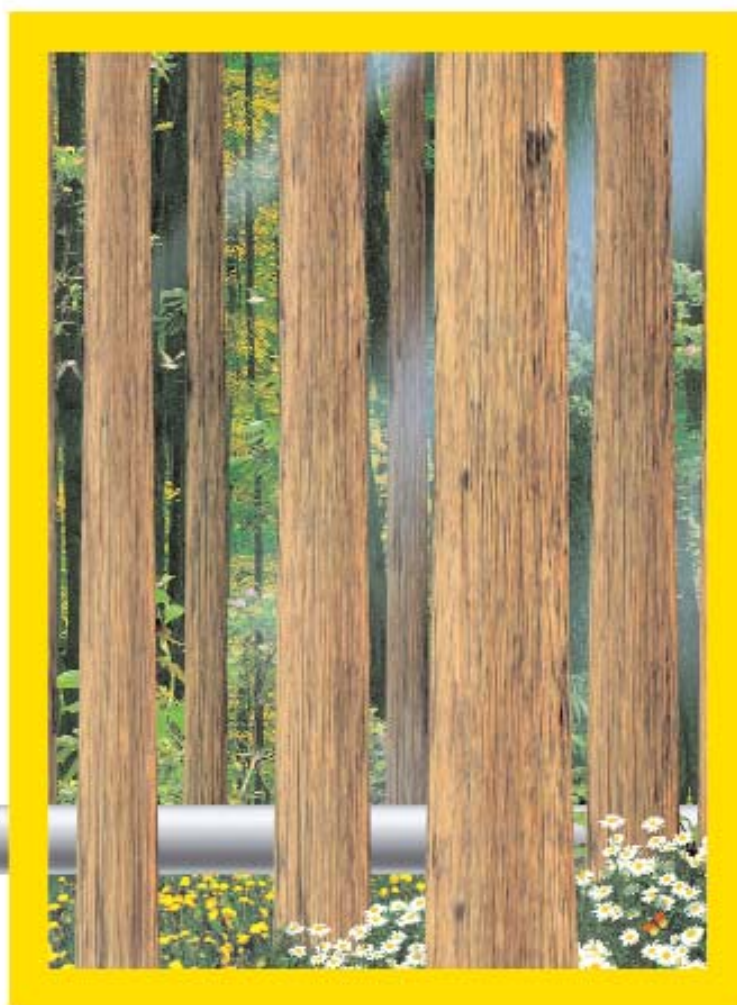


INTERIM REPORT FOR THE HALF YEAR ENDED DECEMBER 2005



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 Director</i>	Javed A. Callea
<i>Non-Executive Director</i>	Javed Iqbal
<i>Non-Executive Director</i>	Mohammad Anwar
<i>Non-Executive Director</i>	Nasir Shafi
<i>Finance Director & CFO</i>	S.M. Ehtishamullah
<i>Non-Executive Director</i>	Zahid Bashir

COMPANY SECRETARY Mohammad Amin

AUDIT COMMITTEE

<i>Chairman</i>	Javed A. Callea Javed Iqbal Nasir Shafi
<i>Head of Internal Audit</i>	Ford, Rhodes, Sidat Hyder & Co. (Asim Siddiqui-Engagement Partner)

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 H. Mir
-----------------	----------------------------------

INVESTMENT COMMITTEE

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

THE MANAGEMENT

Chief Executive and
Managing Director
Ahsan M. Saleem, 52
1983*

Advisor to CEO (Technical)
Mohammad Sharif, 73
1984*

Advisor (Corporate)
Dr. Wasim Azhar, 52
2001*

Finance Director & CFO
S.M. Ehtishamullah, 66
1996*

Commercial Director /
Head of Buying
S.A.N. Kazmi, 63
1986*

General Manager
Cotton Division
Abdul Rouf, 46
2000*

Chief Information Officer
(Outsourced)
Shahid H. Mir, 51
2004*

Head of Marketing
Arif Raza, 44
1985*

Head of Manufacturing
Mushtaque Ahmed, 44
1985*

* Year joined Company



CHIEF EXECUTIVE'S REVIEW

Dear Shareholders,

I am pleased to present the results of your company for the six months ended 31 December 2005. These results were subject to a limited scope review by the auditors KPMG Taseer Hadi & Co. and their review report is attached to the financial statements.

These six months were marked by the GoP and the SBP's efforts to maintain a stable rupee, bring inflationary expectations down, temper consumer exuberance through high interest rates and encourage investment oriented imports.

However despite these measures the operational activities of your company were a little subdued with income from other sources largely helping to boost profits leading to a healthy after tax profit of Rs. 204.9 million, an increase of 51.9% over the corresponding period last year. Profit after tax for the second quarter amounted to Rs. 92.5 million as compared to Rs. 109.3 million of corresponding period, a decrease of 15.4%.

