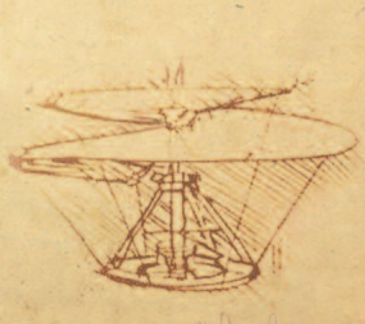
TRIBUTE TO MEN OF HONOR & WISDOM

ANNUAL REPORT 2011



Crescent Steel & Allied Products Ltd.

Men of Honor & Wisdom

All of mankind respects and honors people who have achieved great things in their lives. Many of the inventors, philosophers, scientists, mathematicians, artists, physicists, physicians, geographers, travelers, poets, litterateurs, musicians, etc who have become legends in their fields of excellence are remembered for their vast contribution to the development and growth of society as it is today.

However, there are some who are almost forgotten except in research papers read or written by specialists in their respective fields. Among them are the many Muslim scholars who laid the foundations of science, art, mathematics, literature, medicine, physics, etc. Their achievements must be highlighted for future generations to benefit and learn from.

Crescent Steel and Allied Products Limited derives inspiration in what it does, from these legends, and pays tribute to them for their contributions in the fields of the scientific discovery, innovation, medicine and leadership. While paying tribute to these men of wisdom, we benchmark our own performance to such high levels of achievement.

Mission, Vision, Values

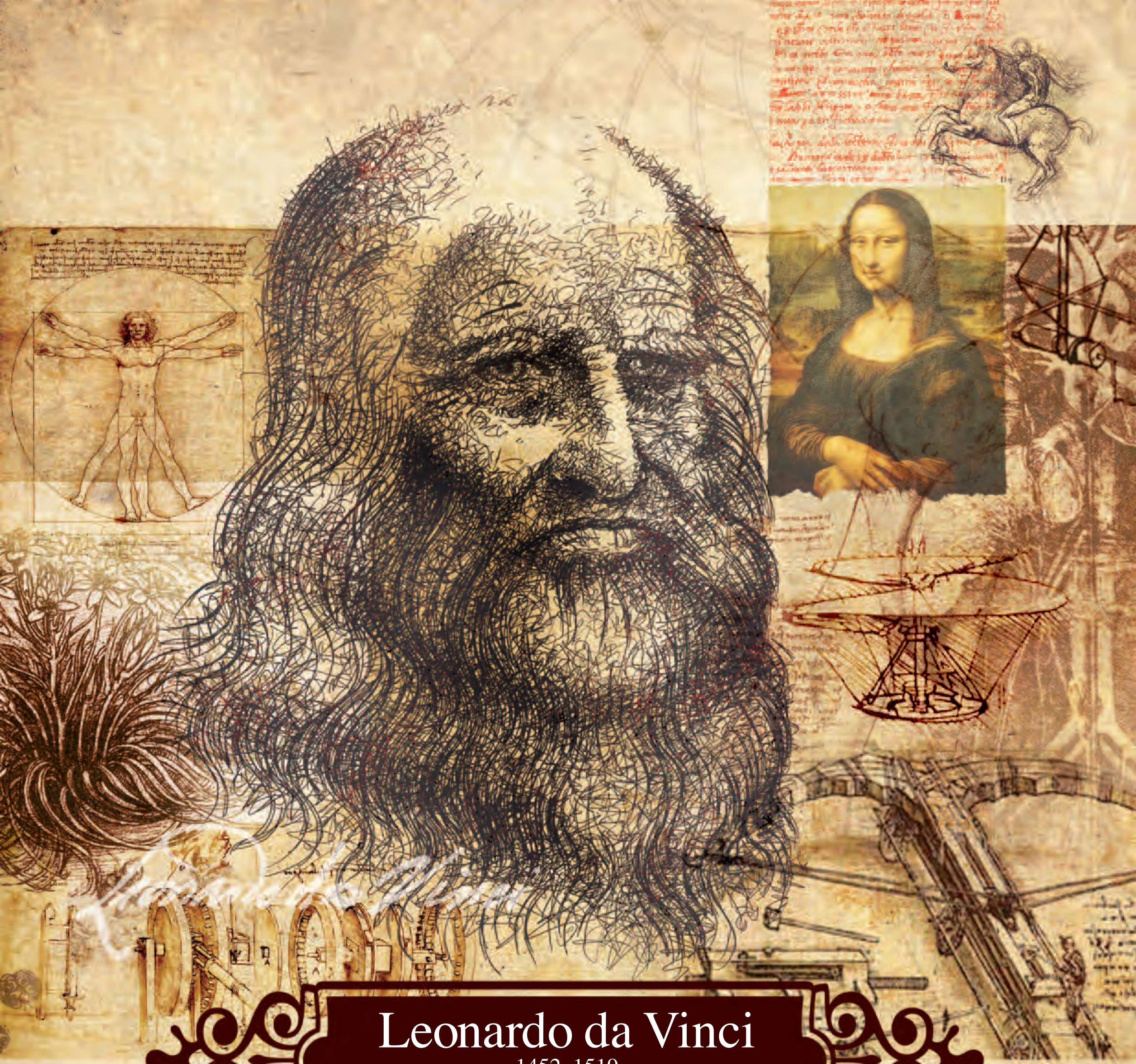
"To grow and enhance company value."

"To gain and maintain cost and quality leadership in the international competitive environment."

"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 to seek and support promising programs from non-profit entities especially in the fields of education, health and environment."

Contents



Leonardo da Vinci

1452–1519

True Master of the Craft

Leonardo da Vinci was one of the most diversely talented persons ever, who left an everlasting mark on the world scene. He was an Italian painter, inventor, sculptor, engineer, musician, and thinker; his genius epitomized the Renaissance humanist ideal. His notebooks reveal a spirit of scientific inquiry and a mechanical inventiveness that were centuries ahead of his time. His amazing powers of observation and skill as an illustrator enabled him to recreate the effects he saw in nature.

Crescent Steel & Allied Products draws inspiration from such men, who have because of their vision and farsightedness, inventions and discoveries, integrity and enthusiasm given us a beautiful world to live in.

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.

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

Ibn Sina

980–1037

The Powers of Healing

Ibn Sina (Avicenna), with his endeavors in human development, was one of the most influential Islamic philosopher-scientists. He laid the foundation of modern medicine; his book “ul-Qanum-fi’l-tibb” (The Canon of Medicine), the most famous medical textbook ever written, was used as the main medical text in most European universities during the period 1400-1600 AD. Ibn Sina has been described as possessing the mind of Goethe and the genius of da Vinci.

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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 arm's 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.

In addition the company operates an Energy Division through its 100% subsidiary Shakarganj Energy (Private) Limited.

Responsibility to Stakeholders

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

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

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

Service to Society

We are increasingly conscious of the role we have to play as responsible corporate citizens in fulfilling a wide variety of community needs.

We believe in "giving something back" by helping address issues such as education, healthcare, public safety, environmental health etc. This is also arising from our basic belief that individual entities when they work together can create powerful synergies and help to improve the conditions of the societies in which they are operating.

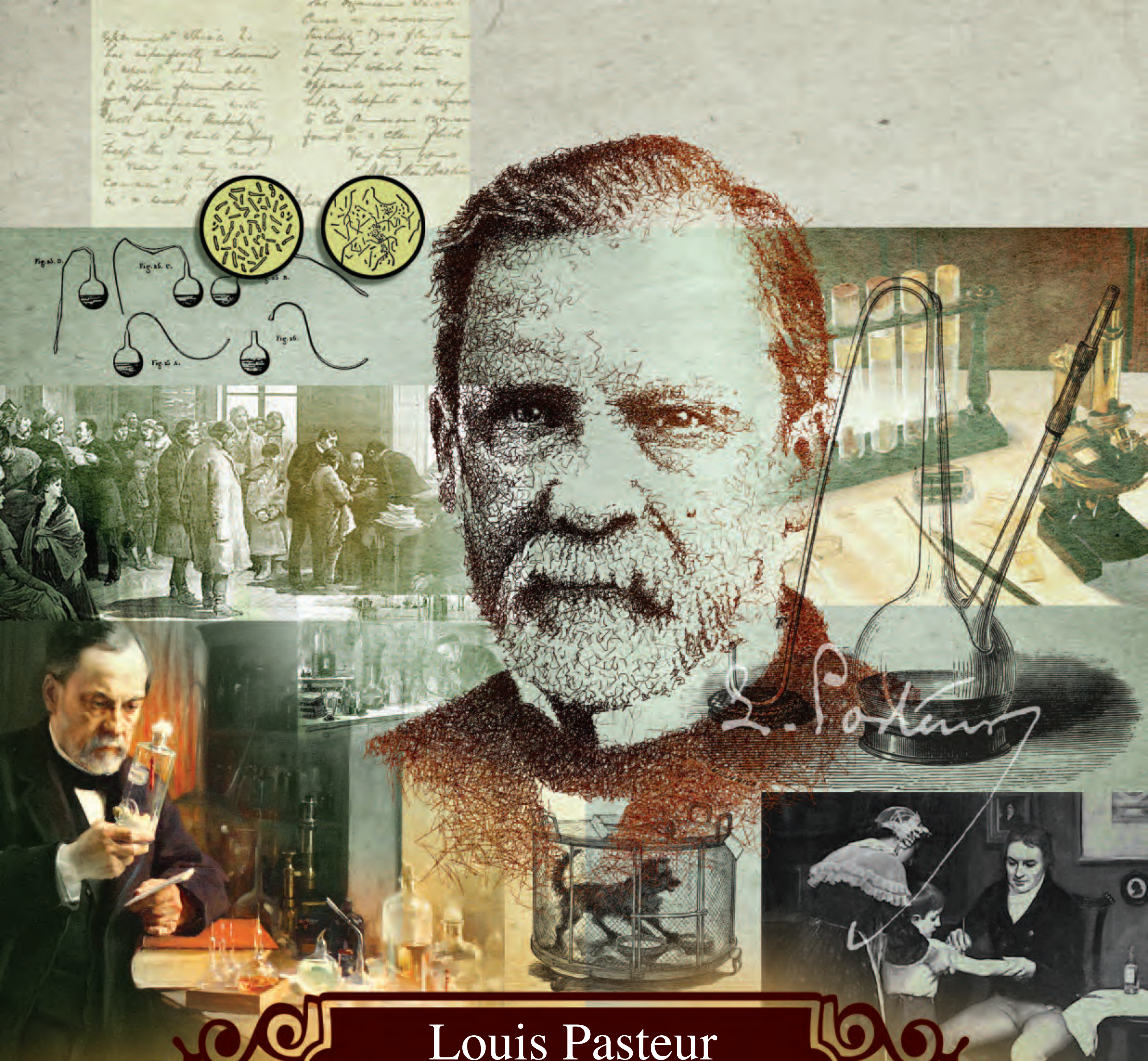
These principles are not just put forth on paper but we have over the years actively strived to promote issues of education, health and environment. Major portion of our budget for philanthropy and sponsorship is allocated to primary and secondary schooling for less privileged children.

Health, Safety 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. All our activities at all our locations are required to confirm to international standards for health and safety certified by ISO14001:2004 and OHSAS 18001:2007. 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.



Louis Pasteur

1822–1895

Immunizing the World

Pasteur's contributions to science, technology, and medicine are without precedent. He founded the science of microbiology and proved that fermentation and most infectious diseases are caused by micro-organisms, more commonly known as the "germ theory" of disease. Pasteur's discoveries and treatments helped save the French wine, beer and silk industries. He invented the process of pasteurization and also developed vaccines for several diseases including rabies and anthrax. He achieved the Legion of Honour award for his discoveries and contributions.

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Crescent Steel & Allied Products Ltd.

Company Infomation

BOARD OF DIRECTORS

Mazhar Karim	*Chairman, Non-Executive Director*
Ahsan M. Saleem	*Chief Executive & Managing Director*
Mohammad Anwar	*Non-Executive Director*
Muhammad Abdul Aleem	*Non-Executive Director (Independent)*
Nasir Shafi	*Non-Executive Director*
S.M. Ehtishamullah	*Non-Executive Director*
Syed Zahid Hussain	*Non-Executive Director (Independent)*
Zahid Bashir	*Non-Executive Director*
Muhammad Saad Thaniana	*Company Secretary*

AUDIT COMMITTEE

Muhammad Abdul Aleem	*Chairman*
Nasir Shafi	
S.M. Ehtishamullah	
Ernst & Young Ford Rhodes Sidat Hyder & Co. (Sharjeel Jamil Ahmed - Engagement Partner)	*Head of Internal Audit*

HUMAN RESOURCE COMMITTEE

Ahsan M. Saleem	*Chairman*
Nasir Shafi	

THE MANAGEMENT

Chief Executive &
Managing Director
Ahsan M. Saleem, 58
1983*

Chief Financial Officer
Muhammad Saad Thaniana, 44
2007*

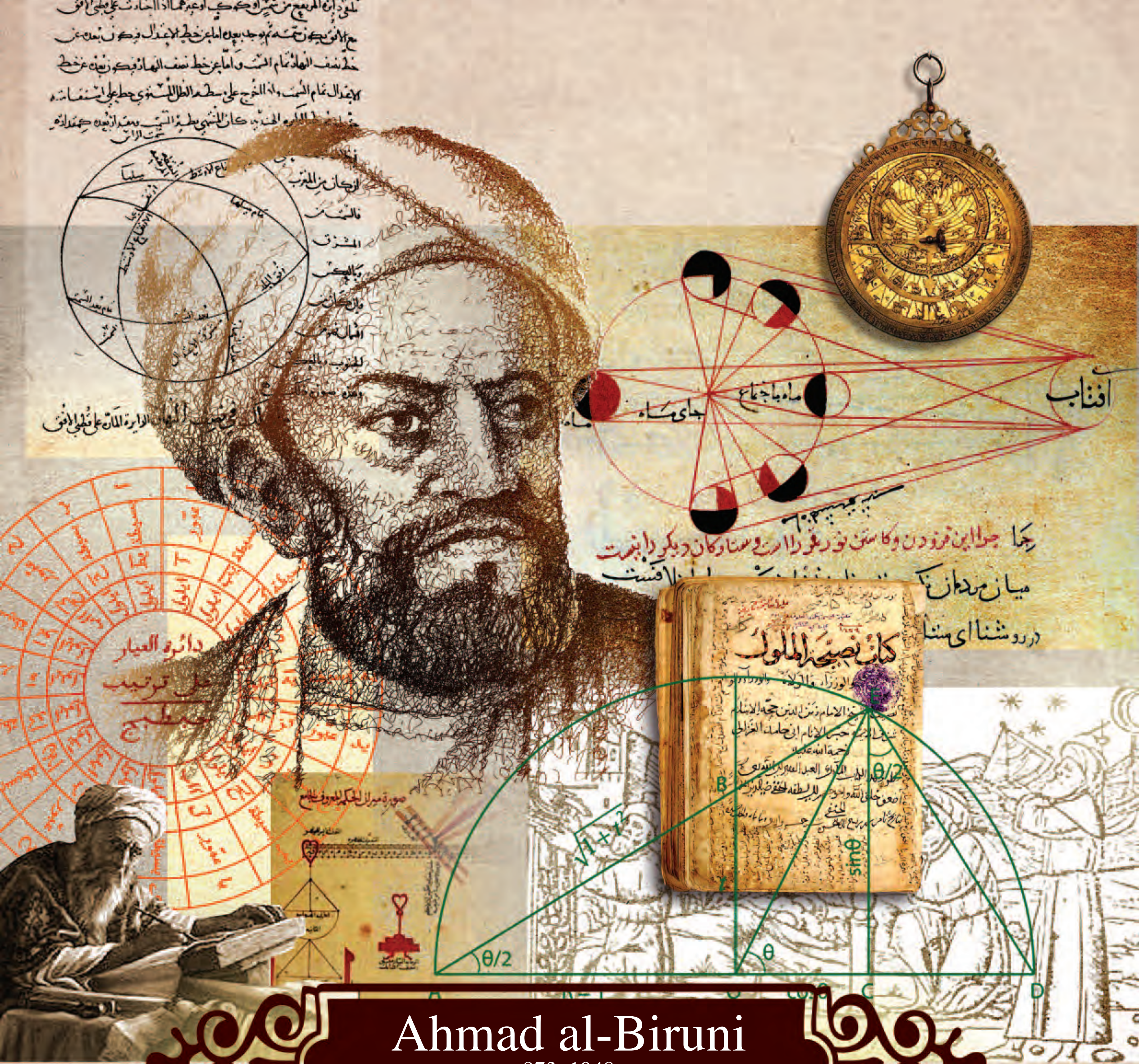
BU Head – Steel Division
Iqbal Zafar Siddiqui, 61
2008*

BU Head – Cotton Division
Abdul Rouf, 51
2000*

Human Resource Advisor
Ehsan Durrani, 63
2008*

Head of Marketing
Steel Division
Arif Raza, 49
1985*

* *Year joined Company*



Ahmad al-Biruni

973–1048

Worth his Weight in Gold

Al-Biruni was the first known man to experiment with astronomy. He gave precise details of the altitude of various well-known stars and determined the latitudes of many towns in Northern India and Kashmir. He was a careful observer and a leading exponent of the experimental method. Al-Biruni introduced techniques to measure the earth and distances on it, using triangulation. He found the radius of the earth to be 6339.6 km, a value not obtained in the West until the 16th century. He has made innumerable contributions within the fields of math and science.

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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 both 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, Heat Shrink Tape Coating on steel pipes ranging from 4" –60" (114 mm – 1,524 mm).

In the current year we added on pipe Internal Epoxy Coating facility which is capable of providing coating on steel linepipe in diameter range from 8"– 60" (219mm – 1,524mm) for water supply transmission and distribution system and gas flow efficiency. Further, during the year we diversified our product offering by adding capabilities to fabricate and erect machinery specially for sugar and cement industry. We have also developed capability for manufacturing of boilers, cane shredders upto dia 1,700mm, juice heaters, evaporators, batch and continuous vacuum pans, centrifugal machines, stainless steel spray

Thomas Alva Edison

1847–1931

Lighting our World

Edison got the chance to travel and gain experience when the 19th century brought about a communication revolution and rapid industrial expansion. The most prolific of inventors in history with 1,093 patents to his name, Edison's seemingly inexhaustible creativity gave birth to countless inventions and the age of electricity. Some of his inventions were the stock ticker, electric car, alkaline battery, electrical power, recorded music and motion pictures; his greatest challenge however, was the practical and economical use of the light bulb, lighting our world today.

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clusters and multijet condensers, perforated plates and vibro screens, and high voltage transformer tanks. Crescent Steel & Allied Products Ltd. maintains high quality norms in all its products and has consistently exceeded the requirements of international standards both in steel line pipe and multi-layer coatings and will continue to remain at the cutting edge in terms of technology, quality control and quality assurance.

Cotton Division

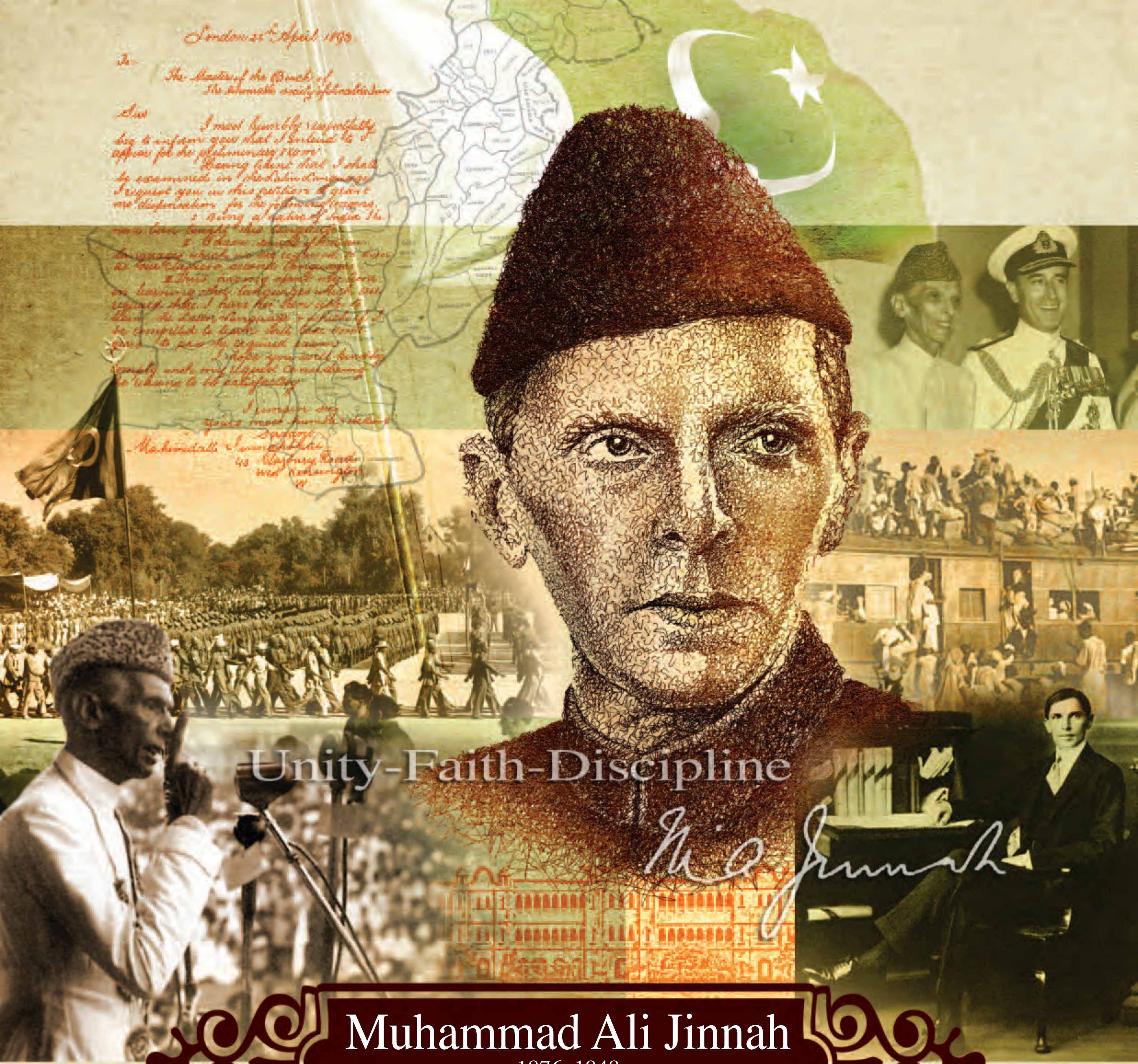
In the year 2000, the Company acquired a running cotton spinning mill located at Jaranwala near Faisalabad, which is the hub of textile industry and carries out this activity under the name and title of “Crescent Cotton Products” (CCP) a division of Crescent Steel and Allied Products Limited. CCP is a division of the Company but its operating results are shown separately. CCP as a division holds ISO 9001 : 2000 Quality Management Credential. CCP produces good quality cotton yarn of various counts from 10s to 100s 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

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.

Energy Division – Subsidiary Company Shakarganj Energy (Private) Limited

The company acquired a 100% stake in Shakarganj Energy (Private) Limited on 4 January 2010 to build, own, operate and maintain a bagasse fired thermal generation power plant. This company will generate, accumulate, distribute, sell and supply electricity to PEPCO and to other distribution companies under agreement with the Government of Pakistan or to any other company as permitted. This plant is under commissioning at Bhone.



Muhammad Ali Jinnah
1876–1948
Shaping Events to his Policies

Muhammad Ali Jinnah (Quaid-e-Azam) was the founder of Pakistan, the voice of one hundred million Muslims fighting oppression as minorities living in the subcontinent before the partition in 1947. Jinnah, a legend even in his lifetime, fought for civil rights, political representation, economic and social freedoms and ultimately succeeded in his goal of creating a Muslim state in the subcontinent. He significantly altered the course of history, modified the map of the world, created a nation state, yielded enormous power whilst remaining totally incorruptible. His powers of negotiation, charisma, integrity and his honesty combined with his consuming determination were the qualities which made him a great leader.

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Crescent Steel & Allied Products Ltd.

Corporate Strategy

The Country's economy is undergoing restoration of macro-economic stability which was put off-track by unprecedented natural disasters further compounded by the continuing structural imbalance in our economy. The economic recovery is further suffering as a result of volatility and fragility of the undergoing medium to long term reform process.

In these times, our corporate strategy is to focus on achieving growth and stabilizing efforts to enhance our Company's value through increase in revenue growth and financial efficiency by optimizing utilization of our assets and continuously lowering our cost base.

We continue to believe that the engine for growth in Pakistan is an expanded and efficient engineering sector. Our strategic thrust will be to expand in this area vertically as well as horizontally. We have strategic interest in the energy and food sectors. Our thrust is to expand and grow in these sectors as well.

For our investment in the textile sector, the focus will be on consolidating our position by reducing costs and improving productivity and optimizing available capacity to increase product offering.

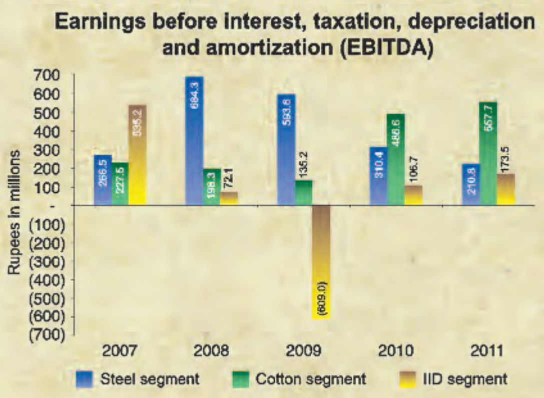
On the technology front, we plan to fully leverage our enterprise resource planning system in order to make our information processing more accurate and timely and to assist in strategic decision making.

Our people are our most valued assets and we believe that developing and retaining our human capital is at the heart of our Company's success.

Our operational strategy is focused on:

- Customer-driven company that stays close to customers in each of its markets
- Strong capital and financial position
- Conservative, sound risk management
- Disciplined expense control
- Ethical behavior, observing the letter and the spirit of rules and regulations

We realize that even the best written strategic plans are only as good as their execution. At CSAPL we use BSC tools for strategic execution.



Board of Directors

Mr. Mazhar Karim

Chairman (Non-Executive)

Joined Board
01 August 1983

Other Engagements

Chairman

- Shakarganj Mills Limited

Mr. Ahsan M. Saleem

Chief Executive Officer

Joined Board
01 August 1983

Other Engagements

Chairman

- Commecs Education Trust
- Commecs Institute of Business and Emerging Sciences

Chief Executive Officer

- Shakarganj Mills Limited

Director

- Pakistan Centre for Philanthropy
- The Citizens Foundation

Trustee

- Habib University Foundation

Mr. Mohammad Anwar

Director (Non-Executive)

(Nominee – Saudi Pak Industrial and Agriculture Investment Company Limited

Joined Board
17 September 2001

Other Engagements

Chief Executive Officer

- Saudi Pak Industrial and Agriculture Investment Company Limited

Director

- Equity International Limited

Board of Directors

Mr. Muhammad Abdul Aleem

FCA, FCMA

Director (Non-Executive, Independent)

Joined Board
22 May 2009

Other Engagements

Chairman

- Faysal Asset Management Limited

Director

- Dawood Hercules Chemicals Limited
- Meezan Bank Limited
- Pakistan Institute of Corporate Governance

Mr. Nasir Shafi

Director (Non-Executive)

Joined Board
01 August 1983

Other Engagements

Chief Executive Officer

- Crescent Bahuman Limited

Director

- The Crescent Textile Mills Limited

Mr. S.M. Ehtishamullah

FCA

Director (Non-Executive)

Joined Board
30 January 2000

Crescent Steel & Allied Products Ltd.

Board of Directors

Syed Zahid Hussain

Director (Non-Executive, Independent)

(Nominee – National Investment Trust Limited)

Joined Board
01 September 2010

Other Engagements

Director
- Nishat Mills Limited

Mr. Zahid Bashir

Director (Non-Executive)

Joined Board
01 August 1983

Other Engagements

Chaiman
- Equity Textile Mills Limited
- Mohammad Amin Mohammad Bashir Limited
- Premier Financial Services (Pvt) Limited
- Premier Insurance Co. of Pakistan Limited

Director
- Crescent Powertec Limited

Mr. Muhammad Saad Thaniana

FCA, ACMA,
Certified Director of Corporate Governance from PICG

Company Secretary & Chief Financial Officer

Joined Board
01 March 2008

Other Engagements

Chief Executive Officer
- Shakarganj Energy (Private) Limited

Director
- Safeway Mutual Fund Limited
- Shakarganj Food Products Limited

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 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 Resource Committees.

Audit Committee

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

Terms of Reference

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 system-wide internal audit function is in place, 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.

Number of Meetings

During the year four meetings were held.

Human Resource Committee

The Committee comprises two members including the Chief Executive as Chairman and a 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.

Terms of Reference

The terms of reference of the Committee includes the following:

- Guide and support the management in its HR initiatives and program direction,
- Guide and direct the management in the development and direction of new programs,
- Guide management in evaluation of reengineering initiatives,
- Guide management in setting goals and standards for maximum effectiveness of the total HR service delivery model and the whole HR Department,
- Provide guidance to management in HR strategic planning,
- Provide guidelines for formulation of policies in the areas of HR Management and HR Development including Compensation and Benefits and Performance Management etc.,
- Guide management to devise strategic Human Resource plan, and
- Ensure development of recruitment policy and procedures.

Crescent Steel & Allied Products Ltd.

Management Committees

Executive Committee

Chairman	Ahsan M. Saleem
	Iqbal Zafar Siddiqui
	Muhammad Saad Thaniana

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. Executive committee meets on quarterly basis. Terms of reference of the committee include the following:

- Prepare, approve and keep an updated long term plan.
- Provide guidelines to the Business Strategy Committee for medium and short term tactics.
- Discuss new ideas and new business lines, new product lines, new markets, and / or refer new opportunities and feasible ideas to another committee for refinement.
- To analyze current market situation with a view to maintain sustainable competitive advantage.
- To discuss in detail the plans of the Group and accordingly adjust the policies of the company to avoid any conflict.
- Analyze any group investment opportunities and refer to investment committee if required.

Business Strategy Committee

Chairman	Ahsan M. Saleem
	Abdul Rouf
	Arif Raza
	Iqbal Zafar Siddiqui
	Muhammad 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. The committee meets at least twice a year. The terms of reference include the following:

- Prepare, approve and recommend to the Board a framework of business strategy.
- To develop and approve medium term plan(s) to meet interim objectives and milestone for any long term project approved by the Executive Committee.
- Review the progress of different new projects of the company.
- Approve short term goals which will be qualitative and quantitative for different segments of the company.
- Review periodically the targets achieved and revise the operational targets if required.
- Review allocation of resources to different segments such as investments, core business etc.
- Gather information of the competitors' business and prepare an updated SWOT analysis of the company, to be submitted to the Executive Committee.

Management Committees

System and Technology Committee

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

The System and Technology Committee monitors the implementation of IT Strategy on a regular basis. It ensures that CSAPL stays current with the evolving new technologies and Information System Processes. The Committee prepares long term IT plan including fostering an IT culture at all levels. Terms of reference of the committee include the following:

- Guide the IS Department and Management in preparing the IT Strategy of the Company in a cost effective manner.
- Monitor the implementation of the IT Strategy on a regular basis.
- Ensure that CSAPL stays current with the evolving new technologies and the latest Information System Processes as applicable to the business and growth of CSAPL.
- Provide the basis for preparing long term IT plans while not losing sight of the immediate goals and objectives.
- Facilitate the promotion of IT Culture in the company at all levels. This has been done by traditional training interventions including company wide workshops at all levels.
- Assist the Board to ensure that the IT vision provided by the Board is manifested in the IT Strategy and its subsequent implementation

Investment Committee

Chairman	Ahsan M. Saleem
	Muhammad Saad Thaniana
	Mohammad Yamin

This Committee helps to maintain a balanced portfolio of investments and maximize returns while keeping risk at a desirable level. Terms of reference of the committee include the following:

- Determine the sector wise weightage of the portfolio based on market condition.
- Assess and monitor the risk associated to the portfolio.
- Review the performance of the investment and take decision relating to scrip wise entry and exit.

Social Investment Committee

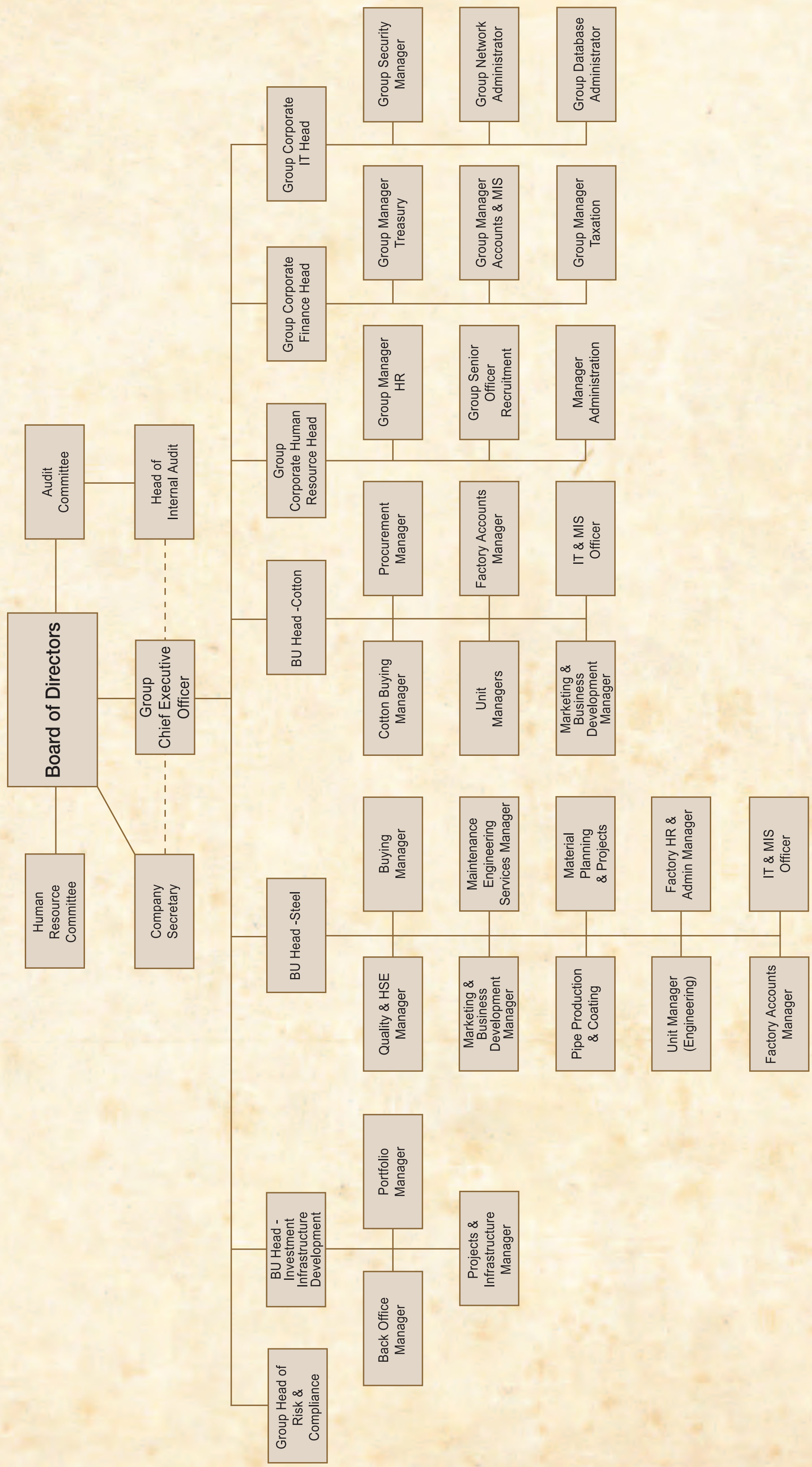
Chairman	Muhammad Saad Thaniana
	Abdul Rouf
	Iqbal Zafar Siddiqui

This Committee will review the distribution of charitable contribution in line with Company's Policy for donations, charities and contributions. Terms of reference of the committee include the following:

- Review and recommend any changes to Company's policy relating to Corporate Social Responsibility for the approval of BOD.
- Review and recommend the distribution of charitable contribution in line with the Corporate Social Responsibility policy.

Crescent Steel & Allied Products Ltd.

Management Structure / Organization Chart



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 shares are quoted in leading dailies under the Industrial metals and Mining Sector.

Public Information

Financial analysts, stock brokers, interested investors and financial media desiring information regarding the company should contact Mr. Muhammad Yousuf Imtiaz at the Company's Principal Office, Karachi. Telephone: 021-35674881-5
Email: yousuf.imtiaz@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 M/s CorpTec Associates (Private) Limited, 7/3-G, Mushtaq Ahmed Gurmani Road, Gulberg-II, Lahore.
Telephone: 042-35788097-98 Fax: 042-35755215
Email: info@corptech.com.pk

Products

Steel Division

Manufacturer of DSAW steel line pipes in diameters ranging from 8” to 90” and applicator of internal and external coating conforming to international standards.

Cotton Division

Manufacturer of quality cotton yarn of various counts of 10s to 100s.

Annual General Meeting

The 27th Annual General Meeting of Crescent Steel and Allied Products Limited will be held on Thursday, 15 September 2011 at 12:30 p.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

Allied Bank Limited
Barclays Bank PLC, Pakistan
Habib Metropolitan Bank Limited
HSBC Bank Middle East Limited
MCB Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited

Registered Office

10th Floor, BOP Tower, 10-B, Block E-2, Main Boulevard, Gulberg-III, Lahore.
Telephone: 042-35783801-2, 042-35783811

Liaison Office Lahore

10th Floor, BOP Tower, 10-B, Block E-2, Main Boulevard, Gulberg-III, Lahore.
Telephone: 042-35783801-4 Fax: 042-35870357
Email: ejaz@shakarganj.com.pk

Principal Office

9th Floor, Sidco Avenue Centre,
264 R.A. Lines, Karachi-74200.
Telephone: 021-35674881-5 Fax: 021-35680476
Email: arif.raza@crescent.com.pk

Factory – Steel Division

Pipe & Coating Plants

A/25, S.I.T.E., Nooriabad, District Jamshoro, Sindh.
Telephone: 025-4670020-2
Email: iqbal.siddiqui@crescent.com.pk

Engineering Unit

17 Km Summundri Road, Dalowal, District Faisalabad, Punjab.
Telephone: 041-2569825 Fax: 041-2569826

Mills – Cotton Division

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

Corporate Website

www.crescent.com.pk
All financial reports and other financial data is available under Investor Centre on the website.

As part of the Company's drive towards diversification of product range, the Cotton division added Compact Spinning System and SIRO and SLUB attachments to existing ring frames.

Crescent Steel & Allied Products Ltd.

Year in brief / Highlights of major events during the year

Performance

- The Company's results for the year display a strong overall performance and steady growth. In view of the steady performance throughout the year, interim cash dividends of 10% each were announced together with a final cash dividend of 15% making a total distribution of 35% (i.e. Rs. 3.5 per share) for the year.

- The Group generated record EBIDTA and profit before taxation and depreciation amounting to Rs. 1.2 billion and Rs. 995.2 million respectively for the year.

Developments

Steel Division

- The pipe coating capability of Steel line pipe was increased to 60" dia from 48" dia. The entire upgrades were carried out in-house by our engineering services team.

- The first order for internal epoxy coating of pipes was successfully completed under which approximately 50,613 square meters of coating was achieved.

Cotton Division

- As part of the Company's drive towards diversification of product range, the Cotton division added:
  - Compact Spinning System, enabling it to produce a compact yarn range from 16/s to 100/s.
  - SIRO and SLUB attachments to existing ring frames enabling the segment to produce fancy yarn.

- To further improve the quality of yarn, the Cotton division upgraded its drawing frames, installed a yarn conditioning machine and commissioned one of the world's premium yarn testing machine.

Information technology infrastructure

- As part of the Company's efforts towards continuous improvement, CSAPL migrated it's entire ERP system to cloud infrastructure to reap the benefits of on-demand scalability, high redundancy and maximum uptime while lowering overall operational costs.

Awards and accolades

Top 25 Companies Award (KSE)

- The Company was presented with the 'KSE Top 25 Companies Award' by the premier stock exchange of the Country for acknowledgment of its performance and growth.

Best Presented Accounts and Corporate Governance Disclosures Award 2009

- The Annual Report of the Company for the year 2009 secured Certificate of Merit in the manufacturing sector category in the 'Best Presented Accounts and Corporate Governance Disclosures Awards 2009' organized by the South Asian Federation of Accountants (SAFA).

Best Corporate Report Awards 2009 (ICAP and ICMAP)

- The Annual Report of the Company for the year 2009 secured 2nd position in the Engineering Sector of 'Best Corporate Report Awards 2009'.

Excellence Award for best Management and Decent work practices

- The Company also participated and has been nominated for 'Excellence Award for best Management & Decent work practices' by Employers Federation of Pakistan.

We became the first Pakistani company to have acquired oil and gas industry specifics ISO/TS 29001 and API Q1 management system certifications.

Crescent Steel & Allied Products Ltd.

Key Figures

Indicator	Unit	Trend	2011	2010
Sales revenue	(Rs. in millions)	Favourable / Increase	4,403	3,704
EBITDA	(Rs. in millions)	Favourable / Increase	942	904
Profit before taxation and depreciation	(Rs. in millions)	Favourable / Increase	787	771
Profit after taxation	(Rs. in millions)	Favourable / Increase	432	417
Earning per share (basic and diluted)	(Rupees)	Favourable / Increase	7.65	7.38
Price earning ratio	(Times)	No change	3.4	3.4
Cash dividend (including final proposed)	(Rupees per share)	Favourable / Increase	3.5	3.0
No. of ordinary shares in issue	(No. in millions)	No change	56.5	56.5
Capital expenditure	(Rs. in millions)	Favourable / Increase	114	35
Return on average capital employed	(%)	Favourable / Increase	21.8	21.0
Total assets	(Rs. in millions)	Unfavourable / Decrease	4,055	4,436
Current ratio	(Ratio)	Favourable / Increase	1.6:1	1.2:1
Shareholders' equity	(Rs. in millions)	Favourable / Increase	2,876	2,623
Break-up value per share	(Rupees)	Favourable / Increase	50.9	46.4

Legend

Favourable / Increase No change Unfavourable / Decrease

To further improve the quality of yarn, the Cotton segment upgraded its drawing frames, installed a yarn conditioning machine and commissioned one of the world's premium yarn testing machine.

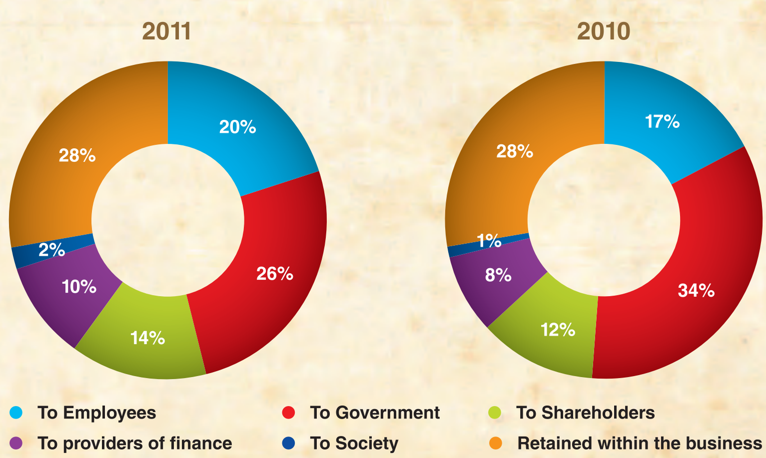
Crescent Steel & Allied Products Ltd.

Statement of Value Added
For the year ended 30 June 2011

	2011 Rupees in '000	%	2010 Rupees in '000	%
WEALTH GENERATED				
Total revenue	4,741,968	100%	4,131,189	100%
Bought-in-material and services	(3,355,947)	71%	(2,677,264)	65%
	1,386,021	29%	1,453,925	35%
WEALTH DISTRIBUTED				
To Employees				
Salaries, benefits and other costs	277,927	20%	242,295	17%
To Government				
Income tax, sales tax, custom duty, WWF and WPPF	360,336	26%	499,185	34%
To Shareholders				
Dividend*	197,610	14%	169,380	12%
To Providers of Finance				
Finance cost	143,172	10%	121,908	8%
To Society				
Donation towards education, health and environment	21,168	2%	18,280	1%
Retained within the business for future growth				
Depreciation, amortization and retained earnings	385,808	28%	402,877	28%
	1,386,021	100%	1,453,925	100%

* This includes final dividend recommended by the Board of Directors subsequent to year end.

Distribution of Wealth



For over two decades, CSAPL has been the industry leader in Pakistan in large diameter SAW steel pipes manufacturing and its anti-corrosion coatings. CSAPL has played a major role in developing the most extensive Natural Gas Pipeline network in the region consisting of more than 10,000 km of high pressure and 100,000 km of distribution Pipeline in Pakistan.

Crescent Steel &
Allied Products Ltd.

Vertical Analysis

	2011	%	2010	%	2009	%	2008	%	2007	%	2006	%
Balance Sheet (Rs. in million)												
Property, plant and equipment	1,021	25.2	1,061	23.9	1,225	31.5	1,233	25.4	1,307	27.8	1,381	37.2
Intangible assets	13	0.3	24	0.5	1	–	1	–	1	–	1	–
Investment property	40	1.0	45	1.0	47	1.2	50	1.0	–	–	–	–
Long term investments	1,169	28.8	1,185	26.7	900	23.1	1,280	26.4	1,259	26.8	485	13.1
Long term loans and deposits	15	0.4	3	0.1	4	0.1	4	0.1	5	0.1	6	0.2
Stores, spares and loose tools	66	1.6	73	1.6	84	2.2	77	1.6	49	1.0	36	1.0
Stock-in-trade	841	20.7	1,027	23.2	617	15.8	606	12.5	633	13.5	469	12.6
Trade debts	145	3.6	277	6.2	84	2.2	119	2.5	181	3.9	75	2.0
Loan and advances	104	2.6	55	1.2	40	1.0	25	0.5	83	1.8	221	5.9
Trade deposits and short term prepayments	6	0.1	6	0.1	6	0.2	2	–	5	0.1	3	0.1
Investments	491	12.1	464	10.5	655	16.9	1,408	29.1	1,041	22.2	827	22.3
Current portion of long term investments	24	0.6	17	0.4	36	0.9	–	–	–	–	–	–
Mark-up accrued	3	0.1	1	–	1	–	2	–	2	–	9	0.2
Other receivables	60	1.5	25	0.6	161	4.1	32	0.7	73	1.6	169	4.5
Taxation - net	41	1.0	19	0.4	28	0.7	–	–	20	0.4	17	0.5
Cash and bank balances	17	0.4	154	3.6	4	0.1	8	0.2	37	0.8	16	0.4
Total assets	**4,056**	**100.0**	**4,436**	**100.0**	**3,893**	**100.0**	**4,847**	**100.0**	**4,696**	**100.0**	**3,715**	**100.0**
Issued, subscribed and paid-up capital	565	13.9	565	12.7	565	14.5	513	10.6	467	9.9	350	9.4
Capital reserves	353	8.7	362	8.2	371	9.5	371	7.7	792	16.9	316	8.5
Revenue reserves	1,959	48.3	1,696	38.2	1,393	35.8	2,110	43.5	1,941	41.3	1,372	36.9
Shareholders' equity	**2,877**	**70.9**	**2,623**	**59.1**	**2,329**	**59.8**	**2,994**	**61.8**	**3,200**	**68.1**	**2,038**	**54.8**
Long term loan	–	–	–	–	56	1.4	168	3.5	280	6.0	393	10.6
Redeemable capital	–	–	–	–	–	–	–	–	74	1.6	148	4.0
Liabilities against assets subject to finance lease	15	0.4	–	–	–	–	–	–	–	–	8	0.2
Deferred taxation	51	1.3	72	1.6	100	2.6	112	2.3	65	1.4	2	0.1
Trade and other payables	370	9.1	871	19.6	374	9.6	241	5.0	435	9.3	230	6.2
Mark-up accrued	24	0.6	34	0.8	19	0.5	20	0.4	16	0.3	20	0.5
Short term borrowings	707	17.4	780	17.6	903	23.2	1,119	23.1	433	9.2	739	19.9
Current portion of long term loan	–	–	56	1.3	112	2.9	112	2.3	112	2.4	56	1.5
Current portion of redeemable capital	–	–	–	–	–	–	75	1.5	75	1.6	75	2.0
Current portion of liabilities against assets subject to finance lease	12	0.3	–	–	–	–	–	–	6	0.1	6	0.2
Taxation - net	–	–	–	–	–	–	6	0.1	–	–	–	–
Total equity and liabilities	**4,056**	**100.0**	**4,436**	**100.0**	**3,893**	**100.0**	**4,847**	**100.0**	**4,696**	**100.0**	**3,715**	**100.0**
Profit and Loss Account (Rs. in million)												
Sales - net	4,403	100.0	3,704	100.0	3,311	100.0	4,200	100.0	2,950	100.0	1,707	100.0
Cost of sales	3,593	81.6	2,887	77.9	2,597	78.4	3,304	78.7	2,440	82.7	1,567	91.8
Gross profit	**810**	**18.4**	**817**	**22.1**	**714**	**21.6**	**896**	**21.3**	**510**	**17.3**	**140**	**8.2**
Income from / (loss on) investments - net	189	4.3	172	4.6	(338)	(10.2)	74	1.8	411	13.9	333	19.5
Distribution and selling expenses	39	0.9	27	0.7	17	0.5	15	0.4	13	0.4	15	0.9
Administrative expenses	157	3.6	159	4.3	127	3.8	136	3.2	133	4.5	104	6.1
Other operating expenses	68	1.5	101	2.7	332	10.0	110	2.6	126	4.3	22	1.3
Other operating income	34	0.8	18	0.5	39	1.2	20	0.5	107	3.6	25	1.5
Operating profit / (loss) before finance costs	**769**	**17.5**	**720**	**19.5**	**(61)**	**(1.7)**	**729**	**17.4**	**756**	**25.6**	**357**	**20.9**
Finance costs	143	3.2	122	3.3	204	6.2	153	3.6	128	4.3	83	4.9
Share of profit / (loss) in equity accounted investees - net of taxation	–	–	–	–	–	–	51	1.2	99	3.4	(12)	(0.7)
Profit / (loss) before taxation	**626**	**14.3**	**598**	**16.2**	**(265)**	**(7.9)**	**627**	**15.0**	**727**	**24.7**	**262**	**15.3**
Taxation	194	4.4	181	4.9	135	4.1	211	5.0	64	2.2	3	0.2
Profit / (loss) after taxation	**432**	**9.9**	**417**	**11.3**	**(400)**	**(12.0)**	**416**	**10.0**	**663**	**22.5**	**259**	**15.1**

* **Note:** The figures presented in this analysis for the financial years ended 30 June 2011, 2010 and 2009 are those based on the Company's separate financial statements (please refer to note2.1 to the financial statements for further information.) The figures presented for the financial years prior to 2009 are based on the Company's individual financial statements as published in the annual reports in those respective years.

