machinery | | – | 3,600 |
| Civil work | 15.3.1 | 90,059 | 66,251 |
| Software | 15.3.2 | 15,157 | – |
| Advances to supplier | | 1,567 | – |
| | | <u>106,783</u> | <u>69,851</u> |

15.3.1 This includes advance against purchase of land amounting to Rs. 40 million.

15.3.2 It includes expenditure incurred on acquiring licence and implementing Enterprise Resource Planning (ERP) software (Oracle).

Notes to the Financial Statements

For the year ended 30 June 2008

15.4 The following assets were disposed off / written off during the year:

| Description | Cost | Accumulated depreciation | Book value | Sale proceeds | Mode of disposal | Particular of buyers |
|-------------------|------------------|-----------------------------|---------------|------------------|---------------------|------------------------------------|
| | (Rupees in '000) | | | | | |
| Motor vehicles | 579 | 386 | 193 | 289 | Company Scheme | Miss Mona Adeel (ex-employee) |
| | 464 | 80 | 384 | 371 | Company Scheme | Mr. Iftikhar Arif (ex-employee) |
| | 390 | 97 | 293 | 302 | Company Scheme | Mr. Arshad Ali (ex-employee) |
| | 447 | 412 | 35 | 231 | Insurance Claim | EFU |
| | 395 | 103 | 292 | 303 | Company Scheme | Mr. Fahim Karim (ex-employee) |
| | 3,185 | 3,062 | 123 | 1,135 | Company Scheme | Various |
| Plant & machinery | 517 | 410 | 107 | – | Write off | – |
| | 1,879 | 1,488 | 391 | – | Write off | – |
| | 952 | 754 | 198 | – | Write off | – |
| | 352 | 279 | 73 | – | Write off | – |
| | 332 | 271 | 61 | – | Write off | Various |
| 2008 | <u>9,492</u> | <u>7,342</u> | <u>2,150</u> | <u>2,631</u> | | |
| 2007 | <u>38,159</u> | <u>9,427</u> | <u>28,732</u> | <u>127,419</u> | | |

16. INTANGIBLE ASSETS

| | 2008 | 2007 |
|--|------------------|------------|
| | (Rupees in '000) | |
| Net carrying value as at 1 July | | |
| Net book value at 1 July | 503 | 1,106 |
| Additions (at cost) | 456 | 194 |
| Amortization | 16.1 (329) | (797) |
| Impairment charge | 16.1 (10) | – |
| Net book value at 30 June | <u>620</u> | <u>503</u> |
| Gross carrying value at 30 June | | |
| Cost | 11,572 | 11,116 |
| Accumulated amortization | (10,942) | (10,613) |
| Impairment charge | (10) | – |
| Net book value | <u>620</u> | <u>503</u> |



Notes to the Financial Statements

For the year ended 30 June 2008

16.1 The amortization charge and impairment loss for the year has been allocated as follows:

| | | 2008 | 2007 |
|--------------------------|------|------------------|------|
| | | (Rupees in '000) | |
| Cost of sales | 30.1 | 262 | 343 |
| Administrative expenses | 33 | 67 | 454 |
| Other operating expenses | 34 | 10 | – |
| | | 339 | 797 |
| | | 339 | 797 |

17. INVESTMENT PROPERTY

| Description | Land On Leasehold | Buildings On Leasehold Land | Office premises | Electrical / Office equipment Installation | Furniture and fittings | TOTAL |
|--------------------------------------|-------------------------|--------------------------------------|--------------------|---|------------------------------|---------|
| | (Rupees in '000) | | | | | |
| Balance as at 1 July 2007 | – | – | – | – | – | – |
| Additions / transfer from | | | | | | |
| property, plant and equipment | 2,514 | 21,608 | 25,561 | 1,786 | 916 | 52,385 |
| Depreciation charge | (29) | (352) | (1,704) | (238) | (59) | (2,382) |
| Balance as at 30 June 2008 (NBV) | 2,485 | 21,256 | 23,857 | 1,548 | 857 | 50,003 |
| Depreciation rate % per annum | 1 | 5 | 10 | 5 & 20 | 10 | |

17.1 Depreciation charged for the year has been allocated to administrative expenses.

17.2 Fair value of the investment property, based on cost of purchase is Rs. 59.5 million (2007: Nil)

18. LONG TERM INVESTMENTS

| | | 2008 | 2007 |
|---|------|------------------|-----------|
| | | (Rupees in '000) | |
| Related parties | | | |
| Investment in equity accounted undertakings | 18.1 | 1,222,695 | 1,027,316 |
| Held to maturity | 18.2 | 29,994 | 29,994 |
| Available for sale | 18.3 | – | – |
| Others | | | |
| Available for sale | 18.4 | – | 175,435 |
| Held to maturity | 18.5 | 26,791 | 26,801 |
| | | 1,279,480 | 1,259,546 |
| | | 1,279,480 | 1,259,546 |

Notes to the Financial Statements

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Investments in related parties

18.1 Investments in equity accounted undertakings

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".

| 2008 (Number of shares) | 2007 | | 2008 (Rupees in '000) | 2007 |
|----------------------------|------------|--|--------------------------|-----------|
| | | Quoted | | |
| 60,475,416 | 60,475,416 | Altern Energy Limited (Chief Executive Officer - Sheikh Muhammad Iqbal) | 647,239 | 701,006 |
| 15,089,665 | 6,193,082 | Shakarganj Mills Limited (Chief Executive Officer - Mr. Ahsan M. Saleem) | 405,448 | 294,144 |
| | | | 1,052,687 | 995,150 |
| | | Unquoted | | |
| 528,937 | 352,625 | Central Depository Company of Pakistan Limited (Chief Executive Officer - Mr. Mohammad Hanif Jakhura) | 38,075 | 32,166 |
| 6,000,000 | - | Shakarganj Food Products Limited (Chief Executive Officer - Mr. Anjum M.Saleem) | 50,168 | - |
| 1,031,250 | - | Safeway Fund Limited (Chief Executive Officer - Mr. Asif Haider Mirza) | 42,117 | - |
| 2,250,000 | - | Asian Capital Management Limited (Chief Executive Officer - Ms. Tehmeena Khan) | 39,648 | - |
| | | | 1,222,695 | 1,027,316 |

18.1.1 The above figures are based on unaudited condensed interim financial statements of these companies as at 31 March 2008.



Notes to the Financial Statements

For the year ended 30 June 2008

18.1.2 Market value / break-up of investments in associates are as follows:

| | 2008 | 2007 |
|--|------------------|------------------|
| | (Rupees in '000) | |
| Quoted | | |
| Altern Energy Limited | 1,203,461 | 1,058,320 |
| Shakarganj Mills Limited | 288,514 | 315,847 |
| | <u>1,491,975</u> | <u>1,374,167</u> |
| Unquoted** | | |
| Central Depository Company of Pakistan Limited | 24,027 | 18,134 |
| Shakarganj Food Products Limited | 22,947 | - |
| Safeway Fund Limited | 18,721 | - |
| Asian Capital Management Limited | 21,234 | - |
| | <u>86,929</u> | <u>18,134</u> |
| | <u>1,578,904</u> | <u>1,392,301</u> |

** Break-up value of shares is based on latest available unaudited condensed interim financial statements as at 31 March 2008.

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

| | 2008 | 2007 |
|--|-------|-------|
| | % | |
| Quoted | | |
| Altern Energy Limited | 17.65 | 17.65 |
| Shakarganj Mills Limited | 21.70 | 10.69 |
| Unquoted | | |
| Central Depository Company of Pakistan Limited | 1.75 | 1.75 |
| Shakarganj Food Products Limited | 9.44 | - |
| Safeway Fund Limited | 25.00 | - |
| Asian Capital Management Limited | 25.00 | - |

Notes to the Financial Statements

For the year ended 30 June 2008

18.1.4 Summarized financial information of associated companies as at 31 March 2008 where there is significant influence is as follow:

| Name of investee company | Total Assets | Total Liabilities | Revenue | Profit / (loss) | |
|---|------------------|----------------------|------------|--------------------|-----------|
| | (Rupees in '000) | | | | |
| 2008 | | | | | |
| Altern Energy Limited | 18.1.4.1 | 27,756,403 | 21,509,307 | 8,185,347 | 227,035 |
| Shakarganj Mills Limited | 18.1.4.2 | 14,659,186 | 10,801,139 | 3,385,761 | (577,413) |
| Central Depository Company of Pakistan Limited | 18.1.4.3 | 1,628,718 | 255,751 | 761,312 | 344,208 |
| Shakarganj Food Products Limited | 18.1.4.3 | 1,228,028 | 984,960 | 561,982 | (162,057) |
| Safeway Fund Limited | 18.1.4.3 | 112,471 | 37,587 | 15,749 | 14,501 |
| Asian Capital Management Limited | 18.1.4.3 | 99,949 | 15,013 | 13,272 | 12,054 |
| 2007 | | | | | |
| Altern Energy Limited | | 27,668,509 | 21,226,633 | 5,175,902 | 1,137,437 |
| Shakarganj Mills Limited | | 12,783,052 | 9,564,228 | 3,413,231 | (31,284) |
| Central Depository Company of Pakistan Limited | | 1,275,547 | 239,319 | 551,524 | 183,825 |

18.1.4.1 These figures are based on the latest available summarized consolidated condensed interim financial statements as at 31 March 2008 including its subsidiary company (Rousch (Pakistan) Power Limited).

18.1.4.2 These figures are based on the latest available summarized consolidated condensed interim financial statements as at 31 March 2008 including its wholly owned subsidiary company (Shakarganj Food Products Limited).

18.1.4.3 These figures are based on the latest available summarized condensed interim financial statements as at 31 March 2008.

18.2 Held to maturity

This represents 2,999,400 preference shares of Rs. 10 each of Shakarganj Mills Limited, an associated undertaking, issued in October 2004. 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 is exercisable at the end of every financial year of the investee company.



Crescent Steel &
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Notes to the Financial Statements

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18.3 Available-for-sale

| 2008 | 2007 | | 2008 | 2007 |
|--------------------|-----------|--|------------------|----------|
| (Number of shares) | | | (Rupees in '000) | |
| | | Unquoted | | |
| 2,403,725 | 2,403,725 | Crescent Bahuman Limited 18.3.1 | 24,037 | 24,037 |
| 1,047,000 | 1,047,000 | Crescent Industrial Chemicals Limited 18.3.2 | 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) 18.3.3 | — | — |
| | | | — | — |

18.3.1 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 financial statements of the company are not available.

18.3.2 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.