In the ensuing paragraphs operating performance of both the divisions is set out separately.

STEEL DIVISION

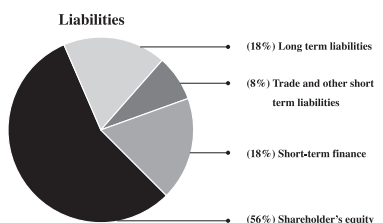
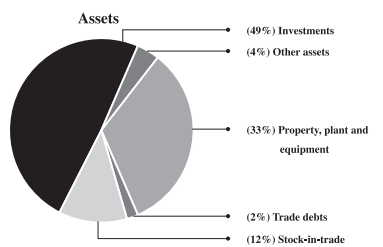
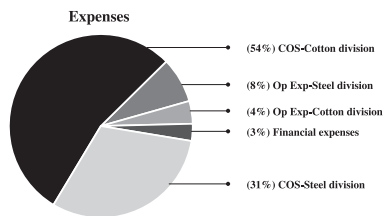
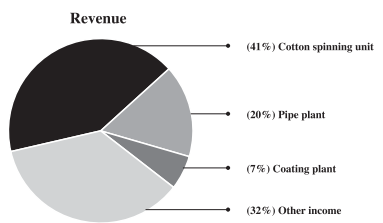
Revenue of the steel division stood at Rs. 199.9 million compared to Rs. 667.9 million in HY05 with the gross profit margin declining

from 24.6% to 13.6% in six months under review. This decline was mostly due to non-execution and delay in expected orders by our customers.

Pipe production at straight tonnage for HY06 was 6,545 tons as compared to 19,790 tons during the same period last year. Coating activity measured 60,082 square metres during HY06 as compared to 63,914 square metres of pipe coated during HY05. Decrease in sales was due to some of the projected jobs of gas companies being deferred and execution of small jobs mainly involving conversion orders for KWSB. Further, margins remained under pressure due to competition.

The capacity utilisation was 20% as against 21% in the previous period. Steel prices have some what stabilized and show further signs of weakening. This has improved conditions of availability of steel which is our basic raw material.

Operating expenses stood at Rs. 44.9 million in current six months (HY05: Rs.37.6 million) an increase was mainly due to provision against store & spare and doubtful debts. Operating profit of Rs. 222.4 million in HY06 as against Rs. 218.3 million in HY05 was increased mainly due to other income which is partially offset by decreased activity and lower gross margin.



CHIEF EXECUTIVE'S REVIEW

These six months under review witnessed an increase of 28% at the local bourse where introduction of continuous funding system, good corporate results and rising oil prices resulted in frequent upsurges in the index. Due to careful switching, capital gains of Rs. 50.9 million were realized in this six months as against Rs. 25.4 million in HY05. Active portfolio management and strong fundamentals helped to post other income of Rs. 239.9 million as compared to Rs. 91.4 million in the corresponding period last year.

Application of International Accounting Standard 28 "Investments in Associates" IAS-28, requires that investor must use the equity method for all investments in associates. Under the equity method, the investment is initially recorded at cost. It is subsequently adjusted by the investor's share of the investee's post acquisition change in net assets. Investor's income statement reflects its share of the investee's post-acquisition profit or loss. The effect of this revision in accounting policy is reflected in notes to the financial statements.

COTTON DIVISION

Sales revenue in the cotton division decreased slightly from Rs. 335.6 million in HY05 to Rs. 311.6 million in current six months due to reduced selling prices. The gross profit margin however improved considerably from a

negative 3.3% in HY05 to 4.5% in current six months. This was mainly due to proactive cotton procurement and subdued cotton costs.

TOTAL PROFIT

The above mentioned factors resulted in a net profit before tax of Rs. 199.3 million in current six months as compared to Rs. 176.1 million in HY05, an increase of Rs. 23.2 million. After reversal of provision for tax of Rs. 5.6 million (HY05: provision for tax Rs. 41.2 million) the total net profit after tax amounted to Rs. 204.9 million as against Rs. 134.9 million in corresponding period of last year. Basic earning per share increased from Rs. 4.62 in HY05 to Rs. 7.03 in HY06.

BALANCE SHEET

The company's balance sheet continues to remain robust reflecting good fundamentals supported by strong capital reserves. Debt to equity ratio stands at 24:76 while the current ratio is 2:1. Break up value of shares has been diluted to Rs. 69.8 from Rs. 75.7 at 30 June 2005 mainly due to the issue of 4.86 million bonus shares in the current six months ended 31 December 2005.

FUTURE OUTLOOK

The business volumes in steel division during the remaining two quarters are expected to be healthy as compared to the current six months.

