UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

Rupees in '000	Note	2020	2019
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	1,020,908
Revenue reserves		3,651,055	3,596,830
		5,448,288	5,394,063
Non-current liabilities			
Long term loans	9	190,335	177,152
Lease liabilities	10	64,820	103,042
Deferred income	11	7,053	6,866
Deferred liability - staff retirement benefits	44	23,713	100,546
		285,921	387,606
Current liabilities			
Trade and other payables	12	1,068,500	691,923
Unclaimed dividend		26,443	26,525
Mark-up accrued	13	54,214	41,617
Short term borrowings	14	2,675,360	1,577,196
Current portion of long term loans	9	49,345	110,394
Current portion of lease liabilities	10	46,467	51,254
Current portion of deferred income	11	6,215	6,454
		3,926,544	2,505,363
Contingencies and commitments	15		
Total equity and liabilities		9,660,753	8,287,032

Rupees in '000	Note	2020	2019
ASSETS			
Non-current assets			
Property, plant and equipment	16	2,105,672	2,493,745
Right-of-use assets	16	168,600	–
Intangible assets	17	888	484
Investment properties	18	19,700	21,482
Long term investments	19	2,303,777	2,264,834
Long term deposits	20	224,748	233,267
Deferred taxation	21	462,662	292,131
		5,286,047	5,305,943
Current assets			
Stores, spares and loose tools	22	169,232	185,784
Stock-in-trade	23	2,130,741	821,369
Trade debts	24	225,799	96,432
Loans and advances	25	145,225	122,685
Trade deposits and short term prepayments	26	63,057	50,292
Investments	27	124,611	166,735
Other receivables	28	219,512	249,456
Taxation - net	29	1,273,141	1,260,531
Cash and bank balances	30	23,388	27,805
		4,374,706	2,981,089
Total assets		9,660,753	8,287,032

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 2020

Rupees in '000	Note	2020	2019
Sales	31	4,473,010	4,473,618
Less: Sales tax		650,808	407,103
		3,822,202	4,066,515
Cost of sales	32	3,771,306	3,846,126
Gross profit		50,896	220,389
Income from investments - net	33	389,338	191,563
		440,234	411,952
Distribution and selling expenses	34	13,324	14,785
Administrative expenses	35	245,226	188,325
Other operating expenses	36	25,958	28,646
		284,508	231,756
		155,726	180,196
Other income	37	35,440	88,981
Operating profit before finance costs		191,166	269,177
Finance costs	38	308,939	244,282
(Loss) / profit before taxation		(117,773)	24,895
Taxation	39	100,649	118,581
(Loss) / profit for the year		(17,124)	143,476
Other comprehensive income			
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)		(425)	(1,556)
Gain / (loss) on remeasurement of staff retirement benefit plans - net of tax		71,774	(258,262)
Other comprehensive income / (loss) for the year		71,349	(259,818)
Total comprehensive income / (loss) for the year		54,225	(116,342)
		(Rupees)	
Basic and diluted (loss) / earnings per share	40	(0.22)	1.85

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 2020

Rupees in '000	Note	2020	2019
Cash flows from operating activities			
Cash (used in) / generated from operations	41	(988,776)	399,464
Taxes paid		(101,871)	(376,703)
Finance costs paid		(279,315)	(201,853)
Contribution to gratuity and pension funds		(22,976)	(23,765)
Contribution to Workers' Profit Participation Fund		(3,633)	(27,191)
Long term deposits - net		10,934	1,684
Net cash used in operating activities		(1,385,637)	(228,364)
Cash flows from investing activities			
Capital expenditure		(8,539)	(130,698)
Transfer of capital expenditure upon amalgamation		–	(1,445,935)
Acquisition of intangible assets		(615)	(580)
Proceeds from disposal of operating fixed assets		5,313	16,735
Proceeds from disposal of operating fixed assets under sale and leaseback arrangement		–	26,292
Investments - net		33,871	158,934
Amalgamation of wholly owned subsidiaries		–	2,518,142
Dividend income received		353,378	210,005
Interest income received		859	68,681
Net cash generated from investing activities		384,267	1,421,576
Cash flows from financing activities			
Repayment of long term loans - net		(41,454)	(35,744)
Payments against finance lease obligations		(59,675)	(60,453)
Proceeds from / (repayment of) short term loans obtained - net		1,362,292	(421,896)
Dividends paid		(82)	(72,627)
Net cash generated from / (used in) financing activities	41.1	1,261,081	(590,720)
Net increase in cash and cash equivalents		259,711	602,492
Cash and cash equivalents at beginning of the year		(818,640)	(172,096)
Transfer upon amalgamation		–	(1,249,036)
Cash and cash equivalents at end of the year	42	(558,929)	(818,640)

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 2020

Rupees in '000		Capital reserves	Revenue reserves			
	Issued, subscribed and paid-up capital	Share premium	Fair value reserve	General reserve	Unappropriated profit	Total
Balance as at 30 June 2018	776,325	1,020,908	7,374	3,642,000	1,390,469	6,837,076
Total comprehensive loss 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
Total comprehensive income for the year ended 30 June 2020						
Loss for the year	-	-	-	-	(17,124)	(17,124)
Other comprehensive income						
Total other comprehensive income for the year	-	-	(425)	-	71,774	71,349
Total comprehensive income for the year	-	-	(425)	-	54,650	54,225
Balance as at 30 June 2020	776,325	1,020,908	5,393	3,642,000	3,662	5,448,288

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

Chief Executive

Director

Chief Financial Officer

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

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 downstream 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 consequence to the scheme of amalgamation as disclosed in note 1.7 to these unconsolidated financial statements, Hadeed (Billet), is reported as a 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 consequence to the scheme of amalgamation as disclosed in note 1.7 to these unconsolidated financial statements, Energy, is reported as a 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 is located at Bhone, District Jhang, Punjab.

1.7 Last year, 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 had been accounted for as a common control transaction and predecessor accounting had 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.

2 SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS DURING THE YEAR

The Company's net sales stood at Rs. 3.822 billion (2019: Rs. 4.066 billion), out of which 33.8 percent was generated from Steel division, 35.2 percent from Cotton division and rest 31.0 percent i.e. Rs. 1.185 billion were from amalgamated subsidiaries. For the first half of the year, the Steel division recorded revenue of Rs. 356.9 million only, owing to lower sales order booked by Steel division due to delay in infrastructure projects. During the month of March 2020, the Company secured a contract of Rs. 1.688 billion from Sui Northern Gas Pipeline Company Limited for the supply of 24" and 16" pipe. Production and delivery of coated pipe is expected to commence from first quarter of next fiscal year.

Income from investments in equity shares of Rs. 349.069 million (mainly dividends) were generated during the year. The KSE-100 index showed a slightly upward trend during the year which led to upward side of the bench mark by 1.3 percent, after taking a huge decline during COVID-19 lockdown period. KSE 100 index opened at 33,996 points at start of fiscal year 2019-20, touched down to 27,047 and closed at 34,422 points.

Further, a novel strain of coronavirus (COVID-19) that surfaced from China took a form of pandemic as declared by the World Health Organization on 11 March 2020, impacting countries globally including Pakistan. Government of Pakistan has taken certain measures to reduce the spread of the COVID-19 including lockdown of businesses, suspension of flight operations, intercity movements lockdown, cancellation of major events, etc. These measures have resulted in an overall economic slowdown, disruptions to various business and significant volatility in the Pakistan Stock Exchange (PSX). Cotton division was impacted more as compared to other divisions as its factory was closed down for 57 days and consequently sales declined by 20% from last year. However, the factory reopened after necessary permissions to produce orders for essential services. The Company remained up to date in all its financial commitments. Management believes that the going concern assumption of the Company remains valid. Accordingly, there is no significant accounting impact of the effect of COVID-19 in these unconsolidated financial statements.

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. 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 estimating 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 6.13)
- Leases (refer note 6.15)
- Taxation (refer note 6.18)
- Provisions (refer note 6.22)
- Impairment (refer notes 6.2, 6.3, 6.4, 6.5 and 6.23)

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

5.1 Standards, interpretations and amendments to be 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 2020:

- 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 crystallize. 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.

- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A Company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform.

- Amendments to IFRS 16 - IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

  - the change in lease payments results in revised consideration for the lease that is substantially the same 'as, or less than, the consideration for the lease immediately preceding the change;

  - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

  - there is no substantive change to the other terms and conditions of the lease.

- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

- Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognised in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

  The above amendments are not likely to affect the financial statements of the Company.

- Annual Improvements to IFRS standards 2018-2020:

  The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

  - IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

  - IFRS 16 – The amendment partially amends illustrative example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

  - IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described in note 6.1, the significant accounting policies applied in the preparation of these financial statements are the same as those applied in earlier periods presented.

6.1 Change in accounting policy

Explained below is the impact of the adoption of IFRS 16 "Leases" on the Company's financial statements, and also discloses the new accounting policy that has been applied from 1 July 2019, where it is different to that applied in prior periods.

The Company adopted IFRS 16 "Leases" on 1 July 2019 as notified by the Securities and Exchange Commission of Pakistan vide its SRO 434 (I)/2018 dated 09 April 2018. The standard replaces the existing guidance on leases, 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 in the Legal Form of a Lease".

IFRS 16 introduced a single lease accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise right-of-use (RoU) assets representing its rights to use the underlying assets and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 "Leases". Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases differently.

At inception of a contract, the Company is required to assess whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company is required to apply judgments to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term which significantly affects the amount of lease liabilities and RoU assets recognised.

Generally, RoU asset would be equal to the lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to transaction etc. need to be added to the RoU asset value.

The Company is required to determine the lease term as the non-cancellable period of a lease, together with both:

- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and

- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In determining the lease term and assessing the length of the non-cancellable period of a lease, the Company applies the definition of a contract and determined the period for which the contract is enforceable. A lease is no longer enforceable when the lessee and the lessor each has the right to terminate the lease without permission from the other party with no more than an insignificant penalty.

In applying IFRS 16 for the first time, the Company has used the practical expedients permitted by the standard by electing not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Company relied on its arrangements made applying IAS 17 and interpretation for determining whether an arrangement contains a lease. The Company has applied the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings as at 1 July 2019.

The Company did not have any property leases arrangement therefore, adoption of IFRS 16 at 1 July 2019 did not have any effect on the financial statements of the Company except the reclassification of leased assets as Right-of-use assets (refer note 16).

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 capitalised borrowing costs, if any.

Subsequent expenditure

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

Depreciation

Depreciation is charged to profit or loss 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 capitalised 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 recognised 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 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 asset's 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 recognised in profit or loss 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 capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

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 capitalised 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 recognised in profit or loss 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 capitalised borrowing costs, if any.

Depreciation

Depreciation is charged to the profit or loss on the straight line method at the rates specified in note 18 to these financial statements 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 capitalised 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 recognised 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 recognised, 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 recognised 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.

