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Crescent Steel and Allied Products Limited

UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

REVIEW REPORT TO THE MEMBERS

on Statement of Compliance with Best Practices of Code of Corporate Governance

KPMG Taseer Hadi & Co.
Chartered Accountants
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We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of Crescent Steel and Allied Products Limited ("the Company") for the year ended 30 June 2015 to comply with the requirements of Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the 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 of Directors' 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.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of 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 as applicable to the Company for the year ended 30 June 2015.

KPMG Taseer Hadi & Co.

Date: 31 July 2015
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Nadeem

AUDITORS' REPORT TO THE MEMBERS

KPMG Taseer Hadi & Co.
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We have audited the annexed unconsolidated balance sheet of Crescent Steel and Allied Products Limited ("the Company") as at 30 June 2015 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated 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 unconsolidated balance sheet and unconsolidated 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 unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated 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 2015 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.

Date: 31 July 2015
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Nadeem

UNCONSOLIDATED BALANCE SHEET

As at 30 June 2015

Rupees in '000	Note	2015	2014
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	621,060	621,060
Capital reserves		299,041	298,742
Revenue reserves		3,130,642	3,087,377
		4,050,743	4,007,179
Non-current liabilities			
Long term loan	7	238,875	–
Liabilities against assets subject to finance lease	8	46,367	61,963
Deferred income	9	1,315	2,324
Deferred taxation	19	–	9,724
		286,557	74,011
Current liabilities			
Trade and other payables	10	637,632	372,447
Mark-up accrued	11	11,683	8,168
Short term borrowings	12	301,822	228,366
Current portion of long term loan	7	55,125	–
Current portion of deferred income	9	1,858	1,764
Current portion of liabilities against assets subject to finance lease	8	47,283	41,066
		1,055,403	651,811
Contingencies and commitments	13		
Total equity and liabilities		5,392,703	4,733,001

Rupees in '000	Note	**2015**	2014
ASSETS			
Non-current assets			
Property, plant and equipment	14	780,672	795,085
Intangible assets	15	9,525	14,031
Investment properties	16	23,319	27,135
Long term investments	17	3,038,174	2,388,183
Long term loans and deposits	18	24,220	26,169
Deferred taxation	19	38,047	–
		3,913,957	3,250,603
Current assets			
Stores, spares and loose tools	20	66,801	71,956
Stock-in-trade	21	453,108	407,199
Trade debts	22	87,922	89,479
Advances	23	17,867	48,581
Trade deposits and short term prepayments	24	11,411	7,074
Investments	25	388,005	455,963
Other receivables	26	200,311	136,081
Taxation - net	27	210,770	158,819
Cash and bank balances	28	42,551	107,246
		1,478,746	1,482,398
Total assets		5,392,703	4,733,001

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

Chief Executive

Director

Chief Financial Officer

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30 June 2015

Rupees in '000	Note	2015	2014
Sales - net	29	2,101,564	4,031,570
Cost of sales	30	2,069,070	3,801,268
Gross profit		32,494	230,302
Income from investments	31	308,702	440,132
		341,196	670,434
Distribution and selling expenses	32	27,247	52,072
Administrative expenses	33	166,752	165,111
Other operating expenses	34	29,319	68,746
		223,318	285,929
		117,878	384,505
Other income	35	25,559	78,648
Operating profit before finance costs		143,437	463,153
Finance costs	36	80,666	84,146
Profit before taxation		62,771	379,007
Taxation	37	(43,651)	18,819
Profit after taxation		106,422	360,188
		(Rupees)	
Basic and diluted earnings per share	38	1.71	5.80

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

Chief Executive	Director	Chief Financial Officer

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2015

Rupees in '000	2015	2014
Profit after taxation for the year	106,422	360,188
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss		
Unrealized appreciation during the year on remeasurement of investments classified as 'available for sale'	299	36,669
Gain / (loss) on remeasurement of staff retirement benefit plans - net of tax	30,002	(5,565)
Reclassification adjustments relating to gain realized on disposal of investments classified as 'available for sale'	–	(211,393)
Other comprehensive income for the year	30,301	(180,289)
Total comprehensive income for the year	136,723	179,899

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

Chief Executive

Director

Chief Financial Officer

UNCONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2015

Rupees in '000	Note	2015	2014
Cash flows from operating activities			
Cash generated from operations	39	317,518	497,947
Taxes paid		(70,769)	(117,399)
Finance costs paid		(64,262)	(83,593)
Contribution to gratuity and pension funds		(14,879)	(12,252)
Contribution to Workers' Profit Participation Fund		(4,851)	(49,610)
Infrastructure fee paid		(888)	(10,554)
Compensated absences paid		(556)	(157)
10-C bonus paid		(1,067)	(2,360)
Long term loans and deposits - net		1,949	343,219
Net cash generated from operating activities		162,195	565,241
Cash flows from investing activities			
Capital expenditure		(95,730)	(131,759)
Acquisition of intangible assets		(2,482)	(5,674)
Proceeds from disposal of operating fixed assets		15,488	34,355
Proceeds from disposal of operating fixed assets under sale and leaseback arrangement		37,552	72,650
Investments - net		(568,938)	(292,319)
Dividend income received		211,959	103,170
Interest income received		2,956	86,984
Net cash used in investing activities		(399,195)	(132,593)
Cash flows from financing activities			
Proceeds from long term loan		294,000	–
Payments against finance lease obligations		(57,151)	(42,807)
(Repayments against short term loans) / proceeds from short term loans obtained - net		–	(132,475)
Dividend paid		(138,000)	(157,816)
Net cash flows from / (used in) financing activities		98,849	(333,098)
Net (decrease) / increase in cash and cash equivalents		(138,151)	99,550
Cash and cash equivalents at beginning of the year		(121,120)	(220,670)
Cash and cash equivalents at end of the year	40	(259,271)	(121,120)

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

Chief Executive	Director	Chief Financial Officer

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

Rupees in '000	Issued, subscribed and paid-up capital	Capital reserves: Share premium	Capital reserves: Unrealized (diminution) / appreciation on remeasurement of investments classified as 'available for sale'	Revenue reserves: General reserve	Revenue reserves: Unappropriated profit	Total
Balance as at 30 June 2013	564,600	349,959	179,967	1,842,000	1,037,550	3,974,076
Transfer to general reserve	–	–	–	800,000	(800,000)	–
Total comprehensive income for the year ended 30 June 2014						
Profit after taxation	–	–	–	–	360,188	360,188
Other comprehensive income						
Total Other comprehensive income for the year	–	–	(174,724)	–	(5,565)	(180,289)
Total comprehensive income for the year	–	–	(174,724)	–	354,623	179,899
Transactions with owners						
Dividend:						
- Final @ 15% (i.e. Rs. 1.5 per share) for the year ended 30 June 2013	–	–	–	–	(84,690)	(84,690)
- First interim @ 10% (i.e. Re. 1 per share) for the year ended 30 June 2014	–	–	–	–	(62,106)	(62,106)
	–	–	–	–	(146,796)	(146,796)
Issuance of Bonus shares final 2013 (10%)	56,460	(56,460)	–	–	–	–
Balance as at 30 June 2014	621,060	293,499	5,243	2,642,000	445,377	4,007,179
Total comprehensive income for the year ended 30 June 2015						
Profit after taxation	–	–	–	–	106,422	106,422
Other comprehensive income						
Total Other comprehensive income for the year	–	–	299	–	30,002	30,301
Total comprehensive income for the year	–	–	299	–	136,424	136,723
Transactions with owners						
Dividend:						
- Final @ 15% (i.e. Rs. 1.5 per share) for the year ended 30 June 2014	–	–	–	–	(93,159)	(93,159)
Balance as at 30 June 2015	621,060	293,499	5,542	2,642,000	488,642	4,050,743

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

Chief Executive

Director

Chief Financial Officer

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. Whereas its principal office is situated at 9th floor Sidco Avenue Centre 264 R.A. Lines, Karachi.

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. 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".

1.4 The Company deals in equity shares and has investment in subsidiaries and associates, the details of which are stated in notes 17.1 and 17.2.

2. BASIS OF PREPARATION

2.1 Unconsolidated financial statements

These financial statements are the unconsolidated 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 unconsolidated financial statements (therein after referred as the 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 of defined benefit obligation less face value of plan assets.

2.4 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the Company's functional currency and 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 accounting 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 financial year are set forth below:

Property, plant and equipment and depreciation (refer note 5.1)
Intangible assets and amortization (refer note 5.2)
Investments (refer note 5.4)
Stores, spares and loose tools and stock-in-trade (refer note 5.6 and 5.7)
Staff retirement benefits (refer note 5.10)
Leases (refer note 5.12)
Income taxes (refer note 5.14)
Impairment (refer note 5.1, 5.2, 5.3, 5.4 and 5.18)

4. NEW OR AMENDMENTS / INTERPRETATION TO EXISTING STANDARD, INTERPRETATION AND FORTHCOMING REQUIREMENTS

4.1 There are new and amended standards and interpretations that are mandatory for accounting periods beginning July 01, 2014 but are considered not to be relevant or do not have any significant effect on the financial statements and are therefore not detailed in these financial statements.

4.2 New standards, amendments to approved accounting standards and a new interpretation to existing standard that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2015:

- Amendments to IAS 38 ‘Intangible Assets’ and IAS 16 ‘Property, Plant and Equipment’ (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are ‘highly correlated’, or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on the Company’s financial statements.

- IFRS 10 ‘Consolidated Financial Statements’ - (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 ‘Consolidated and Separate Financial Statements’. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called ‘Separate Financial Statements’ and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on the Company’s financial statements.

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on the Company's financial statements.

- IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on the Company's financial statements.

- IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on the Company's financial statements.

- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on the Company's financial statements.

- Agriculture: Bearer Plants [Amendments to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The adoption of the amended standard is not likely to have an impact on the Company's financial statements.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [Amendments to IFRS 10 and IAS 28] (effective for annual periods beginning on or after 1 January 2016). The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The adoption of these amendments is not likely to have an impact on the Company's financial statements.

  Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

  - IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

The above amendments are not likely to have an impact on the Company's financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the preparation of these financial statements are set forth below and 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 is stated at cost.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets include the cost of materials and direct labour, any other cost directly attributable to bring 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, if any.

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 or retained.

The assets' residual values and useful lives are reviewed at each financial year end and adjusted if appropriate.

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 in profit and loss account.

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.

Capital work in progress

Capital work in progress is stated at cost and consists of expenditure incurred and advances made in respect of tangible and intangible assets during the course of their construction and installation. Transfers are made to relevant assets category as and when assets are available for intended use.

Impairment

The carrying amount of property, plant and equipment is reviewed at each reporting date to determine 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 exceeds its estimated recoverable amount.

5.2 Intangible assets

Intangible assets 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 profit and loss account 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 reporting date. Where the carrying amount of an asset exceeds its estimated recoverable amount it is written down immediately to its recoverable amount. The carrying amount of other intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exist than 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 exceeds its estimated 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, if any.

Depreciation is charged to profit and loss account on the straight line method so as to allocate 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 reporting date and adjusted if appropriate.

The Company assesses at each reporting 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 in profit and loss account.

5.4 Investments

Investments in subsidiaries

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

Investments in associates

Entities in which the Company has significant influence directly or indirectly (through subsidiaries) but not control and which are neither subsidiaries nor joint ventures of the members of the Company are 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, held to maturity financial assets are measured at amortized cost using the effective interest method, less any impairment loss, if any.

Loans and receivables

Loans and receivables are recognized initially at fair value, plus attributable transaction costs. Subsequent to initial recognition, loans and receivables measured at amortized cost using the effective interest method, less any impairment losses, if any.

Available for sale investments

Other investments not covered in any of the above categories 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 the 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 purchase and sale of securities, except for sale and purchase of securities in the future market.