18.3.3 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

18.4 Available-for-sale

| 2008 | 2007 | | 2008 | 2007 |
|--------------------|-----------|---|------------------|---------|
| (Number of shares) | | | (Rupees in '000) | |
| | | Quoted | | |
| — | 7,814,456 | Crescent Commercial Bank Limited 18.1.2 | — | 175,435 |
| | | | — | 175,435 |

Notes to the Financial Statements

For the year ended 30 June 2008

18.5 Held to maturity

| | | 2008 | 2007 |
|---|--------|------------------|--------|
| | | (Rupees in '000) | |
| Redeemable Capital - Term Finance Certificates (TFCs) | 18.5.1 | 24,955 | 24,965 |
| Maple Leaf Cement Limited (Preference Shares) | 18.5.2 | 1,836 | 1,836 |
| | | 26,791 | 26,801 |

18.5.1 Redeemable capital - Term Finance Certificates (TFCs)

| | | | |
|---|--------|--------|--------|
| United Bank Limited (5,000 TFCs of Rs. 5,000 each) | 18.5.3 | 24,965 | 24,975 |
| Current maturity shown under current assets | | (10) | (10) |
| | | 24,955 | 24,965 |

18.5.2 Preference shares have a face value of Rs. 10 each and carry dividend rate of 9.75% per annum. These preference shares will mature after five years from the date of issuance i.e. 14 December 2004.

18.5.3 This represents investments in TFCs issued on 10 February 2004 by United Bank Limited. The tenor of the TFCs are eight years with semi-annual installments comprising of principal and profit. The rate of profit is 8.45 percent per annum.

19. LONG TERM DEPOSITS AND PREPAYMENTS

| | | 2008 | 2007 |
|-------------------|------|------------------|-------|
| | | (Rupees in '000) | |
| Security deposits | | 3,139 | 2,988 |
| Long term loans | 19.1 | 1,102 | 1,579 |
| | | 4,241 | 4,567 |

19.1 This represents interest free house loans provided to employees for a period of 5 years.

20. STORES, SPARES AND LOOSE TOOLS

| | | | |
|------------------------------------|------|----------|----------|
| Stores - steel segment | | 9,640 | 8,724 |
| Spare parts - steel segment | 20.1 | 38,696 | 21,086 |
| Loose tools - steel segment | | 961 | 634 |
| Stores and spares - cotton segment | 20.2 | 45,332 | 30,566 |
| | | 94,629 | 61,010 |
| Provision for slow moving items | 20.3 | (17,244) | (12,161) |
| | | 77,385 | 48,849 |



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Notes to the Financial Statements

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20.1 This includes items in-transit as at 30 June 2008 of Rs. 3.09 million (2007: Rs. 1.56 million).

20.2 This includes items in-transit as at 30 June 2008 of Rs.1.58 million (2007: Rs.2.98 million).

20.3 Movement of provision for slow moving items

| | 2008 | 2007 |
|--------------------------------|------------------|---------------|
| | (Rupees in '000) | |
| Opening balance | 12,161 | 11,269 |
| Provision made during the year | 5,083 | 892 |
| Closing balance | <u>17,244</u> | <u>12,161</u> |

21. STOCK-IN-TRADE

| | | | |
|---|------|----------------|-----------------|
| Raw materials | | | |
| Hot rolled steel coils (HR Coil) | | 16,928 | 199,872 |
| Coating materials | | 49,208 | 101,919 |
| Others - pipe plant | | 27,544 | 15,332 |
| Raw cotton | 21.1 | 358,731 | 138,547 |
| Stock-in-transit | 21.2 | <u>421</u> | <u>78,645</u> |
| | | 452,832 | 534,315 |
| Provision for slow-moving and obsolescence | | | |
| Hot rolled steel coils | 21.3 | (8,813) | (11,010) |
| Coating materials | 21.3 | (84) | (84) |
| Others | 21.3 | (187) | (191) |
| | | <u>(9,084)</u> | <u>(11,285)</u> |
| | | 443,748 | 523,030 |
| Work-in-process | 30.1 | 15,074 | 43,482 |
| Finished goods | 30.1 | 159,064 | 90,290 |
| Scrap / cotton waste | | 4,521 | 3,177 |
| Provision for slow-moving and obsolescence finished goods | 21.4 | (16,348) | (26,527) |
| | | <u>162,311</u> | <u>110,422</u> |
| | | <u>606,059</u> | <u>633,452</u> |

21.1 This includes raw cotton amounting to Rs. 299.7 million (2007: Rs. 62 million) pledged as security with a financial institution.

21.2 This includes raw cotton amounting to Rs. 0.137 million (2007: Rs. 44.522 million).

Notes to the Financial Statements

For the year ended 30 June 2008

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

| | 2008 | | | 2007 | | |
|---|------------------|---------------------|---------|--------------|---------------------|--------|
| | H.R. Coil | Coating / Others | Total | H.R. Coil | Coating / Others | Total |
| | (Rupees in '000) | | | | | |
| Opening balance | 11,010 | 275 | 11,285 | – | 275 | 275 |
| Provision / (reversal) during the year | (2,197) | (4) | (2,201) | 11,010 | – | 11,010 |
| Closing balance | 8,813 | 271 | 9,084 | 11,010 | 275 | 11,285 |

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

| | 2008 | 2007 |
|---|------------------|--------|
| | (Rupees in '000) | |
| Opening balance | 26,527 | 258 |
| Provision / (reversal) made during the year | (10,179) | 26,269 |
| Closing balance | 16,348 | 26,527 |

22. TRADE DEBTS

| | | |
|------------------------------------|------|---------|
| Secured | | |
| Considered good | 84 | 142,543 |
| Unsecured | | |
| Considered good | 22.1 | 118,612 |
| Considered doubtful | | 148 |
| Provision for doubtful trade debts | | (148) |
| | | 118,612 |
| | | 118,696 |
| | | 38,865 |
| | | 181,408 |

22.1 This includes amount due from associated undertakings of Rs. 0.11 million (2007: Rs. 0.30 million)



Notes to the Financial Statements

For the year ended 30 June 2008

23. ADVANCES

| | | 2008 | 2007 |
|---|----------------------------------|------------------|---------|
| | | (Rupees in '000) | |
| Considered good | | | |
| Advances to staff | | 844 | 628 |
| Suppliers for goods and services | | 8,755 | 7,491 |
| Related parties | | | |
| Advances against shares | | | |
| | Safeway Fund Limited | 23.1 | 15,000 |
| | Shakarganj Food Products Limited | 23.2 | 60,000 |
| | | 15,000 | 75,000 |
| Considered doubtful | | | |
| Advances to others | | 3,000 | 3,000 |
| Provision for doubtful advances to others | | (3,000) | (3,000) |
| | | - | - |
| Suppliers for goods and services | | 290 | 290 |
| Provision for doubtful advances | | 23.3 | (290) |
| | | - | - |
| | | 24,599 | 83,119 |

23.1 This represents advance given to Safeway Fund Limited, now an associated company against which shares will be issued, subject to regulatory approval.

23.2 During the current period 6 million shares amounting to Rs. 60 million were issued by Shakarganj Food Products Limited against such advance.

23.3 Movement of provision for doubtful advances

| | | 2008 | 2007 |
|------------------------------------|--|------------------|------|
| | | (Rupees in '000) | |
| Opening balance | | 290 | 321 |
| Provision reversed during the year | | - | (31) |
| Closing balance | | 290 | 290 |

24. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

| | | |
|-------------------|-------|-------|
| Lease deposit | - | 1,000 |
| Security deposits | 787 | 2,681 |
| Prepayments | 1,626 | 1,069 |
| | 2,413 | 4,750 |

Notes to the Financial Statements

For the year ended 30 June 2008

25. INVESTMENTS

| | | 2008 | 2007 |
|------------------------|------|------------------|------------------|
| | | (Rupees in '000) | |
| Related parties | | | |
| Held to maturity | 25.1 | – | 42,000 |
| Available-for-sale | 25.2 | 26,475 | 28,377 |
| | | 26,475 | 70,377 |
| Others | | | |
| Available-for-sale | 25.3 | 231,048 | 248,565 |
| Held for trading | 25.4 | 1,150,115 | 721,977 |
| | | 1,381,163 | 970,542 |
| | | <u>1,407,638</u> | <u>1,040,919</u> |

Investment in related parties

25.1 Held to maturity

Musharika arrangements - Crescent Standard Modaraba

| | | |
|---------------------------------|----------|---------------|
| Opening balance as at 1 July | 42,000 | 85,313 |
| Realized during the year | – | – |
| Impairment made during the year | (42,000) | (40,000) |
| Write off during the year | – | (3,313) |
| Closing balance as at 30 June | <u>–</u> | <u>42,000</u> |

This represents investment under Musharika arrangement with Crescent Standard Modaraba on profit and loss sharing basis.

25.2 Available for sale - Related Parties

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

| 2008 | 2007 | Name of investee company | 2008 | 2007 |
|--------------------|---------|---------------------------------------|------------------|---------------|
| (Number of shares) | | | (Rupees in '000) | |
| Quoted | | | | |
| 452,379 | 411,254 | The Crescent Textile Mills Limited | 26,475 | 28,377 |
| 91,300 | 91,300 | Crescent Jute Products Limited 25.2.1 | – | – |
| | | | <u>26,475</u> | <u>28,377</u> |



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25.2.1 Investments in Crescent Jute Products Limited is carried at their break-up value, which is 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.

25.3 Available for sale - Others

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

| 2008 (Number of shares) | 2007 | Name of investee company | 2008 (Rupees in '000) | 2007 |
|----------------------------|-----------|---|--------------------------|---------|
| Quoted | | | | |
| 9,060,000 | 6,435,000 | Asian Stocks Fund Limited | 56,806 | 30,245 |
| 9,500 | 34,500 | Cherat Cement Company Limited | 257 | 1,949 |
| 55,391 | 192,391 | Fauji Fertilizer Company Limited | 7,329 | 23,327 |
| 150,000 | 185,000 | The Hub Power Company Limited | 4,290 | 6,790 |
| 1,996 | 399,225 | Inovative Investment Bank Limited (Formerly CSIBL) | – | – |
| 26,490 | 26,490 | Jubilee Spinning and Weaving Mills Limited | – | – |
| 9,892 | 8,993 | National Bank of Pakistan | 1,459 | 2,356 |
| – | 38,000 | National Investment Trust * | – | 2,343 |
| 1,400 | 1,900 | Nestle Pakistan Limited | 2,296 | 2,936 |
| – | 5,295 | Packages Limited | – | 1,689 |
| – | 95,090 | Pakistan Oilfields Limited | – | 30,144 |
| 3,301,500 | 3,346,000 | Pakistan Strategic Allocation Fund | 30,407 | 35,133 |
| 100,311 | 245,311 | PICIC Growth Fund | 2,384 | 8,292 |
| 175,000 | 175,000 | PICIC Investment Fund | 2,079 | 2,669 |
| 7,944,263 | 6,299,784 | Safeway Mutual Fund Limited | 103,275 | 75,597 |
| 4,500 | 4,600 | Siemens (Pakistan) Engineering Company Limited | 6,326 | 7,981 |
| – | 8 | Sui Northern Gas Pipelines Limited | – | 1 |
| 173,385 | 156,771 | Pakistan Stock Market Fund * / ** | 14,140 | 17,113 |
| | | | 231,048 | 248,565 |

* These are open ended funds.

** It has face value of Rs. 50 per unit.

25.3.1 Investments in Jubilee Spinning and Weaving Mills Limited is carried at break-up value of Nil per share. The Break-up value has been calculated on the basis of the audited financial statements for the year ended 30 September 2006.

