UNCONSOLIDATED STATEMENT **OF FINANCIAL POSITION**

As at 30 June 2019

Rupees in '000	Note	2019	2018
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	7	776,325	776,325
Capital reserves	8	1,020,908	1,028,282
Revenue reserves		3,596,830	4,919,160
		5,394,063	6,723,767
Non-current liabilities			
Long term loans	9	177,152	226,746
Liabilities against assets subject to finance lease	10	103,042	127,419
Deferred income	11	6,866	8,107
Deferred liability	44	100,546	–
		387,606	362,272
Current liabilities			
Trade and other payables	12	691,923	1,349,139
Unclaimed dividend		26,525	21,520
Mark-up accrued	13	41,617	16,144
Short term borrowings	14	1,577,196	1,458,195
Current portion of long term loans	9	110,394	96,544
Current portion of liabilities against assets subject to finance lease	10	51,254	46,010
Current portion of deferred income	11	6,454	5,424
		2,505,363	2,992,976
Contingencies and commitments	15		
Total equity and liabilities		8,287,032	10,079,015

Rupees in '000	Note	2019	2018
ASSETS			
Non-current assets			
Property, plant and equipment	16	2,493,745	1,039,047
Intangible assets	17	484	151
Investment properties	18	21,482	13,076
Long term investments	19	2,264,834	4,538,346
Long term deposits	20	233,267	217,233
Deferred taxation	21	292,131	30,081
		5,305,943	5,837,934
Current assets			
Stores, spares and loose tools	22	185,784	168,973
Stock-in-trade	23	821,369	1,542,650
Trade debts	24	96,432	106,886
Loans and advances	25	122,685	274,713
Trade deposits and short term prepayments	26	50,292	25,579
Investments	27	166,735	448,371
Mark-up accrued		29	26,506
Other receivables	28	249,427	553,446
Taxation - net	29	1,260,531	960,505
Cash and bank balances	30	27,805	133,452
		2,981,089	4,241,081
Total assets		8,287,032	10,079,015

The annexed notes from 1 to 52 form an integral part of these unconsolidated financial statements.

Chief Executive

Director

Chief Financial Officer

UNCONSOLIDATED STATEMENT **OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the year ended 30 June 2019

Rupees in '000	Note	2019	2018
Sales	31	4,473,618	8,086,346
Less: sales tax		407,103	1,042,559
		4,066,515	7,043,787
Cost of sales	32	3,846,126	6,232,466
Gross profit		220,389	811,321
Income from investments - net	33	191,563	495,508
		411,952	1,306,829
Distribution and selling expenses	34	14,785	17,852
Administrative expenses	35	188,325	173,036
Other operating expenses	36	28,646	84,890
		231,756	275,778
		180,196	1,031,051
Other income	37	88,981	171,671
Operating profit before finance costs		269,177	1,202,722
Finance costs	38	244,282	231,319
Profit before taxation		24,895	971,403
Taxation	39	(118,581)	219,653
Profit for the year		143,476	751,750
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Unrealized diminution on remeasurement of equity investments classified as 'available for sale'		–	(5,541)
Items that will not be reclassified subsequently to profit or loss			
Changes in the fair value of equity investments at fair value through other comprehensive income (FVOCI)		(1,556)	–
Loss on remeasurement of staff retirement benefit plans - net of tax		(258,262)	(589,853)
Other comprehensive loss for the year		(259,818)	(595,394)
Total comprehensive (loss) / income for the year		(116,342)	156,356
		(Rupees)	
Basic and diluted earnings per share	40	1.85	9.68

The annexed notes from 1 to 52 form an integral part of these unconsolidated financial statements.

Chief Executive　　　　Director　　　　Chief Financial Officer

UNCONSOLIDATED STATEMENT
OF CASH FLOWS
For the year ended 30 June 2019

Rupees in '000	Note	2019	2018
Cash flows from operating activities			
Cash generated from operations	41	399,464	2,388,838
Taxes paid		(376,703)	(576,328)
Finance costs paid		(201,853)	(181,359)
Contribution to gratuity and pension funds		(23,765)	(11,552)
Contribution to Workers' Profit Participation Fund		(27,191)	(111)
Long term deposits - net		1,684	(20,003)
Net cash (used in) / generated from operating activities		(228,364)	1,599,485
Cash flows from investing activities			
Capital expenditure		(130,698)	(204,216)
Transfer of capital expenditure upon amalgamation		(1,445,935)	–
Acquisition of intangible assets		(580)	–
Proceeds from disposal of operating fixed assets		16,735	59,332
Proceeds from disposal of operating fixed assets under sale and leaseback arrangement		26,292	89,839
Investments - net		158,934	(328,270)
Amalgamation of wholly owned subsidiaries		2,518,142	–
Dividend income received		210,005	549,528
Interest income received		68,681	2,026
Net cash generated from investing activities		1,421,576	168,239
Cash flows from financing activities			
Repayment of long term loans		(35,744)	(139,691)
Payments against finance lease obligations		(60,453)	(51,660)
Repayment of short term loans obtained - net		(421,896)	(1,160,295)
Dividends paid		(72,627)	(368,863)
Net cash used in financing activities	41.1	(590,720)	(1,720,509)
Net increase in cash and cash equivalents		602,492	47,215
Cash and cash equivalents at beginning of the year		(172,096)	(219,311)
Transfer upon amalgamation		(1,249,036)	–
Cash and cash equivalents at end of the year	42	(818,640)	(172,096)

The annexed notes from 1 to 52 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 2019

Rupees in '000	Capital reserves			Revenue reserves			
	Issued, subscribed and paid-up capital	Share premium	Unrealised gain / (loss) on remeasurement of fair value through other comprehensive income	Fair value reserve	General reserve	Unappropriated profit	Total
Balance as at 30 June 2017	776,325	1,020,908	12,915	–	3,642,000	1,367,569	6,819,717
Total comprehensive income for the year ended 30 June 2018							
Profit for the year	–	–	–	–	–	751,750	751,750
Other comprehensive income							
Total other comprehensive loss for the year	–	–	(5,541)	–	–	(589,853)	(595,394)
Total comprehensive income for the year	–	–	(5,541)	–	–	161,897	156,356
Transaction with owners of the Company - distributions							
Dividend:							
- Final @ 22.5% (i.e. Rs. 2.25 per share) for the year ended 30 June 2017	–	–	–	–	–	(174,673)	(174,673)
- First interim @ 10% (i.e. Re. 1 per share) for the year ended 30 June 2018	–	–	–	–	–	(77,633)	(77,633)
Balance as at 30 June 2018	776,325	1,020,908	7,374	–	3,642,000	1,277,160	6,723,767
Adjustment on initial application of IFRS 9 - net of tax (refer note 6.1.1.1)	–	–	(7,374)	7,374	–	113,309	113,309
Balance as at 30 June 2018 - as restated	776,325	1,020,908	–	7,374	3,642,000	1,390,469	6,837,076
Total comprehensive income for the year ended 30 June 2019							
Profit for the year	–	–	–	–	–	143,476	143,476
Transfer upon amalgamation	–	–	–	–	–	(1,249,039)	(1,249,039)
Other comprehensive income							
Total other comprehensive loss for the year	–	–	–	(1,556)	–	(258,262)	(259,818)
Total comprehensive loss for the year	–	–	–	(1,556)	–	(1,363,825)	(1,365,381)
Transaction with owners of the Company - distributions							
Dividend:							
- Final @ 10% (i.e. Re. 1 per share) for the year ended 30 June 2018	–	–	–	–	–	(77,632)	(77,632)
Balance as at 30 June 2019	776,325	1,020,908	–	5,818	3,642,000	(50,988)	5,394,063

The annexed notes from 1 to 52 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 Act, 2017) and is quoted on the Pakistan Stock Exchange. The registered office of the Company is located at E–floor, IT Tower, 73–E/1, Hali Road, Gulberg–III, Lahore. Whereas its principal office is situated at 9th floor Sidco Avenue Centre 264 R.A. Lines, Karachi. The Company is Shariah Compliant Company.

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 Jamshoro, Sindh. The Company has a coating facility capable of applying three layers high density polyethylene coating on steel line pipes. The coating plant commenced commercial production from 16 November 1992. The Company's fabrication unit is engaged in fabrication and erection of machinery located at Dalowal, District Faisalabad, Punjab.

1.3 The Company is running cotton spinning unit at Jaranwala, District Faisalabad. This 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 is also managing a portfolio of equity investments and real estate through its Investment and Infrastructure Division from the principal office of the Company.

1.5 In consequent to the scheme of amalgamation as disclosed in note 2 to these unconsolidated financial statements, Hadeed (Billet), is now being reported as a new segment. The Company's Hadeed (Billet) Segment is to cater to the growing demand of steel products and is in line with the Group's vision to organically expand in the steel long products business. The billets manufactured are used by re–rolling mills to manufacture bars and other steel long products for use in the construction and engineering sectors.

1.6 In consequent to the scheme of amalgamation as disclosed in note 2 to these unconsolidated financial statements, Energy, is now being reported as a new segment. The Company's energy segment's activity is to build, own, operate and maintain a power plant and to generate, accumulate, distribute, sell and supply electricity / power to PEPCO / DISCOS under an agreement with the Government of Pakistan or to any other consumer as permitted. The Generation Plants use bagasse in the combustion process to produce power and processed steam. The plant of the Company located at Bhone, district Jhang, Punjab.

2 AMALGAMATION OF SUBSIDIARIES

On 8 June 2019, the Board of Directors of the Company passed a resolution approving a Scheme of Amalgamation under Section 284(1) of the Companies Act, 2017, to amalgamate its wholly owned subsidiaries, Crescent Hadeed (Private) Limited (CHL) and CS Energy (Private) Limited (CSEL) with and into the Company. The same Scheme of Amalgamation was also approved by the Board of Directors of CHL and CSEL in their respective board meetings held on 3 June 2019. Consequently, as of the completion date of 30 June 2019, the entire undertaking of both CHL and CSEL stand merged with and into the Company with the result as on 30 June 2019, the entire business of CHL and CSEL including its properties, assets, liabilities and rights and obligations vested into the Company. Since CHL and CSEL were group companies under common control, the merger has been accounted for as a common control transaction and predecessor accounting has been applied. Under predecessor accounting, the acquired net assets of CHL and CSEL are included in the financial statements of the Company at the same carrying values as recorded in CHL's and CSEL's separate financial statements as at 30 June 2019. The net loss on amalgamation of net assets of CHL and CSEL at the date of transaction is included in unappropriated profit. The statement of financial position of CHL and CSEL are consolidated prospectively from the date of amalgamation.

3 BASIS OF PREPARATION

3.1 Unconsolidated financial statements

These are the unconsolidated financial statements (therein after referred as the financial statements) of the Company in which investments in subsidiaries and associates are stated at cost rather than on the basis of reported results and net assets of the investees. The consolidated financial statements of the Company are prepared and presented separately.

3.2 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFASs) issued by Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017; and provisions of and directives issued under the Companies Act, 2017. Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards or IFASs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.3 Basis of measurement

These financial statements have been prepared under the historical cost convention except for investments which are classified as fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI), derivatives 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 fair value of plan assets.

3.4 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.

4 USE OF ESTIMATES AND JUDGEMENTS

In preparing these financial statements, management has made judgement, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognised prospectively 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. Information about judgements made in applying accounting policies that have the most significant effects on the amount recognised in the financial statements to the carrying amount of assets, liabilities, assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment in the subsequent years are set forth below:

- Property, plant and equipment (refer note 6.2)
- Intangible assets (refer note 6.3)
- Investment property (refer note 6.4)
- Investments (refer note 6.5)
- Stores, spares and loose tools and stock–in–trade (refer notes 6.9 and 6.10)
- Employee benefits (refer note 6.12)
- Leases (refer note 6.14)
- Taxation (refer note 6.16)
- Impairment (refer notes 6.2, 6.3, 6.4, 6.5 and 6.21)
- Provisions (refer note 6.20)

5 NEW OR AMENDMENTS / INTERPRETATIONS TO EXISTING STANDARDS, INTERPRETATION AND FORTHCOMING REQUIREMENTS

5.1 There are new and amended standards and interpretations as notified under the Companies Act, 2017 that are mandatory for accounting periods beginning 1 July 2018 but are considered not to be relevant or do not have any significant effect on the Company's financial statements and are therefore not stated in these financial statements.

5.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's financial statements.

- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC–15 'Operating Leases– Incentives' and SIC–27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on–balance sheet lease accounting model for lessees. A lessee recognizes a right–of–use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short–term leases and leases of low–value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The management has completed an initial assessment of the potential impact on the Company's lease arrangements and considered the impact would not be significant.

- Amendment to IFRS 9 'Financial Instruments' – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019). For a debt instrument to be eligible for measurement at amortised cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion – i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment is not likely to have an impact on Company's financial statements.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' – Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long–term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.

- Amendments to IAS 19 'Employee Benefits'– Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's financial statements.

– Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

– Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

– On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

– Annual Improvements to IFRS Standards 2015–2017 Cycle – the improvements address amendments to following approved accounting standards:

  – IFRS 3 Business Combinations and IFRS 11 Joint Arrangement – the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

  – IAS 12 Income Taxes – the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

  – IAS 23 Borrowing Costs – the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Company's financial statements.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below, which have been consistently applied to all the periods presented except for the following:

– new or amendments / interpretations to existing standards and interpretation as stated in note no. 5.1
– change in accounting policies as stated in note 6.1

6.1 Changes in accounting policies

Explained below is the impact of the adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' on the Company's financial statements. The new accounting policies that have been applied from 1 July 2018 are stated in note 6.1.1 and note 6.1.2 below.

6.1.1 IFRS 9 'Financial Instruments'

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 July 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The Company has opted for an exemption not to restate comparative information for prior periods with respect to IFRS 9; classification and measurement (including impairment) requirements. Therefore reclassifications and the adjustments arising from IFRS 9 have been processed at the date of initial application (i.e. 1 July 2018) and presented in opening retained earnings and reserves as at 1 July 2018. Accordingly, the comparative information presented in these financial statements does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

6.1.1.1 Impact on the financial statements

As a result of the changes in the Company's accounting policies, prior year financial statements had to be restated. As explained above, IFRS 9 was adopted without restating comparative information.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 July 2018 relates to measurement of unquoted equity investments. Under IAS 39, equity investments are generally classified as available for sale (AFS) financial assets and measured at fair value. However, an exception was available for AFS financial assets that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, could be measured at cost. This cost exception is not included in IFRS 9 and fair value through profit or loss (FVTPL) accounting applies unless the fair value through other comprehensive income (FVOCI) election is made. Since IFRS 9 eliminates this exception, the Company is required to measure such instruments at fair value at the date of initial application of the Standard. Any difference between the previous carrying amount of the instrument and its fair value is recognized in opening retained earnings and for purposes of reporting in the comparative period, these remain reported at cost.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

Rs. in '000	30 June 2018 - As originally presented	Adjustments	1 July 2018 Restated
Non-current assets			
Equity securities - Other long term investments			
- Investment in Central Depository Company			
of Pakistan Limited	58,946	56,476	115,422
- Investment in Shakarganj Food Products Limited	151,662	86,952	238,614
Non-current assets / (liabilities)			
Deferred taxation	–	30,119	30,119
Equity			
Revenue reserves (retained earnings)	1,277,160	113,309	1,390,469

The total impact on the Company's retained earnings and other reserves, net of tax as at 1 July 2018 is as follows:

Rupees in '000	2018
Closing retained earnings 30 June - IAS 39	1,277,160
Fair value of unquoted equity investments classified at fair value through profit or loss - net of tax*	113,309
Opening retained earnings 1 July - IFRS 9	1,390,469

*This represents adjustment to retained earnings and reserves from adoption of IFRS 9 on 1 July 2018 arising on valuation of unquoted equity securities which were carried at cost and classified as available for sale in prior year under IAS 39.

