

# Notes to the Financial Statements

For the year ended 30 June 2009

## 1. The Company and its 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 6th floor, BOP 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. Basis of Preparation

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of and directives of the Companies Ordinance, 1984 shall prevail.

### 2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except for investments classified as held for trading and available for sale which are stated at fair value and obligations in respect of pension and gratuity schemes which are measured at present value.

### 2.3 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.



## Notes to the Financial Statements

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### 3. 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 estimates are 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 the 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.

### 4 Initial Application of a Standard, Amendment or an Interpretation to an Existing Standard and Forthcoming Requirements

#### 4.1 Initial application

- IFRS 7 – Financial Instruments: Disclosures (effective for annual periods beginning on or after 28 April 2008) supersedes IAS 30 – Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 – Financial Instruments: Disclosure and Presentation. The application of the standard did not have significant impact on the Company's financial statements other than increase in disclosures.
- IAS 29 – Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008). The Company does not have any operations in Hyperinflationary Economies and therefore the application of the standard did not affect the Company's financial statements.
- IFRIC 13 – Customer Loyalty Programmes (effective for annual periods beginning on or after 01 July 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13 did not affect the Company's financial statements.
- IFRIC 14 – IAS 19- The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008) clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements for such asset.

# Notes to the Financial Statements

## For the year ended 30 June 2009

### 4.2 Forthcoming requirements

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning from the dates specified below. These standards 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 increased disclosures in certain cases:

- Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009).
- Revised IAS 23 - Borrowing costs (effective for annual periods beginning on or after 1 January 2009).
- Amended IAS 27 - Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009).
- IAS 27 'Consolidated and separate financial statements (effective for annual periods beginning on or after 1 January 2009).
- Amendments to IAS 32 Financial instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009).
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible hedged Items (effective for annual periods beginning on or after 1 July 2009).
- Amendments to IAS 39 and IFRIC 9 - Embedded derivatives (effective for annual periods beginning on or after 1 January 2009).
- Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009).
- Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010).
- Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 July 2009).
- IFRS 4 - Insurance Contracts (effective for annual periods beginning on or after 1 January 2009).
- Amendment to IFRS 7 - Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 1 January 2009).
- IFRS 8 – Operating Segments (effective for annual periods beginning on or after 1 January 2009).
- IFRIC 15- Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009).
- IFRIC 16- Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008).
- IFRIC 17 - Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009).



## Notes to the Financial Statements

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- IFRIC 18 Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009).
- The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2010 financial statements.
- The International Accounting Standards Board made certain amendments to existing standards as part of its Second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2010 financial statements.

### 5. Summary of Significant Accounting Policies

#### 5.1 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at fair value, 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.

#### 5.2 Employee benefits

##### 5.2.1 Compensated absences

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

##### 5.2.2 Post retirement benefits

###### 5.2.2.1 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.

# Notes to the Financial Statements

## For the year ended 30 June 2009

### 5.2.2.2 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.

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 cost 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 reductions in future contributions to the plan.

### 5.3 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 rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted at the balance sheet date.

Deferred tax liabilities are recognized for all taxable temporary differences. 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 asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.



## Notes to the Financial Statements

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### 5.4 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past events, 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. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

### 5.5 Trade and other payables

Trade and other amounts payable are recognized initially at fair value and subsequently carried at amortized cost.

### 5.6 Proposed dividend and transfer between reserves

Dividend distributions to the Company's shareholders is recognized as a liability in the period in which dividends are approved. Transfer between reserves made subsequent to the balance sheet date is considered as non-adjusting event and is recognized in the financial statements in the period in which such transfers are made.

### 5.7 Property, plant and equipment and depreciation

#### Owned assets

Property, plant and equipment, except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and impairment losses, if any. Freehold 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 carrying amount of the part so replaced is derecognized. 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 13.1 to these financial statements. Depreciation on additions to property, plant and equipment is charged from the month in which an item is acquired or capitalized while no depreciation is charged for the month in which the item is disposed off.

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

# Notes to the Financial Statements

For the year ended 30 June 2009

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 recognized as an income or expense.

## Impairment

Where the carrying amount of asset 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 lease. 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.

## 5.8 Investment property

Investment property, principally comprising land and buildings, is held for long term rental yields / capital appreciation. The investment properties of the Company comprise land and buildings and is valued using the cost method i.e. at cost less any accumulated depreciation and impairment losses, if any.

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

The residual values and useful lives of investment property 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 recognized 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 of investment property represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as income or expense.



### 5.9 Intangible assets

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

#### Subsequent expenditures

Subsequent expenditure on capitalized intangible assets is capitalized 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 capitalized 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.

### 5.10 Investments

Investments are being categorized as follows:

#### Investment at fair value through profit or loss

A non-derivative financial asset 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 recognized in profit or loss when incurred. Investments at fair value through profit or loss are measured at fair value, and changes therein are recognized 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.

# Notes to the Financial Statements

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Investments classified as held to maturity are recognized initially at fair value, 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 receivables

Loans and receivables are recognized initially at fair value, plus attributable transaction cost. Subsequent to initial recognition, loans and receivables 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 recognized at cost, thereafter the carrying amount is increased or decreased to recognize 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 Company's share of changes in the associate's equity which have not been recognized in the associates' profit and loss account, are recognized 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 initially recognized at fair value plus attributable transactions costs. Subsequent to initial recognition these are measured 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. The impairment in available for sale securities is detailed in note 24.3.1.1.

Fair value of listed securities are the quoted prices on stock exchange on the date it is valued. Unquoted securities are valued at cost.

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.



## Notes to the Financial Statements

For the year ended 30 June 2009

### Derivative financial instruments

The Company enters into derivative financial instruments, which include future contracts in stock market. Derivatives are initially recorded at fair value 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.

### 5.11 Stores and spares

Stores and spares are valued at lower of weighted average cost and net realizable value, less provision for impairment if any. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

Provision for obsolete and slow moving stores, spares and loose tools is determined based on management's estimate regarding their future usability.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs necessary to be incurred to make the sale.

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.

### 5.12 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. 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.

### 5.13 Trade debts and other receivables

These are initially stated at fair value and subsequently measured at amortized cost using effective interest rate method less provisions for any uncollectible amounts. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written off.

### 5.14 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.

# Notes to the Financial Statements

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## 5.15 Revenue recognition

Revenue from sales is recognized when significant risks and rewards of ownership are transferred to the buyer.

Interest income is recognized on accrual basis using effective interest rate method.

Dividend income is recognized when the right to receive the same 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.

Unrealized gains / (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.

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

Miscellaneous income is recognized on receipt basis.