Impairment of financial assets

The carrying amount of all investments other than those at fair value through profit or loss, is reviewed at each reporting date to determine whether there is any indication of impairment. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event(s) had an impact on the estimated future cashflows of that asset that can be estimated reliably. In case of investment in equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

An impairment loss in respect of financial assets measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cashflows discounted at the assets original effective interest rate. Losses are recognized in profit and loss account. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss account. Impairment losses on available for sale financial assets are recognized by reclassifying the losses accumulated in reserves in equity to profit and loss account. The cumulative loss that is reclassified from equity to profit and loss account is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss recognized previously in profit and loss account. If in subsequent period, the fair value of an impaired available for sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed with the amount of reversal recognized in profit and loss account. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognized in other comprehensive income. An impairment loss in respect of interest in associates and subsidiaries is measured by comparing the recoverable amount (i.e. higher of fair value or value in use) of investment with its carrying amount. An impairment loss is recognized in profit and loss account. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

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 reporting 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 less impairment if any.

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 assigned by using specific identification of their individual costs. 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 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 provides gratuity benefits to all its permanent employees who have completed their minimum qualifying service as per the terms of employment. The pension scheme provides life time pension to retired employees or to their spouses.

The Company's obligation is determined through actuarial valuations carried out under the "Projected Unit Credit Method". Remeasurements which comprise actuarial gains and losses and the return on plan assets (excluding interest) are recognized immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments. Net interest expense, current service cost and any past service cost are recognized in profit and loss account. Any assets resulting from this calculation is limited to the present value of available refunds or reductions in future contributions to the plan. The latest Actuarial valuation was conducted at the reporting date by a qualified professional firm of actuaries.

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 profit and loss account 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 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 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.

Unrealized gains and losses arising on revaluation of securities classified as ‘available for sale’ are recognized in the statement of comprehensive income in the period in which they arise.

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

5.16 Borrowing costs

Borrowing costs incurred on long term finances directly attributable for the construction / acquisition of qualifying assets are capitalized up to the date the respective assets are available for 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 reporting date and adjusted to reflect the current best estimate.

5.18 Impairment

The carrying amount of the Company's assets is reviewed at each reporting 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. Recoverable amount is the higher of value in use and fair value less cost to sell. 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 reporting 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 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.

5.23 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

6. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2015	2014		2015	2014
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
39,875,805	39,875,805	Ordinary shares of Rs. 10 each issued as bonus shares	398,758	398,758
62,105,993	62,105,993		621,060	621,060

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

	2015		2014	
	Percentage of holding	Number of shares	Percentage of holding	Number of shares
Crescent Steel and Allied Products Limited - Gratuity Fund	1.90%	1,176,987	1.90%	1,176,987
Crescent Steel and Allied Products Limited - Pension Fund	4.16%	2,584,145	4.16%	2,584,145
Crescent Steel and Allied Products Limited - Staff Provident Fund	0.85%	525,220	0.85%	525,220
Crescent Cotton Products - Staff Provident Fund	0.10%	59,840	0.10%	59,840
Muhammad Amin Muhammad Bashir Limited	0.00%	679	0.00%	679
Shakarganj Limited (Formerly Shakarganj Mills Limited)	4.82%	2,992,068	4.82%	2,992,068
The Crescent Textile Mills Limited	11.00%	6,830,643	11.00%	6,830,643

Rupees in '000	2015	2014
7. LONG TERM LOAN		
Secured		
Allied Bank Limited	294,000	–
Less: Current portion shown under current liabilities	55,125	–
	238,875	–

7.1 During the year, the Company entered into a long term loan arrangement with Allied Bank Limited for an amount of Rs. 315 million, out of which Rs. 294 million have been disbursed till date. The term of the loan is 5 years from the date of disbursement with a grace period of 1 year, repayable in 16 equal quarterly installments starting from December 2015. Mark-up is payable at the rate of 3 months KIBOR plus 1.5% per annum prevailing on the last day of previous quarter. During the year, mark-up on such arrangements ranged between 8.34% to 11.68% per annum. The facility is secured against first pari passu hypothecation / equitable mortgage on plant, machinery and property of the Company.

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Minimum lease payments		Future finance costs		Present value of minimum lease payments	
Rupees in '000	2015	2014	2015	2014	2015	2014
Not later than one year	55,490	51,578	8,207	10,512	47,283	41,066
Later than one year and not later than five years	49,481	67,976	3,114	6,013	46,367	61,963
	104,971	119,554	11,321	16,525	93,650	103,029
Less: Current portion shown under current liabilities					47,283	41,066
					46,367	61,963

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 (30 June 2014: three years) and the liability is payable by the month ranging from seven months to thirty-five months (30 June 2014: one month to thirty-five months). The periodic lease payments include built-in rates of mark-up ranging between 12.04% to 20.25% (2014: 14.59% to 20.25%) per annum. Included in the gross present value of minimum lease payments, is a sum aggregating Rs. 91.058 million (30 June 2014: Rs. 95.550 million) which pertains to obligations arising 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 INCOME

The Company entered into sale and lease back arrangements resulting in deferred income (representing excess of sales proceed over the carrying amount of respective assets) out of which Rs. 1.858 million (30 June 2014: Rs. 1.764 million) is classified in current liabilities; being current portion of deferred income of Rs. 3.173 million (30 June 2014: Rs. 4.088 million). The deferred income will be amortized to profit and loss account over the lease term. During the year Rs. 2.043 million (2014: Rs. 0.924 million) is amortized in profit and loss account.

Rupees in '000	Note	**2015**	2014
10. TRADE AND OTHER PAYABLES			
Trade creditors		16,194	26,720
Bills payable		307,854	15,784
Commission payable		1,074	2,707
Customer's security deposits		1,750	2,528
Accrued liabilities	10.1	73,560	71,223
Advances from customers		114,236	25,505
Provisions	10.2	90,998	89,805
Due to related parties	10.3	16	340
Payable against purchase of investments		–	55,813
Payable to provident fund		1,251	1,492
Retention money		287	287
Sales Tax payable		1,574	89
Withholding tax payable		1,835	4,441
Workers' Profit Participation Fund	10.4	4,302	9,023
Workers' Welfare Fund	13.2	14	589
Unclaimed dividend		12,012	56,853
Others		10,675	9,248
		637,632	372,447
10.1 Accrued liabilities			
Salaries, wages and other benefits		9,798	12,792
Accrual for 10-C bonus		137	1,204
Compensated absences		11,753	11,198
Others	10.1.1	51,872	46,029
		73,560	71,223

10.1.1 This includes liability against Gas Infrastructure Development Cess of Rs. 11.988 million (30 June 2014: 3.381 million).

10.2 Movement in provisions

Rupees in '000	Infrastructure fee Note 10.2.1	Sales Tax Note 10.2.2	Liquidated damages Note 10.2.3	Total
Opening balance as at 1 July 2014	60,515	3,242	26,048	89,805
Provision for the year	1,849	–	232	2,081
Payments during the year	(888)	–	–	(888)
Closing balance as at 30 June 2015	61,476	3,242	26,280	90,998

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 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.

The above appeals were disposed off in May 2011 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. During the pendency of the appeal an interim arrangement was agreed whereby bank guarantee furnished for consignments cleared upto 27 December 2006 were returned. Bank guarantees were furnished for 50% of the levy for consignment released subsequent to 28 December 2006 while payment was made against the balance amount. Similar arrangement continued for the consignments released during the current year.

Under the arrangement if the Company succeed in the petition, Government of Sindh will refund the amount subject to their right to appeal before Honourable Supreme Court. To date the Company has provided bank guarantees amounting to Rs. 38.219 million (2014: Rs. 34.119 million) in favour of Excise and Taxation Department. Based on the legal advice, the management believes that the chance of success in the petition is in the Company's favour. 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. However, on a prudent basis full provision has been recognized.

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 customers 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 balances due to Shakarganj Limited (formerly known as Shakarganj Mills Limited) - associated company and Premier Insurance Company amounting to Rs. Nil (30 June 2014: Rs. 0.258 million) and Rs. 0.02 million (30 June 2014: Rs. 0.082 million) respectively.

Rupees in '000	Note	**2015**	2014
10.4 Workers' Profit Participation Fund			
Opening balance as at 1 July		9,023	52,395
Allocation for the year	34	–	4,851
Mark-up on funds utilized in the Company's business	36	130	1,387
		9,153	58,633
Amount paid to the trustees of the fund		(4,851)	(49,610)
Closing balance as at 30 June		4,302	9,023

Rupees in '000	Note	2015	2014
11. MARK-UP ACCRUED			
Mark-up accrued on :			
- Finance lease obligations		346	345
- Long term loan		2,268	–
- Running finance and short term loans		9,069	7,823
		11,683	8,168
12. SHORT TERM BORROWINGS			
Secured from banking companies			
Running finances under mark-up arrangements	12.1	301,822	228,366
Short term loans	12.2	–	–
		301,822	228,366

12.1 Short term running finance available from various commercial banks under mark-up arrangements amounted to Rs. 550 million (2014: Rs. 500 million) out of which Rs. 250 million (2014: Rs. 250 million) and Rs.50 million is interchangeable with letters of credit facility and with Finance Against Import Material (FIM) respectively. During the year, mark-up on such arrangements ranged between 8.33% to 12.37% (2014: 10.58% to 12.38%) per annum.

12.2 Short term loans available from various commercial banks under mark-up arrangements amounted to Rs. 1,300 million (2014: Rs. 1,300 million) out of which Rs. 400 million (2014: Rs. 400 million) and Rs. 50 million is interchangeable with letters of credit and with running finance facility respectively. During the year, mark-up on such arrangements ranged between 9.76% to 12.62% (2014: 11.26% to 13.20%) per annum.

12.3 The facilities for opening letters of credit amounted to Rs. 1,500 million (2014: Rs. 1,500 million) out of which Rs. 250 million (2014: Rs. 250 million) and Rs. 400 million (2014: Rs. 400 million) are interchangeable with short term running finance and short term loans respectively as mentioned in notes 12.1 and 12.2 above. The facility for letters of guarantee as at 30 June 2015 amounted to Rs. 727 million (2014: Rs. 526 million). Amounts unutilized for letters of credit and guarantees as at 30 June 2015 were Rs. 548.405 million and Rs. 50.201 million (2014: Rs. 1,431.518 million and Rs. 278.360 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 (refer note 25.5).

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 demand draft of Rs. 3.420 million (Refer note 18.1) as directed by the Honourable Court. The petition was dismissed by the High Court as having been incompetently filed. On appeal, during the year the Honourable Supreme Court has set aside the order passed by the High Court and remanded the case back to the High Court to decide afresh. 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 The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance), thus rendering the Company liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In 2011, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. However, in 2013, a larger bench of Sindh High Court (SHC) passed an order declaring that the amendments introduced through Finance Act 2008 do not suffer from any constitutional and legal infirmity. Both the decisions of LHC and SHC are pending before Supreme Court for adjudication. The management's tax advisor is of the view that the decision of LHC will remain applicable to the Company as the Company's registered office is situated in its jurisdiction till the decision of Supreme Court. Accordingly aggregate net of tax provision of Rs. 9.467 million has not been recorded in these financial statements.

13.3 During the year a show cause notice was issued by the Deputy Director, Directorate of Post Clearance Audit (Customs) Karachi for payment of duties and taxes on import of certain raw materials. In response the Company had contested that the said imports were exempt under bilateral agreement between Government of Pakistan and Government of Japan for projects under grant and accordingly these were cleared by the customs. However, the collector customs has issued an order dated 22 May 2015 for recovery of the said duty and taxes amounting to Rs. 34.773 million. Subsequent to the year end, the Company has filed an appeal with Appellate Tribunal (Customs) against the order. No provision has been recognized in these financial statements as the case is under appeal and management considers that the same would be decided in Company's favour.