There is no impact on the statement of profit or loss and other comprehensive income, statement of cash flows and the basic and diluted EPS on adoption of IFRS 9. For disclosure regarding valuation methodology and other information refer note 45.1 and 45.2 to these financial statements.

Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below:

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 July 2018 relates to fair valuation of unquoted equity investments as stated above. Under IAS 39 these were classified as AFS financial assets and carried at cost.

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at 1 July 2018:

Financial assets Rupees in '000	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount IFRS 9
Equity securities - Other long term investments				
- Investment in Crescent Bahuman Limited **	Available for sale	Fair value through profit or loss	–	–
- Investment in Central Depository Company of Pakistan Limited **	Available for sale	Fair value through profit or loss	58,946	115,422
- Investment in Crescent Industrial Chemicals Limited **	Available for sale	Fair value through profit or loss	–	–

Rupees in '000 Financial assets	Original classification under IFRS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount IFRS 9
- Investment in Shakarganj Food Products Limited **	Available for sale	Fair value through profit or loss	151,662	238,614
- Investment in Crescent Textile Mills Limited *	Available for sale	Fair value through other comprehensive income	11,400	11,400
Equity securities - short term investments				
- Investment in Jubilee Spinning and Weaving Mills Limited **	Available for sale	Fair value through profit or loss	–	–
- Investment in Innovative Investment Bank Limited **	Available for sale	Fair value through profit or loss	–	–
Other equity securities - short term	Held for trading	Fair value through profit or loss	436,971	436,971
Trade and other receivables	Loans and receivables	Amortised cost	575,864	575,864
Bank balances	Loans and receivables	Amortised cost	133,367	133,452

Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost.

*This equity security represents investment that the Company intends to hold for the long term strategic purposes. As permitted by IFRS 9, the Company has designated the investment at the date of initial application as measured at FVOCI. Unlike IAS 39, the accumulated fair value reserve related to this investment will never be reclassified to profit or loss.

**These equity securities on initial application of IFRS 9 were reclassified from AFS to FVTPL since management has not elected to classify it at FVOCI.

The impact of these changes on the Company's equity as of 1 July 2018 is as follows:

Rupees in '000	Effect on AFS Reserves	Effect on FVOCI Reserves	Effect on Retained Earnings
Opening balance – IAS 39	7,374	–	1,277,160
Reclassify non-trading equities from available-for-sale to FVOCI	(7,374)	7,374	–
Impact of fair value of unquoted investment classified at FVTPL on adoption of IFRS 9	–	–	113,309
Opening balance - IFRS 9	–	7,374	1,390,469

IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at fair value through other comprehensive income (FVOCI) but not to investment in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

For assets in the scope of IFRS 9 impairment model, impairment loss are generally expected to increase and become more volatile. The Company has determined that the application of IFRS 9's impairment requirements at 01 July 2018, does not result in an additional allowance for impairment. Therefore, the transition to IFRS 9 did not result in an adjustment as at 1 July 2018.

There is no significant impact from the new expected credit loss (ECL) impairment model under IFRS 9 on allowances and provisions for trade receivables and other short and long term receivables (i.e. loans) as at 30 June 2019. Therefore, due to materiality consideration, the Company has not presented separately impairment loss on trade debts in the unconsolidated statement of profit or loss and other comprehensive income.

6.1.2 IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Company has applied the modified retrospective method upon adoption of IFRS 15 as allowed under the Standard. This method requires the recognition of the cumulative effect (without practical expedients) of initially applying IFRS 15 to retained earnings. Accordingly, the information presented for 2018 has not been restated i.e. it is presented, as previously reported under IAS 18 and related interpretations.

The adoption of IFRS 15 did not have an impact on the timing and amounts of revenue recognition of the Company as it is generally consistent with the timing and amounts of revenue the Company recognised in accordance with the previous standard, IAS 18.

Apart from providing more extensive disclosures, the application of IFRS 15 has not had a significant impact on the financial position and / or financial performance of the Company for the reasons described above. Accordingly, there was no adjustment to retained earnings on application of IFRS 15 at 1 July 2018.

6.2 Property, plant and equipment

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 or loss statement as incurred.

Depreciation

Depreciation is charged to income on a straight line basis at the rates specified in note 16.1 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 the profit or loss.

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 less impairment, if any 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.

6.3 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 profit or loss on a straight line basis at the rates specified in note 17 to these financial statements, 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 exists 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.

6.4 Investment property

Investment property, principally comprising of land and buildings, is held for long term rental yields / capital appreciation. The investment property of the 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

Depreciation is charged to the profit or loss statement on the straight line method at the rates specified in the note 18 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.

Impairment

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 profit or loss statement. 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.

Disposal

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 the profit or loss.

6.5 Financial instruments

6.5.1 Initial recognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company applies the classification and measurement requirements for financial instruments under IFRS 9 'Financial Instruments' for the year ended 30 June 2019.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

6.5.2 Financial asset

Classification

On initial recognition, a financial asset is classified as measured at:

– amortized cost;
– FVOCI - Debt investment;
– FVOCI - Equity investment; or
– FVTPL

The classification depends on the Company's business model for managing financial assets and the contractual terms of the financial assets cash flows.

Amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

– the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVOCI - Debt investment

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVOCI - Equity investment

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in investment's fair value in OCI. This election is made on an investment-by-investment basis.

FVTPL

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL.

Subsequent measurement and derecognition

Financial assets are not reclassified subsequently to the initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The financial assets classified at amortized cost are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses, if any. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments classified as FVOCI are subsequently measured at fair value. Interest income calculated using effective method, foreign exchange gain and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments classified as FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, when the Company's right to receive payments is established. This category only includes equity instruments, which the Company intends to hold for the foreseeable future. On de-recognition, there is no reclassification of fair value gains and losses to profit or loss. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9.

The financial assets classified at FVTPL are subsequently measured at fair value and net gains and losses, including any interest or dividend income, are recognised in profit or loss. Net gains and losses (unrealised and realised), including any interest or dividend income, are recognised in profit or loss.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The Company recognised a loss for ECL for financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The financial assets at amortized cost consist of trade receivables, cash and cash equivalents, and other receivables including loans to related party.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Management uses actual historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment to determine lifetime expected loss allowance. For other debt financial assets (i.e., loans etc.), the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due and a financial asset in default when contractual payment are 90 days past due.

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 unconsolidated statement of financial position. The resultant gains and losses from derivatives held for trading purposes are recognized in profit or loss. No derivative is designated as hedging instrument by the Company.

6.5.3 Financial liabilities

Classification and subsequent measurement

The Company classifies its financial liabilities as those to be measured subsequently at amortized cost using the effective interest method, if they are not:

– contingent consideration of an acquirer in a business combination
– held-for-trading
– designated as at FVTPL

The Company does not classify any of its financial liabilities under FVTPL.

Derecognition

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in unconsolidated statement of profit or loss and other comprehensive income.

Offsetting

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when the Company has a legal right to offset the amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

6.6 Investments in subsidiaries

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

6.7 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.

6.8 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 at lower of their carrying amount and fair value less costs to sell.

6.9 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.

6.10 Stock-in-trade

Stock-in-trade is stated at the lower of cost less impairment loss, if any, 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.

6.11 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 statement of cash flows.

6.12 Employee benefits

6.12.1 Compensated absences

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

6.12.2 Post retirement benefits

6.12.2.1 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 or loss when they are due.

Cotton segment

Provision and collection from employees are made at the rate of 6.25% of basic pay 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 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%.

6.12.2.2 Defined benefit plans

Pension and gratuity fund schemes

The Company provides gratuity benefits to all its permanent employees who have completed their minimum qualifying 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 or loss. 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.

6.13 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 or loss over the period of the borrowings on an effective interest basis.

6.14 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 profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized as more fully explained in note 6.18 below.

Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss 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 profit or loss over the lease term. Any loss representing the excess of the carrying values over the sale proceeds is recognized immediately in profit or loss.

6.15 Asset held under Ijarah financing

Assets held under Ijarah financing are accounted for using the guidelines of Islamic Financial Accounting Standard - 2 (IFAS 2), "Ijarah". The assets are not recognized on the Company's statement of financial position and payments made under Ijarah financing are recognized in profit or loss on a straight line basis over the term of the lease.

6.16 Taxation

Group taxation

The Parent company has opted for Group taxation under section 59AA of the Income Tax Ordinance, 2001 along with its subsidiary CS Capital (Private) Limited. These companies are taxed as one fiscal unit under this scheme. The current and deferred income taxes have been estimated on income of each of the companies according to the applicable law and are recognised by each company separately within the Group, regardless of who has the legal liability for settlement or the legal right for recovery of the tax. Any adjustments arising solely due to Group taxation in respect of result of subsidiary is recognised in the Parent Company and the amounts paid to or receivable from the Parent company are adjusted accordingly.

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, and contains impacts of group taxation as explained above.

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 reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profits or taxable temporary difference 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.

6.17 Revenue recognition

Revenue comprises of sales to third parties and is measured based on the consideration specified in contracts with customers and excludes rebates and amounts, if any, collected on behalf of third parties. Revenue is recognized either at a point in time or over time, when (or as) the Company satisfies the performance obligations as specified in the contract with the customer, and when it transfers control over the promised good or service to the customer. The Company manufactures and contracts with customers for the sale of bare pipes, coated pipes and cotton products which generally include single performance obligation. Management has concluded that revenue from sale of goods be recognised at the point in time when control of the product has transferred, being when the products are delivered to the customer. Invoices are generated and revenue is recognised at that point in time. Delivery occurs when the products have been shipped or delivered to the customer's destination / specific location, the risks of loss have been transferred to the customer and the customer has accepted the product. The customer has accepted the product as per the sales contract or lapse of acceptance provision specified in the contract or the Company has objective evidence that all criteria for acceptance have been satisfied. Contract for the sale of bare and coated pipes contains penalty clause on account of delay supply (liquidity damage). Under IFRS 15, these amounts are referred to as 'variable consideration'. The consideration which the Company receives in exchange for its goods or services may be fixed or variable. Variable consideration is only recognized when it is highly probable that a significant reversal will not occur. Revenue is measured based on the consideration specified in a contract with a customer, net of liquidity damages (penalties) and excludes amounts collected on behalf of third parties. A receivable is recognised when the goods are delivered.

6.18 Investment and other income

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.

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

6.19 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 profit or loss.

6.20 Provisions

A provision is recognized in the unconsolidated statement of financial position 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.

6.21 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 or loss.

6.22 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 the profit or loss.

6.23 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.

6.24 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 reporting date is considered as a non-adjusting event and is recognized in the period in which such transfers are made.

6.25 Earnings per share

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

7 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2019	2018		**2019**	2018
Number of shares			Rupees in '000	
37,756,686	37,756,686	Ordinary shares of Rs. 10 each fully paid in cash	377,567	377,567
39,875,805	39,875,805	Ordinary shares of Rs. 10 each issued as bonus shares	398,758	398,758
77,632,491	77,632,491		776,325	776,325

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

	2019		2018	
	Percentage of holding	Number of shares	Percentage of holding	Number of shares
Crescent Steel and Allied Products Limited - Gratuity Fund	2.47%	1,921,333	2.26%	1,752,333
Crescent Steel and Allied Products Limited - Pension Fund	5.18%	4,024,980	4.97%	3,856,980
Crescent Steel and Allied Products Limited - Staff Provident Fund	0.16%	124,200	0.16%	124,200
Crescent Cotton Products - Staff Provident Fund	0.10%	74,800	0.10%	74,800
CSAPL - Staff Benevolent Fund	0.05%	36,178	0.05%	36,178
Muhammad Amin Muhammad Bashir Limited	0.00%	848	0.00%	848
Premier Insurance Limited	0.18%	141,500	0.18%	141,500
The Crescent Textile Mills Limited	11.00%	8,538,303	11.00%	8,538,303
Shakarganj Limited	0.23%	180,000	0.23%	180,000

7.2 There is no shareholder agreement for voting rights, board selection, rights of first refusal and block voting.

8 CAPITAL RESERVES

This includes share premium reserve amounting to Rs. 1,020.9 million and as per section 81 of the Companies Act, 2017 this can be used for following purpose:

– to write off preliminary expenses of the Company;

– to write of expenses of, or the commission paid or discount allowed on, any issue of shares of the Company; and

– in providing for the premium payable on the redemption of any redeemable preference shares of the Company.

The Company may also use the share premium account to issue bonus shares to its members.

Rupees in '000	Note	2019	2018
9 LONG TERM LOANS			
Secured - Under non-shariah arrangement			
Allied Bank Limited	9.1	287,546	323,290
Less: Current portion shown under current liabilities		110,394	96,544
		177,152	226,746

9.1 The Company has a long term loan arrangement with Allied Bank Limited for an amount of Rs. 312 million (2018: Rs. 312 million). The term of the loan is 5 years from the date of disbursement with a grace period of one year, repayable in 16 equal quarterly installments started from December 2015. During the year, the Company has made repayment of Rs. 78 million (2018: Rs. 78 million). Mark-up is payable at the rate of 3 months KIBOR plus 1.5% per annum.

During the year ended 30 June 2017, Company entered into a loan arrangement with Allied Bank Limited of an amount of Rs. 100 million, out of which Rs. 74.176 million have been disbursed till date. The term of the loan is 5 years from the date of disbursement with a grace period of one year, repayable in 16 equal quarterly installments starting after fifteen months from date of disbursement. During the year, the Company has made repayment of Rs. 18.544 million. Mark-up is payable at the rate of 3 months KIBOR plus 1.5% per annum.

During year ended 30 June 2018, Company entered into new loan arrangement with Allied Bank Limited of an amount of Rs. 300 million, out of which Rs. 217.050 million have been disbursed till date. The term of the loan is 4 years from the date of disbursement with a grace period of one year, repayable in 12 equal quarterly installments starting after twelve months from date of disbursement. Mark-up is payable at the rate of 3 months KIBOR plus 1.5% per annum.

During the year, mark-up on such arrangements was ranged between 7.91% to 14.42% (2018: 7.64% to 8.35%). The facility is secured against first joint pari passu hypothecation / equitable mortgage on plant, machinery and property of the Company.

10 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Rupees in '000	Minimum lease payments 2019	Minimum lease payments 2018	Future finance costs 2019	Future finance costs 2018	Present value of minimum lease payments 2019	Present value of minimum lease payments 2018
Not later than one year	65,432	58,647	14,178	12,637	51,254	46,010
Later than one year and not later than five years	116,939	143,293	13,897	15,874	103,042	127,419
	182,371	201,940	28,075	28,511	154,296	173,429
Less: Current portion shown under current liabilities					51,254	46,010
					103,042	127,419

10.1 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 arrangements is from three to five years (2018: three to five years) and the liability is payable by the month ranging from six to sixty months (2018: one to sixty months). The periodic lease payments include built-in rates of mark-up ranging between 10.61% to 17.60% (2018: 10.47% to 12.06%) per annum. Included in the gross present value of minimum lease payments, is a sum aggregating Rs. 133.019 million (2018: Rs. 150.175 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.