A number of measures are being taken to improve the efficiency and reduce operating expenses of the cotton division. Progress on the new cotton spinning unit is satisfactory and we expect the unit to be operational by the last quarter of the current fiscal. Looking ahead at the cotton scenario, despite a reasonable crop worldwide, cotton consumption has shown robust growth. The crop has been good in Pakistan but the prices have stayed firm and show an upward trend for the next quarter. However the demand pricing for cotton products has also risen and we expect a firm and stable market trend. The overall returns are expected to increase in the forthcoming months.



Ahsan M. Saleem
Chief Executive Officer
28 January 2006



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

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Fax +92 (21) 568 5095
Internet 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 2005 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 half year 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 Review Engagements 2400. 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 figures of profit and loss account for the quarters ended 31 December 2004 and 2005 have not been reviewed, as we are required to review only the cumulative figures for the half year ended 31 December 2005.

28 January 2006
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants



Crescent Steel &
Allied Products Ltd.

BALANCE SHEET (UNAUDITED)

As at 31 December 2005

	Notes	31 December 2005	30 June 2005 (Restated)
Rupees in thousand			
EQUITY AND LIABILITIES			
Share capital			
Authorised capital 30,000,000 ordinary shares of Rs 10 each		300,000	300,000
Issued, subscribed and paid-up capital		291,632	243,027
Reserves		1,290,896	1,276,893
Unappropriated profit		452,637	320,670
		<u>2,035,165</u>	<u>1,840,590</u>
Share of surplus on revaluation of fixed assets in associates - net of tax		15,104	2,760
Deferred income		152	304
Non-current liabilities			
Long-term loan	3	448,709	-
Redeemable capital		184,803	221,854
Liabilities against assets subject to finance leases		11,232	14,289
Deferred taxation		-	4,903
Current liabilities			
Trade and other payables	4	285,741	221,942
Interest and mark-up accrued		21,552	13,454
Short term borrowings	5	560,825	142,204
Current portion of redeemable capital		75,000	75,000
Current portion of liabilities against assets subject to finance leases		12,133	16,292
		<u>955,251</u>	<u>468,892</u>
Contingencies and commitments	6	<u>3,650,416</u>	<u>2,553,592</u>
ASSETS			
Non-current assets			
Property, plant and equipment	7	1,193,799	441,836
Intangible assets		4,553	4,989
Investment in associates	8	312,063	312,230
Long-term investments	9	206,810	56,815
Long-term advances to staff		1,067	-
Long-term deposits		3,944	4,313
Deferred taxation		6,389	-
Current assets			
Stores, spares and loose tools		31,181	34,937
Stock-in-trade	10	454,414	194,329
Trade debts		58,027	132,037
Advances		31,238	15,663
Trade deposits and short-term prepayments		6,601	3,583
Current portion of long-term investments		10	10
Investments	11	1,261,886	1,117,279
Mark-up accrued		8,244	4,730
Other receivables		42,602	164,571
Taxation - net		5,430	13,188
Cash and bank balances		22,158	53,082
		<u>1,921,791</u>	<u>1,733,409</u>
		<u>3,650,416</u>	<u>2,553,592</u>

The annexed notes from 1 to 18 form an integral part of these financial statements.


Chairman


Chief Executive



Crescent Steel &
Allied Products Ltd.

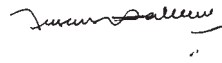
PROFIT AND LOSS ACCOUNT (UNAUDITED)

For the half year ended 31 December 2005

Notes	Half year ended 31 December 2005			Half year ended 31 December 2004			
	Steel division	Cotton division	Total	Steel division	Cotton division (Restated)	Total	
Rupees in thousand							
Sale	199,949	311,588	511,537	667,853	335,627	1,003,480	
Cost of sales	172,663	297,499	470,162	503,423	346,563	849,986	
Gross profit / (loss)	27,286	14,089	41,375	164,430	(10,936)	153,494	
Selling and distribution cost	3,920	2,447	6,367	3,282	2,504	5,786	
Administration expenses	30,842	7,584	38,426	29,681	6,456	36,137	
Other operating expenses	10,094	9,655	19,749	4,607	-	4,607	
	44,856	19,686	64,542	37,570	8,960	46,530	
Other operating income	12	239,982	1,112	241,094	91,394	7,730	99,124
Operating profit / (loss)		222,412	(4,485)	217,927	218,254	(12,166)	206,088
Finance cost	13	7,683	10,625	18,308	5,427	11,215	16,642
Share of loss in associates		362	-	362	13,345	-	13,345
Profit / (loss) before taxation		214,367	(15,110)	199,257	199,482	(23,381)	176,101
Taxation - current			3,165			42,228	
- deferred			(11,608)			(192)	
- deferred associate			(18)			(811)	
- prior			2,843			-	
			(5,618)			41,225	
Profit for the half year			204,875			134,876	
Basic and diluted earnings per share			Rs. 7.03			Rs. 4.62	

The annexed notes from 1 to 18 form an integral part of these financial statements.