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 and measured at:

- Amortized cost;
- Fair value through other comprehensive income (FVOCI) - Debt investment;
- Fair value through other comprehensive income (FVOCI) - Equity investment; or
- Fair value through profit and loss (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 derecognition, 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 recognised 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 derecognition, 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 unrealised gain or loss from marking to market the derivative using prevailing market rates. Derivatives with positive market values (unrealised gains) are included in other receivables and derivatives with negative market values (unrealised 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 recognised 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 Trade debts and other receivables

These are initially stated at fair value and subsequently measured at amortized cost less provisions for any uncollectible amounts. Refer note 6.5.2 for a description of the Company's impairment policies.

6.12 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.

6.13 Employee benefits

6.13.1 Compensated absences

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

6.13.2 Post retirement benefits

6.13.2.1 Defined contribution plan - Provident fund

The Company operates a provident fund scheme for its permanent employees. Equal monthly contributions are made by the Company and its employees. Obligation for contributions to the fund are recognised as an expense in 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%.

6.13.2.2 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 recognised 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 recognised 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.

6.14 Mark-up bearing borrowings

Mark-up bearing borrowings are recognised 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 recognised in the profit or loss over the period of the borrowings on an effective interest basis.

6.15 Leases

Accounting policy applicable after 1 July 2019

Lease are recognised as Right-of-use (RoU) asset and a lease liability at the lease commencement date except for short term or low value leases.

The RoU asset has to be initially measured at cost, and subsequently at cost less any accumulated depreciation and accumulated impairment losses, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

For sale and lease back if the Company has obtained control of the underlying asset and the transfer is classified as a sale in accordance with IFRS 15 and measures a right-of-use asset arising from the leaseback as the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The gain (or loss) recognised is limited to the proportion of the total gain (or loss) that relates to the rights transferred.

If the consideration for the sale is not equal to the fair value of the asset, any resulting difference represents either a prepayment of lease payments (if the purchase price is below market terms) or an additional financing (if the purchase price is above market terms).

If the transfer is not a sale (that is, the Company does not obtain control of the asset in accordance with IFRS 15), it does not derecognise the transferred asset and accounts for the cash received as a financial liability.

Accounting policy applicable before 1 July 2019

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 recognised 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 recognised in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised as more fully explained in note 6.21 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 recognised in profit or loss over the lease term. Any loss representing the excess of the carrying values over the sale proceeds is recognised immediately in profit or loss.

6.16 Assets held under Ijarah financing

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

6.17 Government grants

Government grants are transfers of resources to an entity by a government entity in return for compliance with certain past or future conditions related to the entity's operating activities. The definition of "Government" refers to Governments, Government agencies and similar bodies, whether local, national or international.

The Company recognizes government grants when there is reasonable assurance that grants will be received and the Company will be able to comply with conditions associated with grants.

Government grants are recognised at fair value, as deferred income, when there is reasonable assurance that the grants will be received and the Company will be able to comply with the conditions associated with the grants.

Grants that compensate the Company for expenses incurred, are recognised on a systematic basis in the income for the year in which the related expenses are recognised. Grants that compensate for the cost of an asset are recognised in income on a systematic basis over the expected useful life of the related asset.

A loan is initially recognised and subsequently measured in accordance with IFRS 9. IFRS 9 requires loans at below-market rates to be initially measured at their fair value - e.g. the present value of the expected future cash flows discounted at a market-related interest rate. The benefit that is the Government grant is measured as the difference between the fair value of the loan on initial recognition and the amount received, which is accounted for according to the nature of the grant.

6.18 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 recognised for all taxable temporary differences. A deferred tax asset is recognised 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 realised.

6.19 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 recognised 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, billets, cotton and electricity 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 delays in supply (liquidated damages). 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 recognised 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 liquidated damages (penalties) and excludes amounts collected on behalf of third parties. A receivable is recognised when the goods are delivered.

6.20 Investment and other income

Interest income is recognised using the effective interest method.

Dividend income is recognised 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 recognised on a straight line basis over the lease term.

6.21 Borrowing costs

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

6.22 Provisions

A provision is recognised 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.

6.23 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 recognised 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 recognised in profit or loss.

6.24 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 recognised in the profit or loss.

6.25 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.

6.26 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.

6.27 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

2020	2019		2020	2019
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:

	2020		2019	
	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	2.47%	1,921,333
Crescent Steel and Allied Products Limited - Pension Fund	5.18%	4,024,980	5.18%	4,024,980
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
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
Pak-Qatar Family Takaful Limited	10.45%	8,111,500	–	–
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 off 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	2020	2019
9 LONG TERM LOANS			
Secured - Under non-shariah arrangement			
Allied Bank Limited	9.1	195,240	287,546
Habib Metropolitan Bank Limited - government grant	9.2	44,440	-
		239,680	287,546
Less: Current portion shown under current liabilities		49,345	110,394
		190,335	177,152

9.1 The Company had a long term loan arrangement with Allied Bank Limited for an amount of Rs. 312 million (2019: Rs. 312 million). The term of the loan was 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 last repayment of Rs. 19.5 million (2019: Rs. 78 million) on September 2019. Mark-up was 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 (2019: 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; however, due to COVID-19 the bank has allowed one year more grace period, 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 12.69% to 14.99% (2019: 7.91% to 14.42%) per annum. The facility is secured against first joint pari passu hypothecation / equitable mortgage on plant, machinery and property of the Company.

9.2 During the year, Company entered into new loan arrangement with Habib Metropolitan Bank Limited under the State Bank of Pakistan's (SBP) "Refinance Scheme for Payment of Wages & Salaries to the Workers and Employees of Business Concern". The Company has obtained the said loan at subsidized rate in two tranches in May 2020 and June 2020. The term of the loan is 2.5 years from the date of disbursement with a grace period of 6 months, repayable in 8 equal quarterly installments starting from March 2021. Mark-up is payable at the concessional rate of 2.5% per annum.

10 LEASE LIABILITIES

	Minimum lease payments		Future finance costs		Present value of minimum lease payments	
Rupees in '000	**2020**	2019	**2020**	2019	**2020**	2019
Not later than one year	54,707	65,432	8,240	14,178	46,467	51,254
Later than one year and not later than five years	70,035	116,939	5,215	13,897	64,820	103,042
	124,742	182,371	13,455	28,075	111,287	154,296
Less: Current portion shown under current liabilities					46,467	51,254
					64,820	103,042

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 (2019: three to five years) and the liability is payable by the month ranging from six to sixty months (2019: six to sixty months). The periodic lease payments include built-in rates of mark-up ranging between 7.24% to 18.42% (2019: 10.61% to 17.60%) per annum. Included in the gross present value of minimum lease payments, is a sum aggregating Rs. 86.083 million (2019: Rs. 133.019 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

Rupees in '000	Note	**2020**	2019
Opening balance		13,320	13,531
Addition during the year:			
- related to sale and lease back		–	5,623
- related to government grant (concessional rate loan)	9.2	6,773	–
Income recognized during the year		(6,825)	(5,834)
		13,268	13,320
Less: Current portion shown under current liabilities		(6,215)	(6,454)
Closing balance		7,053	6,866

Rupees in '000	Note	**2020**	2019
12 TRADE AND OTHER PAYABLES			
Trade creditors		237,342	104,155
Bills payable		42,647	–
Commission payable		1,925	1,466
Accrued liabilities	12.1	394,528	275,722
Advances from customers	12.2	95,674	24,110
Provisions	12.3	237,414	220,317
Due to related parties	12.4	4,016	–
Payable to provident fund		2,067	2,134
Payable to staff retirement benefit funds		2,257	1,979
Retention money		10,471	10,764
Sales Tax payable		12,297	1,295
Withholding tax payable		1,504	2,959
Workers' Profit Participation Fund	12.5	2,061	5,885
Workers' Welfare Fund		4,114	4,114
Others		20,183	37,023
		1,068,500	691,923
12.1 Accrued liabilities			
Salaries, wages and other benefits		16,682	15,897
Accrual for 10-C bonus		436	2,639
Compensated absences		11,224	15,032
Liquidated damages		153,695	153,695
Others	12.1.1	212,491	88,459
		394,528	275,722

12.1.1 This includes liability against Gas Infrastructure Development Cess of Rs. 17.004 million (2019: Rs. 17.004 million).

12.2 This includes advance received from Shakarganj Limited amounting to Rs. 15.906 million (2019: Nil) for delivery of goods.

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 2019	171,654	3,242	45,421	220,317
Provision for the year	17,097	–	–	17,097
Closing balance as at 30 June 2020	188,751	3,242	45,421	237,414

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 up to 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. 156.039 million (2019: Rs. 105.539 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 Shakarganj Limited amounting to Rs. 3.783 million (2019: Nil) and Premier Insurance Company amounting to Rs. 0.232 million (2019: Nil).

Rupees in '000	Note	**2020**	2019
12.5 Workers' Profit Participation Fund			
Opening balance		5,885	29,443
Allocation for the year	36	–	3,633
		5,885	33,076
Amount paid to the trustees of the fund		(3,824)	(27,191)
Closing balance		2,061	5,885

Rupees in '000	Note	2020	2019
13 MARK-UP ACCRUED			
Mark-up accrued on :			
- Finance lease obligations		312	503
- Long term loans		4,118	6,812
- Running finance and short term loans	13.1	49,784	34,302
		54,214	41,617

13.1 This includes mark-up accrued amounting to Rs. 26.344 million (2019: Rs. 13.588 million) on shariah arrangement.

Rupees in '000	Note	2020	2019
14 SHORT TERM BORROWINGS			
Secured from banking companies			
Running finances under mark-up arrangements	14.1	582,317	846,445
Short term loans	14.2	2,093,043	730,751
		2,675,360	1,577,196

14.1 Short term running finance / money market available from conventional side of various commercial banks under mark-up arrangements amounted to Rs. 1,100.8 million (2019: Rs. 1,350 million) out of which Rs. 300 million (2019: Rs. 400 million), Rs. 150 million (2019: Rs. 150 million) and Rs. 450 million (2019: Rs. 450 million) 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 10.33% to 15.85% (2019: 7.68% to 14.81%) per annum.

14.2 This includes an amount of Rs. 697.11 million (2019: Rs. 617.059 million) outstanding against Islamic mode of financing. Short term loans available from various commercial banks under mark-up arrangements amounted to Rs. 4,600 million (2019: Rs. 4,800 million) out of which Rs. 3,400 million (2019: Rs. 3,800 million), Rs. 255 million (2019: Rs. 50 million) and Rs. 350 million (2019: Rs. 335 million) are 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 9.79% to 16.18% (2019: 8.78% to 14.86%) per annum.

14.3 The facilities for opening letters of credit amounted to Rs. 4,600 million (2019: Rs. 6,510 million) out of which Rs. 300 million (2019: Rs. 375 million), Rs. 3,650 million (2019: Rs. 5,450 million) and Rs. 255 million (2019: Rs. 260 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 2020 amounted to Rs. 1,794.1 million (2019: Rs. 2,096 million). Amounts unutilized for letters of credit and guarantees as at 30 June 2020 were Rs. 4,458.24 million and Rs. 69.923 million (2019: Rs. 6,355 million and Rs. 846 million) respectively.

