

INTERIM REPORT FOR THE QUARTER AND  
SIX MONTHS ENDED DECEMBER 31, 2003



Crescent Steel &  
Allied Products Ltd.



## COMPANY INFORMATION

### Board of Directors

Chairman	Mazhar Karim
Chief Executive	Ahsan M. Saleem Javed Iqbal Javed A. Callea Mohammad Anwar Nasir Shafi S.M. Ehtishamullah Zahid Bashir

<u>Corporate Secretary</u>	Tariq Aleem
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### Audit Committee

Chairman	Javed A. Callea Javed Iqbal Nasir Shafi
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### Human Resource Committee

Chairman	Ahsan M. Saleem Javed Iqbal Nasir Shafi
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### The Management

Chief Executive and Managing Director	Ahsan M. Saleem, 50 1983*
Advisor to CEO (Technical)	Mohammad Sharif, 71 1984*
Advisor to CEO (Corporate)	Dr. Wasim Azhar, 50 2001*
Finance Director	S.M. Ehtishamullah, 64 1996*
Executive Vice President Marketing and Sales	S.A.N. Kazmi, 61 1986*
Senior Vice President Head of Internal Audit	Mohammad Amin, 56 1992*
Senior Vice President Head of Buying	Nadir Mazhar, 56 1993*
General Manager (Technical) Cotton Division	Abdul Rouf, 44 2000*
Vice President (Manufacturing) Steel Division	Arif Raza, 42 1985*

\*Year joined Company



# CHIEF EXECUTIVE'S REVIEW

## Dear Shareholders,

It gives me great pleasure to present to you the results of your company for the half year ended December 31, 2003. The Six Months results have been subjected to a limited review by our auditors Taseer Hadi Khalid & Co. and their review report is attached to the financial statements.

The economy continued its steady growth momentum where easy monetary policy and low interest rates helped in benefiting both investment as well as consumption. Most importantly the energy sector continued to attract considerable attention with continued emphasis being placed on the use of indigenous resources to fulfill energy needs.

The following paragraphs contain brief comments on the results of both the steel and cotton divisions.

## STEEL DIVISION

The period under review witnessed the successful completion of the WOPP (White Oil Pipeline Project); a matter of much pride for the entire local steel pipe industry. By completing the order well within time the steel pipe industry proved, that it is well geared to meet and exceed any requirements and that it has the capability and resources needed to compete with its international counterparts. The project was well ahead of schedule, in fact there were some periods where the plant had to remain idle due to non-availability of material from the client.

In view of the preoccupation with the WOPP in the first two quarters of the current fiscal, your company was unable to partake in other tenders which were floated during the period, which directly affected the bottom line. As the material for WOPP was provided by the client the revenues, reflecting only conversion cost, at Rs. 133.8 million posted a decline from the Rs. 922.9 million of HY03. However the gross profit margin improved from 24% of the same period last year to 28% this HY04.

The selling and administration expenses in the first two quarters of the current fiscal stood at Rs. 30.8 million as against Rs. 40.7 million in the corresponding period of last year. High fixed costs and a smaller

revenue base led to a decline in operating profit which stood at Rs. 6.2 million as against Rs. 184.1 million in HY03.

During HY04 the stock market continued its bull run and closed at 4471.6, once again providing your company an opportunity for handsome capital gains and dividend income. Prudent trading and active switching helped to post total income of Rs 150.6 million, which includes unrealized gain on revaluation of investments, as against Rs. 104.6 million in HY03; an increase of 44%.

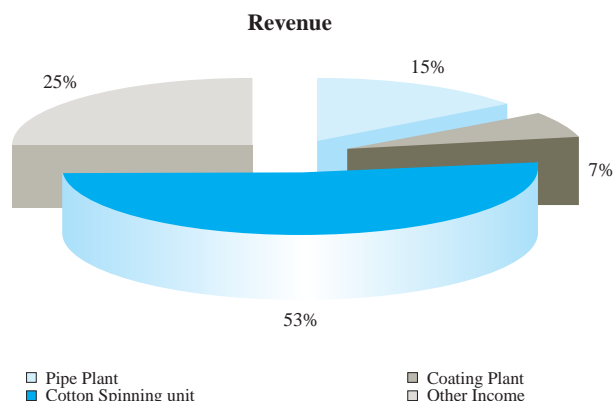
## COTTON DIVISION

HY04 witnessed an unprecedented increase in cotton prices, with prices touching their highest levels of Rs. 3,700 per maund. This in turn was unaccompanied by a corresponding increase in yarn thus reducing the margins for the entire spinning sector. The cotton division added 4,320 spindles during the period under review; with it achieving optimum utilization of plant capacity.