Chairman


Chief Executive

PROFIT AND LOSS ACCOUNT (UNAUDITED)

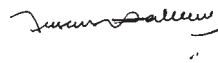
For the quarter ended 31 December 2005

	Quarter ended 31 December 2005			Quarter ended 31 December 2004		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
Rupees in thousand						
Sales	99,305	174,216	273,521	484,232	159,410	643,642
Cost of sales	88,657	169,492	258,149	413,467	159,975	573,442
Gross profit / (loss)	10,648	4,724	15,372	70,765	(565)	70,200
Selling and distribution cost	2,400	1,851	4,251	2,022	(191)	1,831
Administration expenses	16,287	4,414	20,701	17,059	3,950	21,009
Other operating expenses	10,094	7,175	17,269	4,607	-	4,607
	28,781	13,440	42,221	23,688	3,759	27,447
Other operating income	117,421	1,058	118,479	95,310	7,501	102,811
Operating profit / (loss)	99,288	(7,658)	91,630	142,387	3,177	145,564
Finance cost	1,339	7,770	9,109	1,893	9,254	11,147
Share of loss in associates	362	-	362	-	-	-
Profit / (loss) before taxation	97,587	(15,428)	82,159	140,494	(6,077)	134,417
Taxation - current			(1,182)			22,968
- deferred			(12,008)			2,181
- deferred associate			(18)			-
- prior			2,843			-
			(10,365)			25,149
Profit for the quarter			92,524			109,268
Basic and diluted earnings per share			Rs. 3.17			Rs. 3.75

The annexed notes from 1 to 18 form an integral part of these financial statements.



Chairman



Chief Executive



Crescent Steel &
Allied Products Ltd.

CASH FLOW STATEMENT (UNAUDITED)

For the half year ended 31 December 2005

	Notes	31 December 2005	31 December 2004 (Restated)
Rupees in thousand			
Cash flows from operating activities			
Cash generated from / (used in) operations	14	72,737	(329,017)
Taxes paid		(1,748)	(31,991)
Financial charges paid		(21,681)	(13,251)
Contributions to pension and gratuity fund		(2,204)	(2,921)
Long-term deposits and prepayments		369	(55)
Net cash from / (used in) operating activities		<u>47,473</u>	<u>(377,235)</u>
Cash flow from investing activities			
Capital expenditure		(677,103)	(23,599)
Purchase of intangible assets		(609)	(173)
Investments – net		(237,926)	28,982
Proceeds from sale of fixed assets		1,412	1,518
Dividends received		44,505	37,631
Interest received		2,461	3,249
Net cash used in investing activities		<u>(867,260)</u>	<u>47,608</u>
Cash flow from financing activities			
Receipts against short term loans		380,000	284,099
Redemption of redeemable capital		(37,500)	-
Receipt of long term loan		450,000	-
Payment of liabilities against assets subject to finance leases		(9,062)	(6,599)
Dividends paid		(33,196)	(35,192)
Net cash from financing activities		<u>750,242</u>	<u>242,308</u>
Net decrease in cash and cash equivalents		<u>(69,545)</u>	<u>(87,319)</u>
Cash and cash equivalents at beginning of the period		<u>30,878</u>	<u>181</u>
Cash and cash equivalents at end of the period	15	<u><u>(38,667)</u></u>	<u><u>(87,138)</u></u>

The annexed notes from 1 to 18 form an integral part of these financial statements..


Chairman


Chief Executive

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the half year ended 31 December 2005

	Issued, subscribed and paid-up capital	General reserve	Reserve for issue of bonus shares	Fair value reserve on available- for-sale investments	Others*	Unappro- priated profit	Total
Rupees in thousand							
Balance as at 1 July 2004 as previously reported	220,934	921,000	22,093	327,371	-	28,016	1,519,414
Net effect of change in accounting policy (refer note 2.2):							
- Reversal of fair value in available-for-sale investments	-	-	-	(188,450)	-	-	(188,450)
- Proportionate share of reserve	-	-	-	-	105,863	29,750	135,613
Balance as at 1 July 2004- Restated	220,934	921,000	22,093	138,921	105,863	57,766	1,466,577
Issuance of bonus shares	22,093	-	(22,093)	-	-	-	-
Change in equity for the half year ended 31 December 2004							
Proportionate share of various reserve of associated undertakings				-	45,936	-	45,936
Unrealised gains on available- for-sale investment				95,444	-	-	95,444
Realized gains on sale of investments				(14,882)	-	-	(14,882)
Profit for the half year - (restated)				-	-	134,876	134,876
Total recognised income and expense for the half year				80,562	45,936	134,876	261,374
Balance as at 31 December 2004 - Restated	243,027	921,000	-	219,483	151,799	192,642	1,727,951
Balance as at 1 July 2005 as previously reported	243,027	921,000	-	346,608	-	317,474	1,828,109
Effect of change in accounting policy (refer note 2.2)	-	-	-	(188,450)	197,735	3,196	12,481
Balance as at 1 July 2005 - Restated	243,027	921,000	-	158,158	197,735	320,670	1,840,590
Change in equity for the half year ended 31 December 2005							
Unrealised gains on available- for-sale investment				51,859	-	-	51,859
Realized gains on sale of investments				(37,856)	-	-	(37,856)
Profit for the half year				-	-	204,875	204,875
Total recognised income and expense for the half year				14,003	-	204,875	218,878
Issuance of bonus shares	48,605	-	-	-	-	(48,605)	-
Dividend final @ 10%	-	-	-	-	-	(24,303)	(24,303)
Balance as at 31 December 2005	291,632	921,000	-	172,161	197,735	452,637	2,035,165