Notes to the Financial Statements

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25.4 Held for trading

| 2008 (Number of shares/units) | 2007 | Name of investee company | 2008 (Rupees in '000) | 2007 |
|----------------------------------|---------|---|--------------------------|--------|
| Quoted | | | | |
| – | 288,350 | Al Meezan Mutual Fund Limited | – | 4,383 |
| 65,000 | 38,000 | Al Ghazi Tractors Limited ** | 17,703 | 10,830 |
| – | 10,125 | Adamjee Insurance Company Limited | – | 3,300 |
| 200,800 | 250,800 | Agriaautos Industries Limited ** | 16,616 | 24,804 |
| 194,315 | – | AKD Income Fund */*** | 10,000 | – |
| – | 15,000 | Allied Bank Limited | – | 2,084 |
| 5,506 | – | Arif Habib Bank Limited | 106 | – |
| 20,065 | 196,665 | Arif Habib Securities Limited | 3,240 | 22,931 |
| 67,250 | 35,457 | Askari Bank Limited | 2,702 | 3,755 |
| 55,500 | 25,000 | Attock Cement Pakistan Limited | 4,281 | 3,061 |
| 24,300 | 10,000 | Attock Petroleum Limited | 10,504 | 5,014 |
| 45,050 | 80,800 | Attock Refinery Limited | 11,257 | 9,417 |
| 6,500 | 7,000 | Bank Al Habib Limited | 274 | 466 |
| 214,200 | 40,000 | Bank Alfalah Limited | 8,795 | 2,604 |
| – | 60,000 | Century Paper and Board Mills Limited | – | 3,753 |
| 15,500 | 15,500 | Cherat Cement Company Limited | 420 | 876 |
| 6,267,956 | – | Crescent Commercial Bank Limited | 66,127 | – |
| – | 9,617 | Dawood Hercules Chemicals Limited | – | 2,682 |
| 391,690 | 145,990 | D.G. Khan Cement Company Limited | 26,298 | 17,008 |
| 95,000 | 25,000 | Engro Chemicals Pakistan Limited | 26,677 | 6,325 |
| – | 153,500 | Fauji Cement Company Limited | – | 3,024 |
| 235,425 | 173,625 | Fauji Fertilizer Company Limited | 31,151 | 21,053 |
| 20,000 | 20,000 | First Habib Bank Modaraba | 157 | 198 |
| 810,000 | 305,000 | Fauji Fertilizer Bin Qasim Limited | 29,136 | 11,895 |
| – | 30,500 | Ghandhara Nissan Limited | – | 1,281 |
| 220,000 | 150,000 | Golden Arrow Selected Stocks Fund Limited ** | 1,478 | 1,245 |
| 500 | – | Hinopak Motors Limited | 280 | – |
| 1,520,000 | 600,000 | The Hub Power Company Limited | 43,472 | 22,020 |
| – | 148,700 | Indus Motor Company Limited | – | 45,428 |
| – | 55,000 | ICI Pakistan Limited | – | 9,191 |
| – | 5,000 | IGI Insurance Limited | – | 2,000 |
| 1,350 | 270,000 | Inovative Investment Bank Limited (Formerly CSIBL) | – | – |
| 25,000 | – | JS Bank Limited | 344 | – |
| 72,792 | – | Jahangir Siddiqui and Company Limited | 38,591 | – |
| – | 20,000 | Javed Omer Vohra & Company Limited | – | 4,670 |
| 100,000 | 100,000 | Kohat Cement Company Limited | 3,663 | 5,450 |
| 700,000 | 575,000 | Kohinoor Energy Limited | 19,005 | 21,563 |
| – | 387 | Kohinoor Textile Mills Limited | – | 10 |
| 341,400 | 243,700 | Kot Addu Power Company Limited | 16,046 | 14,659 |
| – | 1,250 | Maple Leaf Cement Factory Limited | – | 31 |



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| 2008 (Number of shares/units) | 2007 | Name of investee company | 2008 (Rupees in '000) | 2007 |
|----------------------------------|-----------|---|--------------------------|---------|
| Quoted | | | | |
| 500,000 | 1,685,000 | Meezan Balanced Fund | 4,775 | 17,271 |
| – | 100,000 | Meezan Bank Limited | – | 3,200 |
| 334,021 | 37,219 | National Bank of Pakistan | 49,268 | 9,751 |
| 100,000 | 235,547 | National Investment Trust * | 5,235 | 14,521 |
| 25,000 | 44,000 | National Refinery Limited | 7,437 | 15,004 |
| 10,000 | – | Netsol Technologies Limited | 973 | – |
| 15,000 | 40,000 | New Jubilee Life Insurance Company Limited | 861 | 2,010 |
| – | 188,500 | NIB Bank Limited (R) | – | 1,725 |
| 149,550 | – | NIB Bank Limited | 1,700 | – |
| 95,200 | 40,000 | Nishat Mills Limited | 8,184 | 5,219 |
| 1,032,300 | 340,000 | Oil & Gas Development Company Limited | 128,376 | 40,731 |
| 27,374 | 28,900 | Packages Limited | 6,895 | 9,221 |
| – | 25,000 | NIB Bank Limited (Formerly Pakistan Industrial Credit and Investment Corporation Limited) | – | 2,053 |
| 299,400 | 35,000 | Pakistan Oilfields Limited | 109,233 | 11,095 |
| – | 92,000 | Pakistan Strategic Allocation Fund | – | 966 |
| 269,200 | 150,000 | Pakistan Telecommunication Company Limited | 10,402 | 8,550 |
| – | 780,000 | Pakistan Capital Market Fund | – | 11,372 |
| 230,000 | 200,000 | Pakistan National Shipping Corporation | 16,457 | 18,800 |
| 1,150,450 | 165,500 | Pakistan Petroleum Limited | 283,000 | 43,434 |
| 331,208 | 288,007 | Pakistan Premier Fund Limited | 4,428 | 4,320 |
| – | 275,800 | Pakistan Reinsurance Company Limited | – | 61,489 |
| 55,500 | – | Pakistan State Oil Company Limited | 23,157 | – |
| 161,875 | 190,575 | Pak Suzuki Motor Company Limited | 19,391 | 74,704 |
| – | 50,000 | NIB Bank Limited (Formerly PICIC Commercial Bank Limited) | – | 2,200 |
| – | 530,000 | PICIC Energy Fund | – | 3,975 |
| 651,134 | 390,577 | PICIC Insurance Limited | 11,297 | 19,587 |
| 211,000 | – | Samin Textiles Limited | 5,849 | – |
| – | 100,200 | Soneri Bank Limited | – | 5,656 |
| – | 30,500 | Sui Northern Gas Pipelines Limited | – | 2,158 |
| 204,200 | 161,600 | Thal Limited ** | 40,027 | 45,085 |
| – | 50,000 | The Bank of Khyber | – | 825 |
| 221,400 | 375 | The Bank of Punjab | 6,892 | 44 |
| 1,075,000 | – | TRG Pakistan Limited | 6,719 | – |
| 25,000 | – | Standard Chartered Bank (Pakistan) Limited | 588 | – |
| 101,250 | – | United Bank Limited | 8,615 | – |
| 140,000 | – | Worldcall Telecom Limited | 2,033 | – |
| | | | 1,150,115 | 721,977 |

* This is open ended funds.

** It has face value of Rs. 5 per share.

*** It has face value of Rs. 50 per share.

Notes to the Financial Statements

For the year ended 30 June 2008

25.5 The following investments are deposited as security with commercial banks.

| Name of investee company | 2008 | 2007 |
|--|------------------|-----------|
| | (Rupees in '000) | |
| Altern Energy Limited | 1,203,461 | 1,058,320 |
| Agriauto Industries Limited | 16,302 | 24,429 |
| Al Ghazi Tractors Limited | 13,073 | 10,830 |
| Arif Habib Securities Limited | 807 | 8,745 |
| Attock Petroleum Limited | 8,646 | – |
| Attock Refinery Limited | 9,995 | 8,159 |
| Al Meezan Mutual Fund Limited | – | 4,560 |
| Adamjee Insurance Company Limited | – | 3,260 |
| Bank Alfalah Limited | 7,186 | – |
| Crescent Commercial Bank Limited | – | 114,329 |
| D.G. Khan Cement Limited | 21,189 | 8,231 |
| Engro Chemical Pakistan Limited | 16,849 | – |
| Fauji Cement Company Limited | – | 3,940 |
| Fauji Fertilizer Bin Qasim Limited | 28,236 | 5,850 |
| Fauji Fertilizer Company Limited | 36,388 | 34,556 |
| The Hub Power Company Limited | 45,337 | 1,468 |
| ICI Pakistan Limited | – | 6,684 |
| Indus Motor Company Limited | – | 25,662 |
| Kohinoor Energy Limited | 19,005 | 11,250 |
| Kot Addu Power Company Limited | 14,429 | 6,015 |
| Kohat Cement Company Limited | 3,663 | 5,450 |
| Meezan Balanced Fund | 4,775 | 16,913 |
| Nestle Pakistan Limited | – | 2,318 |
| National Bank of Pakistan | 48,528 | – |
| National Refinery Limited | 5,949 | – |
| Nishat Mills Limited | 7,307 | – |
| Oil and Gas Development Company Limited | 122,432 | 17,671 |
| Pak Suzuki Motor Company Limited | 15,180 | 72,520 |
| Pakistan Capital Market Fund | – | 8,748 |
| Pakistan National Shipping Corporation | 14,310 | 18,800 |
| Pakistan Oilfields Limited | 93,581 | 29,640 |
| Pakistan Petroleum Limited | 271,241 | 35,195 |
| Pakistan Premier Fund Limited | 4,011 | 2,250 |
| Pakistan State Oil Company Limited | 16,690 | – |
| Pakistan Strategic Allocation Fund | 29,937 | 34,130 |
| Pakistan Telecommunication Company Limited | 6,453 | 2,394 |
| PICIC Growth Fund | 2,296 | 7,997 |
| PICIC Investment Fund | 2,079 | 2,669 |
| Soneri Bank Limited | – | 5,645 |
| Siemens (Pakistan) Engineering Company Limited | 6,326 | 7,808 |
| The Bank of Punjab | – | 583 |
| Thal Limited | 39,939 | 34,945 |
| | 2,135,600 | 1,641,964 |



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26. MARK-UP ACCRUED

| | 2008 | 2007 |
|------------------------------------|------------------|--------------|
| | (Rupees in '000) | |
| Considered good | | |
| - Related party | 1,385 | 1,385 |
| - Others | 1,002 | 1,091 |
| Considered doubtful | | |
| Related party | | |
| Profit accrued on: | | |
| - Musharika arrangement / deposits | 4,936 | 4,936 |
| - Provision thereagainst | (4,936) | (4,936) |
| | - | - |
| | <u>2,387</u> | <u>2,476</u> |