## TOTAL PROFIT

The above mentioned factors resulted in a net profit before tax of Rs. 143.5 million in HY04 as against Rs. 252.8 million in HY03.

After provision for tax the total net profit of the Company amounted to Rs. 132.7 million in HY04 as against Rs. 188.8 million in HY03. Basic earning per share decreased from Rs. 8.55 (adjusted for bonus issue) in HY03 to Rs. 6.00 in HY04.

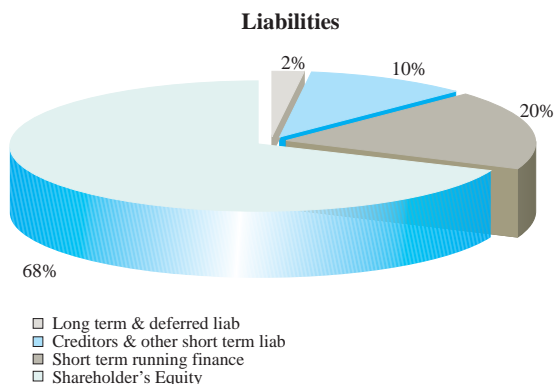




# CHIEF EXECUTIVE'S REVIEW

## INTERIM DIVISION

The Board has decided to declare an interim dividend of 10% i.e. Rs. 1 per share based on overall profit, (mainly contributed by investments) market perception and shareholders' expectation.



to test its name in the financial market, and floated a short term Commercial Paper of Rs. 200 million. The issue was well received and major banks came forward to take part in the private placement.

Also formalities for a privately placed five year Term Finance Certificate issue of Rs. 300 million were also underway. At the date of this report the TFC has been successfully placed once again with active participation by major financial institutions of the country. The funds will be utilized towards capital expenditure for both divisions.

You will also be pleased to learn that the credit rating of your company in the medium to long term has been enhanced from A (Single A) to A+ (Single A Plus) by JCR-VIS Credit Rating Company.

## FUTURE OUTLOOK

Looking forward we expect a healthy order book. Both transmission companies have ambitious infrastructure development plans in the coming years.

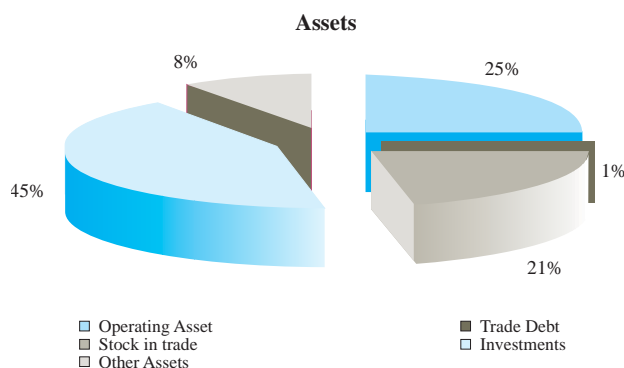
Our Human Resource Development initiative is continuing with our first batch having completed the LUMS-Crescent Diploma in Business Management (DBM I) while another cohort has embarked on LUMS-Crescent DBM II. The systems upgrade initiative is also continuing and an ERP solution is in the process of implementation.

Cotton division by the end of the third quarter will be using a cheaper source of energy for its power generation which together with the additions of new spindles will help to improve margins. However textile industry is prone to unexpected shifts in cotton output and prices and it will be our effort to minimize threats and capitalize on the opportunities being presented.

**Ahsan M. Saleem**  
Chief Executive Officer.

During the period your company took an opportunity

23 February 2004





Crescent Steel &  
Allied Products Ltd.

## REVIEW REPORT TO THE MEMBERS

We have reviewed the accompanying balance sheet of Crescent Steel and Allied Products Limited ("the Company") as at 31 December 2003 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "financial statements") for the six months period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Auditing applicable to review engagements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of Company's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

The financial statements for the six months period ended 31 December 2002 and for the year ended 30 June 2003, were reviewed and audited respectively by another firm of auditors.

23 February 2004

Karachi

*Taseer Hadi Khalid & Co*

Taseer Hadi Khalid & Co.  
Chartered Accountants



Crescent Steel &  
Allied Products Ltd.

