

Notes to the Financial Statements

For the year ended 30 June 2007

1. LEGAL STATUS AND OPERATIONS

- 1.1 Crescent Steel and Allied Products Limited (the Company) was incorporated on 1 August 1983 as a public limited company in Pakistan under Companies Act 1913 (now Companies Ordinance 1984) and is quoted on all stock exchanges of Pakistan. The registered office of the Company is located at 4th floor, Crescent Standard Tower, 10-B, Block E-2, main Boulevard, Gulberg-III, Lahore.
- 1.2 The Company's steel segment is one of the down stream industries of Pakistan Steel Mills, manufacturing large diameter spiral arc welded steel line pipes at Nooriabad (District Dadu). The company has a coating facility capable of applying three layer high density polyethylene coating on steel line pipes. The coating plant commenced commercial production from 16 November 1992.
- 1.3 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. Another spinning unit CCP-II was added with 25,344 spindles in 2006. 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".

2. 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 Financial Reporting 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.

3. BASIS OF MEASUREMENT

3.1 Accounting convention

These financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are stated at fair value (refer para 6.9.4)
- investments classified as held for trading are stated at fair value (refer para 6.9.1)
- investments classified as available for sale are stated at fair value (refer para 6.9.1)
- certain assets are stated at cost plus borrowing cost (refer para 6.15)

The method used to measure fair values are discussed in respective notes.

3.2 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the Company's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand.



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4. USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 48 to these financial statements.

5. NEW ACCOUNTING STANDARDS AND IFRIC INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning on or after 1 July 2007 and are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures in the certain cases:

- IAS 1 - Presentation of Financial Statements - Amendments relating to Capital Disclosures;
- IAS 41 - Agriculture;
- IFRS 2 - Share-based Payments;
- IFRS 3 - Business Combinations;
- IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations;
- IFRS 6 - Exploration for and Evaluation of Mineral Resources;
- IFRIC 8 - Scope of IFRS 2 Share-based Payments;
- IFRIC 9 - Reassessment of Embedded Derivatives;
- IFRIC 10 - Interim Financial Reporting and Impairment;
- IFRIC 11 - Group and Treasury Share Transactions;
- IFRIC 12 - Service Concession Arrangements;
- IFRIC 13 - Customer Loyalty Programmes;

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6. SIGNIFICANT ACCOUNTING POLICIES

6.1 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost, less attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

6.2 Employee benefits

6.2.1 Compensated absences

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

6.2.2 Post retirement benefits

6.2.2.1 Defined contribution plan

Provident fund

The Company operates a provident fund scheme for its permanent employees. Equal monthly contributions are made by the Company and its employees. Obligation for contributions to the fund are recognized as an expense in profit or loss when they are due.

Cotton segment

Provision and collection from employees are made at the rate of 6.25 percent of the basic pay plus Cost of Living Allowance (COLA) of cotton division employees. A trust has been established and its approval has been obtained from Commissioner of Income Tax.

All Employees except cotton segment

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.

6.2.2.2 Defined benefit plans

Pension and gratuity fund

The company operates pension and gratuity fund schemes for its permanent management employees as per the terms of employment.

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



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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 amortized over the expected average remaining working lives of the eligible employees. Past service cost is recognized immediately to the extent that the benefits are already vested. For non-vested benefits past service costs is amortized on a straight line basis over the average period until the amended benefits become vested.

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

6.3 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.

Deferred

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

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

6.4 Provisions

A provision is recognized 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.

6.5 Trade and other payables

Liabilities for trade and other amounts payable are recognized and carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

6.6 Dividend

Dividend is recognized as a liability in the period in which it is declared.

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6.7 Property, plant and equipment and depreciation

Owned assets

Property, plant and equipment, except free hold land and capital work-in-progress are stated at cost less accumulated depreciation and impairment losses, if any. Free hold land and capital work-in-progress are stated at cost.

Subsequent cost

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

Depreciation

Depreciation is charged to income on straight line basis at the rates specified in note 16 to these financial statements. Depreciation on additions to Property, plant and equipment is charged from the month in which an item is acquired or capitalised while no depreciation is charged for the month in which the item is disposed off.

Impairment

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

Leased assets

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

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

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

Investment property

Property not held for own use or for sale in the ordinary course of business is classified as investment property. The investment properties of the Company comprise buildings and is valued using the cost method i.e. at cost less any accumulated depreciation and any identified impairments loss.

Depreciation on buildings is charged to profit on the straight line method so as to write off the depreciable amount of building over its estimated useful life. Depreciation on additions to investment property is charged from the month in which a property is acquired or capitalised while no depreciation is charged for the month in which the property is disposed off.



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The assets' residual values and useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant.

The Company assesses at each balance sheet date whether there is any indication that investment property may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future period to allocate the asset's revised carrying amount over its estimated useful life.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

6.8 Intangible assets

Intangible assets acquired by the Company are stated at cost less accumulated amortisation and impairment losses, if any.

Subsequent expenditures

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Amortization

Amortization is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. All intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Amortization on additions to Intangible assets is charged from the month in which an item is acquired or capitalised while no amortization is charged for the month in which the item is disposed off.

Impairment

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

6.9 Investments

6.9.1 Investments are being categorized as follows:

Investment at fair value through profit or loss

A non-derivative financial assets is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Investments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction cost are recognised in profit or loss when incurred.

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Investments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

Investments classified as held to maturity are recognized initially at cost, plus attributable transaction cost. Subsequent to initial recognition, these are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss account over the period of the investments on an effective yield method.

Loans and advances originated by enterprise

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

Investments in associate - Equity Method

Entities in which the Company has significant influence but not control and which are neither its subsidiaries nor joint ventures are associates and are accounted for by using the equity method of accounting.

These investments are initially recognised at cost, thereafter the carrying amount is increased or decreased to recognise the Company's share of profit or loss of associates. Share of post acquisition profit and loss of associates is accounted for in the Company's profit and loss account. Distribution received from investee reduces the carrying amount of investment. The changes in the associate's equity which are not been recognised in the associates' profit and loss account, are recognised directly in the equity of the Company.

Available for sale

Other investments not covered in any of the above categories including investments in associates in which the Company has no significant influence are classified as being available for sale and are stated at fair value, with any resultant gain or loss being recognized directly in equity. Gains or losses on available for sale investments are recognized 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 current year's profit and loss account.

All investments classified as available for sale are initially recognized at cost inclusive of transaction costs and subsequently quoted investments are marked to market using the last quoted rate at the close of the financial year. Fair value of unquoted investments is estimated based on appropriate valuation method if it is practicable to determine it.

6.9.2 Fair value of listed securities are the quoted prices on stock exchange at balance sheet date.



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6.9.3 The Company follows trade date accounting for regular way of purchase and sales of securities, except for sale and purchase of securities in future market, which are accounted for at settlement date.

6.9.4 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 unrealized gain or loss from marking to market the derivative using prevailing market rates. Derivatives with positive market values (unrealized gains) are included in other receivables and derivatives with negative market values (unrealized 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. No derivative is designated as hedging instrument by the Company.

6.10 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.

6.11 Stock in trade

Stock in trade is stated at the lower of cost and net realizable value. Cost is arrived at on a weighted average basis. Cost of work-in-process and finished goods include cost of materials and appropriate portion of production overheads. Net realizable value is the estimated selling price in the ordinary course of business less costs of completion and selling expenses. Goods-in-transit are valued at actual cost accumulated to the balance sheet date. The cost of finished goods of steel segment is measured on the specific identification method. Scrap stocks are valued at their estimated net realizable value.

6.12 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.

6.13 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.

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6.14 Revenue recognition

Revenue from sales is recognized on dispatch of goods to customers. The Company also recognizes 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 recognized on the basis of constant periodic rate of return.

Dividend income relating to post acquisition profit, if practicable to determine, is recognized when the right to receive is established i.e. the book closure date of the investee company declaring the dividend.

Gains and losses on sale of investments are accounted for when the commitment (trade date) for sale of security is made.

Unrealised gain / (losses) arising on revaluation of securities classified as 'held for trading' are included in profit and loss account in the period in which they arise. Gains / (losses) arising on the revaluation of the derivatives to the fair value are taken to profit and loss account.

Loss arising from sale and lease back transactions are recognized through profit and loss account immediately. Gain on sale and lease back transactions are treated as deferred income. The deferred income is being amortized over the respective periods of lease terms.

Rental income (net of any incentives given to lessees) from investment profit is recognised on a straight-line basis over the lease term.

6.15 Borrowing costs

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

6.16 Impairment

All Company's assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the assets' recoverable amount is estimated. Impairment losses are recognized in the profit and loss account currently.

6.17 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.



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6.18 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 recognized amount and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

6.19 Segment reporting

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. The Company's primary format for segment reporting is based on business segments.

7. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2007 (Number of shares)	2006		2007 (Rupees in '000)	2006 (Rupees in '000)
22,230,188	10,564,900	Ordinary shares of Rs. 10 each fully paid in cash	222,302	105,649
24,430,965	24,430,965	Ordinary shares of Rs. 10 each fully issued as bonus shares	244,310	244,310
<u>46,661,153</u>	<u>34,995,865</u>		<u>466,612</u>	<u>349,959</u>

7.1 During the year, the Company issued 11,665,288 ordinary shares of Rs.10 each (one new share for three outstanding shares) at a premium of Rs. 30 per share.

7.2 Ordinary shares of the Company held by associated undertakings as at year end are as follows:

	2007 (Number of shares)	2006 (Number of shares)
Crescent Jute Products Limited	139,392	139,392
Shakarganj Mills Limited	2,330,630	1,350,472

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8. LONG TERM LOAN

	2007	2006
	(Rupees in '000)	
Allied Bank Limited	448,841	450,000
Initial transaction cost	–	(1,313)
Amortization of initial transaction cost	263	154
Repayment	<u>(56,250)</u>	<u>–</u>
	392,854	448,841
Current portion	<u>(112,500)</u>	<u>(56,250)</u>
	<u>280,354</u>	<u>392,591</u>

- 8.1 The mark-up rate is 6 months KIBOR prevailing on the base rate setting date plus 1.9 percent per annum. Mark-up is payable on quarterly basis. The effective mark up charged during the year ranges from 11.6% to 12.5% (2006: 11.0% to 11.6%).

The tenor of the loan is five years. Principal is repayable on quarterly basis with one year grace period. Call option is exercisable after 18 months by the bank. The loan was disbursed on 17 December 2005.

This facility has been secured against first equitable mortgage pari passu charge on all present and future fixed assets including land and building with 25% margin.

9. REDEEMABLE CAPITAL - secured (non-participatory)

	2007	2006
	(Rupees in '000)	
Term Finance Certificates (TFCs)		
Balance as at 1 July	222,753	221,854
Transaction cost amortised	899	899
Redemption	<u>(75,000)</u>	<u>–</u>
	148,652	222,753
Current portion	<u>(75,000)</u>	<u>(75,000)</u>
Balance as at 30 June	<u>73,652</u>	<u>147,753</u>



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- 9.1 The Company issued term finance certificates for Rs.300 million in 2004. These TFCs are not listed. The Company has a call option exercisable at par, in multiples of Rs.50 million or whole with 60 days advance notice. TFCs outstanding as at year end, excluding amortization of transaction cost are as follows:

	2007	2006
	(Rupees in '000)	
Commercial Banks	107,500	161,250
Financial Institution	<u>42,500</u>	<u>63,750</u>
	<u>150,000</u>	<u>225,000</u>

9.2 Principal purpose for the use of subscription money

The TFCs were issued to carry on the business authorized by the Company's Memorandum and Articles of Association.