27. OTHER RECEIVABLES

| | | | |
|--|------|---------------|---------------|
| Dividend receivable | | 15,580 | 1,988 |
| Claim receivable | | 2,226 | 2,489 |
| Due from associated undertakings | 27.1 | 593 | 926 |
| Sales tax refundable | | 14,729 | 67,024 |
| Provision thereagainst | | (4,346) | (4,346) |
| | | 10,383 | 62,678 |
| Receivable from staff retirement funds | 42.2 | 2,602 | 4,253 |
| Others | | 345 | 301 |
| | | <u>31,729</u> | <u>72,635</u> |

27.1 Due from associated undertakings

| | | | |
|----------------------------------|--|------------|------------|
| Crescent Textile Mills Limited | | 10 | 38 |
| Shakarganj Mills Limited | | 479 | 789 |
| Shakarganj Food Products Limited | | 67 | - |
| Crescent Jute Products Limited | | 37 | - |
| Premier Insurance Limited | | - | 99 |
| | | <u>593</u> | <u>926</u> |

Notes to the Financial Statements

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28. CASH AND BANK BALANCES

| | | 2008 | 2007 |
|--------------|-----------------------|------------------|--------|
| | | (Rupees in '000) | |
| With banks | - in deposit accounts | | |
| | - local currency | 4,038 | 25,538 |
| | - foreign currency | 719 | 2,705 |
| | | 4,757 | 28,243 |
| | - in current accounts | 2,700 | 8,235 |
| Cash in hand | | 742 | 521 |
| | | 8,199 | 36,999 |

29. SALES

| | | | |
|--|--|-----------|-----------|
| Bare Pipes (own product excluding coating revenue) | | 2,691,760 | 1,309,170 |
| Revenue from conversion | | 197,860 | 1,254 |
| Coating of pipes | | 285,763 | 466,613 |
| Cotton yarn | | 1,364,440 | 1,341,723 |
| Scrap / waste | | 117,843 | 86,778 |
| - Sales returns | | (19,477) | (20,775) |
| | | 4,638,189 | 3,184,763 |
| - Sales tax and special excise duty | | (437,984) | (234,643) |
| | | 4,200,205 | 2,950,120 |

30. COST OF SALES

| | | | |
|--------|------|-----------|-----------|
| Steel | 30.1 | 1,954,376 | 1,174,038 |
| Cotton | 30.1 | 1,349,431 | 1,265,618 |
| | | 3,303,807 | 2,439,656 |



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30.1 Cost of sales

| | Steel Segment | | Cotton Segment | | Total | |
|---------------------------------------|------------------|-----------|----------------|-----------|-----------|-----------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| | (Rupees in '000) | | | | | |
| Raw materials consumed | 1,762,122 | 1,096,669 | 1,038,036 | 889,002 | 2,800,158 | 1,985,671 |
| Packing materials consumed | – | – | 21,754 | 18,462 | 21,754 | 18,462 |
| Store and spares consumed | 29,856 | 25,672 | 35,431 | 21,786 | 65,287 | 47,458 |
| Fuel, power and electricity | 20,479 | 14,681 | 111,922 | 122,482 | 132,401 | 137,163 |
| Salaries, wages and other benefits | 58,487 | 42,817 | 78,380 | 75,044 | 136,867 | 117,861 |
| Insurance | 1,933 | 2,257 | 3,619 | 4,006 | 5,552 | 6,263 |
| Repairs and maintenance | 4,511 | 5,341 | 3,594 | 3,606 | 8,105 | 8,947 |
| Depreciation | 16,158 | 29,056 | 138,266 | 127,346 | 154,424 | 156,402 |
| Amortization of intangible assets | – | – | 262 | 343 | 262 | 343 |
| Other expenses | 12,291 | 13,108 | 6,716 | 5,135 | 19,007 | 18,243 |
| Expenses allocated to cotton segment | – | (1,156) | – | – | – | (1,156) |
| Expenses allocated from steel segment | – | – | – | 1,156 | – | 1,156 |
| | 1,905,837 | 1,228,445 | 1,437,980 | 1,268,368 | 3,343,817 | 2,496,813 |

| | | | | | | |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Opening stock of work-in-process | 33,221 | 3,545 | 10,261 | 6,745 | 43,482 | 10,290 |
| Closing stock of work-in-process | (3,548) | (33,221) | (11,526) | (10,261) | (15,074) | (43,482) |
| | 29,673 | (29,676) | (1,265) | (3,516) | 28,408 | (33,192) |
| Cost of goods manufactured | 1,935,510 | 1,198,769 | 1,436,715 | 1,264,852 | 3,372,225 | 2,463,621 |
| Opening stock of finished goods | 64,370 | 39,639 | 25,920 | 26,686 | 90,290 | 66,325 |
| Finished goods purchased | – | – | 356 | – | 356 | – |
| Closing stock of finished goods | (45,504) | (64,370) | (113,560) | (25,920) | (159,064) | (90,290) |
| | 18,866 | (24,731) | (87,284) | 766 | (68,418) | (23,965) |
| | 1,954,376 | 1,174,038 | 1,349,431 | 1,265,618 | 3,303,807 | 2,439,656 |

30.2 Detail of salaries, wages and other benefits

| | | | | | | |
|------------------------------------|--------|--------|--------|--------|---------|---------|
| Salaries, wages and other benefits | 53,504 | 38,636 | 75,845 | 72,666 | 129,349 | 111,302 |
| Provident fund contributions | 1,465 | 1,254 | 1,686 | 1,559 | 3,151 | 2,813 |
| Pension fund | 2,998 | 2,520 | 849 | 819 | 3,847 | 3,339 |
| Gratuity | 520 | 407 | – | – | 520 | 407 |
| | 58,487 | 42,817 | 78,380 | 75,044 | 136,867 | 117,861 |

Notes to the Financial Statements

For the year ended 30 June 2008

30.3 Staff retirement benefits

| | 2008 | | 2007 | |
|--------------------------------|------------------|----------|---------|----------|
| | Pension | Gratuity | Pension | Gratuity |
| | (Rupees in '000) | | | |
| Current service cost | 4,066 | 854 | 3,746 | 709 |
| Interest cost | 3,845 | 973 | 2,546 | 589 |
| Expected return on plan assets | (4,346) | (1,373) | (3,241) | (954) |
| Past service cost | 282 | 66 | 288 | 63 |
| | 3,847 | 520 | 3,339 | 407 |

31. INVESTMENT INCOME

| | 2008 | 2007 |
|---|------------------|---------|
| | (Rupees in '000) | |
| Return on Term Finance Certificates/ IROP bond | 2,026 | 2,140 |
| Dividend income | 31.1 89,758 | 36,531 |
| Gain on sale of investments | | |
| - Available-for-sale | 125,028 | 132,355 |
| - Held for trading | 66,911 | 105,852 |
| Unrealized gain on held for trading investments | (212,982) | 134,479 |
| Rent from investment properties | 31.2 2,866 | - |
| Income from related parties | | |
| Provision written back on investment | - | 45 |
| | 73,607 | 411,402 |

31.1 This includes Rs. 2.549 million (2007: Rs. 2.549 million) dividend received on preference shares from Shakarganj Mills Limited an associated company.

31.2 Direct operating expenses incurred against rent income from investment property amounted to Rs. 1.3 million (30 June 2007: Nil). Further Rs. 0.8 million were incurred against the non rented out area.



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Notes to the Financial Statements

For the year ended 30 June 2008

32. DISTRIBUTION AND SELLING EXPENSES

| | Steel Segment | | Cotton Segment | | Total | |
|--|------------------|--------------|----------------|--------------|---------------|---------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| | (Rupees in '000) | | | | | |
| Salaries, wages and other benefits 32.1 | 5,272 | 4,561 | 1,278 | 1,090 | 6,550 | 5,651 |
| Commission | – | – | 4,346 | 3,547 | 4,346 | 3,547 |
| Travelling, conveyance and entertainment | 537 | 280 | 41 | 18 | 578 | 298 |
| Depreciation 15.2 | 366 | 382 | – | – | 366 | 382 |
| Insurance | 51 | 90 | – | – | 51 | 90 |
| Postage, telephone and telegram | 81 | 151 | 47 | 64 | 128 | 215 |
| Advertisement | 794 | 674 | – | – | 794 | 674 |
| Bid bond expenses | 461 | 361 | – | – | 461 | 361 |
| Transportation | – | 29 | 567 | 424 | 567 | 453 |
| Legal and professional charges | 693 | 565 | – | – | 693 | 565 |
| Others | 422 | 520 | 306 | 530 | 728 | 1,050 |
| | <u>8,677</u> | <u>7,613</u> | <u>6,585</u> | <u>5,673</u> | <u>15,262</u> | <u>13,286</u> |

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32.1 Detail of salaries, wages and other benefits

| | | | | | | |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Salaries, wages and other benefits | 4,392 | 3,849 | 1,278 | 1,090 | 5,670 | 4,939 |
| Provident fund contributions | 182 | 152 | – | – | 182 | 152 |
| Pension fund 32.2 | 601 | 482 | – | – | 601 | 482 |
| Gratuity 32.2 | 97 | 78 | – | – | 97 | 78 |
| | <u>5,272</u> | <u>4,561</u> | <u>1,278</u> | <u>1,090</u> | <u>6,550</u> | <u>5,651</u> |

32.2 Staff retirement benefits

| | 2008 | | 2007 | |
|--------------------------------|------------------|-----------|------------|-----------|
| | Pension | Gratuity | Pension | Gratuity |
| | (Rupees in '000) | | | |
| Current service cost | 635 | 160 | 541 | 136 |
| Interest cost | 600 | 182 | 368 | 113 |
| Expected return on plan assets | (678) | (257) | (468) | (183) |
| Past service cost | 44 | 12 | 41 | 12 |
| | <u>601</u> | <u>97</u> | <u>482</u> | <u>78</u> |

Notes to the Financial Statements

For the year ended 30 June 2008

33. ADMINISTRATIVE EXPENSES

| | | Steel Segment | | Cotton Segment | | IID Segment | | Total | |
|--|------|----------------|----------------|----------------|---------------|---------------|---------------|----------------|----------------|
| | | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| (Rupees in '000) | | | | | | | | | |
| Salaries, wages and other benefits | 33.1 | 39,716 | 33,258 | 3,318 | 3,555 | 3,928 | 4,090 | 46,962 | 40,903 |
| Rents, rates and taxes | | 904 | 667 | 15 | 2 | 101 | 74 | 1,020 | 743 |
| Travelling, conveyance and entertainment | | 6,052 | 4,375 | 814 | 853 | 672 | 548 | 7,538 | 5,776 |
| Fuel and power | | 3,292 | 3,126 | 134 | 129 | 366 | 362 | 3,792 | 3,617 |
| Postage, telephone and telegram | | 1,334 | 2,796 | 66 | 104 | 148 | 322 | 1,548 | 3,222 |
| Insurance | | 767 | 1,083 | 59 | 100 | 85 | 132 | 911 | 1,315 |
| Repairs and maintenance | | 4,339 | 3,408 | 104 | 119 | 482 | 392 | 4,925 | 3,919 |
| Auditors' remuneration | 33.3 | 1,284 | 738 | 159 | 152 | 143 | 99 | 1,586 | 989 |
| Legal and professional and corporate service charges | | 15,986 | 28,239 | 3,370 | 3,543 | 1,776 | 2,390 | 21,132 | 34,172 |
| Advertisement | | 151 | 215 | – | – | 17 | 24 | 168 | 239 |
| Donations | 33.4 | 21,980 | 11,525 | 4 | 7,182 | 2,442 | 1,281 | 24,426 | 19,988 |
| Depreciation | 15.2 | 17,074 | 13,874 | 472 | 400 | 2,382 | 1,586 | 19,928 | 15,860 |
| Amortization of intangible assets | 16.1 | 60 | 330 | – | 79 | 7 | 45 | 67 | 454 |
| Printing, stationery and office supplies | | 1,151 | 1,032 | 114 | 182 | 128 | 135 | 1,393 | 1,349 |
| Newspapers, subscriptions and periodicals | | 157 | 163 | 6 | 11 | 18 | 19 | 181 | 193 |
| Others | | 113 | 434 | 2 | 141 | 13 | 48 | 128 | 623 |
| | | <u>114,360</u> | <u>105,263</u> | <u>8,637</u> | <u>16,552</u> | <u>12,708</u> | <u>11,547</u> | <u>135,705</u> | <u>133,362</u> |