# BALANCE SHEET (UNAUDITED)

As at 31 December 2003

	Note	31 December 2003	30 June 2003
Rupees in thousand			
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
<b>Authorised capital</b>			
30,000,000 ordinary shares of Rs 10 each		300,000	300,000
Issued, subscribed and paid-up capital		220,934	200,849
Reserves	3	973,826	956,973
Unappropriated profit		114,819	4,257
		1,309,579	1,162,079
Deferred income		1,152	450
<b>Non-current liabilities</b>			
Liabilities against assets subject to finance leases		37,476	38,015
Deferred tax		1,101	-
<b>Current liabilities</b>			
Current maturity of liabilities against assets subject to finance leases		22,683	27,087
Short-term finances	4	378,425	73,485
Creditors, accrued expenses and other liabilities		173,840	115,364
Taxation		-	4,236
Proposed dividend		22,093	40,170
		597,041	260,342
Contingencies and commitments	5	1,946,349	1,460,886
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible fixed assets			
Operating fixed assets	6	298,997	318,056
Assets subject to finance leases		77,306	75,036
Capital work-in-progress	7	99,890	17,397
		476,193	410,489
Intangible assets		569	415
Long-term investments	8	117,680	70,329
Long-term deposits		5,807	5,289
Staff retirement benefits		5,958	6,368
Deferred tax		-	1,078
<b>Current assets</b>			
Stores, spares and loose tools		24,384	21,303
Stock-in-trade	9	415,912	205,021
Trade debts		17,615	26,023
Short-term advances		6,768	7,248
Short-term deposits and prepayments		7,921	5,598
Taxation		35,193	-
Current maturity of long-term investments		3,332	3,332
Investments	10	753,654	652,692
Other receivables		41,871	18,187
Cash and bank balances		33,492	27,514
		1,340,142	966,918
		1,946,349	1,460,886

The annexed notes from 1 to 16 form an integral part of these financial statements.

Chairman

Chief Executive



Crescent Steel &  
Allied Products Ltd.

# PROFIT & LOSS ACCOUNT (UNAUDITED)

For the six months ended 31 December 2003

	Note	Six months ended 31 December 2003			Six months ended 31 December 2002		
		Steel division	Cotton division	Total	Steel division	Cotton division	Total
Rupees in thousand							
Sales		133,789	328,078	461,867	922,974	251,386	1,174,360
Cost of sales		96,764	314,755	411,519	698,137	236,774	934,911
Gross profit		37,025	13,323	50,348	224,837	14,612	239,449
Selling expenses		2,739	1,485	4,224	2,810	1,302	4,112
Administration expenses		28,049	9,149	37,198	37,878	2,677	40,555
		30,788	10,634	41,422	40,688	3,979	44,667
Operating profit		6,237	2,689	8,926	184,149	10,633	194,782
Other income	II	138,055	998	139,053	81,730	563	82,293
Unrealised gains on remeasurement of held-for- trading investment securities		12,608	-	12,608	22,903	-	22,903
		150,663	998	151,661	104,633	563	105,196
		156,900	3,687	160,587	288,782	11,196	299,978
Financial charges		3,504	3,662	7,166	1,809	6,861	8,670
Other charges		8,851	1,078	9,929	30,204	393	30,597
		12,355	4,740	17,095	32,013	7,254	39,267
Profit / (loss) before taxation		144,545	(1,053)	143,492	256,769	3,942	260,711
Unrealised gains on available- for-sale investment securities transferred to equity		-	-	-	(7,883)	-	(7,883)
		144,545	(1,053)	143,492	248,886	3,942	252,828
Taxation - current				8,000			69,588
- prior				658			-
- deferred				2,179			(5,606)
				10,837			63,982
Profit for the period				132,655			188,846
Basic and diluted earnings per share				Rs. 6.00			Rs. 8.55

The annexed notes from 1 to 16 form an integral part of these financial statements.

  
Chairman

  
Chief Executive



Crescent Steel &  
Allied Products Ltd.

