

# INTERIM REPORT FOR THE HALF YEAR ENDED DECEMBER 2004



Crescent Steel &  
Allied Products Ltd.



Crescent Steel &  
Allied Products Ltd.

## COMPANY INFORMATION

### BOARD OF DIRECTORS

<i>Chairman</i>	Mazhar Karim
<i>Chief Executive</i>	Ahsan M. Saleem
<i>Non-Executive</i>	Javed A. Callea
<i>Non-Executive</i>	Javed Iqbal
<i>Non-Executive</i>	Mohammad Anwar
<i>Non-Executive</i>	Nasir Shafi
<i>Finance Director</i>	S.M. Ehtishamullah
<i>Non-Executive</i>	Zahid Bashir

COMPANY SECRETARY Tariq Aleem

### AUDIT COMMITTEE

<i>Chairman</i>	Javed A. Callea
	Javed Iqbal
	Nasir Shafi

### HUMAN RESOURCE COMMITTEE

<i>Chairman</i>	Ahsan M. Saleem
	Javed Iqbal
	Nasir Shafi

### EXECUTIVE COMMITTEE

<i>Chairman</i>	Ahsan M. Saleem
	S.M. Ehtishamullah
	S.A.N. Kazmi

### BUSINESS STRATEGY COMMITTEE

<i>Chairman</i>	Ahsan M. Saleem
	S.M. Ehtishamullah
	S.A.N. Kazmi
	Abdul Rouf

### SYSTEM AND TECHNOLOGY COMMITTEE

<i>Chairman</i>	Ahsan M. Saleem
	Shahid Mir
	Tahir Khan
	Zeeshan Ghulam Muhammad

### INVESTMENT COMMITTEE

<i>Chairman</i>	Ahsan M. Saleem
	S.M. Ehtishamullah
	Farrukh Hussain

### MANAGEMENT

Chief Executive and  
Managing Director  
Ahsan M. Saleem, 51  
1983\*

Advisor to CEO (Technical)  
Mohammad Sharif, 72  
1984\*

Advisor (Corporate)  
Dr. Wasim Azhar, 51  
2001\*

Finance Director & CFO  
S.M. Ehtishamullah, 65  
1996\*

Commercial Director  
S.A.N. Kazmi, 62  
1986\*

General Manager  
Cotton Division  
Abdul Rouf, 45  
2000\*

Head of Internal Audit  
Mohammad Amin, 57  
1992\*

Head of Marketing  
Arif Raza, 43  
1985\*

Head of Manufacturing  
Mushtaque Ahmed, 43  
1985\*

Controller Finance  
Zeeshan Ghulam Muhammad, 31  
2001\*

\* Year joined Company



# CHIEF EXECUTIVE'S REVIEW

Dear Shareholders,

It gives me pleasure to present to you the results of your company for the six months ended December 31, 2004. These results were subject to a limited scope review by the auditors Taseer Hadi Khalid & Co. and their review report is attached to the financial statements.

Order intake for the period was reasonable and helped to boost the operating results of HY05 albeit high international steel prices and decline in yarn prices negatively impacted the profit.

The total profit after tax for the six months period ended December 31, 2004 amounted to Rs. 147.4 million as compared to Rs. 132.7 million of the corresponding period last year. Profit after tax for the second quarter amounted to Rs. 109.3 million as compared to 85.7 million of HY04, an increase of 28%. The following paragraphs contain brief comments separately on the steel division including investment income and the cotton division results.

## STEEL DIVISION

Revenue of the steel division stood at Rs.667.9 million, compared to Rs.133.8 million in HY04. Gross profit also improved from Rs. 37.0

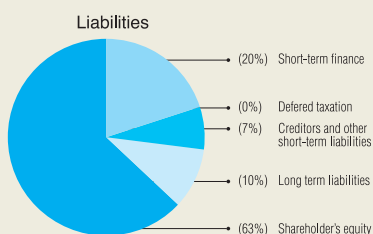
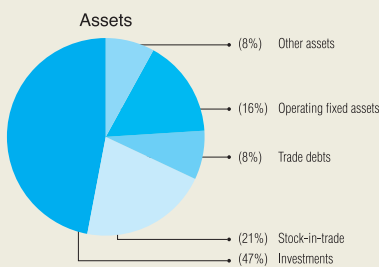
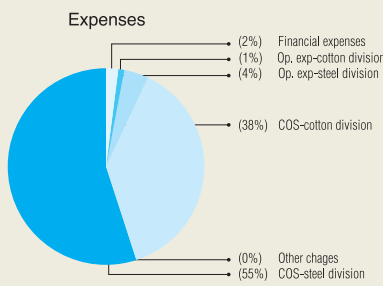
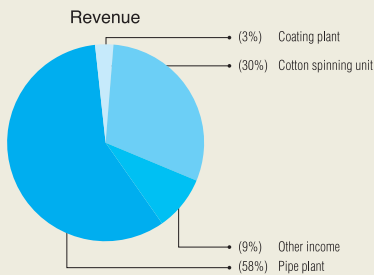
million in HY04 to Rs. 164.4 million in HY05. The increase in revenue and gross profit was due to higher turnover and execution of large dia jobs. This was against the WOPP conversion jobs executed in the first half of last year having lower margins and correspondingly low sales revenue.

