

# Notes to the Financial Statements

## For the year ended 30 June 2005

### 1. LEGAL STATUS AND OPERATIONS

- 1.1 The company was incorporated on 1 August 1983 as a public limited company under the provisions of Companies Ordinance, 1984 and is quoted on all stock exchanges of Pakistan. 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 (CJPL). 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” (the cotton division). A basic sale and purchase agreement was made on 31 October 2000 effective from 30 June 2000, however, the transfer of legal title is in the process of being completed.
- 1.3 The activities of the company have been grouped into two segments of related products. The steel division comprises manufacturing and coating of steel pipes whereas the cotton division is involved in yarn manufacturing activity. The steel division charges certain percentage of the common administrative expenditure to the cotton division. In addition, the funds utilised by inter division are charged at mark-up rates of 7.5 and 9.0 percent (2004 : 7.5 percent) subject to financial charges incurred by the steel division.

### 2. SIGNIFICANT ACCOUNTING POLICIES

- 2.1 **Statement of compliance**  
These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. (The Ordinance) Approved Accounting Standards comprise of such International Accounting Standards as notified under the provisions of the Ordinance and the directives issued by Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Ordinance or directives issued by the SECP differ with the requirements of these Standards, the requirements of the Companies Ordinance, 1984 or the said directives take precedence.
- 2.2 **Accounting convention**  
The financial statements are prepared in Pak Rupees. These financial statements have been prepared under the historical cost convention, except available for sale investment securities (Refer para 2.12) and investments held for trading (Refer para 2.12) which are stated at fair value.
- 2.3 **Mark-up bearing borrowings**  
Mark-up bearing borrowings are recognised initially at cost, less attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.



Crescent Steel &  
Allied Products Ltd.

# Notes to the Financial Statements For the year ended 30 June 2005

## 2.4 Borrowing costs

Borrowing costs are recognized as an expense in the year in which they are incurred.

## 2.5 Employee benefits

### 2.5.1 Compensated absences

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

### 2.5.2 Post retirement benefits

#### 2.5.2.1 Defined contribution plan

##### *Provident fund*

The company operates a provident fund scheme for its permanent employees. Equal monthly contributions are made by the company and its employees.

##### *Steel division*

Contributions to the Fund are made at the rate of 8.33 percent of basic pay plus cost of living allowance (COLA) for those employees who have served the company for a period less than five years and after completion of five years, contributions are made at the rate of 10 percent.

##### *Cotton division*

Provision and collection from employees are made at the rate of 6.5 percent of the basic pay plus COLA of cotton division employees. A trust was established and its approval has been obtained from the Commissioner of Income Tax and funds have been transferred to the Fund subsequent to the year end.

#### 2.5.2.2 Defined benefit plans

##### *Pension and gratuity fund*

The company operates pension and gratuity fund schemes for its permanent management employees.

The pension scheme provides life time pension to retired employees or to their spouses.

Contributions are paid to the pension and gratuity funds on the basis of actuarial recommendations. The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses which exceed 10 percent of the greater of the present value of the company's obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the eligible employees. Past service cost is recognised immediately to the extent that the benefits are already vested. For non-vested benefits past service cost is amortised on a straight line basis over the average period until the amended benefits become vested.

# Notes to the Financial Statements

## For the year ended 30 June 2005

Amounts recognised in the balance sheet represent the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost and as reduced by the fair value of plan assets. Any assets resulting from this calculation is limited to the unrecognised actuarial losses and unrecognised past service cost plus the present value of available refunds and reduction in future contributions to the plan.

### 2.6 Taxation

#### *Current*

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, or the minimum tax liability determined under section 113 of the Income Tax Ordinance, 2001, whichever is higher.

#### *Deferred*

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the current rates of taxation.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### 2.7 Provisions

A provision is recognised in the balance sheet when the company has a legal or constructive obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### 2.8 Trade and other payables

Trade and other payables are stated at their cost.

### 2.9 Dividends

Dividend is recognised as a liability in the period in which it is declared. Upto previous year dividends that were proposed after the balance sheet date but before the financial statements were authorised for issue were recorded as a liability. The change was considered necessary due to revision in the Fourth Schedule to the Companies Ordinance, 1984 effective 5 July 2004. The pro-forma information as required under International Accounting Standards-8 "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies" (IAS 8) is presented in the note 37 to the financial statements.



Crescent Steel &  
Allied Products Ltd.

# Notes to the Financial Statements For the year ended 30 June 2005

## 2.10 Property, plant and equipment and depreciation

### *Owned*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss. Leasehold land is amortised over the period of the lease. Capital work-in-progress is stated at cost.

Where the carrying amount of assets exceeds its estimated recoverable amount it is written down immediately to its recoverable amount.

Depreciation on fixed assets is charged to the profit and loss account applying the straight-line method whereby the cost of an asset is written off over its estimated useful life. Full year's depreciation is charged on additions except major additions or extensions to production facilities which are depreciated on a pro-rata basis for the period of use during the year. No depreciation is charged on assets disposed off during the year.

Items of fixed assets costing Rs. 5,000 or less are not capitalised and are charged off in the year of purchase.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired. Gains and losses on disposals are determined by comparing sales proceeds with carrying amount and are included in income currently.

### *Leased*

Leases in terms of which the company assumes substantially all the risk and rewards of ownership are classified as finance leases. Assets acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any.

Depreciation is charged on the same basis as used for own assets.

Financial charges are allocated to accounting period in a manner so as to provide a constant rate of charge on outstanding liability.

## 2.11 Intangible assets

Expenditure incurred to acquire software licences is capitalised as intangible assets and stated at cost less accumulated amortisation and impairment loss, if any. Intangible assets are amortised using the straight line method over a period of three years or licence period whichever is lower. Where the carrying amount of an asset exceed its estimated recoverable amount it is written down immediately to its recoverable amount.

## 2.12 Investments

Investments are being categorised as follows:

# Notes to the Financial Statements

## For the year ended 30 June 2005

### *Held for trading*

These investments are acquired principally for the purpose of generating profit from short-term fluctuations in prices or dealers' margins, or are securities included in a portfolio in which a pattern of short-term profit taking exists.

### *Held to maturity*

Where the company has the positive intent and ability to hold debt securities upto maturity, these are stated at their amortised cost, less impairment losses, if any. These investments are carried at amortised cost using the effective yield method.

### *Loans and advances originated by enterprise*

Loans and advances originated by enterprise are recognised initially at cost, plus attributable transaction cost. Subsequent to initial recognition, loans and advances originated by enterprise are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss account over the period of the investments on an effective yield method.

### *Available-for-sale*

Other investments including investments in associates and subsidiary held by the company are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity. Gains or losses on available-for-sale investments are recognised directly in equity until the investments are sold or disposed off, or until the investments are determined to be impaired, at that time cumulative gain or loss previously reported in the equity is included in income.

- 2.12.1 Investments are initially stated at cost inclusive of transaction cost, if any. Cost of investment portfolio is determined on a moving average basis. The market value refers to the closing quotations of stock exchanges on the last working day of the accounting year which are considered as their fair values. Fair values of unlisted securities are estimated using appropriate valuation methods if it is practicable to determine it.
- 2.12.2 The company follows trade date accounting for purchase and sales of investments.
- 2.13 **Derivative financial instruments**
- The company enters into derivative financial instruments which include future contracts in stock market. Derivatives are initially recorded at cost and are remeasured to fair value on subsequent reporting dates. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates. Derivatives with positive market values (unrealised gains) are included in other receivables and derivatives with negative market values (unrealised losses) are included in other liabilities in the balance sheet. The resultant gains and losses from derivatives held for trading purposes are included in income currently.



Crescent Steel &  
Allied Products Ltd.

# Notes to the Financial Statements For the year ended 30 June 2005

## 2.14 Stores and spares

Stores and spares are valued on a weighted average cost basis. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

Spare parts of capital nature which can be used only in connection with an item of property, plant and equipment are classified as tangible fixed assets under the 'plant and machinery' category and are depreciated over a time period not exceeding the useful life of the related assets.

## 2.15 Stocks

Stock-in-trade is valued at the lower of cost and net realisable value. Cost is arrived at on a weighted average basis. Cost of work-in-process and finished goods include cost of materials and appropriate portion of production overheads. Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale. Goods-in-transit are valued at actual cost accumulated to the balance sheet date. The cost of finished goods of steel division is measured on the specific identification method.

Scrap stocks are valued at their estimated net realisable value.

## 2.16 Trade debts and other receivables

These are originated by the company and are stated at cost less provisions for any uncollectible amount. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written off.

## 2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

## 2.18 Revenue recognition

Revenue from sales is recognised on despatch of goods to customers. The company also recognises sales when it specifically appropriates deliverable goods against such confirmed orders where significant risks and rewards of ownership are transferred to the buyer.

Interest income is recognised on the basis of constant periodic rate of return.

Dividend income is recognised when the right to receive payment is established i.e. at the book closure date of the company declaring the dividend.

Gains and losses on sale of investments are accounted for in the year in which it arises.

Loss arising from sale and lease back transactions are recognised through profit and loss account

# Notes to the Financial Statements

## For the year ended 30 June 2005

immediately. Gain on sale and lease back transactions are treated as deferred income. The deferred income is being amortised over the respective periods of lease terms.

### 2.19 Foreign currency translation

Foreign currency transactions are translated into Pak Rupees at exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Exchange differences, if any, are taken to profit and loss account. Unexecuted forward contracts are valued at their estimated fair value.

### 2.20 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and only the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amount and the company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 2.21 Financial instruments

All the financial assets and liabilities are recognised at the time when the company becomes a party to the contractual provisions of the instrument. Any gains or losses on derecognition of financial assets and liabilities are taken to profit and loss account.

### 2.22 Impairment

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists the asset's recoverable amount is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account.

### 2.23 Segment (division)

A segment is a distinguishable component of the company that is engaged either in providing products (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.



Crescent Steel &  
Allied Products Ltd.

# Notes to the Financial Statements For the year ended 30 June 2005

## 3. ISSUED, SUBSCRIBED AND PAID-UP-CAPITAL

| 2005<br>(Number of shares) | 2004              |  | 2005<br>(Rupees in '000) | 2004<br>(Rupees in '000) |
|----------------------------|-------------------|--|--------------------------|--------------------------|
| 10,564,900                 | 10,564,900        | Ordinary shares of Rs. 10 each<br>fully paid in cash           | 105,649                  | 105,649                  |
| 13,737,784                 | 11,528,449        | Ordinary shares of Rs. 10 each<br>fully issued as bonus shares | 137,378                  | 115,285                  |
| <u>24,302,684</u>          | <u>22,093,349</u> |  | <u>243,027</u>           | <u>220,934</u>           |

## 4. RESERVES

### General Reserve

|                                       |                |                |
|---------------------------------------|----------------|----------------|
| At the beginning of the year          | 921,000        | 746,000        |
| Transfer from profit and loss account | –              | 175,000        |
|                                       | <u>921,000</u> | <u>921,000</u> |

### Reserve for issue of bonus shares

|                                       |          |        |
|---------------------------------------|----------|--------|
| At the beginning of the year          | 22,093   | 2,278  |
| Transfer from profit and loss account | –        | 19,815 |
| Transfer to share capital             | (22,093) | –      |
|                                       | –        | 22,093 |

### Unrealised gain on available-for-sale investment securities

|                              |                  |                  |
|------------------------------|------------------|------------------|
| At the beginning of the year | 327,371          | 188,610          |
| Transferred during the year  | 78,725           | 207,462          |
| Realised during the year     | (59,488)         | (68,701)         |
|                              | 346,608          | 327,371          |
|                              | <u>1,267,608</u> | <u>1,270,464</u> |

## 5. DEFERRED INCOME

The company entered into sale and lease back arrangements resulting in deferred income of Rs. 0.980 million and Rs. 0.911 million in the year 2002 and 2004 respectively. The amount credited to the profit and loss account during the year was Rs 0.49 million (2004: Rs. 0.57 million).

# Notes to the Financial Statements For the year ended 30 June 2005

## 6. REDEEMABLE CAPITAL - secured (non-participatory)

|  | <b>2005</b>             | <b>2004</b> |
|--|-------------------------|-------------|
|  | <b>(Rupees in '000)</b> |             |
| Term Finance Certificates (TFCs)   |                         |             |
| Initial amount raised<br>(60,000 certificates issued against cash of Rs. 5,000 each) | 295,955                 | 300,000     |
| Initial transaction cost   | –                       | (4,494)     |
|  | 295,955                 | 295,506     |
| Transaction cost amortised   | 899                     | 449         |
|  | 296,854                 | 295,955     |
| Less : Current portion   | 75,000                  | –           |
|  | 221,854                 | 295,955     |

6.1 The company issued term finance certificates for Rs.300 million. These TFCs are not listed. The company has a call option exercisable at par, in multiples of Rs.50 million or whole after eighteen months from the date of issue with 60 days advance notice. TFCs were issued as follows:

|   |         |         |
|---|---------|---------|
| Commercial Banks  | 215,000 | 215,000 |
| Financial Institution                                       | 82,000  | 82,000  |
| Crescent Leasing Corporation Limited- an associated company | 3,000   | 3,000   |
|   | 300,000 | 300,000 |

### 6.2 Principal purpose for the use of subscription money

The TFCs are issued to carry on the business authorised by the company's Memorandum and Articles of Association.

### 6.3 Redemption of TFCs

The terms of redemption are as under :

|                      |   |
|----------------------|---|
| Tenor                | 5 years   |
| Expected profit rate | Base rate plus 250 bps  |
| Floor                | None  |
| Cap                  | 9%  |
| Principal redemption | Principal will be redeemed after one year grace period starting from the 18th month from the date of issue in 8 equal semi annual installments. |



Crescent Steel &  
Allied Products Ltd.

# Notes to the Financial Statements For the year ended 30 June 2005

The base rate is defined as the cut off yield on the last successful SBP auction of the six months T Bills. The base rate for the first coupon payment will be set on the last working day prior to disbursement and subsequently on the last working day at the beginning of each semi annual period for the profit due at the end of that semi annual period.

## 6.4 Security

The TFCs have been secured by pari passu charge by way of hypothecation on all present and future assets of the company to the tune of outstanding TFCs amount with a 25% margin.

## 6.5 Trustee

In order to secure the interest of the TFC holders, Orix Investment Bank Pakistan Limited has been appointed to act as trustee for the issue. The trust deed dated 22 December 2003 between the company and Orix Investment Bank Pakistan Limited, specifies the rights and obligations of the trustees. The deed requires that the trustees will ensure the safeguard of interest of TFC holders and adherence to terms and conditions of the security documents.

## 7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

|                 |           | 2005              |                    |               | 2004              |                    |               |
|-----------------|-----------|-------------------|--------------------|---------------|-------------------|--------------------|---------------|
|                 |           | Steel<br>division | Cotton<br>division | Total         | Steel<br>division | Cotton<br>division | Total         |
|                 |           | (Rupees in '000)  |                    |               |                   |                    |               |
| Long-term       | 7.1 & 7.2 | 14,289            | –                  | 14,289        | 20,728            | 9,833              | 30,561        |
| Current portion | 7.1 & 7.2 | 6,459             | 9,833              | 16,292        | 6,001             | 7,513              | 13,514        |
|                 |           | <u>20,748</u>     | <u>9,833</u>       | <u>30,581</u> | <u>26,729</u>     | <u>17,346</u>      | <u>44,075</u> |

## 7.1 Steel division

The company has acquired plant and machinery and vehicles under finance lease agreements. The amounts of future payments for the lease and the period in which the lease payments will become due are as follows:

|                        | 2005                          |  |               | 2004                          |  |               |
|------------------------|-------------------------------|--|---------------|-------------------------------|--|---------------|
|                        | Not later<br>than one<br>year | Later than<br>one year<br>but not later<br>than five years | Total         | Not later<br>than one<br>year | Later than<br>one year<br>but not later<br>than five years | Total         |
| Minimum lease payments | 7,925                         | 15,535   | 23,460        | 7,810                         | 23,116   | 30,926        |
| Financial charges      | (1,466)                       | (1,246)  | (2,712)       | (1,809)                       | (2,388)  | (4,197)       |
|                        | <u>6,459</u>                  | <u>14,289</u>  | <u>20,748</u> | <u>6,001</u>                  | <u>20,728</u>  | <u>26,729</u> |
| Current portion        | (6,459)                       | –  | (6,459)       | (6,001)                       | –  | (6,001)       |
|                        | <u>–</u>                      | <u>14,289</u>  | <u>14,289</u> | <u>–</u>                      | <u>20,728</u>  | <u>20,728</u> |





Crescent Steel &  
Allied Products Ltd.