# PROFIT & LOSS ACCOUNT (UNAUDITED)

For the quarter ended 31 December 2003

	Quarter ended 31 December 2003			Quarter ended 31 December 2002		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
Rupees in thousand						
Sales	82,459	182,491	264,950	458,661	126,975	585,636
Cost of sales	61,093	183,165	244,258	345,747	124,476	470,223
Gross profit / (loss)	21,366	(674)	20,692	112,914	2,499	115,413
Selling expenses	1,456	482	1,938	1,518	478	1,996
Administration expenses	14,099	6,655	20,754	27,689	1,338	29,027
	15,555	7,137	22,692	29,207	1,816	31,023
Operating profit / (loss)	5,811	(7,811)	(2,000)	83,707	683	84,390
Other income	86,957	857	87,814	63,767	90	63,857
Unrealised gains on held-for-trading investment securities	12,723	-	12,723	12,059	-	12,059
	99,680	857	100,537	75,826	90	75,916
	105,491	(6,954)	98,537	159,533	773	160,306
Financial charges	2,216	2,294	4,510	1,281	520	1,801
Other charges	8,851	996	9,847	17,743	217	17,960
	11,067	3,290	14,357	19,024	737	19,761
Profit / (loss) before taxation	94,424	(10,244)	84,180	140,509	36	140,545
Unrealised gains on available-for-sale investment securities transferred to equity	-	-	-	(7,883)	-	(7,883)
	94,424	(10,244)	84,180	132,626	36	132,662
Taxation - current			(1,500)			31,325
- deferred			-			(5,606)
			(1,500)			25,719
Profit for the period			85,680			106,943
Basic and diluted earnings per share			Rs. 3.88			Rs. 4.84

The annexed notes from 1 to 16 form an integral part of these financial statements.

Chairman

Chief Executive



## STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 31 December 2003

	Issued, subscribed and paid-up capital	General reserve	Reserve for issue of bonus shares	Unrealised gains on remeasurement of available-for- sale investment securities	Unappro- priated profit	Total
Rupees in thousand						
Balance as at 1 July 2002	200,849	581,000	2,278	-	5,611	789,738
Profit for the six months ended 31 December 2002	-	-	-	-	188,846	188,846
Unrealised gains on available- for-sale investment securities relating to change in accounting policy						
- for the period	-	-	-	85,558	-	85,558
- for the prior period	-	-	-	7,883	-	7,883
First interim dividend (10%)	-	-	-	-	(20,085)	(20,085)
Second Interim dividend (10%)	-	-	-	-	(20,085)	(20,085)
Balance as at 31 December 2002	200,849	581,000	2,278	93,441	154,287	1,031,855
Balance as at 1 July 2003	200,849	746,000	22,363	188,610	4,257	1,162,079
Unrealised gains on available for sale investments securities	-	-	-	36,938	-	36,938
Profit for the six months	-	-	-	-	132,655	132,655
Bonus shares issued	20,085	-	(20,085)	-	-	-
Interim dividend (10%)	-	-	-	-	(22,093)	(22,093)
Balance as at 31 December 2003	220,934	746,000	2,278	225,548	114,819	1,309,579

The annexed notes from 1 to 16 form an integral part of these financial statements.

Chairman

Chief Executive

**CASH FLOW STATEMENT (UNAUDITED)**

For the six months ended 31 December 2003

	Note	Six months ended 31 December 2003	Six months ended 31 December 2002
———— Rupees in thousand ————			
<b>Cash flow from operating activities</b>			
Cash generated from operations	12	(92,301)	88,425
Taxes paid		(48,087)	(58,294)
Financial charges paid		(4,515)	(7,524)
Payment to pension and gratuity fund		(2,423)	-
Payment for the workers' welfare fund		(5,394)	-
Long-term deposits and prepayments		(518)	(498)
Net cash (used in) / from operating activities		(153,238)	22,109
<b>Cash flow from investing activities</b>			
Fixed capital expenditure		(102,792)	(21,379)
Purchase of intangible assets		(430)	(3)
Investments (made) / disposed off- net		(27,501)	32,567
Proceeds from sale of fixed assets		5,448	908
Dividends received		28,313	23,188
Return on deposits received		3,307	9,916
Net cash (used in) / from investing activities		(93,655)	45,197
<b>Cash flow from financing activities</b>			
Proceeds from short-term borrowings		60,000	97,001
Payment of lease rentals		(12,079)	(8,798)
Payment of long-term loans		-	(40,020)
Dividends paid		(39,990)	(73,897)
Net cash from / (used in) financing activities		7,931	(25,714)
Net (decrease) / increase in cash and cash equivalents		(238,962)	41,592
Cash and cash equivalents at beginning of the period		(19,971)	85,665
Cash and cash equivalents at end of the period	13	(258,933)	127,257

The annexed notes from 1 to 16 form an integral part of these financial statements.