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

14.5 The above facilities are expiring on various dates with maturity period upto 23 November 2020. These facilities 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 27.2). 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 these 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 (BIPL) for acquisition of Spiral Pipe (SP) machine. As per requirement of IFAS-2 Ijarah financing has been treated as an operating lease. During the year, BIPL deferred the principal payments of rentals for one year as per the directives issued by State Bank of Pakistan vide its circular no. 12 dated 26 March 2020. As at 30 June 2020, amount of lease rental outstanding under the agreement are Rs. 121.692 million (2019: Rs. 183.184 million), which is payable in quarterly instalments of Rs. 22.898 million (2019: Rs. 22.898 million) each.

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

Rupees in '000	**2020**	2019
Not later than one year	33,707	91,592
Later than one year and not later than five years	327,985	331,592
	361,692	423,184
Security deposit under arrangement	(240,000)	(240,000)
	121,692	183,184

15.2.2 Aggregate amount of guarantees issued on behalf of the Company against various contracts aggregated Rs. 1,624 million (2019: Rs. 1,251 million). This includes guarantee issued by Islamic banks amounting to Rs. 259 million (2019: Rs. 153.59 million)

15.2.3 Commitments in respect of capital expenditure contracted for as at 30 June 2020 amounted to Rs. 8.455 million (2019: Rs. 42.038 million).

15.2.4 Commitments under letters of credit (L/C) as at 30 June 2020 amounted to Rs. 228.486 million (2019: Nil).

Rupees in '000	Note	**2020**	2019
16 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	16.1	2,014,201	2,404,168
Capital work-in-progress	16.4	91,471	89,577
		2,105,672	2,493,745
Right-of-use-assets	16.1	168,600	–
		2,274,272	2,493,745

16.1 Operating fixed assets

Description Rupees in '000	Note	Land: Freehold	Land: Freehold including improvements	Buildings: On freehold land	Buildings: On leasehold land	Office premises	Plant and machinery owned*	Electrical/ office equipment and installation	Furniture and fittings	Computers	Motor vehicles owned	Total operating fixed assets	Right-of-use assets: Plant and machinery	Right-of-use assets: Motor vehicles	Right-of-use assets: Total	Total
Net carrying value as at 1 July 2019																
Opening net book value (NBV)		307,723	37,626	437,587	24,871	6,225	1,316,595	20,503	12,336	2,630	33,916	2,200,012	168,850	35,306	204,156	2,404,168
Additions / transfers		-	-	-	-	-	1,832	848	-	378	3,587	6,645	-	-	-	6,645
Disposals (at NBV)	16.5	-	-	-	-	-	-	-	-	(8)	(1,452)	(1,460)	(2,377)	(375)	(2,752)	(4,212)
Depreciation charge	16.1.2	-	(1,686)	(10,656)	(17,481)	(919)	(139,679)	(7,586)	(1,718)	(2,013)	(9,258)	(190,996)	(21,708)	(11,096)	(32,804)	(223,800)
Balance as at 30 June 2020 (NBV)		307,723	35,940	426,931	7,390	5,306	1,178,748	13,765	10,618	987	26,793	2,014,201	144,765	23,835	168,600	2,182,801
Gross carrying value as at 30 June 2020																
Cost	16.2	307,723	43,066	663,289	96,545	27,481	2,808,564	74,153	32,100	58,546	69,599	4,181,066	214,605	58,983	273,588	4,454,654
Accumulated depreciation		-	(7,126)	(236,358)	(89,155)	(22,175)	(1,629,816)	(60,388)	(21,482)	(57,559)	(42,806)	(2,166,865)	(69,840)	(35,148)	(104,988)	(2,271,853)
Net book value		307,723	35,940	426,931	7,390	5,306	1,178,748	13,765	10,618	987	26,793	2,014,201	144,765	23,835	168,600	2,182,801
Depreciation rate (% per annum)		-	1	5 & 10	5 & 10	10	5 - 20	5 - 20	10	33.33	20		10	20		

Description Rupees in '000	Note	Land: Freehold	Land: Freehold including improvements	Buildings: on freehold land	Buildings: on leasehold land	Office premises	Plant and machinery: Owned	Plant and machinery: Lease	Electrical/ Office equipment and installation	Furniture and fittings	Computers	Motor vehicles: Owned	Motor vehicles: Leased	Total
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)		-	-	-	-	-	(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		-	(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
Depreciation rate (% per annum)		-	1	5 & 10	5 & 10	10	5 - 20	10	5 - 20	10	33.33	20	20	

* Net book value of plant and machinery (owned) includes an aggregate amount of Rs. 0.582 million (2019: Rs. 1.704 million) representing net book value of capitalized spares.

16.1.1 During the year, an asset having net book value Rs. 2.753 million (2019: Nil) was transferred from lease assets to own assets due to maturity of lease term.

Rupees in '000		Note	**2020**	2019
16.1.2	The depreciation charge for the year has been allocated as follows:			
	Cost of sales	32.1	200,570	90,348
	Distribution and selling expenses	34	1,108	963
	Administrative expenses	35	22,122	22,535
			223,800	113,846

16.2 Property, plant and equipment as at 30 June 2020 include items having an aggregate cost of Rs. 1,310.585 million (2019: Rs. 1,258.367 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 and forced sale value of property, plant and equipment approximate to Rs. 4,519.8 million and Rs. 3,675.7 million respectively.

Rupees in '000		Note	**2020**	2019
16.4	Capital work-in-progress			
	Advance to supplier		40,000	40,000
	Civil work	16.4.1 & 16.4.2	50,925	49,577
	Others		546	–
			91,471	89,577

16.4.1 This includes an amount of Rs. 26.4 million (2019: 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.

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16.4.2 The Company has recognized a provision in previous year for an amount of Rs. 20.619 million (2019: 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 / (loss)	Mode of disposal	Particular of buyers
Rupees in '000							
Plant and machinery	3,396	1,019	2,377	2,377	-	Transfer to own assets	Various leasing companies
Others	10,130	8,295	1,835	2,936	1,101	Various	Various
2020	13,526	9,314	4,212	5,313	1,101		
2019	73,712	48,980	24,732	37,406	12,674		

Rupees in '000	Note	2020	2019
17 INTANGIBLE ASSETS			
Net book value as at 1 July		484	151
Additions		615	580
Amortization	17.1	(211)	(247)
Net book value as at 30 June	17.2	888	484
Gross carrying value as at 30 June			
Cost		78,614	69,803
Transfer upon amalgamation		–	8,196
		78,614	77,999
Accumulated amortization		(75,086)	(66,679)
Transfer upon amalgamation		–	(8,196)
		(75,086)	(74,875)
Accumulated impairment		(2,640)	(2,640)
Net book value		888	484
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 2020 include items having an aggregate cost of Rs. 74.778 million (2019: Rs. 74.778 million) that have been fully amortized and are still in use of the Company.

18 INVESTMENT PROPERTIES

Description Rupees in '000	Note	Freehold land	Leasehold land and improvements	Buildings on leasehold land	Office premises	Total
Net carrying value as at 1 July 2019						
Opening net book value (NBV)		1,740	605	19,132	5	21,482
Depreciation charge	18.1	–	(207)	(1,570)	(5)	(1,782)
Balance as at 30 June 2020 (NBV)		1,740	398	17,562	–	19,700
Gross carrying value as at 30 June 2020						
Cost	18.2	1,740	2,869	31,409	29,830	65,848
Accumulated depreciation		–	(2,471)	(13,847)	(29,830)	(46,148)
Net book value		1,740	398	17,562	–	19,700
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		–	(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		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
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 2020 is Rs. 215 million (2019: Rs. 145 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	**2020**	2019
19 LONG TERM INVESTMENTS			
Subsidiary companies - at cost	19.1	525,001	525,001
Associated companies - at cost	19.2	1,286,401	1,286,401
Other long term investments	19.3	492,375	453,432
		2,303,777	2,264,834

19.1 Subsidiary companies - at cost

2020 Number of shares	2019 Number of shares		Note	**2020** Rupees in '000	2019 Rupees in '000
		Unquoted			
52,500,000	52,500,000	CS Capital (Private) Limited (Chief Executive Officer - Ms. Hajerah Ahsan Saleem)	19.1.1	525,000	525,000
2	2	Crescent Continental Gas Pipelines Limited (US $ 1 each)	19.1.2	–	–
100	100	Solution de Energy (Private) Limited (Chief Executive Officer - Mr. Muhammad Saad Thaniana)	19.1.3	1	1
				525,001	525,001

19.1.1 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.

19.1.2 This represents investment in subsidiary of Rs. 90 only. The subsidiary Company has not commenced operations and accordingly no financial statements have been prepared.

19.1.3 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

2020 Number of shares	2019 Number of shares		Note	**2020** Rupees in '000	2019 Rupees in '000
		Quoted			
60,663,775	60,663,775	Altern Energy Limited (Chief Executive Officer - Mr. Umer Shehzad Sheikh)	19.2.1	595,293	595,293
27,409,075	27,409,075	Shakarganj Limited (Chief Executive Officer - Mr. Anjum M. Saleem)	19.2.2	691,108	691,108
				1,286,401	1,286,401

19.2.1 The Company holds 16.69% (2019: 16.69%) shareholding in Altern Energy Limited and has representation on its Board of Directors. 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.

19.2.2 The Company holds 21.93% (2019: 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	**2020**	2019
19.2.3 Market value of investments in associates is as follows:		
Altern Energy Limited	1,471,097	2,022,530
Shakarganj Limited	1,356,749	1,284,115
	2,827,846	3,306,645

Percentage of holding	**2020**	2019
19.2.4 Percentage of holding of equity in associates is as follows:		
Altern Energy Limited	16.69	16.69
Shakarganj Limited	21.93	21.93

19.2.5 The latest financial statements / condensed interim financial information of associated companies as at 30 June 2020 are not presently available. The following is summarized financial information of associated companies as at 31 March 2020 and for the twelve months period ended 31 March 2020 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	Note	(As at 31 March)				(For the twelve months period ended 31 March)			
2020									
Altern Energy Limited	19.2.5.1	16,505,644	15,657,244	1,018,035	3,698,707	16,307,981	3,740,753	1,442	3,742,195
Shakarganj Limited		11,902,705	2,361,935	1,223,295	5,562,530	6,753,207	(1,063,914)	76,546	(987,368)
2019									
Altern Energy Limited		18,113,134	17,482,746	972,157	7,624,671	21,324,849	2,859,051	(104)	2,858,947
Shakarganj Limited		12,615,881	1,975,261	1,410,654	4,591,010	7,200,975	(121,741)	2,754,574	2,632,833

19.2.5.1 These figures are based on the latest available unaudited condensed interim consolidated financial information as at 31 March 2020 including its subsidiary Company Rousch (Pakistan) Power Limited being managed by Power Management Company holding 59.98% shares.