Pipe production on straight tonnage was 19,790 tons in the current half as against 10,728 tons in HY04. Coating activity carried out in this period measured 63,914 sqm (HY04: 218,676 sqm).

Decrease in coating activity was due to execution of small dia coating orders as compared to WOPP order executed last year.

Operating expenses stood at Rs. 44.8 million in the current six months as compared to Rs. 51.4 million in the same period last year, a decrease of 13% due to effective cost control measures. Increase in activity and lower operating expenses resulted in operating profit being higher by Rs.55.4 million i.e. from Rs. 150.7 million in HY04 to Rs. 206.1 million in HY05.

The six months period under review witnessed sharp movements in the stock market with the KSE Index closing at 6218 on December



# CHIEF EXECUTIVE'S REVIEW

31, 2004 – an increase of 937 points or 18% since June 30, 2004. Due to fluctuations, capital gains of Rs. 25.4 million were realized as against Rs. 97.8 million in HY04. Further, unrealized gain on held-for-trading investments for the period was Rs. 14.9 million. (HY04: Rs.12.6 million)

## COTTON DIVISION

Sales revenue in cotton division increased from Rs. 328.1 million in HY04 to Rs. 333.9 million in HY05. Despite increase in revenue, the gross margin declined from 4.1% in HY04 to negative 3.8% in HY05 mainly on account of higher cotton cost carried forward from the last fiscal. Due to sharp decline in cotton prices and the consequent fall in yarn prices the cotton division suffered gross loss of Rs.12.7 million in the period under review.

## TOTAL PROFIT

The above mentioned factors resulted in a net profit before tax of Rs. 189.5 million in current six months as compared to Rs.143.5 million in the same period last year.

After provision for tax of Rs. 42 million (HY04: Rs. 10.8

million), the total net profit for HY05 amounted to Rs. 147.4 million as against Rs. 132.7 million in HY04. Basic earning per share increased from Rs. 5.46 in HY04 to Rs.6.07 in HY05.

## BALANCE SHEET

The company's balance sheet continues to remain robust reflecting good fundamentals supported by strong capital reserves. The balance sheet footing has increased from Rs.2,228 million as at June 30, 2004 to Rs.2,792 million at the end of the first half of FY05, with debt equity ratio of 19:81 and current ratio of 3:1. Breakup value of shares has gone up from Rs.68.8 as at June 30, 2004 to Rs.71.9 as on December 31, 2004.

## DIVIDEND

The board of directors have approved payment of an interim dividend at the rate of 10% i.e. Re.1 per share.

## FUTURE OUTLOOK

The business volumes in steel division are expected to remain healthy in the remaining two quarters of FY05. However, H. R. Coil prices continue to move in

an upward spiral with scarce availability and longer than normal delivery schedules. This makes the task of bidding difficult as your company now has to contend with narrow margins and strict supply deadlines, as demanded by the customers.

In the cotton division due to lower cotton cost it is expected that performance would be better in the remaining half of FY05.



Ahsan M. Saleem  
Chief Executive Officer  
January 31, 2005



Crescent Steel &  
Allied Products Ltd.

## 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"–90" (219 mm – 2286 mm) in wall thickness from 4 mm – 18 mm and material grades up to API 5L X-80. The company has been gradually enhancing and upgrading the pipe production capacity which has increased from 80,000 tons initially to the present notional capacity of 90,000 tons per annum. The company has authorization to use API monogram of the American

Petroleum Institute – the highest international standard accredited for quality of steel line pipe. It also has the ISO 9001 : 2000 certification.