Chairman

Chief Executive



# NOTES TO THE FINANCIAL STATEMENTS

(UNAUDITED)

## 1. INTRODUCTION

- 1.1 The company was incorporated on August 1, 1983 as a public limited company and is quoted on the stock exchanges in Karachi, Lahore and Islamabad. It is one of the downstream industries of Pakistan Steel Mills, manufacturing large diameter spiral arc welded steel line pipes at Nooriabad (District Dadu). The company has a coating facility capable of applying three layer high density polyethylene coating on steel line pipes. The coating plant commenced commercial production from 16 November 1992.
- 1.2 The company acquired a running spinning unit of 14,400 spindles at Jaranwala (District Faisalabad) on 30 June 2000 from Crescent Jute Products Limited. The capacity was enhanced to 19,680 spindles in the year 2003. The cotton spinning activity is carried out by the company under the name and title of "Crescent Cotton Products a division of Crescent Steel and Allied Products Limited". A basic sale and purchase agreement in respect of the unit has been entered into, however, the transfer of legal title of land is in the process of being completed.

## 2. BASIS OF PRESENTATION

- 2.1 These financial statements have been prepared in accordance with the requirements of the International Accounting Standard No. 34 'Interim Financial Reporting' and are being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 and the listing regulations of the Stock Exchanges of Pakistan.

The financial statements comprise of the balance sheet as at 31 December 2003 and the profit and loss account, statements of changes in equity and the cash flow statement for the six months ended 31 December 2003 which have been subjected to a review.

The comparative balance sheet presented in these financial statements as at 30 June 2003 has been extracted from the audited financial statements of the company for the year ended 30 June 2003, whereas the comparative profit and loss account, statement of changes in equity and cash flow statement are stated from the unaudited financial statements for the six months ended 31 December 2002.

- 2.2 The accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of the financial statements of the company for the year ended 30 June 2003.

## 3. RESERVES

	31 December 2003	30 June 2003
	— Rupees in thousand —	
General reserves	746,000	746,000
Reserve for issue of bonus shares	2,278	22,363
Unrealised gains on remeasurement of available-for-sale investment securities to fair value	225,548	188,610
	<u>973,826</u>	<u>956,973</u>

## 4. SHORT-TERM FINANCES

During the period, the company has issued commercial papers amounting to Rs. 125 million. These commercial papers were issued for a period of 180 days maturing on 12 May 2004 and carry discount rate of 3.5 percent per annum.



# NOTES TO THE FINANCIAL STATEMENTS

(UNAUDITED)

## 5. CONTINGENCIES AND COMMITMENTS

- 5.1 The Ministry of Labour, Manpower and Overseas Pakistani's Division (the Ministry) in response to an application for establishment of separate fund for cotton division under Clause 15 of the Scheme to the Companies Profit (Workers' Participation) Act, 1968 has granted the permission for the same. The Ministry has, however, asked the Company to deposit an amount of Rs. 47.850 million on account of Workers' Profit Participation Fund for the period between 1990 to 1997. This demand is being contested by the Company as there were no eligible workers. The management, based on the advice of its legal consultants, is filing a constitutional petition in the High Court and is confident of a favourable outcome as the company contends that such claim or other claims, if any, are untenable. Thus, no provision has been made for the aforementioned amount in these financial statements.
- 5.2 The sales tax authorities had issued a show cause notice relating to sales tax of Rs. 2.482 million by disallowing input tax claimed on certain items and spare parts imported during the period from August 1997 to June 1998. The company has filed an appeal with the Customs, Excise and Sales Tax Appellate Tribunal who has referred the case to a Collector Sales Tax (Appeals) for fresh assessment. Based on the advice of legal advisor the management is confident that the matter will be decided in favour of the Company. Accordingly, no provision has been made in these financial statements for the aforementioned amount.
- 5.3 The company has filed a suit in the High Court of Sindh for restraining the customs authorities from encashing a bank guarantee of Rs. 0.895 million issued while availing concessionary benefits of SRO 671 (1)/94 dated 3 July 1994. The liability of the company will eventually depend upon whether or not the goods were consumed in terms of the concession. This case is pending with the High Court and a sum of Rs. 0.895 million is contingently payable by the Company in case the High Court decides the case against the Company.
- 5.4 The company filed a suit in the High Court of Sindh for recovery of retention money amounting to Rs. 3.265 million from Indus Steel Pipes Limited against supply of pipes. The High Court has decided the case in the company's favour, however, pending a formal judgment the gain has not been recognised in these financial statements.
- 5.5 The company had filed a claim against SNGPL for return of its performance bond relating to a contract that was completed in the past. By way of a counter claim, SNGPL is claiming liquidated damages amounting to US dollar 904,447 and mark-up. The matter is currently pending before the Arbitrators. Management of the company, based on legal advice, is confident that there is no significant chance of the counter claim of SNGPL being allowed as the relevant guarantees have long since expired.
- 5.6 Aggregate amount of guarantees given by the banks on behalf of the company in respect of performance of various contracts as at 31 December 2003 aggregated to Rs. 70.086 million (30 June 2003: Rs. 117.520 million).
- 5.7 Letters of credit outstanding as on 31 December 2003 is Rs. 38.363 million (30 June 2003: Rs. 47.792 million).
- 5.8 Commitments in respect of capital expenditure contracted for as on 31 December 2003 is Rs. 6.172 million (30 June 2003: Rs. 0.663 million).