11 DEFERRED INCOME

The Company entered into sale and lease back arrangements resulting in deferred income (representing excess of sales proceeds over the carrying amount of respective assets) out of which Rs. 6.454 million (2018: Rs. 5.424 million) is classified in current liabilities; being current portion of deferred income of Rs. 13.320 million (2018: Rs. 13.531 million). The deferred income will be amortized to the profit or loss over the lease term. During the year, Rs. 5.834 million (2018: Rs. 4.677 million) is amortized in profit or loss.

Rupees in '000	Note	2019	2018
12 TRADE AND OTHER PAYABLES			
Trade creditors		104,155	42,426
Bills payable		–	767,979
Commission payable		1,466	1,253
Accrued liabilities	12.1	275,722	259,375
Advances from customers	12.2	24,110	24,632
Provisions	12.3	220,317	184,858
Due to related parties	12.4	–	41
Payable to provident fund		2,134	2,017
Payable to staff retirement benefit funds		1,979	1,899
Retention money		10,764	2,949
Sales Tax payable		1,295	207
Withholding tax payable		2,959	2,272
Derivative financial liability		–	306
Workers' Profit Participation Fund	12.5	5,885	29,443
Workers' Welfare Fund		4,114	12,215
Others		37,023	17,267
		691,923	1,349,139

Rupees in '000	Note	2019	2018
12.1 Accrued liabilities			
Salaries, wages and other benefits		15,897	34,239
Accrual for 10-C bonus		2,639	2,609
Compensated absences		15,032	12,928
Liquidated damages		153,695	153,695
Others	12.1.1	88,459	55,904
		275,722	259,375

12.1.1 This includes liability against Gas Infrastructure Development Cess of Rs. 17.004 million (2018: Rs. 17.004 million).

12.2 The Company receives short term advances from its customers (contract liability) and classified it within trade and other payables. The opening balance of advances from customers amounting to Rs. 24.632 million has been recognised as revenue for the year.

12.3 Movement in provisions

Rupees in '000	Infrastructure fee (Note 12.3.1)	Sales Tax (Note 12.3.2)	Liquidated damages (Note 12.3.3)	Total
Opening balance as at 1 July 2018	136,195	3,242	45,421	184,858
Provision for the year	9,966	–	–	9,966
Transfer upon amalgamation	25,493	–	–	25,493
Closing balance as at 30 June 2019	171,654	3,242	45,421	220,317

12.3.1 This provision has been recognized against infrastructure fee levied by the Government of Sindh through Sindh Finance (Amendment) Ordinance, 2001 (the Ordinance) and through Sindh Development and Maintenance of Infrastructure Cess Act, 2017 (the Act). The Act validates fees levied through the Ordinance and continues the levy.

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 is 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.

After promulgation of new law, the company has instituted legal proceedings against the levy in the Sindh High Court, where interim stay has been granted on similar terms of payment of 50% of the amount of cess to the Government and furnishing of bank guarantees for remaining 50%.

Under the arrangement if the Company succeeds 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. 105.539 million (2018: Rs. 101.539 million) in favour of Excise and Taxation Department. Based on the legal advice, the management believes that the chances of success in the petition are 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 the profit or loss. However, on a prudent basis full provision has been recognized.

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

12.3.3 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.

12.4 This represents balances due to Premier Insurance Company - a related party, amounting to Rs. Nil (2018: Rs. 0.041 million).

Rupees in '000	Note	2019	2018
12.5 Workers' Profit Participation Fund			
Opening balance as at 1 July		29,443	2,772
Allocation for the year	36	3,633	26,782
		33,076	29,554
Amount paid to the trustees of the fund		(27,191)	(111)
Closing balance as at 30 June		5,885	29,443

13 MARK-UP ACCRUED

Mark-up accrued on :			
- Finance lease obligations		503	425
- Long term loans		6,812	3,732
- Running finance and short term loans	13.1	34,302	11,987
		41,617	16,144

13.1 This includes mark-up accrued amounting to Rs. 13.588 million (2018: Rs. 0.03 million) on shariah arrangement.

Rupees in '000	Note	2019	2018
14 SHORT TERM BORROWINGS			
Secured from banking companies			
Running finances under mark-up arrangements	14.1	846,445	305,548
Short term loans	14.2	730,751	439,339
Unsecured from non-banking companies			
Short term finance under mark-up arrangement		–	713,308
		1,577,196	1,458,195

14.1 Short term running finance / money market available from conventional side of various commercial banks under mark-up arrangements amounted to Rs. 1,350 million (2018: Rs. 1,200 million) out of which Rs. 400 million (2018: Rs. 250 million), Rs. 150 million (2018: Rs. 100 million) and Rs. 450 million (2018: Rs. Nil) are interchangeable with letter of credit, letter of guarantee facility and short term loan respectively. During the year, mark-up on such arrangements ranged between 7.68% to 14.81% (2018: 7.64% to 8.84%) per annum.

14.2 This includes an amount of Rs. 617.059 million (2018: Rs. 46.8 million) outstanding against Islamic mode of financing. Short term loans available from various commercial banks under mark-up arrangements amounted to Rs. 4,800 million (2018: Rs. 4,707 million) out of which Rs. 3,800 million (2018: Rs. 3,925 million), Rs. 50 million (2018: Rs. 210 million) and Rs. 335 million (2018: Rs. 210 million) is interchangeable with letters of credit, letter of guarantee and short term running finance facility respectively. During the year, mark-up on such arrangements ranged between 8.78% to 14.86% (2018: 7.83% to 8.67%) per annum.

14.3 The facilities for opening letters of credit amounted to Rs. 6,510 million (2018: Rs. 5,525 million) out of which Rs. 375 million (2018: Rs. 250 million), Rs. 5,450 million (2018: Rs. 2,925 million) and Rs. 260 million (2018: Rs. 210 million) are interchangeable with short term running finance, short term loans and letter of guarantee respectively as mentioned in notes 14.1 and 14.2 above. The facility for letters of guarantee as at 30 June 2019 amounted to Rs. 2,096 million (2018: Rs. 1,922 million). Amounts unutilized for letters of credit and guarantees as at 30 June 2019 were Rs. 6,355 million and Rs. 846 million (2018: Rs. 4,249 million and Rs. 106 million) respectively.

14.4 The Company is currently availing Islamic mode of financing from the Al Baraka Bank, Dubai Islamic Bank, Bank Islami Pakistan Limited. Facilities availed during the year includes letter of credit, bank guarantee, Wakala, Morhaba, Istisna and Ijarah financing.

14.5 The above facilities are expiring on various dates and are secured by way of mortgage of land and building, 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 27.1.2). Further, above facilities (refer note 14.1 to 14.3) are also secured against mortgage of land and building, hypothecation of plant and machinery and pledge of shares owned by subsidiary companies.

15 CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

15.1.1 During 2014-2015, 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 and penalty thereon amounting to Rs. 35.773 million. 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 the Company's favour.

15.1.2 During 2015-2016, a show cause notice was received from Sindh Revenue Board in respect of registration as a service provider and a demand aggregating to Rs. 60 million in respect of sales tax on services was raised thereby. The Company filed a constitutional writ in the Sindh High Court against the Sindh Revenue Board and Government of Sindh in which Honorable Sindh High Court granted interim relief to the Company.

Afterwards, the writ was decided in light of Supreme Court's orders in similar writs where Supreme Court had decreed for a 50% payment of tax demand in order to keep the writs maintainable.

Following closure of petition, the Company received show cause notices and demands for Sindh Sales Tax payments amounting to Rs. 79 million, which were challenged in Sindh High Court in a civil suit as well as at the Appellate forums of the tax authority. Currently, the appeal is pending with the Commissioner (Appeals) for adjudication.

No provision has been recognized in the financial statements in this respect, since based on the opinions of tax consultant and the Company's legal counsel, the management is confident of favorable outcome of litigation in relation to the said matter.

15.1.3 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.

15.2 Commitments

15.2.1 During 2015-2016, the Company entered into Ijarah financing arrangement amounting to Rs. 600 million with Bank Islami Pakistan Limited for acquisition of Spiral Pipe (SP) machine. As per requirement of IFAS-2 Ijarah financing has been treated as an operating lease. As at 30 June 2019, amount of lease rental outstanding under the agreement are Rs. 183.184 million (2018: Rs. 274.776 million), which is payable in quarterly instalments of Rs. 22.898 million (2018: Rs. 22.898 million) each.

The total of future Ijarah payment under arrangement are as follows:

Rupees in '000	2019	2018
Not later than one year	91,592	91,592
Later than one year and not later than five years	331,592	423,184
	423,184	514,776
Security deposit under arrangement	(240,000)	(240,000)
	183,184	274,776

15.2.2 Aggregate amount of guarantees issued on behalf of the Company against various contracts aggregated Rs. 1,251 million (2018: Rs. 1,834 million). This includes guarantee issued by Islamic banks amounting to Rs. 153.591 million (2018: Rs. 166.8 million).

15.2.3 Commitments in respect of capital expenditure contracted for as at 30 June 2019 amounted to Rs. 42.038 million (2018: Rs. 25.492 million).

15.2.4 Commitments under letters of credit (L/C) as at 30 June 2019 amounted to Rs. Nil (2018: Rs. 508.333 million).

16 PROPERTY, PLANT AND EQUIPMENT

Rupees in '000	Note	2019	2018
Operating fixed assets	16.1	2,404,168	927,045
Capital work-in-progress	16.4	89,577	112,002
		2,493,745	1,039,047

NOTES TO THE UNCONSOLIDATED **FINANCIAL STATEMENTS**

For the year ended 30 June 2019

16.1 Operating fixed assets

Description	Note	Land		Buildings		Office premises	Plant and machinery		Electrical / office equipment and installation	Furniture and fittings	Computers	Motor vehicles		Total
		Freehold	Leasehold including improvements	On freehold land	On leasehold land		Owned *	Leased				Owned	Leased	
Rupees in '000														
Net carrying value as at 1 July 2018														
Opening net book value (NBV)		265,900	10,049	140,464	849	7,125	207,212	191,198	19,821	8,383	5,008	53,822	17,214	927,045
Additions / transfers		–	–	34,619	13,677	–	75,017	–	1,897	3,096	596	14,420	26,444	169,766
Disposals (at NBV)	16.5	–	–	–	–	–	(1,897)	–	(35)	–	(85)	(21,945)	(770)	(24,732)
Transfer upon amalgamation		41,823	27,695	271,614	10,861	–	1,085,428	–	5,332	2,117	217	848	–	1,445,935
Depreciation charge	16.1.2	–	(118)	(9,110)	(516)	(900)	(49,165)	(22,348)	(6,512)	(1,260)	(3,106)	(13,229)	(7,582)	(113,846)
Balance as at 30 June 2019 (NBV)		307,723	37,626	437,587	24,871	6,225	1,316,595	168,850	20,503	12,336	2,630	33,916	35,306	2,404,168
Gross carrying value as at 30 June 2019														
Cost	16.2	265,900	11,714	342,705	83,704	27,481	1,391,184	218,546	63,819	29,110	58,547	68,424	60,007	2,621,141
Transfer upon amalgamation		41,823	31,352	320,584	12,841	–	1,415,003	–	9,486	2,990	2,058	2,961	–	1,839,098
		307,723	43,066	663,289	96,545	27,481	2,806,187	218,546	73,305	32,100	60,605	71,385	60,007	4,460,239
Accumulated depreciation		–	(1,783)	(176,732)	(69,694)	(21,256)	(1,160,017)	(49,696)	(48,648)	(18,891)	(56,134)	(35,356)	(24,701)	(1,662,908)
Transfer upon amalgamation		–	(3,657)	(48,970)	(1,980)	–	(329,575)	–	(4,154)	(873)	(1,841)	(2,113)	–	(393,163)
		–	(5,440)	(225,702)	(71,674)	(21,256)	(1,489,592)	(49,696)	(52,802)	(19,764)	(57,975)	(37,469)	(24,701)	(2,056,071)
Net book value		307,723	37,626	437,587	24,871	6,225	1,316,595	168,850	20,503	12,336	2,630	33,916	35,306	2,404,168
Net carrying value as at 1 July 2017														
Opening net book value (NBV)		265,900	10,167	130,796	956	8,030	215,276	125,456	18,091	8,325	6,062	17,591	24,260	830,910
Additions / transfers		–	–	19,655	–	–	121,245	114,775	7,521	1,178	2,578	49,614	–	316,566
Disposals (at NBV)		–	–	–	–	–	(83,250)	(31,078)	–	–	–	(3,453)	–	(117,781)
Depreciation charge		–	(118)	(9,987)	(107)	(905)	(46,059)	(17,955)	(5,791)	(1,120)	(3,632)	(9,930)	(7,046)	(102,650)
Balance as at 30 June 2018 (NBV)		265,900	10,049	140,464	849	7,125	207,212	191,198	19,821	8,383	5,008	53,822	17,214	927,045
Gross carrying value as at 30 June 2018														
Cost		265,900	11,714	308,086	70,027	27,481	1,344,811	218,546	62,784	26,014	59,804	94,578	34,538	2,524,283
Accumulated depreciation		–	(1,665)	(167,622)	(69,178)	(20,356)	(1,137,599)	(27,348)	(42,963)	(17,631)	(54,796)	(40,756)	(17,324)	(1,597,238)
Net book value		265,900	10,049	140,464	849	7,125	207,212	191,198	19,821	8,383	5,008	53,822	17,214	927,045
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. 1.704 million (2018: Rs. 1.049 million) representing net book value of capitalized spares.

16.1.1 During the year, an asset having net book value Rs. Nil (2018: Rs. 31.078 million) transferred from lease assets to own assets due to maturity of lease term.

Rupees in '000	Note	**2019**	2018
16.1.2 The depreciation charge for the year has been allocated as follows :			
Cost of sales	32.1	90,348	83,095
Distribution and selling expenses	34	963	976
Administrative expenses	35	22,535	18,580
		113,846	102,651

16.2 Property, plant and equipment as at 30 June 2019 include items having an aggregate cost of Rs. 1,258.367 million (2018: Rs. 1,257.172 million) that have been fully depreciated and are still in use by the Company.

16.3 Particulars of Company's immovable operating fixed assets are as follows:

Particulars	Location	Area	
Building			
Office premises	Saddar, Karachi	14,504	Sq. feet
Building	Nooriabad, District Jamshoro	261,257	Sq. feet
Building	Jaranwala, District Faisalabad	340,455	Sq. feet
Building	Dalowal, District Faisalabad	30,484	Sq. feet
Building	Bhone, District Jhang	78,098	Sq. feet
Building	Bhone, District Jhang	7,515	Sq. feet
Land			
Lease hold	Nooriabad, District Jamshoro	30.0	Acre
Freehold land	Ferozpur, Lahore	5.1	Acre
Freehold land	Dalowal, District Faisalabad	13.9	Acre
Freehold land	Jaranwala, District Faisalabad	35.5	Acre
Freehold land	Bhone, District Jhang	19.11	Acre

16.3.1 The fair value of property, plant and equipment as at 30 June 2019 approximated to Rs. 4,430.2 million.

Rupees in '000	Note	**2019**	2018
16.4 Capital work-in-progress			
Advance to supplier		40,000	56,806
Civil work	16.4.1 & 16.4.2	49,577	54,470
Plant and machinery		–	726
		89,577	112,002

16.4.1 This includes an amount of Rs. 26.4 million (2018: 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 ground in the case and expects a favorable outcome.