Our Cotton segment has a capacity of 45,024 working spindles. By using state of the art machines and high quality raw material coupled with expert manpower, we produce high-quality carded and combed cotton yarns, with count ranging from Ne 6/1 to Ne 100/1, suitable for the most sophisticated, high-speed weaving machines and for quality knitting.

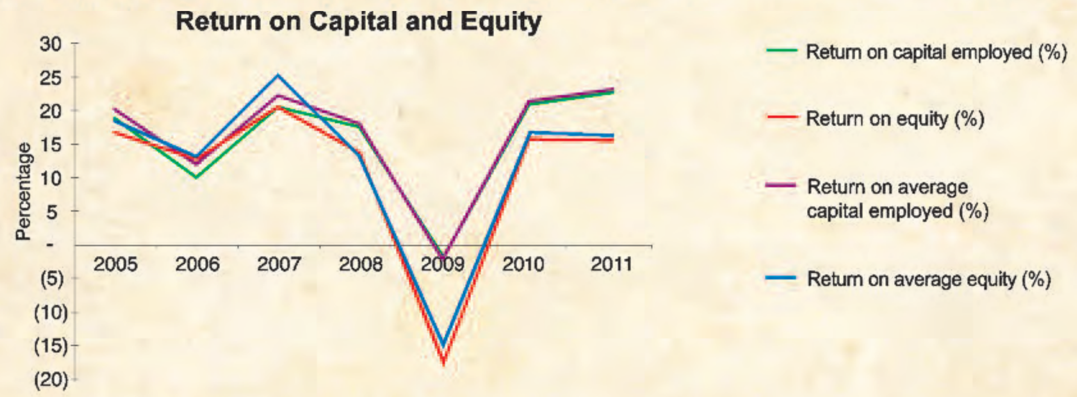
Horizontal Analysis

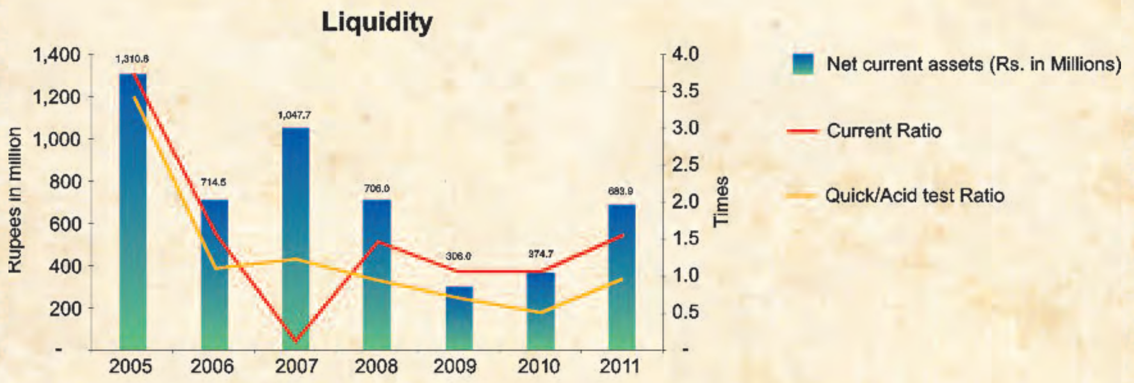
	2011	%	2010	%	2009	%	2008	%	2007	%	2006	%
Balance Sheet (Rs. in million)												
Property, plant and equipment	1,021	(3.8)	1,061	(13.4)	1,225	(0.6)	1,233	(5.7)	1,307	(5.4)	1,381	212.4
Intangible assets	13	(45.8)	24	2,300.0	1	–	1	–	1	–	1	(80.0)
Investment property	40	(11.1)	45	(4.3)	47	(6.0)	50	100.0	–	–	–	–
Long term investments	1,169	(1.4)	1,185	31.7	900	(29.7)	1,280	1.7	1,259	159.6	485	43.1
Long term loans and deposits	15	400.0	3	(25.0)	4	–	4	(20.0)	5	(16.7)	6	50.0
Stores, spares and loose tools	66	(9.6)	73	(13.1)	84	9.1	77	57.1	49	36.1	36	2.9
Stock-in-trade	841	(18.1)	1,027	66.5	617	1.8	606	(4.3)	633	35.0	469	141.8
Trade debts	145	(47.7)	277	229.8	84	(29.4)	119	(34.3)	181	141.3	75	(43.2)
Loan and advances	104	89.1	55	37.5	40	60.0	25	(69.9)	83	(62.4)	221	1,281.3
Trade deposits and short term prepayments	6	–	6	–	6	200.0	2	(60.0)	5	66.7	3	(25.0)
Investments	491	5.8	464	(29.2)	655	(53.5)	1,408	35.3	1,041	25.9	827	(28.9)
Current portion of long term investments	24	41.2	17	(52.8)	36	100.0	–	–	–	–	–	–
Mark-up accrued	3	200.0	1	–	1	(50.0)	2	–	2	(77.8)	9	80.0
Other receivables	60	140.0	25	(84.5)	161	403.1	32	(56.2)	73	(56.8)	169	2.4
Taxation - net	41	115.8	19	(32.1)	28	100.0	–	(100.0)	20	17.6	17	30.8
Cash and bank balances	17	(89.0)	154	3,750.0	4	(50.0)	8	(78.4)	37	131.3	16	(69.8)
Total assets	**4,056**	**(8.6)**	**4,436**	**13.9**	**3,893**	**(19.7)**	**4,847**	**3.2**	**4,696**	**26.4**	**3,715**	**44.6**
Issued, subscribed and paid-up capital	565	–	565	–	565	10.1	513	9.9	467	33.4	350	44.0
Capital reserves	353	(2.5)	362	(2.4)	371	–	371	(53.2)	792	150.6	316	(75.6)
Revenue reserves	1,959	15.5	1,696	21.8	1,393	(34.0)	2,110	8.7	1,941	41.5	1,372	326.1
Shareholders' equity	**2,877**	**9.7**	**2,623**	**12.6**	**2,329**	**(22.2)**	**2,994**	**(6.4)**	**3,200**	**57.0**	**2,038**	**9.5**
Long term loan	–	–	–	(100.0)	56	(66.7)	168	(40.0)	280	(28.8)	393	100.0
Redeemable capital	–	–	–	–	–	–	–	(100.0)	74	(50.0)	148	(33.3)
Liabilities against assets subject to finance lease	15	100.0	–	–	–	–	–	–	–	(100.0)	8	(42.9)
Deferred taxation	51	(29.2)	72	(28.0)	100	(10.7)	112	72.3	65	3,150.0	2	(50.0)
Trade and other payables	370	(57.5)	871	132.9	374	55.2	241	(44.6)	435	89.1	230	3.6
Mark-up accrued	24	(29.4)	34	78.9	19	(5.0)	20	25.0	16	(20.0)	20	42.9
Short term borrowings	707	(9.4)	780	(13.6)	903	(19.3)	1,119	158.4	433	(41.4)	739	420.4
Current portion of long term loan	–	(100.0)	56	(50.0)	112	–	112	–	112	100.0	56	100.0
Current portion of redeemable capital	–	–	–	–	–	(100.0)	75	–	75	–	75	–
Current portion of liabilities against assets subject to finance lease	12	100.0	–	–	–	–	–	(100.0)	6	–	6	(62.5)
Taxation - net	–	–	–	–	–	(100.0)	6	100.0	–	–	–	–
Total equity and liabilities	**4,056**	**(8.6)**	**4,436**	**13.9**	**3,893**	**(19.7)**	**4,847**	**3.2**	**4,696**	**26.4**	**3,715**	**44.6**
Profit and Loss Account (Rs. in million)												
Sales - net	4,403	18.9	3,704	11.9	3,311	(21.2)	4,200	42.4	2,950	72.8	1,707	(36.5)
Cost of sales	3,593	24.5	2,887	11.2	2,597	(21.4)	3,304	35.4	2,440	55.7	1,567	(32.3)
Gross profit	**810**	**(0.9)**	**817**	**14.4**	**714**	**(20.3)**	**896**	**75.7**	**510**	**264.3**	**140**	**(62.4)**
Income from / (loss on) investments - net	189	9.9	172	150.9	(338)	(556.8)	74	(82.0)	411	23.4	333	89.2
Distribution and selling expenses	39	44.4	27	58.8	17	13.3	15	15.4	13	(13.3)	15	25.0
Administrative expenses	157	(1.3)	159	25.2	127	(6.6)	136	2.3	133	27.9	104	8.3
Other operating expenses	68	(32.7)	101	(69.6)	332	201.8	110	(12.7)	126	472.7	22	(68.6)
Other operating income	34	88.9	18	(53.8)	39	95.0	20	(81.3)	107	328.0	25	(71.6)
Operating profit / (loss) before finance costs	**769**	**6.8**	**720**	**1,280.3**	**(61)**	**(108.4)**	**729**	**(3.6)**	**756**	**111.8**	**357**	**(22.1)**
Finance costs	143	17.2	122	(40.2)	204	33.3	153	19.5	128	54.2	83	88.6
Share of profit / (loss) in equity accounted investees - net of taxation	–	–	–	–	–	(100.0)	51	(48.5)	99	925.0	(12)	40.0
Profit / (loss) before taxation	**626**	**4.7**	**598**	**325.7**	**(265)**	**(142.3)**	**627**	**(13.8)**	**727**	**177.5**	**262**	**(33.5)**
Taxation	194	7.2	181	34.1	135	(36.0)	211	229.7	64	2,033.3	3	(96.3)
Profit / (loss) after taxation	**432**	**3.6**	**417**	**204.3**	**(400)**	**(196.2)**	**416**	**(37.3)**	**663**	**156.0**	**259**	**(17.0)**

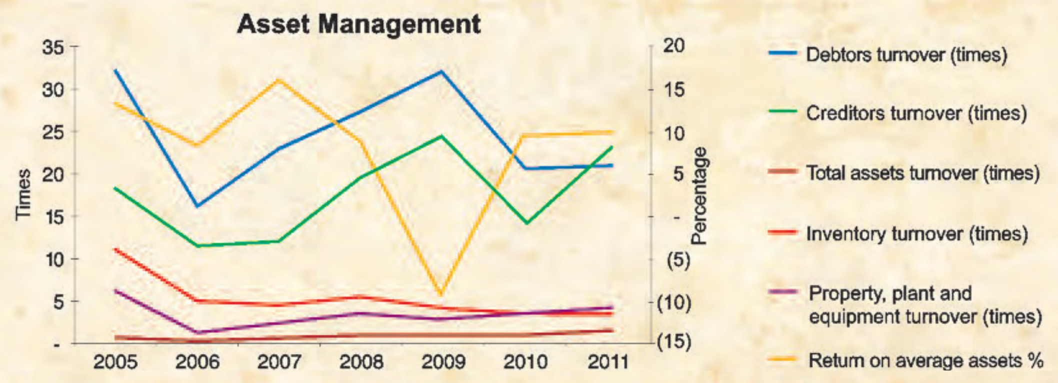
* **Note:** The figures presented in this analysis for the financial years ended 30 June 2011, 2010 and 2009 are those based on the Company's separate financial statements (please refer to note2.1 to the financial statements for further information.) The figures presented for the financial years prior to 2009 are based on the Company's individual financial statements as published in the annual reports in those respective years.

Crescent Steel &
Allied Products Ltd.

Performance Indicators





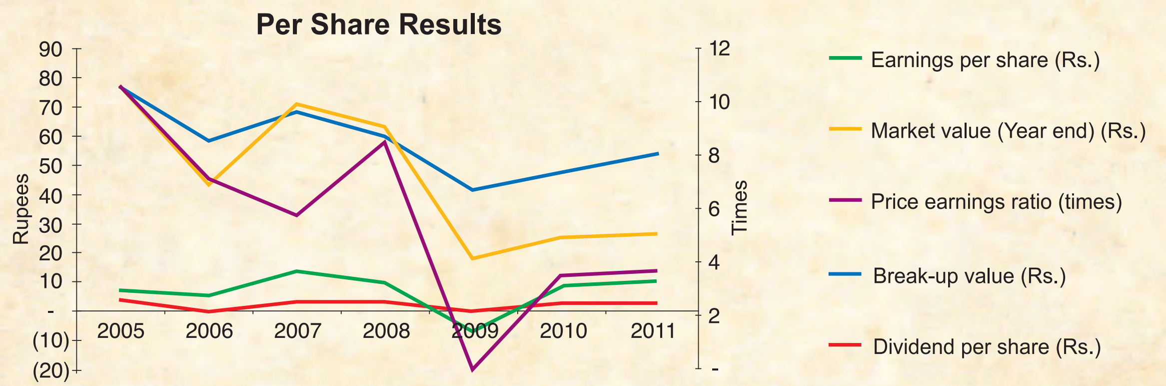


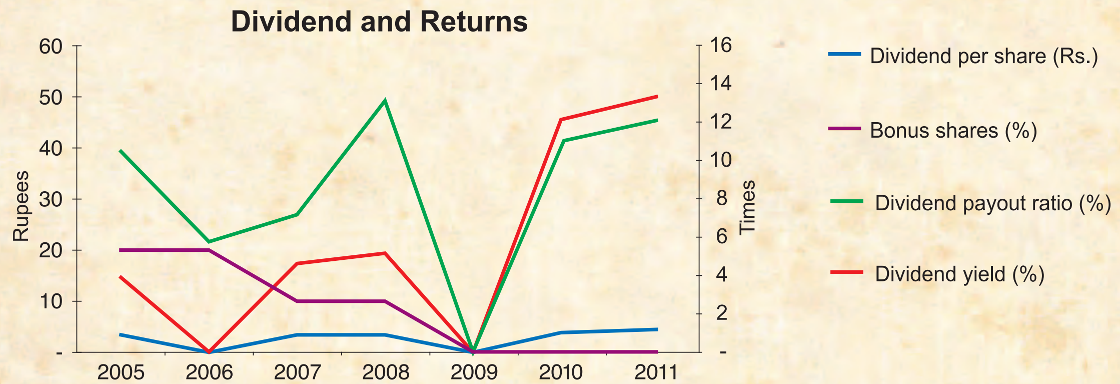
Performance Indicators

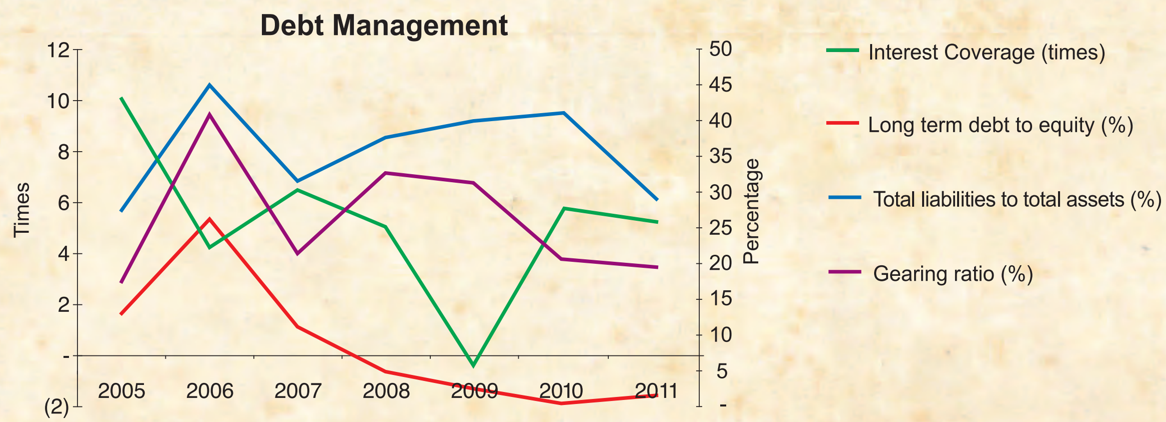
	2011*	2010*	2009*	2008	2007	2006	2005
PERFORMANCE INDICATORS							
A - Profitability Ratios							
Earnings before interest, taxation, depreciation and amortization (EBITDA) (Rs. in millions)	942.1	903.9	120.1	954.7	1,029.2	444.8	522.7
Profit / (loss) before taxation and deprecation (Rs. in millions)	787.1	771.5	(85.0)	801.4	899.9	359.9	476.9
Gross profit ratio (%)	18.4	22.1	21.6	21.3	17.3	8.2	13.8
Operating profit / (loss) margin to sales (net) (%)	17.5	19.4	(1.8)	17.4	25.6	20.9	17.0
Net profit / (loss) margin to sales (net) (%)	9.8	11.2	(12.0)	9.9	22.5	15.2	11.6
EBITDA margin to sales (net) (%)	21.4	24.4	3.6	22.7	34.9	26.1	19.5
Operating leverage ratio	0.4	(108.5)	5.1	(0.2)	2.0	0.6	0.3
Return on equity (%)	15.0	15.9	(17.1)	13.9	20.7	12.7	16.8
Return on average equity (%)	15.7	16.8	(15.0)	13.4	25.3	13.3	18.5
Return on capital employed (RoCE) (%)	21.3	20.8	(1.8)	17.4	20.5	10.0	18.8
Return on average capital employed (%)	21.8	21.0	(1.5)	18.0	22.4	11.9	20.2
Return on average assets (%)	10.2	10.0	(9.1)	8.7	15.8	8.3	13.0
B - Liquidity Ratios							
Current ratio	1.6 : 1	1.2 : 1	1.2 : 1	1.4 : 1	2 : 1	1.6 : 1	3.8 : 1
Quick / Acid-test ratio	0.9 : 1	0.6 : 1	0.8 : 1	1.1 : 1	1.4 : 1	1.2 : 1	3.4 : 1
Cash to current liabilities (%)	(49.8)	(28.7)	(45.8)	(52.7)	2.4	(13.6)	6.6
Cash flows from operations to sales (%)	2.5	12.2	10.1	13.5	16.5	(5.2)	7.0
Working capital (Net current assets)	683.9	374.7	308.0	706.0	1,047.7	714.5	1,310.6
Working capital turnover (times)	8.3	10.9	6.5	4.8	3.3	1.7	2.2
C - Activity / Turnover Ratios							
Debtors turnover ratio (times)	20.9	20.5	32.7	28.0	23.0	16.5	31.9
No. of days in receivables / Average collection period (days)	17	18	11	13	16	22	11
Inventory turnover ratio (times)	3.8	3.5	4.2	5.3	4.4	4.7	10.6
No. of days in inventory (days)	95	104	86	68	82	77	34
Creditors turnover ratio (times)	23.1	14.1	24.6	19.7	11.5	11.3	17.8
No. of days in creditors / Average payment period (days)	16	26	15	19	32	32	20
Property, plant and equipment turnover (times)	4.3	3.5	2.7	3.4	2.3	1.2	6.1
Total assets turnover (times)	1.1	0.8	0.9	0.9	0.6	0.5	1.0
Operating cycle (days)	97	96	82	63	66	67	2

Crescent Steel & Allied Products Ltd.

Performance Indicators







Performance Indicators

	2011*	2010*	2009*	2008	2007	2006	2005
PERFORMANCE INDICATORS							
D - Investment / Market Ratios							
Basic and diluted earnings / (loss) per share (Rs.) **	7.64	7.38	(7.06)	7.36	12.10	6.10	7.30
Price earnings ratio (times)	3.4	3.4	–	8.4	5.9	7.1	10.5
Dividend yield (%) ***	13.4	12.0	–	4.9	4.2	–	3.9
Dividend payout ratio (%) ***	45.8	40.7	–	49.4	28.2	22.4	38.9
Dividend cover ratio (times) ***	2.2	2.5	–	2.5	4.0	–	2.4
Cash dividend (Rs. in millions) ***	197.6	169.4	–	154.0	140.0	–	72.9
Cash dividend per share (Rs.) ***	3.5	3.0	–	3.0	3.0	–	3.0
Stock dividend / Bonus shares (Rs. in millions) ***	–	–	–	51.3	46.7	58.3	48.6
Stock dividend / Bonus shares (%) ***	–	–	–	10	10	20	20
Market value per share (at the end of the year) (Rs.)	26.1	25.1	18.0	61.7	71.0	43.5	77.0
- Lowest during the year (Rs.)	23.8	18.0	13.0	58.0	32.0	37.0	64.0
- Highest during the year (Rs.)	31.7	34.0	61.0	108.0	72.0	90.0	100.0
Break-up value per share (Rs.)	50.9	46.4	41.2	58.4	68.5	58.2	76.6
E - Capital Structure Ratios							
Financial leverage ratio (%)	25.5	31.9	46.0	49.2	30.6	69.9	25.2
Long term debt to equity ratio (%)	0.5	–	2.4	5.6	11.1	26.9	12.7
Long term debt : Equity ratio	1 : 99	0 : 100	2 : 98	5 : 95	10 : 90	21 : 79	11 : 89
Total liabilities to total assets (%)	29.1	40.9	40.2	38.2	31.8	45.1	27.6
Gearing ratio (%)	20.0	20.7	31.4	32.9	22.8	40.9	18.3
Interest coverage (times)	5.4	5.9	(0.3)	5.1	6.7	4.2	10.0

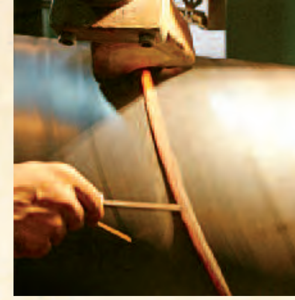
Notes:

* The figures presented in this analysis for the financial years ended 30 June 2011, 2010 and 2009 are those based on the Company's separate financial staements (please refer to note 2.1 to the financial statements for further information). The figures presented for the financial years prior to 2009 are based on the Company's individual financial statements as published in the annual reports in those respective years.

** The basic and diluted earnings / (loss) per share for prior years have been restated to take into account the issue of bonus shares in the financial years ended 2008, 2007, 2006 and 2005.

*** This includes declaration of final cash dividend and issue of bonus shares recommended by the Board of Directors subsequent to year end.

We maintain the highest standards of Health, Safety 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 has always been our prime goal.



Crescent Steel &
Allied Products Ltd.

Directors' Report

The Directors of the Company have pleasure in submitting their report together with audited financial statements of the Company for the year ended 30 June 2011.

Operating Results

The financial results of the Company are summarized below:

		2011	2010
		(Rupees in '000)	
Profit for the year		625,910	597,513
Taxation		(194,121)	(180,966)
Profit after taxation		431,789	416,547
Unappropriated loss brought forward		(145,690)	(449,317)
		(286,099)	(32,770)
Appropriations:			
- Final dividend	2010 - @10%	(56,460)	–
- First interim dividend	2011 - @10%	(56,460)	(56,460)
- Second interim dividend	2011 - @10%	(56,460)	(56,460)
		(169,380)	(112,920)
Unappropriated profit / (loss) carried forward		116,719	(145,690)
Basic and diluted earnings per share		Rs.7.65	Rs.7.38

The Board of Directors in their meeting held on 28 July 2011 has proposed a final cash dividend for the year ended 30 June 2011 of Rs. 1.5 per share (i.e. 15%) amounting to Rs. 84.690 million. This is in addition to the first and second interim cash dividends of Re. 1 per share (i.e. 10%) each, making a total distribution of Rs. 3.5 per share (i.e. 35%). The approval of the members for the dividend shall be obtained at the Annual General Meeting to be held on 15 September 2011. These financial statements do not include the effect of this proposed final cash dividend.

Statement on corporate and financial reporting framework

- These financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.

During the year, Unit-I and Unit-II of the Cotton segment operated for 247 days and 347 days and produced 10.5 million Lbs and 7.2 million Lbs yarn of mixed count respectively.

- A robust internal control system is in place which is continuously monitored by the internal audit function 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 changes in the Company's operations during the current year as compared to the last year and significant plans and decisions for the future prospects of profits are stated in the Chief Executive's Review on page 43.
- Key operating and financial data for last six years in summarized form is given on page 71 & 161.
- Information regarding taxes and levies is given in the notes to the financial statements.
- The number of employees at the end of the year was 1,165 (2010: 1,222).
- The following is the value of investments of the following funds based on the audited financial statements for the year ended 31 December 2009:

- Gratuity fund	Rs. 27.882 million
- Pension fund	Rs. 108.774 million
- Provident fund	Rs. 87.608 million
- CCP Provident fund (unaudited financial statements)	Rs. 11.177 million

- During the year four meetings of the Board Directors were held and the attendance by each director is given on page 73.

Pattern of shareholding and shares traded

The pattern of shareholding and additional information regarding pattern of shareholding is given on page 237. No trading in the shares of the Company was carried out by the Directors, the Chief Executive Officer, the Chief Financial Officer and the Company Secretary and their spouse(s) and minor children except the following:

Mr. Ahsan M. Saleem, the Chief Executive Officer, has purchased 42,500 shares during the year which has been duly reported as per the law.

Changes in the Board of Directors

During the year, NIT Nominee Director Mr. Javed Iqbal resigned from the Board on 4 August 2010 and Mr. Syed Zahid Hussain was appointed in his place with effect from 1 September 2010.

Financial statements

As required under listing regulation 37 (xxiv) of the Karachi Stock Exchange, the Chief Executive Officer and the Chief Financial Officer present the financial statements, duly endorsed under their respective signatures,

The first order for internal epoxy coating of pipes was successfully completed during the year under which approximately 50,613 square meters of coating was achieved.

for consideration and approval of the Board of Directors and the Board, after consideration and approval, authorize the signing of the financial statements for issuance and circulation.

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 Committee and the Board of Directors of the Company have endorsed their appointment for shareholders' consideration at the forthcoming Annual General Meeting.

Chief Executive's Review

The Directors endorse the contents of the Chief Executive's Review for the year ended 30 June 2011 which contains the state of the Company's affairs, operational performance, future prospects of profits and other requisite information. The contents of the said review shall be read along with this report and shall form an integral part of the Director's Report in terms of section 236 of the Companies Ordinance, 1984 and the requirements of the Code of Corporate Governance under the Listing Regulations of the Stock Exchanges.

By order of the Board

Ahsan M. Saleem
Chief Executive Officer
28 July 2011

Sales revenue was at Rs. 4,403 million for FY11 as compared to Rs. 3,704 million in FY10.

Chief Executive's Review

Dear Shareholders,

I have pleasure in presenting the Annual Report of your company alongwith audited Financial Statements (Separate and Consolidated) for the year ended 30 June 2011.

Economic Outlook

The fiscal year 2010-11 started with an expectation to build on the modest recovery shown in 2009-10 and by projecting the growth in real GDP to 4.5% from 3.8% of last year. The overall objective of restoration of macro-economic stability was put off-track by unprecedented disaster due to floods. The impact was further compounded by the continuing structural imbalance in our economy. The economy which over the years has shown resilience against successive crisis came to a breaking point where the continuing weaknesses and perennial challenges were further exposed indicating volatility and fragility of the reform process in the medium to long term.

Going forward in fiscal year 2011-12 real GDP is expected to grow by 4.2% against revised estimates of 2.4% for 2010-11. The total outlay of budget and the size of Public Sector Development Programme (PSDP) for 2011-12 is Rs. 2,767 billion and Rs. 730 billion respectively.

Financial and Operational Performance

Overall financial performance

The Company's after tax profit for the year ended 30 June 2011 (FY11) stood at Rs. 432 million as compared to Rs. 417 million in the last year. EPS for the current year stood at Rs. 7.65 as compared to Rs. 7.38 in last year.

On Group basis (including the results of the wholly owned subsidiary company Shakarganj Energy (Private) Limited (SEL)), consolidated profit after taxation for the year amounted to Rs. 640 million and EPS stood at Rs. 11.33.

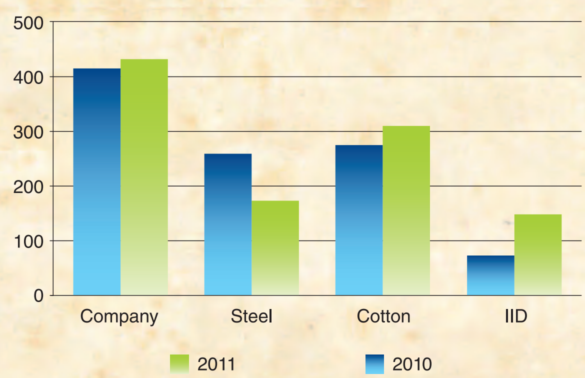
Financial and Operational Performance based on Separate Financial Statements

All the divisions contributed positively to the bottom line specially the Cotton division which has contributed heavily towards both top line and bottom line. Sales revenue was at Rs. 4,403 million for FY11 as compared to Rs. 3,704 million in FY10, reflecting a growth of 19% over last year. Cotton and IID Divisions' contribution to the profit before tax amounted to Rs. 309 million and Rs. 147 million as compared to Rs. 272 million and Rs. 67 million last year respectively, whereas Steel Division posted profit of Rs. 170 million as compared to Rs. 259 million in FY10.

Summary of operating results as per Separate Financial Statements:

- Sales revenue was up by 19 percent (Rs. 698 million) compared to FY10.
- Investment income increased by 10% (Rs. 17 million) compared to FY10.

Profit for the year



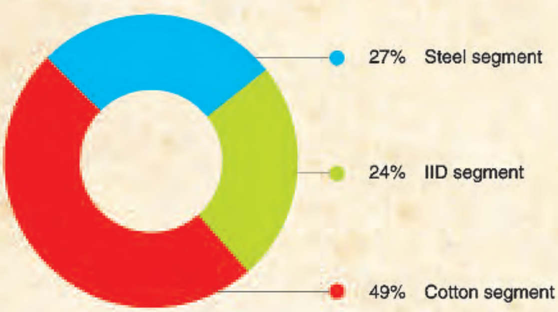
EBITDA stood at Rs. 942 million for the current year as compared to Rs. 904 million in FY10. EPS stood at Rs. 7.65 for the current year, as compared to Rs. 7.38 FY10.

Crescent Steel &
Allied Products Ltd.

Chief Executive's Review

- Gross profit margin was 18.4% for current year as compared to 22.1% for the last year mainly due to more sales of Cotton Division.
- EBIT stood at Rs. 769 million for the current year as compared to Rs. 719 million in FY10.
- EBITDA stood at Rs. 942 million for the current year as compared to Rs. 904 million in FY10.
- EPS stood at Rs. 7.65 for the current year, as compared to Rs. 7.38 FY10.
- Return on average capital employed was 21.8 percent for the current year as compared to 21 percent for the last year.
- Return on average equity (annualized) was 15.7 percent for the current period as compared to 16.8 percent for the year ended 30 June 2010.
- Break-up value per share increased to Rs. 50.9 from Rs. 46.4 as at 30 June 2010.

Composition of total profit before tax (FY11)



Business Segments

Steel Division – Operational and Financial review

In the current year, due to the unprecedented floods in the Country, funds allocated for development projects were diverted towards recovery efforts by the authorities for rehabilitation of flood affected areas. As a result of this, development projects planned to be undertaken failed to materialize during the current year, thereby directly affecting the Steel division operations in terms of lower production and utilization of plant.

The actual mix dia bare pipe production during the year was 8,341 tons as compared to 17,410 tons during the corresponding period last year. The capacity utilization of pipe plant was 24% as compared to 64 % last year. During the FY11 coating of mix dia stood at 246,125 square meters of pipe as compared to 461,044 square meters in FY10.

Sales revenue for the year ended 30 June 2011 amounted to Rs. 1,240 million as compared to Rs. 1,432 million for the last year. Sales revenue and gross profit were lower by 13% and 29% (i.e. by Rs. 192 million and Rs. 122 million) respectively as compared to last year results.

Future prospects and outlook

During 2011-12, we expect better conditions and better order book as some projects which where held up last year are likely to be executed. Procurement process has already started for some of these projects.

Profitability

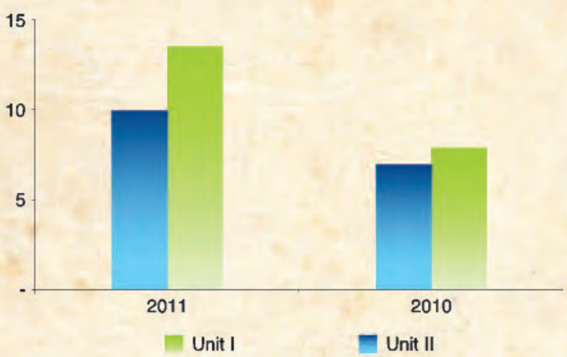
The Cotton segment recorded sales revenue of Rs. 3,163 million for the year reflecting an increase of more than 39% as compared to last year.

With respect to the Iran Pakistan Pipeline Project, certain significant developments have taken place in the pipeline design and a construction supervision contract has been awarded. Pipeline construction work is expected to commence from next year with expected completion by 2014.

Other public sector projects relating to gas sector are also expected to be executed in near future which will lead to rise in the requirements for pipes.

Liquidity remains a major challenge for our main customers who, like the rest of the energy sector in Pakistan, are grappling with issues of circular debt.

Production (million lbs)



Cotton Division – Operational and Financial review

Unit I & Unit II worked for 247 days and 347 days and produced 10.5 million Lbs and 7.2 million Lbs yarn of mixed count as compared to 13.9 million Lbs and 7.9 million Lbs produced in corresponding period last year respectively. Electricity and gas shutdown continues to hamper the production and due to this Unit I remained shut for 115 days and Unit II for 17 days.

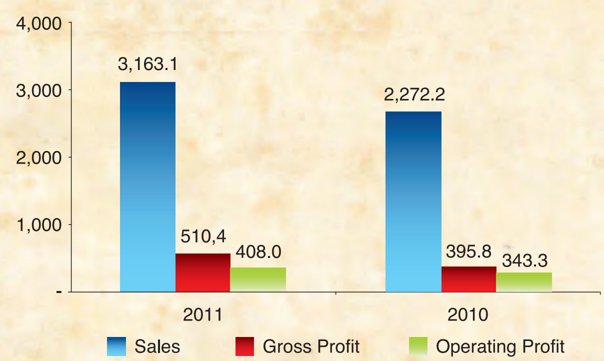
Cotton division recorded sales revenue of Rs. 3,163 million for the FY11, an increase of more than 39% as compared to Rs. 2,272 million in last year. The gross profit increased by 29% as compared to last year due to improved average selling price mainly attributable to higher sales of fine count. The pretax net profit increased to Rs. 308.8 million as compared to Rs. 272.2 million in last year. Production and sales volume were lower than last year mainly due to electricity and gas shutdown as explained above.

During the first 3 quarters of the fiscal year cotton division achieved remarkable growth. However, thereafter cotton prices started to nose-dive resulting in drastic reduction in yarn prices. Demand for the yarn and fabric was also negatively affected. Consequently, Cotton Division suffered a loss of Rs. 63 million in the last quarter as against cumulative profit of Rs. 371 million during the 9 months of FY11.

Future prospects and outlook

Cotton crop estimates for Pakistan as well as internationally are high due to BT seed and good weather. Cotton prices have fallen drastically. Consequently, yarn prices have also nose-dived

Profitability (Rs. in milion)



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.

and demand for yarn and fabric in the local market has shrunk. China is holding huge stocks of yarn and fabric and therefore demand in the export market is also under pressure. First Quarter of the next fiscal year will be under severe pressure as this market adjusts to new cotton and yarn prices. Furthermore, higher inflation in the country is another major cause of concern. Management is keeping a close watch on the market situation and is taking proactive measures to mitigate the impact of emerging challenges.

Investment and Infrastructure Development Division – Operational and Financial review

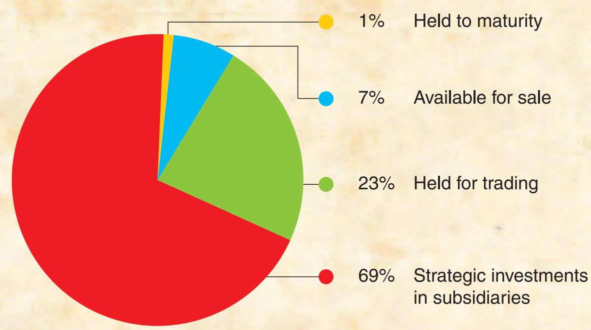
KSE market as at 01 July 2010 opened at 9,744 points and closed as at 30 June 2011 at 12,496 points. The market surged by 2,752 points or 28.24%. The market during the outgoing fiscal year had a positive start but became range bound for most of period due to developments on margin product, discount rate hike and political uncertainty. The market during the second quarter of 2010 gained momentum and remained its bullish trend with the foreign investors driving the KSE 100 index rally by remaining the net buyers taking the index to 12,682 points highest since 2008 fiasco. In the second half of year the market was volatile and the volumes fell drastically. However, the bullish trend in selected stocks pulled the index upward and market closed at 30 June 2011 at 12,496 points due to strong performance by Oil and Gas sector, Fertilizer and Food sector.

IID division accumulated profit before tax for the year ended 30 June 2011 amounted to Rs. 147 million as compared to last year of Rs. 67 million. The year on year increase in PBT is 120% mainly due to dividend income and unrealized gain amounting Rs. 61 million and Rs. 29 million as compared to Rs. 38.5 million and loss of Rs. 10.6 million last year respectively. The realized gain on sale of shares amounted to Rs. 87.8 million as compared to Rs. 134.4 million last year.

Income from investments in the HFT segment valuing an average of Rs. 363.8 million stood at 41.3% (KSE 100 index rose by 28.24%). Income from investments (excluding strategic investments) on an average investment of Rs. 518 million stood at 33 % (KSE 100 index rose by 28.24%).

The value of investments in marketable securities excluding strategic investment amounted to Rs. 490.6 million (FY10: Rs. 463.7 million). During the period under review shares amounting to Rs. 1,069.3 million were purchased while shares amounting to Rs. 1,151.8 million were sold on account of trading and switching positions. The closing value of the portfolio as at 30 June 2011 was Rs. 1,683.4 million (FY10: Rs. 1,666.2 million).

Investment Portfolio



The break-up value per share has improved to Rs. 50.9 as compared to Rs. 46.4 as of 30 June 2010. On a Group basis, the break-up value per share has improved to Rs. 63.7 as compared to Rs. 54.5 as of 30 June 2010.

Financial and Operational Performance based on Consolidated Financial Statements

Consolidated profit after tax and EPS for the Group for the FY11 amounts to Rs. 640 million and Rs. 11.33 per share as compared to Rs. 535 million and Rs. 9.47 per share respectively. The increase in profit after taxation in the consolidated financial statements is due to the accounting treatment used for equity accounted investees and consolidation of the results of Shakarganj Energy (Private) Limited. Contribution of IID division and SEL in the bottom line as Share of Profit from Associates amounted to Rs. 207 million and Rs. 26 million respectively.

Balance Sheet

The Company's balance sheet continues to remain healthy with a footing of Rs. 4,054.9 million as of 30 June 2011 as compared to Rs. 4,436.3 million as of 30 June 2010. The break-up value per share has improved to Rs. 50.9 as compared to Rs. 46.4 as of 30 June 2010. The Company's current ratio increased to 1.6:1 from 1.2:1 as on last balance sheet date.

On a Group basis, the consolidated balance sheet footing stood at Rs. 4,905.2 million as compared to Rs. 4,894.8 million as of 30 June 2010. The break-up value per share has improved to Rs. 63.7 as compared to Rs. 54.5 as of 30 June 2010. Further, the total of shareholder's fund stood at Rs. 3,601.3 million as compared to Rs. 3,079.2 million as of 30 June 2010.

Cash Flow Management

We at CSAPL place great importance at an effective cash flow management so as to ensure smooth running of the business and for this purpose cash inflows and outflows are projected on regular basis. Working capital requirements have been planned to be financed through internal cash generation and short term financing from external sources.

Cash generated from operations amounted to Rs. 574.7 million during the year as compared to Rs. 816.2 million last year mainly due to increase in working capital. Net decrease in cash and cash equivalents was Rs. 54.5 million due to outflows of Rs. 181.6 million used in financing activities which was partially offset by inflows of Rs. 111.6 million from operating activities.

Initiatives and re-engineering

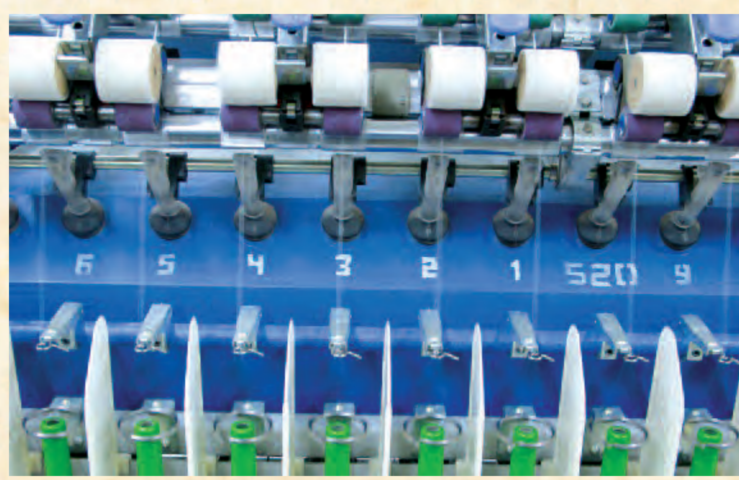
Steel Division

During the year our capability of Pipe coating of steel line pipe was increased to 60" dia from 48" dia. The entire work was done in-house.

Cotton Division

As parts of our drive to diversified our product range we have installed the following:

- Compact Spinning System, enable us to produce a compact yarn range from 16/s to 100/s



The Company has the unique distinction of having the authorization to use API monogram of the American Petroleum Institute since its inception in 1987. In 1997, the Company was awarded ISO 9001 Quality Management Standard Certificate which it continues to maintain as ISO 9001:2008.

- SIRO and SLUB attachments to our ring frames enabling us to produce fancy yarn

To further improve the quality of yarn, the Cotton division upgraded its drawing frames, installed a yarn conditioning machine and commissioned one of the world's premium yarn testing machine.

Contribution to National Exchequer and Economy

The Company has contributed Rs. 360.3 million towards the national exchequer on account of government levies and taxes as compared to Rs. 499.2 million during last year.

During the year, the Company manufactured 8,341 tons of steel pipes and 17.7 million Lbs. of cotton yarn. Contribution to the economy included Rs. 143.2 million on account of payments to providers of capital, Rs. 197.6 million in the shape of shareholders' returns through cash dividends, while employees' remuneration and benefits stood at Rs. 277.9 million.

Quality

CSAPL is committed to provide products and services conforming to highest international standards in line with customer requirements. We strive to apply cutting edge technology and focus on customer needs, while maintaining cost and quality leadership. We believe in doing right the first time. Every year, we make incremental improvements in the way we do things through Specific Quality Improvement Projects. Effectiveness of our Quality Management System is ensured through an independent quality function.

The company has the unique distinction of having the authorization to use API monogram of the American Petroleum Institute since its inception in 1987, the highest international standard accredited for quality of steel line pipe. In 1997, the Company was awarded ISO 9001 Quality Management Standard Certificate which it continues to maintain as ISO 9001:2008. In addition, we have became the first Pakistani company to have acquired oil and gas industry specifics ISO/TS 29001 and API Q1 management system certifications.

Health, Safety and Environment

The Company is committed to continually improve its environment by educating all its employees, contractors and visitors with regards to Health, Safety and Environment. This is due to the commitment of its leadership, the dedication of its staff and application of the highest professional standards of work. We strive to be a step forward while complying with current legislations, legal and regulatory requirements. We maintain standards of Health, Safety and Environment by adopting safe working practices to protect people, property, computing systems and facilities, protecting human health within

Certificate of Authority to use the Official API Monogram

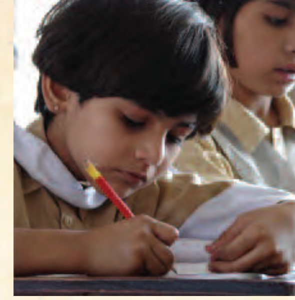
License Number: 5L-0166

CRESCENT STEEL AND ALLIED PRODUCTS, LTD.
A/25 S.I.T.E.
Nooriabad
Jamshoro, Sindh
Pakistan

American Petroleum Institute

Effective Date: MAY 27, 2011
Expiration Date: MAY 27, 2014

Corporate Social Responsibility is our strategic management-driven initiative that integrates our business, environmental and citizenship activities to uphold our values for the Company and its stake holders in an ethical manner.



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.

ISO 14001:2004 and OHSAS 18001:2007 Certification

Crescent Steel and Allied Products was awarded ISO 14001:2004 & OHSAS 18001:2007 standards in 2010 which it continues to maintain in current year. This again was a result of dedication and hard work of all our employees and establishes our commitment to the highest standards of HSE and quality.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) is our strategic management-driven initiative that integrates our business, environmental and citizenship activities to uphold our values for the Company and its stake holders in an ethical manner.

At CSAPL corporate social responsibility is done, at work premises as well as outside, through a well crafted strategy rather than just being a yearned exercise. Strong emphasis is placed on making Pakistan more educated and for this purpose we define a clear strategy supporting The Citizens Foundation and other educational institutions.

We believe in giving back to the society where we live and operate, utmost importance is given to be a responsible corporate citizen. As per this policy the Company allocates 2% to 5% of pretax profit for education, health and social development sectors in the form of donations.

The company contributed Rs. 21.17 million during the year (2010: Rs. 18.28 million) for various social causes and activities.

To meet our CSR objective we believe in developing long term relationships and are committed to support The Citizens Foundation and WWF – Pakistan. We encourage our people to volunteer time to support these causes.

The Citizens Foundation (TCF)

The Citizens Foundation, which provides quality education to less privileged children of rural and urban area through its very effective net work of 730 schools units in 83 locations with 102,000+, students enrolled with approx 50% female enrollment across Pakistan.

Our relationship with TCF began in 1987. Our commitment this year was for the operation and maintenance of our TCF schools.

So far we have helped built 14 school units and also help support the operations of these units. Combined enrolment in these schools is 2,218 students who come from the most impoverished segment of the society, 43% of these are girls.

Over the years our plantations have increased to 1,525 trees over a dedicated 40 acres at our Nooriabad campus. During the year 1,800 plants were also planted at Jaranwala campus. Substantial effort is carried out to green all our campuses.

WWF - Pakistan

At our head office we have allocated 800 Square Feet for office use to WWF. We have enjoyed sharing our facilities with the WWF for the past 18 years.

This frees up WWFs man hours related to general administration and more importantly funds to spend on activities related to conserving the environment.

Commitment to the Environment:

Raising Awareness

At CSAPL our activities related to the environment relate to raising awareness about the need to conserve. This is done by the following activities:

- *Earth Hour:*

  Consistent with last year, on Saturday 26 March 2011, we took part in "Earth Hour" by switching the lights off in our factories and head office to a minimum.

- *Tree Plantation:*

  At our factories in Crescent Steel we encourage our employees to plant trees and maintain the plantations themselves. Special effort has been made to green our Nooriabad campus which is the middle of an Arid Zone. Over the years our plantations have increased to 1,525 trees over a dedicated 40 acres at our Nooriabad campus. During the year 1,800 plants were also planted at Jaranwala campus. Substantial effort is carried out to green all our campuses.