9.3 Redemption of TFCs

The terms of redemption are as under :

Tenor		5 years
Expected profit rate	9.3.1	Base rate plus 250 bps
Floor		None
Cap		9%
Principal redemption		Principal redemption has started from 7 July 2006 in 8 equal semi annual installments.

- 9.3.1 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.

9.4 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.

9.5 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 trustee will ensure the safeguard of interest of TFC holders and adherence to terms and conditions of the security documents.

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10. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

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:

	2007			2006		
	Not later than one year	Later than one year but not later than five years	Total	Not later than one year	Later than one year but not later than five years	Total
	(Rupees in '000)					
Minimum lease payments	5,932	–	5,932	7,203	8,332	15,535
Financial charges	(388)	–	(388)	(884)	(362)	(1,246)
	5,544	–	5,544	6,319	7,970	14,289
Current portion	(5,544)	–	(5,544)	(6,319)	–	(6,319)
	–	–	–	–	7,970	7,970

11. DEFERRED TAXATION

	2007	2006
	(Rupees in '000)	
Deferred tax credits / (debits) arising in respect of temporary taxable differences due to :		
Accelerated tax depreciation / amortisation	199,116	177,109
Finance lease arrangements	1,560	212
Provisions for stock in trade and stores and spares	(25,920)	(11,940)
Provisions for doubtful debts, advances and other receivables	(32,121)	(12,675)
Provisions for impairment in unquoted available for sale investments	(9,058)	(9,058)
Current year tax loss	(82,187)	(141,629)
Share of profit /(loss) from investments in equity accounted undertakings	13,194	(384)
	<u>64,584</u>	<u>1,635</u>



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12. TRADE AND OTHER PAYABLES

		2007	2006
(Rupees in '000)			
Trade creditors		268,047	109,033
Commission payable		2,434	1,651
Accrued liabilities	12.1	39,572	37,409
Provisions	12.2	44,631	35,642
Advances from customers		15,460	11,077
Retention money		3,808	3,809
Due to associated undertakings	12.3	12,973	12,810
Payable to provident fund		803	132
Unclaimed dividend		8,129	6,729
Sales tax payable		138	–
Workers Welfare Fund		14,849	–
Workers Profit Participation Fund		11,741	–
Withholding tax payable		352	592
Customer's security deposit		4,556	1,531
Others		7,587	9,472
		435,080	229,887

12.1 Accrued liabilities

Salaries, wages and other benefits		9,581	6,183
Accrual for 10C bonus		662	593
Leave encashment		6,180	4,629
Accruals		23,149	26,004
		39,572	37,409

12.2 Movement of provisions

	Infrastructure fee	Sales Tax	Liquidated damages	Total
(Rupees in '000)				
(Note 12.2.1) (Note 12.2.2) (Note 12.3.3)				
Opening balance 1 July 2006	26,400	3,242	6,000	35,642
Provision for the year	5,900	–	3,089	8,989
Closing balance 30 June 2007	32,300	3,242	9,089	44,631

12.2.1 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. 36.0 million (2006: 26.4 million) in favour of Excise and Taxation Department. However, the Company is contesting this issue in High Court. Current year charge has been calculated on the value of imports during the year.

12.2.2 These have been made against sales tax claims long outstanding with the sales tax department.

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12.2.3 The provision has been made on account of liquidated damages claimed by a customer on delayed supply of goods. 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.

12.3 This represents expenses incurred by associated undertakings on behalf of the Company and insurance premium payable to associated undertaking.

13. INTEREST AND MARK-UP ACCRUED

	2007	2006
	(Rupees in '000)	
- on Long-Term Loan	2,490	2,706
- on Term Finance Certificates	6,436	9,653
- on Running Finance and short term loans	7,184	7,845
- on Leases	40	68
	<u>16,150</u>	<u>20,272</u>

14. SHORT-TERM BORROWINGS

Secured From Banking Companies

Running finances under mark-up arrangements

Standard Chartered Bank (Pakistan) Limited	14.1	10,724	89,920
Allied Bank Limited	14.2	-	29,812
MCB Bank Limited	14.3	-	49,642

Short-term loans / Murabaha

Allied Bank Limited	14.2	150,000	320,000
MCB Bank Limited	14.3	-	250,000
Meezan Bank Limited - Murabaha	14.4	272,075	-
		<u>432,799</u>	<u>739,374</u>

14.1 Standard Chartered Bank (Pakistan) Limited

The facilities for running finance available amount to Rs. 325 million (2006: Rs. 325 million). The rate of mark-up is 3 months KIBOR (Ask) plus 1.75 percent with a floor of 9 percent per annum (2006: 9.0 percent per annum). The mark-up is payable quarterly.

The facility for opening letters of credit and guarantees as at 30 June 2007 amounts to Rs. 600 million (2006: Rs. 600 million).

The facility for purchase or discounting of clean or discrepant export bills as at 30 June 2007 amounts to Rs. 25 million (2006: Rs. 25 million).



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The above facilities are secured against pledge on stocks of raw cotton with 25% margin to the extent of Rs.400 million, pledge on shares of public limited companies acceptable to the bank with 30% to 50% margins and first pari passu charge on the stocks and book debts of the company for Rs. 600 million, lien over import documents and lien over export L/C.

14.2 Allied Bank Limited

The Company has obtained short-term running finance facility interchangeable with demand finance money market transaction amounting to Rs. 350 million (2006: Rs. 350 million). The mark-up rate for running finance facility is three months KIBOR on the last working day of the previous quarter plus 2 percent per annum. Mark-up on demand finance - money market transaction is one month KIBOR (Ask) plus one percent. Mark-up is payable on quarterly basis. This facility will remain valid till 31 December 2007.

The company has obtained facility for opening letter of credit and guarantees as at 30 June 2007 amounting to Rs. 400 million (2006 : Rs. 400 million) however, the facility is unavailed as at 30 June 2007.

The running finance facility has been secured against first pari passu charge on the current assets with existing charge holders with 25% margin on the facility amount.

The facility for letter of credit is secured against lien over import documents and accepted bills of exchange / trust receipt.

14.3 MCB Bank Limited

The Company has availed the facilities for running and demand finance amounting to Rs. 50 million and Rs. 250 million respectively (2006 :Rs.250 million). The mark-up rate is 1 month KIBOR plus 1.5 percent for running finance facility and 1 month KIBOR plus 2 percent for demand finance facility. These facilities will remain valid till 30 September 2007.

The facility for opening letters of credit and guarantees as at 30 June 2007 amounted to Rs. 950 million (2006: Rs. 400 million) and is secured against lien over import documents.

The demand finance term loan is 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 30% to 50% margin.

The facility for running finance is secured against first pari passu hypothecation charge for Rs. 316.67 million over present and future stocks and book debts and plant and machinery, pledge of shares of first class companies, pledge of stocks of local cotton / cotton bales imported, man-made fibre and yarn with 15% margin.

14.4 Meezan Bank Limited

The facility for Istijrar (Master Murabaha Facility) amounted to Rs.320 million (2006: Rs. 325 million). The rate of mark-up is to be agreed for each sub-morabaha (KIBOR based).

The facility for opening letter of credit and guarantees as at 30 June 2007 amounted to Rs. 580 million (2006 : Rs. 500 million).

These facilities are secured against first pari passu charge over stocks and book debts of the Company with 25% margin on the facility amount.

Notes to the Financial Statements

For the year ended 30 June 2007

15. CONTINGENCIES AND COMMITMENTS

- 15.1 The Ministry of Labour, Manpower and Overseas Pakistani's Division (the Ministry) in response to an application for establishment of separate fund for cotton segment 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 the legal counsel, is confident of favourable outcome. Thus, no provision has been made for the aforementioned amount in these financial statements.
- 15.2 The Company has filed a suit in the Sindh High Court against Federation of Pakistan and others, for levy of import licence fee at 6% against import of coating plant in 1992. The Company contested that as per SRO 1317 (1)/94 dated 22 December 1990, being located in rural area, is only liable to pay 2 % of import licence fee. The company has provided bank guarantee of Rs. 3.42 million as directed by the Honourable Court. The petition was dismissed by High Court as having been incompetently filed. The Company has filed the appeal with Honourable Supreme Court, which has been admitted for hearing. No provision has been made in the financial statements as management considers that the case would be decided in Company's favour.
- 15.3 Sindh Industrial Trade Estate (SITE) has cancelled allotment of plot A-26 and A-27 and charged non-utilization 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 the case would be decided in Company's favour and no provision is required.
- 15.4 Aggregate amount of guarantees given by the banks on behalf of the Company in respect of the performance of various contracts aggregated Rs. 470.68 million (2006: Rs. 341.30 million).
- 15.5 The Company filed a suit in the High Court of Sindh for recovery of retention money amounting to Rs. 3.27 million (2006: Rs. 3.27 million) from Indus Steel Pipes Limited against supply of pipes. The High Court has decided the case in the Company's favour, however, the Company has not filed any execution petition for the recovery of said amount.
- 15.6 Commitments in respect of capital expenditure contracted for as at 30 June 2007 amounted to Rs. 3.11 million (2006: Rs. 39.60 million).
- 15.7 Commitments under letters of credit as at 30 June 2007 amounted to Rs. 242.87 million (2006: Rs. 106.33 million).
- 15.8 Commitment in respect of capital expenditure to be incurred on leasehold land, which has been provisionally allotted to the Company in the Downstream Industrial Estate of Pakistan Steel, Bin Qasim amounting to Rs.24.2 million (2006 : Rs.nil). Further, the Company has booked a office premises in Islamabad. The amount of Rs.30.85 million is payable over the period of six years in 24 quarterly installments.
- 15.9 Commitments in respect of future purchase of shares amounting to Rs. 5.33 million (2006: Rs. 15.29 million).



Crescent Steel &
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Notes to the Financial Statements

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16. PROPERTY, PLANT AND EQUIPMENT

		2007	2006
		(Rupees in '000)	
Operating fixed assets	16.1	1,236,790	1,128,378
Capital work in progress	16.4	69,851	252,732
		1,306,641	1,381,110

16.1 Operating fixed assets

Description	Land		Buildings		Office premises
	Freehold	Leasehold including improvement	On freehold Land	On Leasehold Land	
(Rupees in '000)					
Net carrying value as at 1 July 2006					
Opening net book value (NBV)	60,906	6,886	25,509	15,175	18,416
Additions / transfer	16.1.1	8,336	-	202,281	-
Disposals / transfer (at NBV)	16.5	-	-	-	-
Depreciation charge		(82)	(17,000)	(2,541)	(2,681)
Balance as at 30 June 2007 (NBV)		69,242	6,804	210,790	12,634
Gross carrying value as at 30 June 2007					
Cost		69,242	8,160	243,373	69,007
Accumulated depreciation		-	(1,356)	(32,583)	(56,373)
Net book value		69,242	6,804	210,790	12,634
Net carrying value as at 1 July 2005					
Opening net book value (NBV)		12,067	6,970	28,853	18,625
Additions / transfer		48,839	-	724	-
Disposals / transfer (at NBV)		-	-	-	-
Adjustments (at NBV)		-	-	-	-
Depreciation charge		-	(84)	(4,068)	(3,450)
Balance as at 30 June 2006 (NBV)		60,906	6,886	25,509	15,175
Gross carrying value as at 30 June 2006					
Cost		60,906	8,160	41,092	69,007
Accumulated depreciation		-	(1,274)	(15,583)	(53,832)
Net book value		60,906	6,886	25,509	15,175
Depreciation rate % per annum		-	1	-	5
					10