## 5.16 Borrowing costs

Borrowing costs incurred on long term finances directly attributable for the construction / acquisition of qualifying assets are capitalized 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.

## 5.17 Impairment

The carrying amount of the Company's assets is reviewed at each balance sheet date to determine whether there is any objective evidence that an asset or group of assets may be impaired. If any such evidence exists, the asset or group of assets' recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account.

## 5.18 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.



# Notes to the Financial Statements

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## 5.19 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.

## 5.20 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.

## 6. Issued, Subscribed and Paid-up-Capital

2009 (Number of shares)	2008 (Number of shares)		2009 (Rupees in '000)	2008 (Rupees in '000)
22,230,188	22,230,188	Ordinary shares of Rs. 10 each fully paid in cash	222,302	222,302
34,229,805	29,097,079	Ordinary shares of Rs. 10 each fully issued as bonus shares	342,298	290,971
<u>56,459,993</u>	<u>51,327,267</u>		<u>564,600</u>	<u>513,273</u>

6.1 During the current year, 5,132,726 shares of Rs. 10 each were issued as 10% bonus shares.

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

	2009 (Number of shares)	2008 (Number of shares)
Shakarganj Mills Limited	2,820,062	2,563,693
Crescent Sugar Mills & Distillery Limited	1,019,968	965,062
Muhammad Amin Muhammad Bashir Limited	618	562
The Crescent Textile Mills Limited	6,209,676	5,645,160
Premier Insurance Limited	35,140	27,400

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## 7. Long Term Loan

	2009	2008
	(Rupees in '000)	
Allied Bank Limited	280,617	392,854
Amortization of initial transaction cost	263	263
Repayment	(112,500)	(112,500)
	<u>168,380</u>	<u>280,617</u>
Current portion	(112,500)	(112,500)
	<u>55,880</u>	<u>168,117</u>

- 7.1 Mark-up rate on the above loan 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 14.94% to 17.55% (2008: 11.86% to 15.04%).

The tenor of the loan is five years. Principal is repayable on quarterly basis with one year grace period. 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.

## 8. Deferred Taxation

	2009	2008
	(Rupees in '000)	
Deferred tax credits / (debits) arising in respect of:		
<b>Taxable temporary differences</b>		
Accelerated tax depreciation / amortization	158,964	187,800
Finance lease arrangements	-	2,450
Share of profit from investments in equity accounted investees	-	886
	<u>158,964</u>	<u>191,136</u>
<b>Deductible temporary differences</b>		
Provisions for stock-in-trade and stores and spares	(22,162)	(23,365)
Provisions for doubtful debts, advances and other receivables	(27,957)	(47,208)
Provision for impairment in unquoted available for sale investment	(9,058)	(9,058)
	<u>(59,177)</u>	<u>(79,631)</u>
	<u>99,787</u>	<u>111,505</u>



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### 9. Trade and other Payables

		2009	2008
		(Rupees in '000)	
Trade creditors		26,000	24,963
Bills payable		129,031	–
Commission payable		4,461	2,804
Accrued liabilities	9.1	67,536	39,457
Provisions	9.2	73,934	52,421
Advance from customers		15,316	55,589
Retention money		754	2,901
Due to associated undertakings	9.3	338	3,395
Payable to provident fund		1	27
Unclaimed dividend		7,933	14,306
Sales tax payable		–	2,680
Special Excise Duty payable		–	180
Workers' Welfare Fund		9,781	27,964
Workers' Profit Participation Fund	9.4	27,524	2,403
Withholding tax payable		124	115
Customer's security deposit		3,400	2,050
Others		7,754	9,564
		<u>373,887</u>	<u>240,819</u>

#### 9.1 Accrued liabilities

Salaries, wages and other benefits	8,211	11,875
Accrual for 10-C bonus	820	750
Compensated absences	6,687	6,242
Accruals	51,818	20,590
	<u>67,536</u>	<u>39,457</u>

#### 9.2 Movement of provisions

	Infrastructure fee	Sales Tax	Liquidated damages	Total
(Rupees in '000)				
	(Note 9.2.1)	(Note 9.2.2)	(Note 9.2.3)	
Opening balance 1 July 2008	39,500	3,242	9,679	52,421
Provision for the year	9,919	–	11,594	21,513
Closing balance 30 June 2009	<u>49,419</u>	<u>3,242</u>	<u>21,273</u>	<u>73,934</u>

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- 9.2.1 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. 55 million (2008: Rs. 50 million) in favour of Excise and Taxation Department. The Company is contested this issue in High Court. Current year charge has been calculated on the value of imports during the year. During the year the Company has filed an appeal in Supreme Court against the judgement of the High Court dated 15 September 2008 partly accepting the appeal by declaring that the levy and collection of infrastructure fee prior to 28 December 2006 was illegal and ultra virus and after that it was legal. Additionally Sindh government has also filed appeal against the part of judgement decided against them.
- 9.2.2 These have been made against sales tax claims long outstanding with the sales tax department.
- 9.2.3 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.
- 9.3 This represents expenses incurred by associated undertakings on behalf of the Company and insurance premium payable to associated undertakings.

### 9.4 Workers' Profit Participation Fund

	2009	2008
	(Rupees in '000)	
Balance at beginning of the year	2,403	11,741
Mark-up on funds utilized in the Company's business	89	326
Allocation for the year	34	34,403
	30,016	46,470
Amount paid to the trustees of the fund	(2,492)	(44,067)
Balance at end of the year	27,524	2,403

### 10. Interest and Mark-up Accrued

- on Long Term Loan	1,037	1,738
- on Term Finance Certificates	-	3,218
- on Running Finance and Short term loans	17,972	14,809
	19,009	19,765



## Notes to the Financial Statements

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### 11. Short Term Borrowings

		2009	2008
		(Rupees in '000)	
<b>Secured from banking companies</b>			
Running finances under mark-up arrangements	11.1	648,880	837,125
Short term loans / Murabaha	11.2	253,935	282,206
		902,815	1,119,331

- 11.1 Short term running finance available from various commercial banks under mark-up arrangements amounts to Rs. 1,450 million (30 June 2008: Rs. 2,350 million) out of which Rs. 1,150 million (30 June 2008: Rs. 1,450 million ) is interchangeable with Term Finance / Demand Finance as given Note No.11.2 below. The rate of mark-up ranges between 12.52% to 18.50% (30 June 2008: 10.30% to 14.38%) per annum.
- 11.2 The Company has also borrowed short term loan / murabaha financing from various commercial banks under mark-up arrangements amount to Rs. 1,400 million (30 June 2008: Rs. 625 million). Mark-up rates are normally negotiated at the time of the transaction. During the year, the mark-up on such arrangement ranges between 13.22% to 18.09% (30 June 2008: 10.22% to 13.31%) per annum.
- 11.3 The facilities for opening letters of credit and guarantees as at 30 June 2009 aggregate Rs. 2,600 million and Rs. 800 million respectively (30 June 2008: Rs. 2,850 million and Rs. 1,300 million respectively) of which the amounts unutilized as at 30 June 2009 were Rs. 2,443 million and Rs. 546 million (30 June 2008: Rs. 2,587 million and Rs. 811 million).
- 11.4 The above facilities are secured by way of hypothecation of plant and machinery, stock-in-trade, trade debts and other current assets, pledge of shares and cotton/cotton yarn; and lien over import / export document.