- *Reducing Resource Use*

  We make a conscious effort to conserve energy which includes a voluntary two hours curfew in using of air-conditions.

We are participating in energy management system organized by SMEDA and APTMA. In August 2010, energy audit was conducted out at our Jaranwala factory to help us to ensure maximum utilization of limited electric energy. Through its recommendations new areas of energy saving unveiled before us.

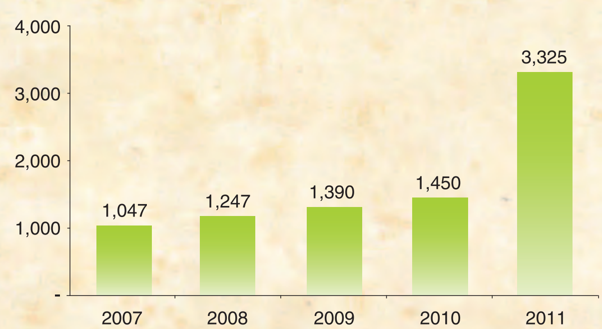
To provide clean drinking water to the employees and workers we have installed Reverse Osmosis (R.O) plant at our cotton spinning factory in Jaranwala. This will decrease diseases which are widely spread through drinking water like hepatitis, diarrhea etc.

We will continue our support to society in every aspect possible as it is an integral part of the Company's strategy.

HR Initiatives

The company has a clear vision that our people and strong leadership practices are an important enabler of high productivity and sustainable competitive advantage of our company. With strength of over 1,100 we take pride in the fact that our employees are the ones who shape the future of our company. Our focus in HR is to unleash the organization's intellectual energy through excellence in world class HR process and practices.

Planted Trees over the years



CSAPL is committed to provide products and services conforming to highest international standards in line with customer requirements.

We ensure that all our people have a say in how things are done. Be it in the nature of streamlining work processes or in the nature of defining ideal working conditions. Each employee has an opportunity to address work place issues through 'Town Hall' meetings.

Training and Education

At CSAPL we are committed to training our employees for career development. Our training strategy involves conducting a 'Training Needs Analysis' of each employee. We also encourage our employees to further their formal education for career development.

Our 'Jugnoo Sabaq' scheme which was started in 2003 is progressing well. This program was basically designed to improve the literacy levels of those employees that have not had primary education. With every passing year, literacy rate at our Nooriabad factory (Steel Division) is improving and it is nearing its completion as the literacy levels at our factory are nearing 100%.

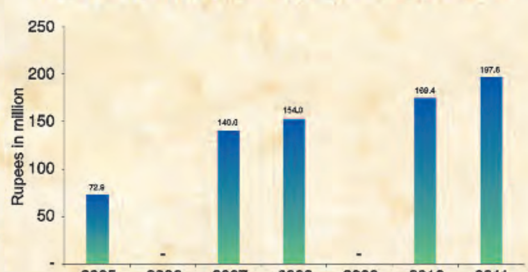
Governance

The Board places paramount on good governance and has, therefore, developed the effective governance structures, processes and frameworks including "Core values", "Standard of Conduct for Directors", "Standard of Conduct for Employees" a "Policy statement of ethics and business practices" in conforming with the Code of Corporate Governance in Pakistan and International best practices.

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.

During the year, four meetings of the Board were held to review and approve all issues and matters referred to it by audit and other committees of the Board, including periodical and annual financial statements, corporate and financial reporting framework, Company strategy, budgets and forecast including their analysis with actual, cash flow projections, management letter issued by the external auditors, compliance with relevant laws and regulations including amendments during the year, acquisition and disposal of fixed assets, review of risks identified and their mitigation, accounting and internal control system including IS controls and such other matters considered to be significant enough for the Board's attention by the Audit Committee or the management.

Dividend (including final proposed)



During the year, the pipe coating capability of steel line pipe was increased to 60” dia from 48” dia. The entire upgrades were carried out in-house by our engineering services team.

The appointment, remuneration and terms and conditions of employment of the Chief Executive Officer and the Chief Financial Officer have been approved by the Board of Directors. The Chief Executive Officer and the Chief Financial Officer did not take part during discussion in the Board on their respective employment contracts.

The Board has formulated and approved long-term strategies at the Corporate and Business Unit levels and strong emphasis is placed on its monitoring. Further, the Board has modified the Company's mission, vision and values statements as recommended by management. The Board continuously reviews and approves its existing policies on rotation basis so that the said policies are reviewed once at least in three years.

During the year the Board has reviewed and approved the revision to the Charter of Audit Committee.

Achievements 2011

Top 25 Companies Award (KSE)

The company's performance was acknowledged by the premier stock exchange of the country by including Crescent Steel in the top 25 companies for the year 2008. The KSE evaluates the listed companies on the basis of dividend payout, return on equity, compliance with the listing regulations and good corporate governance. The top 25 companies are selected based on highest scores obtained on the basis of the aforementioned selection criteria. This is another recognition highlighting our company's focus on its mission that is to continue to add value to share holders and the economy by giving the best returns and continue to operate as a responsible corporate citizen meeting the highest level of compliance.

Best Presented Accounts and Corporate Governance Disclosures Award 2009 (SAFA)

We place paramount importance to transparency, reliability of information and its accurate and timely reporting to our stakeholders all being components of good corporate governance clearly highlights the company's focus on corporate governance.

The annual report (2009) of our company secured the Certificate of Merit in the manufacturing sector category in the "Best Presented Accounts and Corporate Governance Disclosures Awards 2009" organized by the South Asian Federation of Accountants (SAFA). The award ceremony was organized at Kathmandu, Nepal.

Best Corporate Report Awards 2009 (ICAP & ICMAP)

Our Annual Report 2009 received 2nd position in Engineering Sector of "Best corporate Report Award - 2009". 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,

Our Cotton segment comprises of two Spinning units known as CCP-I and CCP-II, with modern and state-of-the-art machines, which cater to high quality conscious users. Machines are mainly of European and Japanese origin. CCP-I has 19,680 working spindles for production of course and medium counts and CCP-II has 25,344 spindles for production of fine counts.

transparency and dedication to best practice, ethics and values.

Company also participated and has been nominated for "Excellence Award for best Management & Decent work practices" by Employers Federation of Pakistan.

Business Process Reengineering and Management Information System

To enhance efficiencies and as a part of business process reengineering for continuous improvement, the Company, implemented Oracle application suite, an Enterprise Resource Planning system for its financial, supply chain, manufacturing, projects and assets management to replace our legacy applications. During the year, we've migrated our entire ERP system to the cloud infrastructure to reap the benefit of on-demand scalability, high redundancy and maximum uptime while lowering the operational cost.

Major Business Risks and Challenges

The Company is conducting business in a complex and challenging business environment and is therefore exposed to a number of external and internal risks that may present threats to its success and profitability. Every business decision taken is based on weighing the associated risks and opportunities and by taking measured risks we strive to seize business opportunities thereby ensuring growth and sustainability.

Risk management is one of the essential elements of the Company's corporate governance and creates a proper balance between entrepreneurial attitude and risk levels associated with business opportunities. The Company has developed and implemented a comprehensive risk management system / framework which is integrated with the overall business strategy of the Company. The aim of this system is to identify risks early on as well as to assess, manage, and deal with them. It supports recognition of developments likely to jeopardize the future performance of the Company or to its future well being and helps pre-empting risks and capitalizing opportunities.

The said system also serves as a means to systematically record business risks of the Company and to present them in a transparent and comparable manner. It provides reasonable assurance that our business objectives can be achieved and our obligations to stakeholders, namely, customers, shareholders, employees and society are met with the highest level of compliance and integrity. Risk management is primarily the responsibility of the business managers; however, top management takes responsibility for the oversight of key risks and compliance with legal requirements.

With an explicit understanding that this is not an exhaustive enumeration, the major risks and challenges faced by the Company along with measures taken for their mitigations are set forth below

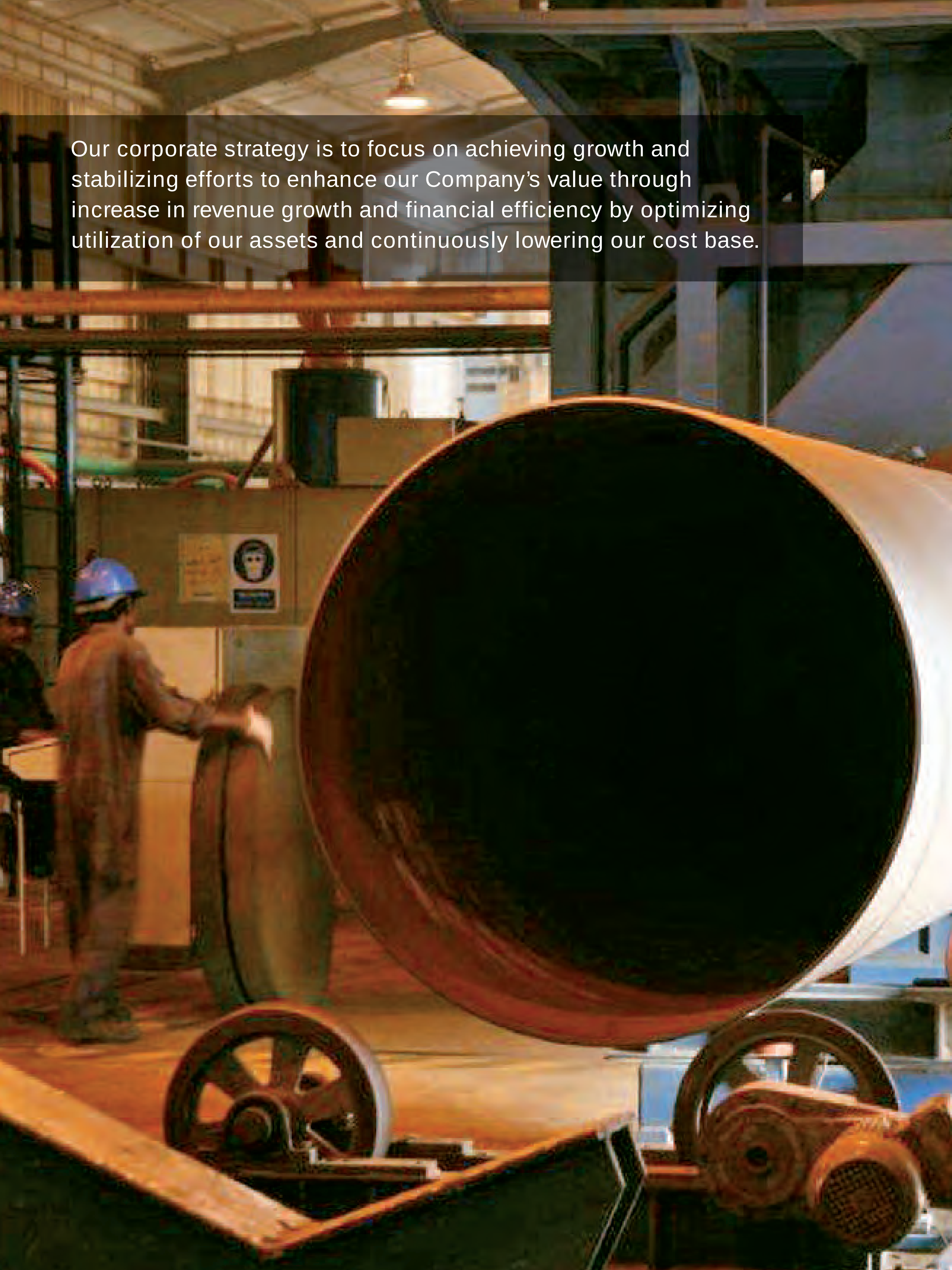
CSAPL has long recognized the importance of sound corporate governance, strong business controls, integrity and high ethical standards. We believe that the methods we use to attain results are as important as the results themselves.

Major business risks	Mitigating factors / actions in place
Macro economic situation and political instability The overall liquidity position in the economy, fiscal deficit, reduction in PSDP and political instability in the Country may adversely affect the business of our customers, in particular of the Steel segment, thereby indirectly having an impact on the Company's operations	The Company operates through diversified business segments competing in different industries each with its distinct opportunities and risks. The Company constantly seeks to increase its customer base and product offering to maintain and grow its revenues.
Raw material sourcing / pricing Inability to access raw materials, growth in cost and expenses for raw materials may adversely influence the operations and non-availability of raw materials may lead to liquidated damages. Further, sensitivity in price movements of raw materials may lead to erosion of margins	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. The supplier base is constantly increased to ensure uninterrupted procurement and reduction in lead times. The Company uses various available means including hedging to minimize any losses due to adverse price movements.
Investment risk Adverse stock market developments may affect the profitability and valuation of assets	The Company has significant investments in marketable securities and, to reduce this risk to an acceptably low level, it follows a diversified investment policy and actively manages its portfolio to match the required risk profiles.
Currency risk Exchange rate fluctuations may have an impact on financial results due to reliance on imported raw material	The Company uses various available means to hedge against currency fluctuations to minimize any resulting exchange losses.
Cost and availability of funds Exhaustion in the steady availability of funds and rise in interest rates may adversely affect liquidity and overall financial conditions	The significant portion of working capital requirements of the Company is arranged through short term financing and to successfully mitigate these risks, the Company has secured sufficient financing facilities with banks and financial institutions to meet these requirements.

We make a conscious effort to conserve energy and are participating in energy management systems organized by SMEDA and APTMA. In August 2010, energy audit was conducted out at our Jaranwala factory to help us to ensure maximum utilization of limited electric energy. Through its recommendations, new areas of energy saving unveiled before us.

Major business risks	Mitigating factors / actions in place
	Further, the Company's held for trading investments portfolio is also managed to meet the working capital needs, if required.
Internal controls In the absence of effective internal controls, the Company may be exposed to financial irregularities and resultant losses	A robust internal control system is in place which is continuously monitored by the Company's Internal Audit Function and through other monitoring procedures. The process of monitoring internal controls is an ongoing process with the objective to further strengthen the controls and bring improvements in the system. The controls in place also cover areas ranging from safeguarding of assets, compliance with laws and regulations and accuracy and reliability of records and financial reporting.
Power and gas outage Power and gas shortage may adversely impact the continuity of operations	Smooth operations of the Company may get affected; in particular, of the Cotton segment which relies primarily on gas generators to meet its power requirements. The Company has made arrangements to provide alternative power source to ensure that operations are carried out uninterrupted as planned.
Increase in competition through leveraging of technological changes Competitors may be able to identify and implement a major technological step change resulting in product substitution, improvement in their production efficiencies and lower costs and the Company's inability to implement similar steps may make it uncompetitive	Through corporate agility and strong market sensing, the Company remains abreast with information on product changes, demand and any technological advancements in current manufacturing processes to ensure that the Company matches or, in most cases, exceeds the quality and service performance of competitors. The Company continuously adds to its product and service offering along with constant expansion to meet capacity and specific product needs.

Our corporate strategy is to focus on achieving growth and stabilizing efforts to enhance our Company’s value through increase in revenue growth and financial efficiency by optimizing utilization of our assets and continuously lowering our cost base.



Chief Executive's Review

Major business risks	Mitigating factors / actions in place
Employee recruitment and retention Failure to attract and retain the right people may adversely affect the achievement of the Company's ambitious growth plans	A strong emphasis is placed on the Company's human resource and its skill set. The Company has deployed and operates the best talent management and human resource instruments to attract, retain, motivate and educate / nurture personnel and staff.

General

I would like to propose a warm vote of thanks for the proactive role of the Board and the Audit committee in guiding the management in these difficult times. Our employees also deserve a vote of thanks for their dedication and hard work.

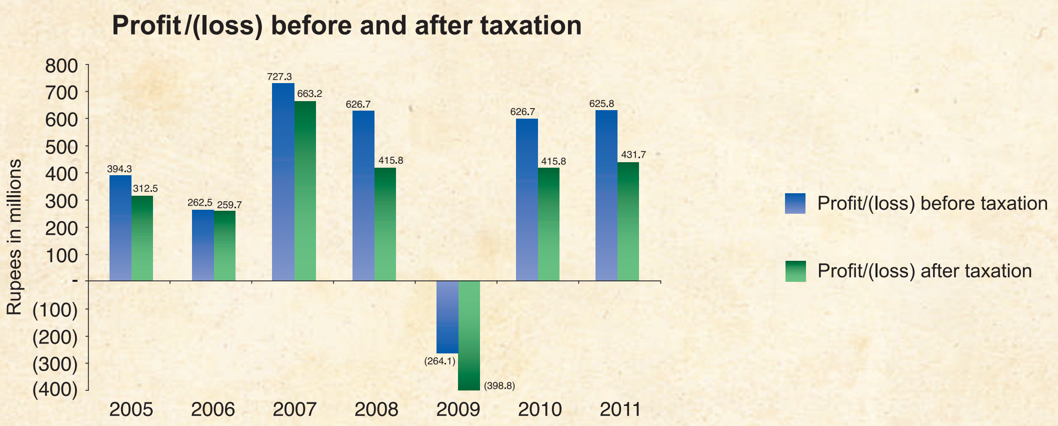
I am pleased to record our appreciation to all the stakeholders and look forwards towards their continued support.

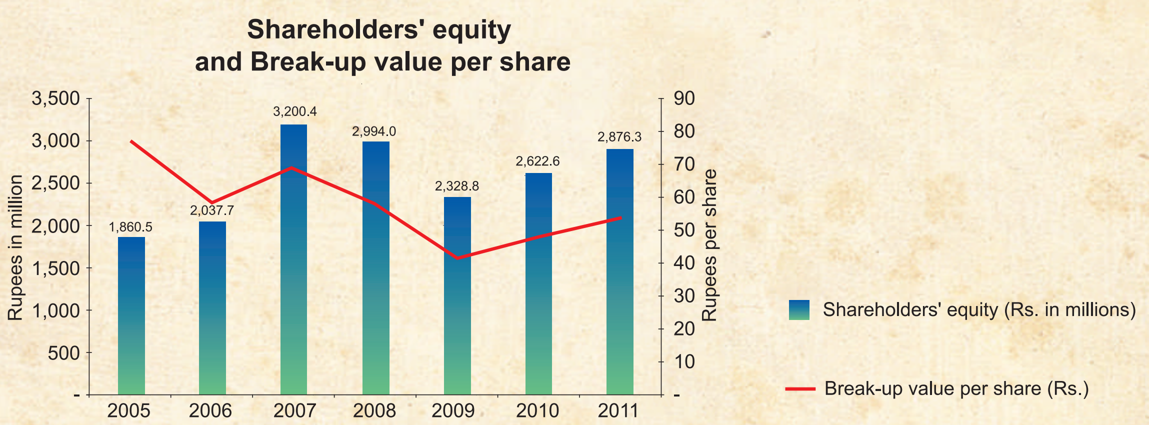
For and on behalf of the Board of Directors

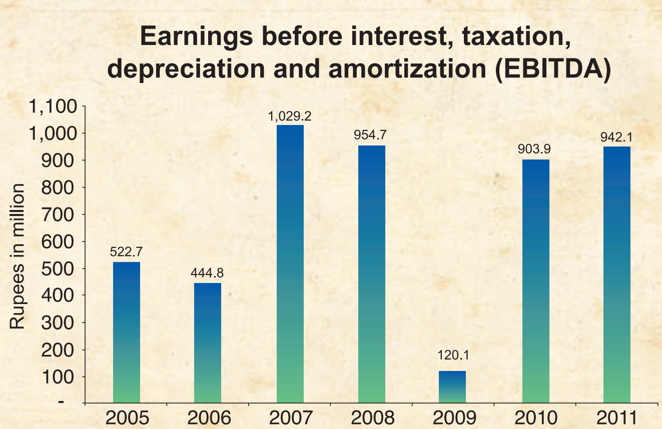
Ahsan M. Saleem
Chief Executive Officer
28 July 2011

Key Operating and Financial data

For the current and past six financial year(s)







Key Operating and Financial data

For the current and past six financial year(s)

	2011*	2010*	2009*	2008	2007	2006	2005

SUMMARIZED FINANCIAL DATA

A - Summary of Profit and Loss Account (Rupees in millions)

	2011*	2010*	2009*	2008	2007	2006	2005
Sales - net	4,402.7	3,704.4	3,310.9	4,200.2	2,950.1	1,707.1	2,686.6
Cost of sales	3,592.5	2,887.3	2,597.2	3,303.8	2,439.7	1,566.8	2,314.7
Gross profit	810.2	817.1	713.7	896.4	510.4	140.3	371.9
Income from / (loss on) investments - net	188.6	171.6	(337.9)	73.6	411.4	332.9	176.4
Distribution, selling and administrative expenses	196.1	186.2	143.8	151.0	146.6	118.6	108.3
Other operating expenses	68.1	101.4	331.5	109.7	125.5	21.9	70.0
Other operating income	34.4	18.3	39.0	19.6	107.0	24.6	87.7
Operating profit / (loss) before finance costs	769.0	719.4	(60.5)	728.9	756.7	357.3	457.7
Finance costs	143.2	121.9	203.6	153.0	128.5	82.9	43.9
Share of profit / (loss) in equity accounted investees - net of taxation	–	–	–	50.8	99.1	(11.9)	(19.5)
Profit / (loss) before taxation	625.8	597.5	(264.1)	626.7	727.3	262.5	394.3
Taxation	194.1	181.0	134.7	210.9	64.1	2.8	81.8
Net income / (loss)	431.7	416.5	(398.8)	415.8	663.2	259.7	312.5

B - Summary of Balance Sheet (Rupees in millions)

	2011*	2010*	2009*	2008	2007	2006	2005
Current assets	1,796.7	2,116.8	1,716.2	2,279.1	2,124.8	1,841.6	1,779.5
Stock-in-trade	840.6	1,026.6	616.4	606.1	633.5	468.5	194.3
Trade debts	145.1	276.9	83.9	118.7	181.4	75.1	132.4
Current liabilities	1,112.8	1,742.1	1,408.2	1,573.1	1,077.1	1,127.1	468.9
Trade and other payables	370.1	871.5	373.9	240.8	435.1	229.9	221.9
Property, plant and equipment	1,020.8	1,061.4	1,224.6	1,233.2	1,306.6	1,381.1	441.8
Total assets	4,054.9	4,436.3	3,892.7	4,846.7	4,696.1	3,714.7	2,569.8
Long term financing (excluding current maturity)	15.4	–	55.9	168.1	354.0	548.3	236.1
Deferred liabilities	50.4	71.6	99.8	111.5	64.6	1.6	3.9
Short term financing (including current maturity of long-term financing)	719.0	836.4	1,015.3	1,306.4	625.8	876.9	233.5
Reserves	2,311.7	2,058.0	1,764.2	2,480.7	2,733.8	1,687.7	1,617.5
Shareholders' equity	2,876.3	2,622.6	2,328.8	2,994.0	3,200.4	2,037.7	1,860.5

C - Summary of Cash Flow Statement (Rupees in millions)

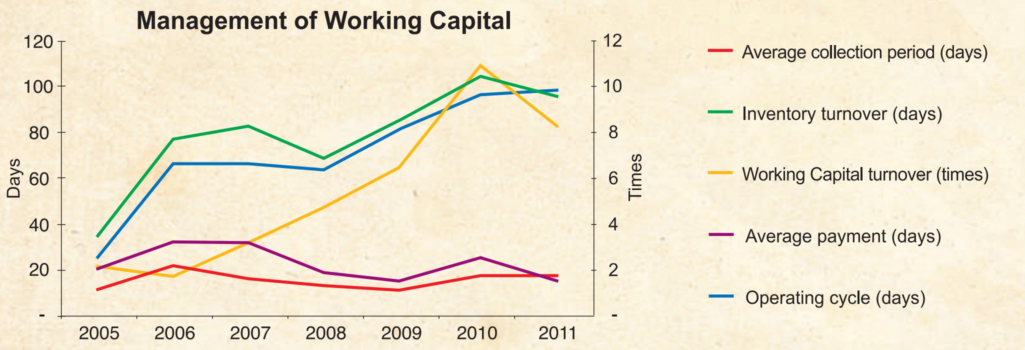
	2011*	2010*	2009*	2008	2007	2006	2005
Cash and cash equivalents at the beginning of the year	(499.2)	(644.7)	(828.9)	26.3	(153.6)	30.9	0.2
Net cash generated from / (used in) operating activities	111.6	451.3	335.9	565.9	486.0	(88.6)	187.2
Net cash inflows / (outflows) from investing activities	15.5	3.3	70.4	(893.3)	(391.7)	(778.0)	(58.1)
Net cash (outflows) / inflows from financing activities	(181.6)	(309.1)	(222.1)	(527.8)	85.6	682.1	(98.4)
Net (decrease) / increase in cash and cash equivalents	(54.5)	145.5	184.2	(855.2)	179.9	(184.5)	30.7
Cash and cash equivalents at the end of the year	(553.7)	(499.2)	(644.7)	(828.9)	26.3	(153.6)	30.9

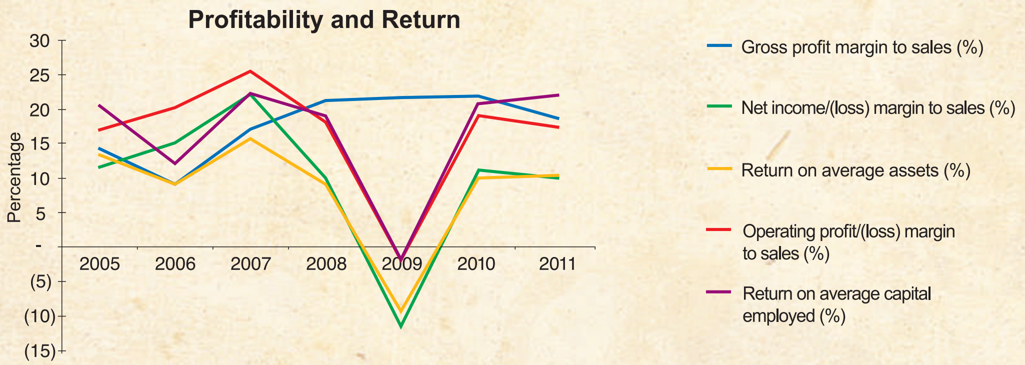
D - Other Data (Rupees in millions)

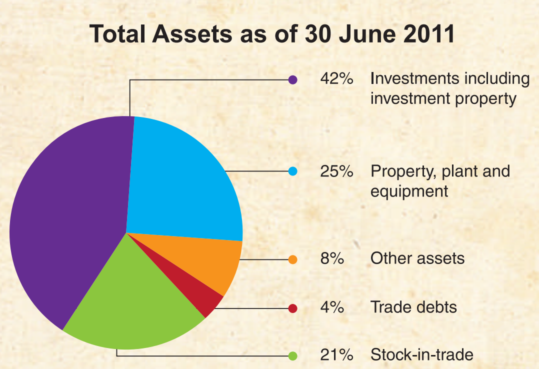
	2011*	2010*	2009*	2008	2007	2006	2005
Depreciation and amortization	173.1	184.5	180.6	175.0	173.4	99.4	84.5
Capital expenditure	113.9	34.5	169.1	153.5	126.9	996.5	66.3
No. of ordinary shares (no. of shares in millions)	56.5	56.5	56.5	51.3	46.7	35.0	24.3
Payments to National Exchequer	360.3	499.2	520.4	712.3	303.6	154.9	475.4

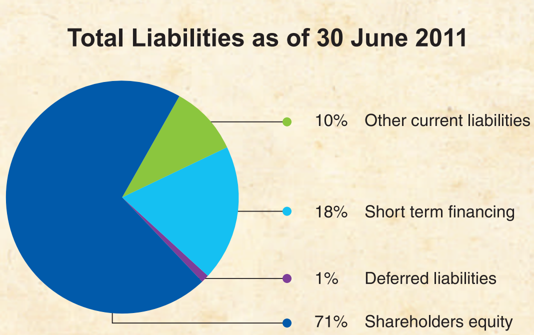
* Note:

The figures presented in this analysis for the financial years ended 30 June 2011, 2010 and 2009 are those based on the Company's separate financial staements (please refer to note 2.1 to the financial statements for further information). The figures presented for the financial years prior to 2009 are based on the Company's individual financial statements as published in the annual reports in those respective years.


Management of Working Capital
120
100
80
60
40
20
-
12
10
8
6
4
2
-
Days
Times
2005
2006
2007
2008
2009
2010
2011
Average collection period (days)
Inventory turnover (days)
Working Capital turnover (times)
Average payment (days)
Operating cycle (days)


Profitability and Return
30
25
20
15
10
5
-
(5)
(10)
(15)
Percentage
2005
2006
2007
2008
2009
2010
2011
Gross profit margin to sales (%)
Net income/(loss) margin to sales (%)
Return on average assets (%)
Operating profit/(loss) margin to sales (%)
Return on average capital employed (%)


Total Assets as of 30 June 2011
42% Investments including investment property
25% Property, plant and equipment
8% Other assets
4% Trade debts
21% Stock-in-trade


Total Liabilities as of 30 June 2011
10% Other current liabilities
18% Short term financing
1% Deferred liabilities
71% Shareholders equity

Board and Audit Committee Meetings
Attendance by the Directors / Members

Attendance at Board Meetings held during FY 10-11

Name	Category	Held	Eligible to attend	Attended
Mr. Mazhar Karim (Chairman)	Non Executive Director	4	4	1
Mr. Ahsan M. Saleem (Chief Executive Officer)	Executive Director	4	4	4
Mr. Javed Iqbal (Resigned w.e.f. 04-08-2010)	Independent non executive director	4	1	1
Mr. Mohammad Anwar	Non Executive Director	4	4	1
Mr. Muhammad Abdul Aleem	Independent non executive director	4	4	3
Mr. Nasir Shafi	Non Executive Director	4	4	3
Mr. S.M. Ehtishamullah	Non Executive Director	4	4	4
Syed Zahid Hussain (Appointed w.e.f. 01-09-2010)	Independent non executive director	4	3	3
Mr. Zahid Bashir	Non Executive Director	4	4	3

Attendance at Audit Committee Meetings held during FY 10-11

Name	Category	Held	Eligible to attend	Attended
Mr. Mohammad Abdul Aleem (Chairman)	Independent non executive director	4	4	4
Mr. Javed Iqbal (Resigned w.e.f. 04-08-2010)	Independent non executive director	4	1	1
Mr. Nasir Shafi	Non executive director	4	4	2
Mr. S.M. Ehtishamullah (Appointed w.e.f. 28-10-2010)	Non executive director	4	3	3

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (the Code) 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 of Directors (the Board) comprises of eight directors including the Chief Executive Officer. The Company encourages representation of independent non-executive Directors. At present the Board has seven 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 a NBFC. None of them is a member of a Stock Exchange.

4. One casual vacancy occurred during the year, which was filled within thirty days.

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 vision, mission and values statements and significant policies of the Company. A complete record of the particulars of significant policies along with 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 along with 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 the terms and conditions of employment of the Chief Executive Officer.

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 four times during the year ended 30 June 2011 including once in every quarter to approve the financial statements of the Company. Following the Best Practices of Corporate Governance, the Board met to review and approve the annual plan and budget of the Company. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days prior to the meetings. The minutes of the meetings were appropriately recorded and circulated in time.

9. In-house orientations for the Directors were conducted 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 the Company Secretary, the Chief Financial Officer and the Head of Internal Audit, including their remuneration and terms and conditions of employment, as recommended by the Chief Executive Officer.

11. The Directors' Report for the year ended 30 June 2011 has been prepared in compliance with the requirements of the Code and it fully describes the salient matters required to be disclosed therein.

12. The financial statements of the Company were duly endorsed by the Chief Executive Officer and the Chief Financial Officer prior to approval by the Board.

Statement of Compliance with the Code of Corporate Governance

13. The Directors, Chief Executive Officer 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. 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 related party transactions have been placed before the Audit Committee and approved by the Board with necessary justifications for non arm's length transactions and pricing methods for transactions only if such terms can be substantiated.

18. The Board has set-up an effective internal audit function. This function has been outsourced to Ernst & Young 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, and they (or their representatives) are involved in the internal audit function on a full time basis.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouse(s) and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The Management of the Company is committed to good corporate governance, and appropriate steps are taken to comply with the best practices.

22. 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 Officer

28 July 2011

KPMG

KPMG Taseer Hadi & Co.
Chartered Accountants
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 Regulations of Karachi, Lahore and Islamabad Stock Exchanges 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges require the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price or not.

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 2011.

KPMG Taseer Hadi & Co

KPMG Taseer Hadi & Co.
Chartered Accountants.
Moneeza Usman Butt

28 July 2011
Karachi

KPMG

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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 2011 and the related profit and loss account, statement of comprehensive income, 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, statement of comprehensive income, 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 2011 and of the profits, 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, was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants.
Moneeza Usman Butt

28 July 2011
Karachi

Crescent Steel & Allied Products Ltd.

Balance Sheet
As at 30 June 2011

	Note	2011	2010
		(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	564,600	564,600
Capital reserves		353,007	361,702
Revenue reserves		1,958,719	1,696,310
		2,876,326	2,622,612
Non-current liabilities			
Liabilities against assets subject to finance lease	8	15,362	–
Deferred taxation	9	50,357	71,587
		65,719	71,587
Current liabilities			
Trade and other payable	10	370,138	871,469
Mark-up accrued	11	23,735	34,198
Short term borrowings	12	706,966	780,288
Current portion of long term loan	7	–	56,143
Current portion of liabilities against assets subject to finance lease	8	11,987	–
		1,112,826	1,742,098
Contingencies and commitments	13		
Total equity and liabilities		4,054,871	4,436,297

Balance Sheet
As at 30 June 2011

	Note	2011	2010
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	14	1,020,812	1,061,380
Intangible assets	15	12,964	24,457
Investment property	16	40,234	44,836
Long term investments	17	1,168,777	1,185,402
Long term loans and deposits	18	15,348	3,466
		2,258,135	2,319,541
Current assets			
Stores, spares and loose tools	19	66,217	72,919
Stock-in-trade	20	840,571	1,026,614
Trade debts	21	145,072	276,880
Loan and advances	22	103,765	54,919
Trade deposits and short term prepayments	23	5,803	6,407
Investments	24	490,605	463,746
Current portion of long term investments	25	23,974	17,004
Mark-up accrued	26	2,807	820
Other receivables	27	60,264	25,156
Taxation - net	28	41,140	18,612
Cash and bank balances	29	16,518	153,679
		1,796,736	2,116,756
Total assets		4,054,871	4,436,297

The annexed notes from 1 to 50 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 2011

	Note	2011	2010
		(Rupees in '000)	
Sales - net	30	4,402,706	3,704,388
Cost of sales	31	3,592,487	2,887,295
Gross profit		810,219	817,093
Income from investments	32	188,635	171,621
		998,854	988,714
Distribution and selling expenses	33	38,806	27,017
Administrative expenses	34	157,292	159,134
Other operating expenses	35	68,050	101,420
		264,148	287,571
		734,706	701,143
Other operating income	36	34,376	18,278
Operating profit before finance costs		769,082	719,421
Finance costs	37	143,172	121,908
Profit before taxation		625,910	597,513
Taxation	38	194,121	180,966
Profit after taxation		431,789	416,547
		(Rupees)	
Basic and diluted earnings per share	39	7.65	7.38

The annexed notes from 1 to 50 form an integral part of these financial statements.

Chief Executive **Director**

Statement of Comprehensive Income
For the year ended 30 June 2011

	2011	2010
	(Rupees in '000)	
Profit after taxation	431,789	416,547
Other comprehensive (loss) / income		
Unrealized diminution during the year on remeasurement of investments classified as 'available for sale'	(8,695)	(17,879)
Reclassification adjustments relating to loss realized on disposal of investments classified as 'available for sale'	–	3,048
Impairment loss on investment classified as 'available for sale'	–	5,020
Other comprehensive loss	(8,695)	(9,811)
Total comprehensive income	423,094	406,736

The annexed notes from 1 to 50 form an integral part of these financial statements.

Chief Executive **Director**

Crescent Steel & Allied Products Ltd.

Cash Flow Statement

For the year ended 30 June 2011

	Note	2011	2010
		(Rupees in '000)	
Cash flows from operating activities			
Cash generated from operations	40	574,721	816,217
Taxes paid		(251,215)	(210,441)
Finance costs paid		(153,635)	(106,719)
Contribution to gratuity and pension funds		(16,699)	(19,403)
Contribution to Workers Profit Participation Fund		(28,666)	(27,524)
Compensated absences paid		(10)	(88)
10-C bonus paid		(842)	(717)
Long term loans and deposits - net		(12,050)	(20)
Net cash generated from operating activities		111,604	451,305
Cash flows from investing activities			
Capital expenditure		(113,938)	(34,498)
Acquisition of intangible assets		(41)	(7,933)
Proceeds from disposal of operating fixed assets		9,199	3,004
Investments - net		51,290	103
Dividend income received		60,964	40,463
Interest income received		8,013	2,244
Net cash inflows from investing activities		15,487	3,383
Cash flows from financing activities			
Repayments against long term loan		(56,250)	(112,500)
Proceeds from disposal of operating fixed assets under sale and leaseback arrangement		21,363	–
Payments against finance lease obligations		(1,428)	–
Proceeds from short term loans / (repayments against short term loans) - net		9,374	(126,522)
Dividends paid		(154,615)	(70,126)
Net cash outflows from financing activities		(181,556)	(309,148)
Net (decrease) / increase in cash and cash equivalents		(54,465)	145,540
Cash and cash equivalents at beginning of the year		(499,196)	(644,736)
Cash and cash equivalents at end of the year	41	(553,661)	(499,196)

The annexed notes from 1 to 50 form an integral part of these financial statements.

Chief Executive **Director**

Statement of Changes in Equity

For the year ended 30 June 2011

	Issued, subscribed and paid-up capital	Capital reserve: Share Premium	Capital reserve: Unrealized appreciation / (diminution) on remeasurement of investments classified as 'available for sale'	Revenue reserves: General reserve	Revenue reserves: Unappro-priated (loss) / profit	Total
			(Rupees in '000)			
Balance as at 1 July 2009	**564,600**	**349,959**	**21,554**	**1,842,000**	**(449,317)**	**2,328,796**
Total comprehensive income for the year ended 30 June 2010						
Profit after taxation	–	–	–	–	416,547	416,547
Other comprehensive (loss) / income						
Unrealized diminution during the year on remeasurement of investments classified as 'available for sale'	–	–	(17,879)	–	–	(17,879)
Reclassification adjustments relating to loss realized on disposal of investments classified as 'available for sale'	–	–	3,048	–	–	3,048
Impairment loss on investments classified as 'available for sale'	–	–	5,020	–	–	5,020
Other comprehensive loss	–	–	(9,811)	–	–	(9,811)
	–	–	(9,811)	–	416,547	406,736
Transactions with owners						
Dividend:						
- First interim @ 10% (i.e. Re. 1 per share) for the year ended 30 June 2010	–	–	–	–	(56,460)	(56,460)
- Second interim @ 10% (i.e. Re. 1 per share) for the year ended 30 June 2010	–	–	–	–	(56,460)	(56,460)
	–	–	–	–	(112,920)	(112,920)
Balance as at 30 June 2010	**564,600**	**349,959**	**11,743**	**1,842,000**	**(145,690)**	**2,622,612**
Total comprehensive income for the year ended 30 June 2011						
Profit after taxation	–	–	–	–	431,789	431,789
Other comprehensive loss						
Unrealized diminution during the year on remeasurement of investments classified as 'available for sale'	–	–	(8,695)	–	–	(8,695)
Other comprehensive loss	–	–	(8,695)	–	–	(8,695)
	–	–	(8,695)	–	431,789	423,094
Transactions with owners						
Dividend:						
- Final @ 10% (i.e. Re. 1 per share) for the year ended 30 June 2010	–	–	–	–	(56,460)	(56,460)
- First interim @ 10% (i.e. Re. 1 per share) for the year ended 30 June 2011	–	–	–	–	(56,460)	(56,460)
- Second interim @ 10% (i.e. Re. 1 per share) for the year ended 30 June 2011	–	–	–	–	(56,460)	(56,460)
	–	–	–	–	(169,380)	(169,380)
Balance as at 30 June 2011	**564,600**	**349,959**	**3,048**	**1,842,000**	**116,719**	**2,876,326**

The annexed notes from 1 to 50 form an integral part of these financial statements.

Chief Executive **Director**

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 the Companies Act, 1913 (now Companies Ordinance, 1984) and is quoted on all stock exchanges of Pakistan. The registered office of the Company is located at 10th floor, BOP 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 Separate financial statements

These financial statements are the separate financial statements of the Company in which investments in subsidiaries and associates are accounted for on the basis of direct equity interest rather than on the basis of reported results and net assets of the investees. Consolidated financial statements of the Company are prepared separately.

2.2 Statement of compliance

These financial statements have been prepared in accordance with the 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, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of and directives of the Companies Ordinance, 1984 shall prevail.

2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention except for investments classified as held for trading and available for sale which are stated at fair value and obligations in respect of gratuity and pension schemes which are measured at present value.

2.4 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.

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 set forth below.

Property, plant and equipment

The Company reviews the rates of depreciation, useful lives, residual values and values 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 equipment with a corresponding effect 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.

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.

Held to maturity investments

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.

Stock-in-trade and stores, spares and loose tools

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

Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 43 to these financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Changes in these assumptions in future years may affect the liability under these schemes in those years.

Income taxes

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

4. AMENDMENTS / INTERPRETATION TO EXISTING STANDARD AND FORTHCOMING REQUIREMENTS

4.1 Standards, amendments or interpretations which became effective during the year

During the year certain amendments to Standards or new interpretations became effective, however, the amendments or interpretation did not have any material effect on the financial statements of the Company.

4.2 New / revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards are only effective for annual periods beginning from the dates specified below. Except for the amendment in International Accounting Standard (IAS) 19 which results in immediate recognition of actuarial gains or losses and revised basis of calculation for net finance costs, these standards are either not relevant to the Company's operations or are not expected to have a significant impact on the Company's financial statements, other than increased disclosures in certain cases

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1, 'Presentation of Financial Statements') effective for annual periods beginning on or after 1 July 2012.

- Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12) effective for annual periods beginning on or after 1 January 2012.

- IAS 19, 'Employee Benefits' (Amended 2011) effective for annual periods on or after 1 January 2013.

- Prepayments of a Minimum Funding Requirement (Amendments to International Financial Reporting Interpretations Committee (IFRIC) Interpretation 14) effective for annual periods beginning on or after 1 January 2011.

- IAS 24, 'Related Party Disclosures' (Revised 2009) effective for annual periods beginning on or after 1 January 2011.

- Disclosures – Transfers of Financial Assets (Amendments to IFRS 7) effective for annual periods beginning on or after 1 July 2011.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the preparation of these financial statements are set forth below. These accounting policies have been applied consistently to all years presented.

5.1 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.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other cost directly attributable to bringing the assets to a working condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located, and capitalized borrowing costs.

Subsequent cost

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

Depreciation

Depreciation is charged to income on a straight line basis at the rates specified in note 14.1 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.

Disposal

The gain or loss on disposal or retirement 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.

Leased assets

Upon initial recognition, an 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, each determined at the inception of the lease. Subsequent to initial recognition, the asset is stated at the amount determined at initial recognition less accumulated depreciation and impairment losses, if any.

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

Impairment

The carrying amount of property, plant and equipment are reviewed at each balance sheet date to determined whether there is any indication of impairment. If any such indication exists then the assets recoverable amount is estimated. The recoverable amount is the greater of its value in use and fair value less cost to sell. An impairment is recognized if the carrying amount exceed its estimated recoverable amount.

5.2 Intangible assets

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

Subsequent expenditure

Subsequent expenditure 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 expenditure 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. 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

All intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Where the carrying amount of assets exceeds its estimated recoverable amount it is written down immediately to its recoverable amount.

5.3 Investment property

Investment property, principally comprising of land and buildings, is held for long term rental yields / capital appreciation. The investment property of the Company comprises of land and buildings and is valued using the cost method i.e. at cost less any accumulated depreciation and impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowing costs.

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 balance sheet date 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 amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in the profit and loss account. 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 income or expense.

5.4 Investments

Investments in subsidiaries

Investments in subsidiaries are stated at cost less accumulated impairment, if any.

Investments in associates

Investments in associates are stated at cost less accumulated impairment, if any.

Financial assets 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 costs are recognized in the profit and loss account when incurred. Investments at fair value through profit or loss are measured at fair value, and changes therein are recognized in the profit and loss account.

Held to maturity investments

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

Investments classified as held to maturity are recognized initially at fair value, plus attributable transaction costs. 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 receivables

Loans and receivables are recognized initially at fair value, plus attributable transaction costs. Subsequent to initial recognition, loans and receivables 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.

Available for sale investments

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 initially recognized at fair value plus attributable transactions costs. Subsequent to initial recognition these are measured at fair value, with any resultant gain or loss being recognized in other comprehensive income. Gains or losses on available for sale investments are recognized in other comprehensive income 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 other comprehensive income is included in current period's profit and loss account.

Fair value of listed securities are the quoted prices on stock exchange on the date it is valued. Unquoted securities are valued at cost.

The Company follows trade date accounting for regular way of purchase and sales of securities, except for sale and purchase of securities in the future market.

Impairment

The carrying amount of all investments, other than those at fair value through profit or loss, is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the investment is estimated which is higher of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount and is charged to profit and loss account. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount but limited to the extent of initial cost of the investment. A reversal of impairment loss is recognized in the profit and loss account.

Derivative financial instruments

The Company enters into derivative financial instruments, which include future contracts in stock market. Derivatives are initially recorded at fair value and are remeasured to fair value on subsequent balance sheet dates. The fair value of a derivative is equivalent to 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 recognized in the profit and loss account. No derivative is designated as hedging instrument by the Company.

5.5 Non-current assets held for sale

Non-current assets or disposal groups comprising of assets or liabilities that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets or components of a disposal group, are remeasured in accordance with Company's accounting policies. Thereafter these are measured at lower of their carrying amount and fair value less costs to sell.

5.6 Stores, spares and loose tools

Stores, spares and loose tools are valued at lower of weighted average cost and net realizable value, less provision for impairment, if any. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

Provision for obsolete and slow moving stores, spares and loose tools is determined based on management's estimate regarding their future usability.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs necessary to be incurred to make the sale.

Spare parts of capital nature which can be used only in connection with an item of property, plant and equipment are classified as fixed assets under the 'plant and machinery' category and are depreciated over a time period not exceeding the useful life of the related assets.

5.7 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.

5.8 Trade debts and other receivables

These are initially stated at fair value and subsequently measured at amortized cost using the effective interest rate method less provisions for any uncollectible amounts. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written off.

5.9 Cash and cash equivalents

Cash and cash equivalents comprise of 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 cash flow statement.

5.10 Employee benefits

5.10.1 Compensated absences

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

5.10.2 Post retirement benefits

5.10.2.1 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 recognized as an expense in the profit and loss account when they are due.

Cotton segment

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

All employees except Cotton segment

Contributions to the fund are made at the rate of 8.33% of basic pay plus COLA for those employees who have served the Company for a period of less than five years and after completion of five years, contributions are made at the rate of 10%.

5.10.2.2 Defined benefit plans

Pension and gratuity fund schemes

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.

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% 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.

5.11 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at fair value, less attributable transaction costs. 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 profit and loss account over the period of the borrowings on an effective interest basis.

5.12 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Company. All other leases are classified as operating leases.

Assets held under finance leases along with corresponding lease liabilities are initially recognized at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognized in the profit and loss account, unless they are directly attributable to qualifying assets, in which case they are capitalized as more fully explained in note 5.16 below.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

In the context of sale and leaseback transactions, where a sale and leaseback transaction is classified as a finance lease, any excess of the sale proceeds over the carrying values is deferred and recognized in the profit and loss account over the lease term. Any loss representing the excess of the carrying values over the sale proceeds is recognized immediately in the profit and loss account.

5.13 Trade and other payables

Trade and other amounts payable are recognized initially at fair value and subsequently carried at amortized cost.

5.14 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 rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted at the balance sheet date.

Deferred tax liabilities are recognized for all taxable temporary differences. 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 asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

5.15 Revenue recognition

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

Interest income is recognized on an accrual basis using the effective interest method.

Dividend income is recognized when the right to receive the same 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 and losses arising on revaluation of securities classified as 'held for trading' are recognized in the profit and loss account in the period in which they arise. Gains and losses arising on revaluation of derivatives to the fair value are also recognized in the profit and loss account.

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

Miscellaneous income is recognized on receipt basis.

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 intended use. All other mark-up, interest and other related charges are taken to the profit and loss account currently.

5.17 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past events, 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. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

5.18 Impairment

The carrying amount of the Company's assets is reviewed at each balance sheet date to determine whether there is any objective evidence that an asset or group of assets may be impaired. If any such evidence exists, the asset's or group of assets' recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account.

5.19 Foreign currency translation

Foreign currency transactions are translated into Pakistan Rupees at exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at the rates of exchange prevailing at the balance sheet date. Exchange differences, if any, are recognized in profit and loss account.