The Polyolefin Coating Plant was added adjacent to the pipe mills which is capable of applying single and multi-layer Coatings comprising of Fusion Bonded Epoxy, Co-Polymer Adhesive and High Density Polyethylene / Polypropylene and Polyethylene Tape Coating on steel pipes ranging from 6-5/8" – 48" (168 mm – 1219 mm).

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, quality control and quality assurance.

### COTTON DIVISION

In the year 2000, the Company acquired a running cotton spinning mill located at Jaranwala near Faisalabad, which is the hub of textile industry and carries out this activity under the name and title of "Crescent Cotton Products" (CCP) a Division of Crescent Steel and Allied Products Limited.

CCP is a division of the

Company but its operating results are shown separately.

CCP as a division holds ISO 9001 : 2000 Quality Management Credential. CCP produces good quality cotton yarn of various counts from 10s to 30s having a notional capacity based on 20s of 6.2 million kg per annum and its products are consistently in demand and generally sold at a premium.



**Taseer Hadi Khalid & Co.**  
Chartered Accountants  
First Floor,  
Sheikh Sultan Trust Building No.2,  
Beaumont Road,  
Karachi 75530 Pakistan

Telephone +92 (21) 568 5847  
Fax +92 (21) 568 5095  
Internet [www.kpmg.com.pk](http://www.kpmg.com.pk)

## Review Report to the Members

We have reviewed the annexed balance sheet of Crescent Steel and Allied Products Limited ("the Company") as at 31 December 2004 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 annexed financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

*Taseer Hadi Khalid & Co*

Chartered Accountants

January 31, 2005



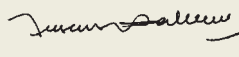
Crescent Steel &  
Allied Products Ltd.

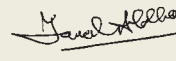
# BALANCE SHEET (UNAUDITED)

As at December 31, 2004

	Note	31 December 2004	30 June 2004
Rupees in thousand			
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised capital 30,000,000 ordinary shares of Rs 10 each		300,000	300,000
Issued, subscribed and paid-up capital		243,027	220,934
Reserves		1,328,933	1,270,464
Unappropriated profit		175,426	28,016
		<u>1,747,386</u>	<u>1,519,414</u>
Deferred income		547	792
<b>Non-current liabilities</b>			
Redeemable capital		258,905	295,955
Liabilities against assets subject to finance leases		23,313	30,561
Deferred taxation		10,390	10,582
<b>Current liabilities</b>			
Current maturity of redeemable capital		37,500	-
Current maturity of liabilities against assets subject to finance leases		14,163	13,514
Short-term finances	3	564,273	142,734
Creditors, accrued expenses and other liabilities		135,329	181,514
Proposed dividend		-	33,140
		<u>751,265</u>	<u>370,902</u>
Contingencies and commitments	4		
		<u>2,791,806</u>	<u>2,228,206</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Tangible fixed assets</b>			
Operating fixed assets	5	399,894	420,185
Assets subject to finance leases		41,918	45,925
Capital work-in-progress		9,953	1,695
		<u>451,765</u>	<u>467,805</u>
Intangible assets		2,298	2,875
Long-term investments	6	259,885	210,651
Long-term deposits		5,792	5,737
<b>Current assets</b>			
Stores, spares and loose tools		35,447	39,256
Stock-in-trade	7	572,360	240,451
Trade debts		211,868	36,024
Advances		38,334	6,756
Deposits and prepayments		5,347	3,422
Other receivables		33,520	112,654
Current maturity of long-term investments		1,676	12,061
Investments	8	1,055,627	1,012,511
Taxation – net		49,752	59,989
Cash and bank balances		68,135	18,014
		<u>2,072,066</u>	<u>1,541,138</u>
		<u>2,791,806</u>	<u>2,228,206</u>

The annexed notes from 1 to 17 form an integral part of these financial statements.

  
Chief Executive

  
Director

# PROFIT AND LOSS ACCOUNT (UNAUDITED)

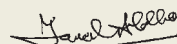
For the half year ended December 31, 2004