### 12. Contingencies and Commitments

- 12.1 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 (I)/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 and no hearing has taken place since then. No provision has been made in the financial statements as management considers that the case would be decided in Company's favour.

# Notes to the Financial Statements

For the year ended 30 June 2009

- 12.2 Sindh Industrial Trade Estate (SITE) has cancelled allotment of plot A-26 and A-27 and charged non-utilization fees of Rs. 0.285 million and Rs. 0.621 million 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.
- 12.3 Aggregate amount of guarantees issued by the banks on behalf of the Company against various contracts aggregated Rs. 253.79 million (30 June 2008: Rs. 488.56 million).
- 12.4 The Company filed a suit in the High Court of Sindh for recovery of retention money amounting to Rs. 3.27 million (30 June 2008: 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. During the year an appeal by Indus Steel Pipes Limited was also decided in favour of the Company. The Company has filed execution proceedings to enforce the said award. Enforcement process is in progress.
- 12.5 Commitments in respect of capital expenditure contracted for as at 30 June 2009 amounted to Rs. 24.56 million (30 June 2008: Rs. 58.60 million). This includes 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. Nil (30 June 2008: Rs. 12.1 million). It also includes an amount of Rs. 18.83 million (30 June 2008: Rs. 25.66 million) payable over the period of four years in 16 quarterly installments representing office premises in Islamabad.
- 12.6 Commitments under letters of credit as at 30 June 2009 amounted to Rs. Nil (30 June 2008: Rs. 263.07 million).

## 13. Property, Plant and Equipment

		2009	2008
		(Rupees in '000)	
Operating fixed assets	13.1	1,092,889	1,126,448
Capital work-in-progress	13.3	131,699	106,783
		<u>1,224,588</u>	<u>1,233,231</u>



## Notes to the Financial Statements

For the year ended 30 June 2009

### 13.1 Operating fixed assets

Description	Land		Buildings		
	Freehold	Leasehold including improvement	On freehold Land	On Leasehold Land	
(Rupees in '000)					
<b>Net carrying value as at 1 July 2008</b>					
Opening net book value (NBV)	13.1.1	69,242	4,236	209,612	12,020
Additions		53,333	–	42,913	–
Disposals (at NBV)	13.4	–	–	–	–
Depreciation charge		–	(53)	(27,251)	(1,674)
Balance as at 30 June 2009 (NBV)		<u>122,575</u>	<u>4,183</u>	<u>225,274</u>	<u>10,346</u>
<b>Gross carrying value as at 30 June 2009</b>					
Cost		122,575	5,646	310,758	70,027
Accumulated depreciation		–	(1,463)	(85,484)	(59,681)
Net book value		<u>122,575</u>	<u>4,183</u>	<u>225,274</u>	<u>10,346</u>
<b>Net carrying value as at 1 July 2007</b>					
Opening net book value (NBV)		69,242	6,804	210,790	12,634
Additions		–	–	24,472	1,020
Transfer (at NBV)		–	(2,514) *	–	–
Disposals / writeoff (at NBV)		–	–	–	–
Depreciation charge		–	(54)	(25,650)	(1,634)
Balance as at 30 June 2008 (NBV)		<u>69,242</u>	<u>4,236</u>	<u>209,612</u>	<u>12,020</u>
<b>Gross carrying value as at 30 June 2008</b>					
Cost		69,242	5,646	267,845	70,027
Accumulated depreciation		–	(1,410)	(58,233)	(58,007)
Net book value		<u>69,242</u>	<u>4,236</u>	<u>209,612</u>	<u>12,020</u>
<b>Depreciation rate % per annum</b>		–	1	–	5

\* Transfer to investment property.

\*\* Net book value of plant and machinery includes book value of Rs. 1.73 million ( 2008: Rs. 1.89 million ) of capitalized spares.

## Notes to the Financial Statements

For the year ended 30 June 2009

Office premises	Plant and Machinery		Electrical / Office equipment and Installation	Furniture and fittings	Computers	Motor vehicles	TOTAL
	Owned **	Lease					
(Rupees in '000)							
13,113	762,716	–	11,847	2,864	16,674	24,124	1,126,448
–	40,080	–	1,155	237	1,886	3,203	142,807
–	–	–	–	–	–	(1,474)	(1,474)
(2,620)	(121,418)	–	(2,677)	(433)	(11,716)	(7,050)	(174,892)
<u>10,493</u>	<u>681,378</u>	<u>–</u>	<u>10,325</u>	<u>2,668</u>	<u>6,844</u>	<u>18,803</u>	<u>1,092,889</u>
40,493	1,621,217	–	32,023	16,103	51,517	60,470	2,330,829
(30,000)	(939,839)	–	(21,698)	(13,435)	(44,673)	(41,667)	(1,237,940)
<u>10,493</u>	<u>681,378</u>	<u>–</u>	<u>10,325</u>	<u>2,668</u>	<u>6,844</u>	<u>18,803</u>	<u>1,092,889</u>
15,735	861,125	10,000	13,901	1,785	17,882	16,892	1,236,790
60	12,826	–	1,059	1,581	8,759	16,881	66,658
–	8,000	(8,000)	–	–	–	–	(2,514)
–	(830)	–	–	–	–	(1,320)	(2,150)
(2,682)	(118,405)	(2,000)	(3,113)	(502)	(9,967)	(8,329)	(172,336)
<u>13,113</u>	<u>762,716</u>	<u>–</u>	<u>11,847</u>	<u>2,864</u>	<u>16,674</u>	<u>24,124</u>	<u>1,126,448</u>
40,493	1,581,137	–	30,868	15,866	49,631	58,741	2,189,496
(27,380)	(818,421)	–	(19,021)	(13,002)	(32,957)	(34,617)	(1,063,048)
<u>13,113</u>	<u>762,716</u>	<u>–</u>	<u>11,847</u>	<u>2,864</u>	<u>16,674</u>	<u>24,124</u>	<u>1,126,448</u>
10	5 - 20	10	5 & 20	10	33.33	20	



## Notes to the Financial Statements

For the year ended 30 June 2009

13.1.1 This includes 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.

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

		<b>2009</b>	<b>2008</b>
		<b>(Rupees in '000)</b>	
Cost of sales	30.1	155,915	154,424
Distribution and selling costs	32	260	366
Administrative expenses	33	18,717	17,546
		<u>174,892</u>	<u>172,336</u>

13.3 Capital Work-in-Progress

Plant and machinery		4,580	–
Civil work	13.3.1	100,662	90,059
Software	13.3.2	26,457	15,157
Advances to supplier		–	1,567
		<u>131,699</u>	<u>106,783</u>

13.3.1 This includes advance against purchase of land amounting to Rs. 40 million.

13.3.2 It includes expenditure incurred on acquiring licence and implementing Enterprise Resource Planning (ERP) software (Oracle).