* This represents various reserves maintained by the associates.

The annexed notes from 1 to 18 form an integral part of these financial statements.


Chairman


Chief Executive



Crescent Steel &
Allied Products Ltd.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the half year ended 31 December 2005

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 Jamshoro). 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 30 June 2000 from Crescent Jute Products Limited. The cotton spinning activity is carried out by the company under the name and title of "Crescent Cotton Products a division of Crescent Steel and Allied Products Limited". A basic sale and purchase agreement was entered into at the time of purchase, and, the transfer of legal title of land has been completed in October 2005.

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 2005 and the profit and loss account, statements of changes in equity and the cash flow statement for the half year ended 31 December 2005.

The comparative balance sheet presented in these financial statements as at 30 June 2005 has been extracted from the audited financial statements of the company for the year ended 30 June 2005, 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 half year ended 31 December 2004.

- 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 2005, except for the change explained below.

Up to the previous year, investments in associates were classified as "Investments Available-for- Sale" and carried at fair value, while dividend income was recognized in the profit and loss account of the period in which right to receive the same was established in line with the option available in International Accounting Standard "Accounting for Investments in Associates" (IAS-28).

IAS-28 has been revised and replaced by International Accounting Standard 28 "Investments in Associates" (IAS-28 (Revised)). The revised IAS-28 is applicable for annual periods beginning on or after 1 January 2005 and has withdrawn the options for valuing investment in associates at cost and fair value where the investment in associates have been classified as 'Available-For-Sale' investments. The revised IAS - 28 requires that the measurement of the value of investments in associates can only be made on equity basis of accounting, under which the carrying amount of such investments are increased or decreased for the company's share of gains and losses of associates (including the changes in items recognized directly in the associate's equity) and dividend distributions.

In order to comply with the requirements of revised IAS-28, during the half year ended 31 December 2005, the management of the company has decided to change its accounting policy for valuation of investments in associates from fair value measurement to equity basis of accounting. This change in accounting policy has been accounted for retrospectively in accordance with the International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and accordingly the comparative statements have been restated.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the half year ended 31 December 2005

Because of change in accounting policy, opening retained earnings for half year ended 31 December 2004 have been increased by Rs. 29.75 million, which is the amount of the adjustment relating to periods prior to 1 July 2004. Further, the balance of surplus on revaluation of fixed assets as of 1 July 2004 has been increased by Rs. 2.28 million (net of deferred tax), which is the amount of adjustment relating to periods prior to the above date. The effect of proportionate share of reserves of associates and fair value reserves on available for sale investments relating to periods prior to 1 July 2004 increased equity by Rs. 105.86 million and decreased equity by Rs. 188.45 million respectively.

Had the policy not been changed, the investment in associates would have been higher by Rs.68.94 million, the profit for the half year would have been higher by Rs.11.77 million and the reserves would have been higher by Rs. 57.18 million

3. LONG-TERM LOAN

	31 December 2005			30 June 2005		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Allied Bank Limited	-	450,000	450,000	-	-	-
Initial transaction cost	-	(1,313)	(1,313)	-	-	-
Amortization of initial transaction cost	-	22	22	-	-	-
	-	448,709	448,709	-	-	-

The company availed Long Term Loan of Rs. 450 million (30 June 2005: nil). The rate of mark-up is 6 months KIBOR plus 1.9% p.a. with 1 year grace period on principal payment and call option after 18 months. The tenure of the above loan is 5 years.

The above facility is secured against first equitable mortgage pari passu charge on all present and future Fixed Assets including Land & Building with 25% margin for Rs. 600 million.

4. TRADE AND OTHER PAYABLES

4.1 Murabaha - Meezan Bank Limited

The facility for Istijrar (Master Murabaha Facility) amounted to Rs.325 million (June 2005: Rs.325 million). The rate of mark-up is to be agreed for each sub- murabaha.

The facility for opening letter of credit and guarantees as at 31 December 2005 amounted to Rs. 500 million (June 2005: Rs.500 million).

These facilities are secured against first pari passu charge over stocks and book debts of the company for Rs.600 million.