13.4 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.

13.5 Aggregate amount of guarantees issued by banks on behalf of the Company against various contracts aggregated Rs. 676.799 million (2014: Rs. 247.640 million).

13.6 Commitments in respect of capital expenditure contracted for as at 30 June 2015 amounted to Rs. 13.101 million (2014: Rs. 7.462 million) in relation to office premises located in Islamabad payable on completion of project.

13.7 Commitments under letters of credit (L/C) as at 30 June 2015 amounted to Rs. 651.730 million (2014: Rs. 55.021 million) including L/C of Rs. 197.450 million opened for import of plant for its subsidiary company against which an advance has been received by the Company (refer note 45).

Rupees in '000	Note	**2015**	2014
14. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	14.1	670,823	684,392
Capital work-in-progress	14.4	109,849	110,693
		780,672	795,085

14.1 Operating fixed assets

Description		Land		Buildings		Office	Plant and machinery		Electrical /	Furniture	Computers	Motor vehicles		Total
		Freehold	Leasehold including improvements	On freehold land	On leasehold land	premises	Owned *	Leased	office equipment and installation	and fittings		Owned	Leased	
Rupees in '000														
Net carrying value as at 1 July 2014														
Opening net book value (NBV)		209,143	3,917	88,638	3,060	23	198,090	115,390	11,237	2,614	5,567	23,815	22,898	684,392
Additions / transfers		–	–	–	–	–	68,290	33,836	6,224	246	2,909	17,969	3,810	133,284
Disposals (at NBV)	14.5	–	–	–	–	–	(33,724)	(3,539)	(43)	–	–	(5,115)	(4,055)	(46,476)
Depreciation charge	14.1.1	–	(53)	(12,938)	(1,110)	(6)	(49,718)	(14,783)	(4,574)	(505)	(2,932)	(7,589)	(6,169)	(100,377)
Balance as at 30 June 2015 (NBV)		209,143	3,864	75,700	1,950	17	182,938	130,904	12,844	2,355	5,544	29,080	16,484	670,823
Gross carrying value as at 30 June 2015														
Cost	14.2	209,143	5,646	206,750	70,027	40,493	1,248,230	153,919	54,661	18,715	58,113	64,524	26,167	2,156,388
Accumulated depreciation		–	(1,782)	(131,050)	(68,077)	(40,476)	(1,065,292)	(23,015)	(41,817)	(16,360)	(52,569)	(35,444)	(9,683)	(1,485,565)
Net book value		209,143	3,864	75,700	1,950	17	182,938	130,904	12,844	2,355	5,544	29,080	16,484	670,823
Net carrying value as at 1 July 2013														
Opening net book value (NBV)		217,479	3,970	98,277	4,192	29	222,519	70,771	13,568	2,605	2,977	19,921	26,037	682,345
Additions / transfers		–	–	4,593	–	–	91,943	69,708	1,799	495	4,247	13,478	9,562	195,825
Disposals (at NBV)		(8,336)	–	–	–	–	(69,358)	(15,163)	–	–	–	(4,502)	(6,041)	(103,400)
Depreciation charge		–	(53)	(14,232)	(1,132)	(6)	(47,014)	(9,926)	(4,130)	(486)	(1,657)	(5,082)	(6,660)	(90,378)
Balance as at 30 June 2014 (NBV)		209,143	3,917	88,638	3,060	23	198,090	115,390	11,237	2,614	5,567	23,815	22,898	684,392
Gross carrying value as at 30 June 2014														
Cost		209,143	5,646	206,750	70,027	40,493	1,242,820	125,139	49,421	18,469	55,204	65,018	32,241	2,120,371
Accumulated depreciation		–	(1,729)	(118,112)	(66,967)	(40,470)	(1,044,730)	(9,749)	(38,184)	(15,855)	(49,637)	(41,203)	(9,343)	(1,435,979)
Net book value		209,143	3,917	88,638	3,060	23	198,090	115,390	11,237	2,614	5,567	23,815	22,898	684,392
Depreciation rate (% per annum)		–	1	5 & 10	5 & 10	10	5 - 20	10	5 - 20	10	33.33	20	20	

* Net book value of plant and machinery (owned) includes an aggregate amount of Rs. 0.620 million (2014: Rs. 0.805 million) representing net book value of capitalized spares.

Rupees in '000	Note	2015	2014
14.1.1 The depreciation charge for the year has been allocated as follows			
Cost of sales	30.1	85,939	82,280
Distribution and selling expenses	32	1,080	852
Administrative expenses	33	9,587	7,246
Allocated against rental income		3,771	–
		100,377	90,378

14.2 Property, plant and equipment as at 30 June 2015 include items having an aggregate cost of Rs. 1,001.015 million (2014: Rs. 1,003.318 million) that have been fully depreciated and are still in use by the Company.

14.3 The fair value of property, plant and equipment as at 30 June 2013 approximated to Rs. 1,880.568 million.

Rupees in '000	Note	2015	2014
14.4 Capital work-in-progress			
Civil work	14.4.1 & 14.4.2	107,672	105,014
Plant and machinery		1,063	5,679
Software		1,042	–
Others		72	–
		109,849	110,693

14.4.1 This includes advance against purchase of land and building aggregating Rs. 68.385 million (2014: Rs. 68.385 million) out of which an amount of Rs.50 million (2014: Rs. 50 million) pertain to advance against purchase of land located at Lahore. The Company holds possession of the land and has applied for transfer of title in its name.

This also includes an amount of Rs. 26.4 million (2014: Rs. 26.4 million) paid by the Company to Pakistan Steel Mills Limited (PSML) against allotment of plot measuring 24,200 square yards. However third party has filed a case in Honourable High Court of Sindh for declaration and injunction against said property. The Company has filed a suit in Honourable High Court of Sindh for specific performance and declaration against PSML with respect to the said property and also filed an application for vacation of the injunction operating against the property. The Honourable High Court of Sindh vide its interim order has restrained PSML from creating any third party interest till the disposition of the case. The applications are pending for hearing. Based on consultation with its legal advisor, management believes that it has a reasonable grounds in the case and expects a favorable outcome.

14.4.2 The Company has recognized a provision for an amount of Rs. 20.619 million (2014: Rs. 20.619 million) against construction work at a site which has been halted since last year.

14.5 The following assets were disposed off during the year:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particular of buyers
Rupees in '000						
Plant and machinery	22,018	–	22,018	21,000	Sales & Lease back	Pak Gulf Leasing Company Limited
	9,193	–	9,193	10,000	Sales & Lease back	Pak Gulf Leasing Company Limited
	5,055	1,516	3,539	3,539	Transfer to own assets	Pak Gulf Leasing Company Limited
	1,440	144	1,296	1,440	Sales & Lease back	Pak Gulf Leasing Company Limited
	1,325	177	1,148	1,325	Sales & Lease back	Pak Gulf Leasing Company Limited
	350	283	67	100	Negotiation	
Motor vehicles	3,877	129	3,748	3,787	Sales & Lease back	Orix Leasing Pakistan Limited
	1,289	1,096	193	1,200	Insurance claim	Premier Insurance Limited
	1,635	981	654	654	Transfer to own assets	Orix Leasing Pakistan Limited
	1,503	902	601	601	Transfer to own asset	Orix Leasing Pakistan Limited
	1,503	902	601	601	Transfer to own asset	Orix Leasing Pakistan Limited
	1,003	552	451	451	Transfer to own asset	Orix Leasing Pakistan Limited
	1,003	552	451	451	Transfer to own asset	Orix Leasing Pakistan Limited
	1,084	650	434	434	Transfer to own asset	Orix Leasing Pakistan Limited
	1,084	650	434	434	Transfer to own asset	Orix Leasing Pakistan Limited
	1,069	641	428	428	Transfer to own asset	Orix Leasing Pakistan Limited
	514	334	180	220	Company policy	Mr. Athar Shahzad
	469	269	200	183	Company policy	Mr. Yasir Ahmed
	77	5	72	74	Company policy	Mr. Imran
	72	5	67	67	Insurance claim	Premier Insurance Limited
	73	11	62	58	Insurance claim	Premier Insurance Limited
	72	10	62	56	Company policy	Mr. Mian Iftakhar Ali
	72	11	61	56	Company policy	Mr. Ghulam Rasool
	72	11	61	56	Company policy	Mr. Allah Ditta
	72	11	61	56	Company policy	Mr. Salamat Ali
	71	14	57	54	Company policy	Mr. Waseem Sajjad
	71	16	55	54	Company policy	Mr. Mohammad Yousuf
Others	20,982	20,700	282	5,671	Various	Various
2015	77,048	30,572	46,476	53,050		
2014	117,837	14,437	103,400	107,005		

Rupees in '000	Note	2015	2014
15. INTANGIBLE ASSETS			
Net carrying value as at 1 July			
Net book value as at 1 July		14,031	13,645
Additions		2,482	5,674
Amortization	15.1	(6,988)	(5,288)
Net book value as at 30 June	15.2	9,525	14,031
Gross carrying value as at 30 June			
Cost		68,391	65,909
Accumulated amortization		(56,226)	(49,238)
Accumulated impairment		(2,640)	(2,640)
Net book value		9,525	14,031
Amortization rate (% per annum)		33.33	33.33

15.1 The amortization charge for the year has been allocated to administrative expenses (Note 33).

15.2 Intangible assets as at 30 June 2015 include items having an aggregate cost of Rs. 43.139 million (2014: Rs. 43.139 million) that have been fully amortized and are still in use of the Company.

16. INVESTMENT PROPERTIES

Description Rupees in '000	Note	Leasehold land and improvements	Buildings on leasehold land	Office premises	Total
Net carrying value as at 1 July 2014					
Opening net book value (NBV)		3,535	14,774	8,826	27,135
Additions		–	–	175	175
Depreciation charge	16.1	(238)	(1,081)	(2,672)	(3,991)
Balance as at 30 June 2015 (NBV)		3,297	13,693	6,329	23,319
Gross carrying value as at 30 June 2015					
Cost	16.2	4,609	21,608	29,830	56,047
Accumulated depreciation		(1,312)	(7,915)	(23,501)	(32,728)
Net book value		3,297	13,693	6,329	23,319
Net carrying value as at 1 July 2013					
Opening net book value (NBV)		3,773	15,854	11,641	31,268
Depreciation charge		(238)	(1,080)	(2,815)	(4,133)
Balance as at 30 June 2014 (NBV)		3,535	14,774	8,826	27,135
Gross carrying value as at 30 June 2014					
Cost		4,609	21,608	29,655	55,872
Accumulated depreciation		(1,074)	(6,834)	(20,829)	(28,737)
Net book value		3,535	14,774	8,826	27,135
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. 158.550 million (2014: Rs. 170.806 million).

Rupees in '000	Note	**2015**	2014

17. LONG TERM INVESTMENTS

	Note	2015	2014
Subsidiary companies			
- at cost	17.1	1,930,039	964,770
- share deposit money			
Crescent Hadeed (Private) Limited	17.1.5	89,500	–
CS Capital (Private) Limited		–	35,000
Shakarganj Energy (Private) Limited		–	358,039
Associated companies - at cost	17.2	839,689	851,428
Other long term investments	17.3	178,946	178,946
		3,038,174	2,388,183

17.1 Subsidiary companies - at cost

2015	2014		Note	**2015**	2014
Number of shares				Rupees in '000	
		Unquoted			
85,803,900	50,000,000	Shakarganj Energy (Private) Limited (Chief Executive Officer - Mr. Muhammad Saad Thaniana)	17.1.1	858,039	500,000
47,199,995	37,476,995	CS Capital (Private) Limited (Chief Executive Officer - Ms. Hajerah Ahsan Saleem)	17.1.2	472,000	374,770
60,000,000	9,000,000	Crescent Hadeed (Private) Limited (Chief Executive Officer - Mr. Iqbal Zafar Siddiqui)	17.1.3	600,000	90,000
2	2	Crescent Continental Gas Pipelines Limited (US $ 1 each)	17.1.4	–	–
				1,930,039	964,770

17.1.1 This represents the Company's investment in 100% ordinary shares of Shakarganj Energy (Private) Limited. The Company has acquired Shakarganj Energy (Private) Limited on 4 January 2010. During the year, the Company has further subscribed right issue offered by the investee company aggregating 35.804 million ordinary shares for Rs. 358.039 million.