## Notes to the Financial Statements

For the year ended 30 June 2009

13.4 The following assets were disposed off during the year:

Description	Cost	Accumulated depreciation (Rupees in '000)	Book value	Sale proceeds	Mode of disposal	Particular of buyers
Motor vehicles	499	151	348	249	Company Scheme	Mr. Ejaz Hussain (ex-employee)
	58	58	–	23	Company Scheme	Mr. Ali Nawaz (ex-employee)
	54	13	41	43	Company Scheme	Mr. Ali Buksh (ex-employee)
	774	774	–	370	Negotiation	Sold to Anjum Motors
	612	73	539	489	Company Scheme	Mr. Farrukh Nadeem (ex-employee)
	59	59	–	20	Company Scheme	Mr. Shah Hussain (employee)
	1,006	503	503	503	Company Scheme	Mr. S.M. Ehtishamullah (executive director)
	879	850	29	29	Company Scheme	Mr. K.M. Sharif (ex-employee)
	879	865	14	14	Company Scheme	Mr. S.A.N. Kazmi (ex-employee)
Electrical equipment	18	18	–	–	Sold as scrap	
<b>2009</b>	<b><u>4,838</u></b>	<b><u>3,364</u></b>	<b><u>1,474</u></b>	<b><u>1,740</u></b>		
2008	<u>9,492</u>	<u>7,342</u>	<u>2,150</u>	<u>2,631</u>		

### 14. Intangible Assets

	2009	2008
	(Rupees in '000)	
<b>Net carrying value as at 1 July</b>		
Net book value at 01 July	620	503
Additions (at cost)	583	456
Amortization	14.1 (392)	(329)
Impairment charge	14.1 –	(10)
Net book value at 30 June	<u>811</u>	<u>620</u>
<b>Gross carrying value at 30 June</b>		
Cost	12,145	11,572
Accumulated amortization	(11,334)	(10,942)
Impairment charge	–	(10)
Net book value	<u>811</u>	<u>620</u>
Amortization rate % per annum	<u>33.33</u>	<u>33.33</u>



## Notes to the Financial Statements

For the year ended 30 June 2009

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

		2009	2008
(Rupees in '000)			
Cost of sales	30.1	119	262
Administrative expenses	33	273	67
Other operating expenses	34	–	10
		392	339

15. Investment Property

		Leasehold Land	Building on Lease- hold Land	Office Premises	Total
(Rupees in '000)					
<b>Net carrying value as at 1 July 2008</b>					
Opening net book value (NBV)	2,485	21,256	26,262	50,003	
Additions	–	–	1,392	1,392	
Depreciation charge	(29)	(1,080)	(3,117)	(4,226)	
Balance as at 30 June 2009 (NBV)	2,456	20,176	24,537	47,169	
<b>Gross carrying value as at 30 June 2009</b>					
Cost	2,514	21,608	29,655	53,777	
Accumulated depreciation	(58)	(1,432)	(5,118)	(6,608)	
Net book value	2,456	20,176	24,537	47,169	
<b>Balance as at 1 July 2007</b>					
Additions / transfer from property, plant and equipment	2,514	21,608	28,263	52,385	
Depreciation charge	(29)	(352)	(2,001)	(2,382)	
Balance as at 30 June 2008 (NBV)	2,485	21,256	26,262	50,003	
<b>Depreciation rate % per annum</b>	1	5	5 to 20		

15.1 Depreciation charged for the year has been allocated to administrative expenses.

15.2 Fair value of the investment property based on recent valuation is Rs. 93 million (2008: Rs. 59.5 million).





## Notes to the Financial Statements

For the year ended 30 June 2009

- 16.3 The investment in Central Depository Company of Pakistan Limited has been transferred to investment in available for sale securities as the Company considers that it no longer has significant influence over the investee company.
- 16.4 Due to amalgamation of Asian Capital Management Limited (ACMC) with and into Safeway Fund Limited (SFL), effective 1 January 2009, shareholding in ACML has been transferred to investment in the merged entity SFL, at the swap ratio of 1:1.95.
- 16.5 Market value / break-up of investments in associates are as follows:

	2009	2008
	(Rupees in '000)	
<b>Quoted</b>		
Altern Energy Limited	483,803	1,203,461
Shakarganj Mills Limited	77,748	288,514
	561,551	1,491,975
<b>Unquoted*</b>		
Central Depository Company of Pakistan Limited	–	24,027
Shakarganj Food Products Limited	39,814	22,947
Safeway Fund Limited	24,969	18,721
Asian Capital Management Limited	–	21,234
	64,783	86,929
	626,334	1,578,904

\* Break-up value of shares is based on latest available unaudited condensed interim financial statements as at 31 March 2009.

- 16.6 Percentage holding of equity investments in associates are as follows:

	2009	2008
	%	
<b>Quoted</b>		
Altern Energy Limited	17.65	17.65
Shakarganj Mills Limited	21.93	21.70
<b>Unquoted</b>		
Central Depository Company of Pakistan Limited	–	1.75
Shakarganj Food Products Limited	9.33	9.44
Safeway Fund Limited	25.00	25.00
Asian Capital Management Limited	–	25.00

## Notes to the Financial Statements

For the year ended 30 June 2009

16.7 Summarized financial information of associated companies as at 31 March 2009 is as follows:

Name of investee company	Total Assets	Total Liabilities	Revenues	Profit / (loss)	
	(Rupees in '000)				
<b>2009</b>					
Altern Energy Limited	16.7.1	33,169,741	25,006,232	11,358,307	1,506,153
Shakarganj Mills Limited	16.7.2	12,271,591	9,566,463	3,237,692	(508,905)
Shakarganj Food Products Limited	16.7.3	1,406,477	919,959	1,232,023	(74,098)
Safeway Fund Limited	16.7.3	142,904	678	1,972	(10,791)
<b>2008</b>					
Altern Energy Limited		27,756,403	21,509,307	8,185,347	227,035
Shakarganj Mills Limited		14,659,186	10,801,139	3,385,761	(577,413)
Central Depository Company of Pakistan Limited		1,628,718	255,751	761,312	344,208
Shakarganj Food Products Limited		1,228,028	984,960	561,982	(162,057)
Safeway Fund Limited		112,471	37,587	15,749	14,501
Asian Capital Management Limited		99,949	15,013	13,272	12,054

16.7.1 These figures are based on the latest available summarized consolidated condensed interim financial statements as at 31 March 2009 including its subsidiary company (Rousch (Pakistan) Power Limited).