Notes to the Financial Statements

For the year ended 30 June 2007

Plant and Machinery		Electrical / Office equipment and Installation	Furniture and fittings	Computers	Motor vehicles		TOTAL
Owned	Lease				Owned	Leases	
(Rupees in '000)							
934,651	12,000	9,382	1,772	26,186	14,600	2,895	1,128,378
55,028	–	7,049	512	1,015	10,210	(2,413)	282,018
–	–	–	(4)	–	(958)	–	(962)
(128,554)	(2,000)	(2,530)	(495)	(9,319)	(6,960)	(482)	(172,644)
861,125	10,000	13,901	1,785	17,882	16,892	–	1,236,790
1,552,343	20,000	29,809	14,285	40,872	47,320	–	2,134,844
(691,218)	(10,000)	(15,908)	(12,500)	(22,990)	(30,428)	–	(898,054)
861,125	10,000	13,901	1,785	17,882	16,892	–	1,236,790
275,877	32,000	6,352	2,506	1,927	16,130	5,910	428,887
729,964	(18,000)	3,774	314	26,720	5,854	–	798,189
–	–	–	–	(14)	(1,165)	–	(1,179)
(81)	–	1,259	(241)	(1,060)	–	–	(123)
(71,109)	(2,000)	(2,003)	(807)	(1,387)	(6,219)	(3,015)	(97,396)
934,651	12,000	9,382	1,772	26,186	14,600	2,895	1,128,378
1,497,315	20,000	22,760	13,802	39,857	37,944	11,940	1,863,216
(562,664)	(8,000)	(13,378)	(12,030)	(13,671)	(23,344)	(9,045)	(734,838)
934,651	12,000	9,382	1,772	26,186	14,600	2,895	1,128,378
5 - 20	10	5 & 20	10	33.33	20	20 & 33.33	



Notes to the Financial Statements

For the year ended 30 June 2007

16.1.1 Addition to freehold land represents land measuring 1.976 acres (71,150 square feet) provisionally allotted to the Company in Woven Garment Zone Value Addition City by Faisalabad Industrial Estate Development Management Company (FIEDMC), which is owned by the Government of Punjab. Final sale deed execution in Company's name is subject to certain conditions which include installation of industrial unit and obtaining completion certificate from FIEDMC.

16.2 The depreciation charge for the year has been allocated as follows:

		2007	2006
		(Rupees in '000)	
Cost of sales	31.1	156,402	86,104
Distribution and selling costs	33	382	306
Administrative expense	34	15,860	10,986
		<u>172,644</u>	<u>97,396</u>

16.3 Net book value of plant and machinery includes book value of Rs. 2.08 million (2006: 2.62 million) of capitalised spares.

16.4 CAPITAL WORK-IN-PROGRESS

		2007	2006
		(Rupees in '000)	
Plant and machinery		3,600	17,877
Civil work	16.4.1	66,251	234,855
		<u>69,851</u>	<u>252,732</u>

16.4.1 This represents office premises, apartment and warehouse which are in the process of construction. The transfer of legal title of office premises in the name of Company is in process.

Notes to the Financial Statements

For the year ended 30 June 2007

16.5 The following assets were disposed off during the year:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particular of buyers
(Rupees in '000)						
Furniture and fixtures	28	25	3	–	Demolished	–
Motor vehicles	609	244	365	487	Company Scheme	Mr. Farrukh Hussain (ex-employee)
	345	345	–	450	Negotiation	Anjum Motors, Karachi
	380	158	222	300	Company Scheme	Mr. Misbah-u-din (ex-employee)
	504	504	–	175	Company Scheme	Mr. Hafiz ur Rehman (ex-employee)
	64	15	49	51	Company Scheme	Mr. Fayaz Ahmed (ex-employee)
	555	518	37	366	Negotiation	Mr. Sultan, Karachi.
	1,378	1,378	–	375	Negotiation	Mr. Mir Ansar, Karachi.
	447	253	194	291	Company Scheme	Mr. Jamal Hamid (ex-employee)
	1,230	1,210	20	425	Negotiation	Anjum Motors, Karachi
	4,849	4,777	72	1,649	Company Scheme	Various
	<u>10,389</u>	<u>9,427</u>	<u>962</u>	<u>4,569</u>		
Office Premises (Capital work in progress)-note 16.5.1	27,770	–	27,770	122,850	Negotiation	JS Finance Limited, Karachi.
2007	<u>38,159</u>	<u>9,427</u>	<u>28,732</u>	<u>127,419</u>		
2006	<u>3,981</u>	<u>2,802</u>	<u>1,179</u>	<u>2,125</u>		

16.5.1 This represents office premises in Dolmen City Executive Tower, KDA Scheme-5, Clifton, Karachi.



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17. INTANGIBLE ASSETS

		2007	2006
(Rupees in '000)			
Net carrying value as at 1 July			
Net book value at 1 July		1,106	4,989
Additions (at cost)		194	802
Amortization	17.1	(797)	(2,045)
Impairment charge	17.1	–	(2,640)
Net book value at 30 June		503	1,106
Gross carrying value at 30 June			
Cost		11,116	10,922
Accumulated amortization		(10,613)	(9,816)
Net book value		503	1,106

17.1 The amortization charge and impairment loss for the year has been allocated as follows:

Cost of sales	31.1	343	573
Administrative expenses	34	454	1,472
Other operating expenses	35	–	2,640
		797	4,685

18. LONG - TERM INVESTMENTS

Related Parties

Investment in equity accounted undertakings	18.1	1,027,316	400,313
Held to maturity	18.2	29,994	29,994
Available for sale	18.3	–	–

Others

Available for sale	18.4	175,435	28,073
Held to maturity	18.5	26,801	26,811
		1,259,546	485,191

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Investments in Related Parties

18.1 Investments in equity accounted undertakings

The following associates, over which the Company has significant influence either due to representation on investee Company's board or percentage of holding of voting power or both, are accounted for using equity method of accounting as defined in IAS-28 "Investments in Associates".

2007 (Number of shares)	2006		2007 (Rupees in '000)	2006
		Quoted		
60,475,416	10,423,875	Altern Energy Limited 18.1.1 (Chief Executive Officer - Sheikh Muhammad Iqbal)	701,006	96,603
6,193,082	3,881,081	Shakarganj Mills Limited (Chief Executive Officer - Mr. Ahsan M. Saleem)	294,144	259,169
–	983,490	Crescent Leasing Corporation 18.1.3 Limited (Chief Executive Officer - Mr. Shahnawaz Rizvi)	–	13,837
			995,150	369,609
		Unquoted		
352,625	227,500	Central Depository Company of Pakistan Limited (Chief Executive Officer - Mr. Mohammad Hanif Jakhura)	32,166	30,704
			1,027,316	400,313

18.1.1 During the year, the Company sold 9,070,258 shares of Altern Energy Limited (AEL) to Descon Engineering Limited through an agreement dated 28 August 2006. This resulted in change in Company's shareholding in AEL from 47.17% to 6.12%. Subsequently, the Company acquired 23,158,312 shares through part subscription to the right issue offered by AEL, 20,681,269 shares from other shareholder of AEL and 15,282,218 shares through underwriting arrangement. As a result of these transactions, the shareholding of the Company increased from 6.12% to 17.65%. For the purpose of equity accounting as required under IAS - 28 "Investment in Associates" it has been treated as associate due to Company's representation on the board of directors of investee company.

18.1.2 During the year, the Company reassessed its relationship with all associated undertakings and as a result, it no longer accounts for its investment in Crescent Commercial Bank Limited on equity method as this company does not fall within the scope of the IAS 28 'Investments in Associates'. Consequently, in line with the Company's accounting policy, this investments has been designated as "available for sale" and measured at fair value from the date Company ceased to have significant influence as per the requirements of IAS28.



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Notes to the Financial Statements

For the year ended 30 June 2007

18.1.3 During the year, Company sold the shares of Crescent Leasing Corporation Limited to Al-Zamin Leasing Modaraba.

18.1.4 The above figures are based on unaudited condensed financial statements of these companies upto the period ended 31 March 2007.

18.1.5 Market value of investments in associates are as follows:

	2007	2006
	(Rupees in '000)	
Quoted		
Altern Energy Limited	1,058,320	80,785
Shakarganj Mills Limited	315,847	106,730
	<u>1,374,167</u>	<u>187,515</u>
Unquoted		
Central Depository Company of Pakistan Limited **	18,134	15,274
	<u>1,392,301</u>	<u>202,789</u>

** Break-up value of share is based on latest available unaudited condensed financial statement for nine months period ended 31 March 2007.

18.1.6 Percentage holding of equity investments in associates are as follows:

	2006	%	2005
Quoted			
Altern Energy Limited	17.65		47.17
Shakarganj Mills Limited	10.69		7.50
Unquoted			
Central Depository Company of Pakistan Limited	1.75		1.75

Notes to the Financial Statements

For the year ended 30 June 2007

18.1.7 Summarised financial information of associated companies as at 31 March 2007 where there is significant influence is as follow:

Name of investee company		Total Assets	Total Liabilities	Revenue	Profit / (loss)
		(Rupees in '000)			
2007					
Altern Energy Limited	18.1.7.1	27,668,509	21,226,633	5,175,902	1,137,437
Shakarganj Mills Limited	18.1.7.2	12,783,052	9,564,228	3,413,231	(31,284)
Central Depository Company of Pakistan Limited		1,275,547	239,319	–	183,825
2006					
Altern Energy Limited		650,426	598,749	–	(65,298)
Shakarganj Mills Limited		12,346,974	8,979,149	3,996,077	179,664
Central Depository Company of Pakistan Limited		1,093,921	220,980	648,978	270,306

18.1.1 These figures are based on the latest available summarised consolidated condensed interim financial statement as at 31 March 2007 including its subsidiary company (Rousch Pakistan Limited).

18.1.2 These figures are based on the latest available summarised consolidated condensed interim financial statement as at 31 March 2007 including its wholly owned subsidiary company (Shakarganj Foods Products Limited).

18.2 Held to maturity

This represents 2,999,400 Preference shares of Rs. 10 each of Shakarganj Mills Limited issued in October 2004. These shares carry dividend rate of 8.5% per annum payable annually. The preference shares will be redeemed after five years from the date of issue.

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



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18.3 Available-for-sale

2007	2006		2007	2006
(Number of shares)			(Rupees in '000)	
		Unquoted		
2,403,725	2,403,725	Crescent Bahuman Limited 18.3.1	24,037	24,037
1,047,000	1,047,000	Crescent Industrial Chemicals Limited 18.3.2	10,470	10,470
			34,507	34,507
		Provision for impairment loss	(34,507)	(34,507)
			-	-
2	2	Crescent Continental Gas Pipelines Limited (US \$ 1 each) 18.3.3	-	-
			-	-

18.3.1 The chief executive of Crescent Bahuman Limited is Mr. Nasir Shafi. The company's break up value of shares could not be ascertained as the latest financial statements of the company are not available.

18.3.2 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.

18.3.3 The investment in a subsidiary is Rs. 90 only. The subsidiary company has not commenced operation and accordingly no financial statements have been prepared.