33.1 Salaries, wages and other benefits

| | | | | | | | | | |
|------------------------------------|------|---------------|---------------|--------------|--------------|--------------|--------------|---------------|---------------|
| Salaries, wages and other benefits | | 32,515 | 27,119 | 3,318 | 3,555 | 3,128 | 3,408 | 38,961 | 34,082 |
| Provident fund contributions | | 1,480 | 1,322 | – | – | 164 | 147 | 1,644 | 1,469 |
| Pension fund | 33.2 | 4,933 | 4,148 | – | – | 548 | 461 | 5,481 | 4,609 |
| Gratuity | 33.2 | 788 | 669 | – | – | 88 | 74 | 876 | 743 |
| | | <u>39,716</u> | <u>33,258</u> | <u>3,318</u> | <u>3,555</u> | <u>3,928</u> | <u>4,090</u> | <u>46,962</u> | <u>40,903</u> |

33.2 Staff retirement benefits

| | 2008 | | 2007 | |
|--------------------------------|--------------|------------|--------------|------------|
| | Pension | Gratuity | Pension | Gratuity |
| (Rupees in '000) | | | | |
| Current service cost | 5,794 | 1,440 | 5,170 | 1,296 |
| Interest cost | 5,477 | 1,639 | 3,515 | 1,078 |
| Expected return on plan assets | (6,192) | (2,315) | (4,474) | (1,746) |
| Past service cost | 402 | 112 | 398 | 115 |
| | <u>5,481</u> | <u>876</u> | <u>4,609</u> | <u>743</u> |



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33.3 Auditors' remuneration

| | 2008 | 2007 |
|--|------------------|------|
| | (Rupees in '000) | |
| Audit fee* | 850 | 750 |
| Fee for audit of funds' financial statements and other reports | 459 | 219 |
| Out of pocket expenses | 277 | 20 |
| | 1,586 | 989 |

*Audit fee includes services for audit of annual financial statements, limited review of condensed interim financial statements for the six months period, review report on Statement of Compliance with best Practices Code of Corporate Governance and audit of reconciliation statement of Nominee Shareholding of Central Depository Company of Pakistan Limited (CDC).

33.4 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 | |
|----------------------|------------------------------------|--|------------------|--------|
| | | | 2008 | 2007 |
| | | | (Rupees in '000) | |
| Mr. Ahsan M. Saleem | Director | The Citizens Foundation 9th Floor, NIC Building, Karachi. | 20,278 | 15,304 |
| | Director | Pakistan Centre for Philanthropy 1-A, Street 14, F-8/3, Islamabad. | 873 | - |
| | Member of Managing Committee | Commecs Education Trust 301, Fortune Centre, Main Sharah-e-Faisal, Karachi. | - | 3,000 |
| | Member | Lyallpur Golf Club Race Course Club, Faisalabad. | - | 717 |
| | | | 21,151 | 19,021 |

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

Notes to the Financial Statements

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34. OTHER OPERATING EXPENSES

| | 2008 | 2007 |
|--|------------------|---------|
| | (Rupees in '000) | |
| Provision for slow moving stores, spares and tools | 5,083 | 892 |
| Provision for stock-in-trade | – | 37,280 |
| Provision for workers welfare fund | 13,114 | 15,141 |
| Provision for workers profit participation fund (Steel Division) | 34,403 | 11,741 |
| Provision for infrastructure fee | 7,200 | 5,900 |
| Impairment of intangible asset | 10 | – |
| Provision for impairment of investments | 42,000 | 46,090 |
| Provision for other receivables, prepayments and others | – | 4,983 |
| Fixed assets written off | 830 | – |
| Provision for liquidated damages | 590 | 3,516 |
| Exchange loss | 6,514 | – |
| | 109,744 | 125,543 |

35. OTHER OPERATING INCOME

| | | |
|---|--------|---------|
| Return on deposits | 6 | 2,507 |
| Liabilities written back | 565 | – |
| Provision written back for stock-in-trade | 12,381 | – |
| Provision written back against margin on letters of credit and guarantee | – | 1,095 |
| Gain on disposal of fixed assets | 1,312 | 98,687 |
| Insurance commission | – | 1,277 |
| Exchange gain | – | 24 |
| Others | 5,309 | 3,412 |
| | 19,573 | 107,002 |

36. FINANCE COSTS

| | | |
|-----------------------------------|---------|---------|
| Mark-up on: | | |
| Running finances | 39,816 | 19,564 |
| Short term loans | 65,694 | 37,653 |
| Long term loans | 36,037 | 53,116 |
| Redeemable capital | 8,581 | 15,331 |
| Assets subject to finance leases | 347 | 1,161 |
| Workers Profit Participation Fund | 326 | – |
| Bank charges | 2,217 | 1,665 |
| | 153,018 | 128,490 |



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37. TAXATION

| | 2008 | 2007 |
|--------------------|------------------|---------------|
| | (Rupees in '000) | |
| Current | | |
| - for the year | 164,021 | 1,964 |
| - for prior years' | - | (769) |
| | 164,021 | 1,195 |
| Deferred | 46,920 | 62,950 |
| | <u>210,941</u> | <u>64,145</u> |

37.1 Relationship between tax expense and accounting profit

| | | |
|---|----------------|---------------|
| Profit before taxation | 626,622 | 727,323 |
| Tax at the applicable rate of 35% | 219,318 | 254,563 |
| Effect of non-deductible expenses | - | 5,246 |
| Tax effect of exempt income and export sales under presumptive tax regime | 24,875 | (162,199) |
| Tax effect of change in tax WDV of fixed assets | 61 | 75 |
| Tax effect of income taxed at different rate | (22,860) | (11,268) |
| Tax effect on share of profit in associates taxed at different rate | (17,109) | (21,503) |
| Prior years' tax effect | 6,656 | (769) |
| | <u>210,941</u> | <u>64,145</u> |

38. BASIC AND DILUTED EARNINGS PER SHARE

| | | | |
|--|------|--------------------|------------|
| Profit for the year | | 415,681 | 663,178 |
| | | (Number of shares) | |
| Average number of ordinary shares in issue during the year | 38.1 | 51,327,267 | 49,953,244 |
| | | (Rupees) | |
| Earning per share basic and diluted | | 8.10 | 13.28 |

38.1 Weighted average number of shares for the year ended 30 June 2007 have been adjusted for the effect of bonus shares issued during the year.

Notes to the Financial Statements

For the year ended 30 June 2008

39. CASH GENERATED FROM OPERATIONS

| | 2008 | 2007 |
|---|------------------|-----------|
| | (Rupees in '000) | |
| Profit before taxation | 626,622 | 727,323 |
| Adjustments for non cash charges and other items: | | |
| Depreciation | 174,718 | 172,644 |
| Amortization | 329 | 797 |
| Amortization of advance to staff | 561 | 198 |
| Provision for impairment on intangibles | 10 | – |
| Adjustment arising from measurement to fair value | 212,982 | (134,479) |
| Provision against stock-in-trade and stores and spares | 5,083 | 892 |
| Provision written back against margin on letters of credit and guarantees | – | (1,095) |
| Provision / (Reversal) against stock-in-trade | (12,381) | 37,280 |
| Liabilities written back | (565) | – |
| Provision for workers profit participation fund | 34,403 | 11,741 |
| Provision for workers welfare fund | 13,114 | 15,141 |
| Provision against accrued mark-up | – | 4,936 |
| Fixed assets written off | 830 | – |
| Provision for diminution in the value of investments | 42,000 | 46,090 |
| Provision for infrastructure fee | 7,200 | 5,900 |
| Provision against advances | – | 47 |
| Provision for 10-C bonus | 675 | – |
| Provision against liquidated damages | 590 | 3,516 |
| Exchange loss / (gain) | – | (24) |
| Gain on sale of investments | (191,939) | (238,207) |
| Pension and gratuity expense | 11,422 | 9,657 |
| Finance costs | 153,018 | 128,490 |
| Gain on disposal of fixed assets | (1,312) | (98,687) |
| Dividend income | (89,758) | (36,531) |
| Return on deposits, advances and investments | (2,032) | (4,647) |
| Provision written back on investments | – | (45) |
| Share of profit in associated undertaking | (50,773) | (99,136) |
| Amortization of initial transaction cost | 1,162 | 1,162 |
| Working capital changes | 39.1 (29,516) | 76,609 |
| | 906,443 | 629,572 |



Notes to the Financial Statements

For the year ended 30 June 2008

39.1 Working capital changes

| | 2008 | 2007 |
|---|------------------|-----------------|
| | (Rupees in '000) | |
| (Increase) / decrease in current assets | | |
| Stores, spares and loose tools | (33,619) | (13,399) |
| Stock-in-trade | 39,773 | (202,213) |
| Trade debts | 62,719 | (106,261) |
| Short term advances | 58,520 | 138,159 |
| Short term deposits and prepayments | 2,337 | (946) |
| Other receivables (net) | 52,847 | 92,864 |
| | <u>182,577</u> | <u>(91,796)</u> |
| Increase in current liabilities | | |
| Trade and other payables | (212,093) | 168,405 |
| | <u>(29,516)</u> | <u>76,609</u> |

40. CASH AND CASH EQUIVALENTS

| | | | |
|---|----|------------------|---------------|
| Running finances under mark-up arrangements | 12 | (837,125) | (10,724) |
| Cash and bank balances | | 8,199 | 36,999 |
| | | <u>(828,926)</u> | <u>26,275</u> |

41. SEGMENT REPORTING

41.1 The reporting format, business segment, is based on the Company's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to segment as well as those that can be allocated on a reasonable basis.

Segment assets consist primarily of property, plant and equipment, intangibles, store and spares, stock in trade and trade and other debts. Segment liabilities comprise operating liabilities and exclude items such as taxation and corporate.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets.