16.4.2 The Company has recognized a provision in previous year for an amount of Rs. 20.619 million (2018: Rs. 20.619 million) against construction work at a site which has been halted.

16.5 The following operating fixed assets were disposed off during the year:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Mode of disposal	Particular of buyers
Rupees in '000							
Plant and machinery	5,566	4,731	835	2,184	1,349	Sold as scrap	Mr. Aurangzaib Tanoli
Motor vehicle	25,105	5,351	19,754	19,754	–	Sale and lease back	Pak-Gulf Leasing Company Limited
Others	43,041	38,898	4,143	15,468	11,325	Various	Various
2019	73,712	48,980	24,732	37,406	12,674		
2018	142,146	55,443	86,703	117,978	31,275		

Rupees in '000	Note	2019	2018
17 INTANGIBLE ASSETS			
Net book value as at 1 July		151	977
Additions		580	–
Amortization	17.1	(247)	(826)
Net book value as at 30 June	17.2	484	151
Gross carrying value as at 30 June			
Cost		69,803	69,222
Transfer upon amalgamation		8,196	–
		77,999	69,222
Accumulated amortization		(66,679)	(66,431)
Transfer upon amalgamation		(8,196)	–
		(74,875)	(66,431)
Accumulated impairment		(2,640)	(2,640)
Net book value		484	151
Amortization rate (% per annum)		33.33	33.33

17.1 The amortization charge for the year has been allocated to administrative expenses (Note 35).

17.2 Intangible assets as at 30 June 2019 include items having an aggregate cost of Rs. 74.778 million (2018: Rs. 65.751 million) that have been fully amortized and are still in use of the Company.

18 INVESTMENT PROPERTIES

Description Rupees in '000		Freehold land	Leasehold land and improvements	Buildings on leasehold land	Office premises	Total
Net carrying value as at 1 July 2018						
Opening net book value (NBV)		1,740	843	10,452	41	13,076
Additions		–	–	9,801	–	9,801
Depreciation charge	18.1	–	(238)	(1,121)	(36)	(1,395)
Balance as at 30 June 2019 (NBV)		1,740	605	19,132	5	21,482
Gross carrying value as at 30 June 2019						
Cost	18.2	1,740	2,869	31,409	29,830	65,848
Accumulated depreciation		–	(2,264)	(12,277)	(29,825)	(44,366)
Net book value		1,740	605	19,132	5	21,482
Net carrying value as at 1 July 2017						
Opening net book value (NBV)		1,740	1,081	11,532	961	13,574
Depreciation charge		–	(238)	(1,080)	(920)	(2,238)
Balance as at 30 June 2018 (NBV)		1,740	843	10,452	41	11,336
Gross carrying value as at 30 June 2018						
Cost		1,740	2,869	21,608	29,830	54,307
Accumulated depreciation		–	(2,026)	(11,156)	(29,789)	(42,971)
Net book value		1,740	843	10,452	41	11,336
Depreciation rate (% per annum)		–	1 & 10	5	10 - 20	

18.1 Depreciation charged for the year has been allocated to administrative expenses (Note 35).

18.2 Fair value of the investment properties based on recent valuation as at 30 June 2019 is Rs. 145 million (2018: Rs. 138 million), which is determined by independent valuer on the basis of market value.

Particulars of Company's immovable operating fixed assets are as follows:

Particulars	Location	Area	
Building			
Ware house	Port Qasim, Karachi	40,000	Sq. feet
Office premises	Saddar, Karachi	4,854	Sq. feet
Land			
Lease hold	Port Qasim, Karachi	2	Acre
Freehold land	Gawadar	3	Acre

Rupees in '000	Note	2019	2018
19 LONG TERM INVESTMENTS			
Subsidiary companies			
- at cost	19.1	525,001	2,882,000
- share deposit money			
Crescent Hadeed (Private) Limited		–	108,142
CS Capital (Private) Limited		–	53,000
Associated companies - at cost	19.2	1,286,401	1,284,596
Other long term investments - available for sale		–	210,608
Other long term investments	19.3	453,432	–
		2,264,834	4,538,346

19.1 Subsidiary companies - at cost

2019	2018		Note	2019	2018
Number of shares				Rupees in '000	
		Unquoted			
–	126,000,000	CS Energy (Private) Limited (Chief Executive Officer - Mr. Muhammad Saad Thaniana)	19.1.1	–	1,260,000
52,500,000	47,200,000	CS Capital (Private) Limited (Chief Executive Officer - Ms. Hajerah Ahsan Saleem)	19.1.2	525,000	472,000
–	115,000,000	Crescent Hadeed (Private) Limited (Chief Executive Officer - Mr. Iqbal Zafar Siddiqui)	19.1.1	–	1,150,000
2	2	Crescent Continental Gas Pipelines Limited (US $ 1 each)	19.1.3	–	–
100	–	Solution de Energy (Private) Limited	19.1.4	1	–
				525,001	2,882,000

19.1.1 CS Energy (Private) Limited and Crescent Hadeed (Private) Limited were amalgamated with the Company on 30 June 2019 (refer note 2).

19.1.2 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.

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

19.1.4 This represents the Company's investment in 100% ordinary shares of Solution de Energy (Private) Limited that was acquired through amalgamation on 30 June 2019.

19.2 Associated companies - at cost

2019	2018		Note	2019	2018
Number of shares				Rupees in '000	
		Quoted			
60,663,775	60,475,416	Altern Energy Limited	19.2.1	595,293	593,488
		(Chief Executive Officer -			
		Mr. Fazal Hussain Asim)			
27,409,075	27,409,075	Shakarganj Limited	19.2.2	691,108	691,108
		(Chief Executive Officer -			
		Mr. Anjum M. Saleem)			
				1,286,401	1,284,596

19.2.1 The Company holds 16.69% (2018: 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. During the year, the Company acquired further holding in 188,359 shares of Altern Energy Limited amounting to Rs. 8.06 million through the amalgamation scheme (Refer note 2).

19.2.2 The Company holds 21.93% (2018: 21.93%) shareholding in Shakarganj 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.

Rupees in '000	2019	2018
19.2.3 Market value of investments in associates is as follows:		
Altern Energy Limited	2,022,530	2,295,042
Shakarganj Limited	1,284,115	1,932,340
	3,306,645	4,227,382

Percentage of holding	2019	2018
19.2.4 Percentage of holding of equity in associates is as follows:		
Altern Energy Limited	16.69	16.64
Shakarganj Limited	21.93	21.93

19.2.5 The latest financial statements / condensed interim financial information of associated companies as at 30 June 2019 are not presently available. The following is summarized financial information of associated companies as at 31 March 2019 and for the twelve months period ended 31 March 2019 based on their respective unaudited condensed interim financial information prepared in accordance with the accounting and reporting standards as applicable in Pakistan:

		Non current assets	Current assets	Non current liabilities	Current liabilities	Revenues	Profit/ (loss) after tax	Other comprehen-sive income/ (loss)	Total comprehen-sive income/ (loss)
Rupees in '000		(As at 31 March)				(For the twelve months period ended 31 March)			
2019									
Altern Energy Limited	19.2.5.1	18,113,134	17,482,746	972,157	7,624,671	21,324,849	2,859,051	(104)	2,858,947
Shakaganj Limited		12,615,881	1,975,261	1,410,654	4,591,010	7,200,975	(121,741)	2,754,574	2,632,833

Rupees in '000	Non current assets	Current assets	Non current liabilities	Current liabilities	Revenues	Profit/ (loss) after tax	Other comprehen-sive income/ (loss)	Total comprehen-sive income/ (loss)
2018								
Altern Energy Limited	19,414,491	17,068,451	2,732,866	7,637,322	29,231,699	3,012,659	(2,453)	3,010,206
Shakaganj Limited	9,605,917	2,163,289	1,094,046	4,673,841	7,268,191	(822,881)	(36,604)	(859,485)

19.2.5.1 These figures are based on the latest available unaudited condensed interim consolidated financial information as at 31 March 2019 including its subsidiary company Rousch (Pakistan) Power Limited being managed by Power Management Company holding 59.98% shares.

Rupees in '000	Note	**2019**	2018
19.3 Other long term investments			
Fair value through other comprehensive income (FVOCI)	19.3.1	9,844	–
Fair Value through profit or loss (FVTPL)	19.3.2	443,588	–
		453,432	–

19.3.1 Fair value through other comprehensive income (FVOCI)

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

2019	2018		Note	**2019**	2018
Number of shares		Name of investee company		Rupees in '000	
		Quoted			
452,379	–	The Crescent Textile Mills Limited	19.3.1.1	9,844	–

19.3.1.1 The Company has irrevocably designated at initial application of IFRS 9 to recognise in this category. This is strategic investment and management considers this classification to be more relevant. Uptil 30 June 2018, these investments were classified as available for sale under IAS 39. Unlike IAS 39, the accumulated fair value reserve related to this investment will never be reclassified to profit or loss.

19.3.2 Fair Value through Profit or loss (FVTPL)

2019	2018		Note	**2019**	2018
Number of shares				Rupees in '000	
		Unquoted			
14,110,817	–	Shakarganj Food Products Limited	19.3.2.1	319,187	–
4,189,999	–	Central Depository Company of Pakistan Limited (CDC)	19.3.2.1	124,401	–
2,403,725	–	Crescent Bahuman Limited - Related party	19.3.2.2	24,037	–
1,047,000	–	Crescent Industrial Chemicals Limited	19.3.2.3	10,470	–
				478,095	–
		Less: Provision for impairment		(34,507)	–
				443,588	–

19.3.2.1 On initial application of IFRS 9, these have been classified as FVTPL and measured at fair value. Uptil 30 June 2018, these investments were carried at cost as per IAS 39 and classified as available for sale.

19.3.2.2 The chief executive of Crescent Bahuman Limited is Mr. Nasir Shafi. The break-up value of shares of the investee company is Rs. 9.79 per share (2018: Rs. 15.50 per share), calculated on the basis of audited annual financial statements for the year ended 30 June 2018. This investment had been fully charged to profit or loss in earlier periods. Uptil 30 June 2018, these investments were classified as available for sale under IAS 39.

19.3.2.3 This investment had been fully charged to profit or loss in earlier periods. Uptil 30 June 2018, this investment was classified as available for sale under IAS 39.

Rupees in '000	**2019**	2018
20 LONG TERM DEPOSITS		
Security deposits		
- leasing companies	22,711	24,670
- Ijarah financing arrangement	199,694	181,788
- others	10,862	10,775
	233,267	217,233
21 DEFERRED TAXATION - NET		
Deferred tax credits / (debits) arising in respect of:		
Taxable temporary differences		
Accelerated tax depreciation / amortization	206,978	35,926
Finance lease obligations	14,470	10,145
Fair value adjustment in unquoted investment through reserves	30,119	–
Employee benefits - Defined benefit plan	–	37,895
Unrealized gain on fair value through profit or loss investments	14,775	–
Unrealized gain on held for trading investments	–	1,447
	266,342	85,413
Deductible temporary differences		
Employee benefits - Defined benefit plan	(67,592)	–
Provision for slow moving stores, spares and loose tools	(25,763)	(17,538)
Provisions for doubtful trade debts, doubtful advances and others	(70,950)	(57,667)
Discounting on long term deposit	(14,265)	(19,404)
Deferred income	(3,863)	(3,923)
Provisions for impairment of fixed assets	(5,980)	(5,980)
Provision of Gas Infrastructure Development Cess	(3,477)	(3,477)
Excess of minimum tax over normal tax	(50,831)	–
Tax losses	(308,247)	–
Provision for diminution in the value of investments	(7,505)	(7,505)
	(558,473)	(115,494)
	(292,131)	(30,081)
21.1 Break up of deferred tax (reversal) / charge is as following:		
Profit or loss	(186,682)	(8,268)
Other comprehensive income	(105,487)	(254,660)
Opening retained earnings	30,119	–
	(262,050)	(262,928)

Rupees in '000	Note	2019	2018
22 STORES, SPARES AND LOOSE TOOLS			
Stores		51,045	44,600
Spare parts		219,329	181,797
Loose tools		4,248	3,053
		274,622	229,450
Less: Provision for slow moving items	22.1	88,838	60,477
		185,784	168,973
22.1 Movement in provision for slow moving items			
Opening balance		60,477	45,924
Provision made during the year		17,502	14,553
Transfer upon amalgamation		10,859	–
Closing balance		88,838	60,477
23 STOCK-IN-TRADE			
Raw materials			
Hot rolled steel coils (HR Coils)		323,884	190,673
Coating materials		84,462	74,068
Steel scrap		4,320	–
Others		112,930	90,527
Raw cotton		130,230	205,217
Stock-in-transit		–	776,402
		655,826	1,336,887
Work-in-process	23.1 & 32.1	24,996	19,713
Finished goods - net	23.1 & 32.1	131,598	180,239
Scrap / cotton waste		8,949	5,811
		165,543	205,763
		821,369	1,542,650

23.1 Stock-in-trade as at 30 June 2019 includes items valued at net realisable value (NRV). Reversal in respect of stock written back to NRV was amounting to Rs. 26.083 million (2018: Charge of Rs. 27.052 million) has been recognized in cost of goods sold.

Rupees in '000	Cost	NRV
Raw material	656,832	655,826
Work-in-process	24,996	24,996
Finished goods	188,777	131,598
	870,605	812,420

Rupees in '000	Note	2019	2018
24 TRADE DEBTS			
Secured			
Considered good		76,918	–
Unsecured			
Considered good		19,514	106,886
Considered doubtful		30,706	16,626
		50,220	123,512
Impairment loss on trade debts	24.1	(30,706)	(16,626)
		96,432	106,886

Rupees in '000	Note	2019	2018
24.1 Movement in impairment loss on trade debts			
Opening balance		16,626	21,640
Impairment loss made during the year		956	–
Reversal of impairment loss made during the year		(1,500)	(5,014)
Transfer upon amalgamation		14,624	–
Closing balance		30,706	16,626

Rupees in '000	Note	2019	2018
25 LOANS AND ADVANCES			
Unsecured			
Loan to related parties - considered good			
Loan to subsidiary	25.1	88,208	249,900
Advances - considered good			
Staff		908	1,095
Suppliers for goods and services		33,504	23,718
Advances to others		65	–
Advances - considered doubtful			
Suppliers for goods and services		47	47
Provision for doubtful advances		(47)	(47)
		–	–
		122,685	274,713

25.1 The Company has provided short term interest free loan to the subsidiary company in order to meet its requirements for the purposes of feasibility, legal approvals and other related activities in respect of its project of 100 MW Solar Power Plant in Solar Power Park being established by the Government of Punjab in the Cholistan desert. Maximum aggregate amount outstanding at any time during the year calculated by reference to month-end balance are Rs. 88.208 million (2018: Rs. Nil).