# Notes to the Financial Statements For the year ended 30 June 2005

## 9. TRADE AND OTHER PAYABLES

|                         | 2005              |                    |                | 2004              |                    |                |
|-------------------------|-------------------|--------------------|----------------|-------------------|--------------------|----------------|
|                         | Steel<br>division | Cotton<br>division | Total          | Steel<br>division | Cotton<br>division | Total          |
|                         | (Rupees in '000)  |                    |                |                   |                    |                |
| Creditors               | 25,500            | 1,407              | 26,907         | 7,247             | 83,885             | 91,132         |
| Commission payable      | –                 | 1,430              | 1,430          | –                 | –                  | –              |
| Murabaha financing 9.1  | 90,000            | –                  | 90,000         | –                 | –                  | –              |
| Accrued liabilities 9.2 | 20,681            | 6,209              | 26,890         | 21,700            | 5,587              | 27,287         |
| Provisions 9.3          | 27,942            | –                  | 27,942         | 15,942            | –                  | 15,942         |
| Advances from           |                   |                    |                |                   |                    |                |
| customers               | 623               | 340                | 963            | 2,757             | 1,263              | 4,020          |
| Retention money         | 109               | 196                | 305            | 185               | 195                | 380            |
| Due to associated       |                   |                    |                |                   |                    |                |
| undertakings 9.4        | 1,122             | 1,629              | 2,751          | 1,787             | 2,285              | 4,072          |
| Payable to              |                   |                    |                |                   |                    |                |
| provident fund          | –                 | 4,814              | 4,814          | 522               | 3,673              | 4,195          |
| Unclaimed dividend      | 15,694            | –                  | 15,694         | 10,626            | –                  | 10,626         |
| Sales tax payable       | 10,082            | –                  | 10,082         | 4,389             | –                  | 4,389          |
| Workers Welfare Fund    | 5,165             | –                  | 5,165          | 984               | –                  | 984            |
| Income tax payable      | 143               | –                  | 143            | 421               | –                  | 421            |
| Customer security       |                   |                    |                |                   |                    |                |
| deposit                 | 300               | 1,000              | 1,300          | 110               | 1,178              | 1,288          |
| Others                  | 4,136             | 3,420              | 7,556          | 3,546             | 6,200              | 9,746          |
|                         | <u>201,497</u>    | <u>20,445</u>      | <u>221,942</u> | <u>70,216</u>     | <u>104,266</u>     | <u>174,482</u> |

### 9.1 Murabaha - Meezan Bank Limited

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

The facility for opening letters of credit as at 30 June 2005 amounted to Rs. 500 million (2004: Rs. 500 million) and letters of guarantees amounted to Rs.80 million (2004: 80 million). These facilities are secured against first pari passu charge on the stocks and debts of the company.

# Notes to the Financial Statements

## For the year ended 30 June 2005

### 9.2 Accrued liabilities

|                                    | 2005           |                 |                  | 2004           |                 |               |
|------------------------------------|----------------|-----------------|------------------|----------------|-----------------|---------------|
|                                    | Steel division | Cotton division | Total            | Steel division | Cotton division | Total         |
|                                    |                |                 | (Rupees in '000) |                |                 |               |
| Salaries, wages and other benefits | 3,839          | –               | 3,839            | 7,784          | 1,970           | 9,754         |
| Accrual for 10C bonus              | 562            | –               | 562              | 527            | –               | 527           |
| Leave encashment                   | 3,946          | 921             | 4,867            | 4,185          | 657             | 4,842         |
| Accruals                           | 12,334         | 5,288           | 17,622           | 9,204          | 2,960           | 12,164        |
|                                    | <u>20,681</u>  | <u>6,209</u>    | <u>26,890</u>    | <u>21,700</u>  | <u>5,587</u>    | <u>27,287</u> |

### 9.3 Movement of provisions

|                              | Infrastructure fee<br>(Note 9.3.1) | Sales Tax<br>(Note 9.3.2) | Liquidated damages<br>(Note 9.3.3) | Total         |
|------------------------------|------------------------------------|---------------------------|------------------------------------|---------------|
| Opening balance 1 July 2004  | 12,700                             | 3,242                     | –                                  | 15,942        |
| Provision for the year       | 6,000                              | –                         | 6,000                              | 12,000        |
| Closing balance 30 June 2005 | <u>18,700</u>                      | <u>3,242</u>              | <u>6,000</u>                       | <u>27,942</u> |

- 9.3.1** This has been made against infrastructure fee levied by Government of Sindh through Sindh Finance (Amendment) Ordinance, 2001. The company has provided bank guarantees amounting to Rs. 18.7 million (2004: 12.7 million) in favour of Excise and Taxation Department. However, the company is contesting this issue in High Court.
- 9.3.2** These have been made against sales tax claims long outstanding with the sales tax department.
- 9.3.3** The provision has been made on account of liquidated damages claimed by a customer on delayed supply of goods during the year. The company is in process of negotiating this matter and expects that this may be resolved. However, on a prudent basis full provision has been made.
- 9.4** This represents the expenses incurred by associated companies on behalf of the company and insurance premiums payable to an associated undertaking.
- 9.5** Maximum amount due to associated undertakings at the end of any month during the year was Rs. 2.75 million (2004: Rs. 4.07 million).



Crescent Steel &  
Allied Products Ltd.

# Notes to the Financial Statements For the year ended 30 June 2005

## 10 INTEREST AND MARK-UP ACCRUED

|                                   | 2005              |                    |               | 2004              |                    |              |
|-----------------------------------|-------------------|--------------------|---------------|-------------------|--------------------|--------------|
|                                   | Steel<br>division | Cotton<br>division | Total         | Steel<br>division | Cotton<br>division | Total        |
|                                   |                   |                    |               |                   |                    |              |
| - on Secured Loans                | –                 | 565                | 565           | –                 | 564                | 564          |
| - on Term Finance<br>Certificates | 5,529             | 4,228              | 9,757         | 3,429             | 2,622              | 6,051        |
| - on Running Finance              | 2,440             | 576                | 3,016         | 271               | –                  | 271          |
| - on Leases                       | 104               | 12                 | 116           | 123               | 23                 | 146          |
|                                   | <u>8,073</u>      | <u>5,381</u>       | <u>13,454</u> | <u>3,823</u>      | <u>3,209</u>       | <u>7,032</u> |

## 11 SHORT-TERM BORROWINGS

### Secured-From Banking Companies

#### Running finances under mark-up arrangements

|                                  |      |        |   |        |        |     |        |
|----------------------------------|------|--------|---|--------|--------|-----|--------|
| Union Bank Limited               | 11.1 | 22,204 | – | 22,204 | 17,581 | –   | 17,581 |
| PICIC Commercial<br>Bank Limited |      | –      | – | –      | –      | 252 | 252    |

#### Short-term loans- Banking Companies

|                                   |      |         |   |         |        |   |        |
|-----------------------------------|------|---------|---|---------|--------|---|--------|
| Union Bank Limited                |      | –       | – | –       | 50,000 | – | 50,000 |
| Muslim Commercial<br>Bank Limited | 11.2 | 120,000 | – | 120,000 | –      | – | –      |

#### Unsecured-From Other Financial Institutions

|  |  |                |          |                |               |               |                |
|--|--|----------------|----------|----------------|---------------|---------------|----------------|
| Pak Oman Investment<br>Company Limited |  | –              | –        | –              | –             | 74,901        | 74,901         |
|  |  | <u>142,204</u> | <u>–</u> | <u>142,204</u> | <u>67,581</u> | <u>75,153</u> | <u>142,734</u> |

# Notes to the Financial Statements

## For the year ended 30 June 2005

### 11.1 Union Bank Limited

The facilities for running finance available amount to Rs. 425 million (2004: Rs. 125 million). The rate of mark-up is 6 months KIBOR (Ask) plus 2.0 percent with a floor of 7.0 percent per annum (2004: 7.25 percent 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 amounting to Rs. 200 million has expired on 30 June 2005 while the remaining will be expiring on 31 March 2006.

The facility for opening letters of credit and guarantees as at 30 June 2005 amounted to Rs. 467 million (2004: Rs. 672.72 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 books debts of the company for Rs.600 million.

### 11.2 Muslim Commercial Bank Limited

The facility for running finance amounted to Rs. 200 million (2004: Nil). The mark-up rate is 1 month KIBOR plus 2.5% with a floor of 5.0%. The facility will remain valid till 30 August 2005. The facility for running finance is secured against first pari passu hypothecation charge for Rs.316.67 million over stocks and books debts of the company, lien over import documents and duly accepted bills of exchange.

## 12. CONTINGENCIES AND COMMITMENTS

- 12.1 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 Profits 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.



Crescent Steel &  
Allied Products Ltd.

## Notes to the Financial Statements For the year ended 30 June 2005

- 12.2 The sales tax authorities issued a show cause 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 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.
- 12.3 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.
- 12.4 The company has 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.
- 12.5 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 license 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.
- 12.6 Sindh Industrial Trade Estate (SITE) has cancelled allotment of plot 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.





Crescent Steel &  
Allied Products Ltd.

# Notes to the Financial Statements For the year ended 30 June 2005

13.1 The following is a statement of all property plant and equipment other than those relating to the coating plant and the cotton division:

| Description                       | Cost as at<br>1 July 2004 | Additions /<br>(transfers) /<br>(disposals) | Cost as at<br>30 June<br>2005 | Accumulated<br>depreciation<br>as at 1 July<br>2004<br>(Rupees in '000) | Depreciation<br>charge for the<br>year /<br>(on disposals) | Accumulated<br>depreciation<br>as at 30 June<br>2005 | Net book<br>value as at<br>30 June<br>2005 | Rate of<br>depreciation<br>rate % |
|-----------------------------------|---------------------------|---|-------------------------------|---|--|--|--|-----------------------------------|
| Freehold land                     | 1,740                     | -   | 1,740                         | -   | -  | -  | 1,740                                      | -                                 |
| Leasehold land                    | 8,054                     | -   | 8,054                         | 1,090   | 81   | 1,171  | 6,883                                      | 1                                 |
| Improvements to<br>leasehold land | 106                       | -   | 106                           | 18  | 1  | 19   | 87   | 1                                 |
| Building on<br>leasehold land     | 59,804                    | -   | 59,804                        | 42,117  | 2,990  | 45,107   | 14,697                                     | 5                                 |
| Plant and<br>machinery            |                           |   |                               |   |  |  |  |                                   |
| - owned                           | 13.1.1 242,467            | 4,292                                       | 246,759                       | 190,909   | 13,683   | 204,592  | 42,167                                     | 5 to 20                           |
| - leased                          | 20,000                    | -   | 20,000                        | 4,000   | 2,000  | 6,000  | 14,000                                     | 10                                |
| Office premises                   | 49,443                    | -<br>(9,010)                                | 40,433                        | 17,135  | 3,254<br>(1,626)   | 18,763   | 21,670                                     | 10                                |
| Furniture and<br>fixtures         | 17,958                    | 157<br>(491)                                | 17,624                        | 13,779  | 1,467<br>(49)  | 15,197   | 2,427                                      | 10                                |
| Office and other<br>equipment     | 8,105                     | 454<br>(1,822)                              | 6,737                         | 6,919   | 381<br>(644)   | 6,656  | 81   | 20                                |
| Computers                         | 13,501                    | 1,033<br>(230)                              | 14,304                        | 11,865  | 719<br>(179)   | 12,405   | 1,899                                      | 33.33                             |
| Vehicles-owned                    | 29,975                    | 8,979<br>(5,929)                            | 33,025                        | 18,163  | 5,693<br>(5,478)   | 18,378   | 14,647                                     | 20                                |
| -leased                           | 11,940                    | -   | 11,940                        | 3,015   | 3,015  | 6,030  | 5,910                                      | 20 & 33.33                        |
| Workshop equipment                | 4,041                     | -   | 4,041                         | 338   | 119  | 457  | 3,584                                      | 5 to 20                           |
|                                   | 467,134                   | 14,915<br>(17,482)                          | 464,567                       | 309,348   | 33,403<br>(7,976)  | 334,775  | 129,792                                    |                                   |
| Capital work-<br>in-progress      | 13.4 1,695                | 4,801                                       | 6,496                         | -   | -  | -  | 6,496                                      |                                   |
|                                   | 2005                      | 468,829                                     | 19,716<br>(17,482)            | 471,063   | 309,348  | 33,403<br>(7,976)                                    | 334,775                                    | 136,288                           |
|                                   |                           | 409,963                                     | 67,736<br>(10,565)            | 467,134   | 280,320  | 35,225<br>(6,196)                                    | 309,349                                    | 157,785                           |
| Capital work-in-<br>-progress     | 13.4 9,336                | -<br>(7,641)                                | 1,695                         | -   | -  | -  | 1,695                                      |                                   |
|                                   | 2004                      | 419,299                                     | 67,736<br>(7,641)<br>(10,565) | 468,829   | 280,320  | 35,225<br>-<br>(6,196)                               | 309,349                                    | 159,480                           |

## Notes to the Financial Statements For the year ended 30 June 2005

13.1.1 Net book value of plant and machinery includes book value of Rs. 3.72 million ( 2004: 2.78 million ) of capitalised spares.

### 13.2 Coating Plant

| Description                   |        | Cost as at<br>1 July 2004 | Additions     | Cost as at<br>30 June<br>2005 | Accumulated<br>depreciation<br>as at 1 July<br>2004<br>(Rupees in '000) | Depreciation<br>charge for the<br>year | Accumulated<br>depreciation<br>as at 30 June<br>2005 | Net book<br>value as at<br>30 June<br>2005 | Rate of<br>depreciation<br>rate % |
|-------------------------------|--------|---------------------------|---------------|-------------------------------|---|--|--|--|-----------------------------------|
| Building on<br>leasehold land |        | 8,528                     | 675           | 9,203                         | 4,814   | 461                                    | 5,275  | 3,928                                      | 5                                 |
| Plant and<br>machinery        | 13.2.1 | 151,496                   | 9,394         | 160,890                       | 138,836   | 4,631                                  | 143,467  | 17,423                                     | 5 to 20                           |
| Office and other<br>equipment |        | 325                       | –             | 325                           | 177   | 60                                     | 237  | 88   | 20                                |
| Furniture and<br>fixtures     |        | 48                        | –             | 48                            | 44  | 1                                      | 45   | 3  | 10                                |
|                               | 2005   | <u>160,397</u>            | <u>10,069</u> | <u>170,466</u>                | <u>143,871</u>  | <u>5,153</u>                           | <u>149,024</u>                                       | <u>21,442</u>                              |                                   |
|                               | 2004   | <u>158,871</u>            | <u>1,526</u>  | <u>160,397</u>                | <u>138,699</u>  | <u>5,175</u>                           | <u>143,874</u>                                       | <u>16,523</u>                              |                                   |

13.2.1 Net book value of plant and machinery includes book value of Rs. 4.3 million ( 2004: Rs. 1.27 million ) of capitalised spares.



Crescent Steel &  
Allied Products Ltd.