	Note	Half year ended 31 December 2004		Total	Half year ended 31 December 2003		Total
		Steel division	Cotton division		Steel division	Cotton division	
Rupees in thousand							
Sales		667,853	333,887	1,001,740	133,789	328,078	461,867
Cost of sales		503,423	346,563	849,986	96,764	314,755	411,519
Gross profit / (loss)		164,430	(12,676)	151,754	37,025	13,323	50,348
Selling and distribution cost		3,282	764	4,046	2,739	1,485	4,224
Administration expenses		29,681	6,456	36,137	28,049	9,149	37,198
Other operating expenses		4,607	–	4,607	8,852	1,078	9,930
		37,570	7,220	44,790	39,640	11,712	51,352
Other operating income	10	91,394	7,730	99,124	150,664	998	151,662
Operating profit / (loss)		218,254	(12,166)	206,088	148,049	2,609	150,658
Finance cost	11	5,427	11,215	16,642	3,504	3,662	7,166
Profit / (loss) before taxation		212,827	(23,381)	189,446	144,545	(1,053)	143,492
Taxation - current				42,228			8,000
Taxation - prior				–			658
Taxation - deferred				(192)			2,179
				42,036			10,837
Profit for the period				147,410			132,655
Basic and diluted earnings per share				Rs. 6.07			Rs. 5.46

The annexed notes from 1 to 17 form an integral part of these financial statements.



Chief Executive



Director




Crescent Steel &  
Allied Products Ltd.

# PROFIT AND LOSS ACCOUNT (UNAUDITED)

For the quarter ended 31 December 2004

Note	Quarter ended 31 December 2004			Quarter ended 31 December 2003		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
Rupees in thousand						
Sales	484,232	159,410	643,642	82,459	182,491	264,950
Cost of sales	413,467	159,975	573,442	61,093	183,165	244,258
Gross profit / (loss)	70,765	(565)	70,200	21,366	(674)	20,692
Selling and distribution cost	2,022	(191)	1,831	1,456	482	1,938
Administration expenses	17,059	3,950	21,009	14,099	6,655	20,754
Other operating expenses	4,607	–	4,607	8,851	996	9,847
	23,688	3,759	27,447	24,406	8,133	32,539
Other operating income	95,310	7,501	102,811	99,680	857	100,537
Operating profit / (loss)	142,387	3,177	145,564	96,640	(7,950)	88,690
Finance cost	1,893	9,254	11,147	2,216	2,294	4,510
Profit / (loss) before taxation	140,494	(6,077)	134,417	94,424	(10,244)	84,180
Taxation - current			22,968			(1,500)
Taxation - deferred			2,181			–
			25,149			(1,500)
Profit for the period			109,268			85,680
Basic and diluted earnings per share			Rs. 4.50			Rs. 3.53

The annexed notes from 1 to 17 form an integral part of these financial statements.

  
Chief Executive


  
Director

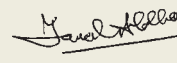
# STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the half year ended December 31, 2004

	Issued, subscribed and paid-up capital	General reserve	Reserve for issue of bonus shares	Unrealized gains on remeasure- ment of avail- able for sale investment securities	Unappropri- ated profit	Total
	Rupees in thousand					
Balance as at 1 July 2003	200,849	746,000	22,363	188,610	4,257	1,162,079
Profit for the half year ended 31 December 2003	–	–	–	–	132,655	132,655
Unrealised gains on available for sale investment securities	–	–	–	36,938	–	36,938
Bonus shares issued	20,085	–	(20,085)	–	–	–
First 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
Balance as at 1 July 2004	220,934	921,000	22,093	327,371	28,016	1,519,414
Bonus shares issued	22,093	–	(22,093)	–	–	–
Profit for the half year	–	–	–	–	147,410	147,410
Unrealised gain on available for sale investment securities	–	–	–	95,444	–	95,444
Realized gain on sale of investment	–	–	–	(14,882)	–	(14,882)
Balance as at 31 December 2004	243,027	921,000	–	407,933	175,426	1,747,386

The annexed notes from 1 to 17 form an integral part of these financial statements.

  
Chief Executive

  
Director



Crescent Steel &  
Allied Products Ltd.

# CASH FLOW STATEMENT (UNAUDITED)

For the half year ended December 31, 2004

Half year ended  
Note 31 December 2004 31 December 2003  
Rupees in thousand

## Cash flows from operating activities

Cash generated from operations	12	(329,017)	(92,301)
Taxes paid		(31,991)	(48,087)
Financial charges paid		(13,251)	(4,515)
Payment to pension and gratuity fund		(2,921)	(2,423)
Payment for the workers' welfare fund		-	(5,394)
Long-term deposits and prepayments		(55)	(518)
Net cash (used) in operating activities		<u>(377,235)</u>	<u>(153,238)</u>

## Cash flow from investing activities


Fixed capital expenditure	(23,599)	(102,792)
Purchase of intangible assets	(173)	(430)
Investments disposed off / (made) – net	28,982	(27,501)
Proceeds from sale of fixed assets	1,518	5,448
Dividends received	37,631	28,313
Return on deposits received	3,249	3,307
Net cash from (used in) investing activities	<u>47,608</u>	<u>(93,655)</u>