Rupees in '000	Note	2019	2018
26 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Security deposits - leasing companies		9,367	2,891
Security deposits - others	26.1	30,207	13,899
Prepayments		10,718	8,789
		50,292	25,579

26.1 This includes Rs. 28.625 million (2018: Rs. Nil) in respect of cost of interconnectivity of 11 KV feeder paid to FESCO under Power Purchase Agreement (PPA) for sale of 4-6 MW power. Under the PPA, initially this cost was required to be borne by the Company, however, it is agreed that the cost so incurred will be paid back to the Company by FESCO in five years time through ten (10), half yearly equal instalments, without mark-up, commencing after one month from commercial operation date.

Rupees in '000	Note	2019	2018
27 INVESTMENTS			
Fair value through profit or loss (FVTPL)	27.1	166,735	–
Held for trading (HFT)	27.1	–	436,971
Available for sale (AFS)	27.2	–	11,400
		166,735	448,371

27.1 Fair value through profit or loss (FVTPL) / Held for trading (HFT)

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

2019	2018		Note	2019	2018
Number of shares				Rupees in '000	
5,501,543	8,102,212	Quoted - Investments	27.1.1	166,735	436,971
		Unquoted			
1,996	1,996	Innovative Investment Bank Limited		2,777	2,777
		Less: Provision for impairment		(2,777)	(2,777)
				–	–
			27.1.3	166,735	436,971

27.1.1 Quoted - Investments

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

2019	2018	Name of investee company	FVTPL 2019	HFT 2018
(Number of share / certificates)			Rupees in '000	
6,300	6,300	Attock Cement Pakistan Limited	450	847
5,750	100,000	Cherat Cement Company Limited	464	9,723
315,000	315,000	D.G. Khan Cement Company Limited	17,810	36,064
295,000	200,000	Engro Fertilizer Limited	18,871	14,982
–	15,000	Fatima Fertilizer Company Limited	–	486
–	182,500	Fauji Fertilizer Bin Qasim Limited	–	7,045
55,000	55,000	Fauji Fertilizer Company Limited	4,796	5,439
1,705,000	1,705,000	HBL Growth Fund - Class A		
		(Formerly: PICIC Growth Fund)	17,613	52,020
500,673	500,673	HBL Investment Fund - Class A		
		(Formerly: PICIC Investment Fund)	2,028	6,744
68,500	68,500	Hi-Tech Lubricants Limited	1,895	6,940
127,000	117,000	International Industries Limited	9,788	27,178
63,000	63,000	International Steel Limited	2,502	6,407
1,500,000	1,500,000	K-Electric Limited*	6,585	8,520
41,080	31,600	Kohat Cement Limited	2,158	3,889
1,650	–	Mari Petroleum Company Limited	1,665	–
5,500	–	Meezan Bank Limited	479	–
2,000	–	Millat Tractors Limited	1,725	–
–	100,000	Kohinoor Energy Limited	–	4,000
–	140,000	Kot Addu Power Company Limited	–	7,547
–	20,000	Loads Limited	–	624
65,400	65,400	Nishat Mills Limited	6,104	9,216
186,000	186,000	Nishat Power Limited	5,122	5,513
72,700	72,700	Oil and Gas Development Company Limited	9,559	11,314
–	100,000	Pakgen Power Limited	–	1,928
500	50,000	Pakistan Oilfields Limited	203	33,590
200,000	393,800	Pakistan Petroleum Limited	28,886	84,628
84,000	84,000	Pakistan State Oil Company Limited	14,250	26,738
–	1,486,749	Pakistan Stock Exchange Limited	–	29,363
–	125,000	Pakistan Telecommunication Company Limited	–	1,430
–	37,400	Roshan Packages Limited	–	1,054
–	140,000	Sui Northern Gas Pipelines Limited	–	14,031
–	35,000	Sui Southern Gas Company Limited	–	1,149
–	5,100	Thal Limited	–	2,435
175,000	175,000	The Hub Power Company Limited	13,782	16,127
26,490	26,490	Jubilee Spinning and Weaving Mills Limited	90	90
			166,825	437,061
		Less: Provision for impairment	(90)	(90)
5,501,543	8,102,212		166,735	436,971

* The face value of these ordinary shares is Rs. 3.5 per share.

27.1.2 The market value of investments which have been pledged with financial institutions as security against financing facilities (refer note 14.5) are as follows:

Rupees in '000	2019	2018
Name of investee company		
Altern Energy Limited (Long term investment)	1,828,532	2,034,120
Attock Cement Pakistan Limited	450	847
Cherat Cement Company Limited	464	9,723
D.G. Khan Cement Company Limited	17,810	36,064
Engro Fertilizer Limited	18,871	14,982
Fatima Fertilizer Company Limited	–	486
Fauji Fertilizer Bin Qasim Limited	–	7,045
Fauji Fertilizer Company Limited	4,796	5,439
HBL Investment Fund - Class A (Formerly: PICIC Investment Fund)	2,025	6,735
Hi-Tech Lubricants Limited	1,895	6,940
International Industries Limited	9,788	24,390
International Steel Limited	2,502	6,407
K-Electric Limited*	6,585	8,520
Kohat Cement Limited	2,158	–
Mari Petroleum Company	1,665	–
Meezan Bank Limited	436	–
Millat Tractors Limited	1,725	–
Kohinoor Energy Limited	–	4,000
Kot Addu Power Company Limited	–	7,547
Nishat Mills Limited	6,104	7,046
Nishat Power Limited	5,122	5,513
Oil and Gas Development Company Limited	9,559	10,893
Pakgen Power Limited	–	1,928
Pakistan Oilfields Limited	–	33,590
Pakistan Petroleum Limited	28,886	83,811
Pakistan State Oil Company Limited	14,249	22,282
Pakistan Stock Exchange Limited	–	29,363
Roshan Packages Limited	–	958
Sui Northern Gas Pipelines Limited	–	14,031
Sui Southern Gas Company Limited	–	1,149
The Crescent Textile Mills Limited	9,844	11,400
The Hub Power Company Limited	13,781	16,128
	1,987,247	2,411,337

* The face value of these ordinary shares is Rs. 3.5 per share.

27.1.3 This represents investment in ordinary shares of listed companies and certificates of mutual funds. Under IAS 39, these were classified as held for trading whereas under IFRS 9 these have been classified and held as FVTPL. This also includes investment in Jubilee Spinning and Weaving Mills Limited and Innovative Investment Bank Limited, which had been fully provided for as the break-up value of their shares was Rs. Nil per share (30 June 2018: Rs. Nil). Under IAS 39, these were classified as available for sale and reclassified to FVTPL on initial application of IFRS 9 as management has not designated it as FVOCI.

27.2 Available for sale

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

2019	2018	Name of investee company	Note	2019	2018
Number of shares				Rupees in '000	
		Quoted			
–	452,379	The Crescent Textile Mills Limited	27.2.1	–	11,400

27.2.1 The Company has recognized impairment loss in previous years amounting to Rs. 4.537 million (2018: Rs. 4.537 million) against the investment.

Rupees in '000	Note	2019	2018
28 OTHER RECEIVABLES			
Dividend receivable		885	1,946
Provision there against		(885)	(885)
		–	1,061
Receivable against rent from investment property		305	442
Due from related parties	28.1	19,559	60,506
Retention money receivable		–	113,162
Sales tax refundable	28.2	187,870	106,100
Margin on guarantees		15,359	15,359
Receivable from staff retirement benefits funds	44	20,329	254,774
Others		6,005	2,042
		249,427	553,446
28.1 Due from related parties			
Shakarganj Limited		5,627	1,645
CS Capital (Private) Limited		2,216	998
CS Energy (Private) Limited		–	28,451
Crescent Hadeed (Private) Limited		–	17,855
Solution de Energy (Private) Limited		11,663	11,504
Crescent Steel and Allied Products Limited - Pension Fund		53	53
		19,559	60,506

28.1.1 Maximum aggregate amount outstanding at any time during the year calculated by reference to month-end balance is as follows:

Rupees in '000	2019	2018
Shakarganj Limited	5,627	1,648
CS Capital (Private) Limited	2,216	1,376
CS Energy (Private) Limited	–	28,451
Crescent Hadeed (Private) Limited	–	34,145
Solution de Energy (Private) Limited	11,663	11,504
Crescent Steel and Allied Products Limited - Pension Fund	53	53
	19,559	77,177

Rupees in '000	2019	2018
28.1.2 The aging of amount due from related parties:		
Not yet due	1,295	5,326
Past due 1 - 30 days	128	4,535
Past due 30 - 180 days	2,087	18,452
Past due 180 days	16,049	32,193
	19,559	60,506

28.2 In previous years, order in original no. 10/2016-17 dated 18 August 2017 was issued whereby a demand aggregating to Rs. 41.6 million was raised against the company under sections 33 and 34 of the Sales Tax Act, 1990. The case was contested at Commissioner Inland Revenue (Appeals), where the case has been decided mostly in favour of the Company thereby reducing demand to Rs. 8.759 million via order dated 8 January 2018, issued under section 45B of the Sales Tax Act, 1990. The Company filed an appeal with the Appellate Tribunal Inland Revenue where the entire proceeding has been set aside on legal grounds.

This includes payment made to Punjab Revenue Authority against order received for non withholding of Punjab sales tax on services and its deposit with Punjab Revenue Authority. Currently, the appeal is pending adjudication at the Appellate Tribunal Inland Revenue - PRA. After consultation with legal advisor, the management considers that the appeal would be decided in Company's favour.

In the current year, the Company has adopted fixed regime of sales tax whereby sales tax liability is discharged on the basis of units of electricity consumed at Rs. 13 per unit instead of ad valorem basis. FBR did not agree to the Company's stance owing to which Company filed writ petition no. 243530/2018 in Lahore High Court. The writ was allowed but later on, the department filed ICA No. 23517/2019 before High Court which is sub judice. No proceedings have been held since but management is confident of favourable outcome in light of the tax opinion which advices that the Company has a good case.

Rupees in '000	2019	2018
29 TAXATION - NET		
Advance taxation	3,719,262	3,347,778
Provision for taxation	(2,458,731)	(2,387,273)
	1,260,531	960,505

29.1 The Income Tax assessments of the Company have been finalized up to and including tax year 2018, except for pending appeal effect orders in respect of tax years 2002 and 2003. Deemed assessments for certain tax years have been amended by the department on account of various issues as explained below:

Income tax assessments of the company for the tax years 2013 and 2016 have been amended by the Commissioner Inland Revenue whereby, tax demands of Rs. 95.94 million and Rs. 143.8 million have been raised respectively. Appeal has been preferred with the Commissioner Appeals which is pending adjudication for tax year 2013, whereas appeal is pending hearing before the Appellate Tribunal Inland Revenue for 2016.

The Additional Commissioner Inland Revenue amended the deemed assessment of the company for Tax Year 2009 and Tax Year 2011 thereby raising demands of Rs. 4.937 million and Rs. 22.218 million respectively. The company filed appeals with the Commissioner Inland Revenue (appeals) in which majority of the issues were decided in company's favour in 2009 and case was remanded back to the assessing officer for 2011.

Orders under section 161/205 of the Income Tax Ordinance 2001 have been issued by the Assistant Commissioner Inland Revenue, whereby demand aggregating to Rs. 8.691 million (inclusive of default surcharge) has been raised in respect of tax year 2014 and Rs. 5.794 million in respect of tax year 2010. Majority of the matters have decided in favour of the company at the Commissioner (Appeals) level, whereas appeals have been preferred in Appellate Tribunal Inland Revenue for remaining issues.

Orders under section 161/205 of the Income Tax Ordinance 2001 have been issued by the Assistant Commissioner Inland Revenue, whereby demand aggregating to Rs. 4.253 million (inclusive of default surcharge) has been raised in respect of tax year 2017. Appeal has been preferred with the Commissioner Appeals which is pending adjudication.

Income tax assessment for the year 2006 was proposed to be amended where case was decided in the Company's favour by the Appellate Tribunal Inland Revenue. Department has now filed case in the Lahore High Court challenging the tribunal's decision, which is pending to be heard.

As per order under section 161/205 of the Income Tax Ordinance 2001 issued by the Assistant Commissioner Inland Revenue, whereby demand aggregating to Rs. 46.78 million has been raised in respect of tax year 2017 in relation to Crescent Hadeed (Private) Limited, which stands amalgamated with the company by virtue of Scheme of Amalgamation. Appeal has been preferred to the Commissioner (Appeals) which is pending for decision.

No provision has 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.

30 CASH AND BANK BALANCES

Rupees in '000	Note	2019	2018
With banks			
- in saving account	30.1	6,322	3,097
- in current accounts		20,881	130,270
	30.2	27,203	133,367
Cash in hand		602	85
		27,805	133,452

30.1 Mark-up rate on saving account is 2.40% to 6.26% (2018: 3.75%).

30.2 This includes balances amounting to Rs. 3.287 million (2018: Rs. 1.811 million) with Shariah complaint banks.

31 SALES - NET

Rupees in '000	Note	2019	2018
Local sales			
Bare pipes		319,247	5,533,373
Pipe coating		233,976	742,977
Pre coated pipes		1,996,516	475,612
Cotton yarn / raw cotton		1,667,951	884,203
Others		91,865	173,011
Scrap / waste		167,325	264,050
Sales returns		(3,262)	–
		4,473,618	8,073,226
Export sales			
Fabric	31.1	–	13,120
		4,473,618	8,086,346
Sales tax		(407,103)	(1,042,559)
		4,066,515	7,043,787

31.1 Summary of export sales during the year:

Rupees in '000			2019	2018
Country	Geographical location	Credit terms		
Ecuador	South America	Unsecured	–	13,120

31.2 Revenue is disaggregated by major products and also by geographical market. Additionally revenue by major customer is disclosed in note 43 to these unconsolidated financial statements.

Rupees in '000		2019	2018
32 COST OF SALES			
Steel segment	32.1	2,266,675	5,344,171
Cotton segment	32.1	1,579,451	888,295
		3,846,126	6,232,466

		Steel segment		Cotton Segment		Total	
Rupees in '000	Note	2019	2018	2019	2018	2019	2018
32.1 Cost of sales							
Raw materials consumed		1,659,667	4,125,720	1,173,444	611,491	2,833,111	4,737,211
Cost of raw cotton sold		–	–	–	27,736	–	27,736
Packing materials consumed		–	–	16,835	9,613	16,835	9,613
Store and spares consumed		60,063	115,322	18,600	13,671	78,663	128,993
Fuel, power and electricity		48,013	55,616	204,407	111,143	252,420	166,759
Salaries, wages and other benefits	32.2	139,238	171,121	125,505	82,221	264,743	253,342
Insurance		4,705	4,687	2,583	2,394	7,288	7,081
Commission		–	–	4,713	–	4,713	–
Repairs and maintenance		6,051	17,835	2,474	1,834	8,525	19,669
Depreciation	16.1.2	61,098	53,894	29,250	29,201	90,348	83,095
Rental under Ijarah financing		91,592	91,599	–	–	91,592	91,599
Other expenses		147,593	424,083	6,937	3,606	154,530	427,689
		2,218,020	5,059,877	1,584,748	892,910	3,802,768	5,952,787
Opening stock of work-in-process		10,288	85,524	9,425	–	19,713	85,524
Closing stock of work-in-process	23	(15,854)	(10,288)	(9,142)	(9,425)	(24,996)	(19,713)
		(5,566)	75,236	283	(9,425)	(5,283)	65,811
Cost of goods manufactured		2,212,454	5,135,113	1,585,031	883,485	3,797,485	6,018,598
Opening stock of finished goods		174,745	383,803	5,494	10,304	180,239	394,107
Closing stock of finished goods - net	23	(120,524)	(174,745)	(11,074)	(5,494)	(131,598)	(180,239)
		54,221	209,058	(5,580)	4,810	48,641	213,868
		2,266,675	5,344,171	1,579,451	888,295	3,846,126	6,232,466
32.2 Detail of salaries, wages andother benefits							
Salaries, wages and other benefits	32.2.1	137,150	162,171	123,939	80,865	261,089	243,036
Pension fund	32.2.2	205	3,358	–	363	205	3,721
Gratuity fund	32.2.2	(1,632)	1,329	–	34	(1,632)	1,363
Provident fund contributions		3,515	4,263	1,566	959	5,081	5,222
		139,238	171,121	125,505	82,221	264,743	253,342

32.2.1 This includes contribution amounting to Rs. 0.06 million (2018: Rs. 10 million) to Staff Benevolent Fund ("the Fund"). The Fund has been established as separate legal entity under the Trust Act, 1882 and registered under Income Tax Ordinance, 2001. The objective of the Fund is to provide at the discretion of the trustees, post retirement medical cover / facilities for retired employees and other hardship cases of extraordinary nature of existing employees of the Company. The Company does not have any right in the residual interest of the Fund.