# Notes to the Financial Statements For the year ended 30 June 2005

## 13.3 Cotton division

| Description                   | Cost as at<br>1 July 2004 | Additions /<br>(transfers) /<br>(disposals) | Cost as at<br>30 June<br>2005 | Accumulated<br>depreciation<br>as at 1 July<br>2004<br>(Rupees in '000) | Depreciation<br>charge for the<br>year /<br>(on disposals) | Accumulated<br>depreciation<br>as at 30 June<br>2005 | Net book<br>value as at<br>30 June<br>2005 | Rate of<br>depreciation<br>rate % |          |
|-------------------------------|---------------------------|---|-------------------------------|---|--|--|--|-----------------------------------|----------|
| Freehold land                 | 13.3.2                    | 6,155                                       | 4,172                         | 10,327  | -  | -  | -  | 10,327                            |          |
| Building on<br>freehold land  |                           | 25,690                                      | 14,678                        | 40,368  | 7,477  | 4,038  | 11,515                                     | 28,853                            | 10       |
| Plant and<br>machinery        |                           |   |                               |   |  |  |  |                                   |          |
| - owned                       |                           | 335,096                                     | 9,235<br>(100)                | 344,231   | 96,275   | 35,293<br>(40)                                       | 131,528                                    | 212,703                           | 10 to 20 |
| - leased                      |                           | 30,000                                      | -                             | 30,000  | 9,000  | 3,000  | 12,000                                     | 18,000                            | 10       |
| Electric installation         |                           | 11,831                                      | 5                             | 11,836  | 4,709  | 1,184  | 5,893                                      | 5,943                             | 10       |
| Office and other<br>equipment |                           | 291   | 90                            | 381   | 92   | 49   | 141  | 240                               | 10 to 20 |
| Computers                     |                           | 1,993                                       | 27                            | 2,020   | 1,973  | 19   | 1,992                                      | 28                                | 33.33    |
| Furniture and<br>fixtures     |                           | 152   | -                             | 152   | 61   | 15   | 76   | 76                                | 10       |
| Vehicles                      |                           | 807   | 1,828<br>(411)                | 2,224   | 626  | 444<br>(329)   | 741  | 1,483                             | 20       |
|                               | 2005                      | 412,015                                     | 30,035<br>(511)               | 441,539   | 120,213  | 44,042<br>(369)                                      | 163,886                                    | 277,653                           |          |
| Capital work-<br>in-progress  | 13.4                      | -   | 6,453                         | 6,453   | -  | -  | -  | 6,453                             |          |
|                               | 2005                      | 412,015                                     | 36,488<br>(511)               | 447,992   | 120,213  | 44,042<br>(369)                                      | 163,886                                    | 284,106                           |          |
|                               |                           | 322,845                                     | 93,893<br>(4,723)             | 412,015   | 79,568   | 42,013<br>(1,368)                                    | 120,213                                    | 291,802                           |          |
| Capital work-<br>in-progress  | 13.4                      | 8,061                                       | -<br>(8,061)                  | -   | -  | -  | -  | -                                 |          |
|                               | 2004                      | 330,906                                     | 93,893<br>(8,061)<br>(4,723)  | 412,015   | 79,568   | 42,013<br>-  | 120,213                                    | 291,802                           |          |
|                               |                           |   |                               |   |  | (1,368)  |  |                                   |          |

13.3.1 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.

13.3.2 The company had acquired the freehold land during the year. The transfer of legal title of the freehold land in the name of the company is in process.

# Notes to the Financial Statements

## For the year ended 30 June 2005

13.3.3 The following assets were disposed off during the year:

| Description                | Cost          | Accumulated depreciation<br>(Rupees in '000) | Book value   | Sale proceeds | Mode of disposal | Particular of buyers   |
|----------------------------|---------------|--|--------------|---------------|------------------|--|
| Steel division             |               |  |              |               |                  |  |
| Office premises            | 9,010         | 1,626  | 7,384        | 9,173         | Negotiation      | International Housing Finance Limited<br>- an associated company |
| Furniture and fixtures     | 491           | 49   | 442          | 549           | Negotiation      | International Housing Finance Limited<br>- an associated company |
| Office and other equipment | 1,573         | 395  | 1,178        | 1,465         | Negotiation      | International Housing Finance Limited<br>- an associated company |
|                            | 222           | 222  | -            | 26            | Negotiation      | Arfat Trading  |
|                            | 27            | 27   | -            | -             | Scrapped         | Scrapped   |
| Motor vehicles             | 645           | 645  | -            | 193           | Company Scheme   | Mr. M. Sharif<br>-Employee (Advisor to CEO-Technical)            |
|                            | 643           | 643  | -            | 193           | Company Scheme   | Mr. S.A.N.Kazmi<br>-Employee (Commercial Director)               |
|                            | 616           | 616  | -            | 185           | Company Scheme   | Mr. Nadir Mazhar   |
|                            | 63            | 63   | -            | 44            | Company Scheme   | Mr. M.Akram  |
|                            | 349           | 349  | -            | 267           | Negotiation      | Mr. Waseem Mirza   |
|                            | 504           | 302  | 202          | 219           | Company Scheme   | Mr. M.Amir   |
|                            | 69            | 28   | 41           | 44            | Company Scheme   | Mr. Abdul Razzak   |
|                            | 2,820         | 2,820  | -            | 900           | Negotiation      | Mr. Zeeshan Rashid   |
|                            | 54            | -  | 54           | 54            | Insurance claim  | EFU General Insurance Limited                                    |
|                            | 54            | -  | 54           | 54            | Insurance claim  | EFU General Insurance Limited                                    |
|                            | 54            | -  | 54           | 54            | Insurance claim  | EFU General Insurance Limited                                    |
|                            | 58            | 12   | 46           | 54            | Insurance claim  | EFU General Insurance Limited                                    |
| Computers                  | 152           | 101  | 51           | 63            | Negotiation      | International Housing Finance Limited<br>- an associated company |
|                            | 78            | 78   | -            | 3             | Negotiation      | Ms. Saima Hussain  |
|                            | <u>17,482</u> | <u>7,976</u>                                 | <u>9,506</u> | <u>13,540</u> |                  |  |
| Cotton division            |               |  |              |               |                  |  |
| Plant and machinery        | 100           | 40   | 60           | 100           | Negotiation      | Crescent Ujala Limited<br>- an associated company                |
| Vehicles                   | 411           | 329  | 82           | 201           | Negotiation      | Mr. Abdul Rouf   |
|                            | <u>511</u>    | <u>369</u>                                   | <u>142</u>   | <u>301</u>    |                  |  |
| 2005                       | <u>17,993</u> | <u>8,345</u>                                 | <u>9,648</u> | <u>13,841</u> |                  |  |
| 2004                       | <u>15,288</u> | <u>7,564</u>                                 | <u>7,724</u> | <u>10,266</u> |                  |  |



Crescent Steel &  
Allied Products Ltd.

# Notes to the Financial Statements For the year ended 30 June 2005

## 13.4 Capital work-in-progress

|   | 2005             |                 |               | 2004           |                 |              |
|---|------------------|-----------------|---------------|----------------|-----------------|--------------|
|   | Steel division   | Cotton division | Total         | Steel division | Cotton division | Total        |
|   | (Rupees in '000) |                 |               |                |                 |              |
| Plant and machinery                         | 5,419            | 6,389           | 11,808        | 1,332          | –               | 1,332        |
| Civil work                                  | 1,077            | 64              | 1,141         | –              | –               | –            |
| Advance payment for development of software | –                | –               | –             | 363            | –               | 363          |
|   | <u>6,496</u>     | <u>6,453</u>    | <u>12,949</u> | <u>1,695</u>   | <u>–</u>        | <u>1,695</u> |

## 14. INTANGIBLE ASSETS

| Description            | Cost as at 1 July 2004 | Additions    | Cost as at 30 June 2005 | Accumulated amortisation as at 1 July 2004 | Amortisation charge for the year | Accumulated amortisation as at 30 June 2005 | Net book value as at 30 June 2005 | Amortisation rate % |
|------------------------|------------------------|--------------|-------------------------|--|----------------------------------|---|-----------------------------------|---------------------|
| (Rupees in '000)       |                        |              |                         |  |                                  |   |                                   |                     |
| <b>Steel division</b>  |                        |              |                         |  |                                  |   |                                   |                     |
| Software licences      | 4,171                  | 1,226        | 5,397                   | 2,087                                      | 1,459                            | 3,546                                       | 1,851                             | 33.33               |
| Club memberships       | –                      | 2,580        | 2,580                   | –  | –                                | –   | 2,580                             | –                   |
|                        | <u>4,171</u>           | <u>3,806</u> | <u>7,977</u>            | <u>2,087</u>                               | <u>1,459</u>                     | <u>3,546</u>                                | <u>4,431</u>                      |                     |
| <b>Cotton division</b> |                        |              |                         |  |                                  |   |                                   |                     |
| Software licenses      | 1,310                  | 245          | 1,555                   | 519  | 478                              | 997   | 558                               | 33.33               |
| 2005                   | <u>5,481</u>           | <u>4,051</u> | <u>9,532</u>            | <u>2,606</u>                               | <u>1,937</u>                     | <u>4,543</u>                                | <u>4,989</u>                      |                     |
| 2004                   | <u>1,193</u>           | <u>4,288</u> | <u>5,481</u>            | <u>778</u>                                 | <u>1,828</u>                     | <u>2,606</u>                                | <u>2,875</u>                      |                     |

# Notes to the Financial Statements For the year ended 30 June 2005

## 15. LONG-TERM INVESTMENTS

|                    |      | 2005              |                    |                | 2004              |                    |         |
|--------------------|------|-------------------|--------------------|----------------|-------------------|--------------------|---------|
|                    |      | Steel<br>division | Cotton<br>division | Total          | Steel<br>division | Cotton<br>division | Total   |
|                    |      | (Rupees in '000)  |                    |                |                   |                    |         |
| Related Parties    |      |                   |                    |                |                   |                    |         |
| Available for sale | 15.1 | 177,602           | –                  | 177,602        | 185,656           | –                  | 185,656 |
| Held to maturity   | 15.2 | 29,994            | –                  | 29,994         | –                 | –                  | –       |
|                    |      | <u>207,596</u>    | <u>–</u>           | <u>207,596</u> | 185,656           | –                  | 185,656 |
| Others             |      |                   |                    |                |                   |                    |         |
| Available for sale | 15.3 | 24,500            | –                  | 24,500         | –                 | –                  | –       |
| Held to maturity   | 15.4 | 26,821            | –                  | 26,821         | 24,995            | –                  | 24,995  |
|                    |      | <u>258,917</u>    | <u>–</u>           | <u>258,917</u> | 210,651           | –                  | 210,651 |

### Investment in Related Parties

#### 15.1 Available-for-sale

Unless stated otherwise the holdings are in ordinary shares certificates of Rs 10 each.

|                 |  | 2005<br>(Number of shares) | 2004              |  |  | 2005<br>(Rupees in '000) | 2004            |
|-----------------|--|----------------------------|-------------------|--|--|--------------------------|-----------------|
| <b>Quoted</b>   |  |                            |                   |  |  |                          |                 |
|                 |  | 2,828,820                  | 1,380,600         |  |  |                          |                 |
|                 |  | –                          | 1,957,054         |  |  | 29,278                   | 19,742          |
|                 |  | 2,769,380                  | 2,769,380         |  |  | –                        | 22,115          |
|                 |  | 847,279                    | 557,879           |  |  | 135,700                  | 134,315         |
|                 |  |                            |                   |  |  | <u>12,624</u>            | 9,484           |
|                 |  |                            |                   |  |  | <u>177,602</u>           | 185,656         |
| <b>Unquoted</b> |  |                            |                   |  |  |                          |                 |
|                 |  | 2,403,725                  | 2,403,725         |  |  | 24,037                   | 24,037          |
|                 |  | 1,047,000                  | 1,047,000         |  |  | 10,470                   | 10,470          |
|                 |  |                            |                   |  |  | <u>34,507</u>            | 34,507          |
|                 |  |                            |                   |  |  | <u>(34,507)</u>          | <u>(34,507)</u> |
|                 |  |                            |                   |  |  | –                        | –               |
|                 |  | 2                          | 2                 |  |  | –                        | –               |
|                 |  |                            |                   |  |  | –                        | –               |
|                 |  | <u>9,896,206</u>           | <u>10,115,640</u> |  |  | <u>177,602</u>           | <u>185,656</u>  |



Crescent Steel &  
Allied Products Ltd.

# Notes to the Financial Statements For the year ended 30 June 2005

- 15.1.1 The chief executive of Crescent Bahuman Limited is Mr. Nasir Shafi. The company's break up value of shares was 'NIL' as at September 30, 2004 due to negative equity.
- 15.1.2 The chief executive of Crescent Industrial Chemicals Limited is Mr. Tariq Shafi. The company's break up value of shares could not be ascertained as the financial statements of the company are not available.
- 15.1.3 The investment in a subsidiary is Rs.90 only. The subsidiary company has not commenced operation and accordingly no financial statements have been prepared.

## 15.2 Held to maturity

|   |        | 2005             | 2004     |
|---|--------|------------------|----------|
|   |        | (Rupees in '000) |          |
| Redeemable Capital - Term Finance Certificates (TFCs) | 15.2.1 | -                | -        |
| Shakarganj Mills Limited (Preference Shares)          | 15.2.2 | 29,994           | -        |
|   |        | <u>29,994</u>    | <u>-</u> |

### 15.2.1 Redeemable capital - Term Finance Certificates (TFCs)

|   |          |          |          |
|---|----------|----------|----------|
| Shakarganj Mills Limited                    |          |          |          |
| (2,000 TFCs of Rs. 5,000 each)              | 15.2.1.1 | -        | 3,332    |
| Current maturity shown under current assets |          | -        | (3,332)  |
|   |          | <u>-</u> | <u>-</u> |
|   |          | <u>-</u> | <u>-</u> |

- 15.2.1.1 These term finance certificates are being redeemed half yearly over a period of four years commenced from 10 April 2001 and ending on 10 April 2005. These certificates carry mark-up rate of 15% per annum.

- 15.2.2 During the period, the company subscribed right cumulative preference shares ("shares") of Shakarganj Mills Limited amounting to Rs. 29.99 million. These shares have a face value of Rs. 10 each. These shares carry dividend rate of 8.5% per annum payable annually. The preference shares will be redeemed after 5 years from the date of issue.

The preference shares are convertible into ordinary shares of Rs. 10 each. The conversion option could be exercisable at the end of every financial year of the investee company.

# Notes to the Financial Statements

## For the year ended 30 June 2005

### Other Investments

#### 15.3 Available-for-sale

Unless stated other wise the holding are in ordinary shares certificates of Rs. 10 each.

| 2005               | 2004 |  | 2005                    | 2004     |
|--------------------|------|--|-------------------------|----------|
| (Number of shares) |      |  | (Rupees in '000)        |          |
| 175,000            | –    | Unquoted<br>Central Depository<br>Company of Pakistan<br>Limited | 15.3.1<br><u>24,500</u> | <u>–</u> |

15.3.1 During the year Company made investments in the shares of Central Depository Company of Pakistan Limited (CDC). The securities are recorded at cost since the fair value of the shares cannot be measured reliably.

#### 15.4 Held to maturity

|   |        |               |               |
|---|--------|---------------|---------------|
| Redeemable Capital - Term Finance Certificates (TFCs) | 15.4.1 | 24,985        | 24,995        |
| Maple Leaf Cement Limited (Preference Shares)         | 15.4.2 | 1,836         | –             |
|   |        | <u>26,821</u> | <u>24,995</u> |

#### 15.4.1 Redeemable capital - Term Finance Certificates (TFCs)

|  |        |               |               |
|--|--------|---------------|---------------|
| United Bank Limited (5,000 TFCs of Rs. 5,000 each) | 15.4.3 | 24,995        | 25,000        |
| Current maturity shown under current assets        |        | (10)          | (5)           |
|  |        | <u>24,985</u> | <u>24,995</u> |

15.4.2 During the year, the company subscribed right cumulative preference shares (“shares”) of Maple Leaf Cement Factory Limited amounting to Rs. 1.84 million. These shares have a face value of Rs. 10 each and carry dividend rate of 9.75% per annum. These preference shares will be matured after six years from the date of issuance.