Other

18.4 Available-for-sale

2007	2006		2007	2006
(Number of shares)			(Rupees in '000)	
		Quoted		
7,814,456	9,103,956	Crescent Commercial Bank Limited 18.1.2	175,435	28,073
			175,435	28,073

Notes to the Financial Statements

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18.5 Held to maturity

		2007	2006
		(Rupees in '000)	
Redeemable Capital - Term Finance Certificates (TFCs)	18.5.1	24,965	24,975
Maple Leaf Cement Limited (Preference Shares)	18.5.2	1,836	1,836
		<u>26,801</u>	<u>26,811</u>

18.5.1 Redeemable capital - Term Finance Certificates (TFCs)

United Bank Limited (5,000 TFCs of Rs. 5,000 each)	18.5.3	24,975	24,985
Current maturity shown under current assets		(10)	(10)
		<u>24,965</u>	<u>24,975</u>

18.5.2 Preference shares have a face value of Rs. 10 each and carry dividend rate of 9.75% per annum. These preference shares will mature after five years from the date of issuance i.e. 14 December 2004.

18.5.3 This represents investments in Term Finance Certificate issued on 10 February 2004 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.

19. LONG-TERM DEPOSITS AND PREPAYMENTS

		2007	2006
		(Rupees in '000)	
Lease deposits		-	1,724
Security deposits		2,988	2,207
Prepayments		1,579	1,817
		<u>4,567</u>	<u>5,748</u>

20. STORES, SPARES AND LOOSE TOOLS

Stores - steel segment		8,724	5,523
Spare parts - steel segment	20.1	21,086	21,218
Loose tools - steel segment		634	519
Stores and spares - cotton segment	20.2	<u>30,566</u>	<u>20,351</u>
		61,010	47,611
Provision for slow moving items	20.3	(12,161)	(11,269)
		<u>48,849</u>	<u>36,342</u>



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20.1 This includes items in-transit as at 30 June 2007 of Rs. 1.56 million (2006: Rs. 3.31 million).

20.2 This includes items in-transit as at 30 June 2007 of Rs.2.98 million (2006: Rs. 0.3 million).

20.3 Movement of provision for slow moving items

	2007 (Rupees in '000)	2006
Opening balance	11,269	9,082
Provision made during the year	892	2,187
Closing balance	<u>12,161</u>	<u>11,269</u>

21. STOCK-IN-TRADE

Raw materials			
Hot rolled steel coils (HR Coil)		199,872	132,423
Coating materials		101,919	19,076
Others - pipe plant		15,332	11,985
Raw cotton	21.1	138,547	178,665
Stock-in-transit	21.2	<u>78,645</u>	<u>48,824</u>
		534,315	390,973
Provision for slow-moving and obsolescence			
Hot rolled steel coils	21.3	(11,010)	-
Coating materials	21.3	(84)	(84)
Others	21.3	(191)	(191)
		<u>(11,285)</u>	<u>(275)</u>
		523,030	390,698
Work-in-process	31.1	43,482	10,290
Finished goods	31.1	90,290	66,325
Scrap / cotton waste		3,177	1,464
Provision for slow-moving and obsolescence finished goods	21.4	<u>(26,527)</u>	<u>(258)</u>
		110,422	77,821
		<u>633,452</u>	<u>468,519</u>

21.1 This includes raw cotton amounting to Rs.62 million (2006: Rs. 141.73 million) pledged as security with a financial institution.

21.2 This includes raw cotton amounting to Rs. 44.522 million (2006: Rs. nil).

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For the year ended 30 June 2007

21.3 Movements of provision for slow-moving and obsolescence of raw material

	2007			2006		
	H.R Coil	Coating / Others	Total	H.R Coil	Coating / Others	Total
	(Rupees in '000)					
Opening balance	-	275	275	-	284	284
Provision / (reversal) during the year	11,010	-	11,010	-	(9)	(9)
Closing balance	<u>11,010</u>	<u>275</u>	<u>11,285</u>	<u>-</u>	<u>275</u>	<u>275</u>

21.4 Movements of provision for slow-moving and obsolescence of finished goods

	2007	2006
	(Rupees in '000)	
Opening balance	258	5,490
Provision / (reversal) made during the year	26,269	(5,232)
Closing balance	<u>26,527</u>	<u>258</u>

22. TRADE DEBTS

Secured

Considered good	142,543	16,006
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Unsecured

Considered good	22.1	38,865	59,141
Considered doubtful		155	151
Provision for doubtful trade debts		(155)	(151)
		38,865	59,141
		<u>181,408</u>	<u>75,147</u>

22.1 This includes amount due from an associated undertaking of Rs.0.30 million (2006: Rs. 1.59 million).



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23. ADVANCES

		2007	2006
		(Rupees in '000)	
Considered good			
Advances to staff		628	104
Advances to others		–	12,114
Suppliers for goods and services		7,491	3,954
Related parties			
Advances against shares	23.1&23.2	75,000	205,153
Considered doubtful			
Advances to others		3,000	3,000
Provision for doubtful advances to others		(3,000)	(3,000)
		–	–
Suppliers for goods and services		290	321
Provision for doubtful advances	23.3	(290)	(321)
		–	–
		<u>83,119</u>	<u>221,325</u>

23.1 During the year, Company made an advance amounting to Rs. 15 million to Safeway Fund Limited, a related party against which shares will be issued, subject to regulatory approval.

23.2 The Company has entered into a pre-IPO agreement with Shahkarganj Foods Products Limited, a wholly owned subsidiary of Shahkarganj Mills Limited, on 18 February 2007 for subscription of 6 million ordinary shares amounting to Rs. 60 million. This has been approved in the Extraordinary General Meeting held on 27 December 2006.

23.3 Movement of provision for doubtful advances

		2007	2006
		(Rupees in '000)	
Opening balance		321	761
Provision reversed during the year		(31)	(440)
Closing balance		<u>290</u>	<u>321</u>

24. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Lease deposit		1,000	–
Security deposits		2,681	1,858
Prepayments		1,069	946
		<u>4,750</u>	<u>2,804</u>

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25. INVESTMENTS

		2007 (Rupees in '000)	2006
Related parties			
Held to maturity	25.1	42,000	85,313
Available for sale	25.2	28,377	8,262
		70,377	93,575
Others			
Available for sale	25.3	248,565	302,747
Held for trading	25.4	721,977	431,028
		970,542	733,775
		<u>1,040,919</u>	<u>827,350</u>

Investment in related parties

25.1 Held to maturity

Musharika Arrangements - Crescent Standard Modaraba

Opening balance as at 1 July	85,313	212,000
Realised during the year	-	(126,687)
Impairment made during the year	(40,000)	-
Write off during the year	(3,313)	-
Closing balance as at 30 June	<u>42,000</u>	<u>85,313</u>

This represents investment under Musharika arrangement with Crescent Standard Modaraba on profit and loss sharing basis.

25.2 Available for sale - Related Parties

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

2007 (Number of shares)	2006	Name of investee company	2007 (Rupees in '000)	2006
		Quoted		
411,254	373,868	Crescent Textile Mills Limited	28,377	8,262
91,300	91,300	Crescent Jute Products Limited 25.2.1	-	-
			<u>28,377</u>	<u>8,262</u>



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25.2.1 Investments in Crescent Jute Products Limited is carried at their break up value, which is Rs. nil per share, as this company is on the defaulters counter of Karachi Stock Exchange. The break up value has been calculated on the basis of the financial statements for the period ended 31 December 2004.

25.3 Available for sale - Others

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

2007 (Number of shares/units)	2006	Name of investee company	2007 (Rupees in '000)	2006
Quoted				
6,435,000	–	Asian Stock Fund	30,245	–
34,500	50,000	Cherat Cement Limited	1,949	3,250
399,225	399,225	Crescent Standard Investment Bank Limited	–	1,657
192,391	192,391	Fauji Fertilizer Company Limited	23,327	23,279
185,000	190,000	Hub Power Company Limited	6,790	4,370
26,490	26,490	Jubilee Spinning and Weaving Mills Limited	–	–
8,993	7,820	National Bank of Pakistan	2,356	1,685
38,000	33,633	National Investment Trust *	2,343	1,626
1,900	10,500	Nestle Milkpak Limited	2,936	11,577
–	206,045	Nishat Chunian Mills Limited	–	9,169
5,295	81,703	Packages Limited	1,689	17,105
95,090	139,540	Pakistan Oilfields Company Limited	30,144	46,718
3,346,000	3,346,000	Pakistan Strategic Allocation Fund	35,133	35,635
245,311	286,874	PICIC Growth Fund	8,292	9,065
175,000	300,000	PICIC Investment Fund	2,669	4,380
–	359,993	Pakistan Industrial Credit and Investment Corporation Limited	–	15,300
6,299,784	4,872,285	Safeway Mutual Fund	75,597	65,776
4,600	5,300	Siemens (Pakistan) Engineering Company Limited	7,981	6,254
8	8	Sui Northern Gas Pipelines Limited	1	1
156,771	115,620	The Pakistan Stock Market Fund *	17,113	13,163
–	195,300	Tripack Films Limited	–	10,165
–	11,880	Unilever Pakistan Limited **	–	22,572
			248,565	302,747

* These are open ended funds.

** It has face value of Rs. 50 per share.

25.3.1 Investments in Jubilee Spinning and Weaving Mills Limited is carried at break-up value which is Rs. nil per share. The Break up value has been calculated on the basis of the audited financial statements for the year ended 30 September 2006.

Investment in Crescent Standard Investment Bank has been recorded at Rs. nil as the trading in this script has been suspended in stock exchange. Further, an administrator has been appointed by the regulator in place of Board of Directors.

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25.4 Held for trading

2007 (Number of shares/units)	2006 Quoted	Name of investee company	2007 (Rupees in '000)	2006
288,350	429,850	Al Meezan Mutual Fund Limited	4,383	6,405
38,000	–	Al Ghazi Tractors Limited**	10,830	–
10,125	17,000	Adamjee Insurance Company Limited	3,300	2,083
250,800	46,500	Agriautos Industries Limited**	24,804	3,199
15,000	–	Allied Bank Limited	2,084	–
196,665	15,000	Arif Habib Securities Limited	22,931	7,470
35,457	147,605	Askari Commercial Bank Limited	3,755	11,447
25,000	99,800	Attock Cement Pakistan Limited	3,061	9,082
10,000	10,000	Attock Petroleum Limited	5,014	3,230
80,800	185,200	Attock Refinery Limited	9,417	16,057
–	77,500	Azgard Nine Limited	–	1,709
7,000	–	Bank Al Habib Limited	466	–
40,000	–	Bank Al Falah Limited	2,604	–
60,000	75,000	Century Paper and Board Mills Limited	3,753	3,634
15,500	–	Cherat Cement Limited	876	–
270,000	270,000	Crescent Standard Investment Bank Limited 25.3.1	–	1,120
9,617	12,018	Dawood Hercules Chemicals Limited	2,682	3,551
–	490,000	Dewan Cement Limited	–	7,742
145,990	30,000	D. G. Khan Cement Company Limited	17,008	2,700
–	30,000	Dewan Farooq Motors Limited	–	698
25,000	20,000	Engro Chemicals Pakistan Limited	6,325	3,388
153,500	77,000	Fauji Cement Company Limited	3,024	1,478
173,625	458,326	Fauji Fertilizer Company Limited	21,053	55,457
–	69,420	Faysal Bank Limited	–	4,269
20,000	20,000	First Habib Bank Modaraba	198	186
305,000	–	Fauji Fertilizer Bin Qasim Limited	11,895	–
30,500	–	Ghandhara Nissan Limited	1,281	–
150,000	150,000	Golden Arrow Selected Stock Fund	1,245	1,080
600,000	1,829,000	Hub Power Company Limited	22,020	42,067
148,700	38,600	Indus Motors Company Limited	45,428	7,373
55,000	50,000	ICI Pakistan Limited	9,191	5,455
5,000	–	IGI Insurance Limited	2,000	–
20,000	52,050	Javed Omer Vohra & Company Limited	4,670	2,397
100,000	–	Kohat Cement Company Limited	5,450	–
575,000	371,000	Kohinoor Energy Limited	21,563	9,590
387	398,100	Kohinoor Textile Mills Limited	10	12,640
243,700	670,200	Kot Addu Power Co Limited	14,659	28,215
–	55,000	Lucky Cement Limited	–	5,695
1,250	240,000	Maple Leaf Cement Factory Limited	31	6,144
1,685,000	1,685,000	Meezan Balance Fund	17,271	16,934
100,000	–	Meezan Bank Limited	3,200	–
–	30,000	MCB Bank Limited	–	6,309