17.1.2 This represents the Company's investment in 100% ordinary shares of CS Capital (Private) Limited. The Company has acquired CS Capital (Private) Limited on 26 September 2011. During the year, the Company has further subscribed right issue offered by the investee company aggregating 9.723 million ordinary shares for Rs. 97.230 million.

17.1.3 This represents the Company's investment in 100% ordinary shares of Crescent Hadeed (Private) Limited which was incorporated on 15 May 2013. During the year, the Company has further subscribed to right issues made by the investee company aggregating 51 million ordinary shares for Rs. 510 million.

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

17.1.5 This represents share deposit money against right shares of Crescent Hadeed (Private) Limited.

17.2 Associated companies - at cost

2015	2014		Note	2015	2014
Number of shares				Rupees in '000	
		Quoted			
60,475,416	60,475,416	Altern Energy Limited (Chief Executive Officer - Mr. Taimur Dawood)	17.2.1	593,488	593,488
15,244,665	15,244,665	Shakarganj Limited (Chief Executive Officer - Mr. Ahsan M. Saleem)		388,562	388,562
				982,050	982,050
		Less: Provision for impairment	17.2.2	142,361	130,622
				839,689	851,428

17.2.1 The Company hold 16.64% shareholding in Altern Energy Limited and there is no common directorship in the investee company. However, the Company directly and / or indirectly has significant influence as per requirement of IAS 28 ' Investments in Associates', therefore it has been treated as an associate as per IAS 28.

17.2.2 This represents provision for diminution in the value of investments of ordinary shares of Shakarganj Limited.

Rupees in '000	Note	2015	2014
17.2.3 Market value of investments in associates is as follows :			
Quoted			
Altern Energy Limited		1,935,213	1,301,431
Shakarganj Limited		259,159	257,940
		2,194,372	1,559,371

	2015	2014
17.2.4 Percentage of holding of equity in associates is as follows :		
Quoted		
Altern Energy Limited	16.64	16.64
Shakarganj Limited	21.93	21.93

Rupees in '000	Note	2015	2014
17.3 Other long term investments - Available for sale			
Investments in related parties	17.3.1	58,946	–
Other investments	17.3.5	120,000	178,946
		178,946	178,946

17.3.1 Investment in related parties

2015	2014		Note	2015	2014
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
1,852,500	–	Central Depository Company of Pakistan Limited (CDC)	17.3.4	58,946	–
				93,453	34,507
		Less: Provision for impairment		34,507	34,507
				58,946	–

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.Nil per share (2014: Rs. Nil per share), calculated on the basis of audited annual financial statements for the year ended 30 June 2014.

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 During the year, this investment has been reclassifed as investment in related parties due to common directorship.

17.3.5 Other investments

2015	2014		Note	2015	2014
Number of shares				Rupees in '000	
		Unquoted			
–	1,852,500	Central Depository Company of Pakistan Limited (CDC)	17.3.4	–	58,946
12,000,000	12,000,000	Shakarganj Food Products Limited	17.3.5.1	120,000	120,000
				120,000	178,946

17.3.5.1 The Company has assessed the recoverable amount of investment in Shakarganj Food Products Limited based on value in use calculation. This calculation has been made on discounted cash flow methodology which assumes gross profit margin of 13.59% - 14.70%, EBITDA of 3.93% - 4.71%, terminal growth rate of 3% and discount rate of approximately 11.2%. Based on valuation the recoverable amount exceeds the carrying amount and accordingly, no impairment is required.

Rupees in '000	Note	2015	2014
18. LONG TERM LOANS AND DEPOSITS			
Security deposits - leasing companies		11,601	13,552
Security deposits - others	18.1	12,619	12,617
		24,220	26,169

18.1 This includes demand drafts of Rs. 3.420 million (2014: Rs. 3.420 million) provided to the Secretary Ministry of Commerce as explained in note no. 13.1.

Rupees in '000	Note	2015	2014

19. DEFERRED TAXATION - NET

Deferred tax (debits) / credits arising in respect of :			
Taxable temporary differences			
Accelerated tax depreciation / amortization		18,408	27,178
Finance lease obligations		17,197	12,341
Employee Benefits - Defined Benefit Plan		50,887	36,767
Unrealized gain on held for trading investments		5,290	6,649
		91,782	82,935
Deductible temporary differences			
Tax loss		(57,947)	–
Provision for slow moving stores, spares and loose tools		(23,251)	(24,464)
Provisions for doubtful trade debts, doubtful advances and others		(29,915)	(31,289)
Provisions for impairment of fixed assets		(6,598)	(7,217)
Provision of Gas Infrastructure Development Cess		(3,836)	(1,183)
Provision for diminution in the value of investments		(8,282)	(9,058)
		(129,829)	(73,211)
		(38,047)	9,724

19.1 Break up of deferred tax (reversal) / charge is as following:

Profit and loss		(61,890)	6,551
Other comprehensive income		14,120	(2,998)
		(47,770)	3,553

20. STORES, SPARES AND LOOSE TOOLS

Stores - steel segment		9,680	7,735
Spare parts - steel segment		53,416	55,512
Loose tools - steel segment		1,122	1,135
Stores and spares - cotton segment		51,158	53,388
		115,376	117,770
Less: Provision for slow moving items	20.1	48,575	45,814
		66,801	71,956

20.1 Movement in provision for slow moving items

Opening balance		45,814	39,266
Provision made during the year		2,761	6,548
Closing balance		48,575	45,814

Rupees in '000	Note	2015	2014
21. STOCK-IN-TRADE			
Raw materials			
Hot rolled steel coils (HR Coil)		11,727	19,823
Coating materials		31,546	88,798
Others		19,331	15,246
Raw cotton		32,901	144,193
Stock-in-transit		315,294	19,401
	21.1	410,799	287,461
Work-in-process	21.2 & 30.1	13,480	42,007
Finished goods	21.1 & 30.1	26,062	71,054
Scrap / cotton waste		2,767	6,677
		42,309	119,738
		453,108	407,199

21.1 Stock-in-trade as at 30 June 2015 includes items valued at net realisable value (NRV) as follows. The write down to NRV amounting to Rs. 8.914 million (2014: Rs. 9.936 million) has been recognized in cost of goods sold.

Rupees in '000	Cost	NRV
Finished goods	30,506	26,062
Raw material	415,269	410,799
	445,775	436,861

21.2 Work in Process include Rs. Nil million (2014: Rs.13.801 million) which is held with third parties for the purpose of conversion of yarn into Fabric.

Rupees in '000	Note	2015	2014
22. TRADE DEBTS			
Secured			
Considered good	22.1	33,749	72,110
Unsecured			
Considered good		54,173	17,369
Considered doubtful		5,684	2,786
Provision for doubtful trade debts	22.2	(5,684)	(2,786)
		54,173	17,369
		87,922	89,479

22.1 This includes amounting to Rs. 32.381 million due from wholly owned subsidiary company.

Rupees in '000	Note	2015	2014
22.2 Movement in provision for doubtful trade debts			
Opening balance		2,786	13,701
Provision made during the year		3,936	–
Reversal of provision made during the year		(201)	(10,915)
Written off during the year against provision		(837)	–
Closing balance		5,684	2,786

Rupees in '000	Note	2015	2014
23. ADVANCES			
Unsecured			
Advances - considered good			
Executives		2,541	2,326
Suppliers for goods and services		15,326	26,780
Advances to others	23.1	–	19,475
Advances - considered doubtful			
Suppliers for goods and services		47	47
Provision for doubtful advances		(47)	(47)
		–	–
		17,867	48,581

23.1 This represents advance made for offer of sale of Pakistan Petroleum Limited shares through book building process at a floor price of Rs. 205 per share. During the year the advance has been received back as the said offer has been declined by the Privatization Commission of Pakistan.

Rupees in '000	Note	2015	2014
24. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Deposits to leasing companies		5,154	1,434
Security deposits		848	1,343
Prepayments		5,409	4,297
		11,411	7,074
25. INVESTMENTS			
Investments in related parties			
Available for sale	25.1	9,568	9,269
Held to maturity	25.2	13,347	23,995
Other investments			
Available for sale	25.3	–	–
Held for trading	25.4	365,090	422,699
		365,090	422,699
		388,005	455,963

25.1 Available for sale

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

2015	2014	Name of investee company	Note	2015	2014
Number of shares				Rupees in '000	
		Quoted			
452,379	452,379	The Crescent Textile Mills Limited	25.1.1	9,568	9,269

25.1.1 The Company has recognized impairment loss in previous years amounting to Rs. 4.537 million (2014: Rs. 4.537 million) against the investment.

25.2 This represents 2,999,396 (2014: 2,999,396) preference shares of Rs. 10 each of Shakarganj 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.

The Company does not intend to exercise the option to convert the preference shares into ordinary shares as mentioned above. Aggregate provision of Rs. 21.753 million (2014: Rs. 11.105 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 2015 amounts to Rs. 13.347 million (2014: Rs. 23.995 million).

25.3 Available for sale

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

2015	2014	Name of investee company	Note	2015	2014
(Number of share / certificates)				Rupees in '000	
		Quoted			
–	91,300	Crescent Jute Products Limited		–	–
1,996	1,996	Innovative Investment Bank Limited	25.3.1	–	–
26,490	26,490	Jubilee Spinning and Weaving Mills Limited	25.3.1	–	–
				–	–

25.3.1 These investment are fully impaired as their break-up value of shares are Rs. Nil per share (2014: Rs. Nil).

25.4 Held for trading

The Company holds investments in ordinary shares of listed companies and certificates of close end mutual funds. Details are as follows. The face value of the shares is Rs. 10 per share unless otherwise stated.