15.4.3 This represents investments in Term Finance Certificate issued by United Bank Limited. The tenor of the TFC is eight years with semi-annual installments comprising of principal and profit. The rate of profit is 8.45 percent per annum.



# Notes to the Financial Statements

## For the year ended 30 June 2005

### 18. STOCK-IN-TRADE

|   | 2005           |                 |                           | 2004           |                 |                 |
|---|----------------|-----------------|---------------------------|----------------|-----------------|-----------------|
|   | Steel division | Cotton division | Total<br>(Rupees in '000) | Steel division | Cotton division | Total           |
| Raw materials   |                |                 |                           |                |                 |                 |
| Hot rolled steel coils                                    | 47,690         | –               | 47,690                    | 27,568         | –               | 27,568          |
| Coating materials   | 17,498         | –               | 17,498                    | 6,579          | –               | 6,579           |
| Others - pipe plant                                       | 10,274         | –               | 10,274                    | 9,068          | –               | 9,068           |
| Raw cotton  | 18.1 –         | 62,607          | 62,607                    | –              | 91,919          | 91,919          |
| Stock-in-transit  | 5,137          | –               | 5,137                     | 7,455          | 78,005          | 85,460          |
|   | <u>80,599</u>  | <u>62,607</u>   | <u>143,206</u>            | <u>50,670</u>  | <u>169,924</u>  | <u>220,594</u>  |
| Provision for slow-moving and obsolescence                |                |                 |                           |                |                 |                 |
| Hot rolled steel coils                                    | –              | –               | –                         | (3,879)        | –               | (3,879)         |
| Coating materials   | (84)           | –               | (84)                      | (901)          | –               | (901)           |
| Raw cotton  | –              | –               | –                         | –              | (11,378)        | (11,378)        |
| Others  | (200)          | –               | (200)                     | (205)          | –               | (205)           |
|   | <u>(284)</u>   | <u>–</u>        | <u>(284)</u>              | <u>(4,985)</u> | <u>(11,378)</u> | <u>(16,363)</u> |
|   | <u>80,315</u>  | <u>62,607</u>   | <u>142,922</u>            | <u>45,685</u>  | <u>158,546</u>  | <u>204,231</u>  |
| Work-in-process   | 4,021          | 2,979           | 7,000                     | 1,379          | 4,433           | 5,812           |
| Finished goods  | 30,302         | 18,417          | 48,719                    | 19,245         | 13,395          | 32,640          |
| Scrap / cotton waste                                      | 169            | 1,009           | 1,178                     | 441            | 837             | 1,278           |
| Provision for slow-moving and obsolescence finished goods | (4,784)        | (706)           | (5,490)                   | (2,855)        | (655)           | (3,510)         |
|   | <u>29,708</u>  | <u>21,699</u>   | <u>51,407</u>             | <u>18,210</u>  | <u>18,010</u>   | <u>36,220</u>   |
|   | <u>110,023</u> | <u>84,306</u>   | <u>194,329</u>            | <u>63,895</u>  | <u>176,556</u>  | <u>240,451</u>  |

18.1 Stock-in-trade of the cotton division amounting to Rs. 35.39 million (2004: Rs. 26.33 million) was pledged as security with a financial institution.



Crescent Steel &  
Allied Products Ltd.

# Notes to the Financial Statements For the year ended 30 June 2005

## 19. TRADE DEBTS

|                     | 2005             |                 |                | 2004           |                 |               |
|---------------------|------------------|-----------------|----------------|----------------|-----------------|---------------|
|                     | Steel division   | Cotton division | Total          | Steel division | Cotton division | Total         |
|                     | (Rupees in '000) |                 |                |                |                 |               |
| Secured             |                  |                 |                |                |                 |               |
| Considered good     | 3,118            | –               | 3,118          | 30,421         | –               | 30,421        |
| Unsecured           |                  |                 |                |                |                 |               |
| Considered good     | 127,552          | 1,367           | 128,919        | 1,601          | 4,002           | 5,603         |
| Considered doubtful | –                | –               | –              | –              | –               | –             |
|                     | 127,552          | 1,367           | 128,919        | 1,601          | 4,002           | 5,603         |
|                     | <u>130,670</u>   | <u>1,367</u>    | <u>132,037</u> | <u>32,022</u>  | <u>4,002</u>    | <u>36,024</u> |

- 19.1 This includes amount due from an associated undertaking of Rs. 0.98 million (2004: Rs. Nil).  
The maximum amount due from associated undertakings at the end of any month during the year was Rs. 2.75 million (2004: Rs. 5.41 million).

## Notes to the Financial Statements For the year ended 30 June 2005

### 20. ADVANCES

|   | 2005           |                 |         | 2004           |                 |       |
|---|----------------|-----------------|---------|----------------|-----------------|-------|
|   | Steel division | Cotton division | Total   | Steel division | Cotton division | Total |
| (Rupees in '000)                          |                |                 |         |                |                 |       |
| Considered good                           |                |                 |         |                |                 |       |
| Executives 20.1 & 20.2                    | –              | –               | –       | 564            | –               | 564   |
| Other staff                               | 98             | –               | 98      | 23             | –               | 23    |
|   | 98             | –               | 98      | 587            | –               | 587   |
| Considered Doubtful                       |                |                 |         |                |                 |       |
| Advances to others                        | 3,000          | 5,025           | 8,025   | –              | 2,500           | 2,500 |
| Provision for doubtful advances to others | (3,000)        | –               | (3,000) | –              | –               | –     |
|   | –              | 5,025           | 5,025   | –              | 2,500           | 2,500 |
| Suppliers for goods and services          | 9,801          | 1,500           | 11,301  | 3,695          | 886             | 4,581 |
| Provision for doubtful advances           | (537)          | (224)           | (761)   | (537)          | (375)           | (912) |
|   | 9,264          | 1,276           | 10,540  | 3,158          | 511             | 3,669 |
|   | 9,362          | 6,301           | 15,663  | 3,745          | 3,011           | 6,756 |

20.1 This represents advances made to executives for traveling and other expenses.

20.2 The maximum aggregate amount due at the end of any month during the year from executives was Rs. 0.10 million (2004: Rs. 0.56 million).

### 21. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

|                   |       |       |       |       |       |       |
|-------------------|-------|-------|-------|-------|-------|-------|
| Security deposits | 1,340 | 1,501 | 2,841 | 1,107 | 1,350 | 2,457 |
| Prepayments       | 587   | 155   | 742   | 965   | –     | 965   |
|                   | 1,927 | 1,656 | 3,583 | 2,072 | 1,350 | 3,422 |



Crescent Steel &  
Allied Products Ltd.

# Notes to the Financial Statements For the year ended 30 June 2005

## 22. CURRENT PORTION OF LONG-TERM INVESTMENTS

|                           | 2005              |                    |       | 2004              |                    |        |
|---------------------------|-------------------|--------------------|-------|-------------------|--------------------|--------|
|                           | Steel<br>division | Cotton<br>division | Total | Steel<br>division | Cotton<br>division | Total  |
|                           | (Rupees in '000)  |                    |       |                   |                    |        |
| <b>Held to maturity</b>   |                   |                    |       |                   |                    |        |
| Government of Pakistan    |                   |                    |       |                   |                    |        |
| US Dollar bonds           | –                 | –                  | –     | 8,724             | –                  | 8,724  |
| <b>Redeemable capital</b> |                   |                    |       |                   |                    |        |
| Sharkarganj Mills Limited | –                 | –                  | –     | 3,332             | –                  | 3,332  |
| United Bank Limited       | 10                | –                  | 10    | 5                 | –                  | 5      |
|                           | 10                | –                  | 10    | 12,061            | –                  | 12,061 |

## 23. INVESTMENTS

### Related parties

|                    |      |         |   |         |         |   |         |
|--------------------|------|---------|---|---------|---------|---|---------|
| Available for sale | 23.1 | 85,881  | – | 85,881  | 173,162 | – | 173,162 |
| Held for trading   | 23.2 | 4,200   | – | 4,200   | –       | – | –       |
| Held to maturity   | 23.3 | 212,000 | – | 212,000 | 37,370  | – | 37,370  |
|                    |      | 302,081 | – | 302,081 | 210,532 | – | 210,532 |

### Others

|   |      |           |   |           |           |   |           |
|---|------|-----------|---|-----------|-----------|---|-----------|
| Available for sale                                    | 23.4 | 370,860   | – | 370,860   | 242,132   | – | 242,132   |
| Held for trading                                      | 23.5 | 530,915   | – | 530,915   | 546,908   | – | 546,908   |
| Loans and advances<br>originated by the<br>enterprise | 23.6 | 7,031     | – | 7,031     | 12,939    | – | 12,939    |
|   |      | 908,806   | – | 908,806   | 801,979   | – | 801,979   |
|   |      | 1,210,887 | – | 1,210,887 | 1,012,511 | – | 1,012,511 |

# Notes to the Financial Statements

## For the year ended 30 June 2005

### Investment in Related Parties

#### 23.1 Available for sale

The company holds investments in ordinary shares of Rs. 10/- each, unless stated otherwise, in the following listed investee companies:

| 2005<br>(Number of shares) | 2004             | Name of investee company                                      | 2005<br>(Rupees in '000) | 2004           |
|----------------------------|------------------|---|--------------------------|----------------|
| <b>Quoted</b>              |                  |   |                          |                |
| 3,922,088                  | 1,980,143        | Crescent Commercial Bank Limited                              | 40,594                   | 28,316         |
| 373,868                    | 373,868          | Crescent Textile Mills Limited                                | 20,488                   | 11,216         |
| 91,300                     | 91,300           | Crescent Jute Products Limited (CJPL) 23.1.1                  | –                        | –              |
| 26,934                     | 17,734           | Crescent Leasing Corporation Limited                          | 401                      | 301            |
| 26,490                     | 26,490           | Jubilee Spinning and Weaving Mills Limited 23.1.2             | –                        | 185            |
| 260,864                    | 244,197          | Pakistan Industrial Credit and Investment Corporation Limited | 18,260                   | 17,594         |
| 2,821                      | 759,321          | Shakarganj Mills Limited                                      | 138                      | 36,827         |
| 120,000                    | 120,000          | Suraj Cotton Mills Limited                                    | 6,000                    | 5,520          |
| –                          | 1,878,981        | Trust Commercial Bank Limited                                 | –                        | 21,232         |
| –                          | 3,248,190        | Safeway Mutual Fund 23.1.3                                    | –                        | 51,971         |
| <u>4,824,365</u>           | <u>8,740,224</u> |   | <u>85,881</u>            | <u>173,162</u> |

23.1.1 Investments in CJPL and CSIBL is carried at their break up values, which are Rs. NIL and Rs.14.45 per share, respectively, as their rate were not quoted on the stock exchange due to certain defaults. The break up values have been calculated on the basis of the financial statements for the period ended 31 December 2004.

23.1.2 Investments in Jubilee Spinning Mills is carried at break-up value which is Rs. Nil. The break-up value has been calculated on the basis of financial statements for the year ended 30 September 2004.

23.1.3 Holding in Safeway Mutual Fund as at 30 June 2005 aggregates to 8.95 percent (2004: 19.68 percent)



Crescent Steel &  
Allied Products Ltd.

## Notes to the Financial Statements For the year ended 30 June 2005

### 23.2 Held for trading

| 2005<br>(Number of shares) | 2004 | Name of investee company                                       | 2005<br>(Rupees in '000) | 2004 |
|----------------------------|------|--|--------------------------|------|
|                            |      | Quoted   |                          |      |
| 60,000                     | –    | Pakistan Industrial Credit &<br>Investment Corporation Limited | 4,200                    | –    |

### 23.3 Held to maturity

|   |        |                |               |
|---|--------|----------------|---------------|
| Musharika Arrangements - Crescent Standard Modaraba | 23.3.1 | <u>212,000</u> | <u>37,370</u> |
|---|--------|----------------|---------------|

23.3.1 During the year, First Crescent Modaraba and Financial Link Modaraba merged with Crescent Standard Modaraba (CSM). Hence, the amount of Rs.37.37 million was transferred to CSM. Musharika investments amounting to Rs. 11.37 million were realised and, the following further musharika arrangements were made with CSM.

| Date of Investment | Amount of Musharika | Expected return |
|--------------------|---------------------|-----------------|
| 11-Feb-05          | 75,000              | 4%              |
| 4-Feb-05           | 25,000              | 4%              |
| 14-Jun-05          | 30,000              | 4%              |
| 8-Sep-04           | 56,000              | PLS             |

# Notes to the Financial Statements

## For the year ended 30 June 2005

### Other Investment

#### 23.4 Available for sale

The company holds investments in ordinary shares of Rs. 10/- each, unless stated otherwise, in the following listed investee companies:

| 2005               | 2004             | Name of investee company                          | 2005             | 2004           |
|--------------------|------------------|---|------------------|----------------|
| (Number of shares) |                  |   | (Rupees in '000) |                |
|                    |                  | Quoted  |                  |                |
| 50,000             | 40,000           | Cherat Cement Limited                             | 3,075            | 2,870          |
| 399,225            | 399,225          | Crescent Standard Investment Bank Limited (CSIBL) | 5,769            | 3,101          |
|                    |                  | 23.1.1  |                  |                |
| 152,088            | 100,000          | Fauji Fertilizer Company Limited                  | 18,456           | 11,885         |
| 28,800             | 28,800           | First Equity Modaraba                             | 390              | 821            |
| 190,000            | 190,000          | Hub Power Company Limited                         | 5,016            | 6,137          |
| 239,062            | 230,750          | PICIC Growth Fund                                 | 12,838           | 10,903         |
| -                  | 30,000           | Mari Gas Company Limited                          | -                | 2,489          |
| 50,738             | 50,738           | National Refinery Limited                         | 16,048           | 9,379          |
| 255,495            | 225,330          | Nishat Chunian Mills Limited                      | 24,298           | 13,294         |
| 10,500             | 10,500           | Nestle Milkpak Limited                            | 5,565            | 5,030          |
| 36,517             | 30,431           | National Bank of Pakistan                         | 3,942            | 2,022          |
| 31,137             | -                | National Investment Trust                         | 1,323            | -              |
| 836                | 294,836          | Oil & Gas Development Company Limited             | 88               | 19,017         |
| 590,500            | 1,040,500        | Pakistan Telecommunication Company Limited        | 38,943           | 43,857         |
| 81,703             | 55,580           | Packages Limited                                  | 11,438           | 11,005         |
| -                  | 108,000          | PICIC Commercial Bank Limited                     | -                | 3,645          |
| 453,882            | 453,882          | PICIC Investment Fund                             | 6,808            | 8,170          |
| 111,360            | 111,360          | Pakistan Oilfields Company Limited                | 31,337           | 23,219         |
| 3,346,000          | -                | Pakistan Strategic Allocation Fund                | 32,289           | -              |
| -                  | 13,500           | Shell Pakistan Limited                            | -                | 4,714          |
| 5,300              | 5,300            | Siemens (Pakistan) Engineering Company Limited    | 3,631            | 2,809          |
| 57,208             | 57,208           | Sui Northern Gas Pipelines Limited                | 3,507            | 3,701          |
| 90,507             | 66,262           | The Pakistan Stock Market Fund                    | 10,417           | 7,421          |
| 199,800            | 199,800          | Tripack Films Limited                             | 9,590            | 16,573         |
| 20,460             | 19,400           | Unilever Pakistan Limited                         | 28,849           | 30,070         |
| 4,060,238          | -                | Safeway Mutual Fund                               | 97,243           | -              |
| <u>10,461,356</u>  | <u>3,761,402</u> |   | <u>370,860</u>   | <u>242,132</u> |



Crescent Steel &  
Allied Products Ltd.