	2019		2018	
Rupees in '000	Pension	Gratuity	Pension	Gratuity
32.2.2 Staff retirement benefits				
Current service costs	4,283	1,564	(1,261)	(255)
Interest costs	11,564	2,964	(3,040)	(454)
Return on plan assets, excluding interest income	(15,642)	(6,160)	8,022	2,072
	205	(1,632)	3,721	1,363

Rupees in '000	Note	2019	2018

33 INCOME FROM INVESTMENTS

Dividend income	33.1	208,944	549,311
Loss on sale of held for trading investments - net		–	(6,600)
Loss on sale of FVTPL investments - net	33.1	(16,077)	–
Unrealized loss on held for trading investments - net		–	(48,842)
Unrealized loss on FVTPL investments - net	33.1	(3,867)	–
Rent from investment properties	33.2	2,563	1,639
		191,563	495,508

33.1 Break up of dividend income, realised loss and unrealised (loss) / gain is as follows:

Rupees in '000 Name of investee company	Dividend income	Realised loss	Unrealised gain / (loss)
Shariah compliant investee companies	202,992	(12,895)	(79,186)
Non- Shariah compliant investee companies	5,952	(3,182)	75,319
	208,944	(16,077)	(3,867)

33.1.1 Income from investment was catagorised as Shariah / Non-Shariah compliant investee companies on the basis of All Shares Islamic Index as circulated by the Pakistan Stock Exchange.

33.2 Direct operating expenses incurred against rental income from investment properties amounted to Rs. 0.518 million (2018: Rs. 2.749 million). Further Rs. 2.179 million (2018: Rs. 0.391 million) were incurred against the non rented out area.

34 DISTRIBUTION AND SELLING EXPENSES

		Steel segment		Cotton Segment		Total	
Rupees in '000	Note	**2019**	2018	**2019**	2018	**2019**	2018
Salaries, wages and other benefits	34.1	3,640	3,860	1,599	1,526	5,239	5,386
Commission		–	–	–	2,855	–	2,855
Travelling, conveyance and entertainment		450	489	69	92	519	581
Depreciation	16.1.2	963	976	–	–	963	976
Insurance		118	104	–	–	118	104
Postage, telephone and telegram		43	64	51	162	94	226
Advertisement		1,644	728	–	–	1,644	728
Bid bond expenses		747	2,499	–	–	747	2,499
Legal and professional charges		3,518	1,054	–	–	3,518	1,054
Others		743	882	1,200	2,561	1,943	3,443
		11,866	10,656	2,919	7,196	14,785	17,852

34.1 Detail of salaries, wages and other benefits

		Steel segment		Cotton Segment		Total	
Rupees in '000	Note	**2019**	2018	**2019**	2018	**2019**	2018
Salaries, wages and other benefits		3,449	3,458	1,599	1,526	5,048	4,984
Pension fund	34.1.1	52	176	–	–	52	176
Gratuity fund	34.1.1	(388)	73	–	–	(388)	73
Provident fund contributions		527	153	–	–	527	153
		3,640	3,860	1,599	1,526	5,239	5,386

	2019		2018	
Rupees in '000	Pension	Gratuity	Pension	Gratuity
34.1.1 Staff retirement benefits				
Current service costs	1,095	372	(60)	(14)
Interest costs	2,956	704	(144)	(23)
Return on plan assets, excluding interest income	(3,999)	(1,464)	380	110
	52	(388)	176	73

35 ADMINISTRATIVE EXPENSES

Rupees in '000	Note	Steel segment 2019	Steel segment 2018	Cotton segment 2019	Cotton segment 2018	IID segment 2019	IID segment 2018	Total 2019	Total 2018
Salaries, wages and other benefits	35.1	70,994	27,245	15,861	7,824	5,980	5,736	92,835	40,805
Rents, rates and taxes		1,380	2,543	323	439	582	628	2,285	3,610
Travelling, conveyance and entertainment		4,963	8,809	953	1,228	289	508	6,205	10,545
Fuel and power		8,396	7,904	1,222	761	468	421	10,086	9,086
Postage, telephone and telegram		1,873	1,973	403	356	106	109	2,382	2,438
Insurance		1,316	1,412	280	161	117	117	1,713	1,690
Repairs and maintenance		9,947	10,181	463	298	1,256	780	11,666	11,259
Auditors' remuneration	35.2	2,318	1,947	618	342	247	199	3,183	2,488
Legal, professional and corporate service charges		13,124	14,527	2,696	1,826	2,214	2,539	18,034	18,892
Advertisement		1,735	1,854	13	12	91	96	1,839	1,962
Donations	35.3	2,694	33,333	–	–	142	1,754	2,836	35,087
Depreciation	16.1.2 & 18.1	18,208	15,411	3,368	2,390	2,354	3,017	23,930	20,818
Amortization of intangible assets	17.1	198	705	39	88	10	33	247	826
Printing, stationery and office supplies		2,137	4,812	512	242	211	352	2,860	5,406
Newspapers, subscriptions and periodicals		330	277	494	455	25	19	849	751
Others		5,941	5,884	1,137	873	297	616	7,375	7,373
		145,554	138,817	28,382	17,295	14,389	16,924	188,325	173,036

35.1 Detail of salaries, wages and other benefits

Rupees in '000	Note	Steel segment 2019	Steel segment 2018	Cotton segment 2019	Cotton segment 2018	IID segment 2019	IID segment 2018	Total 2019	Total 2018
Salaries, wages and other benefits		69,019	95,619	15,382	13,309	5,980	6,233	90,381	115,161
Pension fund	35.1.1	546	(45,975)	–	(4,851)	–	(532)	546	(51,358)
Gratuity fund	35.1.1	(3,463)	(25,986)	–	(1,161)	–	(254)	(3,463)	(27,401)
Provident fund contributions		4,892	3,587	479	527	–	289	5,371	4,403
		70,994	27,245	15,861	7,824	5,980	5,736	92,835	40,805

Rupees in '000	2019 Pension	2019 Gratuity	2018 Pension	2018 Gratuity
35.1.1 Staff retirement benefits				
Current service costs	11,384	3,319	17,405	5,132
Interest costs	30,733	6,289	41,961	9,121
Return on plan assets, excluding interest income	(41,571)	(13,071)	(110,724)	(41,654)
	546	(3,463)	(51,358)	(27,401)

Rupees in '000	2019	2018
35.2 Auditors' remuneration		
Audit fee	2,013	1,817
Certifications and other assurance services	727	360
Out of pocket expenses	205	183
Sales tax	238	128
	3,183	2,488

35.2.1 Audit fee includes services for audit of annual unconsolidated and consolidated financial statements, audit of annual consolidated financial statements for group taxation purpose, 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.

35.3 Donations

Donations include the following in which a director is interested:

Name of director	Interest in donee	Name and address of the donee	2019 Amount donated	2018 Amount donated
Mr.. Ahsan M. Saleem	Director	The Citizens Foundation Plot No. 20, Sector - 14, New Brookes Chowrangi, Korangi Industrial Area, Karachi.	1,076	23,688
	Chairman	CSAP Foundation 10th Floor, BOP Tower, 10-B, Block E-2, Main Boulevard, Gulberg - III, Lahore.	–	1,000
	Director	Pakistan Centre for Philanthropy 1-A St.14 F-8/3 Islamabad.	–	1,000
			1,076	25,688

(Rupees in '000)

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

35.3.2 Donations include the following in which directors are not interested:

Rupees in '000 Name of the done	2019 Amount donated	2018 Amount donated
Crescent Model Higher Secondary School	1,500	–
Crescent Educational Trust	–	3,000
Citizens Police Liaison Committee	–	2,500
Rashid Memorial Welfare Organization	–	1,000
National University of Sciences and Technology	–	1,000
Others	260	1,899
	1,760	9,399

Rupees in '000	2019	2018
36 OTHER OPERATING EXPENSES		
Exchange loss	2,288	6,041
Claim receivable written off	–	561
Impairment loss on trade debts	956	–
Provision for :		
- Workers' Profit Participation Fund	3,633	26,782
- Workers' Welfare Fund	474	11,071
- slow moving stores, spares and loose tools - net	17,502	14,553
Liquidated damages	3,727	25,882
Others	66	–
	28,646	84,890
37 OTHER INCOME		
Income from financial assets		
Mark-up on short term loan to subsidiary companies	41,727	26,228
Return on deposits - from conventional banking	477	824
Exchange gain on derivative financial liability - net	–	1,504
Unwinding of discount on long term deposit	19,798	16,920
	62,002	45,476
Income from non-financial assets		
Exchange gain	395	–
Gain on disposal of operating fixed assets	12,674	24,686
Deferred income amortized	5,834	4,677
Insurance commission	306	1,566
Liabilities written-back	1,285	768
Reversal of impairment of trade debts	1,500	5,014
Recovery of liquidated damages	–	85,185
Reversal of provision for stock-in-trade	–	715
Rent income	4,279	2,959
Others	706	625
	26,979	126,195
	88,981	171,671
38 FINANCE COSTS		
Mark - up on short term loans - Shariah arrangement	52,859	21,643
Interest on - Non - Shariah arrangement		
- finance lease obligations	14,954	10,257
- long term loans	35,953	31,793
- running finances	90,155	50,180
- short term loans	42,071	103,151
Discounting of long term deposit	2,080	8,340
Bank charges	6,210	5,955
	244,282	231,319

Rupees in '000	2019	2018
39 TAXATION		
Current		
- for the year	66,067	186,820
- Super tax	–	33,995
- for prior years	2,034	7,106
	68,101	227,921
Deferred	(186,682)	(8,268)
	(118,581)	219,653

39.1 Relationship between taxation expense and accounting profit

	2019	2018
Profit before taxation	24,895	971,403
Tax at the applicable rate of 29% (2018: 30%)	7,220	291,421
Tax effect of inadmissible expenses / losses	151,952	(12,055)
Tax effect of income taxed at a lower rate	(12,142)	(99,800)
Prior year tax effect	2,034	7,106
Super tax	–	33,995
Tax losses of subsidiaries	(267,645)	–
Tax effect of change in effective tax rate	–	(1,014)
	(118,581)	219,653

40 BASIC AND DILUTED EARNINGS PER SHARE

	2019	2018
Profit for the year	143,476	751,750
	(Number of shares)	
Weighted average number of ordinary shares in issue during the year	77,632,491	77,632,491
	(Rupees)	
Basic and diluted earnings per share	1.85	9.68

Rupees in '000	2019	2018
41 CASH GENERATED FROM OPERATIONS		
Profit before taxation	24,895	971,403
Adjustments for non cash charges and other items:		
Depreciation on operating fixed assets and investment properties	115,241	104,889
Amortization of intangible assets	247	826
Reversal for the year on staff retirement benefit funds	(4,680)	(73,426)
Dividend income	(208,944)	(549,311)
Unrealized loss on held for trading investments - net	–	48,842
Unrealized loss on FVTPL investments - net	3,867	–
Loss on sale of held for trading investments - net	–	6,600
Loss on sale of FVTPL investments - net	16,077	–
Provision for slow moving stores, spares and loose tools	17,502	14,553
Reversal of provision for stock-in-trade - Raw materials	–	(715)
Reversal of impairment loss on trade debts - net	(544)	(5,014)
Provision for Workers' Welfare Fund	474	11,071
Provision for Workers' Profit Participation Fund	3,633	26,782
Return on loan to subsidiary company	(41,727)	(26,228)
Return on deposits	(477)	(824)
Gain on disposal of operating fixed assets	(12,674)	(24,686)
Deferred income amortized	(5,834)	(4,677)
Discounting of long term deposit	2,080	8,340
Unwinding of discount on long term deposit	(19,798)	(16,920)
Liabilities written off	(1,285)	(768)
Finance costs	242,202	222,979
	130,255	713,716
Changes in:		
- Stores, spares and loose tools	(34,313)	(20,341)
- Stock-in-trade	721,281	1,144,747
- Trade debts	10,998	561,799
- Advances	152,028	103,310
- Trade deposits and short term prepayments	(24,713)	(15,873)
- Other receivables	68,200	433,423
- Trade and other payables	(624,272)	(531,943)
	399,464	2,388,838

41.1 Reconciliation of movements of liabilities to cash flows arising from financing activities

Rupees in '000	Note	Long term loans	Finance lease liabilities (including mark-up accrued)	Short term borrowings	Dividend payable	Total
	Note	9	10 & 13	14		
Opening balance as at 1 July 2018		323,290	173,854	1,152,647	21,520	1,671,311
Proceeds from long term loans		60,800	–	–	–	60,800
Repayment of long term loans		(96,544)	–	–	–	(96,544)
Proceeds short term borrowings		–	–	4,317,621	–	4,317,621
Repayment of short term borrowings		–	–	(4,739,517)	–	(4,739,517)
Dividend paid		–	–	–	(72,627)	(72,627)
Lease payments		-	(60,453)	–	–	(60,453)
		(35,744)	(60,453)	(421,896)	(72,627)	(590,720)
Dividend declared		–	–	–	77,632	77,632
Lease obligation entered during the year		–	26,444	–	–	26,444
Interest accrued on lease obligation		–	14,954	–	–	14,954
		–	41,398	–	77,632	119,030
Closing balance as at 30 June 2019		287,546	154,799	730,751	26,525	1,199,621

Rupees in '000	Note	2019	2018
42 CASH AND CASH EQUIVALENTS			
Running finances under mark-up arrangements	14.1	(846,445)	(305,548)
Cash and bank balances	30	27,805	133,452
		(818,640)	(172,096)

43 SEGMENT REPORTING

43.1 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 properties (held for rentals as well as long term appreciation) (Note 1.4).

– Hadeed (Billet) segment - It comprises of manufacturing billets (note 1.5).

– Energy segment - It comprises of generating and supplying electricity / power (note 1.6).