5. SHORT-TERM BORROWINGS

	31 December 2005			30 June 2005			
	Steel division	Cotton division	Total	Steel division	Cotton division	Total	
	Rupees in thousand						
Secured From Banking Companies							
Union Bank Limited	5.1	66,104	17,661	83,765	22,204	-	22,204
MCB Bank Limited	5.2	127,060	-	127,060	120,000	-	120,000
Allied Bank Limited	5.3	350,000	-	350,000	-	-	-
		543,164	17,661	560,825	142,204	-	142,204

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the half year ended 31 December 2005

5.1 Union Bank Limited

This comprises of short term loan of Rs. 50 million and running finance of Rs. 33.76 million. The company has availed these facilities against sanction limit of Rs. 325 million (30 June 2005: Rs. 425 million). The rate of mark-up is 6 months KIBOR (Ask) plus 1.75 % with a floor of 7 % per annum (30 June 2005: 7 % per annum). The purchase prices are repayable within 120 to 180 days depending upon nature of financing. The mark-up is payable quarterly. The facilities will expire on 31 March 2006.

The facility for opening letter of credit and guarantees as at 31 December 2005 amounted to Rs. 467 million (30 June 2005: Rs. 467 million).

The above facilities are secured against pledge on stocks of raw cotton with 25% margin to the extent of Rs. 400 million, pledge of shares of public limited companies acceptable to the bank with a 40% margin and first pari passu charge on the stocks and book debts of the company for Rs. 600 million.

5.2 MCB Bank Limited

This comprises of short term loan of Rs. 100 million and running finance of Rs. 27.06 million. The company has availed these facilities against sanction limit of Rs. 200 million (30 June 2005: 200 million). The mark-up rate is 1 month KIBOR plus 1.5% with a floor of 5% (30 June 2005: 1 month KIBOR plus 1.5% with a floor of 5%). The facility will remain valid till 30 August 2006. The facility for running finance is secured against first pari passu hypothecation charge for Rs. 316.67 million over stocks including shares of investee companies and book debts of the company, lien over import documents and duly accepted bills of exchange.

5.3 Allied Bank Limited

The company has obtained short term loan facility amounting to Rs. 350 million (30 June 2005: nil). The mark-up rate is 3 months KIBOR on the last working day of the previous quarter plus 1.5% per annum. Mark-up is payable on quarterly basis. The facility will remain valid till 31 August 2006.

The company has obtained facility for opening letter of credit and guarantees as at 31 December 2005 amounted to Rs. 400 million (30 June 2005: Nil). The facility is unavailed as at 31 December 2005.

These facilities are secured against ranking charge over stocks and book debts of the company for Rs.567 million with 25% margin.

6. CONTINGENCIES AND COMMITMENTS

6.1 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. 47.85 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 considering to file a constitutional petition in the High Court and is confident of a favourable outcome. Thus, no provision has been made for the aforementioned amount in these financial statements.

6.2 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 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.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the half year ended 31 December 2005

- 6.3** 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. Hence, no provision has been made in these financial statements.
- 6.4** 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% against import of coating plant in 1992. The company contested that as per SRO 1317 (1)/94 dated 22 December 1990, being located in rural area, is only liable to pay 2% of import licence fee. The company has provided bank guarantee of Rs. 3.42 million as directed by the Honourable Court. The petition was dismissed by High Court as having been incompetently filed. The company has filed the application with Honourable Supreme Court to obtain leave for appeal. No provision has been made in the financial statements, as management considers that the company would be able to file appeal before Honourable Supreme Court and case would be decided in company's favour.
- 6.5** Sindh Industrial Trade Estate (SITE) cancelled allotment of plots A-26 and A-27 and charged non-utilisation fees of Rs. 285,184 and Rs. 620,573 respectively. The company has challenged the cancellation and filed a suit in Sindh High Court. The High Court has restrained the SITE from taking any adverse action against the company. Therefore, management considers that no provision is required.
- 6.6** The company has filed a suit in the High Court of Sindh for recovery of retention money amounting to Rs. 3.27 million from Indus Steel Pipes Limited (ISP) against supply of pipes. The High Court has decided the case in the company's favour, however, pending a formal judgement the gain has not been recognised in these financial statements. The company has, however, raised a demand from ISP for Rs. 3.27 million.
- 6.7** 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.
- 6.8** Aggregate amount of guarantees given by the banks on behalf of the company in respect of performance of various contracts as at 31 December 2005 aggregated to Rs. 270.14 million (30 June 2005: Rs. 264.36 million).
- 6.9** Commitments under letters of credits as at 31 December 2005 is Rs 476.86 million (30 June 2005: Rs.445.15 million).
- 6.10** Commitments in respect of capital expenditure contracted for as on 31 December 2005 is Rs. 84.95 million (30 June 2005: Rs. 51.71 million).
- 6.11** Based on latest financial statements of associates, the company's share of contingent liabilities and commitments of associates amounted to Rs. 144.56 million and Rs. 8.33 million respectively.