# Notes to the Financial Statements For the year ended 30 June 2005

## 23.5 Held for trading

| 2005<br>(Number of shares) | 2004      | Name of investee company                                    | 2005<br>(Rupees in '000) | 2004    |
|----------------------------|-----------|---|--------------------------|---------|
| <b>Quoted</b>              |           |   |                          |         |
| 509,850                    | 440,000   | Al Meezan Mutual Fund Limited                               | 5,455                    | 6,798   |
| 10,000                     | –         | Arif Habib Securities Limited                               | 3,660                    | –       |
| 50,000                     | –         | Askari Commercial Bank Limited                              | 3,900                    | –       |
| 196,700                    | 145,000   | Attock Cement Pakistan Limited                              | 13,376                   | 7,540   |
| 124,000                    | 80,000    | Attock Refinery Limited                                     | 19,784                   | 7,320   |
| 140,000                    | 140,000   | Century Paper and Board<br>Mills Limited                    | 11,613                   | 13,160  |
| 270,000                    | –         | Crescent Standard Investment<br>Bank Limited (CSIBL) 23.1.1 | 3,902                    | –       |
| 100,000                    | 235,000   | D.G.Khan Cement Company Limited                             | 5,575                    | 13,513  |
| –                          | 1,375,000 | Dewan Salman Fibre Limited                                  | –                        | 31,144  |
| 10,450                     | 10,750    | Dawood Hercules Chemicals Limited                           | 1,735                    | 1,942   |
| 125,000                    | –         | Dewan Cement Limited  | 2,375                    | –       |
| 9,500                      | –         | Ecopack Limited   | 471                      | –       |
| –                          | 25,000    | Engro Chemicals Pakistan Limited                            | –                        | 2,437   |
| 332,313                    | 221,800   | Fauji Fertilizer Company Limited                            | 40,326                   | 26,361  |
| 25,000                     | 25,000    | First Habib Bank Modaraba                                   | 313                      | 390     |
| 50,000                     | 200,000   | Fauji Fertilizer Bin Qasim Limited                          | 1,345                    | 3,780   |
| 25,000                     | 268,000   | Fauji Cement Company Limited                                | 320                      | 4,368   |
| 232,000                    | –         | Faysal Bank Limited   | 12,482                   | –       |
| 1,652,500                  | 4,238,500 | Hub Power Company Limited                                   | 43,626                   | 136,903 |
| 10,000                     | –         | Indus Motors Co Limited                                     | 900                      | –       |
| 202,500                    | 76,500    | PICIC Growth Fund   | 10,874                   | 3,615   |
| 34,700                     | 21,000    | Javed Omer Vohra &<br>Company Limited                       | 9,268                    | 13,062  |
| –                          | 63,500    | JDW Sugar Mills Limited                                     | –                        | 3,239   |
| 371,000                    | 425,000   | Kohinoor Energy Limited                                     | 9,646                    | 14,790  |
| 361,000                    | –         | Kohinoor Textile Mills Limited                              | 13,718                   | –       |
| 823,200                    | –         | Kot Addu Power Co Limited                                   | 31,076                   | –       |
| 250                        | 225,000   | Lucky Cement Limited  | 11                       | 8,798   |
| 660,000                    | 700,000   | Maple Leaf Cement Factory Limited                           | 14,388                   | 26,600  |
| 2,000,000                  | –         | Meezan Balance Fund   | 16,400                   | –       |

# Notes to the Financial Statements

## For the year ended 30 June 2005

| 2005<br>(Number of shares) | 2004              | Name of investee company                       | 2005<br>(Rupees in '000) | 2004           |
|----------------------------|-------------------|--|--------------------------|----------------|
|                            |                   | Quoted   |                          |                |
| –                          | 8,300             | Mari Gas Company Limited                       | –                        | 688            |
| 50,000                     | 50,000            | New Jubilee Insurance<br>Company Limited       | 1,063                    | 1,300          |
| –                          | 153,100           | National Refinery Limited                      | –                        | 28,300         |
| 48,000                     | 30,000            | National Bank of Pakistan                      | 5,181                    | 1,994          |
| 105,000                    | 260,000           | Oil & Gas Development<br>Corporation Limited   | 11,057                   | 16,770         |
| 36,750                     | –                 | Packages Limited                               | 5,145                    | –              |
| 85,750                     | 20,000            | Pak Suzuki Motor Company Limited               | 8,575                    | 2,318          |
| 689,333                    | 822,333           | PICIC Investment Fund                          | 10,340                   | 14,802         |
| 600,000                    | 500,000           | Pakistan Capital Market Fund                   | 7,170                    | 5,125          |
| 57,500                     | –                 | Pakistan Petroleum Limited                     | 12,368                   | –              |
| 166,406                    | 253,125           | Pakistan Premier Fund Limited                  | 2,471                    | 4,860          |
| 35,000                     | –                 | Pakistan Reinsurance<br>Company Limited        | 1,804                    | –              |
| 220,500                    | 90,000            | Pakistan Oil Fields Limited                    | 62,049                   | 18,765         |
| 47,500                     | 15,000            | Pakistan State Oil Company Limited             | 18,335                   | 3,851          |
| –                          | 50,000            | Pakistan PTA Limited                           | –                        | 867            |
| 215,000                    | 1,299,000         | Pakistan Telecommunication<br>Company Limited  | 14,179                   | 54,753         |
| –                          | 50,000            | Pakistan International Airlines<br>Corporation | –                        | 895            |
| –                          | 20,800            | Pakistan Refinery Limited                      | –                        | 3,120          |
| 150,000                    | –                 | Sui Northern Gas Pipelines Limited             | 9,195                    | –              |
| 2,694,000                  | 1,819,500         | Sui Southern Gas Company Limited               | 62,366                   | 59,680         |
| –                          | 200,000           | Southern Electrical Power<br>Company Limited   | –                        | 3,060          |
| 12,000                     | –                 | Shell Pakistan Limited                         | 6,647                    | –              |
| 415,980                    | –                 | Union Bank Limited                             | 16,431                   | –              |
| <u>13,953,682</u>          | <u>14,556,208</u> |  | <u>530,915</u>           | <u>546,908</u> |



Crescent Steel &  
Allied Products Ltd.

# Notes to the Financial Statements For the year ended 30 June 2005

## 23.6 Loans and advances originated by the enterprise

|  |        | 2005             | 2004          |
|--|--------|------------------|---------------|
|  |        | (Rupees in '000) |               |
| Islamic Republic of Pakistan Bonds 10% | 23.6.1 | <u>7,031</u>     | <u>12,939</u> |

23.6.1 These bonds were issued by the Government of Pakistan on 13 December 1999 in exchange of its outstanding eurobonds and exchangeable notes.

The company had swapped its 6 percent PTCL exchangeable notes (face value US\$ 980,000) with the Islamic Republic of Pakistan (IROP) bonds (face value US\$ 1,035,000) during the year ended 30 June 2000.

The IROP bond carries interest rate of 10 percent per annum payable semi-annually. Principal is repayable in four equal yearly installments commenced from December 2002.

|  |  |              |               |
|--|--|--------------|---------------|
| Face value US\$ 125,507 (2004: US\$ 250,833)     |  |              |               |
| Cost US\$ 79,070 (2004: US\$ 158,025)            |  | 12,939       | 18,287        |
| Redemption of bonds                              |  | (7,288)      | (7,204)       |
| Amortisation of discount on acquisition of bonds |  | 1,231        | 1,796         |
| Exchange gain                                    |  | 149          | 60            |
|  |  | <u>7,031</u> | <u>12,939</u> |

These bonds are not in the name of the company and are held by Crescent Commercial Bank Limited, an associated undertaking, on behalf of the company.

## Notes to the Financial Statements For the year ended 30 June 2005

- 23.7 The following investments having an aggregate face value of Rs.73.15 million (2004: Rs.12.60 million) are deposited as security with commercial banks.

|   | 2005             | 2004   |
|---|------------------|--------|
|   | (Rupees in '000) |        |
| Attock Cement Pakistan Limited                                | 500              | –      |
| Century Paper and Board Mills Limited                         | 1,000            | –      |
| D.G.Khan Cement Limited                                       | 500              | –      |
| Fauji Fertilizer Company Limited                              | 4,000            | –      |
| Faysal Bank Limited   | 500              | –      |
| Hub Power Company Limited                                     | 17,000           | 10,000 |
| Kohinoor Textile Mills Limited                                | 1,000            | –      |
| Kot Addu Power Company Limited                                | 5,000            | –      |
| Maple Leaf Cement Company Limited                             | 5,000            | –      |
| National Bank of Pakistan                                     | 300              | –      |
| Nishat Chunian Limited  | 1,000            | –      |
| National Refinery Limited                                     | 350              | –      |
| Packages Limited  | 500              | 500    |
| Pak Suzuki Motor Company Limited                              | 500              | –      |
| Pakistan Industrial Credit and Investment Corporation Limited | 2,000            | 1,500  |
| Pakistan Oil Fields Limited                                   | 2,000            | –      |
| Pakistan State Oil Company Limited                            | 250              | –      |
| Pakistan Telecommunication Company Limited                    | 5,000            | –      |
| PICIC Growth Fund   | 3,000            | –      |
| Shell Pakistan Limited  | –                | 100    |
| Sui Northern Gas Pipelines Limited                            | 1,000            | –      |
| Sui Southern Company Limited                                  | 20,000           | –      |
| Tripack Films Limited   | 1,500            | 500    |
| Union Bank Limited  | 500              | –      |
| Unilever Pakistan Limited                                     | 750              | –      |
|   | 73,150           | 12,600 |

### 24. MARK-UP ACCRUED

|                    | 2005              |                    |       | 2004              |                    |       |
|--------------------|-------------------|--------------------|-------|-------------------|--------------------|-------|
|                    | Steel<br>division | Cotton<br>division | Total | Steel<br>division | Cotton<br>division | Total |
|                    | (Rupees in '000)  |                    |       |                   |                    |       |
| Considered good    |                   |                    |       |                   |                    |       |
| Mark-up accrued on |                   |                    |       |                   |                    |       |
| - deposits         | 96                | –                  | 96    | 363               | 25                 | 388   |
| - others           | 4,634             | –                  | 4,634 | 984               | –                  | 984   |
|                    | 4,730             | –                  | 4,730 | 1,347             | 25                 | 1,372 |



Crescent Steel &  
Allied Products Ltd.

# Notes to the Financial Statements For the year ended 30 June 2005

## 25. OTHER RECEIVABLES

|   | 2005              |                    |         | 2004              |                    |         |
|---|-------------------|--------------------|---------|-------------------|--------------------|---------|
|   | Steel<br>division | Cotton<br>division | Total   | Steel<br>division | Cotton<br>division | Total   |
|   | (Rupees in '000)  |                    |         |                   |                    |         |
| Margin on letters of credit<br>and guarantee      | 1,095             | –                  | 1,095   | 1,095             | –                  | 1,095   |
| Less: Provision thereagainst                      | 1,095             | –                  | 1,095   | 1,095             | –                  | 1,095   |
|   | –                 | –                  | –       | –                 | –                  | –       |
| Dividend receivables                              | 1,975             | –                  | 1,975   | 1,254             | –                  | 1,254   |
| Receivable on account<br>of sale of shares        | 2,466             | –                  | 2,466   | 15,436            | –                  | 15,436  |
| Receivable from Sui<br>Northern Gas Pipelines Ltd | –                 | –                  | –       | 72,850            | –                  | 72,850  |
| Claim receivable                                  | 57                | –                  | 57      | –                 | –                  | –       |
| Due from associated<br>undertakings               | 25.1<br>25.2      | 597                | 114     | 711               | 1,639              | 119     |
|   |                   |                    |         |                   |                    | 1,758   |
| Sales tax refundable                              | 5,702             | 1,126              | 6,828   | 4,814             | 11,363             | 16,177  |
| Less: Provision thereagainst                      | 3,605             | 741                | 4,346   | 2,308             | 741                | 3,049   |
|   | 2,097             | 385                | 2,482   | 2,506             | 10,622             | 13,128  |
| Receivable against<br>deposit for building        | 5,461             | –                  | 5,461   | 5,461             | –                  | 5,461   |
| Less: Provision thereagainst                      | 5,461             | –                  | 5,461   | 5,461             | –                  | 5,461   |
|   | –                 | –                  | –       | –                 | –                  | –       |
| Earnest money<br>receivable                       | 25.3              | 150,000            | –       | 150,000           | –                  | –       |
| Receivable from staff<br>retirement funds         | 40.3              | 6,675              | –       | 6,675             | 6,140              | –       |
| Others  | 4                 | 201                | 205     | 3                 | 713                | 716     |
|   | 163,871           | 700                | 164,571 | 99,828            | 11,454             | 111,282 |





Crescent Steel &  
Allied Products Ltd.

# Notes to the Financial Statements For the year ended 30 June 2005

## 27. CASH AND BANK BALANCES

|                       | 2005              |                    | Total<br>(Rupees in '000) | 2004              |                    | Total  |
|-----------------------|-------------------|--------------------|---------------------------|-------------------|--------------------|--------|
|                       | Steel<br>division | Cotton<br>division |                           | Steel<br>division | Cotton<br>division |        |
| With banks            |                   |                    |                           |                   |                    |        |
| - in deposit accounts |                   |                    |                           |                   |                    |        |
| - local currency      | 23,819            | 15,059             | 38,878                    | 3,920             | 5,708              | 9,628  |
| - foreign currency    | 12,385            | -                  | 12,385                    | 4,084             | -                  | 4,084  |
|                       | 36,204            | 15,059             | 51,263                    | 8,004             | 5,708              | 13,712 |
| - in current accounts | 327               | 905                | 1,232                     | 2,064             | 1,997              | 4,061  |
| Cash in hand          | 197               | 390                | 587                       | 145               | 96                 | 241    |
|                       | 36,728            | 16,354             | 53,082                    | 10,213            | 7,801              | 18,014 |

## 28. SALES

|  |           |          |           |          |          |           |
|--|-----------|----------|-----------|----------|----------|-----------|
| Bare Pipes (own product excluding coating revenue) | 1,963,210 | -        | 1,963,210 | 481,193  | -        | 481,193   |
| Revenue from conversion                            | 97,669    | -        | 97,669    | 140,625  | -        | 140,625   |
| Coating of pipes                                   | 254,915   | -        | 254,915   | 77,110   | -        | 77,110    |
| Cotton yarn  | -         | 711,328  | 711,328   | -        | 814,988  | 814,988   |
| Raw cotton   | -         | -        | -         | -        | -        | -         |
| Scrap / waste                                      | 37,727    | 17,570   | 55,297    | 8,267    | 21,668   | 29,935    |
| Sales returns                                      | -         | (2,248)  | (2,248)   | -        | (3,488)  | (3,488)   |
|  | 2,353,521 | 726,650  | 3,080,171 | 707,195  | 833,168  | 1,540,363 |
| Sales tax  | (306,981) | (86,590) | (393,571) | (94,544) | (97,680) | (192,224) |
|  | 2,046,540 | 640,060  | 2,686,600 | 612,651  | 735,488  | 1,348,139 |

## 29. COST OF SALES

|                  |      |           |         |           |         |         |           |
|------------------|------|-----------|---------|-----------|---------|---------|-----------|
| Bare Pipes       | 29.1 | 1,571,039 | -       | 1,571,039 | 409,131 | -       | 409,131   |
| Coating of Pipes | 29.4 | 126,452   | -       | 126,452   | 50,364  | -       | 50,364    |
| Cotton           | 29.7 | -         | 617,193 | 617,193   | -       | 714,387 | 714,387   |
|                  |      | 1,697,491 | 617,193 | 2,314,684 | 459,495 | 714,387 | 1,173,882 |

# Notes to the Financial Statements

## For the year ended 30 June 2005

### 29.1 Cost of sales - bare pipes

|                                    | <b>2005</b>             | <b>2004</b> |
|------------------------------------|-------------------------|-------------|
|                                    | <b>(Rupees in '000)</b> |             |
| Raw materials consumed             | 1,486,431               | 321,125     |
| Store and spares consumed          | 10,523                  | 9,073       |
| Fuel, power and electricity        | 11,519                  | 9,669       |
| Salaries, wages and other benefits | 29.2 24,383             | 21,895      |
| Insurance                          | 1,546                   | 1,322       |
| Repairs and maintenance            | 3,055                   | 1,739       |
| Depreciation                       | 20,116                  | 20,192      |
| Other expenses                     | 24,678                  | 8,470       |
| Expenses allocated to CCP          | (825)                   | (1,028)     |
|                                    | 1,581,426               | 392,457     |
| Opening stock of work-in-process   | 1,379                   | 758         |
| Closing stock of work-in-process   | (4,021)                 | (1,379)     |
|                                    | (2,642)                 | (621)       |
| Cost of goods manufactured         | 1,578,784               | 391,836     |
| Opening stock of finished goods    | 18,906                  | 36,201      |
| Closing stock of finished goods    | (26,651)                | (18,906)    |
|                                    | (7,745)                 | 17,295      |
|                                    | 1,571,039               | 409,131     |

### 29.2 Detail of salaries, wages and other benefits

|                                    |          |        |
|------------------------------------|----------|--------|
| Salaries, wages and other benefits | 22,430   | 19,846 |
| Provident fund contributions       | 807      | 791    |
| Pension fund                       | 29.3 957 | 957    |
| Gratuity                           | 29.3 189 | 301    |
|                                    | 24,383   | 21,895 |



Crescent Steel &  
Allied Products Ltd.