# NOTES TO THE FINANCIAL STATEMENTS

(UNAUDITED)

## 6. OPERATING FIXED ASSETS

	Six months ended 31 December 2003		Six months ended 31 December 2002	
	Additions	Disposals	Additions	Disposals
	Rupees in thousand			
Plant and machinery	11,408	4,723	8,338	105
Furniture and fixture	-	-	1,119	-
Office and other equipment	97	-	388	-
Computers	166	-	316	-
Vehicles	2,756	2,378	2,955	2,158
Electric installation	-	-	107	-
	<u>14,427</u>	<u>7,101</u>	<u>13,223</u>	<u>2,263</u>

The company had acquired the cotton division effective 30 June 2000. The transfer of legal title of assets in the name of the company is in process.

## 7. CAPITAL WORK-IN-PROGRESS

During the period, Company has incurred Rs. 50.671 million on account of in-house power generation plant in cotton division.

## 8. LONG TERM INVESTMENTS

	31 December 2003			30 June 2003		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Available-for-sale investments	107,401	-	107,401	58,339	-	58,339
Government of Pakistan US \$ Bonds	8,613	-	8,613	8,658	-	8,658
Redeemable capital	1,666	-	1,666	3,332	-	3,332
	<u>117,680</u>	<u>-</u>	<u>117,680</u>	<u>70,329</u>	<u>-</u>	<u>70,329</u>

## 9. STOCK-IN-TRADE

	31 December 2003			30 June 2003		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Raw material	43,514	331,383	374,897	52,090	122,758	174,848
Work-in-process	272	3,601	3,873	758	2,777	3,535
Finished goods	34,827	16,438	51,265	36,627	7,018	43,645
Scrap / cotton waste	-	444	444	-	177	177
	<u>78,613</u>	<u>351,866</u>	<u>430,479</u>	<u>89,475</u>	<u>132,730</u>	<u>222,205</u>
Provision	(14,567)	-	(14,567)	(17,184)	-	(17,184)
	<u>64,046</u>	<u>351,866</u>	<u>415,912</u>	<u>72,291</u>	<u>132,730</u>	<u>205,021</u>



# NOTES TO THE FINANCIAL STATEMENTS

(UNAUDITED)

## 10. INVESTMENTS

	31 December 2003			30 June 2003		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Investment in musharika arrangements	26,000	-	26,000	26,000	-	26,000
Available-for-sale investments	428,402	-	428,402	422,340	-	422,340
Held for trading investments	285,390	-	285,390	186,065	-	186,065
Loans and Advances originated by the enterprise – Islamic Republic of Pakistan Bonds 10%	13,862	-	13,862	18,287	-	18,287
	<u>753,654</u>	<u>-</u>	<u>753,654</u>	<u>652,692</u>	<u>-</u>	<u>652,692</u>

## 11. OTHER INCOME

	Six months ended 31 December 2003			Six months ended 31 December 2002		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Gain on sale of investments	97,825	-	97,825	39,243	-	39,243
Dividend income	33,292	-	33,292	23,188	-	23,188
Return on deposits, advances and investments	3,017	54	3,071	9,916	180	10,096
Gain on sale of fixed assets	1,211	745	1,956	764	10	774
Others	2,710	199	2,909	8,619	373	8,992
	<u>138,055</u>	<u>998</u>	<u>139,053</u>	<u>81,730</u>	<u>563</u>	<u>82,293</u>