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2007 (Number of shares/units)	2006 Quoted	Name of investee company	2007 (Rupees in '000)	2006
–	40,000	New Jubilee Insurance Company Limited	–	880
37,219	–	National Bank of Pakistan	9,751	–
235,547	–	National Investment Trust *	14,521	–
44,000	–	National Refinery Limited	15,004	–
40,000	–	New Jubilee Life Insurance Limited	2,010	–
188,500	–	NIB Bank Limited (R)	1,725	–
40,000	–	Nishat Mills Limited	5,219	–
340,000	50,000	Oil & Gas Development Corporation Limited	40,731	6,838
28,900	30,750	Packages Limited	9,221	6,438
25,000	182,800	Pakistan Industrial Credit and Investment Corporation Ltd	2,053	7,769
		25.4.1		
35,000	20,750	Pakistan Oil Fields Limited	11,095	6,947
92,000	92,000	Pakistan Strategic Allocation Fund	966	980
150,000	50,000	Pakistan Telecommunication Company Limited	8,550	2,030
780,000	600,000	Pakistan Capital Market Fund	11,372	8,658
200,000	–	Pakistan National Shipping Corporation	18,800	–
165,500	36,000	Pakistan Petroleum Limited	43,434	7,626
288,007	178,008	Pakistan Premier Fund Limited	4,320	2,537
–	5,000	Pakistan Refinery Limited	–	1,069
275,800	10,000	Pakistan Reinsurance Company Limited	61,489	1,232
–	31,000	Pakistan State Oil Company Limited	–	9,579
190,575	128,250	Pak Suzuki Motor Company Limited	74,704	40,142
50,000	–	PICIC Commercial Bank Limited	2,200	–
530,000	–	PICIC Energy Fund	3,975	–
390,577	–	PICIC Insurance Limited	19,587	–
–	143,437	PICIC Growth Fund	–	4,533
–	17,000	Shell Pakistan Limited	–	8,184
100,200	–	Soneri Bank Limited	5,656	–
–	406,000	Sui Southern Gas Company Limited	–	11,733
30,500	–	Sui Northern Gas Pipelines Limited	2,158	–
–	50,000	Telecard Limited	–	567
161,600	–	Thal Limited**	45,085	–
50,000	–	The Bank of Khyber	825	–
375	107,676	The Bank of Punjab	44	8,905
–	75,362	Standard Chartered Bank (Pakistan) Limited (formerly Union Bank Limited)	–	5,577
			<u>721,977</u>	<u>431,028</u>

* These are open ended funds.

** It has face value of Rs. 50 per share.

25.4.1 Due to change in ownership / directorship during the year, Pakistan Industrial Credit and Investment Corporation Limited ceased to be related party.

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25.4.2 Held for trading investments include shares/units held with the Investment Advisor of the Company. During the year the Company entered into an investment advisory agreement (the agreement) with BMA Capital Management Limited (Investment Advisor - IA) with an initial investment amounting to Rs. 60 million. The agreement sets out the framework for investment taken by IA in prescribed securities in consultation with the Company's investment committee. Carrying amount of such investments aggregate to Rs.80.01 million as on 30 June 2007 are as follows:

2007 (Number of shares/units)	2006	Name of investee company Quoted	2007 (Rupees in '000)	2006
15,000	–	Askari Commercial Bank Limited	1,589	–
20,000	–	Attock Refinery Limited	2,331	–
40,000	–	Bank Al Falah Limited	2,604	–
10,000	–	Engro Chemicals Pakistan Limited	2,530	–
50,000	–	Fauji Fertilizer Company Limited	6,063	–
75,000	–	Fauji Fertilizer Bin Qasim Limited	2,925	–
18,000	–	Indus Motors Co Limited	5,499	–
15,000	–	ICI Pakistan Limited	2,507	–
5,000	–	IGI Insurance Limited	2,000	–
20,000	–	Javed Omer Vohra & Company Limited	4,670	–
50,000	–	Kohinoor Energy Limited	1,875	–
30,000	–	National Bank of Pakistan	7,860	–
10,000	–	National Refinery Limited	3,410	–
30,000	–	Nishat Mills Limited	3,914	–
140,000	–	Oil & Gas Development Corporation Limited	16,772	–
10,000	–	Packages Limited	3,191	–
20,000	–	Pakistan Petroleum Limited	5,249	–
18,000	–	Thal Limited	5,022	–
			<u>80,011</u>	<u>–</u>

25.5 The following investments are deposited as security with commercial banks.

Name of Investee Companies

Altern Energy Limited	1,058,320	–
Al Ghazi Tractors Limited	10,830	–
Al Meezan Mutual Fund Limited	4,560	–
Attock Cement Pakistan Limited	–	4,550
Agriauto Industries Limited	24,429	–
Askari Commercial Bank Limited	–	7,755
Arif Habib Securities Limited	8,745	4,980
Adamjee Insurance Company Limited	3,260	–
Attock Refinery Limited	8,159	13,005
Crescent Commercial Bank Limited	114,329	–
D. G. Khan Cement Limited	8,231	–
Dewan Cement Limited	–	4,740
Fauji Cement Company Limited	3,940	–



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Name of Investee Companies	2007	2006
	(Rupees in '000)	
Fauji Fertilizer Bin Qasim Limited	5,850	–
Fauji Fertilizer Company Limited	34,556	75,625
Faysal Bank Limited	–	3,075
Hub Power Company Limited	1,468	43,700
ICI Pakistan Limited	6,684	–
Indus Motors Company Limited	25,662	5,730
Kohinoor Textile Mills Limited	–	9,525
Kohinoor Energy Limited	11,250	7,755
Kot Addu Power Company Limited	6,015	27,365
Kohat Cement Company Limited	5,450	–
Meezan Balanced Fund	16,913	–
Maple Leaf Cement Company Limited	–	5,120
Nestle Pakistan Limited	2,318	5,512
National Bank of Pakistan	–	4,450
Oil and Gas Development Company Limited	17,671	4,102
Packages Limited	–	20,935
Pak Suzuki Motor Company Limited	72,520	34,430
Pakistan Capital Market Fund	8,748	–
Pakistan Industrial Credit and Investment Corporation Limited	–	14,875
Pakistan National Shipping Corporation	18,800	–
Pakistan Oil Fields Limited	29,640	46,872
Pakistan Petroleum Limited	35,195	5,296
Pakistan Premier Fund Limited	2,250	–
Pakistan State Oil Company Limited	–	6,798
Pakistan Strategic Allocation Fund	34,130	–
Pakistan Telecommunication Company Limited	2,394	–
PICIC Growth Fund	7,997	9,480
PICIC Investment Fund	2,669	4,380
Soneri Bank Limited	5,645	–
Sui Southern Company Limited	–	8,670
Siemens Pakistan Engineering Company Limited	7,808	3,540
Shakarganj Mills Limited	–	2,750
Shell Pakistan Limited	–	7,221
Standard Chartered Bank (Pakistan) Limited (Formerly Union Bank Limited)	–	5,550
Tripack Films Limited	–	9,108
The Bank of Punjab	583	4,135
Thal Limited	34,945	–
Unilever Pakistan Limited	–	30,210
	<u>1,641,964</u>	<u>441,239</u>

Notes to the Financial Statements

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26. MARK-UP ACCRUED

	2007	2006
	(Rupees in '000)	
Considered doubtful Related party Profit accrued on:		
- Musharika arrangement / deposits	4,936	6,338
Provision thereagainst	(4,936)	–
	–	6,338
Considered good - others	2,476	2,442
	<u>2,476</u>	<u>8,780</u>

27. OTHER RECEIVABLES

Dividend receivable		1,988	3,319
Receivable on account of sale of shares		–	113,444
Claim receivable		2,489	719
Due from Related Parties	27.1	926	682
Sales tax refundable		67,024	46,365
Provision thereagainst		(4,346)	(4,346)
		62,678	42,019
Margin on letters of credit and guarantee		–	1,095
Provision thereagainst		–	(1,095)
		–	–
Receivable from staff retirement funds	43.2	4,253	7,339
Others		301	1,299
		<u>72,635</u>	<u>168,821</u>

27.1 Due from associated undertakings

Crescent Textile Mills Limited		38	–
Shakarganj Mills Limited		789	583
Premier Insurance Limited		99	99
		<u>926</u>	<u>682</u>



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28. TAXATION-NET

The income tax assessments of the company have been finalized up to tax year 2006.

	2007	2006
	(Rupees in '000)	
Advance tax	350,472	345,823
Provision for taxation	(330,280)	(329,085)
	<u>20,192</u>	<u>16,738</u>

The above advance tax includes minimum tax under Section 113 of the Income Tax Ordinance, 2001, amounting to Rs.17.8 million, which has been carried as advance tax to be adjusted against tax liability of subsequent years, as provided in the said Section.

The Income Tax Appellate Tribunal (ITAT) / Commissioner of Income Tax (Appeals) has decided the appeals of the Company in respect of the assessment year 1997-1998, 2001-2002, 2002-2003, transitional year 2003, Tax year 2003 and 2004. The ITAT has vacated all the orders passed by both the lower authorities in respect of assessment years 2001-02, 2002-03 and transitional year 2003, and has made directions to the assessing officer for framing the assessments in a uniform manner with the income year ending on June 30 for each year. The Company has filed appeals against orders passed by Commissioner of Income Tax (Appeals) for assessment years 2000-2001 and 2001-2002. The appeals are pending adjudication. However, the company has made full provision there against. Further, the department has also filed appeals against orders passed by Commissioner of Income Tax (Appeals) in respect of assessment years 1997-1998, 2000-2001 and Tax year 2003. In case of adverse decisions, additional tax liability of Rs. 19.13 million may arise. However, no provision has been made in these financial statements as the management is confident for favourable outcome of these appeals.