2015	2014	Name of investee company	2015	2014
(Number of share / certificates)			Rupees in '000	
–	41,466	Adamjee Insurance Company Limited	–	1,898
70,000	165,859	Agriauto Industries Limited *	13,016	16,005
6,300	–	Attock Cement Pakistan Limited	1,201	–
40,000	40,000	Avanceon Limited	1,337	971
51,000	51,000	Century Insurance Company Limited	1,071	837
142,400	55,000	Cherat Cement Company Limited	12,394	3,600
345,000	933,000	D.G. Khan Cement Company Limited	49,256	82,067
–	10,000	Engro Corporation Limited	–	1,785
10,000	4,000	Engro Fertilizer Limited	887	229
15,000	85,000	Fatima Fertilizer Company Limited	586	2,465
182,500	182,500	Fauji Fertilizer Bin Qasim Limited	10,096	7,258
55,000	55,000	Fauji Fertilizer Company Limited	8,218	6,174
–	20,000	IGI Insurance Limited	–	4,554
1,350	1,350	Innovative Investment Bank Limited	–	–
90,000	90,000	International Industries Limited	6,043	4,450
250,000	87,500	K-Electric Limited	2,105	743
100,000	100,000	Kohinoor Energy Limited	5,050	4,142
50,000	60,000	Kohat Cement Limited	9,992	7,669
140,000	–	Kot Addu Power Company Limited	12,046	–
180,000	–	Lafarge Pakistan Cement Limited	3,503	–
–	10,000	Maple Leaf Cement Limited	–	301
10,000	–	Nishat Mills Limited	1,142	–
200,000	200,000	Nishat Power Limited	11,708	7,116
30,000	50,000	Oil and Gas Development Company Limited	5,377	13,064
–	170,000	Pak Suzuki Motor Company Limited	–	46,561
100,000	100,000	Pakgen Power Limited	3,001	1,804
240,000	–	Pakistan International Bulk Terminals	8,592	–
50,000	78,000	Pakistan Oilfields Limited	20,191	44,795
360,000	330,000	Pakistan Petroleum Limited	59,134	74,032
50,000	24,500	Pakistan State Oil Company Limited	19,289	9,527
550,000	130,000	Pakistan Telecommunication Company Limited	11,275	3,311
1,700,000	1,285,719	PICIC Growth Fund	46,665	40,809
501,173	501,173	PICIC Investment Fund	6,555	7,117
10,000	14,000	Pioneer Cement Limited	852	653
–	3,906	Shell Pakistan Limited	–	1,079
50,000	–	Sui Nothern Gas Limited	1,332	–
100,000	100,000	Telecard Limited	426	412
350,000	440,376	The Hub Power Company Limited	32,750	25,868
–	100,000	TRG Pakistan Limited	–	1,403
			365,090	422,699

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

25.5 The market value of investments which have been pledged with financial institutions as security against financing facilities (refer note 12.4) are as follow:

Rupees in '000	Note	2015	2014
Name of investee company			
Altern Energy Limited (long term investment)		1,200,000	570,280
Attock Cement Pakistan Limited		1,201	–
Cherat Cement Company Limited		8,041	3,273
D.G. Khan Cement Company Limited		49,256	–
Fauji Fertilizer Bin Qasim Limited		10,096	5,966
Fauji Fertilizer Company Limited		8,218	6,174
The Hub Power Company Limited		32,749	25,868
International Industries Limited		6,043	4,450
Kohinoor Energy Limited		5,050	4,142
Kot Addu Power Company Limited		12,046	–
Nishat Power Limited		5,854	–
Oil and Gas Development Company Limited		5,377	7,838
Pakistan Oilfields Limited		20,191	44,795
Pakistan Petroleum Limited		59,134	22,434
Pak Suzuki Motor Company Limited		–	28,758
Pakistan State Oil Company Limited		19,289	–
Pakistan Telecommunication Company Limited		11,275	3,311
Shell Pakistan Limited		–	691
		1,453,820	727,980

26. OTHER RECEIVABLES

	Note	2015	2014
Dividend receivable		938	817
Receivable against sale of investments		63	800
Receivable against rent from investment property from related party		305	1,031
Claim receivable		562	10,059
Due from related parties	26.1	18,393	4,170
Sales tax refundable		2,426	2,756
Receivable from staff retirement benefits funds		177,575	116,177
Others		49	271
		200,311	136,081

26.1 Due from related parties

	2015	2014
Crescent Jute Products Limited	–	118
Shakarganj Limited	–	127
CS Capital (Private) Limited	137	108
Shakarganj Energy (Private) Limited	680	301
Crescent Hadeed (Private) Limited	10,376	3,516
Solution de Energy (Private) Limited	7,200	–
	18,393	4,170

Rupees in '000	2015	2014
27. TAXATION - NET		
Advance taxation	1,671,641	1,572,323
Provision for taxation	(1,460,871)	(1,413,504)
	210,770	158,819

27.1 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 of subsequent tax years, except for tax year 2009, 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 certain tax years were amended by the department resulting in additional demand of Rs. 109.227 million (2014: Rs. 109.227 million) which is currently pending in appeals before the Appellate Tribunal Inland Revenue and the Commissioner Inland Revenue (Appeals).

During the current year, the Additional Commissioner Inland Revenue amended the deemed assessment of tax year 2009 whereby demand amounting to Rs. 4.937 million has been raised. Subsequent to year end, the Company filed appeal before Commissioner Inland Revenue (Appeals) which is pending to be heard.

Further, during the current year, on appeal filed by the Company, the Commissioner Inland Revenue (Appeals) vide appellate order no. 31 dated September 25, 2014 remanded back all issues raised in order under section 161/205 of the Income Tax Ordinance, 2001 for tax year 2010 issued in financial year 2014 whereby demand aggregating to Rs. 61.953 was raised. The remand back proceedings are yet to be concluded.

No provision has not been made in these financial statements in respect of tax years as mentioned above, since based on the tax consultant's opinion the management is confident of favourable outcome of these appeals.

27.2 The Finance Act, 2015 introduced a new tax under Section 5A of the Income Tax Ordinance, 2001 on every public company other than a scheduled bank or modaraba, that derives profits for tax year and does not distribute cash dividend within six months of the end of said tax year or distribute dividends to such an extent that its reserves, after such distribution, are in excess of 100% of its paid up capital. However, this tax on undistributed reserves is not applicable to a public company which distributes profit equal to either 40 percent of its after tax profits or 50% of its paid up capital, whichever is less, within six months of the end of the tax year.

The Board of Directors in their meeting held on 31 July 2015 has distributed sufficient cash dividend for the year ended 30 June 2015 (refer note 48.2) which complies with the above stated requirements. Accordingly, no provision for tax on undistributed reserves has been recognized in these unconsolidated financial statements for the year ended 30 June 2015.

Rupees in '000	Note	2015	2014
28. CASH AND BANK BALANCES			
With banks - In saving account			
- local currency	28.1	40,288	35,461
- foreign currency		–	2
		40,288	35,463
- In current accounts		301	69,793
Cash in hand		1,962	1,990
		42,551	107,246

28.1 This includes term deposit receipts (TDR) amounting to Rs. 36 million which carry mark-up rate of 7% - 8% and has a monthly maturity. Further, mark-up rate on saving account ranges between 5% to 7.25% (2014: 5% to 7.25%).

Rupees in '000	Note	2015	2014
29. SALES - NET			
Local sales			
Bare pipes (own product excluding coating revenue)		372,114	1,385,656
Revenue from conversion		3,612	13,645
Coating of pipes		248,478	53,434
Cotton yarn / raw cotton		1,465,557	2,533,891
Others (including pipes laboratory testing)		81,054	20,359
Scrap / waste		48,275	65,291
Sales returns		(27,126)	(30,529)
		2,191,964	4,041,747
Export sales			
Cotton yarn		40,260	252,578
		2,232,224	4,294,325
Sales tax		(130,660)	(262,755)
		2,101,564	4,031,570
30. COST OF SALES			
Steel segment	30.1	518,217	1,038,766
Cotton segment	30.1	1,550,853	2,762,502
		2,069,070	3,801,268

30.1 Cost of sales

Rupees in '000	Note	Steel segment 2015	Steel segment 2014	Cotton Segment 2015	Cotton Segment 2014	Total 2015	Total 2014
Raw materials consumed		285,550	846,570	1,049,343	1,891,841	1,334,893	2,738,411
Cost of raw cotton sold		–	–	52,839	122,261	52,839	122,261
Packing materials consumed		–	–	21,777	24,568	21,777	24,568
Outside Conversion charges		–	–	3,869	171,161	3,869	171,161
Store and spares consumed		22,894	35,845	31,588	29,680	54,482	65,525
Fuel, power and electricity		23,964	26,253	164,513	192,343	188,477	218,596
Salaries, wages and other benefits	30.2	78,627	75,328	100,799	99,520	179,426	174,848
Insurance		1,664	1,780	3,100	2,962	4,764	4,742
Repairs and maintenance		5,604	7,319	3,284	2,875	8,888	10,194
Depreciation	14.1.1	27,310	23,698	58,629	58,582	85,939	82,280
Stock-in-trade written down to NRV		8,914	7,508	–	2,428	8,914	9,936
Other expenses		37,901	53,443	13,382	24,507	51,283	77,950
		492,428	1,077,744	1,503,123	2,622,728	1,995,551	3,700,472
Opening stock of work-in-process	21	10,153	3,661	31,854	13,913	42,007	17,574
Closing stock of work-in-process		(13,368)	(10,153)	(112)	(31,854)	(13,480)	(42,007)
		(3,215)	(6,492)	31,742	(17,941)	28,527	(24,433)
Cost of goods manufactured		489,213	1,071,252	1,534,865	2,604,787	2,024,078	3,676,039
Opening stock of finished goods	21	55,066	22,580	15,988	173,703	71,054	196,283
Closing stock of finished goods		(26,062)	(55,066)	–	(15,988)	(26,062)	(71,054)
		29,004	(32,486)	15,988	157,715	44,992	125,229
		518,217	1,038,766	1,550,853	2,762,502	2,069,070	3,801,268

30.2 Detail of salaries, wages and other benefits

		Steel segment		Cotton Segment		Total	
Rupees in '000	Note	**2015**	2014	**2015**	2014	**2015**	2014
Salaries, wages and other benefits		77,361	72,749	98,617	97,539	175,978	170,288
Gratuity fund	30.3	(954)	(91)	104	(7)	(850)	(98)
Pension fund	30.3	(309)	344	260	122	(49)	466
Provident fund contributions		2,529	2,326	1,818	1,866	4,347	4,192
		78,627	75,328	100,799	99,520	179,426	174,848

	2015		2014	
Rupees in '000	Pension	Gratuity	Pension	Gratuity
30.3 Staff retirement benefits				
Current service costs	4,308	1,212	4,168	1,109
Interest costs	13,627	2,824	8,592	2,014
Return on plan assets, excluding interest income	(17,984)	(4,886)	(12,294)	(3,221)
	(49)	(850)	466	(98)

31. INCOME FROM INVESTMENTS

Rupees in '000	Note	**2015**	2014
Dividend income		212,080	97,617
Gain on sale of investments - net		73,348	282,397
Unrealized gains on held for trading investments		16,910	48,689
Rent from investment property	31.1	6,364	11,429
		308,702	440,132

31.1 Direct operating expenses incurred against rental income from investment property amounted to Rs. 4.763 million (2014: Rs. 4.331 million). Further Rs. 3.419 million (2014: Rs. 1.293 million) were incurred against the non rented out area.