5.20 Offsetting of financial assets and financial liabilities

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

5.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting structure. Management monitors the operating results of its business units separately for the purpose of making decisions regarding resource allocation and performance assessment.

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, stores, spares and loose tools, stock-in-trade and trade debts and other receivables. Segment liabilities comprise of operating liabilities and exclude items such as taxation and corporate.

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

5.22 Proposed dividend and transfer between reserves

Dividend distributions to the Company's shareholders are recognized as a liability in the period in which dividends are approved. Transfer between reserves made subsequent to the balance sheet date is considered as a non-adjusting event and is recognized in the financial statements in the period in which such transfers are made.

6. ISSUED, SUBSCRIBED AND PAID-UP-CAPITAL

2011	2010		2011	2010
(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
34,229,805	34,229,805	Ordinary shares of Rs. 10 each issued as bonus shares	342,298	342,298
56,459,993	56,459,993		564,600	564,600

6.1 Ordinary shares of the Company held by related parties as at year end are as follows

	2011		2010	
	(Percentage of holding)	(Number of shares)	(Percentage of holding)	(Number of shares)
Crescent Sugar Mills & Distillery Limited	0.02%	13,147	1.31%	742,422
Crescent Steel and Allied Products Limited - Gratuity Fund	0.83%	466,353	0.60%	341,024
Crescent Steel and Allied Products Limited - Pension Fund	1.61%	910,504	0.98%	553,781
Crescent Steel and Allied Products Limited - Staff Provident Fund	0.71%	400,200	0.70%	393,000
Crescent Cotton Products - Staff Provident Fund	0.01%	4,400	0.01%	4,400
Muhammad Amin Muhammad Bashir Limited	0.00%	618	0.00%	618
Premier Insurance Limited	0.08%	44,500	–	–
Shakarganj Mills Limited	4.82%	2,720,062	4.82%	2,720,062
The Crescent Textile Mills Limited	11.00%	6,209,676	11.00%	6,209,676

7. LONG TERM LOAN

		2011	2010
		(Rupees in '000)	
Secured from a banking company			
Allied Bank Limited	7.1	56,143	168,380
Amortization of initial transaction costs		107	263
Repayments		(56,250)	(112,500)
		–	56,143
Less: Current portion shown under current liabilities		–	56,143
		–	–

7.1 Mark-up rate on the above loan has been six months KIBOR prevailing on the base rate setting date plus 1.9% per annum. Mark-up has been payable on a quarterly basis. The effective mark-up charged during the year was 14.25% (2010: ranged between 14.25% to 14.95%) per annum.

The tenor of the loan was five years. Principal has been repayable on a quarterly basis with one year grace period. The loan was disbursed on 17 December 2005 and has been fully repaid by 16 December 2010.

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. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Minimum lease payments		**Future finance costs**		**Present value of minimum lease payments**	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
			(Rupees in '000)			
Not later than one year	15,049	–	3,062	–	11,987	–
Later than one year and not later than five years	17,272	–	1,910	–	15,362	–
	32,321	–	4,972	–	27,349	–
Less: Current portion shown under current liabilities					11,987	–
					15,362	–

8.1 The Company has entered into finance lease arrangements with leasing companies for lease of plant and machinery and motor vehicles. The lease term of these arrangments is three years (2010: Nil) and the liability is payable by the year 2014. The periodic lease payments include built-in rates of mark-up ranging between 19.29% to 20.25% (2010: Nil) per annum. Included in the gross present value of minimum lease payments, is a sum aggregating Rs. 20.285 million (2010: Rs. Nil) which pertains to obligations arrising from sale and leaseback of assets.

The Company intends to exercise its options to purchase the leased assets upon completion of the lease term. The Company's obligations under these arrangements are secured by the lessor's title to the leased assets.

9. DEFERRED TAXATION

	2011	2010
	(Rupees in '000)	
Deferred tax credits / (debits) arising in respect of		
Taxable temporary differences		
Accelerated tax depreciation/amortization	114,112	126,669
Deductible temporary differences		
Finance lease obligations	(61)	–
Provision for slow moving stores, spares and loose tools	(20,154)	(15,872)
Provisions for doubtful trade debts, doubtful advances and others	(34,482)	(30,152)
Provision for diminution in the value of investments	(9,058)	(9,058)
	(63,755)	(55,082)
	50,357	71,587

10. TRADE AND OTHER PAYABLES

Trade creditors		40,715	24,564
Bills payable		12,687	204,245
Commission payable		5,923	4,841
Customer's security deposits		500	8,605
Accrued liabilities	10.1	77,424	70,388
Advances from customers		25,776	374,950
Provisions	10.2	91,699	82,366
Due to related parties	10.3	1,364	1,758
Payable against purchase of investments		1,508	–
Payable to provident fund		72	159
Retention money		188	334
Sales Tax payable		106	–
Special Excise Duty payable		946	423
Withholding tax payable		309	586
Workers' Profit Participation Fund	10.4	25,862	28,666
Workers' Welfare Fund		13,524	13,335
Unclaimed dividend		65,492	50,727
Others		6,043	5,522
		370,138	871,469

10.1 Accrued liabilities

		2011	2010
		(Rupees in '000)	
Salaries, wages and other benefits		17,802	15,703
Accrual for 10-C bonus		4,960	911
Compensated absences		9,122	8,480
Others	10.1.1	45,540	45,294
		77,424	70,388

10.1.1 This includes an amount of Rs. 10 million (2010: Rs. Nil) allocated by the Company for formation of a fund for staff welfare, the registration requirements in respect of which are in process as at 30 June 2011.

10.2 Movement in 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 as at 1 July 2010	55,028	3,242	24,096	82,366
Provision / (reversal of provision) for the year	12,272	–	(2,782)	9,490
Trade debts written off against provision	–	–	(157)	(157)
Closing balance as at 30 June 2011	67,300	3,242	21,157	91,699

10.2.1 This provision has been recognized against infrastructure fee levied by the Government of Sindh through Sindh Finance (Amendment) Ordinance, 2001. The Company has provided bank guarantees amounting to Rs. 70.750 million (2010: Rs. 70 million) in favour of Excise and Taxation Department. The Company has contested this issue in the High Court. The Company filed an appeal in the Supreme Court against the judgement of the High Court dated 15 September 2008 partly accepting the appeal by declaring that the levy and collection of infrastructure fee prior to 28 December 2006 was illegal and ultra vires and after that it was legal. Additionally, the Government of Sindh also filed appeal against the part of judgement decided against them.

During the year, the above appeals were disposed off with a joint statement of the parties that, during the pendency of the appeal, another law came into existence which was not subject matter in the appeal, therefore, the decision thereon be first obtained from the High Court before approaching the Supreme Court with the right to appeal. The petition was filed in the High Court in respect of the above view. Based on the legal advice, the management believes that the chance of success in the petition is in the Company's favor.

Current year charge has been estimated on the value of imports during the year and forms a component of cost of such imported raw materials. Any subsequent adjustment with respect to increase or decrease in the estimate has been recognized in profit and loss account.

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

10.3 This represents expenses incurred by related parties on behalf of the Company and insurance premium payable to a related parties

10.4 Workers' Profit Participation Fund

		2011	2010
		(Rupees in '000)	
Balance at beginning of the year		28,666	27,524
Allocation for the year	35	25,862	28,666
Mark-up on funds utilized in the Company's business	37	540	3,141
		55,068	59,331
Amount paid to the trustees of the fund		(29,206)	(30,665)
Balance at end of the year		25,862	28,666

11. MARK-UP ACCRUED

	2011	2010
Mark-up accrued on		
- Finance lease obligations	3	–
- Long term loan	–	329
- Running finance and short term loans	23,732	33,869
	23,735	34,198

12. SHORT TERM BORROWINGS

Secured from banking companies

	2011	2010
Running finances under mark-up arrangements	570,179	652,875
Short term loans / Murabaha	136,787	127,413
	706,966	780,288

12.1 Short term running finance available from various commercial banks under mark-up arrangements amounted to Rs. 844 million (2010: Rs. 911 million) out of which Rs. 500 million (2010: Rs. 600 million) is interchangeable with Term Finance / Demand Finance and letters of credit. During the year, mark-up on such arrangements ranged between 13.44% to 16.65% (2010: 13.49% to 15.79%) per annum.

12.2 Short term loan / Murabaha financing available from various commercial banks under mark-up arrangements amounted to Rs. 1,000 million (2010: Rs. 700 million) out of which Rs. 300 million (2010: Rs. 300 million) is interchangeable with letters of credit. During the year, mark-up on such arrangements ranged between 15.26% to 16.81% (2010: 12.74% to 15.34%) per annum.

12.3 The facilities for opening letters of credit amounted to Rs. 1,650 million (2010: Rs. 1,750 million) out of which Rs. 500 million (2010: Rs. 600 million), Rs. 300 million (2010: Rs. 300 million) and Rs. 150 million (2010: Rs. 100 million) are interchangeable with short term running finance, short term loans and letters of guarantee respectively as mentioned in notes 12.1 and 12.2 above. The facility for letters of guarantee as at 30 June 2011 amounted to Rs. 500 million (2010: Rs. 717 million) which is interchangeable with letters of credit as stated above. Amounts unutilized for letters of credit and guarantees as at 30 June 2011 were Rs. 999.895 million and Rs. 224.419 million (2010: Rs. 1,520.844 million and Rs. 54.131 million) respectively.

12.4 The above facilities are expring on various dates and 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.

13. CONTINGENCIES AND COMMITMENTS

13.1 The Company has filed a suit in the Sindh High Court against the Federation of Pakistan and others, for levy of import license fee at the rate of 6% against import of coating plant in 1992. The Company contested that as per SRO 1317(I)/94 dated 22 December 1990, the coating plant being located in rural area, is only liable to pay import license fee at the rate of 2%. The Company has provided bank guarantee of Rs. 3.42 million (2010: Rs. 3.42 million) as directed by the Honourable Court. The petition was dismissed by the High Court as having been incompetently filed. The Company has filed the appeal with Honourable Supreme Court and no hearing has taken place since then. No provision has been recognized in these financial statements as management considers that the case would be decided in the Company's favour.

13.2 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 the Sindh High Court. The High Court has restrained SITE from taking any adverse action against the Company. Therefore, management considers that the case would be decided in the Company's favour and no provision is required to be recognized.

13.3 Aggregate amount of guarantees issued by banks on behalf of the Company against various contracts aggregated Rs. 275.581 million (2010: Rs. 662.869 million).

13.4 Commitments in respect of capital expenditure contracted for as at 30 June 2011 amounted to Rs. 19.164 million (2010: Rs. 19.164 million), payable over the period of three years in 15 quarterly installments representing office premises located in Islamabad.

13.5 Commitments under letters of credit as at 30 June 2011 amounted to Rs. 41.335 million (2010: Rs. 24.911 million).

13.6 Commitment in respect of future purchase of shares as at 30 June 2011 amounted to Rs. 30.980 million (2010: Rs. Nil).

14. PROPERTY, PLANT AND EQUIPMENT

		2011	2010
		(Rupees in '000)	
Operating fixed assets	14.1	906,813	956,113
Capital work-in-progress	14.5	113,999	105,267
		1,020,812	1,061,380

14.1 Operating fixed assets

Description		Land		Buildings		Office
		Freehold	Leasehold including improvement	On freehold Land	On Lease hold Land	premises
		(Rupees in '000)				
Net carrying value as at 1 July 2010						
Opening net book value (NBV)	14.1.1	122,575	4,130	196,490	8,672	7,873
Additions / transfers	14.1.2	24,904	–	950	–	–
Disposals (at NBV)	14.6	–	–	–	–	–
Depreciation charge	14.2	–	(54)	(27,385)	(1,674)	(2,620)
Balance as at 30 June 2011 (NBV)		147,479	4,076	170,055	6,998	5,253
Gross carrying value as at 30 June 2011						
Cost	14.3	147,479	5,646	311,708	70,027	40,493
Accumulated depreciation		–	(1,570)	(141,653)	(63,029)	(35,240)
Net book value		147,479	4,076	170,055	6,998	5,253
Net carrying value as at 1 July 2009						
Opening net book value (NBV)		122,575	4,183	225,274	10,346	10,493
Additions / transfers		–	–	–	–	–
Disposals (at NBV)		–	–	–	–	–
Depreciation charge		–	(53)	(28,784)	(1,674)	(2,620)
Balance as at 30 June 2010 (NBV)		122,575	4,130	196,490	8,672	7,873
Gross carrying value as at 30 June 2010						
Cost		122,575	5,646	310,758	70,027	40,493
Accumulated depreciation		–	(1,516)	(114,268)	(61,355)	(32,620)
Net book value		122,575	4,130	196,490	8,672	7,873
Depreciation rate (% per annum)		–	1	5 & 10	5 & 10	10

* Net book value of plant and machinery (owned) includes an aggregate amount of Rs. 1.359 million (2010: Rs. 1.544 million) representing net book value of capitalized spares.

Plant and machinery Owned*	Plant and machinery Leased	Electrical / Office equipment and Installation	Furniture and fittings	Computers	Motor vehicles Owned	Motor vehicles Leased	TOTAL
(Rupees in '000)							
585,940	–	8,836	2,384	3,733	15,480	–	956,113
56,373	21,662	11,665	1,332	722	10,561	5,814	133,983
(25,440)	–	–	–	–	(1,120)	–	(26,560)
(112,277)	(181)	(1,979)	(438)	(3,203)	(6,791)	(121)	(156,723)
504,596	21,481	18,522	3,278	1,252	18,130	5,693	906,813
1,678,139	21,662	44,844	17,583	47,625	54,605	5,814	2,445,625
(1,173,543)	(181)	(26,322)	(14,305)	(46,373)	(36,475)	(121)	(1,538,812)
504,596	21,481	18,522	3,278	1,252	18,130	5,693	906,813
681,378	–	10,325	2,668	6,844	18,803	–	1,092,889
28,041	–	1,433	148	977	2,580	–	33,179
(6)	–	(147)	–	(95)	(168)	–	(416)
(123,473)	–	(2,775)	(432)	(3,993)	(5,735)	–	(169,539)
585,940	–	8,836	2,384	3,733	15,480	–	956,113
1,649,252	–	33,179	16,251	46,903	54,988	–	2,350,072
(1,063,312)	–	(24,343)	(13,867)	(43,170)	(39,508)	–	(1,393,959)
585,940	–	8,836	2,384	3,733	15,480	–	956,113
5 - 20	10	5 - 20	10	33.33	20	20	

14.1.1 This includes freehold 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 the Company's name is subject to certain conditions which include installation of industrial unit and obtaining completion certificate from FIEDMC.

14.1.2 This includes freehold land measuring 2.8625 acres (124,691 square feet) acquired during the year from Crescent Jute Products Limited, a related parties. The final sale deed has been executed along with all formalities relating to completion of the sale. The Company has applied for transfer of title in its name which is in process as at 30 June 2011.

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

		2011	2010
		(Rupees in '000)	
Cost of sales	31.1	147,085	159,604
Distribution and selling expenses	33	168	224
Administrative expenses	34	9,470	9,711
		156,723	169,539

14.3 Property, plant and equipment as at 30 June 2011 include items having an aggregate cost of Rs. 743.424 million (2010: Rs. 674.899 million) that have been fully depreciated and are still in use by the Company.

14.4 The fair value of property, plant and equipment as at 30 June 2010 approximated to Rs. 2,252.631 million. Management believes that there is no material change in the fair value during the year. Hence, no further valuation has been carried out.

14.5 Capital Work-in-Progress

		2011	2010
		(Rupees in '000)	
Advance to supplier		1,728	–
Civil work	14.5.1	111,960	101,960
Plant and machinery		311	3,307
		113,999	105,267

14.5.1 This includes advance against purchase of land and building aggregating Rs. 85.515 million (2010: Rs. 75.515 million).

14.6 The following assets were disposed off during the year:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particular of buyers
		(Rupees in '000)				
Plant and machinery	21,617	–	21,617	21,363	Sale and leaseback arrangement	Pak-Gulf Leasing Company Limited
	2,571	645	1,926	2,571	Negotiation	Shakarganj Mills Limited
	3,298	1,401	1,897	2,400	Negotiation	Quality Textile Mills Limited
Motor vehicles	857	490	367	447	Company Scheme	Mr. Waseem Saeed (ex-employee)
	595	387	208	208	Company Scheme	Mr. Abdul Wahab (employee)
	499	324	175	175	Company Scheme (employee)	Mr. Tafsir Raza
	395	257	138	138	Company Scheme	Mr. Abdul Latif (employee)
	395	257	138	138	Company Scheme	Mr. Naseer Ahmed (employee)
Others	8,201	8,107	94	3,122	Various	Various
2011	**38,428**	**11,868**	**26,560**	**30,562**		
2010	13,930	13,514	416	3,004		

15. INTANGIBLE ASSETS

		2011	2010
		(Rupees in '000)	
Net carrying value as at 1 July			
Net book value as at 1 July		24,457	811
Additions / transfers		41	33,589
Amortization	15.1	(11,534)	(9,943)
Net book value as at 30 June	15.2 & 15.3	12,964	24,457
Gross carrying value as at 30 June			
Cost		45,775	45,734
Accumulated amortization		(30,171)	(18,637)
Accumulated impairment		(2,640)	(2,640)
Net book value		12,964	24,457
Amortization rate (% per annum)		33.33	33.33

15.1 The amortization charge for the year has been allocated as follows

		2011	2010
		(Rupees in '000)	
Cost of sales	31.1	24	24
Administrative expenses	34	11,510	9,919
		11,534	9,943

15.2 Intangible assets comprise of computer software and includes ERP software (Oracle) implemented and used by the Company having carrying amount as at 30 June 2011 of Rs. 11.262 million (2010: Rs. 21.658 million) and remaining unamortized period of 14 months (2010: 25 months).

15.3 Intangible assets as at 30 June 2011 include items having an aggregate cost of Rs. 8.948 million (2010: Rs. 8.466 million) that have been fully amortized and are still in use of the Company.

16. INVESTMENT PROPERTY

		Leasehold Land and Improv-ment	Building on Lease-hold Land	Office Premises	Total
		(Rupees in '000)			
Net carrying value as at 1 July 2010					
Opening net book value (NBV)		4,487	19,096	21,253	44,836
Depreciation charge	16.1	(238)	(1,080)	(3,284)	(4,602)
Balance as at 30 June 2011 (NBV)	16.2	4,249	18,016	17,969	40,234
Gross carrying value as at 30 June 2011					
Cost		4,609	21,608	29,655	55,872
Accumulated depreciation		(360)	(3,592)	(11,686)	(15,638)
Net book value		4,249	18,016	17,969	40,234
Balance as at 1 July 2009		2,456	20,176	24,537	47,169
Additions		2,095	–	–	2,095
Depreciation charge		(64)	(1,080)	(3,284)	(4,428)
Balance as at 30 June 2010 (NBV)		4,487	19,096	21,253	44,836
Gross carrying value as at 30 June 2010					
Cost		4,609	21,608	29,655	55,872
Accumulated depreciation		(122)	(2,512)	(8,402)	(11,036)
Net book value		4,487	19,096	21,253	44,836
Depreciation rate (% per annum)		1 & 10	5	10 - 20	

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

16.2 Fair value of the investment property based on recent valuation is Rs. 121.875 million (2010: Rs. 124.400 million).

17. LONG TERM INVESTMENT

		2011	2010
		(Rupees in '000)	
Subsidiary companies - at cost	17.1	330,100	330,100
Associated companies - at cost	17.2	651,418	651,418
Other long term investments	17.3	187,259	203,884
		1,168,777	1,185,402

17.1 Subsidiary companies - at cost

2011	2010			2011	2010
(Number of shares)				(Rupees in '000)	
		Unquoted			
33,010,000	33,010,000	Shakarganj Energy (Private) Limited (Chief Executive Officer - Mr. Muhammad Saad Thaniana)	17.1.1	330,100	330,100
2	2	Crescent Continental Gas Pipelines Limited (US $ 1 each)	17.1.2	–	–
				330,100	330,100

17.1.1 This represents the Company's investment in 100% ordinary shares of Shakarganj Energy (Private) Limited.

17.1.2 This represents investment in subsidiary of Rs. 90 only. The subsidiary company has not commenced operation and accordingly no financial statements have been prepared.

17.2 Associated companies - at cost

2011	2010			2011	2010
(Number of shares)				(Rupees in '000)	
		Quoted			
60,475,416	60,475,416	Altern Energy Limited (Chief Executive Officer - Mr. Syed Zamanat Abbas)	17.2.1	593,488	593,488
15,244,665	15,244,665	Shakarganj Mills Limited (Chief Executive Officer - Mr. Ahsan M. Salem)		388,562	388,562
				982,050	982,050
		Less: Provision for impairment		330,632	330,632
				651,418	651,418

17.2.1 The Company holds 17.65% shareholding in Altern Energy Limited and has no common directorship. In the consolidated financial statements, the investee company has been treated as an associate due to the Group companies' effective holding of over 20%. Consequently, as per the requirements of IAS 28 'Investments in Associates', the investee company has also been treated as an associate in these financial statements.

17.2.2 Market value of investments in associates are as follows

	2011	2010
	(Rupees in '000)	
Quoted		
Altern Energy Limited	550,326	624,711
Shakarganj Mills Limited	96,651	57,930
	646,977	682,641

17.2.3 Percentage of holding of equity in associates is as follows

	2011	2010
	%	
Quoted		
Altern Energy Limited	17.65	17.65
Shakarganj Mills Limited	21.93	21.93

17.3 Other long term investments

		2011	2010
		(Rupees in '000)	
Investments in related parties			
Available for sale	17.3.1	–	–
Other investments			
Available for sale	17.3.4	178,946	178,946
Held to maturity	17.3.5	8,313	24,938
		187,259	203,884

17.3.1 Available for sale

2011	2010			2011	2010
(Number of shares)				(Rupees in '000)	
		Unquoted			
2,403,725	2,403,725	Crescent Bahuman Limited	17.3.2	24,037	24,037
1,047,000	1,047,000	Crescent Industrial Chemicals Limited	17.3.3	10,470	10,470
				34,507	34,507
		Less: Provision for impairment		34,507	34,507
				–	–

17.3.2 The chief executive of Crescent Bahuman Limited is Mr. Nasir Shafi. The break-up value of shares of the investee company is Rs. 1.05 per share, calculated on the basis of audited annual financial statements for the year ended 30 June 2010.

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

17.3.4 Available for sale

2011	2010		2011	2010
(Number of shares)			(Rupees in '000)	
		Unquoted		
1,425,000	1,425,000	Central Depository Company of Pakistan Limited (CDC)	58,946	58,946
12,000,000	12,000,000	Shakarganj Food Products Limited	120,000	120,000
			178,946	178,946

17.3.5 Held to maturity

		2011	2010
Term Finance Certificates (TFCs)			
United Bank Limited (5,000 TFCs of Rs. 5,000 each)		24,938	24,948
Less: Current portion shown under current assets	25	16,625	10
		8,313	24,938

This represents investment in TFCs issued on 10 February 2004 by United Bank Limited. The tenor of the TFCs is eight years with semi-annual installments comprising of principal and mark-up. The rate of mark-up on these TFCs is 8.45% (2010: 8.45%) per annum. Fair value of the TFCs as at 30 June 2011 amounted to Rs. 22.693 million (2010: Rs. 22.718 million).

18. LONG TERM LOANS AND DEPOSITS

		2011	2010
		(Rupees in '000)	
Long term loans - considered good	18.1	81	273
Security deposits - leasing companies		6,082	–
Security deposits - others		9,185	3,193
		15,348	3,466

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

19. STORES, SPARES AND LOOSE TOOLS

		2011	2010
		(Rupees in '000)	
Stores - steel segment		10,288	10,463
Spare parts - steel segment	19.1	41,739	38,352
Loose tools - steel segment		1,049	890
Stores and spares - cotton segment	19.2	46,640	44,482
		99,716	94,187
Less: Provision for slow moving items	19.3	33,499	21,268
		66,217	72,919

19.1 This includes items in-transit as at 30 June 2011 aggregating Rs. 1.245 million (2010: Rs. 0.830 million).

19.2 These include items in-transit as at 30 June 2011 aggregating Rs. 4.633 million (2010: Rs. 6.638 million).

19.3 Movement of provision for slow moving items

	2011	2010
	(Rupees in '000)	
Opening balance	21,268	13,805
Provision made during the year - net	12,231	7,463
Closing balance	33,499	21,268

20. STOCK-IN-TRADE

		2011	2010
Raw materials			
Hot rolled steel coils (HR Coil)		27,080	379,555
Coating materials	20.1	44,064	50,585
Others		16,619	25,610
Raw cotton	20.1	493,592	95,989
Stock-in-transit	20.2	28,577	318,812
Provision for obsolescence and slow-moving raw materials	20.4	–	–
		609,932	870,551
Work-in-process	31.1	51,481	30,156
Finished goods	20.3 & 31.1	174,766	114,925
Scrap / cotton waste		4,392	10,982
Provision for obsolescence and slow-moving finished goods	20.5	–	–
		230,639	156,063
		840,571	1,026,614

20.1 This includes coating materials amounting to Rs. 118.157 million (2010: Rs. Nil) and raw cotton amounting to 18.631 million (2010: Rs. 31.802 million) pledged as security with financial institutions.

20.2 This includes raw cotton amounting to Rs. Nil (2010: Rs. 282.497 million).

20.3 Stock-in-trade as at 30 June 2011 includes items valued at net realisable value (NRV) as follows. The write down to NRV amounting to Rs. 21.831 million has been recognized in cost of goods sold.

	Cost	NRV
	(Rupees in '000)	
Finished goods	196,597	174,766

20.4 Movements in provision for obsolescence and slow-moving raw materials

	2011			2010		
	H.R. Coil	Coating / Others	Total	H.R. Coil	Coating / Others	Total
	(Rupees in '000)					
Opening balance	–	–	–	10,310	271	10,581
Reversal of provision during the year	–	–	–	(4,996)	–	(4,996)
Written off against provision	–	–	–	(5,314)	(271)	(5,585)
Closing balance	–	–	–	–	–	–

20.5 Movements in provision for obsolescence and slow-moving finished goods

	2011	2010
	(Rupees in '000)	
Opening balance	–	14,853
Reversal made during the year	–	(3,690)
Written off during the year against provision	–	(11,163)
Closing balance	–	–

21. TRADE DEBTS

		2011	2010
		(Rupees in '000)	
Secured			
Considered good		10,243	167,275
Unsecured			
Considered good	21.1 & 21.2	134,829	109,605
Considered doubtful		5,561	2,387
Provision for doubtful trade debts	21.3	(5,561)	(2,387)
		134,829	109,605
		145,072	276,880

21.1 This includes an amount of Rs. 4.985 million (2010: Rs. Nil) due from Shakarganj Mills Limited, a related party.

21.2 This includes retentions held by a customer for contract work amounting to Rs. 0.762 million (2010: Rs. Nil).

21.3 Movement in provision for doubtful trade debts

	2011	2010
	(Rupees in '000)	
Opening balance	2,387	1,547
Provision made during the year	3,348	840
Written off during the year against provision	(174)	–
Closing balance	5,561	2,387

22. LOAN AND ADVANCES

		2011	2010
Unsecured			
Loan to related party - considered good			
Loan to subsidiary company	22.1	74,000	–
Advances - considered good			
Advances to executives		300	894
Suppliers for goods and services		29,465	54,025
Advances - considered doubtful			
Suppliers for goods and services		157	290
Provision for doubtful advances	22.2	(157)	(290)
		–	–
		103,765	54,919

22.1 The Company has entered into a bridge finance arrangement with its wholly owned subsidiary company Shakarganj Energy (Private) Limited on 15 September 2010. Under the arrangement, the Company shall disburse bridge loan to the subsidiary company in one or more tranches on a short term basis.

The mark-up rate on the said loan is three months KIBOR prevailing on the base rate setting date plus 3% per annum. Mark-up is payable on a quarterly basis. The effective mark-up charged during the year ranged between 15.82% to 16.54% (2010: Nil) per annum.

22.2 Movement in provision for doubtful advances

	2011	2010
	(Rupees in '000)	
Opening balance	290	290
Provision made during the year	45	–
Written off during the year against provision	(178)	–
Closing balance	157	290

23. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	2011	2010
Security deposits	2,730	3,375
Prepayments	3,073	3,032
	5,803	6,407

24. INVESTMENTS

	Note	2011	2010
Investments in related parties			
Available for sale	24.1	7,044	9,758
Other investments			
Available for sale	24.2	101,995	107,976
Held for trading	24.3	381,566	346,012
		483,561	453,988
		490,605	463,746

24.1 Available for sale

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

2011	2010	Name of investee company	Note	2011	2010
(Number of shares)				(Rupees in '000)	
		Quoted			
–	91,300	Crescent Jute Products Limited	24.2.1	–	–
452,379	452,379	The Crescent Textile Mills Limited		7,044	9,758
				7,044	9,758

24.2 Available for sale

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

2011	2010	Name of investee company		2011	2010
(Number of shares)				(Rupees in '000)	
		Quoted			
9,060,000	9,060,000	Asian Stocks Fund Limited		46,659	53,454
91,300	–	Crescent Jute Products Limited		–	–
1,996	1,996	Innovative Investment Bank Limited		–	–
26,490	26,490	Jubilee Spinning and Weaving Mills Limited	24.2.2	–	–
175,000	175,000	PICIC Investment Fund		1,024	662
7,944,263	7,944,263	Safeway Mutual Fund Limited		52,988	52,591
1,221	1,221	Siemens (Pakistan) Engineering Company Limited		1,324	1,269
				101,995	107,976

24.2.1 As at 30 June 2011, the investment in Crescent Jute Products Limited has been classified under 'other investments' as the Company no longer has significant influence over the investee company. The investment is carried at break-up value, which is Nil per share, as this company is on the defaulters counter of the Karachi Stock Exchange. The break-up value has been calculated on the basis of unaudited condensed interim financial information for the first quarter ended 30 September 2010.

24.2.2 Investment in Jubilee Spinning and Weaving Mills Limited is carried at Rs. Nil (2010: Rs. Nil). The break-up value of shares of the investee company is Rs. 3.74 per share, calculated on the basis of unaudited condensed interim financial information for the nine months period ended 31 March 2011.

24.2.3 Investments having an aggregate market value of Rs. 345.335 million (2010: Rs. 474.493 million) have been pledged with financial institutions as security against financing facilities (see note 12.4) out of which Rs. 248.203 million (2010: Rs. 306.698 million) relates to long term investments.

24.2.4 Investments having an aggregate market value of Rs. 182.542 million (2010: Rs. Nil) have been pledged with a financial institution as security against long term financing aggregating Rs. 115 million sanctioned to the wholly owned subsidiary company, Shakarganj Energy (Private) Limited.

24.3 Held for trading

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

2011	2010	Name of investee company	2011	2010
(Number of shares / units)			(Rupees in '000)	
80,000	67,500	Al Ghazi Tractors Limited *	18,432	13,655
190,859	190,859	Agriauto Industries Limited *	13,265	13,169
30,000	30,000	Attock Cement Pakistan Limited	1,456	1,965
–	17,560	Attock Petroleum Limited	–	5,088
7,000	–	Attock Refinery Limited	859	–
–	30,000	Azgard Nine Limited	–	335
–	6,000	Bank AL Habib Limited	–	189
–	258,384	Bank Alfalah Limited	–	2,444
–	210,000	D.G. Khan Cement Company Limited	–	4,960
–	20,500	Engro Corporation Limited	–	3,558
–	11,163	Fatima Fertilizer Company Limite	–	140
200,000	14,000	Fauji Fertilizer Bin Qasim Limited	8,430	365
71,562	68,250	Fauji Fertilizer Company Limited	10,759	7,035
5,000,000	–	First Credit and Investment Bank Limited	26,200	–
20,000	20,000	First Habib Bank Modaraba	160	101
5,247,500	247,500	Golden Arrow Selected Stocks Fund Limited *	16,530	681
–	33,500	ICI Pakistan Limited	–	3,972
1,350	1,350	Innovative Investment Bank Limited	–	–
65,000	–	International Industries Limited	3,218	–
25,000	–	International Steel Limited	340	–
335,555	–	Johnson and Philips Pakistan Limited	3,020	–
100,000	465,425	Kohinoor Energy Limited	1,650	12,329
341,400	341,400	Kot Addu Power Company Limited	14,547	14,250
290,000	10,000	Lotte Pakistan PTA Limited	4,011	80
–	25,000	National Bank of Pakistan	–	1,603
–	40,000	National Investment Trust	–	1,121
25,000	235,000	Nishat (Chunian) Limited	557	3,708
40,000	–	Nishat Chunian Power Limited	549	–
107,000	137,000	Nishat Mills Limited	5,386	5,907
25,000	–	Nishat Power Limited	386	–
–	27,374	Packages Limited	–	3,243
397,640	685,640	Pakistan Oilfields Limited	142,756	148,029
–	302,500	Pakistan Telecommunication Company Limited	–	5,385
153,386	200,000	Pakistan National Shipping Corporation	3,681	7,978
21,200	–	Pakistan Petroleum Limited	4,390	–
139,474	128,200	Pakistan State Oil Company Limited	36,902	33,358
205,000	105,000	PICIC Energy Fund	1,507	541
		Balance carried forward	318,991	295,189

2011	2010	Name of investee company	2011	2010
(Number of shares / units)			(Rupees in '000)	
		Balance brought forward	318,991	295,189
880,719	457,311	PICIC Growth Fund	11,784	4,235
481,173	481,173	PICIC Investment Fund	2,815	1,819
12,029,764	4,884,734	Samba Bank Limited	20,570	11,088
11,067	–	Security Papers Limited	448	–
2,500	2,500	Shell Pakistan Limited	563	573
129,450	203,500	Thal Limited *	13,080	19,320
355,076	431,400	The Hub Power Company Limited	13,315	13,788
			381,566	346,012

* The face value of these ordinary shares / units is Rs. 5 per share.

24.4 The following investments are deposited as security with commercial banks

Name of investee company	2011	2010
	(Rupees in '000)	
Altern Energy Limited	248,203	281,751
Agriauto Industries Limited	13,205	13,110
Al Ghazi Tractors Limited	17,856	13,655
Attock Refinery Limited	614	–
Attock Cement Pakistan Limited	1,456	1,965
Attock Petroleum Limited	–	4,346
Azgard Nine Limited	–	223
Bank Alfalah Limited	–	2,441
Bank Al Habib Limited	–	189
D.G. Khan Cement Limited	–	4,960
Engro Corporation Limited	–	3,558
Fauji Fertilizer Bin Qasim Limited	4,215	365
Fauji Fertilizer Company Limited	7,216	7,008
ICI Pakistan Limited	–	3,557
International Industries Limited	1,733	–
Kohinoor Energy Limited	1,650	11,483
Kot Addu Power Company Limited	14,487	14,025
National Bank of Pakistan	–	1,603
Nishat Mills Limited	5,386	5,907
Packages Limited	–	3,199
Pakistan Oilfields Limited	139,167	–
Pakistan State Oil Company Limited	34,130	33,358
Pakistan Telecommunication Company Limited	–	5,340
PICIC Growth Fund	11,784	4,167
PICIC Investment Fund	3,839	2,457
Shell Pakistan Limited	563	–
Thal Limited	10,508	19,320
The Hub Power Company Limited	11,865	13,788
United Bank Limited - TFCs	–	22,718
	527,877	474,493

25. CURRENT PORTION OF LONG TERM INVESTMENT

		2011	2010
		(Rupees in '000)	
Preference shares of Shakarganj Mills Limited	25.1	29,994	29,994
Preference shares of Maple Leaf Cement Factory Limited	25.2	–	1,836
TFCs of United Bank Limited	17.3.5	16,625	10
Dividend receivable on preference shares of Shakarganj Mills Limited and Maple Leaf Cement Factory Limited		5,106	5,198
		51,725	37,038
Less: Provision for impairment	25.1	27,751	20,034
		23,974	17,004

25.1 This represents 2,999,396 (2010: 2,999,396) preference shares of Rs. 10 each of Shakarganj Mills Limited, a related party, issued in October 2004. These shares carry dividend rate of 8.5% per annum payable annually and were due for redemption in October 2009. 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.

As at 30 June 2011, the amount remains outstanding and the Company does not intend to exercise the option to convert the preference shares into ordinary shares as mentioned above. The amount is considered doubtful and accordingly provision of Rs. 27.751 million (2010: Rs. 18.106 million) has been recognized against the exposure as the balance amount is considered to be recovered in due course of time.

The fair value of preference shares as at 30 June 2011 amounts to Rs. 7.349 million (2010: Rs. 9.028 million).

25.2 As at 30 June 2010, the Company held 183,600 preference shares (non-voting) of Rs. 10 each of Maple Leaf Cement Factory Limited each carrying preferential right of dividend (cumulative) at the rate of 9.75% per annum which were due for redemption on 13 December 2009. The principal amount along with cumulative preferred dividend receivable remained outstanding and, being considered doubtful, was fully provided for as at 30 June 2010.

During the year, the investee company offered its preference shareholders an option to convert the said preference shares into ordinary shares in the ratio of 1.1726:1. The Company exercised this option and accordingly 215,289 ordinary shares were issued on 2 June 2011. The ordinary shares issued ranked pari passu with the existing ordinary shares of Rs. 10 each of the investee company in all respects including voting rights. Subsequently during the year, the Company has disposed of its investment in the said ordinary shares.

26. MARK-UP ACCRUED

	Note	2011	2010
		(Rupees in '000)	
Considered good			
Mark-up accrued on			
- loan to subsidiary company	22.1	1,987	–
- TFCs	17.3.5	820	820
		2,807	820

27. OTHER RECEIVABLES

	Note	2011	2010
Dividend receivable		256	529
Receivable against sale of investments		33,576	–
Claim receivable		4,101	238
Due from related parties	27.1	277	450
Sales tax refundable		19,946	21,428
Provision there against		(4,346)	(4,346)
		15,600	17,082
Receivable from staff retirement benefit funds	43	2,144	2,975
Others		4,310	3,882
		60,264	25,156

27.1 Due from related parties

	2011	2010
Crescent Jute Products Limited	–	430
Shakarganj Mills Limited	277	13
The Crescent Textile Mills Limited	–	7
	277	450

28. TAXATION - NET

Advance taxation	1,106,352	868,473
Provision for taxation	(1,065,212)	(849,861)
	41,140	18,612

28.1 The Income Tax assessments of the Company have been finalized up to and including tax year 2003, except for pending appeal effect orders in respect of assessment years 2001-2002 and 2002-2003. Tax returns for subsequent tax years, except for the tax years mentioned below, are deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 unless selected for an amendment / audit by the taxation authorities. Deemed assessments for tax years 2004, 2006 and 2007 were amended by the department and currently appeals in respect of these tax years are pending before the Appellate Tribunal Inland Revenue. Additional tax liability of Rs. 109.277 million may arise against the above mentioned assessments in case decisions are made against the Company.

Full provision has been recognized in these financial statements up to the tax year 2011 except short credit of taxes paid and deducted at source, and adjustments of refunds in respect of the said assessment / tax years. However, additional provision has not been recognized in these financial statements in respect of tax years 2004, 2006 and 2007, as mentioned above, based on tax consultant's opinion, the management is confident of favourable outcome of these appeals.

29. CASH AND BANK BALANCES

		2011	2010
		(Rupees in '000)	
With banks	in deposit accounts		
	- local currency	11,832	88,830
	- foreign currency	2	2
		11,834	88,832
	in current accounts	1,171	63,189
Cash in hand		3,513	1,658
		16,518	153,679

30. SALES - NET

		2011	2010
		(Rupees in '000)	
Local sales			
Bare pipes (own product excluding coating revenue)		900,037	928,038
Revenue from conversion		7,219	105,071
Coating of pipes		384,781	591,552
Cotton yarn / raw cotton		3,085,829	2,196,287
Others (including pipes laboratory testing)		45,225	24,042
Scrap / waste		152,111	107,798
Sales returns		(76,306)	(22,535)
		4,498,896	3,930,253
Export sales			
Cotton yarn		5,761	11,037
Cotton waste		14,300	–
		20,061	11,037
		4,518,957	3,941,290
Sales tax and special excise duty		(116,251)	(236,902)
		4,402,706	3,704,388

31. COST OF SALES

Steel segment	31.1	939,841	1,010,885
Cotton segment	31.1	2,652,646	1,876,410
		3,592,487	2,887,295

31.1 Cost of sales

	Note	Steel Segment 2011	Steel Segment 2010	Cotton Segment 2011	Cotton Segment 2010	Total 2011	Total 2010
		(Rupees in '000)					
Raw materials consumed		688,072	799,389	2,079,273	1,315,115	2,767,345	2,114,504
Cost of raw cotton sold		–	–	91,160	70,962	91,160	70,962
Packing materials consumed		–	–	24,967	26,261	24,967	26,261
Store and spares consumed		31,921	30,639	53,284	57,617	85,205	88,256
Fuel, power and electricity		27,270	43,763	183,151	161,232	210,421	204,995
Salaries, wages and other benefits	31.2	74,102	69,512	109,249	83,656	183,351	153,168
Insurance		1,702	1,308	4,751	3,626	6,453	4,934
Repairs and maintenance		4,724	4,450	26,780	4,083	31,504	8,533
Depreciation	14.2	22,039	20,632	125,046	138,972	147,085	159,604
Amortization of intangible assets	15.1	–	–	24	24	24	24
Stock-in-trade written down to NRV		–	5,838	21,831	–	21,831	5,838
Other expenses		94,790	44,595	9,517	5,681	104,307	50,276
		944,620	1,020,126	2,729,033	1,867,229	3,673,653	2,887,355
Opening stock of work-in-process		13,716	2,776	16,440	12,625	30,156	15,401
Closing stock of work-in-process		(24,715)	(13,716)	(26,766)	(16,440)	(51,481)	(30,156)
		(10,999)	(10,940)	(10,326)	(3,815)	(21,325)	(14,755)
Cost of goods manufactured		933,621	1,009,186	2,718,707	1,863,414	3,652,328	2,872,600
Opening stock of finished goods		68,660	70,359	46,265	59,261	114,925	129,620
Closing stock of finished goods		(62,440)	(68,660)	(112,326)	(46,265)	(174,766)	(114,925)
		6,220	1,699	(66,061)	12,996	(59,841)	14,695
		939,841	1,010,885	2,652,646	1,876,410	3,592,487	2,887,295

31.2 Detail of salaries, wages and other benefits

	Note	Steel Segment 2011	Steel Segment 2010	Cotton Segment 2011	Cotton Segment 2010	Total 2011	Total 2010
Salaries, wages and other benefits		66,980	61,010	105,786	80,839	172,766	141,849
Gratuity fund	31.3	1,295	1,342	126	29	1,421	1,371
Pension fund	31.3	3,977	5,431	1,392	1,335	5,369	6,766
Provident fund contributions		1,850	1,729	1,945	1,453	3,795	3,182
		74,102	69,512	109,249	83,656	183,351	153,168

31.3 Staff retirement benefits

	2011		2010	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	4,466	1,068	4,085	915
Interest cost	6,691	1,497	5,836	1,182
Expected return on plan assets	(6,075)	(1,313)	(4,229)	(975)
Actuarial losses recognized	–	100	794	183
Past service cost recognized	287	69	280	66
	5,369	1,421	6,766	1,371

32. INCOME FROM INVESTMENTS

		2011	2010
		(Rupees in '000)	
Return on TFCs		2,108	2,116
Dividend income	32.1	60,691	38,548
(Loss) / gain on sale of investments			
- Available for sale		–	(339)
- Held for trading		87,791	134,312
Unrealized gain / (loss) on held for trading investments		28,958	(10,641)
Gain on conversion of debt into equity instruments	25.2	225	–
Rent from investment property	32.2	8,862	7,625
		188,635	171,621

32.1 This includes dividend on preference shares from Shakarganj Mills Limited, a related party, amounting to Rs. Nil (2010: Rs. 0.643 million).

32.2 Direct operating expenses incurred against rental income from investment property amounted to Rs. 4.884 million (2010: Rs. 3.839 million). Further, Rs. 2.791 million (2010: Rs. 2.366 million) were incurred against the non rented out area.

33. DISTRIBUTION AND SELLING EXPENSES

		Steel Segment		Cotton Segment		Total	
		2011	2010	2011	2010	2011	2010
		(Rupees in '000)					
Salaries, wages and other benefits	33.1	7,593	5,868	3,461	1,684	11,054	7,552
Commission		–	–	21,102	12,677	21,102	12,677
Travelling, conveyance and entertainment		766	714	3	190	769	904
Depreciation	14.2	161	217	7	7	168	224
Insurance		144	89	–	–	144	89
Postage, telephone and telegram		114	117	72	109	186	226
Advertisement		750	672	–	100	750	772
Bid bond expenses		200	291	–	–	200	291
Legal and professional charges		1,337	1,960	–	–	1,337	1,960
Others		1,524	1,664	1,572	658	3,096	2,322
		12,589	11,592	26,217	15,425	38,806	27,017

33.1 Detail of salaries, wages and other benefits

Salaries, wages and other benefits		6,351	4,434	3,461	1,684	9,812	6,118
Gratuity fund	33.2	236	242	–	–	236	242
Pension fund	33.2	792	1,005	–	–	792	1,005
Provident fund contributions		214	187	–	–	214	187
		7,593	5,868	3,461	1,684	11,054	7,552

33.2 Staff retirement benefits

	2011		2010	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	659	177	607	162
Interest cost	987	249	867	209
Expected return on plan assets	(896)	(218)	(628)	(172)
Actuarial losses recognized	–	17	118	32
Past service cost recognized	42	11	41	11
	792	236	1,005	242

34. ADMINISTRATIVE EXPENSES

		Steel Segment		Cotton Segment		IID Segment		Total	
		2011	2010	2011	2010	2011	2010	2011	2010
		(Rupees in '000)							
Salaries, wages and other benefits	34.1	35,465	49,677	22,836	5,888	3,755	6,054	62,056	61,619
Rents, rates and taxes		496	163	285	104	552	750	1,333	1,017
Travelling, conveyance and entertainment		3,428	5,215	2,225	884	198	598	5,851	6,697
Fuel and power		6,167	5,508	1,060	256	334	612	7,561	6,376
Postage, telephone and telegram		1,068	1,495	824	322	59	166	1,951	1,983
Insurance		617	680	296	60	115	126	1,028	866
Repairs and maintenance		4,808	3,269	1,525	309	658	1,085	6,991	4,663
Auditors' remuneration	34.3	717	1,109	579	123	83	123	1,379	1,355
Legal, professional and corporate service charges		5,881	16,763	3,420	1,364	3,809	6,846	13,110	24,973
Advertisement		71	45	16	–	8	5	95	50
Donations	34.4	15,909	16,452	4,422	–	837	1,828	21,168	18,280
Depreciation	14.2 & 16.1	6,715	8,386	2,516	393	4,841	5,360	14,072	14,139
Amortization of intangible assets	15.1	6,782	8,914	4,379	15	349	990	11,510	9,919
Printing, stationery and office supplies		1,808	1,714	1,219	237	179	190	3,206	2,141
Newspapers, subscriptions and periodicals		550	563	702	833	43	63	1,295	1,459
Others		2,841	2,841	1,589	235	256	521	4,686	3,597
		93,323	122,794	47,893	11,023	16,076	25,317	157,292	159,134

34.1 Salaries, wages and other benefits

Salaries, wages and other benefits		28,658	38,247	18,615	4,775	3,057	4,664	50,330	47,686
Gratuity fund	34.2	1,293	1,895	807	179	128	235	2,228	2,309
Pension fund	34.2	4,323	8,090	2,698	777	463	975	7,484	9,842
Provident fund contributions		1,191	1,445	716	157	107	180	2,014	1,782
		35,465	49,677	22,836	5,888	3,755	6,054	62,056	61,619

34.2 Staff retirement benefits

	2011		2010	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	6,224	1,671	5,941	1,541
Interest cost	9,327	2,348	8,490	1,990
Expected return on plan assets	(8,467)	(2,058)	(6,152)	(1,643)
Actuarial losses recognized	–	157	1,155	308
Past service cost recognized	400	110	408	113
	7,484	2,228	9,842	2,309

34.3 Auditors' remuneration

		2011	2010
		(Rupees in '000)	
Audit fee	34.3.1	1,000	1,000
Fee for audit of funds' financial statements and other reports		188	168
Out of pocket expenses		191	187
		1,379	1,355

34.3.1 Audit fee includes services for audit of annual separate and consolidated financial statements, limited review of unconsolidated condensed interim financial information for the six months period, review report on statement of compliance with best practices of the Code of Corporate Governance and audit of reconciliation statement of nominee shareholding of CDC.

34.4 Donations

Donations include the following in which a director is interested:

Name of the director	Interest in donee	Name and address of the donee	Amount donated 2011	2010
			(Rupees in '000)	
Mr. Ahsan M. Saleem	Director	The Citizens Foundation 9th Floor, NIC Building, Karachi.	17,887	16,720
	Director	Pakistan Centre for Philanthropy 1-A, Street 14, F-8/3, Islamabad.	837	830
			18,724	17,550

34.4.1 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.