# Notes to the Financial Statements For the year ended 30 June 2005

## 29.3 Staff retirement benefits

|                                | 2005       |                              | 2004       |            |
|--------------------------------|------------|------------------------------|------------|------------|
|                                | Pension    | Gratuity<br>(Rupees in '000) | Pension    | Gratuity   |
| Current service cost           | 1,015      | 351                          | 837        | 336        |
| Interest cost                  | 1,027      | 328                          | 806        | 300        |
| Expected return on plan assets | (1268)     | (542)                        | (894)      | (387)      |
| Actuarial loss                 | -          | -                            | 34         | -          |
| Past service cost              | 183        | 52                           | 174        | 52         |
|                                | <u>957</u> | <u>189</u>                   | <u>957</u> | <u>301</u> |

## 29.4 Cost of sales - coating of pipes

|                                    | 2005             | 2004          |
|------------------------------------|------------------|---------------|
|                                    | (Rupees in '000) |               |
| Materials consumed                 | 94,441           | 13,043        |
| Stores and spares consumed         | 3,991            | 8,675         |
| Fuel and power                     | 10,907           | 7,293         |
| Salaries, wages and other benefits | 29.5 9,594       | 10,368        |
| Insurance                          | 621              | 946           |
| Repairs and maintenance            | 1,389            | 1,204         |
| Depreciation                       | 7,603            | 7,259         |
| Other expenses                     | 1,571            | 1,929         |
| Expenses allocated to CCP          | (353)            | (440)         |
| Cost of goods manufactured         | <u>129,764</u>   | <u>50,277</u> |
| Opening stock of finished goods    | 339              | 426           |
| Closing stock of finished goods    | (3,651)          | (339)         |
|                                    | <u>(3,312)</u>   | <u>87</u>     |
|                                    | <u>126,452</u>   | <u>50,364</u> |

# Notes to the Financial Statements

## For the year ended 30 June 2005

### 29.5 Detail of salaries, wages and other benefits

|                                    | <b>2005</b>             | <b>2004</b> |
|------------------------------------|-------------------------|-------------|
|                                    | <b>(Rupees in '000)</b> |             |
| Salaries, wages and other benefits | 8,824                   | 9,426       |
| Provident fund contributions       | 313                     | 370         |
| Pension fund                       | 29.6    382             | 435         |
| Gratuity                           | 29.6    75              | 137         |
|                                    | 9,594                   | 10,368      |

### 29.6 Staff retirement benefits

|                                | <b>2005</b>             |                 | <b>2004</b>    |                 |
|--------------------------------|-------------------------|-----------------|----------------|-----------------|
|                                | <b>Pension</b>          | <b>Gratuity</b> | <b>Pension</b> | <b>Gratuity</b> |
|                                | <b>(Rupees in '000)</b> |                 |                |                 |
| Current service cost           | 405                     | 140             | 380            | 153             |
| Interest cost                  | 410                     | 130             | 366            | 137             |
| Expected return on plan assets | (506)                   | (216)           | (406)          | (176)           |
| Actuarial loss                 | –                       | –               | 16             | –               |
| Past service cost              | 73                      | 21              | 79             | 23              |
|                                | 382                     | 75              | 435            | 137             |



Crescent Steel &  
Allied Products Ltd.

# Notes to the Financial Statements For the year ended 30 June 2005

## 29.7 Cost of sales - cotton

|  | 2005             | 2004     |
|--|------------------|----------|
|  | (Rupees in '000) |          |
| Raw materials consumed                 | 465,860          | 562,599  |
| Packing materials consumed             | 7,470            | 6,346    |
| Stores and spares consumed             | 13,637           | 8,667    |
| Fuel and power                         | 48,874           | 60,606   |
| Salaries, wages and other benefits     | 29.8 32,836      | 31,365   |
| Insurance                              | 1,712            | 1,587    |
| Repairs and maintenance                | 1,295            | 3,612    |
| Depreciation                           | 44,042           | 42,013   |
| Amortisation of intangible assets      | 478              | 437      |
| Other expenses                         | 3,378            | 3,721    |
| Expenses allocated from steel division | 1,178            | 1,468    |
|  | 620,760          | 722,421  |
| Opening stock of work-in-process       | 4,434            | 2,777    |
| Closing stock of work-in-process       | (2,979)          | (4,434)  |
|  | 1,455            | (1,657)  |
| Cost of goods manufactured             | 622,215          | 720,764  |
| Opening stock of finished goods        | 13,395           | 7,018    |
| Closing stock of finished goods        | (18,417)         | (13,395) |
|  | (5,022)          | (6,377)  |
|  | 617,193          | 714,387  |

## 29.8 Detail of salaries, wages and other benefits

|                                    |          |        |
|------------------------------------|----------|--------|
| Salaries, wages and other benefits | 31,753   | 30,424 |
| Provident fund contributions       | 739      | 580    |
| Pension fund                       | 29.9 344 | 361    |
|                                    | 32,836   | 31,365 |

# Notes to the Financial Statements

## For the year ended 30 June 2005

### 29.9 Staff retirement benefits – Pension

|                                | <b>2005</b>             | <b>2004</b> |
|--------------------------------|-------------------------|-------------|
|                                | <b>(Rupees in '000)</b> |             |
| Current service cost           | 365                     | 315         |
| Interest cost                  | 369                     | 304         |
| Expected return on plan assets | (456)                   | (337)       |
| Actuarial loss                 | –                       | 13          |
| Past service cost              | 66                      | 66          |
|                                | <b>344</b>              | <b>361</b>  |
|                                | <b>344</b>              | <b>361</b>  |

### 30. DISTRIBUTION AND SELLING COST

|                                 |      | <b>2005</b>               |                            |               | <b>2004</b>               |                            |               |
|---------------------------------|------|---------------------------|----------------------------|---------------|---------------------------|----------------------------|---------------|
|                                 |      | <b>Steel<br/>division</b> | <b>Cotton<br/>division</b> | <b>Total</b>  | <b>Steel<br/>division</b> | <b>Cotton<br/>division</b> | <b>Total</b>  |
|                                 |      | <b>(Rupees in '000)</b>   |                            |               |                           |                            |               |
| Salaries, wages                 |      |                           |                            |               |                           |                            |               |
| and other benefits              | 30.1 | 3,941                     | 528                        | 4,469         | 3,818                     | –                          | 3,818         |
| Commission                      |      | –                         | 3,060                      | 3,060         | –                         | 4,835                      | 4,835         |
| Traveling and conveyance        |      | 630                       | 20                         | 650           | 477                       | 14                         | 491           |
| Depreciation                    |      | 201                       | –                          | 201           | –                         | –                          | –             |
| Insurance                       |      | 70                        | –                          | 70            | 82                        | –                          | 82            |
| Postage, telephone and telegram |      | 62                        | 93                         | 155           | –                         | 249                        | 249           |
| Advertisement                   |      | 1,641                     | –                          | 1,641         | 432                       | –                          | 432           |
| Bid bond expenses               |      | 317                       | –                          | 317           | 544                       | –                          | 544           |
| Transportation                  |      | –                         | 281                        | 281           | –                         | 1,751                      | 1,751         |
| Legal and professional charges  |      | 214                       | –                          | 214           | 348                       | –                          | 348           |
| Others                          |      | 672                       | 128                        | 800           | 482                       | 818                        | 1,300         |
|                                 |      | <b>7,748</b>              | <b>4,110</b>               | <b>11,858</b> | <b>6,183</b>              | <b>7,667</b>               | <b>13,850</b> |
|                                 |      | <b>7,748</b>              | <b>4,110</b>               | <b>11,858</b> | <b>6,183</b>              | <b>7,667</b>               | <b>13,850</b> |



Crescent Steel &  
Allied Products Ltd.

## Notes to the Financial Statements For the year ended 30 June 2005

### 30.1 Detail of salaries, wages and other benefits

|                                       | 2005              |                    |              | 2004              |                    |              |
|---------------------------------------|-------------------|--------------------|--------------|-------------------|--------------------|--------------|
|                                       | Steel<br>division | Cotton<br>division | Total        | Steel<br>division | Cotton<br>division | Total        |
|                                       | (Rupees in '000)  |                    |              |                   |                    |              |
| Salaries, wages and<br>other benefits | 3,563             | 528                | 4,091        | 3,229             | –                  | 3,229        |
| Provident fund<br>contributions       | 119               | –                  | 119          | 171               | –                  | 171          |
| Pension fund                          | 30.2              | 216                | –            | 216               | 318                | –            |
| Gratuity                              | 30.2              | 43                 | –            | 43                | 100                | –            |
|                                       | <u>3,941</u>      | <u>528</u>         | <u>4,469</u> | <u>3,818</u>      | <u>–</u>           | <u>3,818</u> |

### 30.2 Staff retirement benefits

|                                | 2005             |           | 2004       |            |
|--------------------------------|------------------|-----------|------------|------------|
|                                | Pension          | Gratuity  | Pension    | Gratuity   |
|                                | (Rupees in '000) |           |            |            |
| Current service cost           | 230              | 79        | 278        | 112        |
| Interest cost                  | 232              | 74        | 268        | 100        |
| Expected return on plan assets | (287)            | (122)     | (297)      | (129)      |
| Actuarial loss                 | –                | –         | 11         | –          |
| Past service cost              | 41               | 12        | 58         | 17         |
|                                | <u>216</u>       | <u>43</u> | <u>318</u> | <u>100</u> |

# Notes to the Financial Statements

## For the year ended 30 June 2005

### 31. ADMINISTRATION EXPENSES

|   |      | 2005              |                    |        | 2004              |                    |        |
|---|------|-------------------|--------------------|--------|-------------------|--------------------|--------|
|   |      | Steel<br>division | Cotton<br>division | Total  | Steel<br>division | Cotton<br>division | Total  |
|   |      | (Rupees in '000)  |                    |        |                   |                    |        |
| Salaries, wages and<br>other benefits                         | 31.1 | 27,893            | –                  | 27,893 | 26,074            | –                  | 26,074 |
| Rents, rates and taxes  |      | 662               | –                  | 662    | 285               | –                  | 285    |
| Traveling, conveyance<br>and entertainment                    |      | 5,207             | 377                | 5,584  | 4,572             | 183                | 4,755  |
| Fuel and power  |      | 3,076             | –                  | 3,076  | 2,789             | –                  | 2,789  |
| Postage, telephone<br>and telegram                            |      | 1,663             | –                  | 1,663  | 2,169             | –                  | 2,169  |
| Insurance   |      | 1,199             | –                  | 1,199  | 809               | –                  | 809    |
| Repairs and<br>maintenance                                    |      | 2,762             | –                  | 2,762  | 1,587             | –                  | 1,587  |
| Auditors'<br>remuneration                                     | 31.3 | 626               | –                  | 626    | 878               | –                  | 878    |
| Legal and<br>professional<br>and corporate<br>service charges |      | 19,954            | 658                | 20,612 | 6,172             | 1,269              | 7,441  |
| Advertisement   |      | 88                | –                  | 88     | 261               | –                  | 261    |
| Donations   | 31.4 | 12,939            | 4,775              | 17,714 | 9,542             | 3,332              | 12,874 |
| Depreciation  |      | 10,638            | –                  | 10,638 | 12,949            | –                  | 12,949 |
| Amortisation of<br>intangible assets                          |      | 1,459             | –                  | 1,459  | 1,391             | –                  | 1,391  |
| Printing, stationery<br>and office supplies                   |      | 1,380             | –                  | 1,380  | 1,372             | –                  | 1,372  |
| Newspapers,<br>subscriptions<br>and periodicals               |      | 403               | –                  | 403    | 642               | –                  | 642    |
| Others  |      | 689               | –                  | 689    | 517               | 35                 | 552    |
|   |      | 90,638            | 5,810              | 96,448 | 72,009            | 4,819              | 76,828 |
| Charges allocated to<br>the cotton division                   |      | (14,921)          | 14,921             | –      | (8,507)           | 8,507              | –      |
|   |      | 75,717            | 20,731             | 96,448 | 63,502            | 13,326             | 76,828 |



Crescent Steel &  
Allied Products Ltd.

# Notes to the Financial Statements For the year ended 30 June 2005

## 31.1 Detail of salaries, wages and other benefits

|                                    | 2005             |                 |               | 2004           |                 |               |
|------------------------------------|------------------|-----------------|---------------|----------------|-----------------|---------------|
|                                    | Steel division   | Cotton division | Total         | Steel division | Cotton division | Total         |
|                                    | (Rupees in '000) |                 |               |                |                 |               |
| Salaries, wages and other benefits | 24,477           | –               | 24,477        | 22,479         | –               | 22,479        |
| Provident fund contributions       | 1,109            | –               | 1,109         | 1,091          | –               | 1,091         |
| Pension fund                       | 31.2 1,922       | –               | 1,922         | 1,936          | –               | 1,936         |
| Gratuity                           | 31.2 385         | –               | 385           | 568            | –               | 568           |
|                                    | <u>27,893</u>    | <u>–</u>        | <u>27,893</u> | <u>26,074</u>  | <u>–</u>        | <u>26,074</u> |

## 31.2 Staff retirement benefits

|                                | 2005             |            | 2004         |            |
|--------------------------------|------------------|------------|--------------|------------|
|                                | Pension          | Gratuity   | Pension      | Gratuity   |
|                                | (Rupees in '000) |            |              |            |
| Current service cost           | 2,039            | 714        | 1,694        | 633        |
| Interest cost                  | 2,063            | 667        | 1,630        | 566        |
| Expected return on plan assets | (2,547)          | (1,102)    | (1,810)      | (728)      |
| Actuarial loss                 | –                | –          | 70           | –          |
| Past service cost              | 367              | 106        | 352          | 97         |
|                                | <u>1,922</u>     | <u>385</u> | <u>1,936</u> | <u>568</u> |

## 31.3 Auditors' remuneration

|  | 2005             | 2004       |
|--|------------------|------------|
|  | (Rupees in '000) |            |
| Audit fee*   | 500              | 500        |
| Fee for audit of funds' financial statements and other reports | 70               | 310        |
| Out of pocket expenses   | 56               | 68         |
|  | <u>626</u>       | <u>878</u> |

\* Audit fee includes services for audit of annual accounts, limited review of half yearly accounts and certificates under Code of Corporate Governance.