32. DISTRIBUTION AND SELLING EXPENSES

		Steel segment		Cotton Segment		Total	
Rupees in '000	Note	**2015**	2014	**2015**	2014	**2015**	2014
Salaries, wages and other benefits	32.1	8,442	8,026	1,509	4,334	9,951	12,360
Commission		–	–	8,842	23,100	8,842	23,100
Travelling, conveyance and entertainment		904	472	109	192	1,013	664
Depreciation	14.1.1	1,080	852	–	–	1,080	852
Insurance		222	156	17	20	239	176
Postage, telephone and telegram		88	202	104	214	192	416
Advertisement		–	3,039	–	–	–	3,039
Bid bond expenses		1,801	902	–	–	1,801	902
Legal and professional charges		1	1,138	–	11	1	1,149
Others		1,901	810	2,227	8,604	4,128	9,414
		14,439	15,597	12,808	36,475	27,247	52,072

32.1 Detail of salaries, wages and other benefits

		Steel segment		Cotton Segment		Total	
Rupees in '000	Note	**2015**	2014	**2015**	2014	**2015**	2014
Salaries, wages and other benefits		8,289	7,711	1,498	4,319	9,787	12,030
Gratuity fund	32.2	(136)	(16)	–	–	(136)	(16)
Pension fund	32.2	(7)	65	–	–	(7)	65
Provident fund contributions		296	266	11	15	307	281
		8,442	8,026	1,509	4,334	9,951	12,360

	2015		2014	
Rupees in '000	Pension	Gratuity	Pension	Gratuity
32.2 Staff retirement benefits				
Current service costs	615	194	581	181
Interest costs	1,948	452	1,199	329
Return on plan assets, excluding interest income	(2,570)	(782)	(1,715)	(526)
	(7)	(136)	65	(16)

33. ADMINISTRATIVE EXPENSES

		Steel segment		Cotton segment		IID segment		Total	
Rupees in '000	Note	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Salaries, wages and other benefits	33.1	57,480	49,293	13,122	13,254	3,045	3,614	73,647	66,161
Rents, rates and taxes		1,776	2,442	404	3,031	725	1,080	2,905	6,553
Travelling, conveyance and entertainment		4,436	8,266	1,208	2,223	195	517	5,839	11,006
Fuel and power		7,935	9,153	727	831	1,380	475	10,042	10,459
Postage, telephone and telegram		2,069	2,433	530	776	108	149	2,707	3,358
Insurance		1,035	1,089	233	231	155	127	1,423	1,447
Repairs and maintenance		5,364	3,698	547	762	286	323	6,197	4,783
Auditors' remuneration	33.3	1,196	1,089	410	250	129	117	1,735	1,456
Legal, professional and corporate service charges		9,979	7,672	2,180	1,363	2,373	1,989	14,532	11,024
Advertisement		412	64	50	7	21	3	483	74
Donations	33.4	8,691	11,369	–	10,272	457	634	9,148	22,275
Depreciation	14.1.1 & 16.1	7,451	5,623	1,716	1,299	4,411	4,456	13,578	11,378
Amortization of intangible assets	15.1	5,590	4,230	1,118	846	280	212	6,988	5,288
Printing, stationery and office supplies		6,298	3,634	1,219	856	481	269	7,998	4,759
Newspapers, subscriptions and periodicals		1,391	566	700	1,001	82	43	2,173	1,610
Others		5,502	2,261	1,247	568	608	651	7,357	3,480
		126,605	112,882	25,411	37,570	14,736	14,659	166,752	165,111
33.1 Detail of salaries, wages and other benefits									
Salaries, wages and other benefits		56,351	46,822	12,831	12,735	2,947	3,420	72,129	62,977
Gratuity	33.2	(1,030)	(120)	(183)	(23)	(76)	(10)	(1,289)	(153)
Pension fund	33.2	(53)	492	(9)	96	(4)	40	(66)	628
Provident fund contributions		2,212	2,099	483	446	178	164	2,873	2,709
		57,480	49,293	13,122	13,254	3,045	3,614	73,647	66,161

Rupees in '000	2015 Pension	2015 Gratuity	2014 Pension	2014 Gratuity
33.2 Staff retirement benefits				
Current service costs	5,803	1,837	5,618	1,732
Interest costs	18,354	4,282	11,578	3,144
Return on plan assets, excluding interest income	(24,223)	(7,408)	(16,568)	(5,029)
	(66)	(1,289)	628	(153)

Rupees in '000	Note	2015	2014
33.3 Auditors' remuneration			
Audit fee	33.3.1	1,384	1,284
Fee for audit of funds' financial statements and other reports		196	20
Out of pocket expenses		155	152
		1,735	1,456

33.3.1 Audit fee includes services for audit of annual unconsolidated 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 Central Depository Company.

33.4 Donations

Donations include the following in which a director is interested :

Name of director	Interest in donee	Name and address of the donee	Amount donated 2015	Amount donated 2014
Rupees in '000				
Mr. Ahsan M. Saleem	Director	The Citizens Foundation Plot No. 20, Sector - 14, New Brookes Chowrangi, Korangi Industrial Area, Karachi	7,875	19,820
	Chairman	CSAP Foundation 10th Floor, BOP Tower, 10-B, Block E-2, Main Boulevard, Gulberg - III, Lahore.	569	285
			8,444	20,105

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

Rupees in '000	2015	2014

34. OTHER OPERATING EXPENSES

Provision for :		
Workers' Profit Participation Fund	–	4,851
Workers' Welfare Fund	3	539
Doubtful trade debts	3,937	–
Liquidated damages	232	2,152
Slow moving stores, spares and loose tools - net	2,761	6,548
Diminution in the value of investments - net impairment against investment in associated company	22,386	51,275
Gas Infrastructure Development Cess	–	3,381
	29,319	68,746

35. OTHER INCOME

Income from financial assets		
Mark-up on loan to subsidiary company	–	32,193
Return on deposits	2,956	454
	2,956	32,647
Income from non-financial assets		
Exchange gain	2,184	16,939
Gain on disposal of operating fixed assets	5,439	965
Deferred income amortized	2,043	924
Insurance commission	166	657
Liabilities written-back	1,874	3,521
Reversal of provision for :		
- doubtful trade debts	202	10,916
- liquidated damages	–	3,456
Rent income	8,229	–
Others	2,466	8,623
	22,603	46,001
	25,559	78,648

36. FINANCE COSTS

Incurred on :		
- finance lease obligations	12,410	9,427
- long term loan	23,741	–
- running finances	34,933	38,354
- short term loans	6,843	30,719
- Workers' Profit Participation Fund	130	1,387
Bank charges	2,609	4,259
	80,666	84,146

Rupees in '000	2015	2014

37. TAXATION

Current		
- for the year	18,383	15,059
- for prior years	(144)	(2,791)
	18,239	12,268
Deferred	(61,890)	6,551
	(43,651)	18,819

37.1 Minimum tax liability of Rs. 20.613 million for the year ended 30 June 2015 and Rs. 37.790 million for the year ended 30 June 2014 has not been recognized in view of expectation of availability of sufficient future taxable profits resulting in tax liability under normal tax regime in near future.

Rupees in '000	2015	2014

37.2 Relationship between taxation expense and accounting profit

Profit before taxation	62,771	379,007
Tax at the applicable rate of 33% (2014: 34%)	20,714	128,862
Tax effect of inadmissible expenses / losses	521	3,536
Tax effect of income taxed at a lower rate	(64,658)	(114,040)
Prior year tax effect	(144)	(2,791)
Tax effect of change in effective tax rate	(84)	3,252
	(43,651)	18,819

38. BASIC AND DILUTED EARNINGS PER SHARE

Profit after taxation	106,422	360,188
	(Number of shares)	
Weighted average number of ordinary shares in issue during the year	62,105,993	62,105,993
	(Rupees)	
Basic and diluted earnings per share	1.71	5.80

Rupees in '000	Note	2015	2014
39. CASH GENERATED FROM OPERATIONS			
Profit before taxation		62,771	379,007
Adjustments for non cash charges and other items :			
Depreciation on operating fixed assets and investment property		104,368	94,511
Amortization of intangible assets		6,988	5,288
Charge for the year on staff retirement benefit funds		(2,397)	892
Charge for compensated absences		1,111	(189)
Provision for 10-C bonus		–	1,159
Dividend income		(212,080)	(97,617)
Unrealized gain on held for trading investments - net		(16,910)	(48,689)
Gain on sale of investments		(73,348)	(282,397)
Provision for stock-in-trade and stores, spares and loose tools - net		2,761	6,548
Provision / (reversal of provision) for doubtful trade debts - net		3,735	(10,916)
Provision for Workers' Welfare Fund		3	539
Provision for Workers' Profit Participation Fund		–	4,851
Provision for Gas Infrastructure Development Cess		–	3,381
Provision / (reversal of provision) for liquidated damages - net		232	(1,304)
Provision for diminution in the value of investments		22,386	51,275
Return on deposits, loan and investments		(2,956)	(32,647)
Gain on disposal of operating fixed assets		(5,441)	(965)
Deferred income		(2,043)	(924)
Liabilities written back		(1,874)	–
Finance costs		80,666	84,146
Working capital changes	39.1	349,546	341,998
		317,518	497,947
39.1 Working capital changes			
Decrease / (increase) in current assets			
Stores, spares and loose tools		2,394	135
Stock-in-trade		(44,060)	263,034
Trade debts		(2,179)	118,293
Loan and advances		30,714	(16,927)
Trade deposits and short term prepayments		(6,527)	2,073
Other receivables		(3,448)	(3,763)
		(23,106)	362,845
Increase / (decrease) in current liabilities			
Trade and other payables		372,652	(20,847)
		349,546	341,998

Rupees in '000	Note	2015	2014
40. CASH AND CASH EQUIVALENTS			
Running finances under mark-up arrangements	12.1	(301,822)	(228,366)
Cash and bank balances	28	42,551	107,246
		(259,271)	(121,120)

41. SEGMENT REPORTING

41.1 Reportable segments

The Company's reportable segments 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 segments presented below:

41.2 Segment revenues and results

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

Rupees in '000	Steel segment	Cotton segment	IID segment	Total
For the year ended 30 June 2015				
Sales - net	609,105	1,492,459	–	2,101,564
Cost of sales	518,217	1,550,853	–	2,069,070
Gross profit	90,888	(58,394)	–	32,494
Income from investments	–	–	308,702	308,702
	90,888	(58,394)	308,702	341,196
Distribution and selling expenses	14,439	12,808	–	27,247
Administrative expenses	126,605	25,411	14,736	166,752
Other operating expenses	2,829	4,103	22,387	29,319
	143,873	42,322	37,123	223,318
	(52,985)	(100,716)	271,579	117,878
Other income	8,821	16,191	547	25,559
Operating (loss) / profit before finance costs	(44,164)	(84,525)	272,126	143,437
Finance costs	37,233	39,530	3,903	80,666
(Loss) / profit before taxation	(81,397)	(124,055)	268,223	62,771
Taxation				(43,651)
Profit after taxation				106,422

Rupees in '000	Steel	Cotton segment	IID segment	Total segment
For the year ended 30 June 2014				
Sales - net	1,282,043	2,749,527	–	4,031,570
Cost of sales	1,038,766	2,762,502	–	3,801,268
Gross profit	243,277	(12,975)	–	230,302
Income from investments	–	–	440,132	440,132
	243,277	(12,975)	440,132	670,434
Distribution and selling expenses	15,597	36,475	–	52,072
Administrative expenses	112,882	37,570	14,659	165,111
Other operating expenses	8,778	8,536	51,432	68,746
	137,257	82,581	66,091	285,929
	106,020	(95,556)	374,041	384,505
Other income	19,943	36,325	22,380	78,648
Operating profit / (loss) before finance costs	125,963	(59,231)	396,421	463,153
Finance costs	34,192	46,304	3,650	84,146
Profit / (loss) before taxation	91,771	(105,535)	392,771	379,007
Taxation				18,819
Profit after taxation				360,188

41.2.1 Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the year (2014: Nil).

41.2.2 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.

41.3 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 29 to these financial statements.

41.4 Information about major customers

Revenue from major customers of Steel segment represents an aggregate amount of Rs. 406.368 million (2014: Rs. 1,197.032 million) of total Steel segment revenue of Rs. 609.105 million (2014: Rs. 1,282.043 million). Further, revenue from major customers of Cotton segment represents an aggregate amount of Rs. 726.724 million (2014: Rs. 260.990 million) of total Cotton segment revenue of Rs. 1,492.459 million (2014: Rs. 2,749.527 million).

41.5 Geographical information

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

Rupees in '000	**2015**	2014
Far East	40,260	252,578
Pakistan	2,061,304	3,778,992
	2,101,564	4,031,570

41.5.2 All non-current assets of the Company as at 30 June 2015 and 2014 were located and operating in Pakistan.

41.6 Segment assets and liabilities

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

Rupees in '000	Steel segment	Cotton segment	IID segment	Total
As at 30 June 2015				
Segment assets for reportable segments	1,725,602	488,312	2,832,988	5,046,902
Unallocated corporate assets				345,801
Total assets as per balance sheet				5,392,703
Segment liabilities for reportable segments	490,721	163,564	1,483	655,768
Unallocated corporate liabilities and deferred income				686,192
Total liabilities as per balance sheet				1,341,960
As at 30 June 2014				
Segment assets for reportable segments	1,125,658	882,112	2,562,193	4,569,963
Unallocated corporate assets				163,038
Total assets as per balance sheet				4,733,001
Segment liabilities for reportable segments	198,479	130,675	57,574	386,728
Unallocated corporate liabilities and deferred income				339,094
Total liabilities as per balance sheet				725,822

41.6.1 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 those directly relating to corporate and taxation.