35. OTHER OPERATING EXPENSES

	2011	2010
	(Rupees in '000)	
Exchange loss	4,127	1,761
Provision for slow moving stores, spares and loose tools - net	12,231	7,463
Provision for doubtful trade debts	3,348	840
Provision for doubtful advances	45	–
Provision for Workers' Welfare Fund	13,525	14,638
Provision for Workers' Profit Participation Fund	25,862	28,666
Provision for infrastructure fee	1,195	–
Provision for liquidated damages	–	2,823
Provision for diminution in the value of investments - net	7,717	45,229
	68,050	101,420

36. OTHER OPERATING INCOME

	Note	2011	2010
Income from financial assets			
Mark-up on loan to subsidiary company	22.1	6,553	–
Return on deposits		1,339	136
		7,892	136
Income from non-financial assets			
Gain on disposal of operating fixed assets		4,002	2,588
Gain on settlement of non-executed contracts		13,814	–
Insurance commission		1,076	887
Liabilities written-back		2,167	–
Reversal of provision for stock-in-trade		–	8,686
Reversal of provision for infrastructure fees		–	3,488
Reversal of provision for liquidated damages		2,782	–
Others		2,643	2,493
		26,484	18,142
		34,376	18,278

37. FINANCE COSTS

	2011	2010
Incurred on		
- finance lease obligations	84	–
- long term loan	1,064	12,593
- running finances	115,733	75,953
- short term loans	23,494	25,842
- Workers' Profit Participation Fund	540	3,141
Bank charges	2,257	4,379
	143,172	121,908

38. TAXATION

	2011	2010
	(Rupees in '000)	
Current		
- for the year	216,063	207,910
- for prior years	(712)	1,256
	215,351	209,166
Deferred	(21,230)	(28,200)
	194,121	180,966

38.1 Relationship between taxation expense and accounting profit

	2011	2010
Profit before taxation	625,910	597,513
Tax at the applicable rate of 35%	219,069	209,130
Tax effect of inadmissible expenses / losses	(9,809)	(14,599)
Tax effect of income taxed at a lower rate	(34,265)	(11,800)
Prior year tax effect	9,945	(1,765)
Effect of higher tax as surcharge	9,181	–
	194,121	180,966

39. BASIC AND DILUTED EARNINGS PER SHARE

	2011	2010
Profit after taxation	431,789	416,547
	(Number of shares)	
Average number of ordinary shares in issue during the year	56,459,993	56,459,993
	(Rupees)	
Basic and diluted earnings per share	7.65	7.38

40. CASH GENERATED FROM OPERATIONS

	Note	2011	2010
		(Rupees in '000)	
Profit before taxation		625,910	597,513
Adjustments for non cash charges and other items			
Depreciation on operating fixed assets and investment property		161,325	173,967
Amortization of intangible assets		11,534	9,943
Charge for the year on staff retirement benefit funds		17,530	21,535
Charge for compensated absences		652	1,882
Provision for 10-C bonus		4,891	808
Amortization of advances to staff		168	355
Amortization of initial transaction costs		107	263
Dividend income		(60,691)	(38,548)
Unrealised (gain) / loss on held for trading investments - net		(28,958)	10,641
Gain on sale of investments		(87,791)	(133,973)
Gain on conversion of debt into equity instruments		(225)	–
Provision / (reversal of provision) for stock-in-trade and stores, spares and loose tools - net		12,231	(1,223)
Provision for doubtful trade debts		3,348	840
Provision for doubtful advances		45	–
Provision for Workers' Welfare Fund		13,525	14,638
Provision for Workers' Profit Participation Fund		25,862	28,666
Provision / (reversal of provision) for infrastructure fee		1,195	(3,488)
(Reversal of provision) / provision for liquidated damages		(2,782)	2,823
Provision for diminution in the value of investments - net		7,717	45,229
Return on deposits, loan and investments		(10,000)	(2,252)
Gain on disposal of operating fixed assets		(4,002)	(2,588)
Liabilities written back		(2,167)	–
Finance costs		143,172	121,908
Working capital changes	40.1	(257,875)	(32,722)
		574,721	816,217

40.1 Working capital changes

		2011	2010
		(Rupees in '000)	
(Increase) / decrease in current assets			
Stores, spares and loose tools		(5,529)	3,381
Stock-in-trade		197,120	(392,398)
Trade debts		128,303	(193,793)
Loan and advances		(48,891)	(15,025)
Trade deposits and short term prepayments		604	(103)
Other receivables		(2,636)	125,424
		268,971	(472,514)
(Decrease) / increase in current liabilities			
Trade and other payables		(526,846)	439,792
		(257,875)	(32,722)

41. CASH AND CASH EQUIVALENTS

Running finances under mark-up arrangements	12	(570,179)	(652,875)
Cash and bank balances	29	16,518	153,679
		(553,661)	(499,196)

42. SEGMENT REPORTING

42.1 Reportable segments

The Company's reportable segments under IFRS 8 are as follows

- Steel segment - It comprises of manufacturing and coating of steel pipes (note 1.2).

- Cotton segment - It comprises of 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 investment property (held for rentals as well as long term appreciation).

Information regarding the Company's reportable segment is presented below

42.2 Segment revenues and results

Following is an analysis of the Company's revenue and results by reportable segment

	Steel Segment	Cotton Segment	IID Segment	Total
	(Rupees in '000)			
For the year ended 30 June 2011				
Sales - net	1,239,619	3,163,087	–	4,402,706
Cost of sales	939,841	2,652,646	–	3,592,487
Gross profit	**299,778**	**510,441**	–	**810,219**
Income from investments	–	–	188,635	188,635
	299,778	**510,441**	**188,635**	**998,854**
Distribution and selling expenses	12,589	26,217	–	38,806
Administrative expenses	93,323	47,893	16,076	157,292
Other operating expenses	30,639	28,315	9,096	68,050
	136,551	102,425	25,172	264,148
	163,227	**408,016**	**163,463**	**734,706**
Other operating income	11,838	17,741	4,797	34,376
Operating profit before finance costs	**175,065**	**425,757**	**168,260**	**769,082**
Finance costs	4,679	116,917	21,576	143,172
Profit before taxation	**170,386**	**308,840**	**146,684**	**625,910**
Taxation				194,121
Profit after taxation				**431,789**
For the year ended 30 June 2010				
Sales - net	1,432,214	2,272,174	–	3,704,388
Cost of sales	1,010,885	1,876,410	–	2,887,295
Gross profit	**421,329**	**395,764**	–	**817,093**
Income from investments	–	–	171,621	171,621
	421,329	**395,764**	**171,621**	**988,714**
Distribution and selling expenses	11,592	15,425	–	27,017
Administrative expenses	122,794	11,023	25,317	159,134
Other operating expenses	29,389	25,983	46,048	101,420
	163,775	52,431	71,365	287,571
	257,554	**343,333**	**100,256**	**701,143**
Other operating income	14,474	3,804	–	18,278
Operating profit before finance costs	**272,028**	**347,137**	**100,256**	**719,421**
Finance costs	13,415	74,929	33,564	121,908
Profit before taxation	**258,613**	**272,208**	**66,692**	**597,513**
Taxation				180,966
Profit after taxation				**416,547**

42.2.1 Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the year (2010: Nil).

42.2.2 The accounting policies of the reportable segments are the same as the Company's accounting policies described in note 5 to these financial statements. The Steel segment allocates certain percentage of the common expenditure to the Cotton and IID segments. In addition, finance costs between Steel and Cotton segments are allocated at average mark-up rate on the basis of funds utilized. This is the measure reported to management for the purposes of resource allocation and assessment of segment performance.

42.3 Revenue from major products and services

The analysis of the Company's revenue from external customers for major products and services is given in note 30 to these financial statements.

42.4 Information about major customers

Revenue from major customers of Steel segment represents an aggregate amount of Rs. 1,011.620 million (2010: Rs. 754.696 million) of total Steel segment revenue of Rs. 1,239.619 million (2010: Rs. 1,432.214 million). Further, revenue from major customers of Cotton segment represents an aggregate amount of Rs. 722.581 million (2010: Rs. Nil) of total Cotton segment revenue of Rs. 3,163.087 milllion (2010: Rs. 2,272.174 million).

42.5 Geographical information

42.5.1 The Company's revenue from external customers by geographical location is detailed below

	2011	2010
	(Rupees in '000)	
Europe	14,300	–
Far East	5,761	11,037
Pakistan	4,382,645	3,693,351
	4,402,706	3,704,388

42.5.2 All non-current assets of the Company as at 30 June 2011 and 2010 were located and operating in Pakistan.

42.6 Segment assets and liabilities

Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follows:

	Steel Segment	Cotton Segment	IID Segment	Total
	(Rupees in '000)			
As at 30 June 2011				
Segment assets for reportable segments	568,387	1,626,917	1,867,006	4,062,310
Unallocated corporate assets				(7,439)
Total assets as per balance sheet				4,054,871
Segment liabilities for reportable segments	149,065	146,966	4,449	300,480
Unallocated corporate liabilities				878,065
Total liabilities as per balance sheet				1,178,545
As at 30 June 2010				
Segment assets for reportable segments	1,094,906	1,373,999	1,804,001	4,272,906
Unallocated corporate assets				163,391
Total assets as per balance sheet				4,436,297
Segment liabilities for reportable segments	524,468	320,828	2,707	848,003
Unallocated corporate liabilities				965,682
Total liabilities as per balance sheet				1,813,685

42.6.1 For the purposes of monitoring segment performance and allocating resources between segments

- all assets are allocated to reportable segments other than those directly relating to corporate and taxation assets; and

- all liabilities are allocated to reportable segments other than 'trade and other payables' directly relating to corporate, 'short term borrowings', 'mark-up accrued' and liabilities relating to current and deferred taxation.

Cash and bank balances, borrowings and related mark-up payable thereon and receivable therefrom are not allocated to reporting segments as these are managed by the Company's central treasury function.

42.7 Other segment information

	Steel Segment	Cotton Segment	IID Segment	Total
	(Rupees in '000)			
For the year ended 30 June 2011				
Capital expenditure	7,181	75,594	10,000	92,775
Depreciation and amortization	35,697	131,972	5,190	172,859
Non-cash items other than depreciation and amortization - net	35,139	151,965	(153,277)	33,827
For the year ended 30 June 2010				
Capital expenditure	13,707	18,083	2,095	33,885
Depreciation and amortization	38,149	139,411	6,350	183,910
Non-cash items other than depreciation and amortization	51,370	99,149	(83,003)	67,516

43. STAFF RETIREMENT BENEFITS

43.1 Defined benefit plans

43.1.1 The actuarial valuation of both pension and gratuity schemes has been conducted in accordance with IAS 19, 'Employee benefits' as at 30 June 2011. The projected unit credit method, using the following significant assumptions, has been used for the actuarial valuation

	2011	2010
- Discount rate	12%	12%
- Expected rate of increase in salaries	12%	11% to 12%
- Expected rate of return on plan assets	12%	12%
- Average expected remaining working life of employees	10 years	10 years
- Expected mortality for active members	As per EFU (61-66) mortality table	

43.1.2 Reconciliation of (receivable from) / payable to defined benefit plans

		2011			2010		
		Pension	Gratuity	Total	Pension	Gratuity	Total
		(Rupees in '000)					
Present value of defined benefit obligations	43.1.4	156,971	37,243	194,214	141,712	34,115	175,827
Fair value of plan assets	43.1.5	(163,371)	(39,778)	(203,149)	(128,646)	(29,906)	(158,552)
Unrecognized net actuarial gains / (losses)	43.1.8	7,129	1,344	8,473	(11,498)	(6,151)	(17,649)
Unrecognized past service cost		(729)	(953)	(1,682)	(1,458)	(1,143)	(2,601)
(Asset) / liability recognized in balance sheet		–	(2,144)	(2,144)	110	(3,085)	(2,975)

43.1.3 Movement in (receivable from) / payable to defined benefit plans

		Pension	Gratuity	Total	Pension	Gratuity	Total
Opening balance		110	(3,085)	(2,975)	(650)	(4,457)	(5,107)
Charge for the year	43.1.9	13,645	3,885	17,530	17,613	3,922	21,535
Contributions by the Company	43.1.5	(13,755)	(2,944)	(16,699)	(16,853)	(2,550)	(19,403)
Closing balance		–	(2,144)	(2,144)	110	(3,085)	(2,975)

43.1.4 Reconciliation of present value of defined benefit obligations

	Pension	Gratuity	Total	Pension	Gratuity	Total
Present value of defined benefit obligations - 1 July	141,712	34,115	175,827	126,611	28,177	154,788
Current service cost	11,349	2,916	14,265	10,633	2,618	13,251
Interest cost	17,005	4,094	21,099	15,193	3,381	18,574
Benefits paid during the year	(4,625)	(700)	(5,325)	(4,457)	(1,062)	(5,519)
Actuarial (gain) / loss on obligations	(8,470)	(3,182)	(11,652)	(6,268)	1,001	(5,267)
Present value of defined benefit obligations - 30 June	156,971	37,243	194,214	141,712	34,115	175,827

43.1.5 Changes in the fair value of plan assets are as follows

	2011			2010		
	Pension	Gratuity	Total	Pension	Gratuity	Total
	(Rupees in '000)					
Fair value of plan assets - 1 July	128,646	29,906	158,552	91,742	23,254	114,996
Expected return on plan assets	15,438	3,589	19,027	11,009	2,790	13,799
Contributions by the Company	13,755	2,944	16,699	16,853	2,550	19,403
Benefits paid during the year	(4,625)	(700)	(5,325)	(4,457)	(1,062)	(5,519)
Actuarial gain on plan assets	10,157	4,039	14,196	13,499	2,374	15,873
Fair value of plan assets - 30 June	163,371	39,778	203,149	128,646	29,906	158,552

43.1.6 Actual return on plan assets	25,595	7,628	33,223	24,508	5,164	29,672

43.1.7 Actuarial losses to be recognized

		2011		2010	
		Pension	Gratuity	Pension	Gratuity
		(Rupees in '000)			
Corridor limit					
The limits of corridor as at 1 July					
- 10% of present value of obligations		14,171	3,412	12,661	2,818
- 10% of fair value of plan assets		12,865	2,991	9,174	2,325
Which works out to		14,171	3,412	12,661	2,818
Unrecognized net actuarial losses as at 1 July	43.1.8	(11,498)	(6,151)	(33,332)	(8,047)
Excess		–	(2,739)	(20,671)	(5,229)
Average expected remaining working lives in years		10	10	10	10
Actuarial losses recognized		–	(274)	(2,067)	(523)

43.1.8 Unrecognized net actuarial gains / (losses)

		2011			2010		
		Pension	Gratuity	Total	Pension	Gratuity	Total
		(Rupees in '000)					
Unrecognized net actuarial losses as at 1 July		(11,498)	(6,151)	(17,649)	(33,332)	(8,047)	(41,379)
Actuarial gain / (loss) on obligations	43.1.4	8,470	3,182	11,652	6,268	(1,001)	5,267
Actuarial gain on plan assets	43.1.5	10,157	4,039	14,196	13,499	2,374	15,873
		7,129	1,070	8,199	(13,565)	(6,674)	(20,239)
Less: Actuarial (losses) recognized	43.1.7	–	(274)	(274)	(2,067)	(523)	(2,590)
Unrecognized net actuarial gains / (losses) as at 30 June		7,129	1,344	8,473	(11,498)	(6,151)	(17,649)

43.1.9 Following amounts have been charged in the profit and loss account in respect of these benefits

	2011 Pension	2011 Gratuity	2011 Total	2010 Pension	2010 Gratuity	2010 Total
Current service cost	11,349	2,916	14,265	10,633	2,618	13,251
Interest cost	17,005	4,094	21,099	15,193	3,381	18,574
Expected return on plan assets	(15,438)	(3,589)	(19,027)	(11,009)	(2,790)	(13,799)
Actuarial losses recognized	–	274	274	2,067	523	2,590
Past service cost recognized	729	190	919	729	190	919
Charge recognized in profit and loss account	13,645	3,885	17,530	17,613	3,922	21,535

43.1.10 Amounts for the current year and previous four years of the present value of defined benefit obligations, fair value of plan assets, surplus / (deficit) and experience adjustments arising thereon are as follows

	2011	2010	2009	2008	2007
	(Rupees in '000)				
Pension					
As at 30 June					
Present value of defined benefit obligation	156,971	141,712	126,611	110,954	99,224
Fair value of plan assets	163,371	128,646	91,742	98,915	93,474
Surplus / (deficit)	6,400	(13,066)	(34,869)	(12,039)	(5,750)
Experience adjustments					
Actuarial gain on obligation	(8,470)	(6,268)	(5,853)	(6,440)	(8,383)
Actuarial gain / (loss) on plan assets	10,157	13,499	(32,216	(11,355)	14,157
Gratuity					
As at 30 June					
Present value of defined benefit obligation	37,243	34,115	28,177	28,404	27,945
Fair value of plan assets	39,778	29,906	23,254	31,684	32,878
Surplus / (deficit)	2,535	(4,209)	(4,923)	3,280	4,933
Experience adjustments					
Actuarial (gain) / (loss) on obligation	(3,182)	1,001	(3,256)	(3,774)	708
Actuarial gain / (loss) on plan assets	4,039	2,374	(11,348)	(6,091)	4,298

43.1.11 Expected contribution for the next year

The expected contribution to the pension and gratuity schemes for the year ending June 30, 2012 works out to Rs. 8.643 million (2010: Rs. 7.562 million) and Rs. 3.356 million (2010: Rs. 2.950 million) respectively.

43.2 Defined contribution plan

The total charge against provident fund for the year was Rs. 6.023 million (2010: Rs. 5.151 million).

44. FINANCIAL INSTRUMENTS

The Company has exposure to the following risks from its use of financial instruments

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board of Directors is also responsible for developing and monitoring the Company's risk management policies.

44.1 Credit risk

Credit risk represents the financial loss that would be recognized at the balance sheet date if counterparties fail completely to perform as contracted / fail to discharge an obligation / commitment that it has entered into with the Company. It arises principally from trade receivables, bank balances, security deposits, mark-up accrued and investment in debt securities.

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the balance sheet date is as follows

	2011	2010
	(Rupees in '000)	
Investments	48,912	41,952
Loans and deposits	91,997	6,568
Trade debts	145,072	276,880
Mark-up accrued	2,807	820
Other receivables	42,264	4,570
Bank balances	13,005	152,021
	344,057	482,811

Trade receivables

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Sales tenders and credit terms are approved by the tender approval committee. Where considered necessary, advance payments are obtained from certain parties. Sales made to major customers are secured through letters of credit. The management has set a maximum credit period of 15 days in respect of Cotton segment's sales to reduce the credit risk.

All the trade debtors at the balance sheet date represent domestic parties.

The maximum exposure to credit risk before any credit enhancements for trade receivables at the balance sheet date by type of customer was

	2011	2010
	(Rupees in '000)	
Steel segment	53,100	182,986
Cotton segment	91,972	93,894
	145,072	276,880

The aging of trade debts at the balance sheet is

	2011	2010
Not past due	98,997	219,477
Past due 1 - 30 days	24,138	1,580
Past due 30 - 150 days	10,431	51,152
Past due 150 days	17,067	7,058
	150,633	279,267
Less: Impaired	5,561	2,387
	145,072	276,880

One of the major customer accounts for Rs. 23.029 million of the trade receivables carrying amount as at 30 June 2011 (2010: Rs. 155.392 million) that has a good track record with the Company.

The movement in the allowance for impairment in respect of trade debts and loan and advances is given in note 21.3 and note 22.2 respectively.

Based on past experience the management believes that no impairment allowance is necessary in respect of trade receivables past due as some receivables have been recovered subsequent to the year end and for other receivables there are reasonable grounds to believe that the amounts will be recovered in short course of time. Non past due amounts of Rs. 23.820 million (2010: Rs. 46.819 million) and past due amounts of Rs. Nil (2010: Rs. Nil) are secured through inland letters of credit.

Settlement risk

All investing transactions are settled / paid for upon delivery as per the advice of investment committee. The Company's policy is to enter into financial instrument contract by following internal guidelines such as approving counterparties and approving credits.

Bank balances

The Company kept its surplus funds with banks having good credit rating. Currently the surplus funds are kept with banks having rating from AAA to AA-.

Investment in debt securities

Credit risk arising on debt securities is mitigated by investing principally in investment grade rated instruments. Where the investment is considered doubtful a provision is created there against. As at 30 June 2011, the Company has recognized a provision of Rs. 27.751 million (2010: Rs. 20.034 million) against its exposure to preference shares of investee companies.

The analysis below summarizes the credit quality of the Company's investments in debt securities of investee companies

		2011	2010
TFCs	17.3.5	AA	AA
Preference Shares			
- Maple Leaf Cement Factory Limited	25.2	–	D
- Shakarganj Mills Limited	25.1	D	D

Concentration of credit risk

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

44.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligation arising from financial liabilities that are settled by delivering cash or another financial asset or that such obligation will have to be settled in a manner disadvantageous to the Company. The Company is not materially exposed to liquidity risk as substantially all obligation / commitments of the Company are short term in nature and are restricted to the extent of available liquidity. In addition, the Company has obtained running finance facilities from various commercial banks to meet the short term liquidity commitments, if any.

The following are the contractual maturities of the financial liabilities, including estimated interest payments:

	2011						
	Carrying amount	On demand	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
	(Rupees in '000)						
Financial liabilities							
Liabilities against assets subject to finance lease	27,349	–	32,321	7,939	7,110	5,936	11,336
Trade and other payables	68,928	–	68,928	68,928	–	–	–
Mark-up accrued	23,735	–	23,735	23,735	–	–	–
Short term borrowings	706,966	706,966	–	–	–	–	–
	826,978	706,966	124,984	100,602	7,110	5,936	11,336

	2010						
	Carrying amount	On demand	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
	(Rupees in '000)						
Financial liabilities							
Loan	56,143	–	58,940	58,940	–	–	–
Trade and other payables	249,869	–	249,869	249,869	–	–	–
Mark-up accrued	34,198	–	34,198	34,198	–	–	–
Short term borrowings	780,288	780,288	–	–	–	–	–
	1,120,498	780,288	343,007	343,007	–	–	–

44.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The Investment Committee monitors the portfolio of its investments and adjust the portfolio in light of changing circumstances.

44.3.1 Currency risk

The Company is exposed to currency risk on import of raw materials, stores and spares, export of goods and foreign currency bank accounts denominated in US Dollars (USD), Great Britain Pounds (GBP) and Euros. The Company's exposure to foreign currency risk for these currencies is as follows

	2011			
	USD	GBP	Euro	Total
	(Rupees in '000)			
Foreign creditors	(12,701)	–	–	(12,701)
Foreign currency bank account	2	–	–	2
Gross balance sheet exposure	(12,699)	–	–	(12,699)
Outstanding letters of credit	(1,945)	(1,173)	(38,216)	(41,334)
Net exposure	(14,644)	(1,173)	(38,216)	(54,033)

	2010			
	USD	GBP	Euro	Total
	(Rupees in '000)			
Foreign creditors	(196,030)	(1,627)	(6,589)	(204,246)
Foreign currency bank account	2	–	–	2
Gross balance sheet exposure	(196,028)	(1,627)	(6,589)	(204,244)
Outstanding letters of credit	(22,302)	(1,071)	(1,537)	(24,910)
Net exposure	(218,330)	(2,698)	(8,126)	(229,154)

The following significant exchange rate has been applied

	Average rate		Reporting date rate	
	2011	2010	2011	2010
USD to PKR	85.48	83.69	86.05	85.60
GBP to PKR	136.37	132.32	138.62	128.96
Euro to PKR	116.67	116.40	124.89	104.58

Sensitivity analysis

At the balance sheet date, if the PKR had strengthened by 10% against the USD, GBP and Euro with all other variables held constant, post-tax profit for the year would have been higher by the amount shown below, mainly as a result of net foreign exchange gain on translation of foreign currency bank account and foreign creditors.

Effect on profit or loss	2011	2010
	(Rupees in '000)	
USD	1,464	21,833
GBP	117	270
Euro	3,822	813
	5,403	22,916

The weakening of the PKR against USD, GBP and Euro would have had an equal but opposite impact on the post tax profits.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

44.3.2 Interest rate risk

At the balance sheet date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows

	2011	2010	2011	2010
	Effective interest rate (Percent)		Carrying amount (Rupees in '000)	
Financial assets				
Fixed rate instruments				
Preference shares	8.5	8.5 & 9.75	7,349	16,994
Term finance certificates	8.45	8.45	24,938	24,948
Financial liabilities				
Variable rate instruments				
Loan	14.25	14.25 - 14.95	–	56,143
Liabilities against assets subject to finance lease	19.29 - 20.25	–	27,349	–
Short term borrowings	13.44 - 16.81	13.49 - 15.79	706,966	780,288

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in interest rates at the reporting date would not affect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

	Profit and loss 100 bp	
	2011	2010
	(Rupees in '000)	
As at 30 June 2011		
Cash flow sensitivity-Variable rate financial liabilities	(3,535)	3,535
As at 30 June 2010		
Cash flow sensitivity-Variable rate financial liabilities	(3,901)	3,901

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

44.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Other price risk arises from the Company's investment in units of mutual funds and ordinary shares of listed companies. To manage its price risk arising from aforesaid investments, the Company diversifies its portfolio and continuously monitors developments in equity markets. In addition the Company actively monitors the key factors that affect stock price movement.

A 10% increase / decrease in redemption and share prices at year end would have decreased / increased the Company's gain / loss in case of held for trading investments and increase / decrease surplus on re-measurement of investments in case of 'available for sale' investments as follows:

	2011	2010
	(Rupees in '000)	
Effect on profit	38,157	34,601
Effect on equity	10,903	17,668
Effect on investments	49,060	52,269

The sensitivity analysis prepared is not necessarily indicative of the effects on profit / equity and assets of the Company.

44.4 Fair value of financial instruments

The carrying values of other financial assets and financial liabilities reported in balance sheet approximate their fair values. The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3: Valuation techniques using significant unobservable inputs.

Investment in ordinary shares of listed companies is valued using quoted prices in active market, hence, fair value of such investments fall within Level 1 in fair value hierarchy as mentioned above.

45. REMUNERATION TO THE CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	Chief Executive		Director		Executives		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	(Rupees in '000)							
Managerial remuneration	7,509	6,750	–	–	24,654	17,434	32,163	24,184
House rent	3,375	3,038	–	–	8,756	7,339	12,131	10,377
Utilities	750	675	–	–	2,016	1,678	2,766	2,353
Travelling expenses	764	994	–	–	–	–	764	994
Others	866	932	1,281	1,166	–	–	2,147	2,098
Medical	264	211	–	–	1,021	994	1,285	1,205
Contributions to								
- Gratuity fund	625	472	–	–	1,143	719	1,768	1,191
- Pension fund	1,500	1,350	–	–	3,078	2,331	4,578	3,681
- Provident fund	750	675	–	–	1,464	1,065	2,214	1,740
Club subscription and expenses	1,139	649	–	–	69	44	1,208	693
Entertainment	–	–	–	–	42	42	42	42
Conveyance	–	–	–	–	1,967	1,001	1,967	1,001
Telephone	–	–	–	–	6	6	6	6
	17,542	15,746	1,281	1,166	44,216	32,653	63,039	49,565
Number of persons	1	1	1	1	20	14	22	16

45.1 The aggregate amount charged in respect of directors' fees paid to seven (2010: six) directors is Rs. 0.270 million (2010: Rs. 0.360 million).

45.2 The chief executive and nine executives are provided with free use of company maintained cars, in accordance with their entitlements.

45.3 The chief executive, executives and their families are also covered under group life and hospitalization insurance. A director is also covered under group hospitalization scheme.

46. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of subsidiary and associated companies, directors of the Company, companies in which directors also hold directorship, related group companies, key management personnel and staff retirement benefit funds.

Transactions with related parties other than those disclosed elsewhere are as follows

Name	Nature of relationship	Nature of transaction	2011	2010
			(Rupees in '000)	
Crescent Jute Products Limited *	Related party	Acquisition of freehold land	24,904	–
		Services received	642	122
		Services rendered	1,378	1,078
Crescent Sugar Mills & Distillery Limited *	Related party	Dividend paid	692	1,361
Equity Textile Mills Limited *	Related party	Sale of raw cotton	16,785	–
Muhammad Amin Muhammad Bashir Limited *	Related party	Dividend paid	2	1
Pakistan Centre for Philanthropy *	Related party	Donation given	837	830
Pakistan Institute of Corporate Governance *	Related party	Annual subscription charges	115	–
Premier Insurance Company *	Related party	Dividend paid	119	–
		Insurance premium	708	660
Safeway Fund Limited **	Associated company	Rental income	–	926
Shakarganj Energy (Private) Limited	Subsidiary company	Short term loan provided	74,000	–
		Mark-up on short term loan provided	6,553	–
		Sale of finished goods	2,727	–
		Right shares subscribed	–	330,000
Shakarganj Mills Limited	Associated company	Dividend paid	6,862	4,014
		Sales of finished goods	7,969	–
		Sales of operating fixed assets	2,571	–
		Services received	4,592	2,165
		Services rendered	1,384	2,965

Name	Nature of relationship	Nature of transaction	2011	2010
			(Rupees in '000)	
Shakarganj Food Products Limited ***	Associated company	Rental income	-	1,375
		Services rendered	-	441
The Citizens' Foundation *	Related party	Donation given	17,887	16,720
The Crescent Textile Mills Limited *	Related party	Dividend paid	16,673	11,177
		Sale of raw cotton	-	7,623
		Sale of cotton waste	1,497	24
Crescent Cotton Products - Staff Provident Fund	Retirement benefit fund	Contribution made	1,865	1,610
		Dividend paid	13	9
Crescent Steel and Allied Products Limited - Gratuity Fund	Retirement benefit fund	Contribution made	2,944	2,550
		Dividend paid	1,075	682
Crescent Steel and Allied Products Limited - Pension Fund	Retirement benefit fund	Contribution made	13,755	16,853
		Dividend paid	2,105	1,107
Crescent Steel and Allied Products Limited - Staff Provident Fund	Retirement benefit fund	Contribution made	4,158	3,541
		Dividend paid	1,153	587
Key management personnel	Related parties	Remuneration and benefits	42,890	40,214

* These entities are / have been related parties of the Company by virtue of common directorship only.

** The Company's investment in this entity was disposed off during the year ended 30 June 2010 and is no longer an associated company as at 30 June 2011 and 2010.

*** The Company no longer has / held significant influence over the entity as at 30 June 2011 and 2010.

46.1 Sale of finished goods, operating fixed assets and raw materials, rendering of services and rental income are based on commercial terms and at market prices which are approved by the Board of Directors.

46.2 Contributions to the employee retirement benefit funds are made in accordance with the terms of employee retirement benefit schemes and actuarial advice.

46.3 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors of the Company. There were no transactions with the key management personnel during the year other than their terms of employment / entitlements.

46.4 Outstanding balances and other information with respect to related parties as at 30 June 2011 and 2010 are included in issued, subscribed and paid-up capital (note 6.1), trade and other payables (note 10.3), property, plant and equipment (note 14.1.2), long term investments (notes 17.1, 17.2 and 17.3.1), trade debts (note 21.1), loan and advances (note 22.1), investments (note 24.1), current portion of long term investments (note 25.1), other receivables (note 27.1), income from investments (note 32.1), administrative expenses (note 34.4) and staff retirement benefits (note 43).

47. CAPITAL RISK MANAGEMENT

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company's overall strategy remains unchanged from year 2010.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payments to shareholders or issue new shares. The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

The Company is not subject to any externally imposed capital requirements.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt less cash and bank balances. Total capital is calculated as equity as shown in the balance sheet plus net debt.

47.1 Gearing ratio

		2011	2010
		(Rupees in '000)	
The gearing ratio at end of the year is calculated as follows			
Total debt	47.1.1	734,315	836,431
Less: Cash and bank balances		16,518	153,679
Net debt		717,797	682,752
Total equity	47.1.2	2,876,326	2,622,612
Total capital		3,594,123	3,305,364
Gearing ratio		20%	21%

47.1.1 Total debt is defined as long term and short term borrowings (excluding derivatives), as described in notes 7, 8 and 12 to these financial statements.

47.1.2 Total equity includes all capital and reserves of the Company that are managed as capital.

48. PLANT CAPACITY AND PRODUCTION

48.1 Steel segment

Pipe plant

The plant's installed / rated capacity for production based on single shift is 30,000 tons (2010: 30,000 tons) annually on the basis of notional pipe size of 30" dia x ½" thickness. The actual production achieved during the year was 8,341 tons (2010: 17,410 tons) line pipes of varied sizes and thickness, which is equivalent to 21,457 tons (2010: 57,249 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 114 mm to 1524 mm outside dia and thickness ranging from 3 mm to 16 mm.

The annual capacity of the plant works out to 600,000 square meters outside surface area of pipes based on notional size of 14" dia on single shift working. Coating of 193,526 meters (2010: 788,393 meters) of different dia pipes (195,490 square meters surface area) was achieved during the year (2010: 461,043 square meters surface area).

48.2 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 (2010: 6,452,874 kilograms). Actual production converted into 20s count was 3,692,778 kilograms (2010: 5,016,846 kilograms).

Spinning unit 2

The plant capacity converted to 20s count based on three shifts per day for 1,080 shifts is 9,284,82 kilograms (2010: 9,284,825 kilograms). Actual production converted into 20s count was 9,349,093 kilograms (2010: 9,638,111 kilograms).

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

49. NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors in their meeting held on 28 July 2011 has proposed a final cash dividend for the year ended 30 June 2011 of Rs. 1.5 per share (i.e. 15%) (2010: Re. 1 per share) amounting to Rs. 84.690 million (2010: Rs. 56.460 million). This is in addition to the first and second interim cash dividends of Re. 1 per share (i.e 10%) each already distributed and recorded in these financial statements. This makes a total distribution of Rs. 3.5 per share (i.e. 35%) for the year. The approval of the members for the dividend shall be obtained at the Annual General Meeting to be held on 15 September 2011. These financial statements do not include the effect of this proposed final cash dividend and will be accounted for subsequent to year end.

50. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue in the Board of Directors meeting held on 28 July 2011.

Chief Executive **Director**

Consolidated Financial Statements

For the year ended 30 June 2011

Key Figures – Consolidated

			2011	2010
Sales revenue	(Rs. in millions)	Favourable / Increase	4,400	3,704
EBITDA	(Rs. in millions)	Favourable / Increase	1,151	1,022
Profit before taxation and depreciation	(Rs. in millions)	Favourable / Increase	995	890
Profit after taxation	(Rs. in millions)	Favourable / Increase	640	535
Earning per share (basic and diluted)	(Rupees)	Favourable / Increase	11.32	9.48
Price earning ratio	(Times)	Favourable / Increase	2.3	2.6
Cash dividend (including final proposed)	(Rupees per share)	Favourable / Increase	3.5	3.0
No. of ordinary shares in issue	(No. in millions)	No change	56.5	56.5
Capital expenditure	(Rs. in millions)	Favourable / Increase	326	229
Return on average capital employed	(%)	Favourable / Increase	23.4	22.2
Total assets	(Rs. in millions)	Favourable / Increase	4,905	4,895
Current ratio	(Ratio)	Favourable / Increase	1.5:1	1.2:1
Shareholders' equity	(Rs. in millions)	Favourable / Increase	3,601	3,079
Break-up value per share	(Rupees)	Favourable / Increase	63.7	54.5

Legend

Favourable / Increase   No change   Unfavourable / Decrease

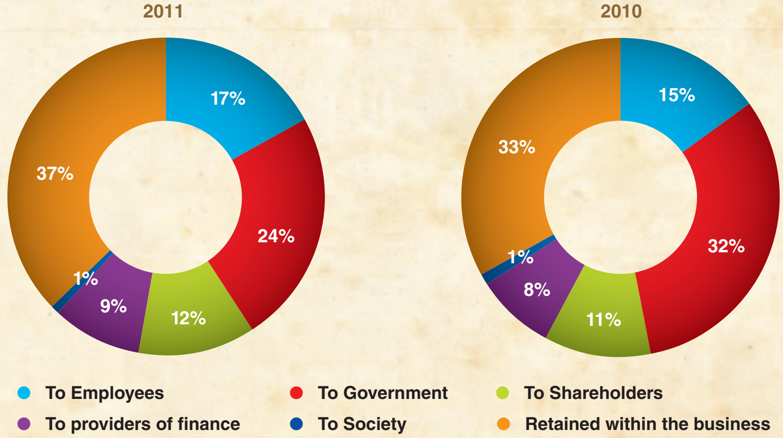
Statement of Value Added – Consolidated

For the year ended 30 June 2011

	2011 Rupees in '000	%	2010 Rupees in '000	%
WEALTH GENERATED				
Total revenue	4,943,377	100%	4,212,878	100%
Bought-in-material and services	(3,348,524)	68%	(2,640,640)	63%
	1,594,853	32%	1,572,238	37%
WEALTH DISTRIBUTED				
To Employees Salaries, wages and other benefits	277,927	17%	242,295	15%
To Government Income tax, sales tax, custom duties, WWF and WPPF	360,309	24%	499,185	32%
To Shareholders Dividend *	197,610	12%	169,380	11%
To providers of finance Finance costs	144,001	9%	121,910	8%
To Society Donation towards education, health and environment	21,168	1%	18,280	1%
Retained within the business for future growth Depreciation, amortization and retained earnings	593,838	37%	521,188	33%
	1,594,853	100%	1,572,238	100%

* This includes final dividend recommended by the Board of Directors subsequent to year end.

Distribution of Wealth



Vertical Analysis – Consolidated

	2011	%	2010	%	2009	%	2008	%	2007	%	2006	%
Consolidated Balance Sheet (Rs. in million)												
Property, plant and equipment	1,431	29.2	1,257	25.7	1,225	29.8	1,233	25.4	1,307	27.8	1,381	37.2
Intangible assets	13	0.3	24	0.5	1	–	1	–	1	–	1	–
Investment property	40	0.8	45	0.9	47	1.1	50	1.0	–	–	–	–
Investment in equity accounted investees	1,498	30.6	1,231	25.1	1,031	25.2	1,280	–	1,259	26.8	485	13.1
Other long term investments	189	3.9	206	4.2	86	2.1	–	–	–	–	–	–
Long term loans and deposits	15	0.3	3	0.1	4	0.1	4	0.1	5	0.1	6	0.2
Stores, spares and loose tools	66	1.3	73	1.5	84	2.0	77	1.6	49	1.0	36	1.0
Stock-in-trade	841	17.1	1,027	21.0	617	15.0	606	12.5	633	13.5	469	12.6
Trade debts	145	3.0	277	5.7	84	2.0	119	2.5	181	3.9	75	2.0
Advances	30	0.6	55	1.1	40	1.0	25	0.5	83	1.8	221	5.9
Trade deposits and short term prepayments	6	0.1	6	0.1	6	0.1	2	–	5	0.1	3	0.1
Investments	491	10.0	463	9.5	655	16.0	1,408	29.1	1,041	22.2	827	22.3
Current portion of long term investments	17	0.3	–	–	36	0.9	–	–	–	–	–	–
Mark-up accrued on term finance certificates	1	–	1	–	1	–	2	–	2	–	9	0.2
Other receivables	62	1.3	25	0.5	161	3.9	32	0.7	73	1.6	169	4.5
Taxation - net	41	0.8	19	0.4	28	0.7	–	–	20	0.4	17	0.5
Cash and bank balances	19	0.4	183	3.7	4	0.1	8	0.2	37	0.8	16	0.4
Total assets	**4,905**	**100.0**	**4,895**	**100.0**	**4,110**	**100.0**	**4,847**	**73.6**	**4,696**	**100.0**	**3,715**	**100.0**
Issued, subscribed and paid-up capital	565	11.5	565	11.5	565	13.7	513	10.6	467	9.9	350	9.4
Capital reserves	326	6.6	274	5.6	163	4.0	371	7.7	792	16.9	316	8.5
Revenue reserves	2,711	55.3	2,241	45.8	1,818	44.2	2,110	43.5	1,941	41.3	1,372	36.9
Shareholders' equity	**3,602**	**73.4**	**3,080**	**62.9**	**2,546**	**61.9**	**2,994**	**61.8**	**3,200**	**68.1**	**2,038**	**54.8**
Long term loans	115	2.3	–	–	56	1.4	168	3.5	280	6.0	393	10.6
Redeemable capital	–	–	–	–	–	–	–	–	74	1.6	148	4.0
Liabilities against assets subject to finance lease	15	0.3	–	–	–	–	–	–	–	–	8	0.2
Deferred taxation	50	1.0	72	1.5	100	2.4	112	2.3	65	1.4	2	0.1
Trade and other payables	378	7.8	873	17.9	374	9.1	241	5.0	435	9.3	230	6.2
Mark-up accrued	26	0.5	34	0.7	19	0.5	20	0.4	16	0.3	20	0.5
Short term borrowings	707	14.5	780	15.9	903	22.0	1,119	23.1	433	9.2	739	19.9
Current portion of long term loan	–	–	56	1.1	112	2.7	112	2.3	112	2.4	56	1.5
Current portion of redeemable capital	–	–	–	–	–	–	75	1.5	75	1.6	75	2.0
Current portion of liabilities against assets subject to finance lease	12	0.2	–	–	–	–	–	–	6	0.1	6	0.2
Taxation - net	–	–	–	–	–	–	6	0.1	–	–	–	–
Total equity and liabilities	**4,905**	**100.0**	**4,895**	**100.0**	**4,110**	**100.0**	**4,847**	**100.0**	**4,696**	**100.0**	**3,715**	**100.0**
Consolidated Profit and Loss Account (Rs. in million)												
Sales - net	4,400	100.0	3,704	100.0	3,311	100.0	4,200	100.0	2,950	100.0	1,707	100.0
Cost of sales	3,590	81.6	2,887	77.9	2,597	78.4	3,304	78.7	2,440	82.7	1,567	91.8
Gross profit	**810**	**18.4**	**817**	**22.1**	**714**	**21.6**	**896**	**21.3**	**510**	**17.3**	**140**	**8.2**
Income from / (loss on) investments - net	189	4.3	223	6.0	(339)	(10.2)	74	1.8	411	13.9	333	19.5
Distribution and selling expenses	39	0.9	27	0.7	17	0.5	15	0.4	13	0.4	15	0.9
Administrative expenses	160	3.6	160	4.3	127	3.8	136	3.2	133	4.5	104	6.1
Other operating expenses	60	1.4	64	1.7	175	5.3	110	2.6	126	4.3	22	1.3
Other operating income	31	0.7	38	1.0	39	1.2	20	0.5	107	3.6	25	1.5
Operating profit before finance costs	**771**	**17.5**	**827**	**22.4**	**95**	**3.0**	**729**	**17.4**	**756**	**25.6**	**357**	**20.9**
Finance costs	144	3.3	122	3.3	204	6.2	153	3.6	128	4.3	83	4.9
Share of profit / (loss) in equity accounted investees - net of taxation	207	4.7	11	0.3	4	0.1	51	1.2	99	3.4	(12)	(0.7)
Profit / (loss) before taxation	**834**	**18.9**	**716**	**19.4**	**(105)**	**(3.1)**	**627**	**15.0**	**727**	**24.7**	**262**	**15.3**
Taxation	194	4.4	181	4.9	135	4.1	211	5.0	64	2.2	3	0.2
Profit / (loss) after taxation	**640**	**14.5**	**535**	**14.5**	**(240)**	**(7.2)**	**416**	**10.0**	**663**	**22.5**	**259**	**15.1**

* **Note:** The figures presented in this analysis for the financial years ended 30 June 2011, 2011 and 2009 are those based on the Group's consolidated financial statements. The figures presented for the years prior to 2009 are based on the Holding Company's individual financial statements as published in the annual reports in prior years.

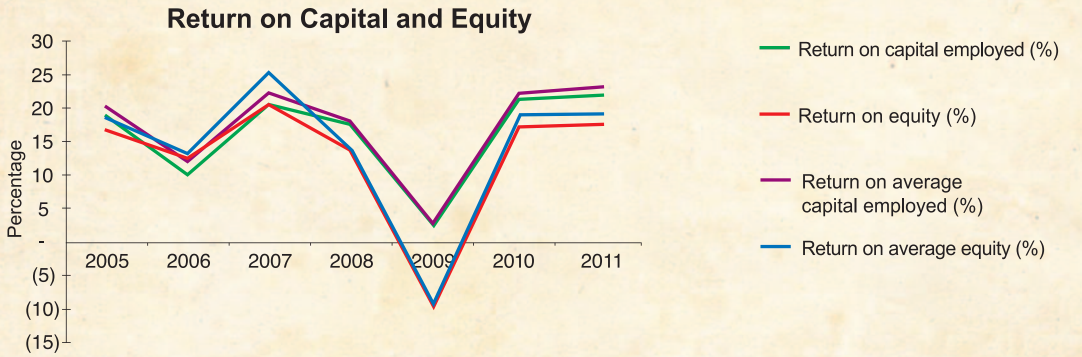
Horizontal Analysis – Consolidated

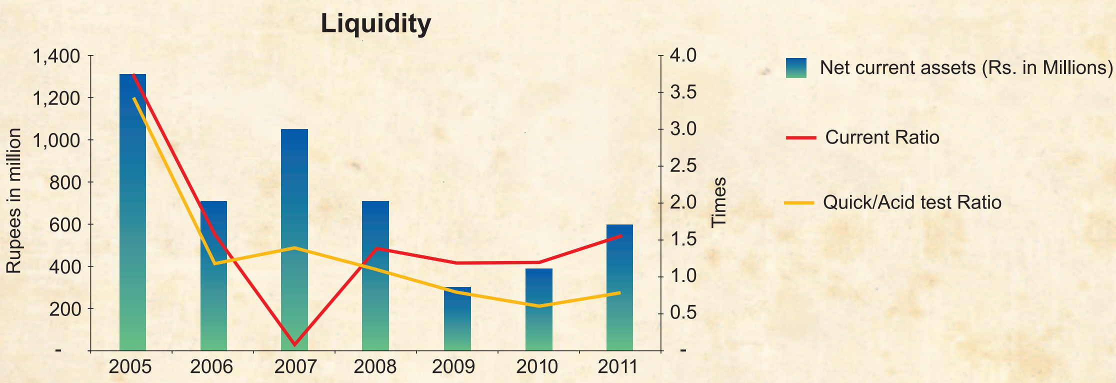
	2011	%	2010	%	2009	%	2008	%	2007	%	2006	%
Consolidated Balance Sheet (Rs. in million)												
Property, plant and equipment	1,431	13.8	1,257	2.6	1,225	(0.6)	1,233	(5.7)	1,307	(5.4)	1,381	212.4
Intangible assets	13	(45.8)	24	2,300.0	1	–	1	–	1	–	1	(80.0)
Investment property	40	(11.1)	45	(4.3)	47	(6.0)	50	100.0	–	–	–	–
Investment in equity accounted investees	1,498	21.7	1,231	19.4	1,031	(19.5)	1,280	1.7	1,259	159.6	485	43.1
Other long term investments	189	(8.3)	206	139.5	86	100.0	–	–	–	–	–	–
Long term loans and deposits	15	400.0	3	(25.0)	4	–	4	(20.0)	5	(16.7)	6	50.0
Stores, spares and loose tools	66	(9.6)	73	(13.1)	84	9.1	77	57.1	49	36.1	36	2.9
Stock-in-trade	841	(18.1)	1,027	66.5	617	1.8	606	(4.3)	633	35.0	469	141.8
Trade debts	145	(47.7)	277	229.8	84	(29.4)	119	(34.3)	181	141.3	75	(43.2)
Advances	30	(45.5)	55	37.5	40	60.0	25	(69.9)	83	(62.4)	221	1,281.3
Trade deposits and short term prepayments	6	–	6	–	6	200.0	2	(60.0)	5	66.7	3	(25.0)
Investments	491	6.0	463	(29.3)	655	(53.5)	1,408	35.3	1,041	25.9	827	(28.9)
Current portion of long term investments	17	100.0	–	(100.0)	36	100.0	–	–	–	–	–	–
Mark-up accrued on term finance certificates	1	–	1	–	1	(50.0)	2	–	2	(77.8)	9	80.0
Other receivables	62	148.0	25	(84.5)	161	403.1	32	(56.2)	73	(56.8)	169	2.4
Taxation - net	41	115.8	19	(32.1)	28	100.0	–	(100.0)	20	17.6	17	30.8
Cash and bank balances	19	(89.6)	183	4,475.0	4	(50.0)	8	(78.4)	37	131.3	16	(69.8)
Total assets	**4,905**	**0.2**	**4,895**	**19.1**	**4,110**	**(15.2)**	**4,847**	**3.2**	**4,696**	**26.4**	**3,715**	**44.6**
Issued, subscribed and paid-up capital	565	–	565	–	565	10.1	513	9.9	467	33.4	350	44.0
Capital reserves	326	19.0	274	68.1	163	(56.1)	371	(53.2)	792	150.6	316	(75.6)
Revenue reserves	2,711	21.0	2,241	23.3	1,818	(13.8)	2,110	8.7	1,941	41.5	1,372	326.1
Shareholders' equity	**3,602**	**16.9**	**3,080**	**21.0**	**2,546**	**(15.0)**	**2,994**	**(6.4)**	**3,200**	**57.0**	**2,038**	**9.5**
Long term loans	115	100.0	–	(100.0)	56	(66.7)	168	(40.0)	280	(28.8)	393	100.0
Redeemable capital	–	–	–	–	–	–	–	(100.0)	74	(50.0)	148	(33.3)
Liabilities against assets subject to finance lease	15	100.0	–	–	–	–	–	–	–	(100.0)	8	(42.9)
Deferred taxation	50	(30.6)	72	(28.0)	100	(10.7)	112	72.3	65	3,150.0	2	(50.0)
Trade and other payables	378	(56.7)	873	133.4	374	55.2	241	(44.6)	435	89.1	230	3.6
Mark-up accrued	26	(23.5)	34	78.9	19	(5.0)	20	25.0	16	(20.0)	20	42.9
Short term borrowings	707	(9.4)	780	(13.6)	903	(19.3)	1,119	158.4	433	(41.4)	739	420.4
Current portion of long term loan	–	(100.0)	56	(50.0)	112	–	112	–	112	100.0	56	100.0
Current portion of redeemable capital	–	–	–	–	–	(100.0)	75	–	75	–	75	–
Current portion of liabilities against assets subject to finance lease	12	100.0	–	–	–	–	–	(100.0)	6	–	6	(62.5)
Taxation - net	–	–	–	–	–	(100.0)	6	100.0	–	–	–	–
Total equity and liabilities	**4,905**	**0.2**	**4,895**	**19.1**	**4,110**	**(15.2)**	**4,847**	**3.2**	**4,696**	**26.4**	**3,715**	**44.6**
Consolidated Profit and Loss Account (Rs. in million)												
Sales - net	4,400	18.8	3,704	11.9	3,311	(21.2)	4,200	42.4	2,950	72.8	1,707	(36.5)
Cost of sales	3,590	24.4	2,887	11.2	2,597	(21.4)	3,304	35.4	2,440	55.7	1,567	(32.3)
Gross profit	**810**	**(0.9)**	**817**	**14.4**	**714**	**(20.3)**	**896**	**75.7**	**510**	**264.3**	**140**	**(62.4)**
Income from / (loss on) investments - net	189	(15.2)	223	165.8	(339)	(558.1)	74	(82.0)	411	23.4	333	89.2
Distribution and selling expenses	39	44.4	27	58.8	17	13.3	15	15.4	13	(13.3)	15	25.0
Administrative expenses	160	–	160	26.0	127	(6.6)	136	2.3	133	27.9	104	8.3
Other operating expenses	60	(6.3)	64	(63.4)	175	59.1	110	(12.7)	126	472.7	22	(68.6)
Other operating income	31	(18.4)	38	(2.6)	39	95.0	20	(81.3)	107	328.0	25	(71.6)
Operating profit before finance costs	**771**	**(6.8)**	**827**	**770.5**	**95**	**(87.0)**	**729**	**(3.6)**	**756**	**111.8**	**357**	**(22.1)**
Finance costs	144	18.0	122	(40.2)	204	33.3	153	19.5	128	54.2	83	88.6
Share of profit / (loss) in equity accounted investees - net of taxation	207	1,781.8	11	175.0	4	(92.2)	51	(48.5)	99	925.0	(12)	40.0
Profit / (loss) before taxation	**834**	**16.5**	**716**	**781.9**	**(105)**	**(116.7)**	**627**	**(13.8)**	**727**	**177.5**	**262**	**(33.5)**
Taxation	194	7.2	181	34.1	135	(36.0)	211	229.7	64	2,033.3	3	(96.3)
Profit / (loss) after taxation	**640**	**19.6**	**535**	**322.9**	**(240)**	**(157.7)**	**416**	**(37.3)**	**663**	**156.0**	**259**	**(17.0)**

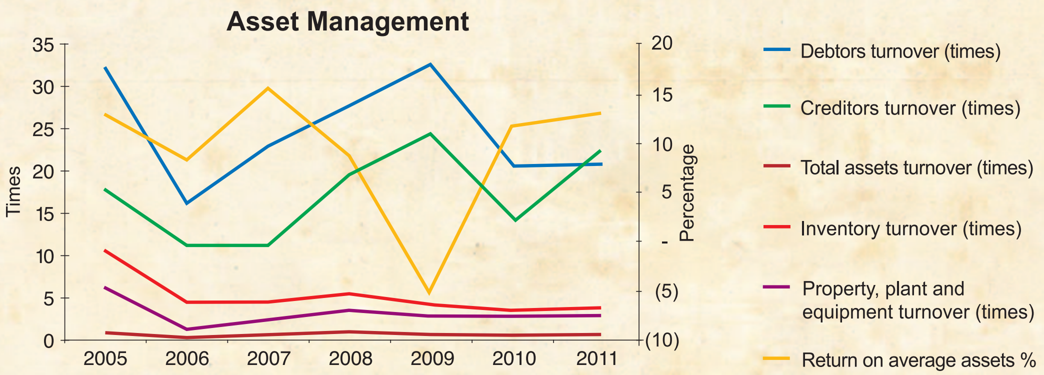
* **Note:** The figures presented in this analysis for the financial years ended 30 June 2011, 2011 and 2009 are those based on the Group's consolidated financial statements. The figures presented for the years prior to 2009 are based on the Holding Company's individual financial statements as published in the annual reports in prior years.