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Rupees in '000	Note	2020	2019
19.3 Other long term investments			
Fair value through other comprehensive income (FVOCI)	19.3.1	9,419	9,844
Fair value through profit or loss (FVTPL)	19.3.2	482,956	443,588
		492,375	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.

2020	2019	Name of investee company	Note	2020	2019
Number of shares				Rupees in '000	
		Quoted			
452,379	452,379	The Crescent Textile Mills Limited	19.3.1.1	9,419	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.

19.3.1.2 The Company has recognized impairment loss in previous years amounting to Rs. 4.537 million (2019: Rs. 4.537 million) against the investment.

19.3.2 Fair value through profit or loss (FVTPL)

2020	2019		Note	2020	2019
Number of shares				Rupees in '000	
		Unquoted			
14,110,817	14,110,817	Shakarganj Food Products Limited	19.3.2.1	346,844	319,187
5,565,000	4,189,999	Central Depository Company of Pakistan Limited (CDC)	19.3.2.1	136,112	124,401
2,403,725	2,403,725	Crescent Bahuman Limited - Related party	19.3.2.2	24,037	24,037
1,047,000	1,047,000	Crescent Industrial Chemicals Limited	19.3.2.3	10,470	10,470
				517,463	478,095
		Less: Provision for impairment		(34,507)	(34,507)
				482,956	443,588

19.3.2.1 On initial application of IFRS 9, these have been classified as FVTPL and measured at fair value.

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. 13.21 per share (2019: Rs. 9.79 per share), calculated on the basis of audited annual financial statements for the year ended 30 June 2019. This investment had been fully charged to profit or loss in earlier periods.

19.3.2.3 This investment had been fully charged to profit or loss in earlier periods.

Rupees in '000		2020	2019
20 LONG TERM DEPOSITS			
Security deposits			
-leasing companies		14,176	22,711
-Ijarah financing arrangement		199,694	199,694
-others		10,878	10,862
		224,748	233,267
21 DEFERRED TAXATION - NET			
Deferred tax credits / (debits) arising in respect of:			
Taxable temporary differences			
Accelerated tax depreciation / amortization		198,471	206,978
Finance lease obligations		16,463	14,470
Fair value adjustment in unquoted investment through reserves		30,119	30,119
Unrealized gain on fair value through profit or loss investments		22,828	14,775
		267,881	266,342
Deductible temporary differences			
Employee benefits - Defined benefit plan		(46,631)	(67,592)
Provision for slow moving stores, spares and loose tools		(21,307)	(25,763)
Provisions for doubtful trade debts, doubtful advances and others		(76,981)	(70,950)
Discounting on long term deposit		(13,565)	(14,265)
Deferred income		(1,943)	(3,863)
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		(107,224)	(50,831)
Tax losses		(445,930)	(308,247)
Provision for diminution in the value of investments		(7,505)	(7,505)
		(730,543)	(558,473)
		(462,662)	(292,131)
21.1 Break up of deferred tax (reversal) / charge is as follows:			
Profit or loss		(192,405)	(186,682)
Other comprehensive income		20,961	(105,487)
Set-off of temporary differences with the Subsidiary Company		913	–
Opening retained earnings		–	30,119
		(170,531)	(262,050)
22 STORES, SPARES AND LOOSE TOOLS			
Stores		26,999	51,045
Spare parts		211,417	219,329
Loose tools		4,288	4,248
		242,704	274,622
Less: Provision for slow moving items	22.1	73,472	88,838
		169,232	185,784

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2020

Rupees in '000	Note	2020	2019
22.1 Movement in provision for slow moving items			
Opening balance		88,838	60,477
Provision (reversed) / made during the year - net		(15,366)	17,502
Transfer upon amalgamation		–	10,859
Closing balance		73,472	88,838

23 STOCK-IN-TRADE

Rupees in '000	Note	2020	2019
Raw materials			
Hot rolled steel coils (HR Coils)		1,470,714	323,884
Coating materials		39,315	84,462
Steel scrap		56,030	4,320
Others		117,476	112,930
Raw cotton		118,521	130,230
Stock-in-transit		58,535	–
		1,860,591	655,826
Provision for obsolescence and slow-moving raw materials		(2,039)	–
		1,858,552	655,826
Work-in-process	23.2 & 32.1	46,508	24,996
Finished goods - net	23.2 & 32.1	214,215	131,598
Scrap / cotton waste		11,466	8,949
		272,189	165,543
		2,130,741	821,369

23.1 Stock as at 30 June 2020 amounting to Rs. 0.108 million (2019: Nil) is held by third party.

23.2 Stock-in-trade as at 30 June 2020 includes items valued at net realisable value (NRV). Reversal in respect of stock written back to NRV was amounting to Rs. 6.906 million (2019: Reversal of Rs. 26.083 million) has been recognized in cost of goods sold.

Rupees in '000	Cost	NRV
Raw material	1,860,591	1,858,552
Work-in-process	46,508	46,508
Finished goods	262,450	214,215
	2,169,549	2,119,275

24 TRADE DEBTS

Rupees in '000	Note	2020	2019
Secured			
Considered good		158,208	76,918
Unsecured			
Considered good		67,591	19,514
Considered doubtful		30,706	30,706
		98,297	50,220
Impairment loss on trade debts	24.1	(30,706)	(30,706)
		225,799	96,432

Rupees in '000	Note	2020	2019
24.1 Movement in impairment loss on trade debts			
Opening balance		30,706	16,626
Impairment loss during the year		–	956
Reversal of impairment loss during the year		–	(1,500)
Transfer upon amalgamation		–	14,624
Closing balance		30,706	30,706

25 LOANS AND ADVANCES

Rupees in '000	Note	2020	2019
Unsecured			
Loan to related party - considered good			
Loan to subsidiary	25.1	91,208	88,208
Advances - considered good			
Staff		893	908
Suppliers for goods and services		52,731	33,504
Advances to others		393	65
Advances - considered doubtful			
Suppliers for goods and services		47	47
Provision for doubtful advances		(47)	(47)
		–	–
		145,225	122,685

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. 91.208 million (2019: Rs. 88.208 million). The loan is repayable on demand.

26 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Rupees in '000	Note	2020	2019
Security deposits - leasing companies		19,776	9,367
Security deposits - others	26.1	33,922	30,207
Prepayments		9,359	10,718
		63,057	50,292

26.1 This includes Rs. 28.625 million (2019: Rs. 28.625 million) 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.

27 INVESTMENTS

Fair value through profit or loss (FVTPL)

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

2020	2019		Note	2020	2019
Number of shares		Name of investee company		Rupees in '000	
4,054,163	5,501,543	Quoted - Investments	27.1	124,611	166,735
		Unquoted			
1,996	1,996	Innovative Investment Bank Limited		2,777	2,777
		Less: Provision for impairment		(2,777)	(2,777)
				-	-
			27.3	124,611	166,735

27.1 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.

2020	2019	Name of investee company	2020	2019
(Number of share / certificates)			Rupees in '000	
-	6,300	Attock Cement Pakistan Limited	-	450
-	5,750	Cherat Cement Company Limited	-	464
237,500	315,000	D.G. Khan Cement Company Limited	20,267	17,810
200,000	295,000	Engro Fertilizer Limited	12,056	18,871
55,000	55,000	Fauji Fertilizer Company Limited	6,049	4,796
1,705,000	1,705,000	HBL Growth Fund - Class A	12,788	17,613
500,673	500,673	HBL Investment Fund - Class A	1,342	2,028
68,500	68,500	Hi-Tech Lubricants Limited	2,074	1,895
139,700	127,000	International Industries Limited	3,254	9,788
63,000	63,000	International Steels Limited	12,815	2,502
450,000	1,500,000	K-Electric Limited*	1,355	6,585
-	41,080	Kohat Cement Limited	-	2,158
-	1,650	Mari Petroleum Company Limited	-	1,665
5,000	5,500	Meezan Bank Limited	344	479
-	2,000	Millat Tractors Limited	-	1,725
-	65,400	Nishat Mills Limited	-	6,104
100,000	186,000	Nishat Power Limited	2,265	5,122
72,700	72,700	Oil and Gas Development Company Limited	7,924	9,559
-	500	Pakistan Oilfields Limited	-	203
155,800	200,000	Pakistan Petroleum Limited	13,520	28,886
100,800	84,000	Pakistan State Oil Company Limited	15,943	14,250
174,000	175,000	The Hub Power Company Limited	12,615	13,782
26,490	26,490	Jubilee Spinning and Weaving Mills Limited	90	90
			124,701	166,825
		Less: Provision for impairment	(90)	(90)
4,054,163	5,501,543		124,611	166,735

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

27.2 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	**2020**	2019
Name of investee company		
Altern Energy Limited (Long term investment)	1,396,073	1,828,532
Attock Cement Pakistan Limited	–	450
Cherat Cement Company Limited	–	464
D.G. Khan Cement Company Limited	20,267	17,810
Engro Fertilizer Limited	12,056	18,871
Fauji Fertilizer Company Limited	4,400	4,796
HBL Investment Fund - Class A	1,340	2,025
HBL Growth Fund - Class A	6,394	–
Hi-Tech Lubricants Limited	2,074	1,895
International Industries Limited	12,815	9,788
International Steels Limited	3,254	2,502
K-Electric Limited*	1,355	6,585
Kohat Cement Limited	–	2,158
Mari Petroleum Company Limited	–	1,665
Meezan Bank Limited	344	436
Millat Tractors Limited	–	1,725
Nishat Mills Limited	–	6,104
Nishat Power Limited	2,265	5,122
Oil and Gas Development Company Limited	1,929	9,559
Pakistan Petroleum Limited	6,075	28,886
Pakistan State Oil Company Limited	15,943	14,249
The Crescent Textile Mills Limited	9,419	9,844
The Hub Power Company Limited	5,075	13,781
	1,501,078	1,987,247

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

27.3 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 2019: 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.

Rupees in '000	Note	2020	2019
28 OTHER RECEIVABLES			
Dividend receivable		886	885
Provision there against		(886)	(885)
		-	-
Receivable against rent from investment property		305	305
Claim receivable		989	-
Due from related parties	28.1	13,469	19,559
Sales tax refundable	28.2	154,859	187,870
Margin on guarantees		15,359	15,359
Receivable from staff retirement benefits funds	44	24,995	20,329
Mark-up accrued		29	29
Others		9,507	6,005
		219,512	249,456
28.1 Due from related parties			
Shakarganj Limited		1,102	5,627
CS Capital (Private) Limited		580	2,216
Solution de Energy (Private) Limited		11,787	11,663
Crescent Steel and Allied Products Limited - Pension Fund		-	53
		13,469	19,559

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	2020	2019
Shakarganj Limited	1,102	5,627
CS Capital (Private) Limited	2,214	2,216
Solution de Energy (Private) Limited	11,787	11,663
Crescent Steel and Allied Products Limited - Pension Fund	53	53
	15,156	19,559

28.1.2 The aging of amount due from related parties:

	2020	2019
Not yet due	1,354	1,295
Past due 1 - 30 days	7	128
Past due 30 - 180 days	626	2,087
Past due 180 days	11,482	16,049
	13,469	19,559

28.2 Sales tax refundable

28.2.1 This includes payment made to Punjab Revenue Authority (PRA) against order received for non withholding of Punjab sales tax on services and its deposit with PRA. 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 the Company's favour.