## 12. CASH GENERATED FROM OPERATIONS

	Six months ended 31 December 2003	Six months ended 31 December 2002
	Rupees in thousand	
Profit before taxation	143,492	252,828
Adjustments for non cash charges and other items:		
Depreciation	35,876	30,173
Amortisation	277	177
Fair value adjustments	(12,608)	(22,903)
Provision against stores and spares	1,883	2,000
Reversal / provision against stock-in-trade	(2,618)	5,001
Provision for workers welfare fund	383	-
Provision for infrastructure fee	7,320	-
Provision against other receivables	-	5,461
Exchange loss	344	1,177
Gain on sale of investments	(58,539)	(45,643)
Provision for pension and gratuity	2,315	-
Financial charges	7,166	8,670
Gain on disposal of fixed assets	(1,956)	(753)
Dividend income	(33,292)	(23,188)
Amortisation of discount on IROP	(1,076)	-
Return on deposits, advances and investments	(3,307)	(9,916)
Amortisation of deferred income	(210)	(132)
Working capital changes	12.1	
	<u>(177,751)</u>	<u>(114,527)</u>
	<u>(92,301)</u>	<u>88,425</u>



# NOTES TO THE FINANCIAL STATEMENTS

(UNAUDITED)

## 12.1 Working capital changes

	Six months ended 31 December 2003	Six months ended 31 December 2002
	Rupees in thousand	
(Increase) / decrease in current assets		
Stores, spares and loose tools	(4,965)	(13,591)
Stock-in-trade	(208,806)	28,839
Trade debts	8,408	(81,037)
Short-term advances	480	(11,371)
Short-term deposits and prepayments	(2,323)	(2,064)
Other receivables (net)	<u>(18,941)</u>	<u>6,159</u>
	<u>(226,147)</u>	<u>(73,065)</u>
Increase / (decrease) in current liabilities		
Creditors, accrued and other liabilities (net)	48,396	(41,462)
Working capital changes	<u>(177,751)</u>	<u>(114,527)</u>

## 13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following items as included in the balance sheet:

	31 December 2003	31 December 2002
	Rupees in thousand	
Short-term running finance under markup arrangements	(318,425)	(80,045)
Short-term deposit with a non banking financial institution	26,000	40,000
Cash and bank balances	<u>33,492</u>	<u>167,302</u>
	<u>(258,933)</u>	<u>127,257</u>

## 14. SUMMARY OF TRANSACTIONS WITH RELATED PARTIES

All transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes, as admissible, except in extremely rare circumstances where, subject to the approval of Board of Directors, it is in the interest of the Company to do so. Transactions with related parties during the period are as follows:



# NOTES TO THE FINANCIAL STATEMENTS

(UNAUDITED)

	Six months ended 31 December 2003			Six months ended 31 December 2002		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Insurance premium paid	5,934	1,164	7,098	5,527	1,259	6,786
Sale of pipes / yarn	464	10,025	10,489	934	6,939	7,873
Purchases	-	-	-	-	2,148	2,148
Sale of raw cotton	-	-	-	-	1,406	1,406
Return on deposits	454	-	454	1,323	-	1,323
Dividends income	504	-	504	2,111	-	2,111
Interest on long-term loans	-	-	-	-	1,334	1,334
Service charges	1,299	1,347	2,646	-	860	860
Sale of fixed assets	-	600	600	-	105	105
Markup on running finance	-	2	2	-	3	3
Donation	484	3,333	3,817	5,980	-	5,980

## 15. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 23 February 2004 by the board of directors of the company.

## 16. GENERAL

Figures have been rounded off to the nearest thousand rupees.

Chairman

Chief Executive



# COMPANY PROFILE

Crescent Steel and Allied Products Limited is a Public Limited Company listed on all the Stock Exchanges of Pakistan. It started commercial production in March 1987. The manufacturing facilities consist of a Spiral Pipe Production line and a multi-layer Polyolefin and stand-alone Epoxy Coating line, both located side by side at the Sindh Industrial Trading Estate, Nooriabad in Dadu district of Sindh and a Cotton Spinning Unit of 19,680 spindles at Jaranwala Faisalabad. Crescent Steel and Allied Products Limited is an equal opportunity employer with a sense of social responsibility and strongly supports education and environmental causes.