# Notes to the Financial Statements

## For the year ended 30 June 2005

### 31.4 Donations

Donations include the following in whom a director is interested:

| Name of the director | Interest in donee | Name and address of the donee                                   | Amount donated   |       |
|----------------------|-------------------|---|------------------|-------|
|                      |                   |   | 2005             | 2004  |
|                      |                   |   | (Rupees in '000) |       |
| Mr. Ahsan M. Saleem  | Chairman          | The Citizens Foundation<br>9th Floor, NIC Building,<br>Karachi. | 16,580           | 9,567 |
|                      | Member            | Lyallpur Golf Club<br>Race Course Club,<br>Faisalabad           | 125              | —     |
|                      |                   |   | 16,705           | 9,567 |

Donations other than these mentioned above were not made to any donee in whom a director or his spouse had any interest at anytime during the year.

### 32. OTHER OPERATING EXPENSES

|   | 2005           |                 |        | 2004           |                 |        |
|---|----------------|-----------------|--------|----------------|-----------------|--------|
|   | Steel division | Cotton division | Total  | Steel division | Cotton division | Total  |
| (Rupees in '000)  |                |                 |        |                |                 |        |
| Provision against sales tax refundable                  | 1,297          | —               | 1,297  | 327            | —               | 327    |
| Fair value adjustment                                   | 38,219         | —               | 38,219 | 10,353         | —               | 10,353 |
| Provision for stock-in-trade                            | 3,568          | 52              | 3,620  | —              | 12,034          | 12,034 |
| Provision for slow moving stores and spares             | 3,753          | 1,863           | 5,616  | 78             | —               | 78     |
| Provision for workers welfare fund                      | 4,937          | —               | 4,937  | 1,027          | —               | 1,027  |
| Provision for infrastructure fee                        | 6,000          | —               | 6,000  | 11,300         | —               | 11,300 |
| Provision for impairment of investments                 | 284            | —               | 284    | 1,004          | —               | 1,004  |
| Provision against advances                              | 3,000          | —               | 3,000  | —              | —               | —      |
| Provision for other receivables, prepayments and others | —              | —               | —      | —              | 375             | 375    |
| Provision for liquidated damages                        | 6,000          | —               | 6,000  | —              | —               | —      |
| Exchange loss   | —              | 1,022           | 1,022  | —              | 367             | 367    |
|   | 67,058         | 2,937           | 69,995 | 24,089         | 12,776          | 36,865 |



Crescent Steel &  
Allied Products Ltd.

# Notes to the Financial Statements For the year ended 30 June 2005

## 33. OTHER OPERATING INCOME

|  |      | 2005              |                    |                           | 2004              |                    |                |
|--|------|-------------------|--------------------|---------------------------|-------------------|--------------------|----------------|
|  |      | Steel<br>division | Cotton<br>division | Total<br>(Rupees in '000) | Steel<br>division | Cotton<br>division | Total          |
| <b>Income From<br/>Financial Assets</b>            |      |                   |                    |                           |                   |                    |                |
| Return on deposits,<br>advances and<br>investments |      | 5,039             | 185                | 5,224                     | 5,228             | 187                | 5,415          |
| Dividend income                                    | 33.1 | 69,473            | –                  | 69,473                    | 53,681            | –                  | 53,681         |
| Exchange gain                                      |      | 342               | –                  | 342                       | 183               | –                  | 183            |
| Gain on sale of<br>investments                     |      |                   |                    |                           |                   |                    |                |
| - Available-for-sale                               |      | 103,648           | –                  | 103,648                   | 161,265           | –                  | 161,265        |
| - Held for trading                                 |      | 60,948            | –                  | 60,948                    | 64,571            | –                  | 64,571         |
| <b>Income From<br/>Related Parties</b>             |      |                   |                    |                           |                   |                    |                |
| Return on deposits,<br>advances and<br>investments |      | 4,493             | –                  | 4,493                     | 795               | –                  | 795            |
| Provision written<br>back on investment            |      | 684               | –                  | 684                       | –                 | –                  | –              |
| <b>Other Income</b>                                |      |                   |                    |                           |                   |                    |                |
| Liabilities written-back                           |      | –                 | –                  | –                         | 160               | –                  | 160            |
| Provision written back<br>for stock-in-trade       |      | 6,340             | 11,378             | 17,718                    | 9,345             | –                  | 9,345          |
| Gain on disposal of<br>fixed assets                |      | 4,034             | 159                | 4,193                     | 1,796             | 746                | 2,542          |
| Deferred income                                    | 5    | 304               | 185                | 489                       | 304               | 265                | 569            |
| Insurance commission                               |      | 882               | –                  | 882                       | 494               | 157                | 651            |
| Others   |      | 2,244             | 850                | 3,094                     | 947               | 271                | 1,218          |
|  |      | <u>258,431</u>    | <u>12,757</u>      | <u>271,188</u>            | <u>298,769</u>    | <u>1,626</u>       | <u>300,395</u> |

# Notes to the Financial Statements

## For the year ended 30 June 2005

### 33.1 Dividend income

|  | Steel<br>division | 2005<br>Cotton<br>division | Total<br><br>(Rupees in '000) | Steel<br>division | 2004<br>Cotton<br>division | Total         |
|--|-------------------|----------------------------|-------------------------------|-------------------|----------------------------|---------------|
| From Related Parties                                     |                   |                            |                               |                   |                            |               |
| Pakistan Industrial Credit<br>and Investment Corporation | 644               | -                          | 644                           | 305               | -                          | 305           |
| Crescent Leasing<br>Corporation Limited                  | 720               | -                          | 720                           | 504               | -                          | 504           |
| Shakarganj Mills Limited                                 | 6,175             | -                          | 6,175                         | 5,293             | -                          | 5,293         |
| Suraj Cotton Mills Limited                               | 240               | -                          | 240                           | -                 | -                          | -             |
| Crescent Textile Mills<br>Limited                        | 374               | -                          | 374                           | 374               | -                          | 374           |
|  | <u>8,153</u>      | <u>-</u>                   | <u>8,153</u>                  | <u>6,476</u>      | <u>-</u>                   | <u>6,476</u>  |
| Others   | 61,320            | -                          | 61,320                        | 47,205            | -                          | 47,205        |
|  | <u>69,473</u>     | <u>-</u>                   | <u>69,473</u>                 | <u>53,681</u>     | <u>-</u>                   | <u>53,681</u> |

### 34. FINANCE COSTS

|   |               |               |               |              |               |               |
|---|---------------|---------------|---------------|--------------|---------------|---------------|
| Interest on provident fund                            | -             | 324           | 324           | -            | 226           | 226           |
| Mark-up on:   |               |               |               |              |               |               |
| Running finances                                      | 5,861         | -             | 5,861         | 2,092        | 2             | 2,094         |
| Short-term loans                                      | 14,075        | 2,081         | 16,156        | 1,156        | 4,180         | 5,336         |
| Redeemable capital                                    | 9,720         | 7,434         | 17,154        | 3,429        | 2,622         | 6,051         |
| Assets subject to<br>finance leases                   | 1,840         | 1,364         | 3,204         | 2,291        | 2,911         | 5,202         |
| Bank charges  | 807           | 443           | 1,250         | 431          | 1,051         | 1,482         |
|   | <u>32,303</u> | <u>11,646</u> | <u>43,949</u> | <u>9,399</u> | <u>10,992</u> | <u>20,391</u> |
| Financial charges allocated<br>to the cotton division | (18,017)      | 18,017        | -             | (3,248)      | 3,248         | -             |
|   | <u>14,286</u> | <u>29,663</u> | <u>43,949</u> | <u>6,151</u> | <u>14,240</u> | <u>20,391</u> |

### 35. TAXATION

|                    | 2005<br><br>(Rupees in '000) | 2004          |
|--------------------|------------------------------|---------------|
| Current            |                              |               |
| - for the year     | 88,870                       | 18,500        |
| - for prior years' | 878                          | 658           |
|                    | <u>89,748</u>                | <u>19,158</u> |
| Deferred           | (6,958)                      | 11,660        |
|                    | <u>82,790</u>                | <u>30,818</u> |



Crescent Steel &  
Allied Products Ltd.

## Notes to the Financial Statements For the year ended 30 June 2005

### 35.1 Relationship between tax expense and accounting profit

|  | <b>2005</b>             | <b>2004</b>    |
|--|-------------------------|----------------|
|  | <b>(Rupees in '000)</b> |                |
| Profit before taxation   | <u>420,854</u>          | <u>326,718</u> |
| Tax at the applicable rate of 35%  | 147,299                 | 114,351        |
| Effect of non-deductible expenses  | (41,734)                | (68,087)       |
| Tax effect of exempt income and export sales<br>under presumptive tax regime | (791)                   | –              |
| Tax effect of change in tax WDV of fixed assets                              | (2,110)                 | –              |
| Tax effect of dividend income taxed at different rate                        | (20,841)                | (16,104)       |
| Prior years' tax effect  | 878                     | 658            |
| Others   | 89                      | –              |
|  | <u>82,790</u>           | <u>30,818</u>  |

### 36. EARNINGS PER SHARE

|  | <b>2005</b>             | <b>2004</b>       |
|--|-------------------------|-------------------|
|  | <b>(Rupees in '000)</b> |                   |
| Net profit after taxation                                  | <u>338,064</u>          | <u>295,900</u>    |
|  | <b>Number of shares</b> |                   |
| Average number of ordinary shares in issue during the year | <u>24,302,684</u>       | <u>24,302,684</u> |
| Basic and diluted earnings per share                       | <u>Rs. 13.91</u>        | <u>Rs. 12.18</u>  |

# Notes to the Financial Statements

## For the year ended 30 June 2005

### 37. PROFORMA INFORMATION

|   | 30 June<br>2005 | 30 June<br>2004<br>(Rupees in '000) | Proforma                    |                             |
|---|-----------------|-------------------------------------|-----------------------------|-----------------------------|
|   |                 |                                     | Restated<br>30 June<br>2005 | Restated<br>30 June<br>2004 |
| Opening retained earning as previously stated | 28,016          | 4,257                               | 28,016                      | 4,257                       |
| Change in accounting policy for dividends     | –               | –                                   | 33,140                      | 40,170                      |
| Opening retained earnings as restated         | <u>28,016</u>   | <u>4,257</u>                        | <u>61,156</u>               | <u>44,427</u>               |
| Profit for the year                           | 338,064         | 295,900                             | 338,064                     | 295,900                     |
| Transfer to general reserve                   | –               | (175,000)                           | –                           | (175,000)                   |
| Dividends - First interim 10% (2004: 10%)     | (24,303)        | (22,093)                            | (24,303)                    | (22,093)                    |
| - Second interim 10 % (2004:10%)              | (24,303)        | (22,093)                            | (24,303)                    | (22,093)                    |
| - Final (2004: 15 %)                          | –               | (33,140)                            | (33,140)                    | (40,170)                    |
|   | <u>(48,606)</u> | <u>(77,326)</u>                     | <u>(81,746)</u>             | <u>(84,356)</u>             |
| Transfer to reserve for issue of bonus shares | –               | (19,815)                            | –                           | (19,815)                    |
| Closing retained earnings                     | <u>317,474</u>  | <u>28,016</u>                       | <u>317,474</u>              | <u>61,156</u>               |



Crescent Steel &  
Allied Products Ltd.

# Notes to the Financial Statements For the year ended 30 June 2005

## 38. CASH GENERATED FROM OPERATIONS

|  | 2005             | 2004          |
|--|------------------|---------------|
|  | (Rupees in '000) |               |
| Profit before taxation                                 | 420,854          | 326,718       |
| Depreciation   | 82,598           | 90,618        |
| Amortisation   | 1,937            | 1,828         |
| Adjustment arising from measurement to fair value      | 38,219           | 10,352        |
| Provision against dividend receivable                  | –                | –             |
| Provision against stock-in-trade and stores and spares | 9,236            | 12,112        |
| Reversal of provision against stock-in-trade           | (17,718)         | (9,345)       |
| Liabilities written back                               | –                | (160)         |
| Provision for workers welfare fund                     | 4,937            | 1,027         |
| Provision against other receivables                    | 1,297            | 702           |
| Provision for diminution in the value of investments   | 284              | 1,004         |
| Provision for infrastructure fee                       | 6,000            | 11,300        |
| Provision against advances                             | 3,000            | –             |
| Provision against liquidated damages                   | 6,000            | –             |
| Exchange loss  | 1,022            | 184           |
| Exchange gain  | (342)            | –             |
| Gain on sale of investments                            | (164,596)        | (225,836)     |
| Pension and gratuity expense                           | 4,511            | 5,114         |
| Financial charges                                      | 43,949           | 20,391        |
| Deferred income  | (489)            | (569)         |
| Gain on disposal of fixed assets                       | (4,193)          | (2,542)       |
| Dividend income  | (69,473)         | (53,681)      |
| Provision written back on investments                  | (684)            | –             |
| Return on deposits, advances and investments           | (9,684)          | (6,210)       |
| Amortisation of initial transaction cost               | (899)            | (4,066)       |
| Insurance commission                                   | –                | (1,869)       |
| Working capital changes                                | 38.1 (90,794)    | (81,133)      |
|  | <u>264,972</u>   | <u>95,939</u> |

# Notes to the Financial Statements

## For the year ended 30 June 2005

### 38.1 Working capital changes

|  | <b>2005</b>             | <b>2004</b>      |
|--|-------------------------|------------------|
|  | <b>(Rupees in '000)</b> |                  |
| (Increase) / decrease in current assets      |                         |                  |
| Stores, spares and loose tools               | (1,297)                 | (18,031)         |
| Stock-in-trade                               | 46,122                  | (38,120)         |
| Trade debts                                  | (96,013)                | (9,940)          |
| Short-term advances                          | (11,756)                | 117              |
| Short-term deposits and prepayments          | (161)                   | 2,176            |
| Mark-up accrued                              | (3,391)                 | -                |
| Other receivables (net)                      | (50,474)                | (76,021)         |
|  | <u>(116,970)</u>        | <u>(139,819)</u> |
| Increase / (decrease) in current liabilities |                         |                  |
| Trade and other payables                     | 26,176                  | 58,686           |
|  | <u>(90,794)</u>         | <u>(81,133)</u>  |

### 39. CASH AND CASH EQUIVALENTS

|   |    |               |            |
|---|----|---------------|------------|
| Running finances under mark-up arrangements | 11 | (22,204)      | (17,833)   |
| Cash and bank balances                      | 27 | 53,082        | 18,014     |
|   |    | <u>30,878</u> | <u>181</u> |

### 40. STAFF RETIREMENT BENEFITS

40.1 The actuarial valuation has been conducted in accordance with IAS 19 "Employee benefits" as of 30 June 2005. The projected unit credit method based on the following significant assumptions is used for valuation of schemes mentioned below:

|  | <b>2005</b>                 | <b>2004</b> |
|--|-----------------------------|-------------|
|  | <b>Percentage per annum</b> |             |
| n discount rate  | 9                           | 8           |
| n expected rate of increase in salaries - For next three years | 10                          | 7           |
| - After three years  | 8                           | -           |
| n expected rate of return on plan assets                       | 11                          | 11          |
| n average working life of employees                            | 11 years                    | 10 years    |



Crescent Steel &  
Allied Products Ltd.