28.2.2 During the year, order under section 11 of the Sales Tax Act, 1990 has been issued where demand of Rs. 1.83 million has been raised in respect of alleged short deposit of sales tax to Hadeed (Billet) Division (previously before scheme of amalgamation, it was Crescent Hadeed (Private) Limited). Appeal has been preferred with the Commissioner Appeals which is pending adjudication.

28.2.3 In the previous years, the Company has adopted fixed regime of sales tax for Hadeed (Billet) division, 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	**2020**	2019
29 TAXATION - NET		
Advance taxation	3,821,133	3,719,262
Provision for taxation	(2,547,992)	(2,458,731)
	1,273,141	1,260,531

29.1 The Income Tax assessments of the Company have been finalized up to and including tax year 2019, 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. Appeals had been preferred with the Commissioner Appeals where most of the issues were decided in favour of the Company whereas for remaining issues, appeals have been preferred before the Appellate Tribunal Inland Revenue for these Tax Years which are pending adjudication. Cross appeal in Tax Year 2016 has been filed by the tax department which also awaits adjudication.

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. Company filed appeal with the Appellate Tribunal for 2009 which is pending adjudication where as for 2011, set aside proceedings have been initiated which have been duly responded to.

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 was preferred with the Commissioner Inland Revenue Appeals where majority of issues were decided in the Company's favour along with rectification of original order. Appeal has been preferred with the Appellate Tribunal Inland Revenue for remaining issues 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.

Order under section 161/205 of the Income Tax Ordinance, 2001, was issued by the Assistant Commissioner Inland Revenue, whereby demand aggregating to Rs. 46.78 million was raised in respect of tax year 2017 in relation to Hadeed (Billet) Division (previously before scheme of amalgamation, it was Crescent Hadeed (Private) Limited). Appeal was preferred to the Commissioner (Appeals) who remanded the case back to officer, where the remand back proceedings were concluded and demand raised of Rs. 1.8 million was settled by the Company out of available refunds. Associated expense has been recognised accordingly in these financial statements.

Orders under section 161/205 of the Income Tax Ordinance, 2001, were issued by the Assistant Commissioner Inland Revenue in respect of Tax Years 2016 and 2018 where demands of Rs. 0.6 million and Rs. 1.56 million were raised, respectively. These amounts were settled by the Company out of available refunds. Associated expense has been recognised accordingly in these financial statements.

Orders under section 161/205 of the Income Tax Ordinance, 2001, were issued by the Assistant Commissioner Inland Revenue in respect of Tax Years 2014 and 2015 where demands of Rs. 0.025 million and Rs. 0.318 million were raised, respectively for CS Energy Division (previously before scheme of amalgamation, it was CS Energy (Private) Limited). Associated expense has been recognised accordingly in these financial statements.

Assessment for the year 2016 was amended and demand of Rs. 0.07 million was raised for CS Energy Division (previously before scheme of amalgamation, it was CS Energy (Private) Limited). Associated expense has been recognised accordingly in these financial statements.

No provision has been made in these unconsolidated 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.

Rupees in '000	Note	**2020**	2019

30 CASH AND BANK BALANCES

	Note	2020	2019
With banks			
- in saving account	30.1	731	6,322
- in current accounts		21,829	20,881
	30.2	22,560	27,203
Cash in hand		828	602
		23,388	27,805

30.1 Mark-up rate on saving account is 6.5% to 11.3% (2019: 2.40% to 6.26%) per annum.

30.2 This includes balances amounting to Rs. 1.765 million (2019: Rs. 3.287 million) with Shariah compliant banks.

31 SALES - NET

Rupees in '000	**2020**	2019
Local sales		
Bare pipes	1,017,793	319,247
Steel billets	983,209	–
Pipe coating	86,604	233,976
Pre coated pipes	298,513	1,996,516
Cotton yarn / raw cotton	1,567,180	1,667,951
Electricity sales	136,026	–
Steam sales	113,507	–
Others	56,149	91,865
Scrap / waste	214,029	167,325
Sales returns	–	(3,262)
	4,473,010	4,473,618
Sales tax	(650,808)	(407,103)
	3,822,202	4,066,515

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

32 COST OF SALES

Rupees in '000	Note	**2020**	2019
Steel segment	32.1	1,257,531	2,266,675
Cotton segment	32.1	1,320,153	1,579,451
Energy segment	32.1	299,194	–
Hadeed (Billet) segment	32.1	894,428	–
		3,771,306	3,846,126

Rupees in '000	Note	Steel segment 2020	Steel segment 2019	Cotton segment 2020	Cotton segment 2019	Energy segment 2020	Energy segment 2019	Hadeed (Billet) segment 2020	Hadeed (Billet) segment 2019	Total 2020	Total 2019
32.1 Cost of sales											
Raw materials consumed		934,627	1,659,667	944,862	1,173,444	227,662	-	652,086	-	2,759,237	2,833,111
Packing materials consumed		-	-	13,372	16,835	-	-	-	-	13,372	16,835
Store and spares consumed		33,435	60,063	17,379	18,600	4,746	-	21,554	-	77,114	78,663
Fuel, power and electricity		33,944	48,013	206,026	204,407	77	-	1,242	-	241,289	252,420
Salaries, wages and other benefits	32.2	120,005	139,238	132,488	125,505	5,529	-	22,216	-	280,238	264,743
Insurance		3,944	4,705	2,874	2,583	644	-	1,023	-	8,485	7,288
Commission		-	-	4,394	4,713	-	-	-	-	4,394	4,713
Repairs and maintenance		2,824	6,051	2,218	2,474	135	-	569	-	5,746	8,525
Depreciation	16.1.2	60,831	61,098	27,897	29,250	60,391	-	51,451	-	200,570	90,348
Rental under Ijarah financing		68,200	91,592	-	-	-	-	-	-	68,200	91,592
Other expenses		72,493	147,593	-	6,937	10	-	144,287	-	216,790	154,530
		1,330,303	2,218,020	1,351,510	1,584,748	299,194	-	894,428	-	3,875,435	3,802,768
Opening stock of work-in-process		15,854	10,288	9,142	9,425	-	-	-	-	24,996	19,713
Closing stock of work-in-process	23	(39,329)	(15,854)	(7,179)	(9,142)	-	-	-	-	(46,508)	(24,996)
		(23,475)	(5,566)	1,963	283	-	-	-	-	(21,512)	(5,283)
Cost of goods manufactured		1,306,828	2,212,454	1,353,473	1,585,031	299,194	-	894,428	-	3,853,923	3,797,485
Opening stock of finished goods		120,524	174,745	11,074	5,494	-	-	-	-	131,598	180,239
Closing stock of finished goods - net	23	(169,821)	(120,524)	(44,394)	(11,074)	-	-	-	-	(214,215)	(131,598)
		(49,297)	54,221	(33,320)	(5,580)	-	-	-	-	(82,617)	48,641
		1,257,531	2,266,675	1,320,153	1,579,451	299,194	-	894,428	-	3,771,306	3,846,126
32.2 Detail of salaries, wages and other benefits											
Salaries, wages and other benefits	32.2.1	106,629	137,150	130,412	123,939	5,515	-	21,915	-	264,471	261,089
Pension fund	32.2.2	8,920	205	-	-	-	-	-	-	8,920	205
Gratuity fund	32.2.2	660	(1,632)	-	-	-	-	-	-	660	(1,632)
Provident fund contributions		3,796	3,515	2,076	1,566	14	-	301	-	6,187	5,081
		120,005	139,238	132,488	125,505	5,529	-	22,216	-	280,238	264,743

32.2.1 This includes contribution amounting to Nil (2019: Rs. 0.06 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.

Rupees in '000	2020 Pension	2020 Gratuity	2019 Pension	2019 Gratuity
32.2.2 Staff retirement benefits				
Current service costs	5,174	1,616	4,283	1,564
Interest costs	19,829	4,184	11,564	2,964
Return on plan assets, excluding interest income	(16,083)	(5,140)	(15,642)	(6,160)
	8,920	660	205	(1,632)

33 INCOME FROM INVESTMENTS - NET

Rupees in '000	Note	2020	2019
Dividend income	33.1	353,378	208,944
Loss on sale of FVTPL investments - net	33.1	(4,309)	(16,077)
Unrealized gain / (loss) on FVTPL investments - net	33.1	37,706	(3,867)
Rent from investment properties	33.2	2,563	2,563
		389,338	191,563

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

Rupees in '000

Name of investee company	Note	Dividend income	Realised loss	Unrealised gain
Shariah compliant investee companies		4,610	(3,766)	3,085
Non-Shariah compliant investee companies	33.1.2	348,768	(543)	34,621
		353,378	(4,309)	37,706

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

33.1.2 This includes Rs. 342.75 million related to dividend received form Altern Energy Limited (AEL) for which status of compliant or non-compliant is not ascertained due to non-disclosure of information by AEL.

33.2 Direct operating expenses incurred against rental income from investment properties amounted to Rs. 0.873 million (2019: Rs. 0.518 million). Further Rs. 2.258 million (2019: Rs. 2.179 million) were incurred against the non rented out area.