The Company's all segments are engaged in shariah complaint businesses except mentioned in note 33. Information regarding the Company's reportable segments is presented below:

43.2 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 2019				
Sales	2,381,405	1,685,110	–	4,066,515
Cost of sales	2,266,675	1,579,451	–	3,846,126
Gross profit	114,730	105,659	–	220,389
Income from investments - net	–	–	191,563	191,563
	114,730	105,659	191,563	411,952
Distribution and selling expenses	11,866	2,919	–	14,785
Administrative expenses	145,554	28,382	14,389	188,325
Other operating expenses	24,947	3,699	–	28,646
	182,367	35,000	14,389	231,756
	(67,637)	70,659	177,174	180,196
Other income	79,616	9,365	–	88,981
Operating profit before finance costs	11,979	80,024	177,174	269,177
Finance costs	210,363	9,797	24,122	244,282
(Loss) / profit before taxation	(198,384)	70,227	153,052	24,895
Taxation				(118,581)
Profit for the year				143,476

Rupees in '000	Steel segment	Cotton segment	IID segment	Total
For the year ended 30 June 2018				
Sales	6,136,191	907,596	–	7,043,787
Cost of sales	5,344,171	888,295	–	6,232,466
Gross profit	792,020	19,301	–	811,321
Income from investments - net	–	–	495,508	495,508
	792,020	19,301	495,508	1,306,829
Distribution and selling expenses	10,656	7,196	–	17,852
Administrative expenses	138,817	17,295	16,924	173,036
Other operating expenses	83,559	1,304	27	84,890
	233,032	25,795	16,951	275,778
	558,988	(6,494)	478,557	1,031,051
Other income	151,418	20,253	–	171,671
Operating profit before finance costs	710,406	13,759	478,557	1,202,722
Finance costs	212,079	5,609	13,631	231,319
Profit before taxation	498,327	8,150	464,926	971,403
Taxation				219,653
Profit for the year				751,750

43.2.1 Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the year (2018: Nil).

43.2.2 The accounting policies of the reportable segments are the same as the Company's accounting policies described in note 6 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.

43.3 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 31 to these unconsolidated financial statements.

43.4 Information about major customers

Revenue from major customers of Steel segment represents an aggregate amount of Rs. 2,611.986 million (2018: Rs. 5,693.456 million) of total Steel segment revenue of Rs. 2,381.405 million (2018: Rs. 6,136.191 million). Revenue from major customers of Cotton segment represents an aggregate amount of Rs. 610.493 million (2018: Rs. 84.508 million) of total Cotton segment revenue of Rs. 1,685.110 million (2018: Rs. 907.596 million).

43.5 Geographical information

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

Rupees in '000	**2019**	2018
South and North America	–	13,120
Pakistan	4,066,515	7,030,667
	4,066,515	7,043,787

43.5.2 All non-current assets of the Company as at 30 June 2019 and 2018 were located and operating in Pakistan.

43.6 Segment assets and liabilities

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

Rupees in '000	Steel segment	Cotton segment	IID segment	Hadeed (Billet) segment	Energy segment	Total
As at 30 June 2019						
Segment assets for reportable segments	1,826,902	430,823	2,475,238	1,218,378	817,646	6,768,987
Unallocated corporate assets						1,518,045
Total assets as per unconsolidated statement of financial position						8,287,032
Segment liabilities for reportable segments	570,025	106,822	2,627	144,006	69,316	892,796
Unallocated corporate liabilities and deferred income						2,000,173
Total liabilities as per unconsolidated statement of financial position						2,892,969

Rupees in '000	Steel segment	Cotton segment	IID segment	Hadeed (Billet) segment	Energy segment	Total
As at 30 June 2018						
Segment assets for reportable segments	4,103,680	531,879	3,778,357	–	–	8,413,916
Unallocated corporate assets						1,665,099
Total assets as per unconsolidated statement of financial position						10,079,015
Segment liabilities for reportable segments	1,345,671	99,215	2,262	–	–	1,447,148
Unallocated corporate liabilities and deferred income						1,908,100
Total liabilities as per unconsolidated statement of financial position						3,355,248

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

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

- all liabilities are allocated to reportable segments other than 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.

43.7 Other segment information

Rupees in '000	Steel segment	Cotton segment	IID segment	Hadeed (Billet)	Energy segment	Total
For the year ended 30 June 2019						
Capital expenditure	144,382	5,761	10,760	–	–	160,903
Depreciation and amortization	80,467	32,657	2,364	–	–	115,488
Non-cash items other than depreciation and amortization - net	152,691	5,172	(161,245)	–	–	(3,382)
For the year ended 30 June 2018						
Capital expenditure	107,613	54,961	–	–	–	162,574
Depreciation and amortization	70,986	31,679	3,050	–	–	105,715
Non-cash items other than depreciation and amortization - net	134,895	(17,300)	(480,997)	–	–	(363,402)

44 STAFF RETIREMENT BENEFITS

44.1 Defined benefit plans

44.1.1 The actuarial valuation of both pension and gratuity schemes has been conducted in accordance with IAS 19, 'Employee benefits' as at 30 June 2019. The projected unit credit method, using the following significant assumptions, has been used for the actuarial valuation:

	2019		2018	
	Pension	Gratuity	Pension	Gratuity
Financial assumptions				
- Discount rate used for Interest Cost in profit or loss charge	10.00%	10.00%	9.25%	9.25%
- Discount rate used for year end obligation	14.50%	14.50%	10%	10%
- Expected rate of increase in salaries	14.50%	14.50%	10%	10%
Demographic assumptions				
- Retirement Assumption	Age 58		Age 58	
- Expected mortality for active members	SLIC (2001-05)		SLIC (2001-05)	

44.1.2 The amounts recognized in unconsolidated statement of financial position are as follows:

Rupees in '000	Note	2019 Pension	2019 Gratuity	2019 Total	2018 Pension	2018 Gratuity	2018 Total
Present value of defined benefit obligations	44.1.4	494,294	104,884	599,178	457,906	101,625	559,531
Fair value of plan assets	44.1.5	(393,748)	(125,213)	(518,961)	(608,912)	(205,706)	(814,618)
Liability / asset recognized in unconsolidated statement of financial position		100,546	(20,329)	80,217	(151,006)	(104,081)	(255,087)
44.1.3 Movement in the net defined benefit liability / (asset)							
Opening balance		(151,006)	(104,081)	(255,087)	(682,679)	(331,631)	(1,014,310)
Net benefit (income) / cost charged to profit or loss	44.1.7	804	(5,484)	(4,680)	(47,460)	(25,965)	(73,425)
Remeasurements recognized in other comprehensive income	44.1.8	267,915	95,834	363,749	587,706	256,807	844,513
Contributions by the Company	44.1.5	(17,167)	(6,598)	(23,765)	(8,573)	(3,292)	(11,865)
Closing balance		100,546	(20,329)	80,217	(151,006)	(104,081)	(255,087)
44.1.4 Movement in the present value of defined benefit obligations							
Present value of defined benefit obligations - 1 July		457,906	101,625	559,531	423,509	94,572	518,081
Current service cost		16,763	5,254	22,017	16,084	4,863	20,947
Interest cost		45,252	9,957	55,209	38,776	8,642	47,418
Benefits paid during the year		(10,760)	(4,116)	(14,876)	(8,626)	(2,292)	(10,918)
Remeasurement:							
Actuarial losses from change in financial assumption		14,640	74	14,714	2,381	13	2,394
Experience adjustments		(29,507)	(7,910)	(37,417)	(14,218)	(4,173)	(18,391)
Present value of defined benefit obligations - 30 June		494,294	104,884	599,178	457,906	101,625	559,531

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

	2019			2018		
Rupees in '000	Pension	Gratuity	Total	Pension	Gratuity	Total
Fair value of plan assets - 1 July	608,912	205,706	814,618	1,106,188	426,203	1,532,391
Contributions by the Company	17,167	6,598	23,765	8,573	3,292	11,865
Interest income on plan assets	61,211	20,695	81,906	102,320	39,470	141,790
Benefits paid during the year	(10,760)	(4,116)	(14,876)	(8,626)	(2,292)	(10,918)
Return on plan assets, excluding interest income	(282,782)	(103,670)	(386,452)	(599,543)	(260,967)	(860,510)
Fair value of plan assets - 30 June	393,748	125,213	518,961	608,912	205,706	814,618
44.1.6 Actual return on plan assets	(221,571)	(82,975)	(304,546)	(497,223)	(221,497)	(718,720)

44.1.7 Following amounts have been charged in the unconsolidated profit or loss account in respect of these benefits

	2019			2018		
Rupees in '000	Pension	Gratuity	Total	Pension	Gratuity	Total
Current service cost	16,763	5,254	22,017	16,084	4,863	20,947
Interest cost	45,252	9,957	55,209	38,776	8,642	47,418
Interest income on plan assets	(61,211)	(20,695)	(81,906)	(102,320)	(39,470)	(141,790)
Charge / (income) recognized in profit or loss	804	(5,484)	(4,680)	(47,460)	(25,965)	(73,425)

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

	2019			2018		
Rupees in '000	Pension	Gratuity	Total	Pension	Gratuity	Total
Remeasurement:						
Actuarial losses from change in financial assumption	14,640	74	14,714	2,381	13	2,394
Experience adjustments	(29,507)	(7,910)	(37,417)	(14,218)	(4,173)	(18,391)
Return on plan assets, excluding interest income	282,782	103,670	386,452	599,543	260,967	860,510
Remeasurement loss recognised in the other comprehensive income	267,915	95,834	363,749	587,706	256,807	844,513
44.1.9 Total defined benefit cost recognized in profit or loss and other comprehensive income	268,719	90,350	359,069	540,246	230,842	771,088
Expected contributions to funds in the following year	–	–	–	–	–	–
Weighted average duration of the defined benefit obligation (years)	11	3		11	3	

	2019			2018		
Rupees in '000	Pension	Gratuity	Total	Pension	Gratuity	Total
Analysis of present value of defined benefit obligation						
Type of Members:						
Pensioners	30	–		29	–	
Beneficiaries	86	85		98	98	
Vested / Non-Vested						
Vested benefits	468,640	84,014	552,654	422,010	81,066	503,076
Non - vested benefits	25,654	20,870	46,524	41,673	20,559	62,232
	494,294	104,884	599,178	463,683	101,625	565,308
Disaggregation of fair value of plan assets						
The fair value of the plan assets at reporting date for each category are as follows:						
Cash and cash equivalents (comprising bank balances and adjusted for current liabilities) - quoted	90,870	3,726	94,596	4,841	2,569	7,410
Debt instruments						
AA+	83,142	33,209	116,351	95,707	19,629	115,336
AA	230	–	230	61,791	–	61,791
	83,372	33,209	116,581	157,498	19,629	177,127
Equity instruments						
Automobile Assembling	–	–	–	115	–	115
Automobile Parts and Accessories	149	–	149	179	–	179
Cement	4,560	–	4,560	8,605	–	8,605
Chemicals	449	–	449	530	–	530
Commercial Banks	–	–	–	137	–	137
Engineering	152,320	72,588	224,908	352,135	159,760	511,895
Fertilizer	6,203	258	6,461	9,842	292	10,134
Insurance	76	–	76	97	–	97
Oil and Gas Exploration Companies	10,501	3,125	13,626	11,754	4,263	16,017
Oil and Gas Marketing Companies	636	–	636	1,042	–	1,042
Paper and Board	177	–	177	–	–	–
Power Generation and Distribution	19,936	7,875	27,811	27,992	13,052	41,044
Sugar and Allied Industries	5,433	1,600	7,033	8,176	2,408	10,584
Textile Composite	2,673	–	2,673	3,959	–	3,959
	203,113	85,446	288,559	424,563	179,775	604,338
Mutual funds						
Income Fund	16,393	2,832	19,225	22,010	3,733	25,743
	393,748	125,213	518,961	608,912	205,706	814,618

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%	446,126	102,306
Discount rate -1%	552,480	107,847
Long term pension / salary increase +1%	504,249	107,837
Long term pension / salary decrease -1%	485,512	102,270
Long term pension increase +1%	546,467	–
Long term pension decrease -1%	449,399	–

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.

44.2 Defined contribution plan

The Company has set up provident fund for its permanent employees. The total charge against provident fund for the year ended 30 June 2019 was Rs. 10.979 million (2018: Rs. 9.778 million). Reporting year end of Provident Fund Financial Statements is 31 December and 30 June for Steel & IID Division and Cotton Division respectively.

45 FINANCIAL RISK MANAGEMENT

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1 : Fair value measurements using quoted (unadjusted) in active markets for identical asset or liability.

Level 2 : Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 : Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

Rupees in '000	30 June 2019								
	Carrying amount					Fair Value			
	Fair value through profit or loss	Fair value through other compre-hensive income	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments									
Financial assets measured at fair value									
Investments									
- Listed equity securities	166,735	9,844	–	–	176,579	176,579	–	–	176,579
- Unlisted equity securities	443,588	–	–	–	443,588	–	–	443,588	443,588
	610,323	9,844	–	–	620,167	176,579	–	443,588	620,167
Financial assets not measured at fair value									
Deposits	–	–	272,841	–	272,841	–	–	–	–
Trade debts	–	–	96,432	–	96,432	–	–	–	–
Loan to subsidiary	–	–	88,208	–	88,208	–	–	–	–
Markup accrued	–	–	29	–	29	–	–	–	–
Other receivables	–	–	41,228	–	41,228	–	–	–	–
Bank balances	–	–	27,203	–	27,203	–	–	–	–
	–	–	525,941	–	525,941	–	–	–	–
Financial liabilities not measured at fair value									
Long term loans	–	–	–	287,546	287,546	–	–	–	–
Liabilities against assets subject to finance lease	–	–	–	154,296	154,296	–	–	–	–
Trade and other payables	–	–	–	433,243	433,243	–	–	–	–
Mark-up accrued	–	–	–	41,617	41,617	–	–	–	–
Short term borrowings	–	–	–	1,577,196	1,577,196	–	–	–	–
Unclaimed dividend	–	–	–	26,525	26,525	–	–	–	–
	–	–	–	2,520,423	2,520,423	–	–	–	–

Rupees in '000	30 June 2018							
	Carrying amount				Fair value			
	Investments	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments								
Financial assets measured at fair value								
Investments								
- Listed equity securities	11,400	–	–	11,400	11,400	–	–	11,400
Financial assets not measured at fair value								
Investments								
- unlisted equity securities	210,608	–	–	210,608	–	–	–	–
- associates	1,284,596	–	–	1,284,596	–	–	–	–
Deposit	–	234,023	–	234,023	–	–	–	–
Trade debts	–	106,886	–	106,886	–	–	–	–
Loan to subsidiaries	–	249,900	–	249,900	–	–	–	–
Markup accrued	–	26,506	–	26,506	–	–	–	–
Other receivables	–	192,572	–	192,572	–	–	–	–
Bank balances	–	133,367	–	133,367	–	–	–	–
	1,495,204	943,254	–	2,438,458	–	–	–	–
Financial liabilities not measured at fair value								
Long term loan	–	–	323,290	323,290	–	–	–	–
Liabilities against assets subject to finance lease	–	–	173,429	173,429	–	–	–	–
Trade and other payables	–	–	1,095,512	1,095,512	–	–	–	–
Mark-up accrued	–	–	16,144	16,144	–	–	–	–
Short term borrowings	–	–	1,458,195	1,458,195	–	–	–	–
Unpaid dividend	–	–	–	–	–	–	–	–
Unclaimed dividend	–	–	21,520	21,520	–	–	–	–
	–	–	3,088,090	3,088,090	–	–	–	–

The Company has not disclosed the fair values for all other financial assets and financial liabilities, as these are either short term in nature or reprice periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

The unquoted investments and investments in subsidiaries and associates are stated at cost.