Performance Indicators – Consolidated

Crescent Steel & Allied Products Ltd.







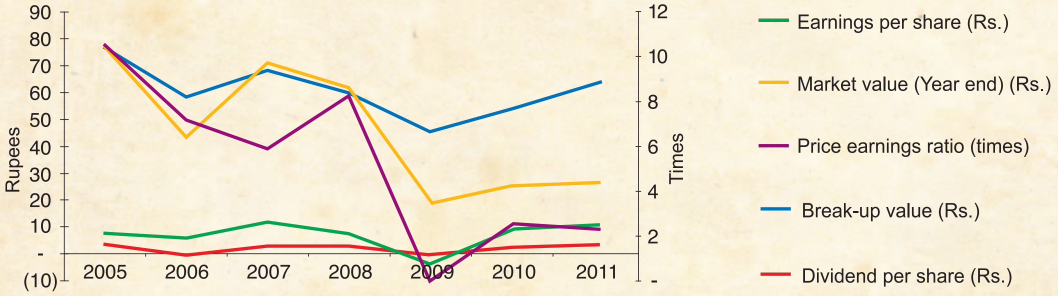
Performance Indicators – Consolidated

	2011*	2010*	2009*	2008	2007	2006	2005
PERFORMANCE INDICATORS							
A - Profitability Ratios							
Earnings before interest, taxation, depreciation and amortization (EBITDA) (Rs. in millions)	1,151.0	1,022.2	279.2	954.7	1,029.2	444.8	522.7
Profit before taxation and deprecation (Rs. in millions)	995.2	889.8	74.1	801.4	899.9	359.9	476.9
Gross profit ratio (%)	18.4	22.1	21.6	21.3	17.3	8.2	13.8
Operating profit margin to sales (net) (%)	17.5	22.3	2.9	17.4	25.6	20.9	17.0
Net profit / (loss) margin to sales (net) (%)	14.5	14.4	(7.2)	9.9	22.5	15.2	11.6
EBITDA margin to sales (net) (%)	26.2	27.6	8.4	22.7	34.9	26.1	19.5
Operating leverage ratio	0.9	63.1	4.1	(0.2)	2.0	0.6	0.3
Return on equity (%)	17.8	17.4	(9.4)	13.9	20.7	12.7	16.8
Return on average equity (%)	19.2	19.0	(8.7)	13.4	25.3	13.3	18.5
Return on capital employed (RoCE) (%)	22.0	21.4	2.7	17.4	20.5	10.0	18.8
Return on average capital employed (%)	23.4	22.2	2.4	18.0	22.4	11.9	20.2
Return on average assets (%)	13.1	11.9	(5.4)	8.7	15.8	8.3	13.0
B - Liquidity Ratios							
Current ratio	1.5 : 1	1.2 : 1	1.2 : 1	1.4 : 1	2 : 1	1.6 : 1	3.8 : 1
Quick / Acid-test ratio	0.8 : 1	0.6 : 1	0.8 : 1	1.1 : 1	1.4 : 1	1.2 : 1	3.4 : 1
Cash to current liabilities (%)	(49.1)	(27.0)	(45.8)	(52.7)	2.4	(13.6)	6.6
Cash flows from operations to sales (%)	4.1	12.3	10.1	13.5	16.5	(5.2)	7.0
Working capital (Net current assets)	595.2	384.7	308.0	706.0	1,047.7	714.5	1,310.6
Working capital turnover (times)	9.0	10.7	6.5	4.8	3.3	1.7	2.2
C - Activity / Turnover Ratios							
Debtors turnover ratio (times)	20.9	20.5	32.7	28.0	23.0	16.5	31.9
No. of days in receivables / Average collection period (days)	18	18	11	13	16	22	11
Inventory turnover ratio (times)	3.8	3.5	4.2	5.3	4.4	4.7	10.6
No. of days in inventory (days)	95	104	86	68	82	77	34
Creditors turnover ratio (times)	22.3	14.0	24.6	19.7	11.5	11.3	17.8
No. of days in creditors / Average payment period (days)	16	26	15	19	32	32	20
Property, plant and equipment turnover (times)	3.1	2.9	2.7	3.4	2.3	1.2	6.1
Total assets turnover (times)	0.9	0.8	0.8	0.9	0.6	0.5	1.0
Operating cycle (days)	96	96	82	63	66	67	25

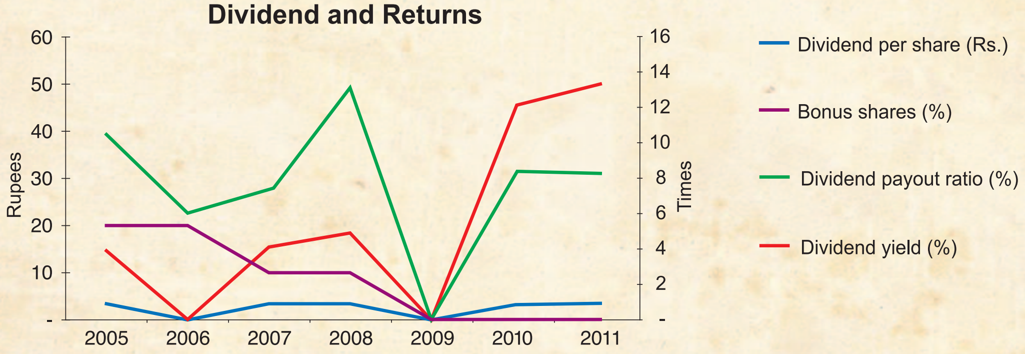
Crescent Steel & Allied Products Ltd.

Performance Indicators – Consolidated

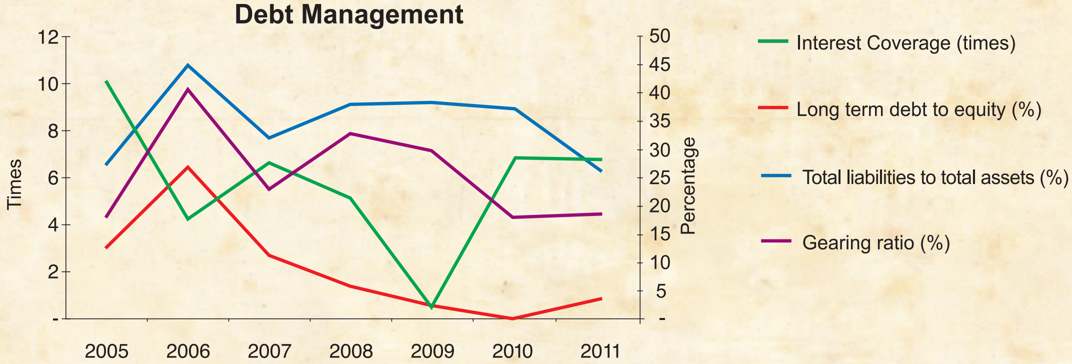
Per Share Results



Dividend and Returns



Debt Management



Performance Indicators – Consolidated

For the current and past six financial year(s)

	2011*	2010*	2009*	2008	2007	2006	2005
PERFORMANCE INDICATORS							
D - Investment / Market Ratios							
Basic and diluted earnings / (loss) per share (Rs.) **	11.32	9.48	(4.24)	7.36	12.10	6.10	7.30
Price earnings ratio (times)	2.3	2.6	–	8.4	5.9	7.1	10.5
Dividend yield (%) ***	13.4	12.0	–	4.9	4.2	–	3.9
Dividend payout ratio (%) ***	30.9	31.7	–	49.4	28.2	22.4	38.9
Dividend cover ratio (times) ***	3.2	3.2	–	2.5	4.0	–	2.4
Cash dividend (Rs. in millions) ***	197.6	169.4	–	154.0	140.0	–	72.9
Cash dividend per share (Rs.) ***	3.5	3.0	–	3.0	3.0	–	3.0
Stock dividend / Bonus shares (Rs. in millions) ***	–	–	–	51.3	46.7	58.3	48.6
Stock dividend / Bonus shares (%) ***	–	–	–	10	10	20	20
Market value per share (at the end of the year) (Rs.)	26.1	25.1	18.0	61.7	71.0	43.5	77.0
- Lowest during the year (Rs.)	23.8	18.0	13.0	58.0	32.0	37.0	64.0
- Highest during the year (Rs.)	31.7	34.0	61.0	108.0	72.0	90.0	100.0
Break-up value per share (Rs.)	63.7	54.5	45.1	58.4	68.5	58.2	76.6
E - Capital Structure Ratios							
Financial leverage ratio (%)	23.6	27.2	42.1	49.2	30.6	69.9	25.2
Long term debt to equity ratio (%)	3.6	–	2.2	5.6	11.1	26.9	12.7
Long term debt : Equity ratio	3 : 97	0 : 100	2 : 98	5 : 95	10 : 90	21 : 79	11 : 89
Total liabilities to total assets (%)	26.6	37.1	38.1	38.2	31.8	45.1	27.6
Gearing ratio (%)	18.7	17.5	29.5	32.9	22.8	40.9	18.3
Interest coverage (times)	6.8	6.9	0.5	5.1	6.7	4.2	10.0

Notes:

* The figures presented in this analysis for the financial years ended 30 June 2011, 2010 and 2009 are those based on the Group's consolidated financial staements. The figures presented for the financial years prior to 2009 are based on the Holding Company's individual financial statements as published in the annual reports in those respective years.

** The basic and diluted earnings / (loss) per share for prior years have been restated to take into account the issue of bonus shares in the financial years ended 2008, 2007, 2006 and 2005.

*** This includes declaration of final cash dividend and issue of bonus shares recommended by the Board of Directors subsequent to year end.

The Directors of Crescent Steel and Allied Products Limited (CSAPL) have pleasure in presenting their report together with the audited consolidated financial statements of the Group for the year ended 30 June 2011. The Group comprises of CSAPL and its wholly owned subsidiary companies Shakarganj Energy (Private) Limited and Crescent Continental Gas Pipelines Limited (CCGPL). CCGPL is not carrying on any business operations and accordingly no financial statements are being prepared.

The Directors' Report giving commentary on the performance of CSAPL for the year ended 30 June 2011 has been presented separately.

Group Results

The consolidated financial results of the Group are summarized below:

		2011	2010
		(Rupees in '000)	
Profit for the year		833,940	715,824
Taxation		(194,121)	(180,966)
Profit after taxation		639,819	534,858
Unappropriated profit / (loss) brought forward		398,513	(23,425)
Profit available for appropriation		1,038,332	511,433
Appropriations			
- Final dividend	2010 - @10%	(56,460)	–
- First interim dividend	2011 - @10%	(56,460)	(56,460)
- Second interim dividend	2011 - @10%	(56,460)	(56,460)
		(169,380)	(112,920)
Unappropriated profit carried forward		868,952	398,513
Basic and diluted earnings per share		Rs. 11.33	Rs. 9.47

The Board of Directors of CSAPL in their meeting held on 28 July 2011 has proposed a final cash dividend for the year ended 30 June 2011 of Rs. 1.5 per share (i.e. 15%) amounting to Rs. 84.690 million. This is in addition to the first and second interim cash dividends of Re. 1 per share (i.e. 10%) each, making a total distribution of Rs. 3.5 per share (i.e. 35%). The approval of the members for the dividend shall be obtained at the Annual General Meeting of CSAPL to be held on 15 September 2011. These consolidated financial statements do not include the effect of this proposed final cash dividend.

Pattern of Shareholding

The pattern of shareholding and additional information relating thereto is attached separately.

Material Changes and Commitments

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.

Chief Executive's Review

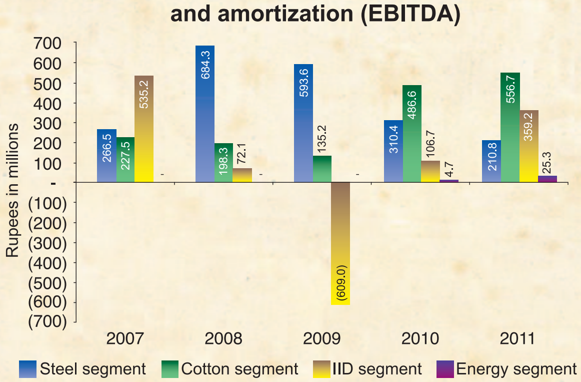
The Directors endorse the contents of the Chief Executive's Review for the year ended 30 June 2011 which contains the state of the Group's affairs, operational performance of CSAPL and its subsidiary companies, future prospects of profits and other requisite information. The contents of the said review shall be read along with this report and shall form an integral part of the Director's Report in terms of section 236 of the Companies Ordinance, 1984 and the requirements of the Code of Corporate Governance under the Listing Regulations of the Stock Exchanges.

By order of the Board

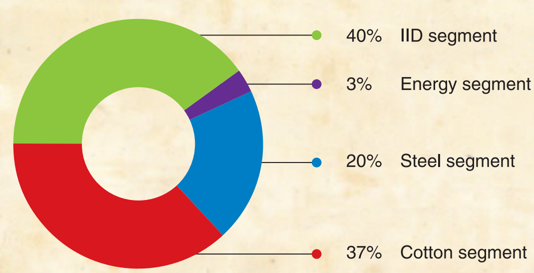
Ahsan M. Saleem
Chief Executive Officer

28 July 2011

Earnings before interest, taxation, depreciation and amortization (EBITDA)

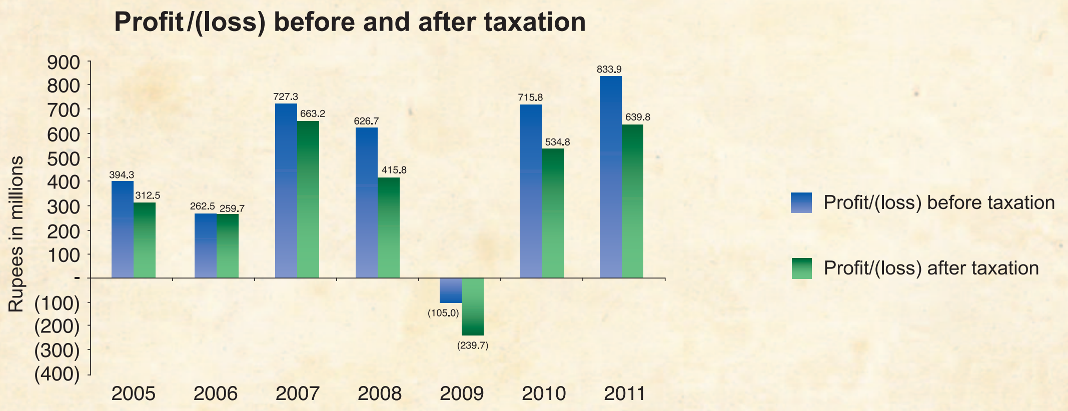


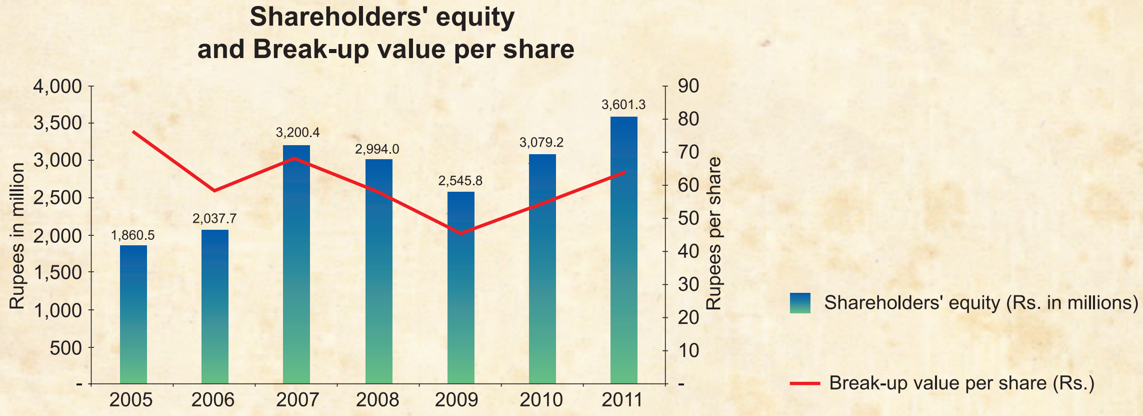
Composition of total profit before tax (Segment-wise)

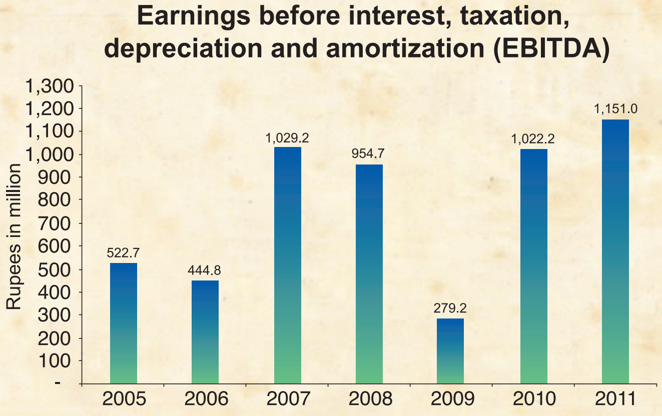


Crescent Steel & Allied Products Ltd.

Key Operating and Financial data







Key Operating and Financial data – Consolidated

For the current and past six financial year(s)

SUMMARIZED FINANCIAL DATA

A - Summary of Profit and Loss Account (Rupees in millions)

	2011*	2010*	2009*	2008	2007	2006	2005
Sales - net	4,400.0	3,704.4	3,310.9	4,200.2	2,950.1	1,707.1	2,686.6
Cost of sales	3,590.1	2,887.3	2,597.2	3,303.8	2,439.7	1,566.8	2,314.7
Gross profit	809.9	817.1	713.7	896.4	510.4	140.3	371.9
Income from / (loss on) investments - net	188.6	222.7	(338.8)	73.6	411.4	332.9	176.4
Distribution, selling and administrative expenses	198.8	187.5	143.8	151.0	146.6	118.6	108.3
Other operating expenses	60.3	63.5	175.2	109.7	125.5	21.9	70.0
Other operating income	31.6	37.7	39.0	19.6	107.0	24.6	87.7
Operating profit before finance costs	771.0	826.5	94.9	728.9	756.7	357.3	457.7
Finance costs	144.0	121.9	203.6	153.0	128.5	82.9	43.9
Share of profit / (loss) in equity accounted investees - net of taxation	206.9	11.2	3.7	50.8	99.1	(11.9)	(19.5)
Profit / (loss) before taxation	833.9	715.8	(105.0)	626.7	727.3	262.5	394.3
Taxation	194.1	181.0	134.7	210.9	64.1	2.8	81.8
Net income / (loss)	639.8	534.8	(239.7)	415.8	663.2	259.7	312.5

B - Summary of Balance Sheet (Rupees in millions)

	2011*	2010*	2009*	2008	2007	2006	2005
Current assets	1,718.4	2,128.8	1,716.2	2,279.1	2,124.8	1,841.6	1,779.5
Stock-in-trade	840.6	1,026.6	616.4	606.1	633.5	468.5	194.3
Trade debts	145.1	276.9	83.9	118.7	181.4	75.1	132.4
Current liabilities	1,123.2	1,744.1	1,408.2	1,573.1	1,077.1	1,127.1	468.9
Trade and other payables	378.0	873.4	373.9	240.8	435.1	229.9	221.9
Property, plant and equipment	1,431.2	1,256.9	1,224.6	1,233.2	1,306.6	1,381.1	441.8
Total assets	4,905.2	4,894.8	4,109.7	4,846.7	4,696.1	3,714.7	2,569.8
Long term financing (excluding current maturity)	130.4	–	55.9	168.1	354.0	548.3	236.1
Deferred liabilities	50.4	71.6	99.8	111.5	64.6	1.6	3.9
Short term financing (including current maturity of long-term financing)	719.0	836.4	1,015.3	1,306.4	625.8	876.9	233.5
Reserves	3,036.7	2,514.6	1,981.2	2,480.7	2,733.8	1,687.7	1,617.5
Shareholders' equity	3,601.3	3,079.2	2,545.8	2,994.0	3,200.4	2,037.7	1,860.5

C - Summary of Cash Flow Statement (Rupees in millions)

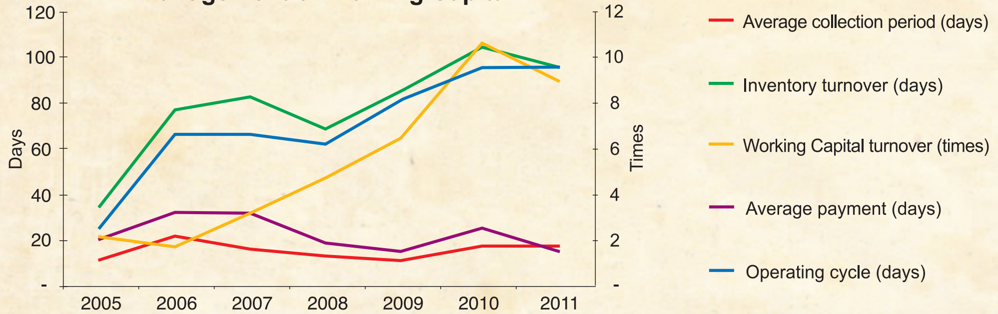
	2011*	2010*	2009*	2008	2007	2006	2005
Cash and cash equivalents at the beginning of the year	(470.1)	(644.7)	(828.9)	26.3	(153.6)	30.9	0.2
Net cash generated from / (used in) operating activities	180.6	455.8	335.9	565.9	486.0	(88.6)	187.2
Net cash (outflows) / inflows from investing activities	(195.0)	27.9	70.4	(893.3)	(391.7)	(778.0)	(58.1)
Net cash (outflows) / inflows from financing activities	(66.6)	(309.1)	(222.1)	(527.8)	85.6	682.1	(98.4)
Net (decrease) / increase in cash and cash equivalents	(81.0)	174.6	184.2	(855.2)	179.9	(184.5)	30.7
Cash and cash equivalents at the end of the year	(551.1)	(470.1)	(644.7)	(828.9)	26.3	(153.6)	30.9

D - Other Data (Rupees in millions)

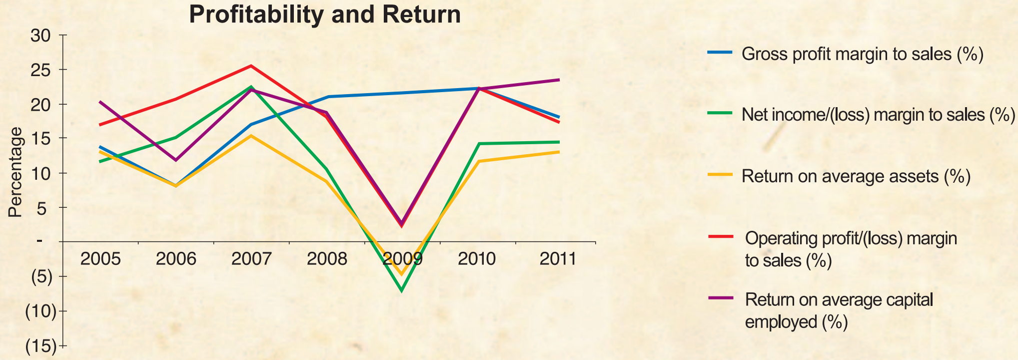
	2011*	2010*	2009*	2008	2007	2006	2005
Depreciation and amortization	173.1	184.5	180.6	175.0	173.4	99.4	84.5
Capital expenditure	326.3	228.9	169.1	153.5	126.9	996.5	66.3
No. of ordinary shares (no. of shares in millions)	56.5	56.5	56.5	51.3	46.7	35.0	24.3
Payments to National Exchequer	360.3	499.2	520.4	712.3	303.6	154.9	475.4

* Note:
The figures presented in this analysis for the financial years ended 30 June 2011, 2010 and 2009 are those based on the Group's consolidated financial statements. The figures presented for the financial years prior to 2009 are based on the Company's individual financial statements as published in the annual reports in those respective years.

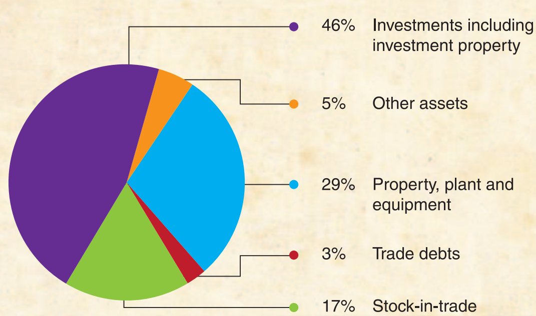
Management of Working Capital



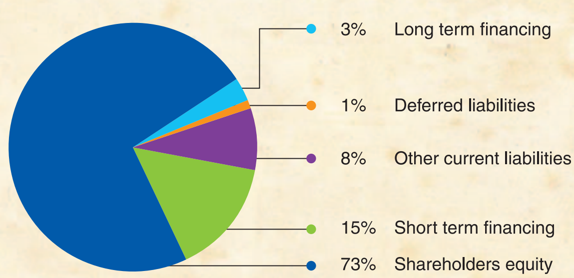
Profitability and Return



Total Assets as of 30 June 2011



Total Liabilities as of 30 June 2011



KPMG

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Internet www.kpmg.com.pk

Auditors' Report to the Members

We have audited the annexed consolidated financial statements of **Crescent Steel and Allied Products Limited** ("the holding company") and its subsidiary company Shakarganj Energy (Private) Limited comprising consolidated balance sheet as at 30 June 2011 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Crescent Steel and Allied Products Limited. The financial statements of subsidiary company Shakarganj Energy (Private) Limited was audited by another firm of chartered accountants, whose audit report has been furnished to us and our opinion in so far as it relates to the amounts included for such company, is based solely on the report of other auditor.

These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express our opinion on these consolidated financial 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.

In our opinion the consolidated financial statements present fairly the consolidated financial position of Crescent Steel and Allied Products Limited and its subsidiary company, Shakarganj Energy (Private) Limited, as at 30 June 2011 and the consolidated results of its operations, its consolidated cash flows statement and consolidated statement of changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

KPMG Taseer Hadi & Co

KPMG Taseer Hadi & Co.
Chartered Accountants.
Moneeza Usman Butt

28 July 2011
Karachi

Crescent Steel & Allied Products Ltd.

Consolidated Balance Sheet

As at 30 June 2011

	Note	2011	2010
		(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	564,600	564,600
Capital reserves		325,764	274,066
Revenue reserves		2,710,952	2,240,513
		3,601,316	3,079,179
Non-current liabilities			
Long term loans	7	115,000	–
Liabilities against assets subject to finance lease	8	15,362	–
Deferred taxation	9	50,357	71,587
		180,719	71,587
Current liabilities			
Trade and other payables	10	377,995	873,438
Mark-up accrued	11	26,242	34,198
Short term borrowings	12	706,966	780,288
Current portion of long term loans	7	–	56,143
Current portion of liabilities against assets subject to finance lease	8	11,987	–
		1,123,190	1,744,067
Contingencies and commitments	13		
Total equity and liabilities		4,905,225	4,894,833

Consolidated Balance Sheet
As at 30 June 2011

	Note	2011	2010
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	14	1,431,179	1,256,891
Intangible assets	15	12,964	24,457
Investment property	16	40,234	44,836
Investment in equity accounted investees	17	1,498,023	1,230,702
Other long term investments	18	189,030	205,655
Long term loans and deposits	19	15,348	3,466
		3,186,778	2,766,007
Current assets			
Stores, spares and loose tools	20	66,217	72,919
Stock-in-trade	21	840,571	1,026,614
Trade debts	22	145,072	276,880
Advances	23	29,765	54,919
Trade deposits and short term prepayments	24	6,074	6,407
Investments	25	490,605	463,746
Current portion of long term investments	26	16,625	10
Mark-up accrued on term finance certificates		820	820
Other receivables	27	62,283	25,156
Taxation - net	28	41,415	18,698
Cash and bank balances	29	19,000	182,657
		1,718,447	2,128,826
Total assets		4,905,225	4,894,833

The annexed notes from 1 to 51 form an integral part of these consolidated financial statements.

Chief Executive **Director**

Crescent Steel & Allied Products Ltd.

Consolidated Profit and Loss Account

For the year ended 30 June 2011

	Note	2011	2010
		(Rupees in '000)	
Sales - net	30	4,400,006	3,704,388
Cost of sales	31	3,590,073	2,887,295
Gross profit		809,933	817,093
Income from investments	32	188,635	222,722
		998,568	1,039,815
Distribution and selling expenses	33	38,806	27,017
Administrative expenses	34	160,000	160,434
Other operating expenses	35	60,333	63,496
		259,139	250,947
		739,429	788,868
Other operating income	36	31,584	37,686
Operating profit before finance costs		771,013	826,554
Finance costs	37	144,001	121,910
Share of profit in equity accounted investees - net of taxation	38	206,928	11,180
Profit before taxation		833,940	715,824
Taxation	39	194,121	180,966
Profit after taxation		639,819	534,858
		(Rupees)	
Basic and diluted earnings per share	40	11.33	9.47

The annexed notes from 1 to 51 form an integral part of these consolidated financial statements.

Chief Executive **Director**

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2011

	2011	2010
	(Rupees in '000)	
Profit after taxation	639,819	534,858
Other comprehensive (loss) / income		
Unrealized diminution during the year on remeasurement of investments classified as 'available for sale'	(8,695)	(17,879)
Reclassification adjustments relating to loss realized on disposal of investments classified as 'available for sale'	–	3,048
Proportionate share of other comprehensive income of equity accounted investees	60,393	134,366
Proportionate share of other comprehensive income of equity accounted investee transferred to profit and loss account on disposal of the investee	–	(13,129)
Impairment loss on investments classified as 'available for sale'	–	5,020
Other comprehensive income	51,698	111,426
Total comprehensive income	691,517	646,284

The annexed notes from 1 to 51 form an integral part of these consolidated financial statements.

Chief Executive

Director

Crescent Steel & Allied Products Ltd.

Consolidated Cash Flow Statement

For the year ended 30 June 2011

	Note	2011	2010
		(Rupees in '000)	
Cash flows from operating activities			
Cash generated from operations	41	649,325	820,776
Taxes paid		(251,404)	(210,527)
Finance costs paid		(159,031)	(106,721)
Contribution to gratuity and pension funds		(16,699)	(19,403)
Contribution to Workers Profit Participation Fund		(28,666)	(27,524)
Compensated absences paid		(10)	(88)
10-C bonus paid		(842)	(717)
Long term loans and deposits - net		(12,050)	(20)
Net cash generated from operating activities		180,623	455,776
Cash flows from investing activities			
Capital expenditure		(326,286)	(228,883)
Acquisition of intangible assets		(41)	(7,933)
Proceeds from disposal of operating fixed assets		9,199	3,004
Investments - net		51,290	218,132
Dividend income received		60,964	40,463
Interest income received		9,846	3,107
Net cash (outflows) / inflows from investing activities		(195,028)	27,890
Cash flows from financing activities			
Proceeds from long term loan / (repayments against long term loan) - net		58,750	(112,500)
Proceeds from disposal of operating fixed assets under sale and leaseback arrangement		21,363	–
Payments against finance lease obligations		(1,428)	–
Proceeds from short term loans / (repayments against short term loans) - net		9,374	(126,522)
Dividends paid		(154,615)	(70,126)
Net cash outflows from financing activities		(66,556)	(309,148)
Net (decrease) / increase in cash and cash equivalents		(80,961)	174,518
Cash and cash equivalents at beginning of the year		(470,218)	(644,736)
Cash and cash equivalents at end of the year	42	(551,179)	(470,218)

The annexed notes from 1 to 51 form an integral part of these consolidated financial statements.

Chief Executive **Director**

Consolidated Statement of Changes in Equity

For the year ended 30 June 2011

	Issued, subscribed and paid-up capital	Capital reserve			Revenue reserves		Total
		Share Premium	Unrealized appreciation / (diminution) on remeasurement of investments classified as 'available for sale'	Others*	General reserve	Unappropriated (loss) / profit	
	(Rupees in '000)						
Balance as at 1 July 2009	**564,600**	**349,959**	**21,554**	**(208,873)**	**1,842,000**	**(23,425)**	**2,545,815**
Total comprehensive income for the year ended 30 June 2010							
Profit after taxation	–	–	–	–	–	534,858	534,858
Other comprehensive (loss) / income							
Unrealized diminution during the year on remeasurement of investments classified as 'available for sale'	–	–	(17,879)	–	–	–	(17,879)
Reclassification adjustments relating to loss realized on disposal of investments classified as 'available for sale'	–	–	3,048	–	–	–	3,048
Proportionate share of other comprehensive income of equity accounted investees	–	–	–	134,366	–	–	134,366
Proportionate share of other comprehensive income of equity accounted investee transferred to condensed interim profit and loss account	–	–	–	(13,129)	–	–	(13,129)
Impairment loss on investments classified as 'available for sale'	–	–	5,020	–	–	–	5,020
Other comprehensive (loss) / income	–	–	(9,811)	121,237	–	–	111,426
	–	–	(9,811)	121,237	–	534,858	646,284
Transactions with owners							
Dividend:							
- First interim @ 10% (i.e. Re. 1 per share) for the year ended 30 June 2010	–	–	–	–	–	(56,460)	(56,460)
- Second interim @ 10% (i.e. Re. 1 per share) for the year ended 30 June 2010	–	–	–	–	–	(56,460)	(56,460)
	–	–	–	–	–	(112,920)	(112,920)
Balance as at 30 June 2010	**564,600**	**349,959**	**11,743**	**(87,636)**	**1,842,000**	**398,513**	**3,079,179**
Total comprehensive income for the year ended 30 June 2011							
Profit after taxation	–	–	–	–	–	639,819	639,819
Other comprehensive (loss) / income							
Unrealized diminution during the year on remeasurement of investments classified as 'available for sale'	–	–	(8,695)	–	–	–	(8,695)
Proportionate share of other comprehensive income of equity accounted investees	–	–	–	60,393	–	–	60,393
Other comprehensive (loss) / income	–	–	(8,695)	60,393	–	–	51,698
	–	–	(8,695)	60,393	–	639,819	691,517
Transactions with owners							
Dividend:							
- Final @ 10% (i.e. Re. 1 per share) for the year ended 30 June 2010	–	–	–	–	–	(56,460)	(56,460)
- First interim @ 10% (i.e. Re. 1 per share) for the year ended 30 June 2011	–	–	–	–	–	(56,460)	(56,460)
- Second interim @ 10% (i.e. Re. 1 per share)for the year ended 30 June 2011	–	–	–	–	–	(56,460)	(56,460)
	–	–	–	–	–	(169,380)	(169,380)
Balance as at 30 June 2011	**564,600**	**349,959**	**3,048**	**(27,243)**	**1,842,000**	**868,952**	**3,601,316**

* This represents the Group's share of various reserves held by equity accounted investees.

The annexed notes from 1 to 51 form an integral part of these consolidated financial statements.

Chief Executive **Director**

1. THE COMPANY AND ITS OPERATIONS

1.1 The Group consists of Crescent Steel and Allied Products Limited ('the Holding Company') and it's wholly owned subsidiary companies Shakarganj Energy (Private) Limited ('the Subsidiary Company') and Crescent Continental Gas Pipelines Limited.

1.2 The Holding Company was incorporated on 1 August 1983 as a public limited company in Pakistan under the Companies Act, 1913 (now Companies Ordinance, 1984) and is quoted on all stock exchanges of Pakistan. The registered office of the Holding Company is located at 10th floor, BOP Tower, 10-B, Block E-2, Main Boulevard, Gulberg-III, Lahore.

The Holding 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 Holding 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.

The Holding 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 Holding Company under the name and title of 'Crescent Cotton Products a division of Crescent Steel and Allied Products Limited'.

1.3 The Subsidiary Company was incorporated on 2 April 2008 as a private limited company in Pakistan under the Companies Ordinance, 1984. The Holding Company acquired this subsidiary on 4 January 2010. The principal activity of the Subsidiary Company will be to build, own, operate and maintain a power plant and to generate, accumulate, distribute, sell and supply electricity / power to the Pakistan Electric Power Company (Private) Limited (PEPCO) / power distribution companies under agreement(s) with the Government of Pakistan or to any other consumer as permitted.

1.4 Crescent Continental Gas Pipelines Limited is not carrying on any business operations.

1.5 Details regarding the Group's associates are given in note 17 to these consolidated financial statements.

2. BASIS OF PREPARATION

2.1 These consolidated financial statements have been prepared from the information available in the audited separate financial statements of the Holding Company for the year ended 30 June 2011 and the audited financial statements of the Subsidiary Company for the year ended 30 June 2011. Crescent Continental Gas Pipelines Limited is not carrying on any business operations and accordingly no financial statements are being prepared. Details regarding the financial information of associates used in the preparation of these consolidated financial statements are given in note 17 to these consolidated financial statements.

The accounting policies used by the Subsidiary Company in preparation of its financial statements are consistent with that of the Holding Company. The accounting policies used by the Group's associates in preparation of their respective financial statements are also consistent with that of the Holding Company except for a certain policy for which necessary adjustments are made to the financial statements of that associate to bring its accounting policies into line with those used by the Group.

2.2 Statement of compliance

These consolidated financial statements have been prepared in accordance with the 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, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of and directives of the Companies Ordinance, 1984 shall prevail.

2.3 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except for investments classified as held for trading and available for sale which are stated at fair value and obligations in respect of pension and gratuity schemes which are measured at present value.

2.4 Functional and presentation currency

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

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 consolidated financial statements and estimates with a significant risk of material adjustment in the next year are set forth below.

Property, plant and equipment

The Group reviews the rates of depreciation, useful lives, residual values and values 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 equipment with a corresponding effect on the depreciation charge and impairment.

Intangible assets

The Group 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.

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.

Held to maturity investments

The Group 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.

Stock-in-trade and stores, spares and loose tools

The Group reviews the net realizable value of stock-in-trade and stores, spares and loose tools to assess any diminution in their respective carrying values. Any change in the estimates in future years might affect the carrying amounts of stock-in-trade and stores, spares and loose tools with a corresponding effect on the amortization charge and impairment. Net realizable value is determined with respect to estimated selling price less estimated expenditure to make the sale.

Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 44 to these consolidated financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Changes in these assumptions in future years may affect the liability under these schemes in those years.

Income taxes

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

4. AMENDMENTS / INTERPRETATION TO EXISTING STANDARD AND FORTHCOMING REQUIREMENTS

4.1 Standards, amendments or interpretations which became effective during the year

During the year certain amendments to Standards or new interpretations became effective, however, the amendments or interpretation did not have any material effect on the consolidated financial statements of the Group.

4.2 New / revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards are only effective for annual periods beginning from the dates specified below. Except for the amendment in International Accounting Standard (IAS) 19 which results in immediate recognition of actuarial gains or losses and revised basis of calculation for net finance costs, these standards are either not relevant to the Group's operations or are not expected to have a significant impact on the Group's financial statements, other than increased disclosures in certain cases

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1, 'Presentation of Financial Statements') effective for annual periods beginning on or after 1 July 2012.

- Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12) effective for annual periods beginning on or after 1 January 2012.

- IAS 19, 'Employee Benefits' (Amended 2011) effective for annual periods on or after 1 January 2013.

- Prepayments of a Minimum Funding Requirement (Amendments to International Financial Reporting Interpretations Committee (IFRIC) Interpretation 14) effective for annual periods beginning on or after 1 January 2011.

- IAS 24, 'Related Party Disclosures' (Revised 2009) effective for annual periods beginning on or after 1 January 2011.

- Disclosures – Transfers of Financial Assets (Amendments to IFRS 7) effective for annual periods beginning on or after 1 July 2011.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set forth below. These accounting policies have been applied consistently to all years presented.

5.1 Basis of consolidation

Subsidiaries

The consolidated financial statements include the financial statements of the Holding Company and its subsidiary companies.

Subsidiaries are those entities in which the Holding Company directly or indirectly controls, beneficially owns or holds more than 50 percent of its voting securities or otherwise has power to elect and appoint more than 50 percent of its directors. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences. The financial statements of the subsidiaries are consolidated on a line-by-line basis and the carrying value of investment held by the Holding Company is eliminated against the Holding Company's share in paid up capital of the subsidiaries. The Group applies uniform accounting policies for like transactions and events in similar circumstances except where specified otherwise.

All material inter-group balances, transactions and resulting unrealized profits / losses are eliminated.

Investments in associates

Entities in which the Group has significant influence but not control and which are neither subsidiaries nor joint ventures of the members of the Group are associates and are accounted for under the equity method of accounting (equity accounted investees).

These investments are initially recognized at cost. The consolidated financial statements include the associates' share of profit or loss and movements in other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date it ceases. Share of post acquisition profit and loss of associates is recognized in the profit and loss account. Distributions received from associates reduce the carrying amount of investment. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that investment (including any long-term interests that, in substance, form part of the Group's net investment in the associate) is reduced to nil and the recognition of further losses is discontinued.

The carrying amount of investments in associates is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the investments is estimated which is higher of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount and is charged to profit and loss account. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount but limited to the extent of initial cost of the investments. A reversal of impairment loss is recognized in the profit and loss account.

5.2 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.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other cost directly attributable to bringing the assets to a working condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located, and capitalized borrowing costs.

Subsequent cost

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

Depreciation

Depreciation is charged to income on a straight line basis at the rates specified in note 14.1 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.

Disposal

The gain or loss on disposal or retirement 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.

Leased assets

Upon initial recognition, an 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, each determined at the inception of the lease. Subsequent to initial recognition, the asset is stated at the amount determined at initial recognition less accumulated depreciation and impairment losses, if any.

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

Impairment

The carrying amount of property, plant and equipment are reviewed at each balance sheet date to determined whether there is any indication of impairment. If any such indication exists then the assets recoverable amount is estimated. The recoverable amount is the greater of its value in use and fair value less cost to sell. An impairment is recognized if the carrying amount exceed its estimated recoverable amount.

5.3 Intangible assets

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

Subsequent expenditure

Subsequent expenditure 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 expenditure 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. 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

All intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Where the carrying amount of assets exceeds its estimated recoverable amount it is written down immediately to its recoverable amount.

5.4 Investment property

Investment property, principally comprising of land and buildings, is held for long term rental yields / capital appreciation. The investment property of the Group comprises of land and buildings and is valued using the cost method i.e. at cost less any accumulated depreciation and impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowing costs.

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 balance sheet date and adjusted if impact on depreciation is significant.

The Group 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 amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in the profit and loss account. 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 income or expense.

5.5 Financial assets

Financial assets 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 Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognized in the profit and loss account when incurred. Investments at fair value through profit or loss are measured at fair value, and changes therein are recognized in the profit and loss account.

Held to maturity investments

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

Investments classified as held to maturity are recognized initially at fair value, plus attributable transaction costs. 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 receivables

Loans and receivables are recognized initially at fair value, plus attributable transaction costs. Subsequent to initial recognition, loans and receivables 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.

Available for sale investments

Other investments not covered in any of the above categories including investments in associates in which the Group has no significant influence are classified as being available for sale and are initially recognized at fair value plus attributable transactions costs. Subsequent to initial recognition these are measured at fair value, with any resultant gain or loss being recognized in other comprehensive income. Gains or losses on available for sale investments are recognized in other comprehensive income 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 other comprehensive income is included in current period's profit and loss account.

Fair value of listed securities are the quoted prices on stock exchange on the date it is valued. Unquoted securities are valued at cost.

The Group follows trade date accounting for regular way of purchase and sales of securities, except for sale and purchase of securities in the future market.

Impairment of financial assets

The carrying amount of all financial assets, other than those at fair value through profit or loss, is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the financial asset is estimated which is higher of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount and is charged to profit and loss account. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount but limited to the extent of initial cost of the financial asset. A reversal of impairment loss is recognized in the profit and loss account.

Derivative financial instruments

The Group enters into derivative financial instruments, which include future contracts in stock market. Derivatives are initially recorded at fair value and are remeasured to fair value on subsequent balance sheet dates. The fair value of a derivative is equivalent to 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 recognized in the profit and loss account. No derivative is designated as hedging instrument by the Group.