## Cash flow from financing activities

Proceeds from short-term borrowings	284,099	60,000
Payment of lease rentals	(6,599)	(12,079)
Dividends paid	(35,192)	(39,990)
Net cash from financing activities	<u>242,308</u>	<u>7,931</u>
Net decrease in cash and cash equivalents	<u>(87,319)</u>	<u>(238,962)</u>

Cash and cash equivalents at beginning of the period		<u>181</u>	<u>(19,971)</u>
Cash and cash equivalents at end of the period	13	<u>(87,138)</u>	<u>(258,933)</u>

The annexed notes from 1 to 17 form an integral part of these financial statements.

  
Chief Executive

  
Director

# NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the half year ended December 31, 2004

## 1. INTRODUCTION

- 1.1 The company was incorporated on 1 August 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 (now 19,680 spindles) at Jaranwala (District Faisalabad) on June 30, 2000 from Crescent Jute Products Limited. The cotton spinning activity is carried out by the company under the name and title of "Crescent Cotton Products a division of Crescent Steel and Allied Products Limited". A basic sale and purchase agreement 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 2004 and the profit and loss account, statements of changes in equity and the cash flow statement for the half year ended 31 December 2004 which have been subjected to a review.

The comparative balance sheet presented in these financial statements as at 30 June 2004 has been extracted from the audited financial statements of the company for the year ended 30 June 2004, 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 2003.

- 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 2004, except the following:

- Dividend is recognized as a liability in the period in which it is declared. Up to previous year, dividends that were proposed after the balance sheet date but before the financial statements were authorized for issue were recorded as a liability. The change was considered necessary due to the revision of Fourth Schedule to the Companies Ordinance, 1984 effective 5 July 2004. The pro-forma information as required under the standard is presented in note 9.



# NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

## 3. SHORT-TERM FINANCES

	31 December 2004			30 June 2004		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
Rupees in thousand						
Secured						
Meezan Bank Limited	3.1	309,000	–	309,000	–	–
Union Bank Limited	3.2	130,154	25,119	155,273	17,581	–
PICIC Commercial Bank Limited		–	–	–	–	252
Short term loan						
Union Bank Limited	3.2	–	–	–	50,000	–
Muslim Commercial Bank Limited	3.3	100,000	–	100,000	–	–
Unsecured						
Pak Oman Investment Company Limited		–	–	–	–	74,901
		539,154	25,119	564,273	67,581	75,153
						142,734

### 3.1 Meezan Bank Limited

During the period Istijrar Facilities (Master Murabaha Facility) amounting to Rs. 325 million (June 2004: Rs. 325 million) has been renewed and availed. The rate of mark-up is to be agreed for each sub-murabaha. The above facilities are secured against first pari passu charge over stocks and book debts. These facilities will expire on 30 June 2005.

There is a ceiling of Rs. 325 million over the above two facilities. The facilities for opening letters of credit amounting to Rs. 500 million. These facilities are secured against first pari passu charge over stocks and book debts.

### 3.2 Union Bank Limited

The facilities for running finance available amounts to Rs. 425 million (2003: Rs. 125 million). The rate of mark-up is 6 months KIBOR (Ask) plus 3% with a floor of 5.5 percent per annum (2003: 7.25 percent per annum). The purchase prices are repayable on 31 March 2005. The above facilities are secured against pledge of shares of public limited companies to the extent of Rs. 41.67 million with 40 percent margin for Rs.25 million facility, pledge on stocks of raw cotton with 25 percent margin to the extent of Rs. 133.34 million for Rs.100 million facility and first pari passu charge on the stocks and book debts of the company to the extent of Rs. 400 million for Rs. 300 million facility.

The facility for opening letters of credit and guarantees as at 30 June 2004 amounted to Rs. 710 (2003: Rs. 672.725 million). The above facilities are secured against first pari passu charge on the stocks and debts of the company to the extent of Rs. 710 million.

### 3.3 Muslim Commercial Bank Limited

#### 3.3.1 The facility for running finance amounted to Rs.50 million. The mark-up rate is 1 month KIBOR plus 2.5% with a floor of 5.0 %. The facility will remain valid till 31 August 2005.