Business Segments

The Company comprises the following main business segments:

- Steel segment - It comprises manufacturing and coating of steel pipes (Note 1.2)
- Cotton segment - It comprises manufacturing of yarn (Note 1.3)
- Investment and Infrastructure Development (IID) segment - To effectively manage the investment portfolio in shares and other securities (strategic as well as short term) and property investments (held for rentals as well as long term appreciation).

41.2 The steel segment allocates certain percentage of the common administrative expenditure to the cotton segment and IID. In addition, financial charges between steel and cotton segments are allocated at average mark-up rate (2007: KIBOR plus 2% on the basis of funds utilized. Financial charges between steel and IID segments are apportioned on the basis of their net assets.

Notes to the Financial Statements

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41.3

| | Steel Segment | Cotton Segment | IID Segment | Total |
|--|------------------|-------------------|----------------|----------------|
| | (Rupees in '000) | | | |
| Segment results for the year ended 30 June 2008 | | | | |
| Sales | 2,774,227 | 1,425,978 | – | 4,200,205 |
| Cost of sales | 1,954,376 | 1,349,431 | – | 3,303,807 |
| Gross Profit | 819,851 | 76,547 | – | 896,398 |
| Investment Income | – | – | 73,607 | 73,607 |
| | 819,851 | 76,547 | 73,607 | 970,005 |
| Distribution and selling expenses | 8,677 | 6,585 | – | 15,262 |
| Administrative expenses | 114,360 | 8,637 | 12,708 | 135,705 |
| Other operating expenses | 61,782 | 5,962 | 42,000 | 109,744 |
| | 184,819 | 21,184 | 54,708 | 260,711 |
| | 635,032 | 55,363 | 18,899 | 709,294 |
| Other operating income | 15,630 | 3,943 | – | 19,573 |
| Operating profit before finance costs | 650,662 | 59,306 | 18,899 | 728,867 |
| Finance costs | 9,354 | 105,989 | 37,675 | 153,018 |
| Share of profit in associated undertaking | – | – | 50,773 | 50,773 |
| Profit / (loss) before taxation | 641,308 | (46,683) | 31,997 | 626,622 |
| Taxation | | | | 210,941 |
| Profit for the year | | | | 415,681 |
| Segment results for the year ended 30 June 2007 | | | | |
| Sales | 1,564,287 | 1,385,833 | – | 2,950,120 |
| Cost of sales | 1,174,038 | 1,265,618 | – | 2,439,656 |
| Gross Profit | 390,249 | 120,215 | – | 510,464 |
| Investment Income | – | – | 411,402 | 411,402 |
| | 390,249 | 120,215 | 411,402 | 921,866 |
| Distribution and selling expenses | 7,613 | 5,673 | – | 13,286 |
| Administrative expenses | 105,263 | 16,552 | 11,547 | 133,362 |
| Other operating expenses | 63,578 | 550 | 61,415 | 125,543 |
| | 176,454 | 22,775 | 72,962 | 272,191 |
| | 213,795 | 97,440 | 338,440 | 649,675 |
| Other operating income | 9,095 | 1,910 | 95,997 | 107,002 |
| Operating profit before finance costs | 222,890 | 99,350 | 434,437 | 756,677 |
| Finance costs | 5,178 | 99,362 | 23,950 | 128,490 |
| Share of profit in associated undertaking | – | – | 99,136 | 99,136 |
| Profit / (loss) before taxation | 217,712 | (12) | 509,623 | 727,323 |
| Taxation | | | | 64,145 |
| Profit for the year | | | | 663,178 |



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SEGMENT REPORTING - CONTINUED

| | Steel Segment | Cotton Segment | IID Segment | Total |
|---|------------------|-------------------|----------------|------------------|
| | (Rupees in '000) | | | |
| Other segment information | | | | |
| As at 30 June 2008 | | | | |
| Segment assets | 356,800 | 1,593,832 | 1,603,878 | 3,554,510 |
| Investment in equity accounted undertakings | | | 1,222,695 | 1,222,695 |
| Unallocated corporate assets | | | | 69,485 |
| Total assets | | | | <u>4,846,690</u> |
| Segment liabilities | 188,193 | 407,794 | – | 595,987 |
| Unallocated corporate liabilities | | | | 1,256,699 |
| Total liabilities | | | | <u>1,852,686</u> |
| For the year ended 30 June 2008 | | | | |
| Capital expenditure | 66,079 | 33,440 | 53,942 | 153,461 |
| Depreciation and amortization | 33,658 | 139,000 | 2,389 | 175,047 |
| As at 30 June 2007 | | | | |
| Segment assets | 765,694 | 1,407,004 | 1,423,356 | 3,596,054 |
| Investment in equity accounted undertakings | | | 1,027,316 | 1,027,316 |
| Unallocated corporate assets | | | | 72,696 |
| Consolidated total assets | | | | <u>4,696,066</u> |
| Segment liabilities | 343,532 | 604,684 | 33,917 | 982,133 |
| Unallocated corporate liabilities | | | | 513,530 |
| Consolidated total liabilities | | | | <u>1,495,663</u> |
| For the year ended 30 June 2007 | | | | |
| Capital expenditure | 23,435 | 66,093 | 37,379 | 126,907 |
| Depreciation and amortization | 43,642 | 128,168 | 1,631 | 173,441 |

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42. STAFF RETIREMENT BENEFITS

42.1 The actuarial valuation of both pension and gratuity schemes has been conducted in accordance with IAS 19 "Employee benefits" as at 30 June 2008. The projected unit credit method, using the following significant assumptions, has been used for the actuarial valuation:

| | 2008 | 2007 |
|--|------------------------|----------|
| | (Percentage per annum) | |
| - Discount rate | 12 | 10 |
| - Expected rate of increase in salaries | | |
| - For next year (2007 : next year) | 15 | 20 |
| - For next year (2007 : next two year) | 15 | 15 |
| - After two year (2007 : after three year) | 12 | 10 |
| - Expected rate of return on plan assets | 12 | 12 |
| - Average working life of employee | 10 years | 11 years |

42.2 The amounts recognised in balance sheet are as follows:

| | 2008 | | | 2007 | | |
|--|------------------|----------------|----------------|---------------|----------------|----------------|
| | Pension | Gratuity | Total | Pension | Gratuity | Total |
| | (Rupees in '000) | | | | | |
| Present value of defined benefit obligation | 110,954 | 28,404 | 139,358 | 99,224 | 27,945 | 127,169 |
| Fair value of plan assets | (98,915) | (31,684) | (130,599) | (93,474) | (32,877) | (126,351) |
| Unrecognised actuarial gains / (losses) | (6,970) | 46 | (6,924) | (2,055) | 2,340 | 285 |
| Unrecognised past service cost | (2,914) | (1,523) | (4,437) | (3,643) | (1,713) | (5,356) |
| Liability / (Asset) in balances | 2,155 | (4,757) | (2,602) | 52 | (4,305) | (4,253) |
| Present value of defined benefit | | | | | | |
| obligation - 1 July | 99,224 | 27,945 | 127,169 | 71,422 | 19,776 | 91,198 |
| Current service cost | 10,495 | 2,454 | 12,949 | 9,457 | 2,140 | 11,597 |
| Interest cost | 9,922 | 2,795 | 12,717 | 6,428 | 1,780 | 8,208 |
| Benefits paid | (2,247) | (1,016) | (3,263) | (1,955) | - | (1,955) |
| Actuarial (gains) / losses | (6,440) | (3,774) | (10,214) | 13,872 | 4,249 | 18,121 |
| Present value of defined benefit obligation - 30 June | 110,954 | 28,404 | 139,358 | 99,224 | 27,945 | 127,169 |
| Fair value of plan assets - 1 July | 93,474 | 32,877 | 126,351 | 68,195 | 24,023 | 92,218 |
| Expected return on plan assets | 11,217 | 3,945 | 15,162 | 8,183 | 2,883 | 11,066 |
| Contribution to fund | 7,825 | 1,947 | 9,772 | 4,898 | 1,673 | 6,571 |
| Benefits paid | (2,247) | (1,016) | (3,263) | (1,955) | - | (1,955) |
| Actuarial gains / (losses) | 11,354 | (6,069) | 5,285 | 14,153 | 4,298 | 18,451 |
| Fair value of plan assets - 30 June | 121,623 | 31,684 | 153,307 | 93,474 | 32,877 | 126,351 |



Notes to the Financial Statements

For the year ended 30 June 2008

The following amounts have been charged in the profit and loss account in respect of these benefits:

| | 2008 | | | 2007 | | |
|---|------------------|--------------|---------------|--------------|--------------|--------------|
| | Pension | Gratuity | Total | Pension | Gratuity | Total |
| | (Rupees in '000) | | | | | |
| Current service cost | 10,495 | 2,454 | 12,949 | 9,457 | 2,140 | 11,597 |
| Interest cost | 9,922 | 2,794 | 12,716 | 6,428 | 1,780 | 8,208 |
| Expected return on plan assets | (11,217) | (3,945) | (15,162) | (8,183) | (2,883) | (11,066) |
| Actuarial (gains) / losses | - | - | - | - | - | - |
| Past service cost | 729 | 190 | 919 | 728 | 190 | 918 |
| Expense recognised in profit or loss | 9,929 | 1,493 | 11,422 | 8,430 | 1,227 | 9,657 |
| Actual return on plan assets | (138) | (2,123) | (2,261) | 22,337 | 7,181 | 29,518 |

Comparison for five years

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|------------------|----------------|----------------|----------------|----------------|
| | (Rupees in '000) | | | | |
| Pension | | | | | |
| As at June 30 | | | | | |
| Present value of defined benefit obligation | 110,954 | 99,224 | 71,422 | 65,735 | 51,256 |
| Fair value of plan assets | 98,915 | 93,474 | 68,194 | 60,744 | 46,024 |
| Deficit | (12,039) | (5,750) | (3,228) | (4,991) | (5,232) |
| Experience adjustments | | | | | |
| (Gain) / loss on obligation | (6,440) | 8,383 | (2,502) | 7,791 | 3,139 |
| Gain / (loss) on plan asset | (11,355) | 14,157 | (1,512) | 7,962 | 4,980 |
| Gratuity | | | | | |
| As at June 30 | | | | | |
| Present value of defined benefit obligation | 28,404 | 27,945 | 19,776 | 18,379 | 14,987 |
| Fair value of plan assets | 31,684 | 32,878 | 24,023 | 20,687 | 18,024 |
| Surplus | 3,280 | 4,933 | 4,247 | 2,308 | 3,037 |
| Experience adjustments | | | | | |
| (Gain) / loss on obligation | (3,774) | 708 | 1,113 | 2,514 | 448 |
| Gain / (loss) on plan asset | (6,091) | 4,298 | 17 | 2,501 | 2,050 |