16.7.2 These figures are based on the latest available summarized consolidated condensed interim financial statements as at 31 March 2009.

16.7.3 These figures are based on the latest available summarized condensed interim financial statements as at 31 March 2009.

### 17. Other Long Term Investments

		<b>2009</b>	<b>2008</b>
		(Rupees in '000)	
<b>Related parties</b>			
Held to maturity	17.1	29,994	29,994
Available for sale	17.2	–	–
<b>Others</b>			
Available for sale	17.3	60,717	–
Held to maturity	17.4	26,781	26,791
		117,492	56,785
Less: Current maturity of Maple Leaf Cement Limited (Preference Shares) and Shakarganj Mills Limited (Preference Shares)	17.1 & 17.4	31,830	–
		85,662	56,785



## Notes to the Financial Statements

For the year ended 30 June 2009

### 17.1 Held to maturity

This represents 2,999,400 preference shares of Rs. 10 each of Shakarganj Mills Limited, an associated undertaking, 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. Fair value of the preference shares as at 30 June 2009 amounted to Rs. 29.694 million (2008: Rs.30.594 million).

The investment amount has been transferred to current portion of long term investment.

### 17.2 Available-for-sale

2009 (Number of shares)	2008 (Number of shares)		2009 (Rupees in '000)	2008 (Rupees in '000)
		<b>Unquoted</b>		
2,403,725	2,403,725	Crescent Bahuman Limited 17.2.1	24,037	24,037
1,047,000	1,047,000	Crescent Industrial Chemicals Limited 17.2.2	10,470	10,470
			<u>34,507</u>	<u>34,507</u>
		Provision for impairment loss	<u>(34,507)</u>	<u>(34,507)</u>
2	2	Crescent Continental Gas Pipelines Limited (US \$ 1 each) 17.2.3	—	—
			<u>—</u>	<u>—</u>

17.2.1 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 financial statements of the company are not available.

17.2.2 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.

17.2.3 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

### 17.3 Available-for-sale

2009 (Number of shares)	2008 (Number of shares)		2009 (Rupees in '000)	2008 (Rupees in '000)
1,425,000	—	<b>Unquoted</b>		
		Central Depository Company of Pakistan Limited	<u>60,717</u>	<u>—</u>

# Notes to the Financial Statements

For the year ended 30 June 2009

## 17.4 Held to maturity

		2009	2008
		(Rupees in '000)	
Term Finance Certificates	17.4.1	24,945	24,955
Maple Leaf Cement Limited (Preference Shares)	17.4.2	1,836	1,836
		<u>26,781</u>	<u>26,791</u>
Less: Current maturity of Maple Leaf Cement Limited (Preference Shares)		1,836	–
		<u>24,945</u>	<u>26,791</u>

### 17.4.1 Term Finance Certificates (TFCs)

United Bank Limited (5,000 TFCs of Rs. 5,000 each)	24,955	24,965
Current maturity shown under current assets	(10)	(10)
	<u>24,945</u>	<u>24,955</u>

This represents investments in TFCs issued on 10 February 2004 by United Bank Limited. The tenor of the TFCs are eight years with semi-annual installments comprising of principal and profit. The rate of profit is 8.45 percent per annum. Fair value of the TFCs as at 30 June 2009 amounted to Rs. 21.618 million (2008: Rs. 21.958 million).

17.4.2 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. Fair value of the preference shares as at 30 June 2009 amounted to Rs. 1.359 million (2008: Rs. 1.550 million).

## 18. Long Term Loans and Deposits

		2009	2008
		(Rupees in '000)	
Security deposits		3,174	3,139
Long term loans	18.1	627	1,102
		<u>3,801</u>	<u>4,241</u>

18.1 This represents interest free house loans provided to employees for a period of 5 years.

## 19. Stores, Spares and Loose Tools

Stores - steel segment		8,474	9,640
Spare parts - steel segment	19.1	38,873	38,696
Loose tools - steel segment		954	961
Stores and spares - cotton segment	19.2	49,267	45,332
		<u>97,568</u>	<u>94,629</u>
Provision for slow moving items	19.3	(13,805)	(17,244)
		<u>83,763</u>	<u>77,385</u>



## Notes to the Financial Statements

For the year ended 30 June 2009

19.1 This includes items in-transit as at 30 June 2009 of Rs. Nil (2008: Rs. 3.09 million).

19.2 This includes items in-transit as at 30 June 2009 of Rs. 9.09 million (2008: Rs. 1.58 million).

19.3 Movement of provision for slow moving items

	2009	2008
	(Rupees in '000)	
Opening balance	17,244	12,161
(Reversal) / provision made during the year	(3,439)	5,083
Closing balance	<u>13,805</u>	<u>17,244</u>

### 20. Stock-in-Trade

Raw materials			
Hot rolled steel coils (HR Coil)		34,122	16,928
Coating materials		54,694	49,208
Others - pipe plant		25,021	27,544
Raw cotton	20.1	172,608	358,731
Stock-in-transit	20.2	<u>199,699</u>	<u>421</u>
		486,144	452,832
Provision for slow-moving and obsolescence			
Hot rolled steel coils	20.5	(10,310)	(8,813)
Coating materials	20.5	(84)	(84)
Others	20.5	(187)	(187)
		<u>(10,581)</u>	<u>(9,084)</u>
		475,563	443,748
Work-in-process	30.1	15,401	15,074
Finished goods	20.3 & 30.1	129,620	159,064
Scrap / cotton waste		10,702	4,521
Provision for slow-moving and obsolescence finished goods	20.6	(14,853)	(16,348)
		<u>140,870</u>	<u>162,311</u>
		<u>616,433</u>	<u>606,059</u>

20.1 This includes raw cotton amounting to Rs. 52.1 million (2008: Rs. 299.7 million) pledged as security with a financial institution.