The above facility is secured against the following:

# NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the half year ended December 31, 2004

- 1st registered pari passu hypothecation charge for Rs.316.670 million over stocks and book debts of the company
- Lien over import documents
- Duly accepted bills of exchange

## 4. CONTINGENCIES AND COMMITMENTS

- 4.1 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. Thus, no provision has been made in these financial statements for the aforementioned amount in these financial statements.
- 4.2 The sales tax authorities had issued a show cause notice relating to sales tax of Rs. 2.48 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.
- 4.3 The company has filed a suit in the High Court of Sindh for restraining the customs authorities from encashing a bank guarantee of Rs. 0.89 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. 0.89 million is contingently payable by the Company in case the High Court decides the case against the Company.
- 4.4 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.
- 4.5 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.
- 4.6 The company has filed a suit in the Sindh High Court against Federation of Pakistan and others, for levy of import license fee at 6 percent against import of coating plant in 1992. The company contested that as per SRO 1317/(1)/94 dated December 22, 1990, being located in rural area, is only liable to pay 2 percent of import license fee. The case is pending with the Sindh High Court. The company provided a bank guarantee of Rs.3.42 million as directed by the Honorable Court. However, no provision has been made in these financial statements, as management is confident that the case would be decided in the company's favour.
- 4.7 Aggregate amount of guarantees given by the banks on behalf of the company in respect of performance of various contracts as at 31 December 2004 aggregated to Rs. 307.61 million (30 June 2004: Rs. 195.49 million).
- 4.8 Commitments under letters of credit as at 31 December 2004 is Rs. 457.28 (30 June 2004: Rs.282.42 million).
- 4.9 Commitments in respect of capital expenditure contracted for as on 31 December 2004 is Rs. 0.70 million (30 June 2004: Rs. 1.09 million).



## NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

### 5. OPERATING FIXED ASSETS

	Half year ended 31 December 2004		Half year ended 31 December 2003	
	Additions	Disposals	Additions	Disposals
	Rupees in thousand			
Plant and machinery	6,154	–	11,408	4,723
Office premises	367	–	–	–
Furniture and fixture	140	–	–	–
Office and other equipment	376	27	97	–
Computers	457	78	166	–
Vehicles	7,213	4,787	2,756	2,378
Workshop equipment	635	–	–	–
Electric installation	–	–	–	–
	15,342	4,892	14,427	7,101

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.

### 6. LONG TERM INVESTMENTS

	Note	31 December 2004			30 June 2004		
		Steel division	Cotton division	Total	Steel division	Cotton division	Total
		Rupees in thousand					
Available-for-sale investments		204,901	–	204,901	185,656	–	185,656
Held to maturity	6.1	54,984	–	54,984	24,995	–	24,995
		259,885	–	259,885	210,651	–	210,651

- 6.1 During the period, the company subscribed right cumulative preference shares ("shares") of Shakarganj Mills Limited amounting to Rs.29.994 million. These shares have a face value of Rs. 10 each. These shares carry dividend rate of 8.5%. The tenor of these shares is five years and face value of investments plus cumulative dividend will be received at maturity.

### 7. STOCK-IN-TRADE

	31 December 2004			30 June 2004		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Raw material	267,801	218,667	486,468	50,670	158,546	209,216
Work-in-process	9,346	4,070	13,416	1,379	4,433	5,812
Finished goods	68,616	8,811	77,427	19,245	13,395	32,640
Scrap / cotton waste	24	375	399	441	837	1,278
	345,787	231,923	577,710	71,735	177,211	248,946
Provisions	(3,442)	(1,908)	(5,350)	(7,840)	(655)	(8,495)
	342,345	230,015	572,360	63,895	176,556	240,451

# NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the half year ended December 31, 2004

## 8. INVESTMENTS

	Note	31 December 2004			30 June 2004		
		Steel division	Cotton division	Total	Steel division	Cotton division	Total
Rupees in thousand							
Available-for-sale investments		509,544	–	509,544	415,294	–	415,294
Held for trading		446,120	–	446,120	546,908	–	546,908
Loans and advances originated by the enterprise – Islamic Republic of Pakistan							
– Bonds 10%		6,593	–	6,593	12,939	–	12,939
Held to maturity	8.1	93,370	–	93,370	37,370	–	37,370
		<u>1,055,627</u>	<u>–</u>	<u>1,055,627</u>	<u>1,012,511</u>	<u>–</u>	<u>1,012,511</u>

8.1 This includes musharika arrangement with Financial Link Modaraba amounting to Rs.56 million obtained during the period.