## Steel Division

The Spiral Pipe Plant has a capability of manufacturing high quality steel pipes in the diameter range of 8-5/8" (219 mm) -90" (2286 mm) in wall thickness ranging from 4mm - 18 mm and material grades upto API 5L X-80 grade. The maximum annual capacity of the pipe plant is 80,000 tons per annum. The company has the unique distinction of having the authorisation to use API monogram of the American Petroleum Institute since 1987, the highest international standard accredited for quality of steel line pipe. In 1997 the company was awarded ISO 9001 Quality Management Standard Certification which it continues to maintain as ISO 9001 : 2000.

A multi-layer Polyolefin Coating Plant was added adjacent to the pipe mills in 1992. This plant is capable of applying multi-layer Coatings comprising of Fusion Bonded Epoxy, Co-Polymer Adhesive and High Density Polyethylene / Polypropylene and Polyethylene Tape Coating on steel pipes ranging from 6-5/8" (168 mm)-48" (1219mm). For clients who prefer a single layer protection only, the plant is capable of delivering Fusion Bonded Epoxy as a single protection in the same pipe diameter range.

Crescent Steel maintains high quality norms in all its products and has consistently exceeded the requirements of international standards both in steel line pipe and multi-layer coatings and will continue to remain at the cutting edge in terms of technology and quality.

## Cotton Division

In the year 2000, the Company acquired a running cotton spinning mill of 14,400 spindles with building area of over 100,000 square feet and land area of 22.7 acres located at Jaranwala near Faisalabad, which is the hub of textile industry. The Company has since then expanded to 19,680 spindles and the plant capacity converted to 20's based on three shifts for 360 working days is 6,452,874 kgs of cotton yarn. The cotton spinning activity is carried out under the name and title of "Crescent Cotton Products (CCP) a Division of Crescent Steel and Allied Products Limited".

CCP is a division of the Company but its operating results are shown separately.

CCP as a division holds ISO 9001: 2000 Quality Management Credential. CCP produces good quality cotton yarn of various counts from 10s to 30s and its products are consistently in demand and generally sold at a premium.



Crescent Steel &  
Allied Products Ltd.

# COMPANY AND INVESTORS' INFORMATION

## Stock Exchange Listing

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

The Company's shares are quoted in leading dailies under the Engineering Sector.

## Public Information

Financial analysts, stock brokers, interested investors and financial media desiring information about 'Crescent Steel' should contact Farrukh Hussain at Company's Principal Office, Karachi.

Telephone: 021-5674881-5

E-mail: farrukh.hussain@crecscnt.com.pk

## Shareholder Information

Enquiries concerning lost share certificates, dividend payments, change of address, verification of transfer deeds and share transfer should be directed to the Shareholder Services Department at the Registered Office at Lahore.

Telephone: 042-5712036, 5877087

E-mail: crescent\_business@yahoo.com

## Products

### Steel Division

Manufacturer of DSAW steel line pipes in diameters ranging from 8" to 90" and applicator of multi-layer polyolefin coating conforming to international standards.

### Cotton Division

Manufacturer of quality cotton yarn of various counts of 10s to 30s.

## Auditors

KPMG Taseer Hadi Khalid & Co.

## Legal Advisor

Hassan & Hassan Advocates, Lahore

## Bankers

- Union Bank Limited
- Meezan Bank Limited
- PICIC Commercial Bank Limited
- National Bank of Pakistan

## Registered Office

Unit No. 6, Happy Homes, 38-A-3, Main Gulberg, Lahore

Telephone : 042- 5712036, 5877087

Fax : 042- 5877325

E-mail :

crescent\_business@yahoo.com

## Liaison Office Lahore

14-C, Main Gulberg, Jail Road, Lahore.

Telephone : 042-5870346

E-mail : ejazahmed@fsibl.com

## Principal Office

9th Floor, Sidco Avenue Centre, 264 R.A. Lines, Karachi-74200.

Telephone : 021- 5674881 – 5

Fax : 021- 5680476

E-mail : mail@crescent.com.pk

URL : www.crescent.com.pk

## Factory – Steel Division

A/25, S.I.T.E., Nooriabad, District Dadu, Sindh.

Telephone : 02202-660021, 660022, 660163

E-mail : mail@nra.crescent.com.pk

## Mills – Cotton Division

Crescent Cotton Products (Spinning Unit)

1st Mile, Lahore Road, Jaranwala.

BOOK



Crescent Steel &  
Allied Products Ltd.

If undelivered, please return to:  
9th Floor, SIDCO Avenue Centre, 264 R.A. Lines, Karachi, Pakistan. Tel: (021)