20.2 This includes raw cotton amounting to Rs. 39.84 million (2008: Rs. 0.137 million).

20.3 This includes finished goods in transit amounting to Rs. 15.507 million.

## Notes to the Financial Statements

For the year ended 30 June 2009

- 20.4 Stock in trade at 30 June 2009 includes stock items valued at net realizable value as follows. The write down to NRV amounting to Rs. 8.291 million has been recognized in cost of goods sold.

	Cost	Net realizable value
	(Rupees in '000)	
Finished goods	42,387	37,952
Raw material - HR coil	8,731	4,875
	51,118	42,827

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

	2009			2008		
	H.R. Coil	Coating / Others	Total	H.R. Coil	Coating / Others	Total
	(Rupees in '000)					
Opening balance	8,813	271	9,084	11,010	275	11,285
Provision / (reversal) during the year	1,497	-	1,497	(2,197)	(4)	(2,201)
Closing balance	10,310	271	10,581	8,813	271	9,084

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

	2009	2008
	(Rupees in '000)	
Opening balance	16,348	26,527
Reversal made during the year	(1,495)	(10,179)
Closing balance	14,853	16,348

### 21. Trade Debts

Secured			
Considered good		52,849	84
Unsecured			
Considered good	21.1	31,078	118,612
Considered doubtful		1,547	148
Provision for doubtful trade debts		(1,547)	(148)
		31,078	118,612
		83,927	118,696



## Notes to the Financial Statements

For the year ended 30 June 2009

21.1 This includes amount of Rs. Nil (2008: Rs. 0.11 million) from Shakarganj Mills Limited, an associated undertaking.

### 22. Advances

		<b>2009</b>	<b>2008</b>
		<b>(Rupees in '000)</b>	
<b>Considered good</b>			
Advances to staff		679	844
Suppliers for goods and services		39,215	8,755
<b>Related parties</b>			
Advances against shares from Safeway Fund Limited	22.1	–	15,000
<b>Considered doubtful</b>			
Advances to others		3,000	3,000
Provision for doubtful advances to others		(3,000)	(3,000)
		–	–
Suppliers for goods and services		290	290
Provision for doubtful advances		(290)	(290)
		–	–
		<u>39,894</u>	<u>24,599</u>

22.1 This represents interest free advance given to Safeway Fund Limited, an associated company. During the year the advance has been refunded.

### 23. Trade Deposits and Short Term Prepayments

		<b>2009</b>	<b>2008</b>
		<b>(Rupees in '000)</b>	
Security deposits		3,776	787
Prepayments		2,528	1,626
		<u>6,304</u>	<u>2,413</u>

## Notes to the Financial Statements

For the year ended 30 June 2009

### 24. Investments

		2009	2008
		(Rupees in '000)	
<b>Related parties</b>			
Held to maturity	24.1	–	–
Available-for-sale	24.2	11,060	26,475
		<u>11,060</u>	<u>26,475</u>
<b>Others</b>			
Available-for-sale	24.3	141,965	231,048
Held for trading	24.4	502,372	1,150,115
		644,337	1,381,163
		<u>655,397</u>	<u>1,407,638</u>
Investment in related parties			

#### 24.1 Held to maturity

Musharika arrangements - Crescent Standard Modaraba	–	42,000
Provision for impairment	–	(42,000)
Closing balance as at 30 June	<u>–</u>	<u>–</u>

During the year the Company has written off the amount due to Crescent Standard Modaraba against musharika arrangement.

#### 24.2 Available-for-sale

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

2009	2008	Name of investee company	2009	2008
(Number of shares)			(Rupees in '000)	
<b>Quoted</b>				
452,379	452,379	The Crescent Textile Mills Limited	11,060	26,475
91,300	91,300	Crescent Jute Products Limited 24.2.1	–	–
			<u>11,060</u>	<u>26,475</u>

24.2.1 Investments in Crescent Jute Products Limited is carried at their break up value, which is 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.



## Notes to the Financial Statements

For the year ended 30 June 2009

### Investment in others

#### 24.3 Available-for-sale

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

2009 (Number of shares)	2008	Name of investee company	2009 (Rupees in '000)	2008
<b>Quoted</b>				
9,060,000	6,435,000	Asian Stocks Fund Limited	37,599	56,806
–	9,500	Cherat Cement Company Limited	–	257
2,578	55,391	Fauji Fertilizer Company Limited	224	7,329
–	150,000	The Hub Power Company Limited	–	4,290
1,996	1,996	Innovative Investment Bank Limited	–	–
26,490	26,490	Jubilee Spinning and Weaving Mills Limited	–	–
–	9,892	National Bank of Pakistan	–	1,459
1,300	1,400	Nestle Pakistan Limited	1,494	2,296
3,252,500	3,310,500	Pakistan Strategic Allocation Fund	11,156	30,407
100,311	100,311	PICIC Growth Fund	843	2,384
175,000	175,000	PICIC Investment Fund	667	2,079
7,944,263	7,944,263	Safeway Mutual Fund Limited	85,401	103,275
4,500	4,500	Siemens (Pakistan) Engineering Company Limited	4,581	6,326
–	173,385	Pakistan Stock Market Fund *	–	14,140
			<u>141,965</u>	<u>231,048</u>

\* Represents open ended fund with face value of Rs. 50 per unit.

24.3.1 Investments in Jubilee Spinning and Weaving Mills Limited is carried at break-up value of 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.

24.3.1.1 International Accounting Standard (IAS) 39-Financial Instruments: Recognition and Measurement requires that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. Such impairment loss should be transferred from equity to profit and loss account. The SECP vide its S.R.O.150(I)/2009 dated 13 February 2009 has allowed all the Companies and Mutual Funds to show the impairment loss as at 31 December 2008 on their "available for sale investment" under "equity" in statement of changes in equity instead of charging it to the profit and loss account. The SRO further states that such impairment loss, however, shall be treated as a charge to the profit and loss account for the purposes of dividend distribution. Moreover, the amount of impairment loss taken to equity in the half yearly accounts shall be recorded, after adjustment of price movement if any, in the profit and loss account on a quarterly basis during the calendar year ending on 31 December 2009.

## Notes to the Financial Statements

### For the year ended 30 June 2009

The Company opted for the accounting treatment allowed by SECP vide above referred SRO in respect of its available for sale investments and an impairment loss as at 31 December 2008 amounting to Rs. 33.308 million was shown in equity under the head "unrealized gain on remeasurement of available for sale investment securities". At 30 June 2009 the above impairment loss after adjustment of subsequent price movements amount to Rs. 43.59 million out of which Rs. 31.529 million has been taken to profit and loss account and the balance subject to price movements will be recognized in the remainder of the calendar year.

Had the impairment loss been transferred to profit and loss account, the unrealized gain on remeasurement of available for sale securities would have been higher by Rs. 12.06 million with consequential effect on profit and loss account.