## 9. RESTATED PRO-FORMA INFORMATION

Statement of retained earnings

	31 December 2004	30 June 2004	31 December 2003	Pro forma		
				(Restated) 31 December 2004	(Restated) 30 June 2004	(Restated) 31 December 2003
Rupees in thousand						
Opening retained earnings as previously reported	28,016	4,257	5,611	28,016	4,257	5,611
Change in accounting policy for dividends	–	–	–	33,140	40,170	60,255
Opening retained earnings as restated	28,016	4,257	5,611	61,156	44,427	65,866
Profit for the period / year	147,410	295,900	188,846	147,410	295,900	188,846
Transfer to general reserves	–	(175,000)	–	–	(175,000)	–
Reserve for bonus shares	–	(19,815)	–	–	(19,815)	–
Interim dividends	–	(44,186)	–	–	(44,186)	(40,170)
Proposed dividend	–	(33,140)	(40,170)	(33,140)	(40,170)	(60,255)
Closing retained earnings	<u>175,426</u>	<u>28,016</u>	<u>154,287</u>	<u>175,426</u>	<u>61,156</u>	<u>154,287</u>



Crescent Steel &  
Allied Products Ltd.

## NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

### 10. OTHER OPERATING INCOME

	Half year ended 31 December 2004			Half year ended 31 December 2003		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
<b>Income from Investments</b>						
Gain on sale of investments	25,359	–	25,359	97,825	–	97,825
Dividend income	39,687	–	39,687	33,292	–	33,292
Unrealised gain on held for trading investments	14,870	–	14,870	12,608	–	12,608
Return on deposits, advances and investments	3,260	70	3,330	3,017	54	3,071
	83,176	70	83,246	146,742	54	146,796
<b>Income from Non- Financial Assets</b>						
Gain on sale of fixed assets	1,518	–	1,518	1,212	745	1,957
Others	6,700	7,660	14,360	2,710	199	2,909
	8,218	7,660	15,878	3,922	944	4,865
	91,394	7,730	99,124	150,664	998	151,662

### 11. FINANCE COST

	Half year ended 31 December 2004			Half year ended 31 December 2003		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Interest on provident fund	–	148	148	–	104	104
Short term finance	6,479	467	6,946	2,117	1,365	3,482
Redeemable capital	4,037	3,087	7,124	–	–	–
Assets subject to finance leases	957	779	1,736	1,229	1,740	2,969
Bank charges	433	255	688	158	453	611
	11,906	4,736	16,642	3,504	3,662	7,166
Financial charges allocated to the cotton division	(6,479)	6,479	–	–	–	–
	5,427	11,215	16,642	3,504	3,662	7,166

# NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the half year ended December 31, 2004

## 12. CASH GENERATED FROM OPERATIONS

	Note	Half year ended	
		31 December 2004	31 December 2003
Rupees in thousand			
Profit before taxation		189,446	143,492
Adjustments for non cash charges and other items:			
Depreciation		39,637	35,876
Amortisation		753	277
Fair value adjustments		(14,870)	(12,608)
Provision against stores and spares		–	1,883
Reversal / provision against stock-in-trade		(11,795)	(2,618)
Provision for workers welfare fund		2,107	383
Provision for infrastructure fee		2,500	7,320
Provision against other receivables		–	–
Exchange (gain) / loss		(123)	344
Gain on sale of investments		(25,359)	(58,539)
Provision for pension and gratuity		2,439	2,315
Financial charges		16,642	7,166
Gain on disposal of fixed assets		(1,518)	(1,956)
Dividend income		(39,687)	(33,292)
Deferred Income		(244)	(210)
Amortisation of discount on IROP		(822)	(1,076)
Return on deposits, advances and investments		(3,330)	(3,307)
Amortisation of initial transaction cost on TFCs		450	–
Working capital changes	12.1	(485,243)	(177,751)
		<u>(329,017)</u>	<u>(92,301)</u>

### 12.1 Working capital changes

	Half year ended	
	31 December 2004	31 December 2003
Rupees in thousand		
(Increase) / decrease in current assets		
Stores, spares and loose tools	3,809	(4,965)
Stock-in-trade	(300,241)	(208,806)
Trade debts	(175,844)	8,408
Short-term advances	(31,578)	480
Short-term deposits and prepayments	(1,925)	(2,323)
Other receivables (net)	69,515	(18,941)
	(436,264)	(226,147)
Increase / (decrease) in current liabilities		
Creditors, accrued and other liabilities (net)	(48,979)	48,396
Working capital changes	<u>(485,243)</u>	<u>(177,751)</u>



Crescent Steel &  
Allied Products Ltd.

## NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

### 13. CASH AND CASH EQUIVALENTS

**Half year ended**  
**31 December 2004      31 December 2003**  
**Rupees in thousand**

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

Short-term running finance under markup arrangements	(155,273)	(318,425)
Short-term deposit with a non banking financial institution	–	26,000
Cash and bank balances	68,135	33,492
	(87,138)	(258,933)

### 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 modules, 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. The related parties and associated undertakings comprise local associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties during the period are as follows:

	<b>Half year ended 31 December 2004</b>			<b>Half year ended 31 December 2003</b>		
	<b>Steel division</b>	<b>Cotton division</b>	<b>Total</b>	<b>Steel division</b>	<b>Cotton division</b>	<b>Total</b>
	<b>Rupees in thousand</b>					
Insurance premium paid	119	241	360	5,934	1,164	7,098
Sale of pipes / yarn	8,029	44,512	52,541	464	10,025	10,489
Return on deposits	312	–	312	454	–	454
Dividends income	882	–	882	504	–	504
Service charges (net)	1,052	1,406	2,458	1,299	1,347	2,646
Donation	786	1,173	1,959	484	3,333	3,817
Sale of fixed assets	–	–	–	–	600	600
Markup on running finance	–	–	–	–	2	2
Subscription in right shares	10,822	–	10,822	–	–	–
Subscription in preference shares	29,994	–	29,994	–	–	–
Redemption of term finance certificate	1,666	–	1,666	1,666	–	1,666
Contribution to Provident Fund	2,398	330	2,728	2,320	242	2,562
Contribution to Pension Fund	1,630	145	1,775	1,520	104	1,624
Contribution to Gratuity Fund	662	–	662	691	–	691
Interest to Provident Fund on accumulated balances	–	148	148	–	104	104

# NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the half year ended December 31, 2004

## 15. DIVIDEND

The board of directors in their meeting held on 31 January 2005 have approved 10 percent interim dividend.

## 16. COMPARATIVES

The comparatives have been rearranged where necessary due to revisions in Fourth Schedule to the Companies Ordinance, 1984.

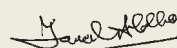
## 17. GENERAL

17.1 These financial statements were authorised for issue on 31 January 2005 by the board of directors of the company.

17.2 Figures have been rounded off to the nearest thousand rupees.



**Chief Executive**



**Director**



Crescent Steel &  
Allied Products Ltd.

## SHAREHOLDER'S 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 share is 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 the Company's Principal Office, Karachi. Telephone: 021-5674881-5 E.mail: farrukh.hussain@[csbm@csibl.com](mailto:farrukh.hussain@csbm@csibl.com)

### SHAREHOLDERS INFORMATION

Enquiries concerning lost share certificates, dividend payments, change of address, verification of transfer deeds and share transfers should be directed to the Shareholder Services Department at the Registered Office at Lahore.  
Telephone: 042-111-912-912 Fax: 042-5875915-16  
E.mail: [csbm@csibl.com](mailto:csbm@csibl.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

### REGISTERED OFFICE

4th Floor, Crescent Standard Tower, 10-B, Block E-2, Main Boulevard, Gulberg-III, Lahore.  
Telephone: 042-111-912-912  
Fax: 042-5875915-16  
E.mail: [csbm@csibl.com](mailto:csbm@csibl.com)

### LIAISON OFFICE LAHORE

9th Floor, Crescent Standard Tower, 10-A, Block E-2, Main Boulevard, Gulberg-III, Lahore.  
Telephone: 042-5879701-2  
Fax: 042-5870357  
E.mail: [ejazahmed@csibl.com](mailto:ejazahmed@csibl.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](mailto:mail@crescent.com.pk)  
URL: [www.crescent.com.pk](http://www.crescent.com.pk)

### FACTORY – STEEL DIVISION

A/25, S.I.T.E., Nooriabad, District Dadu, Sindh.  
Telephone: (025) 4670020-2,  
E.mail: [mushtaq.ahmed@nra.crescent.com.pk](mailto:mushtaq.ahmed@nra.crescent.com.pk)

### MILLS – COTTON DIVISION

Crescent Cotton Products (Spinning Unit)  
1st Mile, Lahore Road, Jaranwala.  
Telephone: 0468 - 313799,  
312899, 311741  
Fax: 0468-315475  
E.mail: [abdul.rouf@jrn.crescent.com.pk](mailto:abdul.rouf@jrn.crescent.com.pk)

BOOK



Crescent Steel &  
Allied Products Ltd.

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