# Notes to the Financial Statements For the year ended 30 June 2005

## 40.2 Amount recognised in balance sheet as follows:

|                              | 2005                    |              |              | 2004         |              |              |
|------------------------------|-------------------------|--------------|--------------|--------------|--------------|--------------|
|                              | Pension                 | Gratuity     | Total        | Pension      | Gratuity     | Total        |
|                              | <b>(Rupees in '000)</b> |              |              |              |              |              |
| Defined benefits obligations | (65,735)                | (18,379)     | (84,114)     | (51,256)     | (14,987)     | (66,243)     |
| Fair value of plan assets    | 60,744                  | 20,687       | 81,431       | 46,024       | 18,024       | 64,048       |
| Past service cost            | 3,326                   | (1,161)      | 2,165        | 5,828        | 2,285        | 8,113        |
| Actuarial loss               | 5,099                   | 2,094        | 7,193        | 3,051        | (1,174)      | 1,877        |
| Benefits payable             | –                       | –            | –            | (71)         | (1,584)      | (1,655)      |
|                              | <u>3,434</u>            | <u>3,241</u> | <u>6,675</u> | <u>3,576</u> | <u>2,564</u> | <u>6,140</u> |

## 40.3 Movements in the net assets recognised in the balance sheet are as follows:

|                         |              |              |              |              |              |              |
|-------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Opening prepayments     |              |              |              |              |              |              |
| as at 1 July            | 3,576        | 2,564        | 6,140        | 4,089        | 2,279        | 6,368        |
| Expense                 | (3,820)      | (691)        | (4,511)      | (4,007)      | (1,107)      | (5,114)      |
| Company's contributions | 3,678        | 1,368        | 5,046        | 3,494        | 1,392        | 4,886        |
|                         | <u>3,434</u> | <u>3,241</u> | <u>6,675</u> | <u>3,576</u> | <u>2,564</u> | <u>6,140</u> |

## 40.4 The following assets have been charged in the profit and loss account:

|                            |              |            |              |              |              |              |
|----------------------------|--------------|------------|--------------|--------------|--------------|--------------|
| Current service cost       | 4,054        | 1,284      | 5,338        | 3,506        | 1,234        | 4,740        |
| Interest cost              | 4,100        | 1,199      | 5,299        | 3,373        | 1,103        | 4,476        |
| Expected return on assets  | (5,063)      | (1,983)    | (7,046)      | (3,745)      | (1,420)      | (5,165)      |
| Actuarial gains            |              |            |              |              |              |              |
| and losses charged         | –            | –          | –            | 144          | –            | 144          |
| Past service cost charged  | 729          | 191        | 920          | 729          | 190          | 919          |
| Total amount chargeable    | <u>3,820</u> | <u>691</u> | <u>4,511</u> | <u>4,007</u> | <u>1,107</u> | <u>5,114</u> |
| to profit and loss account |              |            |              |              |              |              |

40.5 The actual return on plan assets of pension and gratuity funds aggregated Rs. 12.58 million (2004: Rs. 9.02 million) and Rs. 4.48 million (2004: Rs. 3.58 million) respectively.

40.6 As determined by the actuary the past service cost is being amortised over the period such benefit will be vested i.e. for pension 13 years and for gratuity 17 years from the date of transitional liability determined as on 1 July 1999.

# Notes to the Financial Statements

## For the year ended 30 June 2005

### 41. FINANCIAL ASSETS AND LIABILITIES

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. The company is exposed to interest / mark-up rate risk in respect of the following:

|  | Effective rate of interest / mark-up % | Interest / mark-up bearing |                         |                  | Non-interest / mark-up bearing |                         |                  | Total            |
|--|--|----------------------------|-------------------------|------------------|--------------------------------|-------------------------|------------------|------------------|
|  |  | Maturity upto one year     | Maturity after one year | Sub-total        | Maturity upto one year         | Maturity after one year | Sub-total        |                  |
| (Rupees in '000)                                       |  |                            |                         |                  |                                |                         |                  |                  |
| <b>Financial assets</b>                                |  |                            |                         |                  |                                |                         |                  |                  |
| Investments  | 4 to 28.7                              | 137,041                    | 56,817                  | 193,858          | 617,115                        | 658,841                 | 1,275,956        | 1,469,814        |
| Long-term deposits                                     | -                                      | -                          | -                       | -                | -                              | 2,119                   | 2,119            | 2,119            |
| Trade debts  | -                                      | -                          | -                       | -                | 132,037                        | -                       | 132,037          | 132,037          |
| Short-term deposits                                    | -                                      | -                          | -                       | -                | 1,341                          | -                       | 1,341            | 1,341            |
| Other receivables                                      | -                                      | -                          | -                       | -                | 152,237                        | -                       | 152,237          | 152,237          |
| Cash and bank balances                                 | 1.5 to 3.5                             | 51,263                     | -                       | 51,263           | 1,819                          | -                       | 1,819            | 53,082           |
| 2005   |  | <u>188,304</u>             | <u>56,817</u>           | <u>245,121</u>   | <u>904,549</u>                 | <u>660,960</u>          | <u>1,565,509</u> | <u>1,810,630</u> |
| 2004   |  | <u>25,773</u>              | <u>75,304</u>           | <u>101,077</u>   | <u>1,100,871</u>               | <u>187,699</u>          | <u>1,288,570</u> | <u>1,389,647</u> |
| <b>Financial liabilities</b>                           |  |                            |                         |                  |                                |                         |                  |                  |
| Long-term loans  | 4.2 to 6.8                             | 75,000                     | 221,854                 | 296,854          | -                              | -                       | -                | 296,854          |
| Liabilities against assets subject to finance leases   | 7.5 to 10.5                            | 16,292                     | 14,289                  | 30,581           | -                              | -                       | -                | 30,581           |
| Short term borrowings                                  | 3.5 to 4.5                             | 142,204                    | -                       | 142,204          | -                              | -                       | -                | 142,204          |
| Trade and other payables                               | 7 to 8.86                              | 90,000                     | -                       | 90,000           | 118,146                        | -                       | 118,146          | 208,146          |
| 2005   |  | <u>323,496</u>             | <u>236,143</u>          | <u>559,639</u>   | <u>118,146</u>                 | <u>-</u>                | <u>118,146</u>   | <u>677,785</u>   |
| 2004   |  | <u>156,248</u>             | <u>326,516</u>          | <u>482,764</u>   | <u>201,406</u>                 | <u>-</u>                | <u>201,406</u>   | <u>684,170</u>   |
| <b>On-balance sheet gap :</b>                          |  |                            |                         |                  |                                |                         |                  |                  |
| 2005   |  | <u>(135,192)</u>           | <u>(179,326)</u>        | <u>(314,518)</u> | <u>786,403</u>                 | <u>660,960</u>          | <u>1,447,363</u> | <u>1,132,845</u> |
| 2004   |  | <u>(130,475)</u>           | <u>(251,212)</u>        | <u>(381,687)</u> | <u>899,465</u>                 | <u>187,699</u>          | <u>1,087,164</u> | <u>705,477</u>   |
| <b>Off balance sheet items - financial commitments</b> |  |                            |                         |                  |                                |                         |                  |                  |
| - Outstanding letters of credit                        |  | -                          | -                       | -                | 445,150                        | -                       | 445,150          | 445,150          |



Crescent Steel &  
Allied Products Ltd.

# Notes to the Financial Statements For the year ended 30 June 2005

## 41.1 Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. All financial assets of the company, except cash in hand, are exposed to credit risk. The company believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk, the company applies credit limits to its certain customers.

## 41.2 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The company incurs foreign currency risk on sales and purchases that are entered in a currency other than Pak Rupees. The company uses forward foreign exchange contracts to hedge its foreign currency risk, when considered appropriate. As at the year end the company had liabilities in foreign currencies aggregating Rs.Nil million (2004: Rs 82.73 million) against which no forward exchange contracts were obtained.

## 41.3 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

## 41.4 Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

The company is exposed to market risk with respect to its investments.

The company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity and term finance certificates (TFCs) markets. In addition, the company actively monitors the key factors that affect stocks and TFCs market movements.

# Notes to the Financial Statements

## For the year ended 30 June 2005

### 42. REMUNERATION TO THE CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

|                                | Chief Executive  |              | Director     |              | Executives    |               | Total         |               |
|--------------------------------|------------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|
|                                | 2005             | 2004         | 2005         | 2004         | 2005          | 2004          | 2005          | 2004          |
|                                | (Rupees in '000) |              |              |              |               |               |               |               |
| Managerial remuneration        | 3,852            | 3,789        | 1,932        | 1,860        | 6,184         | 6,220         | 11,968        | 11,869        |
| House rent                     | 1,733            | 1,705        | 869          | 837          | 2,638         | 2,429         | 5,240         | 4,971         |
| Utilities                      | 385              | 379          | 193          | 186          | 618           | 622           | 1,196         | 1,187         |
| Traveling expenses             | 361              | 360          | -            | 104          | -             | 53            | 361           | 517           |
| Others                         | 726              | 708          | -            | -            | 193           | -             | 919           | 708           |
| Medical                        | 118              | 58           | 39           | 49           | 348           | 273           | 505           | 380           |
| Contribution to:               |                  |              |              |              |               |               |               |               |
| - Provident fund               | 385              | 379          | 193          | 186          | 286           | 411           | 864           | 976           |
| - Gratuity fund                | 274              | 267          | 138          | 130          | 171           | 236           | 583           | 633           |
| - Pension fund                 | 674              | 625          | 338          | 307          | 674           | 756           | 1,686         | 1,688         |
| Club subscription and expenses | 315              | 236          | 8            | 12           | 4             | 4             | 327           | 252           |
| Entertainment                  | -                | -            | 36           | 36           | 126           | 150           | 162           | 186           |
| Conveyance                     | -                | -            | -            | -            | -             | -             | -             | -             |
| Telephone                      | -                | -            | 12           | 12           | 28            | 31            | 40            | 43            |
|                                | <u>8,823</u>     | <u>8,506</u> | <u>3,758</u> | <u>3,719</u> | <u>11,270</u> | <u>11,185</u> | <u>23,851</u> | <u>23,410</u> |
| Number of persons              | <u>1</u>         | <u>1</u>     | <u>1</u>     | <u>1</u>     | <u>7</u>      | <u>7</u>      | <u>9</u>      | <u>9</u>      |

42.1 The aggregate amount charged in the account in respect of directors' fees paid to six (2004: six) directors was Rs.140,000 (2004: Rs. 140,000).

42.2 The chief executive, a director and seven executives are provided with free use of company maintained cars, according to their entitlements.

42.3 The chief executive, a director, executives and their families are also covered under group and hospitalisation insurance.



Crescent Steel &  
Allied Products Ltd.

# Notes to the Financial Statements For the year ended 30 June 2005

## 43. 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 and associated undertakings, other than remuneration and benefits to key management personnel under the terms of their employment disclosed elsewhere in these financial statements, are as follows:

|  |        | 2005              |                    |         | 2004              |                    |        |
|--|--------|-------------------|--------------------|---------|-------------------|--------------------|--------|
|  |        | Steel<br>division | Cotton<br>division | Total   | Steel<br>division | Cotton<br>division | Total  |
|  |        | (Rupees in '000)  |                    |         |                   |                    |        |
| Insurance premium paid                               |        | 373               | 620                | 993     | 7,325             | 2,290              | 9,615  |
| Donations  | 31.4   | 11,930            | 4,775              | 16,705  | 6,234             | 3,333              | 9,567  |
| Sale of pipes / yarn                                 |        | 12,261            | 94,127             | 106,388 | 5,401             | 74,705             | 80,106 |
| Purchase of fixed<br>assets / office<br>premises     |        | –                 | 18,850             | 18,850  | 26,062            | –                  | 26,062 |
| Contribution to<br>pension fund                      | 40.3   | 3,372             | 306                | 3,678   | 3,133             | 361                | 3,494  |
| Contribution to<br>provident fund                    |        | 4,697             | 656                | 5,353   | 2,423             | –                  | 2,423  |
| Service charges paid                                 |        | 3,052             | 1,731              | 4,783   | 4,270             | 4,586              | 8,856  |
| Financial charges<br>on Term Finance<br>Certificates |        | 76                | 58                 | 134     | –                 | –                  | –      |
| Interest to Provident Fund<br>on accumulated balance |        | –                 | 323                | 323     | –                 | 104                | 104    |
| Dividends received                                   | 33.1   | 7,671             | –                  | 7,671   | 6,476             | –                  | 6,476  |
| Return on deposits                                   |        | 2,488             | –                  | 2,488   | 777               | –                  | 777    |
| Redemption of term<br>finance certificates           |        | 3,332             | –                  | 3,332   | 1,666             | –                  | 1,666  |
| Contribution to<br>gratuity fund                     | 40.3   | 1,368             | –                  | 1,368   | 1,392             | –                  | 1,392  |
| Service charges<br>received                          |        | 318               | –                  | 318     | 391               | –                  | 391    |
| Short term placement                                 |        | 65,000            | –                  | 65,000  | –                 | –                  | –      |
| Subscription in<br>right shares                      |        | 8,818             | –                  | 8,818   | –                 | –                  | –      |
| Subscription in<br>preference shares                 | 15.2   | 29,994            | –                  | 29,994  | –                 | –                  | –      |
| Advance for Equity<br>participation                  | 20     | 3,000             | –                  | 3,000   | –                 | –                  | –      |
| Insurance commission                                 |        | –                 | –                  | –       | 494               | 157                | 651    |
| Sale of fixed assets                                 | 13.3.2 | 11,250            | –                  | 11,250  | –                 | 600                | 600    |
| Certificate of<br>Investments (CSIBL)                |        | 20,000            | –                  | 20,000  | –                 | –                  | –      |
| Musharika<br>arrangements                            | 23.3.1 | 186,000           | –                  | 186,000 | –                 | –                  | –      |

# Notes to the Financial Statements For the year ended 30 June 2005

## 44. PLANT CAPACITY AND PRODUCTION

### 44.1 Steel division

#### *Pipe plant*

The plant's installed / rated capacity for production based on single shift is 30,000 tons (2004: 30,000 tons) annually on the basis of notional pipe size of 30" dia x \_" thickness. The actual production achieved during the year was 42,099 tons (2004: 27,563 tons) line pipes of varied sizes and thickness, which is equivalent to 73,501 tons (2004: 44,412 tons) if actual production is translated to the notional pipe size of 30" diameter.

#### *Coating plant*

The coating plant has a capacity of externally shot blasting and coating of line pipes with 3 layer high / medium density polyethylene coating at a rate of 250 square meters of surface area per hour on pipe sizes ranging from 219 to 1067 mm outside dia and thickness ranging from 3 to 16 mm.

The annual capacity of the plant works out to 600,000 square meters outside surface of pipes based on notional size of 30" dia on single shift working. Coating of 175,609 meters of different dia pipes (250,717 square meters surface area) was achieved during the year (2004: 259,629 square meters surface area).

### 44.2 Cotton division

#### *Spinning unit*

The plant capacity converted to 20s count based on three shifts per day for 1,080 shifts is 6,452,874 kilograms. Actual production converted into 20s count was 6,165,830 kilograms.

44.3 The capacities of the plant were utilised to the extent of orders received.

## 45. NUMBER OF EMPLOYEES

Total number of permanent employees as at June 30, 2005 was 695 ( 2004: 713)

## 46. NON ADJUSTING EVENTS AFTER BALANCE SHEET DATE

The Board of Directors in their meeting held on 30 July 2005 have (i) proposed a final dividend of Re. 1 per share (2004: Rs. 1.5 per share) amounting to Rs. 24.3 million (2004: Rs. 33.1 million) in addition to interim dividends of Rs. 2 per share (2004: Rs. 2 per share) already



Crescent Steel &  
Allied Products Ltd.

## Notes to the Financial Statements For the year ended 30 June 2005

distributed and recorded in the financial statements, and (ii) 20% bonus shares (2004: 10% bonus shares) of Rs. 48.6 million. These financial statements do not include the effect of the proposed dividend and bonus due to change in accounting policy as explained in note 2.9.

### 47. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue in the board of directors meeting held on 30 July 2005.

### 48. COMPARATIVES

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

### 49. GENERAL

Figures have been rounded off to the nearest thousand rupees

Chairman

Chief Executive