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

41.7 Other segment information

Rupees in '000	Steel segment	Cotton segment	IID segment	Total
For the year ended 30 June 2015				
Capital expenditure	27,042	60,754	593	88,389
Depreciation and amortization	41,431	61,463	4,691	107,585
Non-cash items other than depreciation and amortization - net	33,498	41,113	(276,072)	(201,461)
For the year ended 30 June 2014				
Capital expenditure	51,555	54,942	86	106,583
Depreciation and amortization	34,403	60,727	4,669	99,799
Non-cash items other than depreciation and amortization	29,695	42,646	(395,923)	(323,582)

42. STAFF RETIREMENT BENEFITS

42.1 Defined benefit plans

42.1.1 The actuarial valuation of both pension and gratuity schemes has been conducted in accordance with IAS 19, 'Employee benefits' as at 30 June 2015. The projected unit credit method, using the following significant assumptions, has been used for the actuarial valuation:

	2015		2014	
	Pension	Gratuity	Pension	Gratuity
Financial assumptions				
- Discount rate used for Interest Cost in P&L Charge	13.25%	13.25%	10.5%	10.5%
- Discount rate used for year end obligation	10.5%	9.75%	13.25%	13.25%
- Expected rate of increase in salaries	10.5%	9.75%	13.25%	13.25%
Demographic assumptions				
- Retirement Assumption	Age 58		Age 58	
- Expected mortality for active members	SLIC (2001-05)		SLIC (2001-05)	

42.1.2 The amounts recognised in balance sheet are as follows:

Rupees in '000	Note	2015 Pension	2015 Gratuity	2015 Total	2014 Pension	2014 Gratuity	2014 Total
Present value of defined benefit obligations	42.1.4	290,974	65,769	356,743	259,928	57,568	317,496
Fair value of plan assets	42.1.5	(410,636)	(123,682)	(534,318)	(336,183)	(97,490)	(433,673)
Asset recognized in balance sheet		(119,662)	(57,913)	(177,575)	(76,255)	(39,922)	(116,177)

42.1.3 Movement in the net defined benefit liability / (asset)

Rupees in '000	Note	2015 Pension	2015 Gratuity	2015 Total	2014 Pension	2014 Gratuity	2014 Total
Opening balance		(76,255)	(39,922)	(116,177)	(83,556)	(29,824)	(113,380)
Net benefit (income) / cost charged to profit and loss	42.1.7	(122)	(2,296)	(2,418)	1,166	(269)	897
Remeasurements recognized in other comprehensive income		(32,652)	(11,470)	(44,122)	14,925	(6,362)	8,563
Contributions by the Company	42.1.5	(10,633)	(4,225)	(14,858)	(8,790)	(3,467)	(12,257)
Closing balance		(119,662)	(57,913)	(177,575)	(76,255)	(39,922)	(116,177)

42.1.4 Movement in the present value of defined benefit obligations

Rupees in '000	2015 Pension	2015 Gratuity	2015 Total	2014 Pension	2014 Gratuity	2014 Total
Present value of defined benefit obligations - 1 July	259,928	57,568	317,496	208,373	52,639	261,012
Current service cost	10,726	3,273	13,999	10,430	3,045	13,475
Interest cost	33,927	7,628	41,555	21,497	5,527	27,024
Benefits paid	(7,147)	–	(7,147)	(6,716)	–	(6,716)
Benefit due but not paid	(609)	–	(609)	(571)	–	(571)
Remeasurement loss from changes in demographic assumptions	–	–	–	24,298	–	24,298
Remeasurement (gain) / loss of experience adjustments	(5,851)	(2,700)	(8,551)	2,617	(3,643)	(1,026)
Remeasurement (gain) / loss of defined benefit obligation	(5,851)	(2,700)	(8,551)	26,915	(3,643)	23,272
Present value of defined benefit obligations - 30 June	290,974	65,769	356,743	259,928	57,568	317,496

42.1.5 Movement in the fair value of plan assets are as follows

Rupees in '000	2015 Pension	2015 Gratuity	2015 Total	2014 Pension	2014 Gratuity	2014 Total
Fair value of plan assets - 1 July	336,183	97,490	433,673	291,929	82,463	374,392
Contributions by the Company	10,633	4,225	14,858	8,790	3,467	12,257
Interest income on plan assets	44,775	13,197	57,972	30,761	8,841	39,602
Benefits paid	(7,147)	–	(7,147)	(6,716)	–	(6,716)
Benefit due but not paid	(609)	–	(609)	(571)	–	(571)
Return on plan assets, excluding interest income	26,801	8,770	35,571	11,990	2,719	14,709
Fair value of plan assets - 30 June	410,636	123,682	534,318	336,183	97,490	433,673
42.1.6 Actual return on plan assets	71,576	21,967	93,543	42,751	11,560	54,311

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

	2015			2014		
Rupees in '000	Pension	Gratuity	Total	Pension	Gratuity	Total
Current service cost	10,726	3,273	13,999	10,430	3,045	13,475
Interest cost	33,927	7,628	41,555	21,497	5,527	27,024
Interest income on plan assets	(44,775)	(13,197)	(57,972)	(30,761)	(8,841)	(39,602)
Charge recognized in profit and loss account	(122)	(2,296)	(2,418)	1,166	(269)	897

42.1.8 Following amounts of remeasurements have been charged in the other comprehensive income in respect of these benefits

	2015			2014		
Rupees in '000	Pension	Gratuity	Total	Pension	Gratuity	Total
Remeasurement loss from changes in demographic assumptions	–	–	–	24,298	–	24,298
Remeasurement (gain) / loss of experience adjustments	(5,851)	(2,700)	(8,551)	2,617	(3,643)	(1,026)
Remeasurement (gain) / loss of defined benefit obligation	(5,851)	(2,700)	(8,551)	26,915	(3,643)	23,272
Return on plan assets, excluding interest income	(26,801)	(8,770)	(35,571)	(11,990)	(2,719)	(14,709)
Remeasurement (gain) / loss charged in the other comprehensive income	(32,652)	(11,470)	(44,122)	14,925	(6,362)	8,563
42.1.9 Total defined benefit cost recognized in profit and loss account and other comprehensive income	(32,774)	(13,766)	(46,540)	16,091	(6,631)	9,460
Expected contributions to funds in the following year	12,405	4,959	17,364	11,238	4,365	15,603
Re-measurements: Accumulated actuarial (gains) / losses recognized in equity	(32,652)	(11,470)	(44,122)	14,925	(6,362)	8,563
Weighted average duration of the defined benefit obligation (years)	11	4		11	4	
Analysis of present value of defined benefit obligation						
Type of Members:						
Pensioners	21	–		21	-	
Beneficiaries	73	73		70	69	
	94	73		91	69	
Vested / Non-Vested						
Vested benefits	255,684	64,828	320,512	227,727	57,068	284,795
Non - vested benefits	35,290	941	36,231	32,201	500	32,701
	290,974	65,769	356,743	259,928	57,568	317,496

Rupees in '000	2015 Pension	2015 Gratuity	2015 Total	2014 Pension	2014 Gratuity	2014 Total
Disaggregation of fair value of plan assets						
The fair value of the plan assets at balance sheet date for each category are as follows:						
Cash and cash equivalents (comprising bank balances and adjusted for current liabilities) - quoted	29,066	1,962	31,028	6,669	1,288	7,957
Debt instruments						
AA+	26,979	–	26,979	24,645	–	24,645
A+	–	–	–	3,970	–	3,970
AA-	232	–	232	233	–	233
AM2-	–	–	–	14,282	–	14,282
B-	113,884	38,384	152,268	100,294	27,475	127,769
	141,095	38,384	179,479	143,424	27,475	170,899
Equity instruments						
Beverages	–	–	–	630	–	630
Cement	11,704	–	11,704	–	–	–
Chemicals	114	–	114	1,873	331	2,204
Commercial Banks	–	–	–	1,458	–	1,458
Construction and Materials (Cement)	–	–	–	7,418	–	7,418
Electricity	–	–	–	29,201	8,442	37,643
Engineering	134,393	61,168	195,561	–	–	–
Fertilizer	2,644	441	3,085	–	–	–
Food and Personal care products	449	–	449	–	–	–
Food Producer	–	–	–	1,091	321	1,412
Industrial Metals and Minning	–	–	–	112,436	51,211	163,647
Insurance	242	–	242	–	–	–
Non Life Insurance	–	–	–	167	–	167
Oil and Gas	–	–	–	13,372	3,777	17,149
Oil and Gas Exploration Companies	9,993	2,677	12,670	–	–	–
Oil and Gas Marketing Companies	265	–	265	–	–	–
Personal Goods (Textile)	–	–	–	2,798	–	2,798
Pharmaceuticals	56	–	56	–	–	–
Power Generation and Distribution	46,502	13,408	59,910	–	–	–
Sugar and Allied Industries	1,097	323	1,420	–	–	–
Technology and Communication	9	–	9	–	–	–
Textile Composite	3,243	–	3,243	–	–	–
Transport	340	–	340	–	–	–
	211,051	78,017	289,068	170,444	64,082	234,526
Mutual funds						
Income Fund	3,937	2,625	6,562	3,409	2,272	5,681
Equity Fund	25,487	2,694	28,181	11,014	2,371	13,385
Money Market Fund	–	–	–	1,222	–	1,222
	29,424	5,319	34,743	15,645	4,643	20,288
	410,636	123,682	534,318	336,182	97,488	433,670

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

Discount rate +1%	261,203	63,564
Discount rate -1%	326,963	68,254
Long term pension / salary increase +1%	297,770	68,247
Long term pension / salary decrease -1%	284,849	63,530
Long term pension increase +1%	320,062	–
Long term pension decrease -1%	266,350	–

The actuary of the company has assessed that present value of future refunds or reduction in future contribution is not lower than receivable from pension and gratuity funds recorded by the Company.

42.2 Defined contribution plan

The Company has set up provident fund for its permanent employees and the contributions were made by the Company to the Trust in accordance with the requirement of Section 227 of the Companies Ordinance, 1984. The total charge against provident fund for the year ended 30 June 2015 was Rs. 7.527 million (2014: Rs. 7.182 million). Period end of Provident Fund Financial Statements is 31 December and 30 June for Steel & IID Division and Cotton Division respectively.

The following information is based on the latest financial statements of the fund:

	2014	2013	2014	2013
Rupees in '000	Steel and IID Division		Cotton Division	
Cost of investments made	148,090	135,009	30,788	21,949
Size of the Fund	203,460	176,256	32,223	27,401
Fair value of investments	189,220	167,555	30,999	25,908
Percentage of investments made	93.0%	95.1%	96.2%	94.6%
Amount wise breakup of fair value of investments is as follows:				
Equity Securities	59,993	51,837	12,216	12,202
Government Securities	92,640	73,000	18,783	9,816
Debt Securities	–	–	–	3,140
Mutual Funds	36,587	42,718	–	750
	189,220	167,555	30,999	25,908
Percentage wise breakup of fair value of investments out of size of fund is as follows:				
Equity Securities	29.5%	29.4%	37.9%	44.5%
Government Securities	45.5%	41.4%	58.3%	35.8%
Debt Securities	–	–	–	11.5%
Mutual Funds	18.0%	24.2%	–	2.7%

Investments out of the provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

43. 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.