5.6 Non-current assets held for sale

Non-current assets or disposal groups comprising of assets or liabilities that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets or components of a disposal group, are remeasured in accordance with Group's accounting policies. Thereafter these are measured at lower of their carrying amount and fair value less costs to sell.

5.7 Stores, spares and loose tools

Stores, spares and loose tools are valued at lower of weighted average cost and net realizable value, less provision for impairment, if any. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

Provision for obsolete and slow moving stores, spares and loose tools is determined based on management's estimate regarding their future usability.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs necessary to be incurred to make the sale.

Spare parts of capital nature which can be used only in connection with an item of property, plant and equipment are classified as fixed assets under the 'plant and machinery' category and are depreciated over a time period not exceeding the useful life of the related assets.

5.8 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.

5.9 Trade debts and other receivables

These are initially stated at fair value and subsequently measured at amortized cost using the effective interest rate method less provisions for any uncollectible amounts. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written off.

5.10 Cash and cash equivalents

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

5.11 Employee benefits

5.11.1 Compensated absences

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

5.11.2 Post retirement benefits

5.11.2.1 Defined contribution plan - Provident fund

The Holding Company operates a provident fund scheme for its permanent employees. Equal monthly contributions are made by the Holding Company and its employees. Obligation for contributions to the fund are recognized as an expense in the profit and loss account when they are due.

Cotton segment

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

All employees except Cotton segment

Contributions to the fund are made at the rate of 8.33% of basic pay plus COLA for those employees who have served the Holding Company for a period of less than five years and after completion of five years, contributions are made at the rate of 10%.

5.11.2.2 Defined benefit plans

Pension and gratuity fund schemes

The Holding 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.

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% of the greater of the present value of the Holding 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.

5.12 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at fair value, less attributable transaction costs. 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 profit and loss account over the period of the borrowings on an effective interest basis.

5.13 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases.

Assets held under finance leases along with corresponding lease liabilities are initially recognized at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognized in the profit and loss account, unless they are directly attributable to qualifying assets, in which case they are capitalized as more fully explained in note 5.17 below.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

In the context of sale and leaseback transactions, where a sale and leaseback transaction is classified as a finance lease, any excess of the sale proceeds over the carrying values is deferred and recognized in the profit and loss account over the lease term. Any loss representing the excess of the carrying values over the sale proceeds is recognized immediately in the profit and loss account.

5.14 Trade and other payables

Trade and other amounts payable are recognized initially at fair value and subsequently carried at amortized cost.

5.15 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 rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted at the balance sheet date.

Deferred tax liabilities are recognized for all taxable temporary differences. 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 asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

5.16 Revenue recognition

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

Interest income is recognized on an accrual basis using the effective interest method.

Dividend income is recognized when the right to receive the same 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 and losses arising on revaluation of securities classified as 'held for trading' are recognized in the profit and loss account in the period in which they arise. Gains and losses arising on revaluation of derivatives to the fair value are also recognized in the profit and loss account.

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

Miscellaneous income is recognized on receipt basis.

5.17 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 intended use. All other mark-up, interest and other related charges are taken to the profit and loss account currently.

5.18 Provisions

A provision is recognized in the balance sheet when the Group has a legal or constructive obligation as a result of past events, 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. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

5.19 Impairment

The carrying amount of the Group's assets is reviewed at each balance sheet date to determine whether there is any objective evidence that an asset or group of assets may be impaired. If any such evidence exists, the asset's or group of assets' recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account.

5.20 Foreign currency translation

Foreign currency transactions are translated into Pakistan Rupees at exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at the rates of exchange prevailing at the balance sheet date. Exchange differences, if any, are recognized in profit and loss account.

5.21 Offsetting of financial assets and financial liabilities

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

5.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting structure. Management monitors the operating results of its business units separately for the purpose of making decisions regarding resource allocation and performance assessment.

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, stores, spares and loose tools, stock-in-trade and trade debts and other receivables. Segment liabilities comprise of operating liabilities and exclude items such as taxation and corporate.

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

5.23 Proposed dividend and transfer between reserves

Dividend distributions to the Holding Company's shareholders are recognized as a liability in the period in which dividends are approved. Transfer between reserves made subsequent to the balance sheet date is considered as a non-adjusting event and is recognized in the financial statements in the period in which such transfers are made.

6. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2011	2010		2011	2010
(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
34,229,805	34,229,805	Ordinary shares of Rs. 10 each issued as bonus shares	342,298	342,298
56,459,993	56,459,993		564,600	564,600

6.1 Ordinary shares of the Holding Company held by related parties as at year end are as follows

	2011		2010	
	(Percentage of holding)	(Number of shares)	(Percentage of holding)	(Number of shares)
Crescent Sugar Mills & Distillery Limited	0.02%	13,147	1.31%	742,422
Crescent Steel and Allied Products Limited - Gratuity Fund	0.83%	466,353	0.60%	341,024
Crescent Steel and Allied Products Limited - Pension Fund	1.61%	910,504	0.98%	553,781
Crescent Steel and Allied Products Limited - Staff Provident Fund	0.71%	400,200	0.70%	393,000
Crescent Cotton Products - Staff Provident Fund	0.01%	4,400	0.01%	4,400
Muhammad Amin Muhammad Bashir Limited	0.00%	618	0.00%	618
Premier Insurance Limited	0.08%	44,500	–	–
Shakarganj Mills Limited	4.82%	2,720,062	4.82%	2,720,062
The Crescent Textile Mills Limited	11.00%	6,209,676	11.00%	6,209,676

7. LONG TERM LOAN

		2011	2010
		(Rupees in '000)	
Secured from a banking company			
Allied Bank Limited	7.1	56,143	168,380
MCB Bank Limited	7.2	115,000	–
Amortization of initial transaction costs		107	263
Repayments		(56,250)	(112,500)
		115,000	56,143
Less: Current portion shown under current liabilities		–	56,143
		115,000	–

7.1 Mark-up rate on this loan has been six months KIBOR prevailing on the base rate setting date plus 1.9% per annum. Mark-up has been payable on a quarterly basis. The effective mark-up charged during the year was 14.25% (2010: ranged between 14.25% to 14.95%) per annum.

The tenor of the loan was five years. Principal has been repayable on a quarterly basis with one year grace period. The loan was disbursed on 17 December 2005 and has been fully repaid by 16 December 2010.

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.

7.2 The Subsidiary Company has entered into a long term financing arrangement of Rs. 115 million (2010: Rs. Nil) on 14 January 2011. Mark-up rate on this loan is three months KIBOR prevailing on the date of disbursement plus 3% per annum. Mark-up is payable on a quarterly basis. The effective mark-up charged during the year was 16.24% (2010: Nil) per annum. The tenor of the loan is six years. Principal is repayable in ten equal installments commencing from the month of November 2012.

This facility has been secured against hypothecation of plant and machinery of the Subsidiary Company. In addition, the Holding Company has also pledged shares of listed companies as security for the above financing (note 25.2.4).

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Minimum lease payments		Future finance costs		Present value of minimum lease payments	
	2011	2010	2011	2010	2011	2010
	(Rupees in '000)					
Not later than one year	15,049	–	3,062	–	11,987	–
Later than one year and not later than five years	17,272	–	1,910	–	15,362	–
	32,321	–	4,972	–	27,349	–
Less: Current portion shown under current liabilities					11,987	–
					15,362	–

8.1 The Holding Company has entered into finance lease arrangements with leasing companies for lease of plant and machinery and motor vehicles. The lease term of these arrangments is three years (2010: Nil) and the liability is payable by the year 2014. The periodic lease payments include built-in rates of mark-up ranging between 19.29% to 20.25% (2010: Nil) per annum. Included in the gross present value of minimum lease payments, is a sum aggregating Rs. 20.285 million (2010: Rs. Nil) which pertains to obligations arising from sale and leaseback of assets.

The Holding Company intends to exercise its options to purchase the leased assets upon completion of the lease term. The Holding Company's obligations under these arrangements are secured by the lessor's title to the leased assets.

9. DEFERRED TAXATION

	2011	2010
	(Rupees in '000)	
Deferred tax credits / (debits) arising in respect of		
Taxable temporary differences		
Accelerated tax depreciation/amortization	114,112	126,669
Deductible temporary differences		
Finance lease obligations	(61)	–
Provision for slow moving stores, spares and loose tools	(20,154)	(15,872)
Provisions for doubtful trade debts, doubtful advances and others	(34,482)	(30,152)
Provision for diminution in the value of investments	(9,058)	(9,058)
	(63,755)	(55,082)
	50,357	71,587

10. TRADE AND OTHER PAYABLES

		2011	2010
Trade creditors		42,384	25,690
Bills payable		12,687	204,245
Commission payable		5,923	4,841
Customer's security deposits		500	8,605
Accrued liabilities	10.1	77,474	70,418
Advances from customers		25,776	374,949
Provisions	10.2	91,699	82,366
Due to related parties	10.3	7,031	1,758
Payable against purchase of investments		1,508	–
Payable to provident fund		72	159
Retention money		188	334
Sales Tax payable		106	–
Special Excise Duty payable		946	423
Withholding tax payable		309	586
Workers' Profit Participation Fund	10.4	25,862	28,666
Workers' Welfare Fund		13,524	13,335
Unclaimed dividend		65,492	50,727
Others		6,514	6,336
		377,995	873,438

10.1 Accrued liabilities

		2011	2010
Salaries, wages and other benefits		17,802	15,703
Accrual for 10-C bonus		4,960	911
Compensated absences		9,122	8,480
Others	10.1.1	45,590	45,324
		77,474	70,418

10.1.1 This includes an amount of Rs. 10 million (2010: Rs. Nil) allocated by the Holding Company for formation of a fund for staff welfare, the registration requirements in respect of which are in process as at 30 June 2011.

10.2 Movement in 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 as at 1 July 2010	55,028	3,242	24,096	82,366
Provision / (reversal of provision) for the year	12,272	–	(2,782)	9,490
Trade debts written off against provision	–	–	(157)	(157)
Closing balance as at 30 June 2011	67,300	3,242	21,157	91,699

10.2.1 This provision has been recognized against infrastructure fee levied by the Government of Sindh through Sindh Finance (Amendment) Ordinance, 2001. The Holding Company has provided bank guarantees amounting to Rs. 70.750 million (2010: Rs. 70 million) in favour of Excise and Taxation Department. The Holding Company has contested this issue in the High Court. The Holding Company filed an appeal in the Supreme Court against the judgement of the High Court dated 15 September 2008 partly accepting the appeal by declaring that the levy and collection of infrastructure fee prior to 28 December 2006 was illegal and ultra vires and after that it was legal. Additionally, the Government of Sindh also filed appeal against the part of judgement decided against them.

During the year, the above appeals were disposed off with a joint statement of the parties that, during the pendency of the appeal, another law came into existence which was not subject matter in the appeal, therefore, the decision thereon be first obtained from the High Court before approaching the Supreme Court with the right to appeal. The petition was filed in the High Court in respect of the above view. Based on the legal advice, the management believes that the chance of success in the petition is in the Holding Company's favor.

Current year charge has been estimated on the value of imports during the year and forms a component of cost of such imported raw materials. Any subsequent adjustment with respect to increase or decrease in the estimate has been recognized in profit and loss account.

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

10.3 This represents expenses incurred by related parties on behalf of the Group and insurance premium payable to a related party.

10.4 Workers' Profit Participation Fund

		2011	2010
		(Rupees in '000)	
Balance at beginning of the year		28,666	27,524
Allocation for the year	35	25,862	28,666
Mark-up on funds utilized in the Holding Company's business	37	540	3,141
		55,068	59,331
Amount paid to the trustees of the fund		(29,206)	(30,665)
Balance at end of the year		25,862	28,666

11. MARK-UP ACCRUED

	2011	2010
Mark-up accrued on		
- Finance lease obligations	3	–
- Long term loans	2,507	329
- Running finance and short term loans	23,732	33,869
	26,242	34,198

12. SHORT TERM BORROWINGS

Secured from banking companies

	2011	2010
Running finances under mark-up arrangements	570,179	652,875
Short term loans / Murabaha	136,787	127,413
	706,966	780,288

12.1 Short term running finance available from various commercial banks under mark-up arrangements amounted to Rs. 844 million (2010: Rs. 911 million) out of which Rs. 500 million (2010: Rs. 600 million) is interchangeable with Term Finance / Demand Finance and letters of credit. During the year, mark-up on such arrangements ranged between 13.44% to 16.65% (2010: 13.49% to 15.79%) per annum.

12.2 Short term loan / Murabaha financing available from various commercial banks under mark-up arrangements amounted to Rs. 1,000 million (2010: Rs. 700 million) out of which Rs. 300 million (2010: Rs. 300 million) is interchangeable with letters of credit. During the year, mark-up on such arrangements ranged between 15.26% to 16.81% (2010: 12.74% to 15.34%) per annum.

12.3 The facilities for opening letters of credit amounted to Rs. 1,650 million (2010: Rs. 1,750 million) out of which Rs. 500 million (2010: Rs. 600 million), Rs. 300 million (2010: Rs. 300 million) and Rs. 150 million (2010: Rs. 100 million) are interchangeable with short term running finance, short term loans and letters of guarantee respectively as mentioned in notes 12.1 and 12.2 above. The facility for letters of guarantee as at 30 June 2011 amounted to Rs. 500 million (2010: Rs. 717 million) which is interchangeable with letters of credit as stated above. Amounts unutilized for letters of credit and guarantees as at 30 June 2011 were Rs. 999.895 million and Rs. 224.419 million (2010: Rs. 1,520.844 million and Rs. 54.131 million) respectively.

12.4 The above facilities are expiring on various dates and 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.

13. CONTINGENCIES AND COMMITMENTS

13.1 The Holding Company has filed a suit in the Sindh High Court against the Federation of Pakistan and others, for levy of import license fee at the rate of 6% against import of coating plant in 1992. The Holding Company contested that as per SRO 1317(I)/94 dated 22 December 1990, the coating plant being located in rural area, is only liable to pay import license fee at the rate of 2%. The Holding Company has provided bank guarantee of Rs. 3.42 million (2010: Rs. 3.42 million) as directed by the Honourable Court. The petition was dismissed by the High Court as having been incompetently filed. The Holding Company has filed the appeal with Honourable Supreme Court and no hearing has taken place since then. No provision has been recognized in these consolidated financial statements as management considers that the case would be decided in the Holding Company's favour.

13.2 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 Holding Company has challenged the cancellation and filed a suit in the Sindh High Court. The High Court has restrained SITE from taking any adverse action against the Holding Company. Therefore, management considers that the case would be decided in the Holding Company's favour and no provision is required to be recognized.

13.3 Aggregate amount of guarantees issued by banks on behalf of the Holding Company against various contracts aggregated Rs. 275.581 million (2010: Rs. 662.869 million).

13.4 Commitments in respect of capital expenditure contracted for by the Group as at 30 June 2011amounted to Rs. 35.665 million (2010: Rs. 218.432 million). This represents / includes an amount of Rs. 35.665 million (2010: Rs. 19.164 million) payable by the Holding Company over the period of three years in 15 quarterly installments representing office premises located in Islamabad. This also includes commitments contracted by the Subsidiary Company aggregating Rs. 16.501 million (2010: Rs. 199.268 millon) in respect of capital expenditure to acquire plant and machinery.

13.5 Commitments under letters of credit as at 30 June 2011 amounted to Rs. 41.335 million (2010: Rs. 24.911 million).

13.6 Commitment in respect of future purchase of shares as at 30 June 2011 amounted to Rs. 30.980 million (2010: Rs. Nil).

14. PROPERTY, PLANT AND EQUIPMENT

		2011	2010
		(Rupees in '000)	
Operating fixed assets	14.1	906,813	956,113
Capital work-in-progress	14.5	524,366	300,778
		1,431,179	1,256,891

14.1 Operating fixed assets

Description		Land		Buildings		Office
		Freehold	Leasehold including improvement	On freehold Land	On Lease hold Land	premises
		(Rupees in '000)				
Net carrying value as at 1 July 2010						
Opening net book value (NBV)	14.1.1	122,575	4,130	196,490	8,672	7,873
Additions / transfers	14.1.2	24,904	–	950	–	–
Disposals (at NBV)	14.6	–	–	–	–	–
Depreciation charge	14.2	–	(54)	(27,385)	(1,674)	(2,620)
Balance as at 30 June 2011 (NBV)		147,479	4,076	170,055	6,998	5,253
Gross carrying value as at 30 June 2011						
Cost	14.3	147,479	5,646	311,708	70,027	40,493
Accumulated depreciation		–	(1,570)	(141,653)	(63,029)	(35,240)
Net book value		147,479	4,076	170,055	6,998	5,253
Net carrying value as at 1 July 2009						
Opening net book value (NBV)		122,575	4,183	225,274	10,346	10,493
Additions / transfers		–	–	–	–	–
Disposals (at NBV)		–	–	–	–	–
Depreciation charge		–	(53)	(28,784)	(1,674)	(2,620)
Balance as at 30 June 2010 (NBV)		122,575	4,130	196,490	8,672	7,873
Gross carrying value as at 30 June 2010						
Cost		122,575	5,646	310,758	70,027	40,493
Accumulated depreciation		–	(1,516)	(114,268)	(61,355)	(32,620)
Net book value		122,575	4,130	196,490	8,672	7,873
Depreciation rate (% per annum)		–	1	5 & 10	5 & 10	10

* Net book value of plant and machinery (owned) includes an aggregate amount of Rs. 1.359 million (2010: Rs. 1.544 million) representing net book value of capitalized spares.

Plant and machinery		Electrical / Office equipment and Installation	Furniture and fittings	Computers	Motor vehicles		TOTAL
Owned*	Leased				Owned	Leased	
(Rupees in '000)							
585,940	–	8,836	2,384	3,733	15,480	–	956,113
56,373	21,662	11,665	1,332	722	10,561	5,814	133,983
(25,440)	–	–	–	–	(1,120)	–	(26,560)
(112,277)	(181)	(1,979)	(438)	(3,203)	(6,791)	(121)	(156,723)
504,596	21,481	18,522	3,278	1,252	18,130	5,693	906,813
1,678,139	21,662	44,844	17,583	47,625	54,605	5,814	2,445,625
(1,173,543)	(181)	(26,322)	(14,305)	(46,373)	(36,475)	(121)	(1,538,812)
504,596	21,481	18,522	3,278	1,252	18,130	5,693	906,813
681,378	–	10,325	2,668	6,844	18,803	–	1,092,889
28,041	–	1,433	148	977	2,580	–	33,179
(6)	–	(147)	–	(95)	(168)	–	(416)
(123,473)	–	(2,775)	(432)	(3,993)	(5,735)	–	(169,539)
585,940	–	8,836	2,384	3,733	15,480	–	956,113
1,649,252	–	33,179	16,251	46,903	54,988	–	2,350,072
(1,063,312)	–	(24,343)	(13,867)	(43,170)	(39,508)	–	(1,393,959)
585,940	–	8,836	2,384	3,733	15,480	–	956,113
5 - 20	10	5 - 20	10	33.33	20	20	

14.1.1 This includes freehold land measuring 1.976 acres (71,150 square feet) provisionally allotted to the Holding 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 the Holding Company's name is subject to certain conditions which include installation of industrial unit and obtaining completion certificate from FIEDMC.

14.1.2 This includes freehold land measuring 2.8625 acres (124,691 square feet) acquired during the year from Crescent Jute Products Limited, a related party. The final sale deed has been executed along with all formalities relating to completion of the sale. The Holding Company has applied for transfer of title in its name which is in process as at 30 June 2011.

14.2 The depreciation charge for the year has been allocated as follows

		2011	2010
		(Rupees in '000)	
Cost of sales	31.1	147,085	159,604
Distribution and selling expenses	33	168	224
Administrative expenses	34	9,470	9,711
		156,723	169,539

14.3 Property, plant and equipment as at 30 June 2011 include items having an aggregate cost of Rs. 743.424 million (2010: Rs. 674.899 million) that have been fully depreciated and are still in use by the Group.

14.4 The fair value of property, plant and equipment as at 30 June 2010 approximated to Rs. 2,252.631 million. Management believes that there is no material change in the fair value during the year. Hence, no further valuation has been carried out.

14.5 Capital Work-in-Progress

		2011	2010
		(Rupees in '000)	
Advances to suppliers		16,492	159,250
Civil work	14.5.1	120,449	105,910
Plant and machinery		383,789	34,307
Others		3,636	1,311
		524,366	300,778

14.5.1 This includes advance against purchase of land and building aggregating Rs. 85.515 million (2010: Rs. 75.515 million).

14.5.2 Capital work-in-progress includes expenditure aggregating Rs. 410.367 million (2010: Rs. 195.511 million) incurred by the Subsidiary Company in respect of 18 MW Bagasse Fired Thermal Generation power plant at Bhone. The plant is expected to commence operations by November 2011.

14.6 The following assets were disposed off during the year

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particular of buyers
	(Rupees in '000)					
Plant and machinery	21,617	–	21,617	21,363	Sale and leaseback arrangement	Pak-Gulf Leasing Company Limited
	2,571	645	1,926	2,571	Negotiation	Shakarganj Mills Limited
	3,298	1,401	1,897	2,400	Negotiation	Quality Textile Mills Limited
Motor vehicles	857	490	367	447	Company Scheme	Mr. Waseem Saeed (ex-employee)
	595	387	208	208	Company Scheme	Mr. Abdul Wahab (employee)
	499	324	175	175	Company Scheme	Mr. Tafsir Raza (employee)
	395	257	138	138	Company Scheme	Mr. Abdul Latif (employee)
	395	257	138	138	Company Scheme	Mr. Naseer Ahmed (employee)
Others	8,201	8,107	94	3,122	Various	Various
2011	**38,428**	**11,868**	**26,560**	**30,562**		
2010	13,930	13,514	416	3,004		

15. INTANGIBLE ASSETS

		2011	2010
		(Rupees in '000)	
Net carrying value as at 1 July			
Net book value as at 1 July		24,457	811
Additions / transfers		41	33,589
Amortization	15.1	(11,534)	(9,943)
Net book value as at 30 June	15.2 & 15.3	12,964	24,457
Gross carrying value as at 30 June			
Cost		45,775	45,734
Accumulated amortization		(30,171)	(18,637)
Accumulated impairment		(2,640)	(2,640)
Net book value		12,964	24,457
Amortization rate (% per annum)		33.33	33.33

15.1 The amortization charge for the year has been allocated as follows

		2011	2010
		(Rupees in '000)	
Cost of sales	31.1	24	24
Administrative expenses	34	11,510	9,919
		11,534	9,943

15.2 Intangible assets comprise of computer software and includes ERP software (Oracle) implemented and used by the Group having carrying amount as at 30 June 2011 of Rs. 11.262 million (2010: Rs. 21.658 million) and remaining unamortized period of 14 months (2010: 25 months).

15.3 Intangible assets as at 30 June 2011 include items having an aggregate cost of Rs. 8.948 million (2010: Rs. 8.466 million) that have been fully amortized and are still in use of the Group.

16. INVESTMENT PROPERTY

		Leasehold Land and Improv-ment	Building on Lease-hold Land	Office Premises	Total
		(Rupees in '000)			
Net carrying value as at 1 July 2010					
Opening net book value (NBV)		4,487	19,096	21,253	44,836
Depreciation charge	16.1	(238)	(1,080)	(3,284)	(4,602)
Balance as at 30 June 2011 (NBV)	16.2	4,249	18,016	17,969	40,234
Gross carrying value as at 30 June 2011					
Cost		4,609	21,608	29,655	55,872
Accumulated depreciation		(360)	(3,592)	(11,686)	(15,638)
Net book value		4,249	18,016	17,969	40,234
Balance as at 1 July 2009		2,456	20,176	24,537	47,169
Additions		2,095	–	–	2,095
Depreciation charge		(64)	(1,080)	(3,284)	(4,428)
Balance as at 30 June 2010 (NBV)		4,487	19,096	21,253	44,836
Gross carrying value as at 30 June 2010					
Cost		4,609	21,608	29,655	55,872
Accumulated depreciation		(122)	(2,512)	(8,402)	(11,036)
Net book value		4,487	19,096	21,253	44,836
Depreciation rate (% per annum)		1 & 10	5	10 - 20	

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

16.2 Fair value of the investment property based on recent valuation is Rs. 121.875 million (2010: Rs. 124.400 million).

17. INVESTMENT IN EQUITY ACCOUNTED INVESTEES

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

2011	2010			2011	2010
(Number of shares)				(Rupees in '000)	
		Quoted			
69,175,416	69,175,416	Altern Energy Limited (Chief Executive Officer - Mr. Syed Zamanat Abbas)	17.1	1,498,023	1,230,702
15,244,665	15,244,665	Shakarganj Mills Limited (Chief Executive Officer - Mr. Ahsan M. Saleem)	17.2	–	–
				1,498,023	1,230,702

17.1 The Holding Company and the Subsidiary Company hold 17.65% and 2.54% shareholding in Altern Energy Limited respectively and have no common directorship. The Group has an effective holding of 20.19% in the investee company and accordingly has been treated as an associate and accounted for under the equity method.

17.2 As at 30 June 2011 and 2010, the carrying amount of equity accounted investment in Shakarganj Mills Limited has been reduced to Nil due to recognition of the Group's share of losses incurred by the investee company. The Group further recognized its share of losses against the carrying amount in respect of preference shares of the investee company held by the Group and dividend receivable thereon outstanding as at 30 June 2011 (see note 26.1).

The Group has discontinued any further recognition of its share of losses of the investee company. The unrecognized share of net profit / (losses) for the year amounted to Rs. 37.630 million (2010: Rs. 131.431 million) and cumulatively share of net losses as at 30 June 2011 amounted to Rs. 93.801 million (2010: Rs. 131.431 million). Included in the unrecognized share of net profit / (losses) for the year, is an amount aggregating Rs. 48.012 million (Rs. Nil) representing the Group's share of net profit from discontinued operations of the investee company.

17.3 The above figures are based on unaudited condensed interim financial information of these companies as at 31 March 2011. The latest financial statements of these companies as at 30 June 2011 are not presently available.

17.4 Market value of investments in associates is as follows

	2011	2010
	(Rupees in '000)	
Quaoted		
Altern Energy Limited	629,496	714,582
Shakarganj Mills Limited	96,651	57,930
	726,147	772,512

17.5 Percentage of holding of equity in associates are as follows

	2011	2010
	%	
Quoted		
Altern Energy Limited	20.19	20.19
Shakarganj Mills Limited	21.93	21.93

17.6 Summarized financial information of associated companies as at 31 March 2010 is as follows

		Total assets	Total liabilities	Revenues	Profit / (loss)
		(Rupees in '000)			
2011					
Altern Energy Limited	17.6.1	33,843,219	20,750,643	16,182,210	1,017,108
Shakarganj Mills Limited	17.6.2	12,042,485	11,298,494	11,210,923	169,800
2010					
Altern Energy Limited		32,726,568	21,901,200	11,842,086	1,572,059
Shakarganj Mills Limited		11,564,311	10,259,160	4,524,509	(495,915)

17.6.1 These figures are based on the latest available condensed interim consolidated financial information as at 31 March 2011 including its subsidiary company Rousch (Pakistan) Power Limited.

17.6.2 These figures are based on the latest available condensed interim financial information of the investee company as at 31 March 2011.

18. OTHER LONG TERM INVESTMENTS

		2011	2010
		(Rupees in '000)	
Investments in related parties			
Available for sale	18.1	–	–
Other investments			
Available for sale	18.4	180,717	180,717
Held to maturity	18.5	8,313	24,938
		189,030	205,655

18.1 Available for sale

2011	2010			2011	2010
(Number of shares)				(Rupees in '000)	
		Unquoted			
2,403,725	2,403,725	Crescent Bahuman Limited	18.2	24,037	24,037
1,047,000	1,047,000	Crescent Industrial Chemicals Limited	18.3	10,470	10,470
				34,507	34,507
		Less: Provision for impairment		34,507	34,507
				–	–

18.2 The chief executive of Crescent Bahuman Limited is Mr. Nasir Shafi. The break-up value of shares of the investee company is Rs. 1.05 per share, calculated on the basis of audited annual financial statements for the year ended 30 June 2010.

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

18.4 Available for sale

2011	2010		2011	2010
(Number of shares)			(Rupees in '000)	
		Unquoted		
1,425,000	1,425,000	Central Depository Company of Pakistan Limited (CDC)	60,717	60,717
12,000,000	12,000,000	Shakarganj Food Products Limited	120,000	120,000
			180,717	180,717

18.5 Held to maturity

		2011	2010
Term Finance Certificates (TFCs)			
United Bank Limited (5,000 TFCs of Rs. 5,000 each)		24,938	24,948
Less: Current portion shown under current assets	26	16,625	10
		8,313	24,938

This represents investment in TFCs issued on 10 February 2004 by United Bank Limited. The tenor of the TFCs is eight years with semi-annual installments comprising of principal and mark-up. The rate of mark-up on these TFCs is 8.45% (2010: 8.45%) per annum. Fair value of the TFCs as at 30 June 2011 amounted to Rs. 22.693 million (2010: Rs. 22.718 million).

19. LONG TERM LOANS AND DEPOSITS

		2011	2010
		(Rupees in '000)	
Long term loans - considered good	19.1	81	273
Security deposits - leasing companies		6,082	–
Security deposits - others		9,185	3,193
		15,348	3,466

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

20. STORES, SPARES AND LOOSE TOOLS

		2011	2010
		(Rupees in '000)	
Stores - steel segment		10,288	10,463
Spare parts - steel segment	20.1	41,739	38,352
Loose tools - steel segment		1,049	890
Stores and spares - cotton segment	20.2	46,640	44,482
		99,716	94,187
Less: Provision for slow moving items	20.3	33,499	21,268
		66,217	72,919

20.1 This includes items in-transit as at 30 June 2011 aggregating Rs. 1.245 million (2010: Rs. 0.830 million).

20.2 These include items in-transit as at 30 June 2011 aggregating Rs. 4.633 million (2010: Rs. 6.638 million).

20.3 Movement in provision for slow moving items

	2011	2010
	(Rupees in '000)	
Opening balance	21,268	13,805
Provision made during the year - net	12,231	7,463
Closing balance	33,499	21,268

21. STOCK-IN-TRADE

		2011	2010
Raw materials			
Hot rolled steel coils (HR Coil)		27,080	379,555
Coating materials	21.1	44,064	50,585
Others		16,619	25,610
Raw cotton	21.1	493,592	95,989
Stock-in-transit	21.2	28,577	318,812
Provision for obsolescence and slow-moving raw materials	20.4	–	–
		609,932	870,551
Work-in-process	31.1	51,481	30,156
Finished goods	21.3 & 31.1	174,766	114,925
Scrap / cotton waste		4,392	10,982
Provision for obsolescence and slow-moving finished goods	21.5	–	–
		230,639	156,063
		840,571	1,026,614

21.1 This includes coating materials amounting to Rs. 118.157 million (2010: Rs. Nil) and raw cotton amounting to Rs. 18.631 million (2010: Rs. 31.802 million) pledged as security with financial institutions.

21.2 This includes raw cotton amounting to Rs. Nil (2010: Rs. 282.497 million).

21.3 Stock-in-trade as at 30 June 2011 includes items valued at net realisable value (NRV) as follows. The write down to NRV amounting to Rs. 21.831 million has been recognized in cost of goods sold.

	Cost	NRV
	(Rupees in '000)	
Finished goods	196,597	174,766

21.4 Movements in provision for obsolescence and slow-moving raw materials

	2011			2010		
	H.R. Coil	Coating / Others	Total	H.R. Coil	Coating / Others	Total
	(Rupees in '000)					
Opening balance	–	–	–	10,310	271	10,581
Reversal of provision during the year	–	–	–	(4,996)	–	(4,996)
Written off against provision	–	–	–	(5,314)	(271)	(5,585)
Closing balance	–	–	–	–	–	–

21.5 Movements in provision for obsolescence and slow-moving finished goods

	2011	2010
	(Rupees in '000)	
Opening balance	–	14,853
Reversal made during the year	–	(3,690)
Written off during the year against provision	–	(11,163)
Closing balance	–	–

22. TRADE DEBTS

	Note	2011	2010
		(Rupees in '000)	
Secured			
Considered good		10,243	167,275
Unsecured			
Considered good	22.1 & 22.2	134,829	109,605
Considered doubtful		5,561	2,387
Provision for doubtful trade debts	22.3	(5,561)	(2,387)
		134,829	109,605
		145,072	276,880

22.1 This includes an amount of Rs. 4.985 million (2010: Rs. Nil) due from Shakarganj Mills Limited, a related party.

22.2 This includes retentions held by a customer for contract work amounting to Rs. 0.762 million (2010: Rs. Nil).

22.3 Movement in provision for doubtful trade debts

	2011	2010
	(Rupees in '000)	
Opening balance	2,387	1,547
Provision made during the year	3,348	840
Written off during the year against provision	(174)	–
Closing balance	5,561	2,387

23. ADVANCES

	Note	2011	2010
Unsecured - considered good			
Advances to executives		300	894
Suppliers for goods and services		29,465	54,025
Unsecured - considered doubtful			
Suppliers for goods and services		157	290
Provision for doubtful advances	23.1	(157)	(290)
		–	–
		29,765	54,919

23.1 Movement in provision for doubtful trade debts

	2011	2010
	(Rupees in '000)	
Opening balance	290	290
Provision made during the year	45	–
Written off during the year against provision	(178)	–
Closing balance	157	290

24. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	2011	2010
Security deposits	2,730	3,375
Prepayments	3,344	3,032
	6,074	6,407

25. INVESTMENTS

	Note	2011	2010
Investments in related parties			
Available for sale	25.1	7,044	9,758
Other investments			
Available for sale	25.2	101,995	107,976
Held for trading	25.3	381,566	346,012
		483,561	453,988
		490,605	463,746

25.1 Available for sale

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

2011	2010			2011	2010
(Number of shares)		Name of investee company		(Rupees in '000)	
		Quoted			
–	91,300	Crescent Jute Products Limited	25.2.1	–	–
452,379	452,379	The Crescent Textile Mills Limited		7,044	9,758
				7,044	9,758

25.2 Available for sale

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

2011	2010	Name of investee company		2011	2010
(Number of shares)				(Rupees in '000)	
		Quoted			
9,060,000	9,060,000	Asian Stocks Fund Limited		46,659	53,454
91,300	–	Crescent Jute Products Limited		–	–
1,996	1,996	Innovative Investment Bank Limited		–	–
26,490	26,490	Jubilee Spinning and Weaving Mills Limited	25.2.2	–	–
175,000	175,000	PICIC Investment Fund		1,024	662
7,944,263	7,944,263	Safeway Mutual Fund Limited		52,988	52,591
1,221	1,221	Siemens (Pakistan) Engineering Company Limited		1,324	1,269
				101,995	107,976

25.2.1 As at 30 June 2011, the investment in Crescent Jute Products Limited has been classified under 'other investments' as the Group no longer has significant influence over the investee company. The investment is carried at break-up value, which is Nil per share, as this company is on the defaulters counter of the Karachi Stock Exchange. The break-up value has been calculated on the basis of unaudited condensed interim financial information for the first quarter ended 30 September 2010.

25.2.2 Investment in Jubilee Spinning and Weaving Mills Limited is carried at Rs. Nil (2010: Rs. Nil). The break-up value of shares of the investee company is Rs. 3.74 per share, calculated on the basis of unaudited condensed interim financial information for the nine months period ended 31 March 2011.

25.2.3 Investments having an aggregate market value of Rs. 345.335 million (2010: Rs. 474.493 million) have been pledged with financial institutions as security against financing facilities (see note 12.4) out of which Rs. 248.203 million (2010: Rs. 306.698 million) relates to long term investments.

25.2.4 Investments having an aggregate market value of Rs. 182.542 million (2010: Rs. Nil) have been pledged with a financial institution as security against long term financing aggregating Rs. 115 million sanctioned to the Subsidiary Company.

25.3 Held for trading

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

2011	2010	Name of investee company	2011	2010
(Number of shares / units)			(Rupees in '000)	
80,000	67,500	Al Ghazi Tractors Limited *	18,432	13,655
190,859	190,859	Agriauto Industries Limited *	13,265	13,169
30,000	30,000	Attock Cement Pakistan Limited	1,456	1,965
–	17,560	Attock Petroleum Limited	–	5,088
7,000	–	Attock Refinery Limited	859	–
–	30,000	Azgard Nine Limited	–	335
–	6,000	Bank AL Habib Limited	–	189
–	258,384	Bank Alfalah Limited	–	2,444
–	210,000	D.G. Khan Cement Company Limited	–	4,960
–	20,500	Engro Corporation Limited	–	3,558
–	11,163	Fatima Fertilizer Company Limited	–	140
200,000	14,000	Fauji Fertilizer Bin Qasim Limited	8,430	365
71,562	68,250	Fauji Fertilizer Company Limited	10,759	7,035
5,000,000	–	First Credit and Investment Bank Limited	26,200	–
20,000	20,000	First Habib Bank Modaraba	160	101
5,247,500	247,500	Golden Arrow Selected Stocks Fund Limited *	16,530	681
–	33,500	ICI Pakistan Limited	–	3,972
1,350	1,350	Innovative Investment Bank Limited	–	–
65,000	–	International Industries Limited	3,218	–
25,000	–	International Steel Limited	340	–
335,555	–	Johnson and Philips Pakistan Limited	3,020	–
100,000	465,425	Kohinoor Energy Limited	1,650	12,329
341,400	341,400	Kot Addu Power Company Limited	14,547	14,250
290,000	10,000	Lotte Pakistan PTA Limited	4,011	80
–	25,000	National Bank of Pakistan		1,603
–	40,000	National Investment Trust	–	1,121
25,000	235,000	Nishat (Chunian) Limited	557	3,708
40,000	–	Nishat Chunian Power Limited	549	–
107,000	137,000	Nishat Mills Limited	5,386	5,907
25,000	–	Nishat Power Limited	386	–
	27,374	Packages Limited	–	3,243
397,640	685,640	Pakistan Oilfields Limited	142,756	148,029
–	302,500	Pakistan Telecommunication Company Limited	–	5,385
153,386	200,000	Pakistan National Shipping Corporation	3,681	7,978
21,200	–	Pakistan Petroleum Limited	4,390	–
139,474	128,200	Pakistan State Oil Company Limited	36,902	33,358
205,000	105,000	PICIC Energy Fund	1,507	541
880,719	457,311	PICIC Growth Fund	11,784	4,235
481,173	481,173	PICIC Investment Fund	2,815	1,819
12,029,764	4,884,734	Samba Bank Limited	20,570	11,088
11,067	–	Security Papers Limited	448	–
2,500	2,500	Shell Pakistan Limited	563	573
129,450	203,500	Thal Limited *	13,080	19,320
355,076	431,400	The Hub Power Company Limited	13,315	13,788
			381,566	346,012

* The face value of these ordinary shares / units is Rs. 5 per share.

25.4 The following investments are deposited as security with commercial banks

Name of investee company	2011	2010
	(Rupees in '000)	
Altern Energy Limited	248,203	281,751
Agriauto Industries Limited	13,205	13,110
Al Ghazi Tractors Limited	17,856	13,655
Attock Refinery Limited	614	–
Attock Cement Pakistan Limited	1,456	1,965
Attock Petroleum Limited	–	4,346
Azgard Nine Limited	–	223
Bank Alfalah Limited	–	2,441
Bank Al Habib Limited	–	189
D.G. Khan Cement Limited	–	4,960
Engro Corporation Limited	–	3,558
Fauji Fertilizer Bin Qasim Limited	4,215	365
Fauji Fertilizer Company Limited	7,216	7,008
ICI Pakistan Limited	–	3,557
International Industries Limited	1,733	–
Kohinoor Energy Limited	1,650	11,483
Kot Addu Power Company Limited	14,487	14,025
National Bank of Pakistan	–	1,603
Nishat Mills Limited	5,386	5,907
Packages Limited	–	3,199
Pakistan Oilfields Limited	139,167	–
Pakistan State Oil Company Limited	34,130	33,358
Pakistan Telecommunication Company Limited	–	5,340
PICIC Growth Fund	11,784	4,167
PICIC Investment Fund	3,839	2,457
Shell Pakistan Limited	563	–
Thal Limited	10,508	19,320
The Hub Power Company Limited	11,865	13,788
United Bank Limited - TFCs	–	22,718
	527,877	474,493

26. CURRENT PORTION OF LONG TERM INVESTMENT

	Note	2011	2010
		(Rupees in '000)	
Preference shares of Shakarganj Mills Limited	26.1	29,994	29,994
Preference shares of Maple Leaf Cement Factory Limited	26.2	–	1,836
TFCs of United Bank Limited	18.5	16,625	10
Dividend receivable on preference shares of Shakarganj Mills Limited and Maple Leaf Cement Factory Limited		5,106	5,198
		51,725	37,038
Less: Share of loss on Shakarganj Mills Limited attributed to preference shares and dividend receivable thereon	26.1	35,100	35,100
Less: Provision for impairment on preference shares of Maple Leaf Cement Factory Limited and dividend receivable thereon		–	1,928
		16,625	10

26.1 This represents 2,999,396 (2010: 2,999,396) preference shares of Rs. 10 each of Shakarganj Mills Limited, a related party, issued in October 2004. These shares carry dividend rate of 8.5% per annum payable annually and were due for redemption in October 2009. 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.

As at 30 June 2011, the amount remains outstanding and the Group does not intend to exercise the option to convert the preference shares into ordinary shares as mentioned above. The Group's share of unadjusted loss on equity accounted investment in Shakarganj Mills Limited has been allocated to preference shares and dividend receivable as more fully explained in note 17.2 to these consolidated financial statements.

The fair value of preference shares as at 30 June 2011 amounts to Rs. 7.349 million (2010: Rs. 9.028 million).

26.2 As at 30 June 2010, the Group held 183,600 preference shares (non-voting) of Rs. 10 each of Maple Leaf Cement Factory Limited each carrying preferential right of dividend (cumulative) at the rate of 9.75% per annum which were due for redemption on 13 December 2009. The principal amount along with cumulative preferred dividend receivable remained outstanding and, being considered doubtful, was fully provided for as at 30 June 2010.

During the year, the investee company offered its preference shareholders an option to convert the said preference shares into ordinary shares in the ratio of 1.1726:1. The Group exercised this option and accordingly 215,289 ordinary shares were issued on 2 June 2011. The ordinary shares issued ranked pari passu with the existing ordinary shares of Rs. 10 each of the investee company in all respects including voting rights. Subsequently during the year, the Group has disposed of its investment in the said ordinary shares.

27. OTHER RECEIVABLES

	Note	2011	2010
		(Rupees in '000)	
Dividend receivable		256	529
Receivable against sale of investments		33,576	–
Claim receivable		4,101	238
Due from related parties	27.1	277	450
Sales tax refundable		21,965	21,428
Provision there against		(4,346)	(4,346)
		17,619	17,082
Receivable from staff retirement benefit funds	44	2,144	2,975
Others		4,310	3,882
		62,283	25,156

27.1 Due from related parties

	2011	2010
Crescent Jute Products Limited	–	430
Shakarganj Mills Limited	277	13
The Crescent Textile Mills Limited	–	7
	277	450

28. TAXATION - NET

	2011	2010
Advance taxation	1,106,627	868,559
Provision for taxation	(1,065,212)	(849,861)
	41,415	18,698

28.1 The Income Tax assessments of the Holding Company have been finalized up to and including tax year 2003, except for pending appeal effect orders in respect of assessment years 2001-2002 and 2002-2003. Tax returns for subsequent tax years, except for the tax years mentioned below, are deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 unless selected for an amendment / audit by the taxation authorities. Deemed assessments for tax years 2004, 2006 and 2007 were amended by the department and currently appeals in respect of these tax years are pending before the Appellate Tribunal Inland Revenue. Additional tax liability of Rs. 109.277 million may arise against the above mentioned assessments in case decisions are made against the Holding Company.

Full provision has been recognized in these financial statements up to the tax year 2011 except short credit of taxes paid and deducted at source, and adjustments of refunds in respect of the said assessment / tax years. However, additional provision has not been recognized in these consolidated financial statements in respect of tax years 2004, 2006 and 2007, as mentioned above, based on the tax consultant's opinion, the management is confident of favourable outcome of these appeals.

29. CASH AND BANK BALANCES

		2011	2010
		(Rupees in '000)	
With banks	in deposit accounts		
	- local currency	11,832	88,830
	- foreign currency	2	2
		11,834	88,832
	in current accounts	3,653	92,163
Cash in hand		3,513	1,662
		19,000	182,657

30. SALES - NET

	2011	2010
Local sales		
Bare pipes (own product excluding coating revenue)	900,037	928,038
Revenue from conversion	7,219	105,071
Coating of pipes	384,781	591,552
Cotton yarn / raw cotton	3,085,829	2,196,287
Others (including pipes laboratory testing)	42,498	24,042
Scrap / waste	152,111	107,798
Sales returns	(76,306)	(22,535)
	4,496,169	3,930,253
Export sales		
Cotton yarn	5,761	11,037
Cotton waste	14,300	–
	20,061	11,037
	4,516,230	3,941,290
Sales tax and special excise duty	(116,224)	(236,902)
	4,400,006	3,704,388

31. COST OF SALE

		2011	2010
		(Rupees in '000)	
Steel segment	31.1	937,427	1,010,885
Cotton segment	31.1	2,652,646	1,876,410
		3,590,073	2,887,295

31.1 Cost of sales

		Steel Segment		Cotton Segment		Total	
		2011	2010	2011	2010	2011	2010
		(Rupees in '000)					
Raw materials consumed		685,658	799,389	2,079,273	1,315,115	2,764,931	2,114,504
Cost of raw cotton sold		–	–	91,160	70,962	91,160	70,962
Packing materials consumed		–	–	24,967	26,261	24,967	26,261
Store and spares consumed		31,921	30,639	53,284	57,617	85,205	88,256
Fuel, power and electricity		27,270	43,763	183,151	161,232	210,421	204,995
Salaries, wages and other benefits	31.2	74,102	69,512	109,249	83,656	183,351	153,168
Insurance		1,702	1,308	4,751	3,626	6,453	4,934
Repairs and maintenance		4,724	4,450	26,780	4,083	31,504	8,533
Depreciation	14.2	22,039	20,632	125,046	138,972	147,085	159,604
Amortization of intangible assets	15.1	–	–	24	24	24	24
Stock-in-trade written down to NRV		–	5,838	21,831	–	21,831	5,838
Other expenses		94,790	44,595	9,517	5,681	104,307	50,276
		942,206	1,020,126	2,729,033	1,867,229	3,671,239	2,887,355
Opening stock of work-in-process		13,716	2,776	16,440	12,625	30,156	15,401
Closing stock of work-in-process		(24,715)	(13,716)	(26,766)	(16,440)	(51,481)	(30,156)
		(10,999)	(10,940)	(10,326)	(3,815)	(21,325)	(14,755)
Cost of goods manufactured		931,207	1,009,186	2,718,707	1,863,414	3,649,914	2,872,600
Opening stock of finished goods		68,660	70,359	46,265	59,261	114,925	129,620
Closing stock of finished goods		(62,440)	(68,660)	(112,326)	(46,265)	(174,766)	(114,925)
		6,220	1,699	(66,061)	12,996	(59,841)	14,695
		937,427	1,010,885	2,652,646	1,876,410	3,590,073	2,887,295

31.2 Detail of salaries, wages and other benefits

		Steel 2011	Steel 2010	Cotton 2011	Cotton 2010	Total 2011	Total 2010
Salaries, wages and other benefits		66,980	61,010	105,786	80,839	172,766	141,849
Gratuity	31.1	1,295	1,342	126	29	1,421	1,371
Pension fund	31.3	3,977	5,431	1,392	1,335	5,369	6,766
Provident fund contributions		1,850	1,729	1,945	1,453	3,795	3,182
		74,102	69,512	109,249	83,656	183,351	153,168

31.3 Staff retirement benefits

	2011		2010	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	4,466	1,068	4,085	915
Interest cost	6,691	1,497	5,836	1,182
Expected return on plan assets	(6,075)	(1,313)	(4,229)	(975)
Actuarial losses recognized	–	100	794	183
Past service cost recognized	287	69	280	66
	5,369	1,421	6,766	1,371

32. INCOME FROM INVESTMENTS

		2011	2010
		(Rupees in '000)	
Return on TFCs		2,108	2,116
Dividend income	32.1	60,691	38,548
Gain on sale of investments			
- Available for sale		–	4,677
- Held for trading		87,791	134,312
Unrealized gain / (loss) on held for trading investments		28,958	(10,641)
Gain on conversion of debt into equity instruments	26.2	225	–
Gain on transfer of equity accounted investment to available for saleinvestments on loss of significant influence		–	46,085
Rent from investment property	32.2	8,862	7,625
		188,635	222,722

32.1 This includes dividend on preference shares from Shakarganj Mills Limited, a related party, amounting to Rs. Nil (2010: Rs. 0.643 million).