34 DISTRIBUTION AND SELLING EXPENSES

		Steel segment		Cotton segment		Hadeed (Billet) segment		Total	
Rupees in '000	Note	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Salaries, wages and other benefits	34.1	3,046	3,640	1,917	1,599	70	-	5,033	5,239
Travelling, conveyance and entertainment		1,207	450	49	69	43	-	1,299	519
Depreciation	16.1.2	909	963	-	-	199	-	1,108	963
Insurance		22	118	-	-	20	-	42	118
Postage, telephone and telegram		48	43	42	51	17	-	107	94
Advertisement		31	1,644	-	-	-	-	31	1,644
Bid bond expenses		450	747	-	-	-	-	450	747
Legal and professional charges		1,362	3,518	-	-	-	-	1,362	3,518
Others		2,429	743	1,183	1,200	280	-	3,892	1,943
		9,504	11,866	3,191	2,919	629	-	13,324	14,785

34.1 Detail of salaries, wages and other benefits

		Steel segment		Cotton segment		Hadeed (Billet) segment		Total	
Rupees in '000	Note	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Salaries, wages and other benefits		2,188	3,449	1,917	1,599	70	-	4,175	5,048
Pension fund	34.1.1	637	52	-	-	-	-	637	52
Gratuity fund	34.1.1	47	(388)	-	-	-	-	47	(388)
Provident fund contributions		174	527	-	-	-	-	174	527
		3,046	3,640	1,917	1,599	70	-	5,033	5,239

	2020		2019	
Rupees in '000	Pension	Gratuity	Pension	Gratuity
34.1.1 Staff retirement benefits				
Current service costs	370	115	1,095	372
Interest costs	1,416	299	2,956	704
Return on plan assets, excluding interest income	(1,149)	(367)	(3,999)	(1,464)
	637	47	52	(388)

35 ADMINISTRATIVE EXPENSES

Rupees in '000	Note	Steel segment 2020	Steel segment 2019	Cotton segment 2020	Cotton segment 2019	Energy segment 2020	Energy segment 2019	Hadeed (Billet) segment 2020	Hadeed (Billet) segment 2019	IID segment 2020	IID segment 2019	Total 2020	Total 2019
Salaries, wages and other benefits	35.1	98,859	70,994	21,135	15,861	2,887	-	8,000	-	7,966	5,980	138,847	92,835
Rents, rates and taxes		1,926	1,380	371	323	65	-	268	-	621	582	3,251	2,285
Travelling, conveyance and entertainment		3,931	4,963	779	953	134	-	313	-	263	289	5,420	6,205
Fuel and power		7,795	8,396	1,214	1,222	259	-	2,145	-	427	468	11,840	10,086
Postage, telephone and telegram		1,663	1,873	392	403	43	-	115	-	103	106	2,316	2,382
Insurance		1,942	1,316	302	280	284	-	60	-	176	117	2,764	1,713
Repairs and maintenance		5,569	9,947	414	463	50	-	147	-	994	1,256	7,174	11,666
Auditors' remuneration	35.2	2,138	2,318	583	618	83	-	157	-	251	247	3,212	3,183
Legal, professional and corporate service charges		23,226	13,124	5,944	2,696	1,008	-	2,006	-	2,854	2,214	35,038	18,034
Advertisement		367	1,735	10	13	6	-	10	-	20	91	413	1,839
Donations	35.3	480	2,694	-	-	5	-	7	-	26	142	518	2,836
Depreciation	16.1.2 & 18.1	15,482	18,208	3,033	3,368	321	-	2,378	-	2,690	2,354	23,904	23,930
Amortization of intangible assets	17	164	198	31	39	4	-	4	-	8	10	211	247
Printing, stationery and office supplies		1,436	2,137	355	512	11	-	25	-	145	211	1,972	2,860
Newspapers, subscriptions and periodicals		287	330	360	494	517	-	13	-	26	25	1,203	849
Others		5,072	5,941	1,059	1,137	134	-	571	-	307	297	7,143	7,375
		170,337	145,554	35,982	28,382	5,811	-	16,219	-	16,877	14,389	245,226	188,325
35.1 Detail of salaries, wages and other benefits													
Salaries, wages and other benefits		71,548	69,019	20,411	15,382	2,768	-	7,770	-	7,655	5,980	110,152	90,381
Pension fund	35.1.1	22,300	546	-	-	-	-	-	-	-	-	22,300	546
Gratuity fund	35.1.1	1,650	(3,463)	-	-	-	-	-	-	-	-	1,650	(3,463)
Provident fund contributions		3,361	4,892	724	479	119	-	230	-	311	-	4,745	5,371
		98,859	70,994	21,135	15,861	2,887	-	8,000	-	7,966	5,980	138,847	92,835

Rupees in '000	2020 Pension	2020 Gratuity	2019 Pension	2019 Gratuity
35.1.1 Staff retirement benefits				
Current service costs	12,934	4,040	11,384	3,319
Interest costs	49,573	10,460	30,733	6,289
Return on plan assets, excluding interest income	(40,207)	(12,850)	(41,571)	(13,071)
	22,300	1,650	546	(3,463)

Rupees in '000	Note	2020	2019
35.2 Auditors' remuneration			
Audit fee	35.2.1	2,250	2,013
Certifications and other assurance services		480	727
Out of pocket expenses		244	205
Sales tax		238	238
		3,212	3,183

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

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	Amount donated 2020	2019
			Rupees in '000	
Mr. Ahsan M. Saleem	Director	The Citizens Foundation Plot No. 20, Sector - 14, New Brookes Chowrangi, Korangi Industrial Area, Karachi	269	1,076

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:

Name of the donee	Amount donated 2020	2019
	Rupees in '000	
Crescent Model Higher Secondary School	–	1,500
Others	249	260
	249	1,760

Rupees in '000	2020	2019
36 OTHER OPERATING EXPENSES		
Exchange loss	25,958	2,288
Impairment loss on trade debts	–	956
Provision for:		
- Workers' Profit Participation Fund	–	3,633
- Workers' Welfare Fund	–	474
- Slow moving stores, spares and loose tools - net	–	17,502
Liquidated damages	–	3,727
Others	–	66
	25,958	28,646

Rupees in '000	2020	2019
37 OTHER INCOME		
Income from financial assets		
Mark-up on short term loan to subsidiary companies	–	41,727
Return on deposits - from conventional banking	859	477
Unwinding of discount on long term deposit	2,415	19,798
	3,274	62,002
Income from non-financial assets		
Exchange gain	–	395
Gain on disposal of operating fixed assets	1,101	12,674
Deferred income amortized	6,825	5,834
Insurance commission	1,318	306
Liabilities written-back	1,029	1,285
Reversal of impairment of trade debts	–	1,500
Reversal of provision for slow moving stores, spares and loose tools	15,366	–
Rent income	5,010	4,279
Others	1,517	706
	32,166	26,979
	35,440	88,981
38 FINANCE COSTS		
Mark-up on short term loans - Shariah arrangement	55,064	52,859
Interest on Non-Shariah arrangement		
- finance lease obligations	16,475	14,954
- long term loans	32,086	35,953
- running finances	144,828	90,155
- short term loans	50,494	42,071
Discounting of long term deposit	–	2,080
Bank charges	9,992	6,210
	308,939	244,282
39 TAXATION		
Current		
- for the year	89,849	66,067
- for prior years	1,907	2,034
	91,756	68,101
Deferred	(192,405)	(186,682)
	(100,649)	(118,581)
39.1 Relationship between taxation expense and accounting profit		
Profit before taxation	(117,773)	24,895
Tax at the applicable rate of 29% (2019: 29%)	(34,154)	7,220
Tax effect of inadmissible expenses / losses	(779)	151,952
Tax effect of income taxed at a lower rate	(67,623)	(12,142)
Prior year tax effect	1,907	2,034
Tax losses of subsidiaries	–	(267,645)
	(100,649)	(118,581)

39.2 Sufficient provision for tax has been made in these financial statements taking into account the profit for the year and various admissible and inadmissible allowances and deduction under the Income Tax Ordinance, 2001. Position of provision and assessment including return filed and deemed assessed for last three years are as follows:

Rupees in '000	2019	2018	2017
Tax provision including effects of prior years	63,513	222,849	362,447
Tax assessed / return filed	63,513	222,849	362,447

Rupees in '000	2020	2019
40 BASIC AND DILUTED (LOSS) / EARNINGS PER SHARE		
(Loss) / profit for the year	(17,124)	143,476
	(Number of shares)	
Weighted average number of ordinary shares in issue during the year	77,632,491	77,632,491
	(Rupees)	
Basic and diluted (loss) / earnings per share	(0.22)	1.85

Rupees in '000	2020	2019
41 CASH (USED IN) / GENERATED FROM OPERATIONS		
(Loss) / profit before taxation	(117,773)	24,895
Adjustments for non cash charges and other items:		
Depreciation on operating fixed assets and investment properties	225,582	115,241
Amortization of intangible assets	211	247
Charge / (reversal) for the year on staff retirement benefit funds	34,214	(4,680)
Dividend income	(353,378)	(208,944)
Unrealized (gain) / loss on FVTPL investments - net	(37,706)	3,867
Loss on sale of FVTPL investments - net	4,309	16,077
(Reversal) / provision for slow moving stores, spares and loose tools	(15,366)	17,502
Reversal of impairment loss on trade debts - net	-	(544)
Provision for Workers' Welfare Fund	-	474
Provision for Workers' Profit Participation Fund	-	3,633
Return on loan to subsidiary Company	-	(41,727)
Return on deposits	(859)	(477)
Gain on disposal of operating fixed assets	(1,101)	(12,674)
Deferred income amortized	(6,825)	(5,834)
Discounting of long term deposit	-	2,080
Unwinding of discount on long term deposit	(2,415)	(19,798)
Liabilities written off	(1,029)	(1,285)
Finance costs	308,939	242,202
	36,803	130,255
Changes in:		
- Stores, spares and loose tools	31,918	(34,313)
- Stock-in-trade	(1,309,372)	721,281
- Trade debts	(129,367)	10,998
- Advances	(22,540)	152,028
- Trade deposits and short term prepayments	(12,765)	(24,713)
- Other receivables	35,117	68,200
- Trade and other payables	381,430	(624,272)
	(988,776)	399,464

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

Rupees in '000	Note	Long term loans	Lease liabilities (Including mark-up accrued)	Short term borrowings	Dividend payable	Total
		9	10 & 13	14		
Opening balance as at 1 July 2019		287,546	154,799	730,751	26,525	1,199,621
Proceeds from long term loans		50,852	–	–	–	50,852
Repayment of long term loans		(92,306)	–	–	–	(92,306)
Proceeds from short term borrowings		–	–	1,585,852	–	1,585,852
Repayment of short term borrowings		–	–	(223,560)	–	(223,560)
Dividend paid		–	–	–	(82)	(82)
Lease payments		–	(59,675)	–	–	(59,675)
		(41,454)	(59,675)	1,362,292	(82)	1,261,081
Interest accrued on lease obligation		–	16,475	–	–	16,475
Discounting effect		(6,412)	–	–	–	(6,412)
		(6,412)	16,475	–	–	10,063
Closing balance as at 30 June 2020		239,680	111,599	2,093,043	26,443	2,470,765

42 CASH AND CASH EQUIVALENTS

Rupees in '000	Note	2020	2019
Running finances under mark-up arrangements	14	(582,317)	(846,445)
Cash and bank balances	30	23,388	27,805
		(558,929)	(818,640)

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 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 compliant businesses except mentioned in note 33 to these financial statements. 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:

For the year ended 30 June 2020

Rupees in '000	Steel segment	Cotton segment	Energy segment	Hadeed (Billet) segment	IID segment	Inter-segments elimination / adjustments	Total
Sales	1,291,206	1,346,000	279,513	971,720	-	(66,237)	3,822,202
Cost of sales	1,257,531	1,320,153	299,194	960,665	-	(66,237)	3,771,306
Gross profit / (loss)	33,675	25,847	(19,681)	11,055	-	-	50,896
Income from investments - net	-	-	-	-	389,338	-	389,338
	33,675	25,847	(19,681)	11,055	389,338	-	440,234
Distribution and selling expenses	9,504	3,191	-	629	-	-	13,324
Administrative expenses	170,337	35,982	5,811	16,219	16,877	-	245,226
Other operating expenses	23,237	4,641	-	(1,920)	-	-	25,958
	203,078	43,814	5,811	14,928	16,877	-	284,508
	(169,403)	(17,967)	(25,492)	(3,873)	372,461	-	155,726
Other income	22,919	9,636	(1,179)	4,064	-	-	35,440
Operating (loss) / profit before finance costs	(146,484)	(8,331)	(26,671)	191	372,461	-	191,166
Finance costs	245,722	18,347	-	35,560	9,310	-	308,939
(Loss) / profit before taxation	(392,206)	(26,678)	(26,671)	(35,369)	363,151	-	(117,773)
Taxation							(100,649)
Loss for the year							(17,124)

For the year ended 30 June 2019

Rupees in '000	Steel segment	Cotton segment	Energy segment	Hadeed (Billet) segment	IID segment	Inter-segments elimination / adjustments	Total
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

43.2.1 Revenue reported above represents revenue generated from external customers and inter-segment sales of electricity by Energy segment to Hadeed (Billet) segment of Rs. 66.237 million (2019: 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, Energy, Hadeed (Billet) 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 financial statements.