Crescent Steel &
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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the half year ended 31 December 2005

7. PROPERTY, PLANT AND EQUIPMENT

	Half year ended 31 December 2005		Half year ended 31 December 2004	
	Additions	Disposals	Additions	Disposals
	Rupees in thousand			
Plant and machinery	7,648	-	6,154	-
Land	3,789	-	-	-
Office premises	-	-	367	-
Building	386	-	-	-
Furniture and fixtures	301	-	140	-
Office and other equipment	573	-	376	27
Electrical Installations	400	-	-	-
Computers	389	845	457	78
Vehicles	3,657	2,323	7,213	4,787
Workshop equipment	-	-	635	-
	17,143	3,168	15,342	4,892

7.1 The company has capitalized financial charges related to new projects. Financial charges amounting to Rs. 11.9 million have been capitalized at 9% per annum.

8. INVESTMENT IN ASSOCIATES

Associates are those entities in which the company has significant influence by virtue of common directorship, but not control, over the financial and operating policies. The financial statements include the company's share of the total recognised gains and losses of associates on an equity basis of accounting, from the date that significant influence commences until the date that significant influence ceases. When the company's share of losses exceeds its interest in an associate, the Company's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the company has incurred legal or constructive obligations or made payments on behalf of an associate.

The company's share of half yearly loss amounting to Rs. 362,000 (2004: Rs. 13,345,000) is based on latest financial statements available.

The fair value of the investments in associates as at 31 December 2005 is Rs. 333.50 million (June 2005: Rs. 288.30 million).

9. LONG TERM INVESTMENTS

	31 December 2005			30 June 2005		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Related parties						
Held to maturity	29,994	-	29,994	29,994	-	29,994
Others						
Available for sale	150,000	-	150,000	-	-	-
Held to maturity	26,816	-	26,816	26,821	-	26,821
	206,810	-	206,810	56,815	-	56,815

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the half year ended 31 December 2005

10. STOCK-IN-TRADE

		31 December 2005			30 June 2005		
		Steel division	Cotton division	Total	Steel division	Cotton division	Total
		Rupees in thousand					
Raw material	10.1	120,644	244,566	365,210	80,599	62,607	143,206
Work-in-process		17,312	2,992	20,304	4,021	2,979	7,000
Finished goods		52,025	20,647	72,672	30,302	18,417	48,719
Scrap / cotton waste		340	743	1,083	169	1,009	1,178
		190,321	268,948	459,269	115,091	85,012	200,103
Provisions		(4,798)	(57)	(4,855)	(5,068)	(706)	(5,774)
		185,523	268,891	454,414	110,023	84,306	194,329

11. INVESTMENTS

	31 December 2005			30 June 2005		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Related parties						
Held to maturity	212,000	-	212,000	212,000	-	212,000
Others						
Available for sale	364,632	-	364,632	370,860	-	370,860
Held for trading	677,757	-	677,757	527,388	-	527,388
Loans and advances originated by the enterprise – Islamic Republic of Pakistan						
Bonds 10%	7,497	-	7,497	7,031	-	7,031
	1,261,886	-	1,261,886	1,117,279	-	1,117,279



Crescent Steel &
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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the half year ended 31 December 2005

12. OTHER OPERATING INCOME

	Half year ended 31 December 2005			Half year ended 31 December 2004		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Income From Financial Assets						
Return on deposits, advances and investments	2,037	25	2,062	2,892	70	2,962
Dividend income	45,093	-	45,093	39,502	-	39,502
Gain on sale of investments	50,834	-	50,834	25,359	-	25,359
Unrealised gain on held for trading investments	134,293	-	134,293	14,870	-	14,870
Income From Related Parties						
Return on deposits, advances and investments	3,913	-	3,913	368	-	368
Dividend income	-	-	-	185	-	185
Other Income						
Gain on sale of fixed assets	638	-	638	1,518	-	1,518
Others	3,174	1,087	4,261	6,700	7,660	14,360
	239,982	1,112	241,094	91,394	7,730	99,124

13. FINANCE COSTS

	Half year ended 31 December 2005			Half year ended 31 December 2004		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Mark-up on:						
Provident fund	-	-	-	-	148	148
Short-term loans	13,677	443	14,120	6,479	467	6,946
Long-term loans	-	2,164	2,164	-	-	-
Redeemable capital	6,714	5,134	11,848	4,037	3,087	7,124
Assets subject to finance leases	793	379	1,172	957	779	1,736
Bank charges	176	319	495	433	255	688
	21,360	8,439	29,799	11,906	4,736	16,642
Financial charges allocated to the cotton division	(13,677)	13,677	-	(6,479)	6,479	-
	7,683	22,116	29,799	5,427	11,215	16,642
Financial charges capitalized	7.1	(11,491)	(11,491)	-	-	-
	7,683	10,625	18,308	5,427	11,215	16,642