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29. CASH AND BANK BALANCES

		2007	2006
		(Rupees in '000)	
With banks	- in deposit accounts		
	- local currency	25,538	3,295
	- foreign currency	2,705	10,712
		<u>28,243</u>	<u>14,007</u>
	- in current accounts	8,235	1,065
Cash in hand	29.1	<u>521</u>	<u>686</u>
		<u>36,999</u>	<u>15,758</u>

29.1 This includes an amount of Rs. 0.23 million which is held by investment advisor of the Company note (25.4.2)

30. SALES

		2007	2006
		(Rupees in '000)	
Bare Pipes (own product excluding coating revenue)		1,309,170	917,277
Revenue from conversion		1,254	39,511
Coating of pipes		466,613	191,469
Cotton yarn		1,341,723	678,834
Scrap / waste		86,778	36,942
- Sales returns		(20,775)	(4,774)
		<u>3,184,763</u>	<u>1,859,259</u>
- Sales tax		(234,643)	(152,127)
		<u>2,950,120</u>	<u>1,707,132</u>

31. COST OF SALES

Steel	31.1	1,174,038	902,974
Cotton	31.1	1,265,618	663,829
		<u>2,439,656</u>	<u>1,566,803</u>



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31.1 Cost of sales

	Steel Segment		Cotton Segment		Total	
	2007	2006	2007	2006	2007	2006
	(Rupees in '000)					
Raw materials consumed	1,096,669	798,706	889,002	487,769	1,985,671	1,286,475
Packing materials consumed	–	–	18,462	8,746	18,462	8,746
Store and spares consumed	25,672	18,282	21,786	14,559	47,458	32,841
Fuel, power and electricity	14,681	11,391	122,482	58,895	137,163	70,286
Salaries, wages and other benefits 31.2	42,817	34,521	75,044	41,114	117,861	75,635
Insurance	2,257	2,034	4,006	1,770	6,263	3,804
Repairs and maintenance	5,341	5,102	3,606	3,073	8,947	8,175
Depreciation 16.2	29,056	36,320	127,346	49,784	156,402	86,104
Amortization of intangible assets 17.1	–	–	343	573	343	573
Other expenses	13,108	6,806	5,135	4,658	18,243	11,464
Expenses allocated to cotton segment	(1,156)	(1,327)	–	–	(1,156)	(1,327)
Expenses allocated from steel segment	–	–	1,156	1,327	1,156	1,327
	1,228,445	911,835	1,268,368	672,268	2,496,813	1,584,103
Opening stock of work-in-process	3,545	4,021	6,745	2,979	10,290	7,000
Closing stock of work-in-process	(33,221)	(3,545)	(10,261)	(6,745)	(43,482)	(10,290)
	(29,676)	476	(3,516)	(3,766)	(33,192)	(3,290)
Cost of goods manufactured	1,198,769	912,311	1,264,852	668,502	2,463,621	1,580,813
Opening stock of finished goods	39,639	30,302	26,686	18,417	66,325	48,719
Finished goods purchased	–	–	–	3,596	–	3,596
Closing stock of finished goods	(64,370)	(39,639)	(25,920)	(26,686)	(90,290)	(66,325)
	(24,731)	(9,337)	766	(4,673)	(23,965)	(14,010)
	1,174,038	902,974	1,265,618	663,829	2,439,656	1,566,803
31.2 Detail of salaries, wages and other benefits						
Salaries, wages and other benefits	38,636	31,820	72,666	39,948	111,302	71,768
Provident fund contributions	1,254	1,115	1,559	775	2,813	1,890
Pension fund 31.3	2,520	1,292	819	391	3,339	1,683
Gratuity 31.3	407	294	–	–	407	294
	42,817	34,521	75,044	41,114	117,861	75,635

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31.3 Staff retirement benefits

	2007		2006	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	3,746	709	1,698	446
Interest cost	2,546	589	2,454	582
Expected return on plan assets	(3,241)	(954)	(2771)	(801)
Past service cost	288	63	302	67
	<u>3,339</u>	<u>407</u>	<u>1,683</u>	<u>294</u>

32. INVESTMENT INCOME

	2007	2006
	(Rupees in '000)	
Income From Financial Assets		
Return on Term Finance Certificates/ IROP bond	2,140	2,976
Dividend income	32.1 36,531	69,598
Gain on sale of investments		
- Available-for-sale	132,355	69,146
- Held for trading	105,852	164,378
Unrealized gain on held for trading investments	134,479	26,424
Income From Related Parties		
Provision written back on investment	45	368
	<u>411,402</u>	<u>332,890</u>

32.1 Dividend income

From Related Parties

Shakarganj Mills Limited	2,549	2,549
Crescent Textile Mills Limited	–	374
	<u>2,549</u>	<u>2,923</u>
Others		
	<u>33,982</u>	<u>66,675</u>
	<u>36,531</u>	<u>69,598</u>



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33. DISTRIBUTION AND SELLING EXPENSES

	Steel Segment		Cotton Segment		Total	
	2007	2006	2007	2006	2007	2006
	(Rupees in '000)					
Salaries, wages and other benefits 33.1	4,561	3,503	1,090	1,185	5,651	4,688
Commission	–	–	3,547	3,170	3,547	3,170
Travelling and conveyance	280	437	18	7	298	444
Depreciation 16.2	382	306	–	–	382	306
Insurance	90	76	–	–	90	76
Postage, telephone and telegram	151	134	64	138	215	272
Advertisement	674	1,477	–	–	674	1,477
Bid bond expenses	361	433	–	–	361	433
Bad debts expenses	–	892	–	–	–	892
Transportation	29	36	424	2,008	453	2,044
Legal and professional charges	565	4	–	–	565	4
Others	520	320	530	687	1,050	1,007
	<u>7,613</u>	<u>7,618</u>	<u>5,673</u>	<u>7,195</u>	<u>13,286</u>	<u>14,813</u>

33.1 Detail of salaries, wages and other benefits

Salaries, wages and other benefits	3,849	3,062	1,090	1,185	4,939	4,247
Provident fund contributions	152	136	–	–	152	136
Pension fund 33.2	482	249	–	–	482	249
Gratuity 33.2	78	56	–	–	78	56
	<u>4,561</u>	<u>3,503</u>	<u>1,090</u>	<u>1,185</u>	<u>5,651</u>	<u>4,688</u>

33.2 Staff retirement benefits

	2007		2006	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	541	136	252	86
Interest cost	368	113	363	112
Expected return on plan assets	(468)	(183)	(411)	(155)
Past service cost	41	12	45	13
	<u>482</u>	<u>78</u>	<u>249</u>	<u>56</u>

Notes to the Financial Statements

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34. ADMINISTRATIVE EXPENSES

	Steel Segment		Cotton Segment		IID Segment		Total		
	2007	2006	2007	2006	2007	2006	2007	2006	
(Rupees in '000)									
Salaries, wages and other benefits	34.1	36,813	27,599	–	–	4,090	3,067	40,903	30,666
Rents, rates and taxes		669	189	–	–	74	21	743	210
Travelling, conveyance and entertainment		4,930	3,945	298	245	548	438	5,776	4,628
Fuel and power		3,255	3,188	–	–	362	354	3,617	3,542
Postage, telephone and telegram		2,900	1,384	–	–	322	154	3,222	1,538
Insurance		1,183	1,154	–	–	132	128	1,315	1,282
Repairs and maintenance		3,527	1,989	–	–	392	221	3,919	2,210
Auditors' remuneration	34.3	890	523	–	–	99	58	989	581
Legal and professional and corporate service charges		29,800	36,992	1,982	1,046	2,390	2,661	34,172	40,699
Advertisement		215	338	–	–	24	38	239	376
Donations	34.4	11,525	2,604	7,182	1,107	1,281	289	19,988	4,000
Depreciation	16.2	14,274	9,887	–	–	1,586	1,099	15,860	10,986
Amortization of intangible assets	17.1	409	1,325	–	–	45	147	454	1,472
Printing, stationery and office supplies		1,214	1,166	–	9	135	130	1,349	1,305
Newspapers, subscriptions and periodicals		174	157	–	–	19	18	193	175
Others		435	127	140	14	48	14	623	155
		<u>112,213</u>	<u>92,567</u>	<u>9,602</u>	<u>2,421</u>	<u>11,547</u>	<u>8,837</u>	<u>133,362</u>	<u>103,825</u>
Charges allocated to the cotton segment		(6,950)	(13,032)	6,950	13,032	–	–	–	–
		<u>105,263</u>	<u>79,535</u>	<u>16,552</u>	<u>15,453</u>	<u>11,547</u>	<u>8,837</u>	<u>133,362</u>	<u>103,825</u>

34.1 Salaries, wages and other benefits

Salaries, wages and other benefits		30,674	24,176	–	–	3,408	2,687	34,082	26,863
Provident fund contributions		1,322	1,074	–	–	147	119	1,469	1,193
Pension fund	34.2	4,148	1,913	–	–	461	213	4,609	2,126
Gratuity	34.2	669	436	–	–	74	48	743	484
		<u>36,813</u>	<u>27,599</u>	<u>–</u>	<u>–</u>	<u>4,090</u>	<u>3,067</u>	<u>40,903</u>	<u>30,666</u>

34.2 Staff retirement benefits

	2007		2006	
	Pension	Gratuity	Pension	Gratuity
(Rupees in '000)				
Current service cost	5,170	1,296	2,145	734
Interest cost	3,515	1,078	3,099	959
Expected return on plan assets	(4,474)	(1,746)	(3,500)	(1,320)
Past service cost	398	115	382	111
	<u>4,609</u>	<u>743</u>	<u>2,126</u>	<u>484</u>



Notes to the Financial Statements

For the year ended 30 June 2007

34.3 Auditors' remuneration

	2007	2006
	(Rupees in '000)	
Audit fee*	750	500
Fee for audit of funds' financial statements and other reports	219	70
Out of pocket expenses	20	11
	989	581

*Audit fee includes services for audit of annual financial statements, limited review of condensed interim financial statements for the six months period and review report on Statement of Compliance with best Practices Code of Corporate Governance.

34.4 Donations

Donations include the following in which a director is interested:

Name of the director	Interest in donee	Name and address of the donee	Amount donated	
			2007	2006
			(Rupees in '000)	
Mr. Ahsan M. Saleem	Chairman	The Citizens Foundation 9th Floor, NIC Building, Karachi	15,304	3,338
	Member of Managing Committee	Commecs Education Trust, 301, Fortune Centre, Main Sharah-e-Faisal, Karachi	3,000	60
	Member	Lyallpur Golf Club Race Course Club, Faisalabad	717	110
			19,021	3,508

34.4.1 Donations other than those mentioned above were not made to any donee in which a director or his spouse had any interest at any time during the year.

Notes to the Financial Statements

For the year ended 30 June 2007

35. OTHER OPERATING EXPENSES

	2007	2006
	(Rupees in '000)	
Provision for slow moving stores, spares and tools	892	2,187
Provision for stock in trade	37,280	–
Provision for workers welfare fund	15,141	332
Provision for workers profit participation fund (Steel Division)	11,741	–
Provision for infrastructure fee	5,900	7,700
Provision for impairment of intangible asset	17.1 –	2,640
Provision for impairment of investments	46,090	–
Provision against advances	–	111
Provision for other receivables, prepayments and others	4,983	20
Other receivables, prepayments and others written off	–	63
Fixed assets written off	–	123
Provision for doubtful trade debts	–	151
Provision for liquidated damages	3,516	–
Exchange loss	–	8,541
	<u>125,543</u>	<u>21,868</u>

36. OTHER INCOME

Return on deposits	2,507	5,962
Liabilities written-back	–	2,545
Provision written back for stock in trade	–	5,241
Provision written back against deposit for building	–	5,461
Provision written back against margin on letters of credit and guarantee	1,095	–
Gain on disposal of fixed assets	98,687	960
Deferred income	–	304
Insurance commission	1,277	1,192
Exchange gain	24	–
Others	3,412	2,893
	<u>107,002</u>	<u>24,558</u>



Crescent Steel &
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Notes to the Financial Statements

For the year ended 30 June 2007

37. FINANCE COSTS

	2007	2006
	(Rupees in '000)	
Mark-up on:		
Running finances	19,564	11,877
Short-term loans	37,653	41,506
Long-term loans	53,116	26,807
Redeemable capital	15,331	21,955
Assets subject to finance leases	1,161	1,972
Bank charges	1,665	1,480
	128,490	105,597
Financial charges capitalized	–	22,657
	128,490	128,254

38. TAXATION

Current		
- for the year	1,964	4,113
- for prior years'	(769)	926
	1,195	5,039
Deferred	62,950	(2,249)
	64,145	2,790

38.1 Relationship between tax expense and accounting profit

Profit before taxation	727,323	262,409
Tax at the applicable rate of 35%	254,563	91,843
Effect of non-deductible expenses	5,246	3,755
Tax effect of exempt income and export sales under presumptive tax regime	(162,199)	(77,538)
Tax effect of change in tax WDV of fixed assets	75	152
Tax effect of dividend income taxed at different rate	(11,268)	(20,343)
Tax effect on share of loss of associates taxed at different rate	(21,503)	3,859
Prior years' tax effect	(769)	926
Others	–	136
	64,145	2,790

Notes to the Financial Statements

For the year ended 30 June 2007

39. BASIC AND DILUTED EARNINGS PER SHARE

Profit for the year		<u>663,178</u>	<u>259,619</u>
		(Number of shares)	
Average number of ordinary shares in issue during the year	39.1	<u>45,412,040</u>	<u>35,263,008</u>
		(Rupees)	
Basic and diluted earnings per share		<u>14.60</u>	<u>7.36</u>

39.1 Weighted average number of shares for the year ended 30 June 2006 have been restated for the effect of right shares issued during the year.