43.4 Information about major customers

Revenue from major customers of Steel segment represents an aggregate amount of Rs. 1,057.732 million (2019: Rs. 2,611.986 million) of total Steel segment revenue of Rs. 1,291.206 million (2019: Rs. 2,381.405 million). Revenue from major customers of Cotton segment represents an aggregate amount of Rs. 322.4 million (2019: Rs. 610.493 million) of total Cotton segment revenue of Rs. 1,346 million (2019: Rs. 1,685.11 million). Revenue from major customers of Energy segment represents an aggregate amount of Rs. 116.261 million (2019: Nil) of total Energy segment revenue of Rs. 279.513 million (2019: Nil). Revenue from major customers of Hadeed (Billet) segment represents an aggregate amount of Rs. 688.167 million (2019: Nil) of total Hadeed (Billet) segment revenue of Rs. 971.72 million (2019: Nil).

43.5 Geographical information

43.5.1 All Company's revenue from external customers by geographical location is within Pakistan.

43.5.2 All non-current assets of the Company as at 30 June 2020 and 2019 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	Energy segment	Hadeed (Billet) segment	IID segment	Total
As at 30 June 2020						
Segment assets for reportable segments	2,934,338	506,150	660,381	846,220	2,470,678	7,417,767
Unallocated corporate assets						2,242,986
Total assets as per unconsolidated statement of financial position						9,660,753
Segment liabilities for reportable segments	756,226	269,746	72,385	57,488	1,445	1,157,290
Unallocated corporate liabilities and deferred income						3,055,175
Total liabilities as per unconsolidated statement of financial position						4,212,465

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

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	Energy segment	Hadeed (Billet) segment	IID segment	Total
For the year ended 30 June 2020						
Capital expenditure	9,154	-	-	-	-	9,154
Depreciation and amortization	77,386	30,961	60,716	54,032	2,698	225,793
Non-cash items other than depreciation and amortization - net	258,621	13,912	1,179	32,536	(377,465)	(71,217)
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)

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 2020. The projected unit credit method, using the following significant assumptions, has been used for the actuarial valuation:

	2020		2019	
	Pension	Gratuity	Pension	Gratuity
Financial assumptions				
- Discount rate used for interest cost in profit or loss charge	14.50%	14.50%	10.00%	10.00%
- Discount rate used for year end obligation	9.25%	8.50%	14.50%	14.50%
- Expected rate of increase in salaries	N/A	N/A	14.50%	14.50%
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:

		2020			2019		
Rupees in '000	Note	Pension	Gratuity	Total	Pension	Gratuity	Total
Present value of defined benefit obligations	44.1.4	477,700	107,085	584,785	494,294	104,884	599,178
Fair value of plan assets	44.1.5	(453,987)	(132,080)	(586,067)	(393,748)	(125,213)	(518,961)
Liability / (asset) recognized in unconsolidated statement of financial position		23,713	(24,995)	(1,282)	100,546	(20,329)	80,217
44.1.3 Movement in the net defined benefit liability / (asset)							
Opening balance		100,546	(20,329)	80,217	(151,006)	(104,081)	(255,087)
Net benefit cost / (income) charged to profit or loss	44.1.7	31,857	2,357	34,214	804	(5,484)	(4,680)
Remeasurements recognized in other comprehensive income	44.1.8	(92,143)	(594)	(92,737)	267,915	95,834	363,749
Contributions by the Company	44.1.5	(16,547)	(6,429)	(22,976)	(17,167)	(6,598)	(23,765)
Closing balance		23,713	(24,995)	(1,282)	100,546	(20,329)	80,217
44.1.4 Movement in the present value of defined benefit obligations							
Present value of defined benefit obligations - 1 July		494,294	104,884	599,178	457,906	101,625	559,531
Current service cost		18,477	5,771	24,248	16,763	5,254	22,017
Interest cost		70,818	14,943	85,761	45,252	9,957	55,209
Benefits paid during the year		(11,794)	(3,661)	(15,455)	(10,760)	(4,116)	(14,876)
Remeasurement:							
Actuarial (gain) / loss from change in financial assumption		(21,521)	(93)	(21,614)	14,640	74	14,714
Experience adjustments		(72,574)	(14,759)	(87,333)	(29,507)	(7,910)	(37,417)
Present value of defined benefit obligations - 30 June		477,700	107,085	584,785	494,294	104,884	599,178

	2020			2019		
Rupees in '000	Pension	Gratuity	Total	Pension	Gratuity	Total
44.1.5 Movement in the fair value of plan assets						
Fair value of plan assets - 1 July	393,748	125,213	518,961	608,912	205,706	814,618
Contributions by the Company	16,547	6,429	22,976	17,167	6,598	23,765
Interest income on plan assets	57,438	18,357	75,795	61,211	20,695	81,906
Benefits paid during the year	(11,794)	(3,661)	(15,455)	(10,760)	(4,116)	(14,876)
Return on plan assets, excluding interest income	(1,952)	(14,258)	(16,210)	(282,782)	(103,670)	(386,452)
Fair value of plan assets - 30 June	453,987	132,080	586,067	393,748	125,213	518,961
44.1.6 Actual return on plan assets	55,486	4,099	59,585	(221,571)	(82,975)	(304,546)

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

	2020			2019		
Rupees in '000	Pension	Gratuity	Total	Pension	Gratuity	Total
Current service cost	18,477	5,771	24,248	16,763	5,254	22,017
Interest cost	70,818	14,943	85,761	45,252	9,957	55,209
Interest income on plan assets	(57,438)	(18,357)	(75,795)	(61,211)	(20,695)	(81,906)
Charge / (income) recognized in profit or loss	31,857	2,357	34,214	804	(5,484)	(4,680)

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

	2020			2019		
Rupees in '000	Pension	Gratuity	Total	Pension	Gratuity	Total
Remeasurement:						
Actuarial losses from change in financial assumption	(21,521)	(93)	(21,614)	14,640	74	14,714
Experience adjustments	(72,574)	(14,759)	(87,333)	(29,507)	(7,910)	(37,417)
Return on plan assets, excluding interest income	1,952	14,258	16,210	282,782	103,670	386,452
Remeasurement (income) / loss recognised in the other comprehensive income	(92,143)	(594)	(92,737)	267,915	95,834	363,749

Rupees in '000	2020 Pension	2020 Gratuity	2020 Total	2019 Pension	2019 Gratuity	2019 Total
44.1.9 Total defined benefit cost recognized in profit or loss and other comprehensive income	(60,286)	1,763	(58,523)	268,719	90,350	359,069
Expected contributions to funds in the following year	-	-	-	-	-	-
Weighted average duration of the defined benefit obligation (years)	11	3		11	3	
Analysis of present value of defined benefit obligation						
Type of Members:						
Pensioners	32	-		30	-	
Beneficiaries	80	79		86	85	
Vested / Non-vested						
Vested benefits	453,355	90,909	544,264	468,640	84,014	552,654
Non-vested benefits	24,345	16,176	40,521	25,654	20,870	46,524
	477,700	107,085	584,785	494,294	104,884	599,178
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	19,723	4,137	23,860	90,870	3,726	94,596
Debt instruments						
AA+	183,337	25,613	208,950	83,142	33,209	116,351
AA	230	-	230	230	-	230
	183,567	25,613	209,180	83,372	33,209	116,581
Equity instruments						
Automobile Parts and Accessories	74	-	74	149	-	149
Cement	7,396	-	7,396	4,560	-	4,560
Chemicals	212	-	212	449	-	449
Commercial Banks	269	-	269	-	-	-
Engineering	183,674	87,443	271,117	152,320	72,588	224,908
Fertilizer	6,129	325	6,454	6,203	258	6,461
Insurance	63	-	63	76	-	76
Oil and Gas Exploration Companies	8,098	2,622	10,720	10,501	3,125	13,626
Oil and Gas Marketing Companies	803	-	803	636	-	636
Paper and Board	5	-	5	177	-	177
Pharmaceuticals	147	-	147	-	-	-
Power Generation and Distribution	18,732	7,250	25,982	19,936	7,875	27,811
Sugar and Allied Industries	5,740	1,691	7,431	5,433	1,600	7,033
Textile Composite	2,584	-	2,584	2,673	-	2,673
	233,926	99,331	333,257	203,113	85,446	288,559
Mutual funds						
Income Fund	16,771	2,999	19,770	16,393	2,832	19,225
	453,987	132,080	586,067	393,748	125,213	518,961

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.