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the half year ended 31 December 2005

14. CASH GENERATED FROM / (USED IN) OPERATIONS

	Half year ended 31 December 2005	Half year ended 31 December 2004 (Restated)
	Rupees in thousand	
Profit before taxation	199,257	176,101
Adjustments for non cash charges and other items:		
Depreciation	44,656	39,637
Amortization of intangible assets	1,067	753
Share of loss from associate	-	13,345
Fair value adjustments	(134,293)	(14,870)
Provision for slow moving spare parts	5,272	-
Reversal against stock-in-trade	(919)	(11,795)
Provision for workers welfare fund	-	2,107
Provision for infrastructure fee	7,200	2,500
Liabilities written back	(4,241)	-
Exchange gain	(6)	(123)
Gain on sale of investments	(50,854)	(25,359)
Provision for pension and gratuity	2,814	2,439
Financial charges	29,779	16,642
Gain on disposal of fixed assets	(638)	(1,518)
Dividend income	(45,093)	(39,687)
Deferred Income	(152)	(244)
Amortisation of discount on IROP	(459)	(822)
Return on deposits, advances and investments	(5,975)	(3,330)
Amortisation of initial transaction cost on TFCs	449	450
Working capital changes	14.1 24,873	(485,243)
	<u>72,737</u>	<u>(329,017)</u>

14.1 Working capital changes

(Increase) / decrease in current assets		
Stores, spares and loose tools	8,968	3,809
Stock-in-trade	(242,284)	(300,241)
Trade debts	73,118	(175,844)
Short-term advances	(15,575)	(31,578)
Short-term deposits and prepayments	(3,018)	(1,925)
Other receivables (net)	144,106	69,515
	<u>(34,685)</u>	<u>(436,264)</u>
Increase / (decrease) in current liabilities		
Trade & other payables (net)	59,558	(48,979)
Working capital changes	<u>24,873</u>	<u>(485,243)</u>

15. CASH AND CASH EQUIVALENTS

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

Short-term running finance under markup arrangements	(60,825)	(155,273)
Cash and bank balances	22,158	68,135
	<u>(38,667)</u>	<u>(87,138)</u>



Crescent Steel &
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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the half year ended 31 December 2005

16. 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 admissible valuation modes, i.e. comparable uncontrolled price method except service charges received/paid on cost plus method. The related parties and associated undertakings comprise local associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties during the half year ended are as follows:

	31 December 2005			31 December 2004		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Insurance premium paid	540	-	540	119	241	360
Sale of pipes / yarn	4,798	42,635	47,433	8,029	44,512	52,541
Purchase of yarn	-	3,596	3,596	-	-	-
Return on deposits	3,913	-	3,913	312	-	312
Dividends income	1,314	-	1,314	882	-	882
Service charges received	150	-	150	134	-	134
Service charges paid	8,039	380	8,419	1,186	1,406	2,592
Donation	418	800	1,218	786	1,173	1,959
Contribution to						
Provident Fund	2,582	322	2,904	2,398	330	2,728
Contribution to Pension Fund	1,887	162	2,049	1,630	145	1,775
Contribution to						
Gratuity Fund	765	-	765	662	-	662
Advance for purchase of land	-	35,000	35,000	-	-	-
Lease payments	1,609	-	1,609	-	-	-
Investment in shares of						
Creek Marina Pakistan	150,000	-	150,000	-	-	-
Payment of Term Finance						
Certificate Principal	355	271	626	-	-	-
Sale of vehicle to						
Company Secretary	185	-	185	-	-	-
Reimbursement of expenses	-	1,423	1,423	-	-	-
Incentive accrued	510	-	510	-	-	-
Sharing of expenses	45	-	45	-	-	-
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
Interest to Provident Fund on						
accumulated balance	-	-	-	-	148	148
Long term loan to staff	1,128	-	1,128	-	-	-

17. COMPARATIVES

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

18. GENERAL

18.1 These financial statements were authorized for issue on 28 January 2006 by the board of directors of the company.

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


Chairman


Chief Executive

SHAREHOLDERS' 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

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 & Co.
(Formerly Taseer Hadi Khalid & Co.)

LEGAL ADVISOR

Hassan & Hassan, Advocates,
Lahore

BANKERS

Union Bank Limited
MCB 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

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

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 Jamshoro, Sindh. Telephone: 025-4670020-2, E.mail: mushtaque.ahmad@nra.crescent.com.pk

MILLS – COTTON DIVISION

Crescent Cotton Products (Spinning Unit)
1st Mile, Lahore Road, Jaranwala. Telephone: 041-4313799, 4312899, 4311741 Fax: 041-4315475 E.mail: abdul.rouf@jrn.crescent.com.pk



Crescent Steel &
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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 Jamshoro 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.