40. CASH GENERATED FROM OPERATIONS

		2007	2006
		(Rupees in '000)	
Profit before taxation		727,323	262,409
Adjustments for non cash charges and other items:			
Depreciation		172,644	97,396
Amortization		797	2,045
Amortization of advance to staff		198	111
Provision for impairment on intangibles		–	2,640
Adjustment arising from measurement to fair value		(134,479)	(26,424)
Provision against stock-in-trade and stores and spares		892	2,187
Provision written back against margin on letters of credit and guarantee		(1,095)	–
Provision / Reversal against stock-in-trade		37,280	(5,241)
Liabilities written back		–	(2,545)
Provision for workers profit participation fund		11,741	–
Provision for workers welfare fund		15,141	332
Provision against other receivables		–	20
Provision against accrued markup		4,936	–
Other receivables written off		–	63
Fixed assets written off		–	123
Reversal of provision against advance for building		–	(5,461)
Provision for diminution in the value of investments		46,090	–
Provision for infrastructure fee		5,900	7,700
Provision against advances		47	111
Provision against liquidated damages		3,516	–
Provision for doubtful trade debts		–	151
Exchange (gain) / loss		(24)	8,541
Gain on sale of investments		(238,207)	(233,524)
Pension and gratuity expense		9,657	4,892
Financial charges		128,490	82,940
Deferred income		–	(304)
Gain on disposal of fixed assets		(98,687)	(960)
Dividend income		(36,531)	(66,870)
Return on deposits, advances and investments		(4,647)	(11,666)
Provision written back on investments		(45)	(368)
Associate share of (profit) / loss		(99,136)	11,922
Amortization of initial transaction cost		1,162	1,053
Working capital changes	40.1	<u>76,609</u>	<u>(101,397)</u>
		<u>629,572</u>	<u>29,876</u>



Notes to the Financial Statements

For the year ended 30 June 2007

40.1 Working capital changes

	2007	2006
	(Rupees in '000)	
(Increase) / decrease in current assets		
Stores, spares and loose tools	(13,399)	(3,592)
Stock-in-trade	(202,213)	(268,949)
Trade debts	(106,261)	56,739
Short-term advances	138,159	(69)
Short-term deposits and prepayments	(946)	779
Other receivables (net)	92,864	92,012
	<u>(91,796)</u>	<u>(123,080)</u>
Increase in current liabilities		
Trade and other payables	168,405	21,683
	<u>76,609</u>	<u>(101,397)</u>

41. CASH AND CASH EQUIVALENTS

		2007	2006
		(Rupees in '000)	
Running finances under mark-up arrangements	14	(10,724)	(169,374)
Cash and bank balances		36,999	15,758
		<u>26,275</u>	<u>(153,616)</u>

42. SEGMENT REPORTING

42.1 The reporting format, business segment, is based on the Company's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to segment as well as those that can be allocated on a reasonable basis .

Segment assets consist primarily of property, plant and equipment, intangibles, store and spares, stock in trade and trade and other debts. Segment liabilities comprise operating liabilities and exclude items such as taxation and corporate.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets.

Business Segments

The Company comprises the following main business segments:

- Steel segment. It comprises manufacturing and coating of steel pipes (Note 1.2)
- Cotton segment. It is valued in yarn manufacturing activity (Note 1.3)
- Investment and Infrastructure Development (IID) segment. It has been established during the current year to effectively manage the investment portfolio in shares and other securities (strategic as well as short term) and property investments (held for rentals as well as long term appreciation).

42.2 The steel segment allocates certain percentage of the common administrative expenditure to the cotton segment and IID. In addition, the funds utilized between steel and cotton segments are allocated at mark-up rate of one month KIBOR plus two percent. Financial charges between steel and IID segments are apportioned on the basis of their net assets.

Notes to the Financial Statements

For the year ended 30 June 2007

42.3

	Steel Segment	Cotton Segment	IID Segment	Total
	(Rupees in '000)			
Segment results for the year ended June 30, 2007				
Gross Sales	1,564,287	1,385,833	–	2,950,120
Cost of sales	1,174,038	1,265,618	–	2,439,656
Gross Profit	390,249	120,215	–	510,464
Investment Income	–	–	411,402	411,402
	390,249	120,215	411,402	921,866
Distribution expenses	7,613	5,673	–	13,286
Administrative expenses	105,263	16,552	11,547	133,362
Other operating expenses	63,578	550	61,415	125,543
	176,454	22,775	72,962	272,191
	213,795	97,440	338,440	649,675
Other operating income	9,095	1,910	95,997	107,002
Profit from operations	222,890	99,350	434,437	756,677
Finance costs	5,178	99,362	23,950	128,490
Share of profit in associates	–	–	99,136	99,136
Profit / (loss) before taxation	217,712	(12)	509,623	727,323
Taxation				64,145
Profit after taxation				663,178
Segment results for the year ended June 30, 2006				
Gross Sales	1,014,182	692,950	–	1,707,132
Cost of sales	902,974	663,829	–	1,566,803
Gross Profit	111,208	29,121	–	140,329
Investment Income	–	–	332,890	332,890
	111,208	29,121	332,890	473,219
Distribution expenses	7,618	7,195	–	14,813
Administrative expenses	79,535	15,453	8,837	103,825
Other operating expenses	12,578	9,290	–	21,868
	99,731	31,938	8,837	140,506
	11,477	(2,817)	324,053	332,713
Other operating income	12,204	2,365	9,989	24,558
Profit / (loss) from operations	23,681	(452)	334,042	357,271
Finance costs	3,634	67,962	11,344	82,940
Share of loss in associates	–	–	(11,922)	(11,922)
Profit / (loss) before taxation	20,047	(68,414)	310,776	262,409
Taxation				2,790
Profit after taxation				259,619



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SEGMENT REPORTING - CONTINUED

	Steel Segment	Cotton Segment	IID Segment	Total
	(Rupees in '000)			
Other segment information				
As at June 30, 2007				
Segment assets	765,694	1,407,004	1,423,356	3,596,054
Investment in equity method associates			1,027,316	1,027,316
Unallocated corporate assets				72,698
Total assets				<u>4,696,068</u>
Segment liabilities	343,532	604,684	33,917	982,133
Unallocated corporate liabilities				513,532
Total liabilities				<u>1,495,665</u>
For the year ended June 30, 2007				
Capital expenditure	23,435	66,093	37,379	126,907
Depreciation and Amortization	44,121	127,689	1,631	173,441
As at June 30, 2006				
Segment assets	522,822	1,445,622	1,267,006	3,235,450
Investment in equity method associates			428,386	428,386
Unallocated corporate assets				50,913
Consolidated total assets				<u>3,714,749</u>
Segment liabilities	194,450	717,553	3,767	915,770
Unallocated corporate liabilities				761,281
Consolidated total liabilities				<u>1,677,051</u>
For the year ended June 30, 2006				
Capital expenditure	23,065	907,335	50,104	980,504
Depreciation and Amortization	47,838	50,357	1,246	99,441

Notes to the Financial Statements

For the year ended 30 June 2007

43. STAFF RETIREMENT BENEFITS

43.1 The actuarial valuation of both pension and gratuity schemes has been conducted in accordance with IAS 19 "Employee benefits" as at 30 June 2007. The projected unit credit method, using the following significant assumptions, has been used for the actuarial valuation:

	2007	2006
	(Percentage per annum)	
- Discount rate	10	9
- Expected rate of increase in salaries		
- For next year (2006 : two year)	20	10
- For next two year thereafter	15	-
- After three year (2006 : two year)	10	8
- Expected rate of return on plan assets	12	11
- Average working life of employee	11 years	11 years

43.2 The amounts recognised in balance sheet are as follows:

	2007			2006		
	Pension	Gratuity	Total	Pension	Gratuity	Total
	(Rupees in '000)					
Present value of defined benefit obligation	99,224	27,945	127,169	71,422	19,776	91,198
Fair value of plan assets	(93,474)	(32,877)	(126,351)	(68,194)	(24,023)	(92,217)
Unrecognised actuarial gains / (losses)	(2,055)	2,340	285	(2,336)	2,291	(45)
Unrecognised past service cost	(3,643)	(1,713)	(5,356)	(4,371)	(1,904)	(6,275)
Liability / (Asset) in balances	52	(4,305)	(4,253)	(3,479)	(3,860)	(7,339)
Present value of defined benefit obligation -						
1 July 2006	71,422	19,776	91,198	65,735	18,379	84,114
Current service cost	9,457	2,140	11,597	4,095	1,266	5,361
Interest cost	6,428	1,780	8,208	5,916	1,654	7,570
Benefits paid	(1,955)	-	(1,955)	(1,822)	(410)	(2,232)
Actuarial (gains) / losses	13,872	4,249	18,121	(2,502)	(1,113)	(3,615)
Present value of defined benefit obligation -						
30 June 2007	99,224	27,945	127,169	71,422	19,776	91,198
Fair value of plan assets - 1 July 2006	68,195	24,023	92,218	60,744	20,687	81,431
Expected return on plan assets	8,183	2,883	11,066	6,682	2,275	8,957
Contribution to fund	4,898	1,673	6,571	4,103	1,453	5,556
Benefits paid	(1,955)	-	(1,955)	(1,822)	(410)	(2,232)
Actuarial gains / (losses)	14,153	4,298	18,451	(1,512)	18	(1,494)
Fair value of plan assets - 30 June 2007	93,474	32,877	126,351	68,195	24,023	92,218



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The following amounts have been charged in the profit and loss account in respect of these benefits:

	2007			2006		
	Pension	Gratuity	Total	Pension	Gratuity	Total
(Rupees in '000)						
Current service cost	9,457	2,140	11,597	4,095	1,265	5,360
Interest cost	6,428	1,780	8,208	5,916	1,654	7,570
Expected return on plan assets	(8,183)	(2,883)	(11,066)	(6,682)	(2,276)	(8,958)
Actuarial (gains) / losses	-	-	-	-	-	-
Past service cost	728	190	918	729	191	920
Expense recognised in profit or loss	<u>8,430</u>	<u>1,227</u>	<u>9,657</u>	<u>4,058</u>	<u>834</u>	<u>4,892</u>
Actual return on plan assets	<u>22,337</u>	<u>7,181</u>	<u>29,518</u>	<u>5,170</u>	<u>2,293</u>	<u>7,463</u>