Rupees in '000	Pension	Gratuity
Discount rate +1%	430,963	104,507
Discount rate -1%	534,342	110,084
Long term pension / salary increase +1%	486,529	110,072
Long term pension / salary decrease -1%	469,957	104,470
Long term pension increase +1%	529,731	–
Long term pension decrease -1%	433,145	–

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 2020 was Rs. 11.106 million (2019: Rs. 10.979 million). Reporting year end of Provident Fund financial statements is 31 December and 30 June for Steel & IID Division and Cotton & Hadeed 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 2020								
	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	124,611	9,419	-	-	134,030	134,030	-	-	134,030
- Unlisted equity securities	482,956	-	-	-	482,956	-	-	482,956	482,956
	607,567	9,419	-	-	616,986	134,030	-	482,956	616,986
Financial assets not measured at fair value									
Deposits	-	-	278,446	-	278,446	-	-	-	-
Trade debts	-	-	225,799	-	225,799	-	-	-	-
Loan to subsidiary	-	-	91,208	-	91,208	-	-	-	-
Other receivables	-	-	39,658	-	39,658	-	-	-	-
Bank balances	-	-	22,560	-	22,560	-	-	-	-
	-	-	657,671	-	657,671	-	-	-	-
Financial liabilities not measured at fair value									
Long term loans	-	-	-	239,680	239,680	-	-	-	-
Lease liabilities	-	-	-	111,287	111,287	-	-	-	-
Trade and other payables	-	-	-	715,436	715,436	-	-	-	-
Mark-up accrued	-	-	-	54,214	54,214	-	-	-	-
Short term borrowings	-	-	-	2,675,360	2,675,360	-	-	-	-
Unclaimed dividend	-	-	-	26,443	26,443	-	-	-	-
	-	-	-	3,822,420	3,822,420	-	-	-	-

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	-	-	-	-
Other receivables	-	-	41,257	-	41,257	-	-	-	-
Bank balances	-	-	27,203	-	27,203	-	-	-	-
	-	-	525,941	-	525,941	-	-	-	-
Financial liabilities not measured at fair value									
Long term loan	-	-	-	287,546	287,546	-	-	-	-
Lease liabilities	-	-	-	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	-	-	-	-

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 2020 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 1 July 2019	
- Shakarganj Food Products Limited	319,187
- Central Depository Company of Pakistan Limited	124,401
	443,588
Fair value recognized during the year	
- Shakarganj Food Products Limited	27,657
- Central Depository Company of Pakistan Limited	11,711
	39,368
Balance at 30 June 2020	
- Shakarganj Food Products Limited	346,844
- Central Depository Company of Pakistan Limited	136,112
	482,956

Sensitivity Analysis

For the fair value of unquoted equity investment, reasonably possible changes at 30 June 2020 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)	48,541	(48,400)
- Terminal growth rate (1% movement)	37,253	(31,608)
- Weighted Average Cost of Capital (1% movement)	(45,719)	54,186
Central Depository Company of Pakistan Limited		
- Net assets (10% movement)	13,611	(13,611)

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	**2020**	2019
Deposits	278,446	272,841
Trade debts	225,799	96,432
Loan to subsidiary	91,208	88,208
Other receivables	39,658	41,257
Bank balances	22,560	27,203
	657,671	525,941

Trade and other receivables

To manage exposure to credit risk in respect of trade and other receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Sales tenders and credit terms are approved by the tender approval committee. Where considered necessary, advance payments are obtained from certain parties. Sales 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	**2020**	2019
Steel segment	173,948	64,149
Cotton segment	2,691	4,949
Energy segment	4,637	16,493
Hadeed (Billet) segment	44,523	10,841
	225,799	96,432
The aging of trade debts at the balance sheet date is		
Not past due	54,034	9,400
Past due 1 - 30 days	135,038	55,578
Past due 30 - 180 days	23,109	18,936
Past due 180 days	44,324	43,224
	256,505	127,138
Less: Impaired	30,706	30,706
	225,799	96,432

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 A-1.

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	2020	2019
	Short term	Long term	Agency	Rupee in '000	
Mutual Funds					
HBL Growth Fund (A)	-	AM2+	VIS	12,788	17,613
HBL Investment Fund (A)	-	AM2+	VIS	1,342	2,028
				14,130	19,641

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	2020						
	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	239,680	-	281,197	18,783	49,064	111,162	102,188
Lease liabilities	111,287	-	124,742	31,118	23,589	38,797	31,238
Trade and other payables	715,436	-	715,436	715,436	-	-	-
Unclaimed dividend	26,443	26,443	-	-	-	-	-
Mark-up accrued	54,214	-	54,214	54,214	-	-	-
Short term borrowings	2,675,360	2,675,360	-	-	-	-	-
	3,822,420	2,701,803	1,175,589	819,551	72,653	149,959	133,426

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 loan	287,546	-	333,274	79,052	56,562	105,909	91,751
Lease liabilities	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

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) and Euros. The Company's exposure to foreign currency risk for these currencies is as follows:

Rupees in '000	2020 USD	2020 Euro
Foreign creditors	–	–
Outstanding letters of credit	1,305,452	19,250
Net exposure	1,305,452	19,250

	2019 USD	2019 Euro
Foreign creditors	-	-
Outstanding letters of credit	-	-
Net exposure	-	-

The following significant exchange rate has been applied:

	Average rate 2020	Average rate 2019	Reporting date rate 2020	Reporting date rate 2019
USD to PKR	158.78	136.27	168.05	160.05
Euro to PKR	175.66	155.34	188.61	182.32

Sensitivity analysis

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

Effect on profit or loss

Rupees in '000	2020	2019
USD	130,545	–
Euro	1,925	–
	132,470	–

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

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

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:

	2020	2019	2020	2019
	Effective interest (Percentage)		Carrying amount (Rupees in '000)	
Financial liabilities				
Variable rate instruments:				
Long term loans	10.12 - 14.99	7.91 - 14.42	239,680	287,546
Lease liabilities	7.24 - 18.42	10.61 - 17.6	111,287	154,296
Short term borrowings	9.79 - 16.18	7.68 - 14.86	2,675,360	1,577,196

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 2019.

	Profit and loss 100 bp	
Rupees in '000	Increase	Decrease
As at 30 June 2020		
Cash flow sensitivity - Variable rate financial liabilities	(30,263)	30,263
As at 30 June 2019		
Cash flow sensitivity - Variable rate financial liabilities	(20,190)	20,190

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 and increase / decrease surplus on re-measurement of investments in case of Fair value through other comprehensive income investments as follows:

Rupees in '000	**2020**	2019
Effect on profit	12,461	16,674
Effect on equity	942	984
Effect on investments	13,403	17,658

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

	Chief Executive		Director		Executives		Total	
Rupees in '000	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Managerial remuneration	16,560	22,977	-	-	42,941	44,799	59,501	67,776
House rent	7,452	7,452	-	-	18,306	17,884	25,758	25,336
Utilities	1,656	1,656	-	-	3,687	3,577	5,343	5,233
Travelling expenses	1,068	2,581	-	-	49	-	1,117	2,581
Medical	1,196	1,736	-	-	2,027	2,088	3,223	3,824
Contributions to								
- Gratuity fund	1,379	1,379	-	-	2,352	2,367	3,731	3,746
- Pension fund	3,312	3,312	-	-	6,591	6,115	9,903	9,427
- Provident fund	1,656	1,656	-	-	3,184	2,899	4,840	4,555
Club subscription and expenses	647	1,131	-	-	270	217	917	1,348
Entertainment	-	390	-	-	90	90	90	480
Conveyance	-	-	-	-	-	970	-	970
Telephone	28	268	-	-	15	-	43	268
	34,954	44,538	-	-	79,512	81,006	114,466	125,544
Number of persons	1	1	-	-	16	15	17	16

47.1 The aggregate amount charged in respect of directors' fees paid to six (2019: six) directors is Rs. 3.6 million (2019: Rs. 2.380 million). Also, during the year remuneration paid to the non-executive Chairman of the Board of Directors amounted to Rs. 1.820 million (2019: Rs. 1.820 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				**2020**	2019
Name	Nature of relationship	Basis of relationship	Nature of transaction		
CS Capital (Private) Limited	Subsidiary Company	100% holding	Reimbursable expenses	1,324	1,371
Solution de Energy (Private) Limited	Subsidiary Company	100% holding	Reimbursable expenses	125	158
			Loan given	3,000	-
Altern Energy Limited	Associated Company	16.69% holding	Dividend received	342,750	190,498

Rupees in '000				2020	2019
Name	Nature of relationship	Basis of relationship	Nature of transaction		
Shakarganj Limited	Associated Company	21.93% holding	Dividend paid	-	180
			Payments received	18,300	-
			Payments made	263	-
			Sales of finished goods	214,385	1,537
			Purchase of raw material	227,662	-
			Services received	1,911	-
			Reimbursable expenses	10,908	2,967
The Crescent Textile Mills Limited	Related party	Major Shareholder	Dividend received	271	-
			Dividend paid	-	8,538
			Sale of Yarn	41,198	-
Premier Insurance Company	Related party	Common directorship	Insurance premium	8,006	10,948
			Dividend paid	-	142
The Citizens Foundation	Related party	Common directorship	Donation given	269	1,076
Crescent Cotton Products - Staff Provident Fund	Retirement benefit fund	Employees benefit fund	Contribution made		
			Dividend paid	-	75
Crescent Steel and Allied Products Limited - Gratuity Fund	Retirement benefit fund	Employees benefit fund	Contribution made	6,416	6,598
			Dividend paid	-	1,821
Crescent Steel and Allied Products Limited - Pension Fund	Retirement benefit fund	Employees benefit fund	Contribution made	16,549	17,167
			Dividend paid	-	3,925
Crescent Steel and Allied Products Limited - Staff Provident Fund	Retirement benefit fund	Employees benefit fund	Contribution made	17,288	17,905
			Dividend paid	-	124
Crescent Hadeed (Private) Limited - Staff Provident Fund	Retirement benefit fund	Employees benefit fund	Contribution made	843	-
CSAP - Staff Benevolent Fund	Staff welfare fund	Employees welfare fund	Dividend paid	-	36
Key management personnel	Related parties	Executives	Remuneration and benefits	94,053	61,501
			Dividend paid	-	108
Directors and their spouse	Related parties	Directors	Dividend paid	-	624

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 2020 and 2019 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 previous year.

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	Note	**2020**	2019
Total debt	49.1.1	3,026,327	2,019,038
Less: Cash and bank balances		23,388	27,805
Net debt		3,002,939	1,991,233
Total equity	49.1.2	5,448,288	5,394,063
Total capital		8,451,227	7,385,296
Gearing ratio		35.5%	27.0%

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 (2019: 66,667 tons) annually on the basis of notional pipe size (whereas 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 7,965 tons (2019: 12,287.5 tons) line pipes of varied sizes and thickness. Actual production is equivalent to 34,527 tons (2019: 21,310.9 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 128,416 meters (2019: 434,494 meters) of different dia pipes 88,647 square meters surface area was achieved during the year (2019: 340,745 square meters surface area). Reason for underutilization was lack of coating work orders in hand.

Steel melting plant

The designed capacity of Plant is 85,000 mtons (85,000 mtons) of billets per annum, but the total production during FY19-20 was 10,894 mtons (2019: 29,162 mtons) of billets. Unit operated only for about four months on self-generated (Inter division) power supply that was only compatible during crushing season. Production was suspended for rest period of eight months because of no alternative power supply arrangements.

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 (2019: 9,197,007 kilograms). Actual production converted into 20s count was 7,190,635 kilograms for 921 shifts (2019: 9,087,295 kilograms for 1,092 shifts).

50.3 Energy segment

The plant's installed production capacity was 118,856 MWh (2019: 118,856 MWh) and the actual production achieved during the year was 16,341 MWh (2019: 31,017 MWh). Reason for underutilization was that no power was supplied to FESCO and power generation was restricted to actual demand of the two customers, Hadeed (Billet) segment (internal customer) and Shakarganj Limited (external customer).

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2020

51 GENERAL

51.1 Number of employees

The total number of employees including contractual employees of the Company as at 30 June 2020 were 778 (2019: 755) and weighted average number of employees were 769 (2019: 762).

The number of factory employees including contractual employees of the Company as at 30 June 2020 were 699 (2019: 678) and weighted average number of employees were 690 (2019: 682).

52 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue in the Board of Directors meeting held on 28 August 2020.

Chief Executive | Director | Chief Financial Officer