43.1 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 the 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:

Rupees in '000	**2015**	2014
Investments	13,347	23,995
Loans and deposits	25,068	27,512
Trade debts	87,922	89,479
Other receivables	19,372	16,331
Bank balances	40,589	105,256
	186,298	262,573

Trade and other receivables

To manage exposure to credit risk in respect of trade and other 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 except one export party.

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

Rupees in '000	**2015**	2014
Steel segment	80,063	46,445
Cotton segment	7,859	43,034
	87,922	89,479
The aging of trade debts at the balance sheet date is		
Not past due	13,839	38,472
Past due 1 - 30 days	28,773	985
Past due 30 - 180 days	23,066	35,340
Past due 180 days	27,930	17,468
	93,608	92,265
Less: Impaired	5,686	2,786
	87,922	89,479

The movement in the allowance for impairment in respect of trade debts and loan and advances is given in note 22.2 and note 23 respectively.

Based on past experience the management believes that no impairment allowance is necessary, expect mentioned above, in respect of trade debts 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.

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 A1+.

Loans and deposits

The Company has provided security deposits as per the contractual terms with counter parties as security and does not expect material loss against those deposits.

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 2015, the Company has recognized a provision of Rs. 21.753 million (2014: Rs. 11.105 million) against its exposure to preference shares of an associated company which has been given a credit rating of 'D' grade.

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.

43.2 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:

Rupees in '000	2015						
	Carrying amount	On demand	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
Financial liabilities							
Long term loan	294,000	–	294,000	18,375	36,750	73,500	165,375
Liabilities against assets subject to finance lease	93,650	–	104,971	27,656	27,903	39,845	9,567
Trade and other payables (refer note 10)	412,920	–	412,920	412,920	–	–	–
Mark-up accrued	11,683	–	11,683	11,683	–	–	–
Short term borrowings	301,822	301,822	–	–	–	–	–
	1,114,075	301,822	823,574	470,634	64,653	113,345	174,942

Rupees in '000	2014						
	Carrying amount	On demand	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
Financial liabilities							
Liabilities against assets subject to finance lease	103,029	–	119,554	28,310	24,003	41,987	25,254
Trade and other payables (refer note 10)	228,416	–	228,416	228,416	–	–	–
Mark-up accrued	8,168	–	8,168	8,168	–	–	–
Short term borrowings	228,366	228,366	–	–	–	–	–
	567,979	228,366	356,138	264,894	24,003	41,987	25,254

43.3 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.

43.3.1 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 dominated in US Dollars (USD) and Euros. The Company's exposure to foreign currency risk for these currencies is as follows:

	2015		
	USD	Euro	Total
Foreign creditors	(2,863,701)	(75,800)	(2,939,501)
Outstanding letters of credit	(6,408,365)	–	(6,408,365)
Net exposure	(9,272,066)	(75,800)	(9,347,866)

	2014		
	USD	Euro	Total
Foreign creditors	(160)	–	(160)
Foreign currency bank account	2	–	2
Gross balance sheet exposure	(158)	–	(158)
Outstanding letters of credit	(533,650)	–	(533,650)
Net exposure	(533,808)	–	(533,808)

The following significant exchange rate has been applied:

	Average rate		Reporting date rate	
	2015	2014	**2015**	2014
USD to PKR	101.51	102.83	101.70	98.75
Euro to PKR	121.10	139.61	113.79	134.73

Sensitivity analysis

At the balance sheet date, if the PKR had strengthened by 10% against the USD 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

	2015	2014
USD	(927,207)	(53,381)
Euro	(7,580)	–
	(934,787)	(53,381)

The weakening of the PKR against USD 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.

43.3.2 Interest rate risk

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

	2015	2014	**2015**	2014
	Effective interest rate (Percentage)		Carrying amount (Rupees in '000)	
Financial assets				
Fixed rate instruments - Preference shares	8.5	8.5	13,347	23,995
Financial liabilities				
Variable rate instruments:				
Long term loan	8.88-11.68	–	294,000	–
Liabilities against assets subject to finance lease	12.04-20.25	14.59-20.25	93,650	103,029
Short term borrowings	8.33-12.62	10.58-12.38	301,822	228,366

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 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 2014.

	Profit and loss 100 bp	
Rupees in ‘000	Increase	Decrease
As at 30 June 2015		
Cash flow sensitivity - Variable rate financial liabilities	(6,895)	6,895
As at 30 June 2014		
Cash flow sensitivity - Variable rate financial liabilities	(2,284)	2,284

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

43.3.3 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:

Rupees in ‘000	**2015**	2013
Effect on profit	36,509	42,270
Effect on equity	957	927
Effect on investments	37,466	43,197

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

43.4 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 and preference shares of listed companies and certificates of closed end scheme 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. Investment in unquoted securities fall within level 3 as mentioned above.

The investments in subsidiaries and associates are stated at cost (refer notes 17.1 and 17.2).

44. REMUNERATION TO THE CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	Chief Executive		Director		Executives		Total	
Rupees in '000	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Managerial remuneration	11,100	10,467	–	–	41,082	39,290	52,182	49,757
House rent	4,995	4,710	–	–	16,568	14,222	21,563	18,932
Utilities	1,110	1,047	–	–	3,527	3,270	4,637	4,317
Travelling expenses	263	545	–	–	–	–	263	545
Others	2,412	1,102	–	–	–	33	2,412	1,135
Medical	1,994	816	–	–	1,908	1,568	3,902	2,384
Contributions to								
- Gratuity fund	925	872	–	–	2,135	1,964	3,060	2,836
- Pension fund	2,220	2,093	–	–	5,613	5,755	7,833	7,848
- Provident fund	1,110	1,047	–	–	2,795	2,817	3,905	3,864
Club subscription and expenses	1,134	1,001	–	–	82	88	1,216	1,089
Entertainment	187	–	–	–	46	42	233	42
Conveyance	–	–	–	–	2,093	1,656	2,093	1,656
Telephone	–	–	–	–	6	6	6	6
	27,450	23,700	–	–	75,855	70,711	103,305	94,411
Number of persons	1	1	–	–	28	29	29	30

44.1 The aggregate amount charged in respect of directors' fees paid to seven (2014: six) directors is Rs. 1.240 million (2014: Rs. 0.660 million). Also, during the year remuneration paid to the non-executive Chairman of the Board of Directors amounted to Rs. 1.095 million (2014: 0.510 million).

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

44.3 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.

45. 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	2015	2014
Rupees in '000				
Crescent Hadeed (Private) Limited	Subsidiary company	Right shares subscribed	510,000	90,000
		Reimbursable expenses	6,860	1,681
		Sale of finished goods	27,788	–
		Share deposit money	89,500	–
CS Capital (Private) Limited	Subsidiary company	Dividend income	37,477	–
		Right shares subscribed	97,230	200,000
		Reimbursable expenses	578	107
		Share deposit money	–	35,000
Shakarganj Energy (Private) Limited	Subsidiary company	Advances received (refer note 13.7)	36,000	–
		Dividend Income	77,224	–
		Long term loan provided	–	8,595
		Mark-up on long term loan provided	–	32,193
		Sale of finished goods	–	1,638
		Reimbursable expenses	379	301
		Right shares subscribed	358,039	169,900
		Transfer of loan to equity	–	358,039
Solution de Energy (Private) Limited	Subsidiary company	Reimbursable expenses	7,200	–
Altern Energy Limited	Associated company	Dividend received	60,475	60,475
Shakarganj Limited	Associated company	Dividend paid	4,488	8,813
		Sale of finished goods	37,647	3,171
		Services received	3,600	4,406
		Reimbursable expenses	1,557	1,556
		Purchase of assets	40	–
Central Depository Company of Pakistan Limited	Related party	Services received	75	–
Crescent Jute Products Limited *	Related party	Purchase of assets	–	5,909
		Services received	90	137
		Reimbursable expenses	459	648

Name	Nature of relationship	Nature of transaction	2015	2014
			Rupees in '000	
CSAP Foundation*	Related party	Donation given	569	285
Muhammad Amin Muhammad Bashir Limited *	Related party	Dividend paid	1	2
Pakistan Centre for Philanthropy *	Related party	Annual subscription charges	–	180
Premier Insurance Company *	Related party	Insurance premium	6,467	9,839
The Crescent Textile Mills Limited *	Related party	Dividend paid	10,246	20,119
		Dividend received	565	–
The Citizens' Foundation *	Related party	Donation given	7,875	19,820
Crescent Cotton Products - Staff Provident Fund	Retirement benefit fund	Contribution made	1,744	1,831
		Dividend paid	7	16
Crescent Steel and Allied Products Limited - Gratuity Fund	Retirement benefit fund	Contribution made	4,225	3,797
		Dividend paid	1,765	3,852
Crescent Steel and Allied Products Limited - Pension Fund	Retirement benefit fund	Contribution made	10,632	9,623
		Dividend paid	3,959	8,457
Crescent Steel and Allied Products Limited - Staff Provident Fund	Retirement benefit fund	Contribution made	5,824	5,344
		Dividend paid	788	1,651
Key management personnel	Related parties	Remuneration and benefits	66,329	58,797

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

45.1 Sale and purchase of finished goods and raw materials, rendering of services and insurance premium are based on commercial terms and at market prices which are approved by the Board of Directors.

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

45.3 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.

45.4 Outstanding balances and other information with respect to related parties as at 30 June 2015 and 2014 are included in issued, subscribed and paid-up capital (note 6.1), trade and other payables (note 10.3), long term investments (notes 17.1, 17.2 and 17.3.1), trade debts (note 22.1), investments (notes 25.1 and 25.2), other receivables (note 26.1), administrative expenses (note 33.4) and staff retirement benefits (note 42).

46. 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 2014.

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.

46.1 Gearing ratio

The gearing ratio at the end of the year is calculated as follows.

Rupees in '000	Note	**2015**	2014
Total debt	46.1.1	689,472	331,395
Less: Cash and bank balances		42,551	107,246
Net debt		646,921	224,149
Total equity	46.1.2	4,050,743	4,007,179
Total capital		4,697,664	4,231,328
Gearing ratio		14%	5%

46.1.1 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.

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

47. PLANT CAPACITY AND PRODUCTION

47.1 Steel segment

Pipe plant

The plant's installed / rated capacity for production based on single shift is 30,000 tons (2014: 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 2,837 tons (2014: 10,248 tons) line pipes of varied sizes and thickness, which is equivalent to 13,590 tons (2014: 21,676 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 1,524 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 line pipes based on notional size of 14" dia on single shift working. Coating of 79,764 meters (2014: 82,125 meters) of different dia pipes (90,735 square meters surface area) was achieved during the year (2014: 58,651 square meters surface area).

47.2 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 (2014: 6,452,874 kilograms). Actual production converted into 20s count was 5,082,052 kilograms (2014: 5,749,028 kilograms).

47.3 The capacities of the plant were utilized to the extent of orders received. The production of spinning unit was also affected due to power and gas shutdowns.

48. GENERAL

48.1 Number of employees

The number of employees including contractual employees of the Company as at 30 June 2015 were 360 (2014: 724) and weighted average number of employees were 784 (2014: 833).

48.2. Non adjusting event after balance sheet date

The Board of Directors of the Company in their meeting held on 31 July 2015 have proposed final cash dividend for the year ended 30 June 2015 of Re. 0.7 per share (i.e. 7%) (2014: Rs. 1.5 per share) amounting to Rs. 43.474 million (2014: Rs. 93.159 million). The above proposed final cash dividend is subject to the approval of the members at the Annual General Meeting to be held on 28 September 2015. These financial statements do not include the effect of above proposal which will be accounted for in the period in which it is approved by the members.

49. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue in the Board of Directors meeting held on 31 July 2015.

Chief Executive	Director	Chief Financial Officer