Comparison for five years

	2007	2006	2005	2004	2003
	(Rupees in '000)				
Pension					
As at June 30					
Present value of defined benefit obligation	99,224	71,422	65,735	51,256	42,168
Fair value of plan assets	93,474	68,194	60,744	46,024	34,046
Deficit	<u>(5,750)</u>	<u>(3,228)</u>	<u>(4,991)</u>	<u>(5,232)</u>	<u>(8,122)</u>
Experience adjustments					
(Gain) / loss on obligation	8,383	(2,502)	7,791	3,139	7,679
Gain / (loss) on plan asset	14,157	(1,512)	7,962	4,980	2,361
Gratuity					
As at June 30					
Present value of defined benefit obligation	27,945	19,776	18,379	14,987	13,786
Fair value of plan assets	32,878	24,023	20,687	18,024	12,911
Deficit	<u>4,933</u>	<u>4,247</u>	<u>2,308</u>	<u>3,037</u>	<u>(875)</u>
Experience adjustments					
(Gain) / loss on obligation	708	1,113	2,514	448	1,747
Gain / (loss) on plan asset	4,298	17	2,501	2,050	1,344

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44. 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:

	2007							Total
	Effective rate of interest / mark-up %	Interest/mark-up bearing			Non-interest/mark-up bearing			
		Maturity upto one year	Maturity after one year and upto five years	Sub-total	Maturity upto one year	Maturity after one year and upto five years	Sub-total	
(Rupees in '000)								
Financial assets								
Investments	8.5 to 9.75	42,010	56,795	98,805	998,919	1,202,751	2,201,670	2,300,475
Long-term deposits		-	-	-	-	2,988	2,988	2,988
Trade debts		-	-	-	181,408	-	181,408	181,408
Short-term deposits		-	-	-	2,681	-	2,681	2,681
Mark-up accrued		-	-	-	2,476	-	2,476	2,476
Other receivables		-	-	-	9,957	-	9,957	9,957
Advances		-	-	-	75,000	-	75,000	75,000
Cash and bank balances		28,243	-	28,243	8,756	-	8,756	36,999
		70,253	56,795	127,048	1,279,197	1,205,739	2,484,936	2,611,984

	2006							Total
	Effective rate of interest / mark-up %	Interest/mark-up bearing			Non-interest/mark-up bearing			
		Maturity upto one year	Maturity after one year and upto five years	Sub-total	Maturity upto one year	Maturity after one year and upto five years	Sub-total	
(Rupees in '000)								
Financial assets								
Investments	8.5 to 11	85,323	56,805	142,128	742,037	428,386	1,170,423	1,312,551
Long-term deposits		-	-	-	-	2,207	2,207	2,207
Trade debts		-	-	-	75,147	-	75,147	75,147
Short-term deposits		-	-	-	1,858	-	1,858	1,858
Mark-up accrued		-	-	-	8,780	-	8,780	8,780
Other receivables		-	-	-	126,802	-	126,802	126,802
Advances		-	-	-	205,153	-	205,153	205,153
Cash and bank balances		14,007	-	14,007	1,751	-	1,751	15,758
		99,330	56,805	156,135	1,161,528	430,593	1,592,121	1,748,256



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	2007							Total
	Effective rate of interest / mark-up %	Interest/mark-up bearing			Non-interest/mark-up bearing			
		Maturity upto one year	Maturity after one year and upto five years	Sub-total	Maturity upto one year	Maturity after one year and upto five years	Sub-total	
(Rupees in '000)								
Financial liabilities								
Long-term loans	11.58 to 12.52	112,500	280,354	392,854	-	-	-	392,854
Redeemable Capital	9	75,000	73,652	148,652	-	-	-	148,652
Liabilities against assets								
subject to finance leases	7.5 to 13.43	5,544	-	5,544	-	-	-	5,544
Short term borrowings	9.12 to 12.17	432,799	-	432,799	-	-	-	432,799
Trade and other payables		-	-	-	347,909	-	347,909	347,909
Interest and markup accrued		-	-	-	16,150	-	16,150	16,150
		625,843	354,006	979,849	364,059	-	364,059	1,343,908

	2006							Total
	Effective rate of interest / mark-up %	Interest/mark-up bearing			Non-interest/mark-up bearing			
		Maturity upto one year	Maturity after one year and upto five years	Sub-total	Maturity upto one year	Maturity after one year and upto five years	Sub-total	
(Rupees in '000)								
Financial liabilities								
Long-term loans	10.9 to 11.58	56,250	392,591	448,841	-	-	-	448,841
Redeemable Capital	6.8 to 9	75,000	147,753	222,753	-	-	-	222,753
Liabilities against assets								
subject to finance leases	7.5 to 9.5	6,319	7,970	14,289	-	-	-	14,289
Short term borrowings	8.65 to 10.45	739,374	-	739,374	-	-	-	739,374
Trade and other payables		-	-	-	218,218	-	218,218	218,218
Interest and markup accrued		-	-	-	20,272	-	20,272	20,272
		876,943	548,314	1,425,257	238,490	-	238,490	1,663,747

On-balance sheet gap :

2007	(555,590)	(297,211)	(852,801)	915,138	1,205,739	2,120,877	1,268,076
2006	(777,613)	(491,509)	(1,269,122)	923,038	430,593	1,353,631	84,509

Off balance sheet items -
financial commitments

- Outstanding LCs/LGs	2007	-	-	-	627,818	85,732	713,550	713,550
	2006	-	-	-	292,045	155,582	447,627	447,627

Notes to the Financial Statements

For the year ended 30 June 2007

44.1 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.

44.2 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 (2006: nil) against which no forward exchange contracts were obtained.

44.3 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.

44.4 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 2007

45. REMUNERATION TO THE CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	Chief Executive		Director		Executives		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
	(Rupees in '000)							
Managerial remuneration	5,688	4,290	2,610	2,339	7,859	5,792	16,157	12,421
House rent	2,559	1,931	1,175	1,052	3,323	2,428	7,057	5,411
Utilities	569	429	261	234	786	579	1,616	1,242
Travelling expenses	525	481	261	-	-	-	786	481
Others	548	672	-	-	-	-	548	672
Medical	105	64	123	86	449	293	677	443
Contribution to:								
- Provident fund	569	429	261	234	370	230	1,200	893
- Gratuity fund	398	311	183	169	191	87	772	567
- Pension fund	1,052	794	483	433	900	550	2,435	1,777
Club subscription and expenses	338	260	7	8	4	4	349	272
Entertainment	-	-	36	36	126	126	162	162
Telephone	-	-	12	12	30	30	42	42
	12,351	9,661	5,412	4,603	14,038	10,119	31,801	24,383
Number of persons	1	1	1	1	7	6	9	8

- 45.1 The aggregate amount charged in the account in respect of directors' fees paid to seven (2006: six) directors was Rs. 160,000 (2006: Rs. 175,000).
- 45.2 The chief executive, a director and seven executives are provided with free use of Company maintained cars, according to their entitlements.
- 45.3 The chief executive, a director, executives and their families are also covered under group life and hospitalization insurance.

Notes to the Financial Statements

For the year ended 30 June 2007

46. TRANSACTIONS WITH RELATED PARTIES

All transactions involving related parties arising in the normal course of business are conducted at commercial terms and conditions, and at prices agreed based on inter company prices 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 follows:

		2007	2006
		(Rupees in '000)	
Associated companies			
Sale of finished goods including waste		70,906	84,256
Purchase of yarn		–	3,596
Rendering of services		2,995	1,072
Receiving of services		3,026	26,753
Purchase of property, plant and equipment		–	44,057
Financial charges on Term Finance			
Certificates		–	367
Dividends received		3,573	4,473
Return on deposits		917	4,531
Redemption of term finance certificates		–	1,250
Right shares subscribed		438,396	–
Right shares subscribed under			
underwriting arrangement		152,822	–
Advance against shares		60,000	–
Balances due from associates	27.1	926	682
Balances due to associates	12.3	12,973	12,810
Other related parties			
Donations	34.4	19,021	3,508
Contribution to pension fund	43.2	4,898	4,103
Contribution to gratuity fund	43.2	1,673	1,453
Contribution to provident fund		4,437	3,219
Advance for purchase of apartment		–	20,000
Advance against shares	23.1	15,000	205,153



Notes to the Financial Statements

For the year ended 30 June 2007

47. PLANT CAPACITY AND PRODUCTION

47.1 Steel Segment

Pipe plant

The plant's installed / rated capacity for production based on single shift is 30,000 tons (2005: 30,000 tons) annually on the basis of notional pipe size of 30" dia x 1/2" thickness. The actual production achieved during the year was 23,180 tons (2006: 21,820 tons) line pipes of varied sizes and thickness, which is equivalent to 67,104 tons (2006: 46,981 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 746,951 meters of different dia pipes (422,272 square meters surface area) was achieved during the year (2006: 242,847 square meters surface area).

47.2 Cotton Segment

Spinning unit 1

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 6,109,490 kilograms (2006: 6,325,735 kilograms).

Spinning unit 2

The plant capacity converted to 20s count based on three shifts per day for 1,080 shifts is 9,284,825 kilograms. Actual production converted into 20s count was 10,609,697 kilograms (2006: 1,361,947 kilograms).

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

48. ACCOUNTING ESTIMATES AND JUDGEMENTS

Income taxes

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

Held to maturity investment

The Company has classified certain investments as held to maturity. In this regard, judgement is involved in evaluating the intention and ability to hold these investments till their respective maturities.

Notes to the Financial Statements

For the year ended 30 June 2007

Investment stated at fair value

Management has determined fair value of certain investments by using quotations from active market conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matters of judgement (e.g. valuation, interest rate, etc.) and therefore, cannot be determined with precision.

Property, plant and equipment

The Company reviews the rate of depreciation, useful life, residual value and value of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipments with a corresponding affect on the depreciation charge and impairment.

Intangible assets

The Company reviews the rate of amortization and value of intangible assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of intangible assets with a corresponding affect on the amortization charge and impairment.

Stock in trade and stores and spares

The Company reviews the net realizable value of stock in trade and stores and spares to assess any diminution in the respective carrying values.; Any change in the estimates in future years might affect the carrying amounts of stock in trade and stores and spares with a corresponding affect on the amortization charge and impairment. Net realizable value is determined with respect to estimated selling price less estimated expenditures to make the sales.

49. NON ADJUSTING EVENTS AFTER BALANCE SHEET DATE

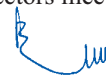
The Board of Directors in their meeting held on 31 July 2007 has (i) proposed a final dividend of Re. 1 per share (2006: Nil) amounting to Rs. 46.7 million (2006: Nil), in addition to two interim dividends of Re. 1 per share each (2006: Nil) already distributed and recorded in the financial statements, and (ii) 10% bonus shares (2006: NIL) of Rs. 46.7 million (2006: NIL). The board of director has also proposed an appropriation of Rs. 500 million (2006: Rs. 421 million) from unappropriated profit to the general reserve. The appropriations of proposed final dividend, bonus and transfer to general reserve will be reflected in the financial statement for the year ending 30 June 2008.

50. GENERAL

- 50.1 Previous year figures have been rearranged and reclassified where necessary for the purposes of comparison Major change represents reclassifications due to change in presentation of amount deposited against allotment of building from 'other receivables' to 'Capital work-in-progress' .Further, investment in associated undertakings and related parties have also been reclassified upon re-assessment of relationships with the investee companies. These changes were made for better presentation of transactions in the financial statements of the Company.
- 50.2 These financial statements were authorised for issue in the board of directors meeting held on 31 July 2007.



Chief Executive



Director