Investment property fair value have been determined by professional valuers (level 3 measurement) based on their assessment of the market values as disclosed in note 18.2. The valuations are conducted by the valuation experts appointed by the Company. The valuation experts used a market based approach to arrive at the fair value of the Company's investment properties. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these financial statements.

45.1 Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 3 fair values at 30 June 2019 for unquoted equity investment measured at fair value in the statement of financial position, as well as the significant unobservable inputs used.

Name of investee company	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
- Shakarganj Food Products Limited	- Discounted cash flows with terminal growth: The valuation model considers the present value of expected free cash flows, discounted using Weighted Average Cost of Capital.	- Expected cash flows - Terminal growth rate - Weighted Average Cost of Capital	The estimated fair value would increase / (decrease) if: - The expected free cash flows were higher / (lower) - The terminal growth rate were higher / (lower) - The Weighted Average Cost of Capital were lower / (higher)
- Central Depository Company of Pakistan Limited	- Net Asset Method: This valuation Method considers Net Asset value divided by ordinary number of shares	- Net assets of The investee Company	The estimated fair value would increase / (decrease) if: - The net assets of the investee company were higher / (lower).

45.2 Level 3 fair values

Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values

Rupees in '000	
Balance at 30 June 2018*	
- Shakarganj Food Products Limited	151,662
- Central Depository Company of Pakistan Limited	58,946
	210,608
Fair value included in opening unappropriated profits (retained earnings)	
- Shakarganj Food Products Limited	86,952
- Central Depository Company of Pakistan Limited	56,476
	143,428
Balance at 01 July 2018	
- Shakarganj Food Products Limited	238,614
- Central Depository Company of Pakistan Limited	115,422
	354,036
Fair value recognized during the year	
- Shakarganj Food Products Limited	80,573
- Central Depository Company of Pakistan Limited	8,979
	89,552
Balance at 30 June 2019	
- Shakarganj Food Products Limited	319,187
- Central Depository Company of Pakistan Limited	124,401
	443,588

* Before 30 June 2018, these equity securities were stated at cost in accordance with IAS 39 and were classified as available for sale. From 1 July 2018, these are classified at FVTPL in accordance with IFRS 9 and measured at fair value.

Sensitivity Analysis

For the fair value of unquoted equity investment, reasonably possible changes at 30 June 2019 to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

	Profit or loss	
Rupees in '000	Increase	Decrease
Shakarganj Food Products Limited		
- Expected cash flows (10% movement)	35,700	(35,700)
- Terminal growth rate (1% movement)	21,448	(17,921)
- Weighted Average Cost of Capital (1% movement)	(28,222)	33,725
Central Depository Company of Pakistan Limited		
- Net assets (10% movement)	12,440	(12,440)

46 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.

46.1 Credit risk

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

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

Rupees in '000	**2019**	2018
Deposits	272,841	234,023
Trade debts	96,432	106,886
Loan to subsidiary	88,208	249,900
Mark-up accrued	29	26,506
Other receivables	41,228	192,572
Bank balances	27,203	133,367
	525,941	943,254

Trade and 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 of steel segment 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 reporting date represent domestic parties.

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

Rupees in '000	2019	2018
Steel segment	64,149	104,875
Cotton segment	4,949	2,011
Hadeed (Billet) segment	10,841	–
Energy segment	16,493	–
	96,432	106,886
The aging of trade debts at the balance sheet date is		
Not past due	9,400	–
Past due 1 - 30 days	55,578	5,054
Past due 30 - 180 days	18,936	89,297
Past due 180 days	43,224	29,161
	127,138	123,512
Less: Impaired	30,706	16,626
	96,432	106,886

The movement in the allowance for impairment in respect of trade debts and advances is given in note 24.1 and note 25 respectively.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Management uses actual historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment to determine lifetime expected loss allowance.

Loss rates are based on actual credit loss experience over the past five years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and Company's view of economic conditions over the expected lives of the trade debts.

Based on past experience the management believes that no impairment allowance is necessary, except 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 AA-.

The credit quality of the Company's investment in units of mutual fund can be assessed with reference to external credit ratings as follows:

	Rating		Rating	**2019**	2018
	Short term	Long term	Agency	Rupee in '000	
Mutual Funds					
HBL Growth Fund (A)					
(Previously PICIC Growth Fund)	–	AM3+	PACRA	17,613	52,020
HBL Investment Fund (A) (Previously					
PICIC Investment Fund)	–	AM3+	PACRA	2,028	6,744
				19,641	58,764

Deposits

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

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. The Company does not have debt security at reporting date.

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.

46.2 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	2019						
	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 loans	287,546	–	333,274	79,052	56,562	105,909	91,751
Liabilities against assets							
subject to finance lease	154,296	–	182,371	32,087	33,305	48,987	67,992
Trade and other payables	433,243	–	433,243	433,243	–	–	–
Unclaimed dividend	26,525	26,525	–	–	–	–	–
Mark-up accrued	41,617	–	41,617	41,617	–	–	–
Short term borrowings	1,577,196	1,577,196	–	–	–	–	–
	2,520,423	1,603,721	990,505	585,999	89,867	154,896	159,743

Rupees in '000	2018						
	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	323,290	–	323,290	48,272	48,272	38,044	188,702
Liabilities against assets							
subject to finance lease	173,429	–	201,940	29,681	28,916	54,472	88,871
Trade and other payables	1,095,512	–	1,095,512	1,095,512	–	–	–
Unpaid dividend	–	–	–	–	–	–	–
Unclaimed dividend	21,520	21,520	–	–	–	–	–
Mark-up accrued	16,144	–	16,144	16,144	–	–	–
Short term borrowings	1,458,195	744,887	713,308	713,308	–	–	–
	3,088,090	766,407	2,350,194	1,902,917	77,188	92,516	277,573

46.3 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.

46.3.1 Currency risk

The Company is exposed to currency risk on import of raw materials, stores and spares and export of goods denominated in US Dollars (USD), Euros and Chinese Yuan (CNY). The Company's exposure to foreign currency risk for these currencies is as follows:

	2019		
	USD	Euro	CNY
Foreign creditors	–	–	–
Outstanding letters of credit	–	–	–
Net exposure	–	–	–

	USD	2018 Euro	CNY
Foreign creditors	(3,783,071)	–	(16,415,649)
Outstanding letters of credit	(1,223,167)	(210,804)	(17,577,402)
Net exposure	(5,006,238)	(210,804)	(33,993,051)

The following significant exchange rate has been applied :

	Average rate		Reporting date rate	
Rupees in '000	**2019**	2018	**2019**	2018
USD to PKR	136.27	110.63	160.05	121.60
Euro to PKR	155.34	132.04	182.32	141.57
CNY to PKR	19.97	17.43	23.31	18.76

Sensitivity analysis

At the reporting date, if the PKR had strengthened by 10% against the USD, Euro and CNY 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 creditors.

Effect on profit or loss

Rupees in '000	**2019**	2018
USD	–	(433,428)
Euro	–	(21,080)
CNY	–	(3,399,305)
	–	(3,853,813)

The weakening of the PKR against USD, Euro and CNY 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.

46.3.2 Interest rate risk

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

	2019	2018	**2019**	2018
	Effective interest rate (Percentage)		Carrying amount (Rupees in '000)	
Financial liabilities				
Variable rate instruments:				
Long term loans	7.91 - 14.42	7.64 - 8.35	287,546	323,290
Liabilities against assets subject to finance lease	10.61 - 17.6	10.47 - 12.06	154,296	173,429
Short term borrowings	7.68 - 14.86	7.64 - 8.84	1,577,196	1,458,195

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 or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2018.

	Profit and loss 100 bp	
Rupees in '000	Increase	Decrease
As at 30 June 2019		
Cash flow sensitivity - Variable rate financial liabilities	(20,190)	20,190
As at 30 June 2018		
Cash flow sensitivity - Variable rate financial liabilities	(19,549)	19,549

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

46.3.3 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 Fair value through profit or loss (held for trading investments) and increase / decrease surplus on re-measurement of investments in case of Fair Value through other comprehensive income (available for sale) investments as follows :

Rupees in '000	**2019**	2018
Effect on profit	16,674	43,697
Effect on equity	984	1,140
Effect on investments	17,658	44,837

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

47 REMUNERATION TO THE CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

Rupees in '000	Chief Executive		Director		Executives		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Managerial remuneration	22,977	21,884	–	–	44,799	51,748	67,776	73,632
House rent	7,452	7,452	–	–	17,884	17,297	25,336	24,749
Utilities	1,656	1,656	–	–	3,577	3,470	5,233	5,126
Travelling expenses	2,581	5,803	–	–	–	–	2,581	5,803
Medical	1,736	185	–	–	2,088	1,931	3,824	2,116
Contributions to								
- Gratuity fund	1,379	537	–	–	2,367	1,100	3,746	1,637
- Pension fund	3,312	1,290	–	–	6,115	2,855	9,427	4,145
- Provident fund	1,656	1,290	–	–	2,899	2,837	4,555	4,127
Club subscription								
and expenses	1,131	713	–	–	217	179	1,348	892
Entertainment	390	321	–	–	90	84	480	405
Conveyance	–	–	–	–	970	870	970	870
Telephone	268	–	–	–	–	6	268	6
	44,538	41,131	–	–	81,006	82,377	125,544	123,508
Number of persons	1	1	–	–	15	15	16	16

47.1 The aggregate amount charged in respect of directors' fees paid to six (2018: six) directors is Rs. 2.380 million (2018: Rs. 2.960 million). Also, during the year remuneration paid to the non-executive Chairman of the Board of Directors amounted to Rs. 1.820 million (2018: Rs. 1.275 million).

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

47.3 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.

48 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of subsidiaries 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. All transactions with related parties are under agreed terms / contractual arrangements.

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

Rupees in '000				**2019**	2018
Name	Nature of relationship	Basis of relationship	Nature of transaction		
Crescent Hadeed (Private) Limited	Subsidiary company	100% Holding	Reimbursable expenses	42,037	42,390
			Reimbursable expenses Payment received	23,384	–
			Sale of finished goods	17,563	238,532
			Share deposit money	–	35,446
			Short term loan provided	305,615	807,400
			Short term loan repayment	328,500	809,500
			Mark-up income	29,271	17,853

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For the year ended 30 June 2019

Rupees in '000				2019	2018
Name	Nature of relationship	Basis of relationship	Nature of transaction		
CS Capital (Private) Limited	Subsidiary company	100% Holding	Reimbursable expenses	1,371	1,282
CS Energy (Private) Limited	Subsidiary company	100% Holding	Reimbursable expenses	5,453	7,044
			Mark-up income	12,456	8,374
			Sales of finished goods	–	22
			Short term loan provided	123,000	124,600
			Short term loan repayment	500	237,600
			Transfer of Pressure reducing desuper heating system	–	3,249
The Crescent Textile Mills Limited	Related party	Major shareholder	Dividend paid	8,538	–
Solution de Energy (Private) Limited	Subsidiary company	100% Holding	Reimbursable expenses	158	94
Altern Energy Limited	Associated company	16.69% Holding	Dividend received	190,498	483,803
Shakarganj Limited	Associated company	21.93% Holding	Dividend paid	180	855
			Dividend received	–	34,260
			Sales of finished goods	1,537	618
			Services received	–	1,402
			Reimbursable expenses	2,967	1,723
			Right shares subscribed	–	213,793
Muhammad Amin Muhammad Bashir Limited	Related party	Common directorship	Dividend paid	1	4
Premier Insurance Company	Related party	Common directorship	Insurance premium	10,948	9,610
			Dividend paid	142	691
The Citizens' Foundation	Related party	Common directorship	Donation given	1,076	23,688
Crescent Cotton Products - Staff Provident Fund	Retirement benefit fund	Employees benefit fund	Contribution made	4,274	2,513
			Dividend paid	75	355
Crescent Steel and Allied Products Limited - Gratuity Fund	Retirement benefit fund	Employees benefit fund	Contribution made	6,598	3,292
			Dividend paid	1,821	7,123
Crescent Steel and Allied Products Limited - Pension Fund	Retirement benefit fund	Employees benefit fund	Contribution made	17,167	8,573
			Dividend paid	3,925	15,525
Crescent Steel and Allied Products Limited - Staff Provident Fund	Retirement benefit fund	Employees benefit fund	Contribution made	17,905	8,822
			Dividend paid	124	3,785
CSAP - Staff Benevolent Fund	Staff welfare fund	Employees welfare fund	Contribution made	–	10,000
			Dividend paid	36	172

Rupees in '000	Nature of relationship	Basis of relationship	Nature of transaction	2019	2018
Name					
Key management personnel	Related parties	Executives	Remuneration and benefits	61,501	104,433
			Dividend paid	108	2,856
Directors and their spouse	Related parties	Directors	Dividend paid	624	3,694

48.1 Sale 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.

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

48.3 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.

48.4 Outstanding balances and other information with respect to related parties as at 30 June 2019 and 2018 are included in issued, subscribed and paid-up capital (note 7.1), trade and other payables (note 12), long term investments (notes 19.1, 19.2 and 19.3.2), other receivables (note 28), administrative expenses (note 35) and staff retirement benefits (note 44).

49 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 2018.

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.

49.1 Gearing ratio

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

Rupees in '000		2019	2018
Total debt	49.1.1	2,019,038	1,954,914
Less: Cash and bank balances		27,805	133,452
Net debt		1,991,233	1,821,462
Total equity	49.1.2	5,394,063	6,723,767
Total capital		7,385,296	8,545,229
Gearing ratio		27.0%	21.3%

49.1.1 Total debt is defined as long term and short term borrowings (excluding derivatives), as described in notes 9, 10 and 14 to these financial statements.

49.1.2 Total equity includes issued, subscribed and paid-up capital and reserves.

50 PLANT CAPACITY AND PRODUCTION

50.1 Steel segment

Pipe plant

The plant's installed / rated capacity for production based on single shift is 66,667 tons (2018: 66,667 tons) annually on the basis of notional pipe size (Where as the notional pipe size is taken as 30" dia x ½" thickness for SP1600 and 40"dia x 5/8" thickness for SP 2003). The actual production achieved during the year was 12,287.5 tons (2018: 50,215 tons) line pipes of varied sizes and thickness. Actual production is equivalent to 21,310.9 tons (2018: 56,145 tons) when translated to the notional pipe size of 30" diameter. Reason for underutilization was delay in materialization of orders for different projects.

Coating plant

The coating plant has a capacity of externally shot blasting and coating of line pipes with 3 layer high 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 434,494 meters (2018: 206,389 meters) of different dia pipes (340,745 square meters surface area) was achieved during the year (2018: 407,598 square meters surface area). Reason for underutilization was lack of coating work orders in hand.

50.2 Cotton segment

Spinning unit 1

The plant capacity converted to 20s count polyester cotton yarn based on three shifts per day for 1,080 shifts is 9,197,007 kilogram (2018: 9,197,007 kilograms). Actual production converted into 20s count was 9,087,295 kilograms for 1,092 shifts (2018: 4,897,430 kilograms for 705 shifts).

51 GENERAL

51.1 Number of employees

The total number of employees including contractual employees of the Company as at 30 June 2019 were 755 (2018: 789) and weighted average number of employees were 762 (2018: 737).

52 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue in the Board of Directors meeting held on 02 September 2019.

Chief Executive | Director | Chief Financial Officer