32.2 Direct operating expenses incurred against rental income from investment property amounted to Rs. 4.884 million (2010: Rs. 3.839 million). Further, Rs. 2.791 million (2010: Rs. 2.366 million) were incurred against the non rented out area.

33. DISTRIBUTION AND SELLING EXPENSES

		Steel Segment		Cotton Segment		Total	
		2011	2010	2011	2010	2011	2010
		(Rupees in '000)					
Salaries, wages and other benefits	33.1	7,593	5,868	3,461	1,684	11,054	7,552
Commission		–	–	21,102	12,677	21,102	12,677
Travelling, conveyance and entertainment		766	714	3	190	769	904
Depreciation	14.2	161	217	7	7	168	224
Insurance		144	89	–	–	144	89
Postage, telephone and telegram		114	117	72	109	186	226
Advertisement		750	672	–	100	750	772
Bid bond expenses		200	291	–	–	200	291
Legal and professional charges		1,337	1,960	–	–	1,337	1,960
Others		1,524	1,664	1,572	658	3,096	2,322
		12,589	11,592	26,217	15,425	38,806	27,017

33.1 Detail of salaries, wages and other benefits

Salaries, wages and other benefits		6,351	4,434	3,461	1,684	9,812	6,118
Gratuity	33.2	236	242	–	–	236	242
Pension fund	33.2	792	1,005	–	–	792	1,005
Provident fund contributions		214	187	–	–	214	187
		7,593	5,868	3,461	1,684	11,054	7,552

33.2 Staff retirement benefits

	2011		2010	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	659	177	607	162
Interest cost	987	249	867	209
Expected return on plan assets	(896)	(218)	(628)	(172)
Actuarial losses recognized	–	17	118	32
Past service cost recognized	42	11	41	11
	792	236	1,005	242

34. ADMINISTRATIVE EXPENSES

		Steel Segment		Cotton Segment		IID Segment		Energy segment		Total	
		2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
		(Rupees in '000)									
Salaries, wages and other benefits	34.1	35,465	49,677	22,836	5,888	3,755	6,054	–	–	62,056	61,619
Rents, rates and taxes		496	163	285	104	552	750	–	–	1,333	1,017
Travelling, conveyance and entertainment		3,428	5,215	2,225	884	198	598	47	–	5,898	6,697
Fuel and power		6,167	5,508	1,060	256	334	612	–	–	7,561	6,376
Postage, telephone and telegram		1,068	1,495	824	322	59	166	–	–	1,951	1,983
Insurance		617	680	296	60	115	126	194	–	1,222	866
Repairs and maintenance		4,808	3,269	1,525	309	658	1,085	–	–	6,991	4,663
Auditors' remuneration	34.3	717	1,109	579	123	83	123	57	30	1,436	1,385
Legal, professional and corporate service charges		5,881	16,763	3,420	1,364	3,809	6,846	2,400	1,270	15,510	26,243
Advertisement		71	45	16	–	8	5	10	–	105	50
Donations	34.4	15,909	16,452	4,422	–	837	1,828	–	–	21,168	18,280
Depreciation	14.2 & 16.1	6,715	8,386	2,516	393	4,841	5,360	–	–	14,072	14,139
Amortization of intangible assets	15.1	6,782	8,914	4,379	15	349	990	–	–	11,510	9,919
Printing, stationery and office supplies		1,808	1,714	1,219	237	179	190	–	–	3,206	2,141
Newspapers, subscriptions and periodicals		550	563	702	833	43	63	–	–	1,295	1,459
Others		2,841	2,841	1,589	235	256	521	–	–	4,686	3,597
		93,323	122,794	47,893	11,023	16,076	25,317	2,708	1,300	160,000	160,434

34.1 Salaries, wages and other benefits

Salaries, wages and other benefits		28,658	38,247	18,615	4,775	3,057	4,664	–	–	50,330	47,686
Gratuity	34.2	1,293	1,895	807	179	128	235	–	–	2,228	2,309
Pension fund	34.2	4,323	8,090	2,698	777	463	975	–	–	7,484	9,842
Provident fund contributions		1,191	1,445	716	157	107	180	–	–	2,014	1,782
		35,465	49,677	22,836	5,888	3,755	6,054	–	–	62,056	61,619

34.2 Staff retirement benefits

	2011		2010	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	6,224	1,671	5,941	1,541
Interest cost	9,327	2,348	8,490	1,990
Expected return on plan assets	(8,467)	(2,058)	(6,152)	(1,643)
Actuarial losses recognized	–	157	1,155	308
Past service cost recognized	400	110	408	113
	7,484	2,228	9,842	2,309

34.3 Auditors' remuneration

		2011	2010
		(Rupees in '000)	
Audit fee	34.3.1	1,057	1,030
Fee for audit of funds' financial statements and other reports		188	168
Out of pocket expenses		191	187
		1,436	1,385

34.3.1 Audit fee includes services for audit of annual separate and consolidated financial statements of the Holding Company and the individual financial statements of the Subsidiary Company, limited review of unconsolidated condensed interim financial information for the six months period, review report on statement of compliance with best practices of the Code of Corporate Governance and audit of reconciliation statement of nominee shareholding of CDC.

34.4 Donations

Donations include the following in which a director is interested

Name of the director	Interest in donee	Name and address of the donee	Amount donated 2011	Amount donated 2010
			(Rupees in '000)	
Mr. Ahsan M. Saleem	Director	The Citizens Foundation 9th Floor, NIC Building, Karachi	17,887	16,720
	Director	Pakistan Centre for Philanthropy 1-A, Street 14, F-8/3, Islamabad	837	830
			18,724	17,550

34.4.1 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.

35. OTHER OPERATING EXPENSES

	2011	2010
	(Rupees in '000)	
Exchange loss	4,127	1,761
Provision for slow moving stores, spares and loose tools - net	12,231	7,463
Provision for doubtful trade debts	3,348	840
Provision for doubtful advances	45	–
Provision for Workers' Welfare Fund	13,525	14,638
Provision for Workers' Profit Participation Fund	25,862	28,666
Provision for infrastructure fee	1,195	–
Provision for liquidated damages	–	2,823
Provision for diminution in the value of investments	–	7,305
	60,333	63,496

36. OTHER OPERATING INCOME

	2011	2010
Income from financial assets		
Return on deposits	3,172	999
Income from non-financial assets		
Gain on disposal of operating fixed assets	4,002	2,588
Gain on settlement of non-executed contracts	13,814	–
Insurance commission	1,076	887
Liabilities written-back	2,167	–
Reversal of provision for stock-in-trade	–	8,686
Reversal of provision for infrastructure fees	–	3,488
Reversal of provision for liquidated damages	2,782	–
Reversal of provision for diminution in the value of investments	1,928	18,545
Others	2,643	2,493
	28,412	36,687
	31,584	37,686

37. FINANCE COSTS

	2011	2010
Incurred on		
- finance lease obligations	84	–
- long term loans	1,064	12,593
- running finances	115,733	75,953
- short term loans	23,494	25,842
- Workers' Profit Participation Fund	540	3,141
Bank charges	3,086	4,381
	144,001	121,910

38. SHARE OF PROFIT IN EQUITY ACCOUNTED INVESTEES - NET OF TAXATION

	2011	2010
	(Rupees in '000)	
Share of profit / (loss) after taxation of		
Altern Energy Limited	206,928	225,109
Shakarganj Food Products Limited	–	(12,362)
Shakarganj Mills Limited	–	(194,834)
Safeway Fund Limited	–	(6,733)
	206,928	11,180

39. TAXATION

	2011	2010
Current		
- for the year	216,063	207,910
- for prior years	(712)	1,256
	215,351	209,166
Deferred	(21,230)	(28,200)
	194,121	180,966

39.1 Relationship between taxation expense and accounting profit

	2011	2010
Profit before taxation	833,940	715,824
Tax at the applicable rate of 35%	291,879	250,538
Tax effect of inadmissible expenses / losses	(10,295)	(56,007)
Tax effect of income taxed at a lower rate	(106,690)	(11,800)
Prior year tax effect	9,945	(1,765)
Effect of higher tax as surcharge	9,282	–
	194,121	180,966

40. BASIC AND DILUTED EARNINGS PER SHARE

	2011	2010
Profit after taxation	639,819	534,858
	(Number of shares)	
Average number of ordinary shares in issue during the year	56,459,993	56,459,993
	(Rupees)	
Basic and diluted earnings per share	11.33	9.47

41. CASH GENERATED FROM OPERATIONS

	Note	2011	2010
		(Rupees in '000)	
Profit before taxation		833,940	715,824
Adjustments for non cash charges and other items			
Depreciation on operating fixed assets and investment property		161,325	173,967
Amortization of intangible assets		11,534	9,943
Charge for the year on staff retirement benefit funds		17,530	21,535
Charge for compensated absences		652	1,882
Provision for 10-C bonus		4,891	808
Amortisation of advances to staff		168	355
Amortization of initial transaction costs		107	263
Dividend income		(60,691)	(38,548)
Unrealised (gain) / loss on held for trading investments - net		(28,958)	10,641
Gain on sale of investments		(87,791)	(133,973)
Gain on conversion of debt into equity instruments		(225)	–
Gain on transfer of equity accounted investment to available for sale investments on loss of significant influence		–	(46,085)
Provision / (reversal of provision) for stock-in-trade and stores, spares and loose tools - net		12,231	(1,223)
Provision for doubtful trade debts		3,348	840
Provision for doubtful advances		45	–
Provision for Workers' Welfare Fund		13,525	14,638
Provision for Workers' Profit Participation Fund		25,862	28,666
Provision / (reversal of provision) for infrastructure fee		1,195	(3,488)
(Reversal of provision) / provision for liquidated damages		(2,782)	2,823
Provision / (reversal of provision) for diminution in the value of investments - net		(1928)	(11,240)
Return on deposits and investments		(5,280)	(3,115)
Gain on disposal of operating fixed assets		(4,002)	(2,588)
Liabilities written back		(2,167)	–
Finance costs		144,001	121,910
Share of profit from equity acounted investees - net of taxation		(206,928)	(11,180)
Working capital changes	41.1	(180,277)	(31,879)
		649,325	820,776

41.1 Working capital changes

		2011	2010
		(Rupees in '000)	
(Increase) / decrease in current assets			
Stores, spares and loose tools		(5,529)	3,381
Stock-in-trade		197,120	(392,398)
Trade debts		128,303	(193,793)
Advances		25,109	(15,025)
Trade deposits and short term prepayments		333	(103)
Other receivables		(4,655)	125,424
		340,681	(472,514)
(Decrease) / increase in current liabilities			
Trade and other payables		(520,958)	440,635
		(180,277)	(31,879)

42. CASH AND CASH EQUIVALENTS

Running finances under mark-up arrangements	12	(570,179)	(652,875)
Cash and bank balances	29	19,000	182,657
		(551,179)	(470,218)

43. SEGMENT REPORTING

43.1 Reportable segments

The Group's reportable segments under IFRS 8 are as follows

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

Information regarding the Group's reportable segments is presented below.

43.2 Segment revenues and results

Following is an analysis of the Group's revenue and results by reportable segment

For the year ended 30 June 2011	**Steel Segment**	**Cotton Segment**	**IID Segment**	**Energy Segment**	**Total**
			(Rupees in '000)		
Sales - net	1,236,919	3,163,087	–	–	4,400,006
Cost of sales	937,427	2,652,646	–	–	3,590,073
Gross profit	299,492	510,441	–	–	809,933
Income from investments	–	–	188,635	–	188,635
	299,492	510,441	188,635	–	998,568
Distribution and selling expenses	12,589	26,217	–	–	38,806
Administrative expenses	93,323	47,893	16,076	2,708	160,000
Other operating expenses	30,639	28,315	1,379	–	60,333
	136,551	102,425	17,455	2,708	259,139
	162,941	408,016	171,180	(2,708)	739,429
Other operating income	11,073	16,750	1,928	1,833	31,584
Operating profit / (loss) before finance costs	174,014	424,766	173,108	(875)	771,013
Finance costs	4,679	116,917	21,576	829	144,001
Share of profit in equity accounted investees - net of taxation	–	–	180,903	26,025	206,928
Profit before taxation	**169,335**	**307,849**	**332,435**	**24,321**	**833,940**
Taxation					194,121
Profit after taxation					**639,819**

For the year ended 30 June 2010					
Sales - net	1,432,214	2,272,174	–	–	3,704,388
Cost of sales	1,010,885	1,876,410	–	–	2,887,295
Gross profit	421,329	395,764	–	–	817,093
Income from investments	–	–	222,722	–	222,722
	421,329	395,764	222,722	–	1,039,815
Distribution and selling expenses	11,592	15,425	–	–	27,017
Administrative expenses	122,794	11,023	25,317	1,300	160,434
Other operating expenses	29,389	25,983	8,124	–	63,496
	163,775	52,431	33,441	1,300	250,947
	257,554	343,333	189,281	(1,300)	788,868
Other operating income	14,474	3,804	18,545	863	37,686
Operating profit / (loss) before finance costs	272,028	347,137	207,826	(437)	826,554
Finance costs	13,415	74,929	33,564	2	121,910
Share of profit in equity accounted investees - net of taxation	–	–	6,029	5,151	11,180
Profit before taxation	**258,613**	**272,208**	**180,291**	**4,712**	**715,824**
Taxation					180,966
Profit after taxation					**534,858**

43.2.1 Revenue reported above represents revenue generated from external customers. Inter-segment sale during the year comprised of sale made by the Steel segment to the Energy segment amounting to Rs. 2.727 million (2010: Rs. Nil).

43.2.2 Transfer prices between reportable segments are on an arm's length basis in a manner similar to transactions between third parties.

43.2.3 The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 5 to these consolidated financial statements. The Steel segment allocates certain percentage of the common expenditure to the Cotton and IID segments. In addition, finance costs between Steel and Cotton segments are allocated at average mark-up rate on the basis of funds utilized. This is the measure reported to management for the purposes of resource allocation and assessment of segment performance.

43.3 Revenue from major products and services

The analysis of the Group's revenue from external customers for major products and services is given in note 30 to these consolidated financial statements.

43.4 Information about major customers

Revenue from major customers of Steel segment represents an aggregate amount of Rs. 1,011.620 million (2010: Rs. 754.696 million) of total Steel segment revenue of Rs. 1,236.919 million (2010: Rs. 1,432.214 million). Further, revenue from major customers of Cotton segment represents an aggregate amount of Rs. 722.581 million (2010: Rs. Nil) of total Cotton segment revenue of Rs. 3,163.087 milllion (2010: Rs. 2,272.174 million).

43.5 Geographical information

43.5.1 The Group's revenue from external customers by geographical location is detailed below

	2011	2010
	(Rupees in '000)	
Europe	14,300	–
Far East	5,761	11,037
Pakistan	4,379,945	3,693,351
	4,400,006	3,704,388

43.5.2 All non-current assets of the Group as at 30 June 2011 and 2010 were located and operating in Pakistan.

43.6 Segment assets and liabilities

Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follows:

	Steel segment	Cotton segment	IID segment	Energy segment	Total
	(Rupees in '000)				
As at 30 June 2011					
Segment assets for reportable segments	568,387	1,626,917	879,910	415,414	3,490,628
Investment in equity accounted investees	–	–	1,349,446	148,577	1,498,023
Unallocated corporate assets					(83,426)
Total assets as per balance sheet					4,905,225
Segment liabilities for reportable segments	149,065	146,966	4,449	125,364	425,844
Unallocated corporate liabilities					878,065
Total liabilities as per balance sheet					1,303,909
As at 30 June 2010					
Segment assets for reportable segments	1,094,906	1,373,999	807,260	224,575	3,500,740
Investment in equity accounted investees	–	–	1,115,745	114,957	1,230,702
Unallocated corporate assets					163,391
Total assets as per balance sheet					4,894,833
Segment liabilities for reportable segments	524,468	320,828	2,707	1,969	849,972
Unallocated corporate liabilities					965,682
Total liabilities as per balance sheet					1,815,654

43.6.1 For the purposes of monitoring segment performance and allocating resources between segments

- all assets are allocated to reportable segments other than those directly relating to corporate and taxation assets; and
- all liabilities are allocated to reportable segments other than 'trade and other payables' directly relating to corporate, 'short term borrowings', 'mark-up accrued' and liabilities relating to current and deferred taxation.

Cash and bank balances, borrowings and related mark-up payable thereon and receivable therefrom are not allocated to reporting segments as these are managed by the Group's central treasury function.

43.7 Other segment information

	Steel segment	Cotton segment	IID segment	Energy segment	Total
	(Rupees in '000)				
For the year ended 30 June 2011					
Capital expenditure	**7,181**	**75,594**	**10,000**	**212,348**	**305,123**
Depreciation and amortization	**35,697**	**131,972**	**5,190**	**–**	**172,859**
Non-cash items other than depreciation and amortization - net	**35,904**	**152,956**	**(329,383)**	**(27,029)**	**(167,552)**
For the year ended 30 June 2010					
Capital expenditure	13,707	18,083	2,095	194,385	228,270
Depreciation and amortization	38,149	139,411	6,350	–	183,910
Non-cash items other than depreciation and amortization	51,370	99,149	(167,012)	(6,012)	(22,505)

44. STAFF RETIREMENT BENEFITS

44.1 Defined benefit plans

44.1.1 The actuarial valuation of both pension and gratuity schemes has been conducted in accordance with IAS 19, 'Employee benefits' as at 30 June 2011. The projected unit credit method, using the following significant assumptions, has been used for the actuarial valuation

	2011	2010
- Discount rate	12%	12%
- Expected rate of increase in salaries	12%	11% to 12%
- Expected rate of return on plan assets	12%	12%
- Average expected remaining working life of employees	10 years	10 years
- Expected mortality for active members	As per EFU (61-66) mortality table	

44.1.2 Reconciliation of (receivable from) / payable to defined benefit plans

		2011			2010		
		Pension	Gratuity	Total	Pension	Gratuity	Total
		(Rupees in '000)					
Present value of defined benefit obligations	44.1.4	156,971	37,243	194,214	141,712	34,115	175,827
Fair value of plan assets	44.1.5	(163,371)	(39,778)	(203,149)	(128,646)	(29,906)	(158,552)
Unrecognized net actuarial gains / (losses)	44.1.8	7,129	1,344	8,473	(11,498)	(6,151)	(17,649)
Unrecognized past service cost	(729)	(953)	(1,682)	(1,458)	(1,143)	(2,601)	
(Asset) / liability recognized in balance sheet		–	(2,144)	(2,144)	110	(3,085)	(2,975)

44.1.3 Movement in (receivable from) / payable to defined benefit plans

Opening balance		110	(3,085)	(2,975)	(650)	(4,457)	(5,107)
Charge for the year	44.1.9	13,645	3,885	17,530	17,613	3,922	21,535
Contributions by the Company	44.1.5	(13,755)	(2,944)	(16,699)	(16,853)	(2,550)	(19,403)
Closing balance		–	(2,144)	(2,144)	110	(3,085)	(2,975)

44.1.4 Reconciliation of present value of defined benefit obligations

Present value of defined benefit obligations - 1 July	141,712	34,115	175,827	126,611	28,177	154,788
Current service cost	11,349	2,916	14,265	10,633	2,618	13,251
Interest cost	17,005	4,094	21,099	15,193	3,381	18,574
Benefits paid during the year	(4,625)	(700)	(5,325)	(4,457)	(1,062)	(5,519)
Actuarial (gain) / loss on obligations	(8,470)	(3,182)	(11,652)	(6,268)	1,001	(5,267)
Present value of defined benefit obligations - 30 June	156,971	37,243	194,214	141,712	34,115	175,827

44.1.5 Changes in the fair value of plan assets are as follows

Fair value of plan assets - 1 July	128,646	29,906	158,552	91,742	23,254	114,996
Expected return on plan assets	15,438	3,589	19,027	11,009	2,790	13,799
Contributions by the Company	13,755	2,944	16,699	16,853	2,550	19,403
Benefits paid during the year	(4,625)	(700)	(5,325)	(4,457)	(1,062)	(5,519)
Actuarial gain on plan assets	10,157	4,039	14,196	13,499	2,374	15,873
Fair value of plan assets - 30 June	163,371	39,778	203,149	128,646	29,906	158,552

44.1.6	Actual return on plan assets	25,595	7,628	33,223	24,508	5,164	29,672

44.1.7 Actuarial losses to be recognized

		2011		2010	
		Pension	Gratuity	Pension	Gratuity
		(Rupees in '000)			
Corridor limit					
The limits of corridor as at 1 July					
- 10% of present value of obligations		14,171	3,412	12,661	2,818
- 10% of fair value of plan assets		12,865	2,991	9,174	2,325
Which works out to		14,171	3,412	12,661	2,818
Unrecognized net actuarial losses as at 1 July	44.1.8	(11,498)	(6,151)	(33,332)	(8,047)
Excess		–	(2,739)	(20,671)	(5,229)
Average expected remaining working lives in years		10	10	10	10
Actuarial losses recognized		–	(274)	(2,067)	(523)

44.1.8 Unrecognized net actuarial (losses)/gains

		2011			2010		
		Pension	Gratuity	Total	Pension	Gratuity	Total
		(Rupees in '000)					
Unrecognized net actuarial losses as at 1 July		(11,498)	(6,151)	(17,649)	(33,332)	(8,047)	(41,379)
Actuarial gain / (loss) on obligations	44.1.4	8,470	3,182	11,652	6,268	(1,001)	5,267
Actuarial gain on plan assets	44.1.5	10,157	4,039	14,196	13,499	2,374	15,873
		7,129	1,070	8,199	(13,565)	(6,674)	(20,239)
Less: Actuarial (losses) recognized	44.1.7	–	(274)	(274)	(2,067)	(523)	(2,590)
Unrecognized net actuarial gains / (losses) as at 30 June		7,129	1,344	8,473	(11,498)	(6,151)	(17,649)

44.1.9 Following amounts have been charged in the profit and loss account in respect of these benefits

Current service cost	11,349	2,916	14,265	10,633	2,618	13,251
Interest cost	17,005	4,094	21,099	15,193	3,381	18,574
Expected return on plan assets	(15,438)	(3,589)	(19,027)	(11,009)	(2,790)	(13,799)
Actuarial losses recognized	–	274	274	2,067	523	2,590
Past service cost recognized	729	190	919	729	190	919
Charge recognized in profit and loss account	13,645	3,885	17,530	17,613	3,922	21,535

44.1.10 Amounts for the current year and previous four years of the present value of defined benefit obligations, fair value of plan assets, surplus / (deficit) and experience adjustments arising thereon are as follows

	2011	2010	2009	2008	2007
	(Rupees in '000)				
Pension					
As at 30 June					
Present value of defined benefit obligation	156,971	141,712	126,611	110,954	99,224
Fair value of plan assets	163,371	128,646	91,742	98,915	93,474
Surplus / (deficit)	6,400	(13,066)	(34,869)	(12,039)	(5,750)
Experience adjustments					
Actuarial gain on obligation	(8,470)	(6,268)	(5,853)	(6,440)	(8,383)
Actuarial gain / (loss) on plan assets	10,157	13,499	(32,216	(11,355)	14,157
Gratuity					
As at 30 June					
Present value of defined benefit obligation	37,243	34,115	28,177	28,404	27,945
Fair value of plan assets	39,778	29,906	23,254	31,684	32,878
Surplus / (deficit)	2,535	(4,209)	(4,923)	3,280	4,933
Experience adjustments					
Actuarial (gain) / (loss) on obligation	(3,182)	1,001	(3,256)	(3,774)	708
Actuarial gain / (loss) on plan assets	4,039	2,374	(11,348)	(6,091)	4,298

44.1.11 Expected contribution for the next year

The expected contribution to the pension and gratuity schemes for the year ending June 30, 2012 works out to Rs. 8.643 million (2010: Rs. 7.562 million) and Rs. 3.356 million (2010: Rs. 2.950 million) respectively.

44.2 Defined contribution plan

The total charge against provident fund for the year was Rs. 6.023 million (2010: Rs. 5.151 million).

45. FINANCIAL INSTRUMENTS

The Group has exposure to the following risks from its use of financial instruments

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of Group's risk management framework. The Board of Directors is also responsible for developing and monitoring the Group's risk management policies.

45.1 Credit risk

Credit risk represents the financial loss that would be recognized at the balance sheet date if counterparties fail completely to perform as contracted / fail to discharge an obligation / commitment that it has entered into with the Group. It arises principally from trade receivables, bank balances, security deposits, mark-up accrued and investment in debt securities.

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the balance sheet date is as follows

	2011	2010
	(Rupees in '000)	
Investments	41,563	41,952
Loans and deposits	17,997	6,568
Trade debts	145,072	276,880
Mark-up accrued on TFCs	820	820
Other receivables	42,264	4,120
Bank balances	15,487	180,995
	263,203	511,335

Trade receivables

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Sales tenders and credit terms are approved by the tender approval committee. Where considered necessary, advance payments are obtained from certain parties. Sales made to major customers are secured through letters of credit. The management has set a maximum credit period of 15 days in respect of Cotton segment's sales to reduce the credit risk.

All the trade debtors at the balance sheet date represent domestic parties.

The maximum exposure to credit risk before any credit enhancements for trade receivables at the balance sheet date by type of customer was

	2011	2010
	(Rupees in '000)	
Steel segment	53,100	182,986
Cotton segment	91,972	93,894
	145,072	276,880

The aging of trade debts at the balance sheet is

Not past due	98,997	219,477
Past due 1 - 30 days	24,138	1,580
Past due 30 - 150 days	10,431	51,152
Past due 150 days	17,067	7,058
	150,633	279,267
Less: Impaired	5,561	2,387
	145,072	276,880

One of the major customer accounts for Rs. 23.029 million of the trade receivables carrying amount as at 30 June 2011 (2010: Rs. 155.392 million) that has a good track record with the Group.

The movement in the allowance for impairment in respect of trade debts and advances is given in note 22.3 and note 23.1 respectively.

Based on past experience the management believes that no impairment allowance is necessary in respect of trade receivables past due as some receivables have been recovered subsequent to the year end and for other receivables there are reasonable grounds to believe that the amounts will be recovered in short course of time. Non past due amounts of Rs. 23.820 million (2010: Rs. 46.819 million) and past due amounts of Rs. Nil (2010: Rs. Nil) are secured through inland letters of credit.

Settlement risk

All investing transactions are settled / paid for upon delivery as per the advice of investment committee. The Group's policy is to enter into financial instrument contract by following internal guidelines such as approving counterparties and approving credits.

Bank balances

The Group kept its surplus funds with banks having good credit rating. Currently the surplus funds are kept with banks having rating from AAA to AA-.

Investment in debt securities

Credit risk arising on debt securities is mitigated by investing principally in investment grade rated instruments. Where the investment is considered doubtful a provision is created there against. As at 30 June 2011, the Group has recognized a provision of Rs. 27.751 million (2010: Rs. 20.034 million) against its exposure to preference shares of investee companies.

The analysis below summarizes the credit quality of the Group's investments in debt securities of investee companies

		2011	2010
		(Rupees in '000)	
TFCs	18.5	AA	AA
Preference shares			
- Maple Leaf Cement Factory Limited	26.2	–	D
- Shakarganj Mills Limited	26.1	D	D

Concentration of credit risk

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Group believes that it is not exposed to major concentration of credit risk.

45.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligation arising from financial liabilities that are settled by delivering cash or another financial asset or that such obligation will have to be settled in a manner disadvantageous to the Group. The Group is not materially exposed to liquidity risk as substantially all obligation / commitments of the Group are short term in nature and are restricted to the extent of available liquidity. In addition, the Group has obtained running finance facilities from various commercial banks to meet the short term liquidity commitments, if any.

The following are the contractual maturities of the financial liabilities, including estimated interest payments:

	2011						
	Carrying amount	On demand	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to six years
	(Rupees in '000)						
Financial liabilities							
Loans	115,000	–	115,000	–	–	23,000	92,000
Liabilities against assets subject to finance lease	27,349	–	32,321	7,939	7,110	5,936	11,336
Trade and other payables	76,735	–	76,735	76,735	–	–	–
Mark-up accrued	26,242	–	26,242	26,242	–	–	–
Short term borrowings	706,966	706,966	–	–	–	–	–
	952,292	706,966	250,298	110,916	7,110	28,936	103,336

	2010						
	Carrying amount	On demand	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to six years
	(Rupees in '000)						
Financial liabilities							
Loan	56,143	–	58,940	58,940	–	–	–
Trade and other payables	249,869	–	249,869	249,869	–	–	–
Mark-up accrued	34,198	–	34,198	34,198	–	–	–
Short term borrowings	780,288	780,288	–	–	–	–	–
	1,120,498	780,288	343,007	343,007	–	–	–

45.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The Investment Committee monitors the portfolio of its investments and adjust the portfolio in light of changing circumstances.

45.3.1 Currency risk

The Group is exposed to currency risk on import of raw materials, stores and spares, export of goods and foreign currency bank accounts denominated in US Dollars (USD), Great Britain Pounds (GBP) and Euros. The Group's exposure to foreign currency risk for these currencies is as follows

	2011			
	USD	GBP	Euro	Total
	(Rupees in '000)			
Foreign creditors	(12,701)	–	–	(12,701)
Foreign currency bank account	2	–	–	2
Gross balance sheet exposure	(12,699)	–	–	(12,699)
Outstanding letters of credit	(1,945)	(1,173)	(38,216)	(41,334)
Net exposure	(14,644)	(1,173)	(38,216)	(54,033)

	2010			
	USD	GBP	Euro	Total
	(Rupees in '000)			
Foreign creditors	(196,030)	(1,627)	(6,589)	(204,246)
Foreign currency bank account	2	–	–	2
Gross balance sheet exposure	(196,028)	(1,627)	(6,589)	(204,244)
Outstanding letters of credit	(22,302)	(1,071)	(1,537)	(24,910)
Net exposure	(218,330)	(2,698)	(8,126)	(229,154)

The following significant exchange rate has been applied

	Average rate		Reporting date rate	
	2011	2010	2011	2010
USD to PKR	85.48	83.69	86.05	85.60
GBP to PKR	136.37	132.32	138.62	128.96
Euro to PKR	116.67	116.40	124.89	104.58

Sensitivity analysis

At the balance sheet date, if the PKR had strengthened by 10% against the USD, GBP and Euro with all other variables held constant, post-tax profit for the year would have been higher by the amount shown below, mainly as a result of net foreign exchange gain on translation of foreign currency bank account and foreign creditors.

Effect on profit or loss	2011	2010
	(Rupees in '000)	
USD	1,464	21,833
GBP	117	270
Euro	3,822	813
	5,403	22,916

The weakening of the PKR against USD, GBP and Euro would have had an equal but opposite impact on the post tax profit.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Group.

45.3.2 Interest rate risk

At the balance sheet date, the interest rate profile of the Group's significant interest bearing financial instruments was as follows

	2011	2010	2011	2010
	Effective interest rate (Percentage)		Carrying amount (Rupees in '000)	
Financial assets				
Fixed rate instruments				
Preference shares	8.5	8.5 & 9.75	–	–
TFCs	8.45	8.45	24,938	24,948
Financial liabilities				
Variable rate instruments				
Loans	14.25-16.24	14.25-14.95	115,000	56,143
Liabilities against assets subject to finance lease	19.29-20.25	–	27,349	–
Short term borrowings	13.44-16.81	13.49-15.79	706,966	780,288

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in interest rates at the reporting date would not affect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the balance sheet date would have decreased / (increased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

	Profit and loss 100 bp	
	2011	**2010**
	(Rupees in '000)	
As at 30 June 2011		
Cash flow sensitivity - Variable rate financial liabilities	(3,535)	3,535
As at 30 June 2010		
Cash flow sensitivity - Variable rate financial liabilitiess	(3,901)	3,901

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Group.

45.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Other price risk arises from the Group's investment in units of mutual funds and ordinary shares of listed companies. To manage its price risk arising from aforesaid investments, the Group diversifies its portfolio and continuously monitors developments in equity markets. In addition the Group actively monitors the key factors that affect stock price movement.

A 10% increase / decrease in redemption and share prices at year end would have decreased / increased the Group's gain / loss in case of held for trading investments and increase / decrease surplus on re-measurement of investments in case of 'available for sale' investments as follows

	2011	**2010**
	(Rupees in '000)	
Effect on profit / (loss)	38,157	34,601
Effect on equity	10,903	17,668
Effect on investments	49,060	52,269

The sensitivity analysis prepared is not necessarily indicative of the effects on profit / equity and assets of the Group.

45.4 Fair value of financial instruments

The carrying values of other financial assets and financial liabilities reported in balance sheet approximate their fair values. The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3: Valuation techniques using significant unobservable inputs

Investment in ordinary shares of listed companies is valued using quoted prices in active market, hence, fair value of such investments fall within Level 1 in fair value hierarchy as mentioned above.

46. REMUNERATION TO THE CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	Chief Executive		Director		Executives		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	(Rupees in '000)							
Managerial remuneration	7,509	6,750	–	–	24,654	17,434	32,163	24,184
House rent	3,375	3,038	–	–	8,756	7,339	12,131	10,377
Utilities	750	675	–	–	2,016	1,678	2,766	2,353
Travelling expenses	764	994	–	–	–	–	764	994
Others	866	932	1,281	1,166	–	–	2,147	2,098
Medical	264	211	–	–	1,021	994	1,285	1,205
Contributions to								
- Gratuity fund	625	472	–	–	1,143	719	1,768	1,191
- Pension fund	1,500	1,350	–	–	3,078	2,331	4,578	3,681
- Provident fund	750	675	–	–	1,464	1,065	2,214	1,740
Club subscription and expenses	1,139	649	–	–	69	44	1,208	693
Entertainment	–	–	–	–	42	42	42	42
Conveyance	–	–	–	–	1,967	1,001	1,967	1,001
Telephone	–	–	–	–	6	6	6	6
	17,542	15,746	1,281	1,166	44,216	32,653	63,039	49,565
Number of persons	1	1	1	1	20	14	22	16

46.1 The aggregate amount charged in respect of directors' fees paid to seven (2010: six) directors is Rs. 0.270 million (2010: Rs. 0.360 million).

46.2 The chief executive and nine executives are provided with free use of company maintained cars, in accordance with their entitlements.

46.3 The chief executive, executives and their families are also covered under group life and hospitalization insurance. A director is also covered under group hospitalization scheme.

47. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated companies, directors, companies where directors also hold directorship, related group companies, key management personnel and staff retirement benefit funds. Balances and transactions between the Holding Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

Transactions with related parties of the Group other than those disclosed elsewhere are as follows

Name	Nature of relationship	Nature of transaction	2011	2010
			(Rupees in '000)	
Crescent Jute Products Limited *	Related party	Acquisition of freehold land	24,904	–
		Services received	642	122
		Services rendered	1,378	1,078
Crescent Sugar Mills & Distillery Limited *	Related party	Dividend paid	692	1,361
Equity Textile Mills Limited *	Related party	Sale of raw cotton	16,785	–
Muhammad Amin Muhammad Bashir Limited *	Related party	Dividend paid	2	1
Pakistan Centre for Philanthropy *	Related party	Donation given	837	830
Pakistan Institute of Corporate Governance *	Related party	Annual subscription charges	115	-
Premier Insurance Company *	Related party	Dividend paid	119	–
		Insurance premium	708	660
Safeway Fund Limited **	Associated company	Rental income	–	926
Shakarganj Mills Limited	Associated company	Dividend paid	6,862	4,014
		Purchase of operating fixed assets	302,656	–
		Purchase of raw materials	1,884	
		Sales of finished goods	7,969	–
		Sales of operating fixed assets	2,571	–
		Services received	4,592	2,165
		Services rendered	1,384	2,965

Name	Nature of relationship	Nature of transaction	2011	2010
			(Rupees in '000)	
Shakarganj Food Products	Associated	Rental income	–	1,375
Limited ***	company	Services rendered	–	441
The Citizens' Foundation *	Related party	Donation given	17,887	16,720
The Crescent Textile Mills Limited *	Related party	Dividend paid	16,673	11,177
		Sale of raw cotton	–	7,623
		Sale of cotton waste	1,497	24
Crescent Cotton Products - Staff	Retirement	Contribution made	1,865	1,610
Provident Fund	benefit fund	Dividend paid	13	9
Crescent Steel and Allied Products	Retirement	Contribution made	2,944	2,550
Limited - Gratuity Fund	benefit fund	Dividend paid	1,075	682
Crescent Steel and Allied Products	Retirement	Contribution made	13,755	16,853
Limited - Pension Fund	benefit fund	Dividend paid	2,105	1,107
Crescent Steel and Allied Products	Retirement	Contribution made	4,158	3,541
Limited - Staff Provident Fund	benefit fund	Dividend paid	1,153	587
Key management personnel	Related parties	Remuneration and benefits	42,890	40,214

* These entities are / have been related parties of the Group by virtue of common directorship only.

** The Group's investment in this entity was disposed off during the year ended 30 June 2010 and is no longer an associated company as at 30 June 2011 and 2010.

*** The Group no longer has / held significant influence over the entity as at 30 June 2011 and 2010.

47.1 Sale of finished goods, operating fixed assets and raw materials, rendering of services and rental income are based on commercial terms and at market prices which are approved by the Board of Directors.

47.2 Contributions to the employee retirement benefit funds are made in accordance with the terms of employee retirement benefit schemes and actuarial advice.

47.3 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including directors of the Group. There were no transactions with the key management personnel during the year other than their terms of employment / entitlements.

47.4 Outstanding balances and other information with respect to related parties as at 30 June 2011 and 2010 are included in issued, subscribed and paid-up capital (note 6.1), trade and other payables (note 10.3), property, plant and equipment (note 14.1.2) investment in equity accounted investees (note 17), other long term investments (note 18.1), trade debts (note 22.1), investments (note 25.1), current portion of long term investments (note 26.1), other receivables (note 27.1), income from investments (note 32.1), administrative expenses (note 34.4) and staff retirement benefits (note 44).

48. CAPITAL RISK MANAGEMENT

The Group's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's overall strategy remains unchanged from year 2010.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders or issue new shares. The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Group finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

The Group is not subject to any externally imposed capital requirements.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt less cash and bank balances. Total capital is calculated as equity as shown in the balance sheet plus net debt.

48.1 Gearing ratio

The gearing ratio at end of the year is calculated as follows

		2011	2010
		(Rupees in '000)	
Total debt	48.1.1	849,315	836,431
Less: Cash and bank balances		19,000	182,657
Net debt		830,315	653,774
Total equity	48.1.2	3,601,316	3,079,179
Total capital		4,431,631	3,732,953
Gearing ratio		19%	18%

48.1.1 Total debt is defined as long term and short term borrowings (excluding derivatives), as described in notes 7, 8 and 12 to these consolidated financial statements.

48.1.2 Total equity includes all capital and reserves of the Holding Company that are managed as capital.

49. PLANT CAPACITY AND PRODUCTION

49.1 Steel segment

Pipe plant

The plant's installed / rated capacity for production based on single shift is 30,000 tons (2010: 30,000 tons) annually on the basis of notional pipe size of 30" dia x ½" thickness. The actual production achieved during the year was 8,341 tons (2010: 17,410 tons) line pipes of varied sizes and thickness, which is equivalent to 21,457 tons (2010: 57,249 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 114 mm to 1524 mm outside dia and thickness ranging from 3 mm to 16 mm.

The annual capacity of the plant works out to 600,000 square meters outside surface area of pipes based on notional size of 14" dia on single shift working. Coating of 193,526 meters (2010: 788,393 meters) of different dia pipes (195,490 square meters surface area) was achieved during the year (2010: 461,043 square meters surface area).

49.2 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 (2010: 6,452,874 kilograms). Actual production converted into 20s count was 3,692,778 kilograms (2010: 5,016,846 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 (2010: 9,284,825 kilograms). Actual production converted into 20s count was 9,349,093 kilograms (2010: 9,638,111 kilograms).

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

49.4 Energy segment

Power plant

The power plant is under installation phase with a maximum output capacity of 18 MWh (2010: 18 MWh).

49. NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Holding Company in their meeting held on 28 July 2011 has proposed a final cash dividend for the year ended 30 June 2011 of Rs. 1.5 per share (i.e. 15%) (2010: Re. 1 per share) amounting to Rs. 84.690 million (2010: Rs. 56.460 million). This is in addition to the first and second interim cash dividends of Re. 1 per share (i.e 10%) each already distributed and recorded in these consolidated financial statements. This makes a total distribution of Rs. 3.5 per share (i.e. 35%) for the year. The approval of the members of the Holding Company for the dividend shall be obtained at the Annual General Meeting to be held on 15 September 2011. These financial statements do not include the effect of this proposed final cash dividend and will be accounted for subsequent to year end.

51. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue in the Board of Directors meeting held on 28 July 2011.

Chief Executive **Director**

Form " 34" Pattern of Holding of Shares

Held by Shareholders as at 30 June 2011

No. of Shareholders	Shareholding From	Shareholding To	Total Shares held
401	1	100	16,134
601	101	500	170,880
429	501	1,000	308,785
609	1,001	5,000	1,456,079
155	5,001	10,000	1,140,600
62	10,001	15,000	773,645
54	15,001	20,000	946,292
24	20,001	25,000	536,858
15	25,001	30,000	415,680
15	30,001	35,000	491,227
9	35,001	40,000	337,788
8	40,001	45,000	343,423
12	45,001	50,000	574,347
5	50,001	55,000	269,989
4	55,001	60,000	235,713
3	60,001	65,000	187,694
7	65,001	70,000	475,383
5	70,001	75,000	363,476
2	75,001	80,000	158,262
1	80,001	85,000	81,836
7	85,001	90,000	612,432
2	95,001	100,000	195,800
1	100,001	105,000	100,033
1	105,001	110,000	110,000
2	115,001	120,000	235,650
1	120,001	125,000	121,443
3	125,001	130,000	382,349
4	130,001	135,000	534,774
1	135,001	140,000	135,249
3	145,001	150,000	441,691
2	150,001	155,000	301,297
2	155,001	160,000	317,982
4	160,001	165,000	656,900
2	165,001	170,000	331,405
1	170,001	175,000	174,222
1	180,001	185,000	180,005
1	190,001	195,000	194,845
1	195,001	200,000	195,066
3	220,001	225,000	668,238

Crescent Steel & Allied Products Ltd.

Pattern of Holding of Shares

No. of Shareholders	Shareholding From	Shareholding To	Total Shares held
1	225,001	230,000	227,227
1	240,001	245,000	243,975
2	255,001	260,000	518,490
1	260,001	265,000	260,185
1	295,001	300,000	298,420
1	300,001	305,000	302,153
1	305,001	310,000	310,000
1	320,001	325,000	323,418
2	325,001	330,000	652,529
1	330,001	335,000	333,220
1	335,001	340,000	337,580
1	345,001	350,000	345,198
1	350,001	355,000	354,561
1	365,001	370,000	369,776
1	370,001	375,000	374,449
1	395,001	400,000	400,000
1	400,001	405,000	400,200
1	465,001	470,000	466,353
1	485,001	490,000	487,000
1	500,001	505,000	500,002
1	575,001	580,000	577,031
1	600,001	605,000	604,916
1	605,001	610,000	605,484
1	620,001	625,000	621,816
1	655,001	660,000	655,500
1	725,001	730,000	729,275
1	745,001	750,000	747,683
1	770,001	775,000	775,000
1	910,001	915,000	910,504
1	960,001	965,000	962,059
1	1,085,001	1,090,000	1,090,000
1	1,190,001	1,195,000	1,190,041
1	1,230,001	1,235,000	1,233,739
1	1,615,001	1,620,000	1,616,061
1	1,910,001	1,915,000	1,913,233
1	2,410,001	2,415,000	2,410,062
1	3,450,001	3,455,000	3,450,150
1	3,570,001	3,575,000	3,571,714
1	3,905,001	3,910,000	3,907,841
1	6,205,001	6,210,000	6,209,676
2,505			**56,459,993**

Pattern of Holding of Shares

Held by Shareholders as at 30 June 2011

Categories of Shareholder	Physical	CDC	Total	% age
a) Directors, Chief Executive Officer, Their Spouse and Childern				
Chief Executive				
Mr. Ahsan M. Saleem	–	362,698	362,698	0.64
Directors				
Mr. Mazhar Karim	–	151,037	151,037	0.27
Mr. Muhammad Abdul Aleem	–	165,905	165,905	0.29
Mr. Nasir Shafi	–	34,433	34,433	0.06
Mr. Zahid Bashir	–	78,262	78,262	0.14
Syed Mahmood Ehtishamullah	–	11,997	11,997	0.02
Director's Spouse and Their Childern				
Mrs. Abida Mazhar	19,961	–	19,961	0.04
Mrs. Shahnaz A. Saleem	–	255,656	255,656	0.45
Executives				
Mr. Arif Raza	8,004	3,300	11,304	0.02
Mr. Hameed Alam	–	2,200	2,200	0.00
	27,965	1,065,488	1,093,453	1.94
b) Associated Companies, Undertakings & Related Parties				
Crescent Sugar Mills & Distillery Limited	–	13,147	13,147	0.02
Muhammad Amin Muhammad Bashir Limited	618	–	618	0.00
Premier Insurance Limited	–	44,500	44,500	0.08
Shakarganj Mills Limited	–	2,720,062	2,720,062	4.82
The Crescent Textile Mills Limited	–	6,209,676	6,209,676	11.00
Trustees - CSAPL Employees Gratuity Fund	–	466,353	466,353	0.83
Trustees - CSAPL Employees Pension Fund	–	910,504	910,504	1.61
Trustees - CSAPL Employees Staff Provident Fund	–	400,200	400,200	0.71
	618	10,764,442	10,765,060	19.07

Pattern of Holding of Shares

Categories of Shareholder	Physical	CDC	Total	% age
c) NIT & ICP (Name Wise Detail)				
National Invetment Trust Limited	–	100,033	100,033	0.18
NBP - Trustee Department NI(U)T Fund	–	3,907,841	3,907,841	6.92
	–	4,007,874	4,007,874	7.10
e) Banks, DFI's, NBFI's	2,445	8,653,805	8,656,250	15.33
f) Insurance Companies	–	2,118,493	2,118,493	3.75
g) Modarabas & Mutual Funds	173	2,523,950	2,524,123	4.47
h) Other Companies	36,795	2,968,149	3,004,944	5.32
i) Non Resident				
Islamic Development Bank	3,450,150	–	3,450,150	6.11
	3,450,150	–	3,450,150	6.11
j) General Public	726,291	20,113,355	20,839,646	36.91
	4,244,437	52,215,556	56,459,993	100.00

Shareholders More Than 10.00%

The Crescent Textile Mills Limited	6,209,676	11.00

Notice of Annual General Meeting

Notice is hereby given that the 27th Annual General Meeting of shareholders of Crescent Steel and Allied Products Limited (the "Company") will be held on Thursday, 15 September 2011 at 12:30 p.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 Reports of Directors and Auditors together with Audited Annual Separate and Consolidated Financial Statements for the year ended 30 June 2011.

2. To approve the payment of final cash dividend @ Rs.1.50 per share (15%) and also the two interim cash dividends @ Re.1.00 each per share already paid, making a total of Rs.3.50 per share (35%) for the year ended 30 June 2011.

3. To appoint Company's auditors for the financial year ending 30 June 2012 and to fix their remuneration.

BY ORDER OF THE BOARD
Muhammad Saad Thaniana
Company Secretary
Lahore: 28 July 2011

Notes

1. The Share Transfer Books of the Company will remain closed from 09 September 2011 to 15 September 2011 (both days inclusive). Transfers received in order at Share Registrar Office of the Company, CorpTec Associates (Pvt) Limited, 7/3-G, Mushtaq Ahmed Gurmani Road, Gulberg-II, Lahore by the close of business on 08 September 2011, will be treated in time for the entitlement of dividend to the transferees and to attend the meeting.

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.

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 The Crescent Textile Mills Limited. However, to date no investment has been made against the approval.

i. Reasons for not having investment made

The Company remained focused on its own Textile Division rather than making investments in Textile Sector.

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

I/We ____ , being member(s) of Crescent Steel And Allied Products Limited and holder of _________________ Shares as per Folio No._________ CDC Participation ID # ______________________ and Sub Account # ______________________ do hereby appoint ______________________________________ of ______________________________________ or failing him/her ______________________________________ of _____________________________ as my/ our proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of Crescent Steel And Allied Products Limited scheduled to be held on Thursday, 15 September 2011 at 12.30 p.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 __________________________ 2011.

Please affix here Revenue Stamp of Rs. 5/-   _______________ Members' Signature

Notes:

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a proxy.
2. The instrument appointing a Proxy, together with the Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited at our Share Registrar Office of the Company, CorpTec Associates (Pvt) Limited, 7/3-G, Mushtaq Ahmed Gurmani Road, Gulberg-II, Lahore, not less than 48 hours before the time of holding the Meeting.
3. CDC account holders will further have to follow the under mentioned guidelines as laid down in circular # 1 dated January 26, 2000 of the Securities & Exchange Commission of Pakistan for appointing Proxies:

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

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

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

   iv) The proxy shall produce his original CNIC or original passport at the time of the meeting.

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


دائرة العيار
على ترتيب
جبطبج