Notes to the Financial Statements

For the year ended 30 June 2008

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:

| | 2008 | | | | | | | Total |
|------------------------------|--|------------------------|---|------------------------------|------------------------|---|------------------|------------------|
| | 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 | |
| (Rupees in '000) | | | | | | | | |
| Financial assets | | | | | | | | |
| Investments | 8.45 to 9.75 | 10 | 56,785 | 56,795 | 1,407,638 | 1,222,695 | 2,630,333 | 2,687,128 |
| Long term loans and deposits | | - | - | - | - | 4,241 | 4,241 | 4,241 |
| Trade debts | | - | - | - | 118,696 | - | 118,696 | 118,696 |
| Short term deposits | | - | - | - | 787 | - | 787 | 787 |
| Mark-up accrued | | - | - | - | 2,387 | - | 2,387 | 2,387 |
| Other receivables | | - | - | - | 21,346 | - | 21,346 | 21,346 |
| Advances | | - | - | - | 15,000 | - | 15,000 | 15,000 |
| Cash and bank balances | | 4,757 | - | 4,757 | 3,442 | - | 3,442 | 8,199 |
| | | 4,767 | 56,785 | 61,552 | 1,569,296 | 1,226,936 | 2,796,232 | 2,857,784 |

| | 2007 | | | | | | | Total |
|------------------------------|--|------------------------|---|------------------------------|------------------------|---|------------------|------------------|
| | 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 | |
| (Rupees in '000) | | | | | | | | |
| Financial assets | | | | | | | | |
| Investments | 8.45 to 9.75 | 42,010 | 56,795 | 98,805 | 998,919 | 1,202,751 | 2,201,670 | 2,300,475 |
| Long term loans and deposits | | - | - | - | - | 4,567 | 4,567 | 4,567 |
| Trade debts | | - | - | - | 181,408 | - | 181,408 | 181,408 |
| Short term deposits | | - | - | - | 2,681 | - | 2,681 | 2,681 |
| Mark-up accrued | | - | - | - | 2,476 | - | 2,476 | 2,476 |
| Other receivables | | - | - | - | 9,957 | - | 9,957 | 9,957 |
| Advances | | - | - | - | 75,000 | - | 75,000 | 75,000 |
| Cash and bank balances | | 28,243 | - | 28,243 | 8,756 | - | 8,756 | 36,999 |
| | | 70,253 | 56,795 | 127,048 | 1,279,197 | 1,207,318 | 2,486,515 | 2,613,563 |



Notes to the Financial Statements

For the year ended 30 June 2008

| | 2008 | | | | | | | Total |
|--|--|--------------------------|---|------------------|------------------------------|---|----------------|------------------|
| | Effective rate of interest / mark-up % | Interest/mark-up bearing | | | Non-interest/mark-up bearing | | | |
| | | 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 | |
| | | | | | | | | |
| | | | | | | | | (Rupees in '000) |
| Financial liabilities | | | | | | | | |
| Long term loans | 11.86 to 15.04 | 112,500 | 168,117 | 280,617 | - | - | - | 280,617 |
| Redeemable capital | 9 | 74,551 | - | 74,551 | - | - | - | 74,551 |
| Liabilities against assets subject to finance leases | | - | - | - | - | - | - | - |
| Short term borrowings | 10.22 to 14.38 | 1,119,331 | - | 1,119,331 | - | - | - | 1,119,331 |
| Trade and other payables | | - | - | - | 99,467 | - | 99,467 | 99,467 |
| Interest and mark-up accrued | | - | - | - | 19,765 | - | 19,765 | 19,765 |
| | | 1,306,382 | 168,117 | 1,474,499 | 119,232 | - | 119,232 | 1,593,731 |

| | 2007 | | | | | | | Total |
|--|--|--------------------------|---|-----------|------------------------------|---|-----------|------------------|
| | Effective rate of interest / mark-up % | Interest/mark-up bearing | | | Non-interest/mark-up bearing | | | |
| | | 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 | |
| | | | | | | | | |
| | | | | | | | | (Rupees in '000) |
| Financial liabilities | | | | | | | | |
| Long term loans | 11.58 to 12.52 | 112,500 | 280,354 | 392,854 | - | - | - | 392,854 |
| Redeemable capital | 9 | 75,000 | 73,652 | 148,652 | - | - | - | 148,652 |
| Liabilities against assets subject to finance leases | 7.5 to 13.43 | 5,544 | - | 5,544 | - | - | - | 5,544 |
| Short term borrowings | 9.12 to 12.17 | 432,799 | - | 432,799 | - | - | - | 432,799 |
| Trade and other payables | | - | - | - | 347,909 | - | 347,909 | 347,909 |
| Interest and mark-up accrued | | - | - | - | 16,150 | - | 16,150 | 16,150 |
| | | 625,843 | 354,006 | 979,849 | 364,059 | - | 364,059 | 1,343,908 |

On-balance sheet gap :

| | | | | | | | |
|-------------|--------------------|------------------|--------------------|------------------|------------------|------------------|------------------|
| 2008 | (1,301,615) | (111,332) | (1,412,947) | 1,450,064 | 1,226,936 | 2,677,000 | 1,264,053 |
| 2007 | (555,590) | (297,211) | (852,801) | 915,138 | 1,205,739 | 2,120,877 | 1,268,076 |

Off- balance sheet items :
financial commitments

| | | | | | | | | |
|-------------------------|-------------|---|---|---|----------------|---------------|----------------|----------------|
| - Outstanding LCs / LGs | 2008 | - | - | - | 721,807 | 29,823 | 751,630 | 751,630 |
| | 2007 | - | - | - | 627,818 | 85,732 | 713,550 | 713,550 |

Notes to the Financial Statements

For the year ended 30 June 2008

43.1 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized 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 in 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 Nil (2007: Nil) against which no forward exchange contracts were obtained.

43.3 Capital risk management

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to the shareholders or issue new shares.

43.4 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.

43.5 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 exposed 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.



Notes to the Financial Statements

For the year ended 30 June 2008

44. REMUNERATION TO THE CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

| | Chief Executive | | Director | | Executives | | Total | |
|--------------------------------|------------------|---------------|--------------|--------------|---------------|---------------|---------------|---------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| | (Rupees in '000) | | | | | | | |
| Managerial remuneration | 5,730 | 5,688 | 2,967 | 2,610 | 11,877 | 7,859 | 20,574 | 16,157 |
| House rent | 2,579 | 2,559 | 1,335 | 1,175 | 4,328 | 3,323 | 8,242 | 7,057 |
| Utilities | 573 | 569 | 297 | 261 | 1,009 | 786 | 1,879 | 1,616 |
| Travelling expenses | 893 | 525 | 296 | 261 | – | – | 1,189 | 786 |
| Others | 533 | 548 | – | – | – | – | 533 | 548 |
| Medical | 356 | 105 | 105 | 123 | 538 | 449 | 999 | 677 |
| Contribution to: | | | | | | | | |
| - Provident fund | 573 | 569 | 297 | 261 | 633 | 370 | 1,503 | 1,200 |
| - Gratuity fund | 401 | 398 | 208 | 183 | 389 | 191 | 998 | 772 |
| - Pension fund | 1,105 | 1,052 | 573 | 483 | 1,481 | 900 | 3,159 | 2,435 |
| Club subscription and expenses | 337 | 338 | 9 | 7 | 15 | 4 | 361 | 349 |
| Entertainment | – | – | 36 | 36 | 126 | 126 | 162 | 162 |
| Conveyance | – | – | – | – | 604 | – | 604 | – |
| Telephone | – | – | 12 | 12 | 30 | 30 | 42 | 42 |
| | <u>13,080</u> | <u>12,351</u> | <u>6,135</u> | <u>5,412</u> | <u>21,030</u> | <u>14,038</u> | <u>40,245</u> | <u>31,801</u> |
| Number of persons | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>9</u> | <u>7</u> | <u>11</u> | <u>9</u> |

44.1 The aggregate amount charged in the account in respect of directors' fees paid to six (2007: six) directors was Rs. 0.155 million (2007: Rs. 0.160 million).

44.2 The chief executive, a director and five 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 hospitalization insurance.

Notes to the Financial Statements

For the year ended 30 June 2008

45. TRANSACTIONS WITH RELATED PARTIES

All transactions involving related parties arising in the normal course of business are conducted at commercial terms and conditions, and at prices agreed based on inter company prices 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 those disclosed elsewhere in these financial statements, are follows:

| | 2008 | 2007 |
|---|------------------|---------|
| | (Rupees in '000) | |
| Associated companies | | |
| Sale of finished goods including waste | 22,978 | 70,906 |
| Purchase of yarn | 385 | – |
| Rendering of services | 1,238 | 2,995 |
| Receiving of services | 5,132 | 3,026 |
| Rental income | 1,065 | – |
| Advance against rental income | 355 | – |
| Dividends received | 9,930 | 3,573 |
| Return on deposits | – | 917 |
| Right shares subscribed | – | 438,396 |
| Right shares subscribed under underwriting arrangement | – | 152,822 |
| Advance against shares | – | 60,000 |
| Purchase of shares | 260,202 | – |
| Other related parties | | |
| Donations | 33.4 | 21,151 |
| Contribution to provident fund | | 9,966 |
| Contribution to pension fund | 42.2 | 7,825 |
| Contribution to gratuity fund | 42.2 | 1,947 |
| Dividends received | | 20,418 |
| | | – |



Crescent Steel &
Allied Products Ltd.

Notes to the Financial Statements

For the year ended 30 June 2008

46. PLANT CAPACITY AND PRODUCTION

46.1 Steel segment

Pipe plant

The plant's installed / rated capacity for production based on single shift is 30,000 tons (2007:30,000 tons) annually on the basis of notional pipe size of 30" dia x 1/2" thickness. The actual production achieved during the year was 41,102 tons (2007: 23,180 tons) line pipes of varied sizes and thickness, which is equivalent to 50,958 tons (2007: 67,104 tons) if actual production is translated to the notional pipe size of 30" diameter.

Coating plant

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

The annual capacity of the plant works out to 600,000 square meters outside surface of pipes based on notional size of 30" dia on single shift working. Coating of 313,199 meters of different dia pipes (208,487 square meters surface area) was achieved during the year (2007: 422,272 square meters surface area).

46.2 Cotton segment

Spinning unit 1

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 4,424,849 kilograms (2007: 6,109,490 kilograms).

Spinning unit 2

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 11,181,265 kilograms (2007: 10,609,697 kilograms).

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

47. ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

Notes to the Financial Statements

For the year ended 30 June 2008

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 judgment (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 in their meeting held on 31 July 2008 has proposed 10% bonus issue (2007:10% bonus) of Rs. 51.3 million (2007: Rs. 46.7 million). The appropriations of proposed bonus issue will be reflected in the financial statements for the year ending 30 June 2009.

49. GENERAL

- 49.1 Previous year figures have been rearranged and reclassified where necessary for the purposes of comparison. These changes were made for better presentation of transactions in the financial statements of the Company.
- 49.2 These financial statements were authorized for issue in the board of directors meeting held on 31 July 2008.



Chief Executive



Director



Crescent Steel &
Allied Products Ltd.