24.3.1.2 The investments having an aggregate market value of Rs. 952.0 million (30 June 2008: Rs. 2,135.6 million) have been pledged with financial institutions as security against financing facilities (see note 11.4) out of which Rs. 561.551 million (30 June 2008: Rs. 1,203.5 million) relates to long term investments.

#### 24.4 Held for trading

2009 (Number of shares/units)	2008	Name of investee company	2009 (Rupees in '000)	2008
<b>Quoted</b>				
70,000	65,000	Al Ghazi Tractors Limited **	11,340	17,703
215,960	200,800	Agriaautos Industries Limited **	7,049	16,616
–	194,315	AKD Income Fund * / ***	–	10,000
–	5,506	Arif Habib Bank Limited	–	106
71,956	20,065	Arif Habib Securities Limited	1,989	3,240
–	67,250	Askari Bank Limited	–	2,702
39,700	55,500	Attock Cement Pakistan Limited	2,788	4,281
20,060	24,300	Attock Petroleum Limited	6,389	10,504
20,060	45,050	Attock Refinery Limited	2,503	11,257
–	6,500	Bank AL Habib Limited	–	274
183,375	214,200	Bank Alfalah Limited	1,935	8,795
–	15,500	Cherat Cement Company Limited	–	420
470,788	391,690	D.G. Khan Cement Company Limited	13,959	26,298
41,700	95,000	Engro Chemicals Pakistan Limited	5,356	26,677
217,422	235,425	Fauji Fertilizer Company Limited	18,905	31,151
20,000	20,000	First Habib Bank Modaraba	78	157
100,000	810,000	Fauji Fertilizer Bin Qasim Limited	1,769	29,136
247,500	220,000	Golden Arrow Selected Stocks Fund Limited **	559	1,478
3,000	–	Habib Bank Limited	258	–
500	500	Hinopak Motors Limited	77	280
805,000	1,520,000	The Hub Power Company Limited	21,807	43,472
1,350	1,350	Innovative Investment Bank Limited	–	–
–	25,000	JS Bank Limited	–	344
300,409	72,792	Jahangir Siddiqui and Company Limited	6,966	38,591



Crescent Steel &  
Allied Products Ltd.

## Notes to the Financial Statements

For the year ended 30 June 2009

2009 (Number of shares/units)	2008	Name of investee company	2009 (Rupees in '000)	2008
<b>Quoted</b>				
100,000	–	JS Growth Fund	382	–
100,000	–	JS Value Fund	445	–
99,750	100,000	Kohat Cement Company Limited	726	3,663
622,500	700,000	Kohinoor Energy Limited	18,053	19,005
341,400	341,400	Kot Addu Power Company Limited	14,428	16,046
426,000	500,000	Meezan Balanced Fund	2,462	4,775
410,869	334,021	National Bank of Pakistan	27,541	49,268
46,074	100,000	National Investment Trust	1,237	5,235
–	25,000	National Refinery Limited	–	7,437
–	10,000	Netsol Technologies Limited	–	973
–	15,000	New Jubilee Life Insurance Company Limited	–	861
–	149,550	NIB Bank Limited	–	1,700
–	95,200	Nishat Mills Limited	–	8,184
599,800	1,032,300	Oil & Gas Development Company Limited	47,168	128,376
27,374	27,374	Packages Limited	4,299	6,895
1,006,140	299,400	Pakistan Oilfields Limited	146,796	109,233
–	269,200	Pakistan Telecommunication Company Limited	–	10,402
246,500	230,000	Pakistan National Shipping Corporation	11,378	16,457
217,365	1,150,450	Pakistan Petroleum Limited	41,199	283,000
171,708	331,208	Pakistan Premier Fund Limited	704	4,428
97,500	55,500	Pakistan State Oil Company Limited	20,831	23,157
161,875	161,875	Pak Suzuki Motor Company Limited	10,991	19,391
5,000	–	PICIC Energy Fund	23	–
711,000	–	PICIC Growth Fund	5,972	–
569,634	651,134	PICIC Insurance Limited	3,412	11,297
6,056,456	6,267,956	Samba Bank Limited (Formerly Crescent Commercial Bank Ltd.)	18,048	66,127
–	211,000	Samin Textiles Limited	–	5,849
280,280	204,200	Thal Limited **	21,708	40,027
–	221,400	The Bank of Punjab	–	6,892
–	1,075,000	TRG Pakistan Limited	–	6,719
–	25,000	Standard Chartered Bank (Pakistan) Limited	–	588
22,000	101,250	United Bank Limited	842	8,615
–	140,000	Worldcall Telecom Limited	–	2,033
			502,372	1,150,115

\* This is open ended funds.

\*\* It has face value of Rs. 5 per share.

\*\*\* It has face value of Rs. 50 per unit.

## Notes to the Financial Statements

For the year ended 30 June 2009

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

Name of investee company	2009	2008
	(Rupees in '000)	
Altern Energy Limited	483,803	1,203,461
Agriauto Industries Limited	6,430	16,302
Al Ghazi Tractors Limited	10,530	13,073
Arif Habib Securities Limited	138	807
Attock Cement Pakistan Limited	2,317	–
Attock Petroleum Limited	6,389	8,646
Attock Refinery Limited	2,503	9,995
Bank Alfalah Limited	–	7,186
D.G. Khan Cement Limited	11,374	21,189
Engro Chemical Pakistan Limited	–	16,849
Fauji Fertilizer Bin Qasim Limited	1,521	28,236
Fauji Fertilizer Company Limited	5,027	36,388
The Hub Power Company Limited	16,985	45,337
Jahangir Siddiqui & Company Limited	3,349	–
Kohinoor Energy Limited	18,053	19,005
Kot Addu Power Company Limited	14,242	14,429
Kohat Cement Company Limited	673	3,663
Meezan Balanced Fund	2,312	4,775
National Bank of Pakistan	16,188	48,528
National Refinery Limited	–	5,949
Nishat Mills Limited	–	7,307
Oil and Gas Development Company Limited	25,318	122,432
Pak Suzuki Motor Company Limited	10,991	15,180
Packages Limited	2,356	–
Pakistan National Shipping Corporation	–	14,310
Pakistan Oilfields Limited	137,037	93,581
Pakistan Petroleum Limited	41,197	271,241
Pakistan Premier Fund Limited	–	4,011
Pakistan State Oil Company Limited	–	16,690
Pakistan Strategic Allocation Fund	11,149	29,937
Pakistan Telecommunication Company Limited	–	6,453
PICIC Growth Fund	55	2,296
PICIC Investment Fund	–	2,079
Samba Bank Limited (Formerly Crescent Commercial Bank Ltd.)	18,023	–
Shakarganj Mills Limited	77,748	–
Siemens (Pakistan) Engineering Company Limited	4,581	6,326
Thal Limited	21,708	39,939
	<u>951,997</u>	<u>2,135,600</u>