Form “34” Pattern of Holding of Shares

Held by Shareholders as at 30 June 2008

| NO. OF SHAREHOLDERS | SHAREHOLDING | | TOTAL SHARES HELD |
|---------------------|--------------|---------|-------------------|
| | FROM | TO | |
| 494 | 1 | 100 | 24,693 |
| 869 | 101 | 500 | 287,729 |
| 507 | 501 | 1,000 | 411,285 |
| 638 | 1,001 | 5,000 | 1,597,087 |
| 157 | 5,001 | 10,000 | 1,151,320 |
| 78 | 10,001 | 15,000 | 981,953 |
| 42 | 15,001 | 20,000 | 759,611 |
| 22 | 20,001 | 25,000 | 521,943 |
| 25 | 25,001 | 30,000 | 691,424 |
| 14 | 30,001 | 35,000 | 454,892 |
| 8 | 35,001 | 40,000 | 304,819 |
| 5 | 40,001 | 45,000 | 210,517 |
| 5 | 45,001 | 50,000 | 239,800 |
| 5 | 50,001 | 55,000 | 263,658 |
| 3 | 55,001 | 60,000 | 173,000 |
| 4 | 60,001 | 65,000 | 250,360 |
| 3 | 65,001 | 70,000 | 198,161 |
| 2 | 70,001 | 75,000 | 142,098 |
| 4 | 75,001 | 80,000 | 312,693 |
| 3 | 80,001 | 85,000 | 245,350 |
| 4 | 95,001 | 100,000 | 392,096 |
| 5 | 100,001 | 105,000 | 510,218 |
| 1 | 105,001 | 110,000 | 109,864 |
| 1 | 110,001 | 115,000 | 113,800 |
| 2 | 115,001 | 120,000 | 233,791 |
| 3 | 120,001 | 125,000 | 365,932 |
| 2 | 135,001 | 140,000 | 273,907 |
| 1 | 145,001 | 150,000 | 150,000 |
| 3 | 150,001 | 155,000 | 457,605 |
| 3 | 160,001 | 165,000 | 492,241 |
| 2 | 170,001 | 175,000 | 346,600 |
| 2 | 180,001 | 185,000 | 368,400 |
| 2 | 200,001 | 205,000 | 404,356 |
| 2 | 205,001 | 210,000 | 415,300 |

Pattern of Holding of Shares

| NO. OF SHAREHOLDERS | SHAREHOLDING | | TOTAL SHARES HELD |
|---------------------|--------------|-----------|-------------------|
| | FROM | TO | |
| 1 | 215,001 | 220,000 | 215,424 |
| 3 | 220,001 | 225,000 | 670,120 |
| 1 | 230,001 | 235,000 | 232,019 |
| 1 | 270,001 | 275,000 | 274,685 |
| 1 | 290,001 | 295,000 | 294,017 |
| 2 | 295,001 | 300,000 | 593,209 |
| 1 | 320,001 | 325,000 | 322,329 |
| 1 | 355,001 | 360,000 | 360,000 |
| 1 | 360,001 | 365,000 | 362,742 |
| 1 | 365,001 | 370,000 | 370,000 |
| 1 | 385,001 | 390,000 | 388,000 |
| 1 | 405,001 | 410,000 | 410,000 |
| 1 | 410,001 | 415,000 | 412,942 |
| 1 | 470,001 | 475,000 | 472,800 |
| 1 | 480,001 | 485,000 | 484,284 |
| 1 | 495,001 | 500,000 | 500,000 |
| 1 | 545,001 | 550,000 | 545,924 |
| 2 | 550,001 | 555,000 | 1,100,448 |
| 1 | 585,001 | 590,000 | 590,000 |
| 1 | 625,001 | 630,000 | 629,712 |
| 1 | 720,001 | 725,000 | 725,000 |
| 1 | 765,001 | 770,000 | 765,500 |
| 1 | 840,001 | 845,000 | 843,400 |
| 1 | 965,001 | 970,000 | 965,062 |
| 1 | 985,001 | 990,000 | 989,966 |
| 1 | 995,001 | 1,000,000 | 1,000,000 |
| 1 | 1,120,001 | 1,125,000 | 1,121,863 |
| 1 | 1,560,001 | 1,565,000 | 1,563,693 |
| 1 | 1,735,001 | 1,740,000 | 1,739,303 |
| 1 | 2,575,001 | 2,580,000 | 2,577,773 |
| 1 | 3,135,001 | 3,140,000 | 3,136,500 |
| 1 | 5,645,001 | 5,650,000 | 5,645,160 |
| 1 | 7,165,001 | 7,170,000 | 7,168,889 |
| 2,958 | | | 51,327,267 |



Crescent Steel &
Allied Products Ltd.

Pattern of Holding of Shares

Held by Shareholders as at 30 June 2008

| CATEGORIES OF SHAREHOLDERS | SHARES HELD | PERCENTAGE |
|---|------------------|-------------|
| a) Directors, Chief Executive Officer, Their Spouse and Children | | |
| Chief Executive | | |
| Mr. Ahsan M. Saleem | 152,908 | 0.30 |
| Directors | | |
| Mr. Javed Aslam Callea | 1,277 | 0.00 |
| Mr. Mazhar Karim | 137,307 | 0.27 |
| Mr. Nasir Shafi | 31,303 | 0.06 |
| Mr. Zahid Bashir | 71,148 | 0.14 |
| Syed Mahmood Ehtishamullah | 1,816 | 0.00 |
| Directors Spouse and Their Childern | | |
| Mrs. Abida Mazhar | 18,147 | 0.04 |
| Mrs. Shahnaz A. Saleem | 223,324 | 0.43 |
| Executives | | |
| Kh. Muhammad Sharif | 38,860 | 0.08 |
| Syed Ali Nazir Kazmi | 3,885 | 0.01 |
| Mr. Arif Raza | 10,277 | 0.02 |
| Mr. Hameed Alam | 1,000 | 0.00 |
| | <hr/> 691,252 | <hr/> 1.35 |
| b) Associated Companies, Undertakings & Related Parties | | |
| Asian Stock Fund Limited | 989,966 | 1.93 |
| Crescent Sugar Mills & Distillery Limited | 965,062 | 1.88 |
| Muhammad Amin Muhammad Bashir Limited | 562 | 0.00 |
| Safeway Mutual Fund Limited | 1,121,863 | 2.19 |
| Shakarganj Mills Limited | 2,563,693 | 4.99 |
| The Crescent Textile Mills Limited | 5,645,160 | 11.00 |
| Premier Insurance Limited | 27,400 | 0.05 |
| | <hr/> 11,313,706 | <hr/> 22.04 |
| c) NIT & ICP (Name Wise Detail) | | |
| National Bank of Pakistan, Trustee Deptt. | 7,168,889 | 13.97 |
| | <hr/> 7,168,889 | <hr/> 13.97 |
| d) Banks, DFI's, NBFIs | | |
| Banks, DFI's, NBFIs | 2,224 | 0.00 |
| Banks, DFI's, NBFIs (CDC) | 6,637,119 | 12.93 |
| | <hr/> 6,639,343 | <hr/> 12.93 |

Pattern of Holding of Shares

| CATEGORIES OF SHAREHOLDERS | SHARES HELD | PERCENTAGE |
|---|-------------|------------|
| e) Insurance Companies | | |
| Insurance Companies (CDC) | 2,005,903 | 3.91 |
| | 2,005,903 | 3.91 |
| f) Modaraba and Mutual Funds | | |
| Modaraba and Mutual Funds | 158 | 0.00 |
| Modaraba and Mutual Funds (CDC) | 1,427,632 | 2.78 |
| | 1,427,790 | 2.78 |
| g) Other Companies | | |
| Other Companies | 19,173 | 0.04 |
| Other Companies (CDC) | 2,748,726 | 5.36 |
| | 2,767,899 | 5.40 |
| h) Non Resident | | |
| Bankers Trust Company | 184 | 0.00 |
| Baring Brothers (Guernsey) Limited | 44 | 0.00 |
| Exchange Trading Limited | 14,569 | 0.03 |
| H. S. B. C. International Trustee Limited | 30 | 0.00 |
| Habib Bank AG Zurich, Deira Dubai (CDC) | 6,200 | 0.01 |
| Hong Kong Bank International Trustee Limited | 273 | 0.00 |
| Islamic Development Bank | 3,136,500 | 6.11 |
| Midland Bank Trust Corporation (Jersey) Limited | 986 | 0.00 |
| Royal Trust Corporation Of Canada | 20 | 0.00 |
| The Northern Trust Company | 594 | 0.00 |
| | 3,159,400 | 6.15 |
| i) General Public | | |
| A. Local | 845,060 | 1.65 |
| A. Local (CDC) | 15,308,025 | 29.82 |
| | 16,153,085 | 31.47 |
| | 51,327,267 | 100.00 |
| Shareholders Holding More Than 10.00% | | |
| The Crescent Textile Mills Limited | 5,645,160 | 11.00 |
| National Bank of Pakistan, Trustee Deptt. | 7,168,889 | 13.97 |



Notice of Annual General Meeting

NOTICE is hereby given that the 24th Annual General Meeting of shareholders of Crescent Steel and Allied Products Limited (the “Company”) will be held on Saturday, 30 August 2008 at 11:30 a.m. at Qasr-e-Noor, 9 E-2 Main Boulevard, Gulberg-III, Lahore to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' and Auditors' reports and Audited Financial Statements for the year ended 30 June 2008.
2. To consider and approve issue of fully paid bonus shares in proportion of one share for every ten shares held i.e. 10% as recommended by the Directors of the Company. This is in addition to three interim cash dividends @ Re. 1.00 each per share (aggregating Rs. 3.00 per share) already paid.
3. To appoint Company's auditors and fix their remuneration.

BY ORDER OF THE BOARD

Muhammad Saad Thaniana
Company Secretary
Lahore: 31 July 2008

Notes

1. The Share Transfer Books of the Company will remain closed from 23 August 2008 to 30 August 2008 (both days inclusive). Transfers received in order at the Registered Office of the Company upto the close of business on 22 August 2008, will be considered in time to be eligible of bonus shares to the transferees.
2. A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote instead of him/her.

3. 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 the meeting.
4. Members who have deposited their shares into Central Depository Company of Pakistan Limited (“CDC”) will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting

- a. In case of individuals, the account holder and/or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his/her original CNIC or, original passport at the time of attending the Meeting.
- b. In case of corporate entity, the Board's resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies

- a. In case of individuals, the account holder and /or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements.
- b. The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.
- c. Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.

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- d. The proxy shall produce his original CNIC or original passport at the time of the Meeting.
- e. In case of corporate entity, the Board's resolution / power of attorney with specimen signature shall be furnished (unless it has been provided earlier) along with proxy form to the Company.

Statement under paragraph 3 of SRO 865(I)/2000 dated 6 December 2000.

In EOGM dated 27 December 2006, shareholders approved an additional investment of Rs. 15.1 million in Crescent Textile Mills Limited. However, to date no investment has been made against the approval.

- i. Reasons for not having investment made

Due to recession in the textile industry in Pakistan.

- ii. Major change in financial position of investee company since the date of last resolution

There has been no major change in financial position of the Crescent Textile Mills Limited.



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 24th Annual General Meeting of the Company
to be held on Saturday, 30 August 2008 at 11:30 a.m. at Qasr-e-Noor, 9 E-2 Main Boulevard, Gulberg-III, Lahore
and at any adjournment thereof.

As witness my / our hand this _____ day of _____ 2008.

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, 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.