## Notes to the Financial Statements

For the year ended 30 June 2009

### 25. Mark-up Accrued

	2009	2008
	(Rupees in '000)	
Considered good		
- Others	813	812
Considered doubtful		
Related party		
Profit accrued on:		
- Musharika arrangement / deposits	-	4,936
- Provision thereagainst	-	(4,936)
	-	-
	<u>813</u>	<u>812</u>

### 26. Other Receivables

Dividend receivable		7,097	17,155
Receivable against sale of shares		5,993	-
Claim receivable		3,428	2,226
Due from associated undertakings	26.1	5,448	593
Sales tax / special excise duty refundable		33,397	14,729
Provision thereagainst		(4,346)	(4,346)
		29,051	10,383
Margin on letter of credit		109,045	-
Receivable from staff retirement funds	43.2	5,107	2,602
Others		104	345
		<u>165,273</u>	<u>33,304</u>

#### 26.1 Due from associated undertakings

Crescent Textile Mills Limited		9	10
Shakarganj Mills Limited		3,016	479
Shakarganj Foods Products Limited		2,031	67
Crescent Jute Products Limited		347	37
Safeway Fund Limited		45	-
		<u>5,448</u>	<u>593</u>

### 27. Taxation - net

Advance tax		669,117	488,203
Provision for taxation		(640,696)	(494,301)
		<u>28,421</u>	<u>(6,098)</u>

# Notes to the Financial Statements

For the year ended 30 June 2009

The income tax assessments of the Company have been finalized up to and including the assessment year 2002-2003. Tax returns of subsequent tax years are deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 unless selected for an audit by the taxation authorities. The Commissioner of Income Tax (Appeals) has issued the orders in respect of the assessment years 2001-2002 and 2002-2003. The Company has filed appeals against above mentioned orders passed by Commissioner of Income Tax (Appeals). The appeals in respect of assessment years 2000-2001, 2001-2002, 2002-2003 and Tax year 2003 are pending adjudication. Full provision has been made in these financial statements except short credit of taxes paid & deducted at source and adjustments of refunds in respect of assessment year 2001-2002, 2002-2003 and Tax year 2003. However, management is confident for favourable outcome of these appeals. Additional tax liability of Rs. 19.3 million may arise against the above mentioned assessments in case decisions are made against the Company.

Further, the department has also filed appeals against orders of Commissioner of Income Tax (Appeals) in respect of assessment years 1997-1998, 2000-2001 Tax year 2004. In case of adverse decisions, additional tax liability of Rs. 19.9 million may arise. However, no provision has been made in these financial statements as the management is confident for favourable outcome of these appeals.

## 28. Cash and Bank Balances

	2009	2008
	(Rupees in '000)	
With banks		
- in deposit accounts:		
- local currency	334	4,038
- foreign currency	2	719
	336	4,757
- in current accounts	3,205	2,700
Cash in hand	603	742
	4,144	8,199

## 29. Sales

Bare pipes (own product excluding coating revenue)	1,259,483	2,691,760
Sales - pipes laboratory testing	21,198	-
Revenue from conversion	91,189	197,860
Coating of pipes	651,208	285,763
Cotton yarn	1,511,581	1,364,440
Scrap / waste	87,125	117,843
Sales returns	(15,225)	(19,477)
	3,606,559	4,638,189
Sales tax and special excise duty	(295,690)	(437,984)
	3,310,869	4,200,205

## 30. Cost of Sales

Steel	30.1	1,046,861	1,954,376
Cotton	30.1	1,550,329	1,349,431
		2,597,190	3,303,807



## Notes to the Financial Statements

For the year ended 30 June 2009

### 30.1 Cost of sales

	Steel Segment		Cotton Segment		Total	
	2009	2008	2009	2008	2009	2008
	(Rupees in '000)					
Raw materials consumed	921,676	1,762,122	1,056,791	1,038,036	1,978,467	2,800,158
Cost of raw cotton sold	–	–	14,847	–	14,847	–
Packing materials consumed	–	–	20,717	21,754	20,717	21,754
Store and spares consumed	28,058	29,856	34,240	35,431	62,298	65,287
Fuel, power and electricity	27,297	20,479	140,188	111,922	167,485	132,401
Salaries, wages and other benefits	30.2	57,317	58,487	76,662	78,380	133,979
Insurance		1,524	1,933	3,574	3,619	5,098
Repairs and maintenance		3,608	4,511	3,212	3,594	6,820
Depreciation	13.2	16,522	16,158	139,393	138,266	155,915
Amortization of intangible assets	14.1	–	–	119	262	119
Other expenses		14,942	12,291	7,386	6,716	22,328
		<u>1,070,944</u>	<u>1,905,837</u>	<u>1,497,129</u>	<u>1,437,980</u>	<u>2,568,073</u>
						<u>3,343,817</u>
Opening stock of work-in-process		3,548	33,221	11,526	10,261	15,074
Closing stock of work-in-process		(2,776)	(3,548)	(12,625)	(11,526)	(15,401)
		<u>772</u>	<u>29,673</u>	<u>(1,099)</u>	<u>(1,265)</u>	<u>(327)</u>
Cost of goods manufactured		<u>1,071,716</u>	<u>1,935,510</u>	<u>1,496,030</u>	<u>1,436,715</u>	<u>2,567,746</u>
						<u>3,372,225</u>
Opening stock of finished goods		45,504	64,370	113,560	25,920	159,064
Finished goods purchased		–	–	–	356	–
Closing stock of finished goods		(70,359)	(45,504)	(59,261)	(113,560)	(159,064)
		<u>(24,855)</u>	<u>18,866</u>	<u>54,299</u>	<u>(87,284)</u>	<u>29,444</u>
		<u>1,046,861</u>	<u>1,954,376</u>	<u>1,550,329</u>	<u>1,349,431</u>	<u>2,597,190</u>
						<u>3,303,807</u>

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

Salaries, wages and other benefits		51,503	53,504	73,503	75,845	125,006	129,349
Provident fund contributions		1,503	1,465	1,608	1,686	3,111	3,151
Pension fund	30.3	3,484	2,998	1,410	849	4,894	3,847
Gratuity	30.3	827	520	141	–	968	520
		<u>57,317</u>	<u>58,487</u>	<u>76,662</u>	<u>78,380</u>	<u>133,979</u>	<u>136,867</u>

## Notes to the Financial Statements

For the year ended 30 June 2009

### 30.3 Staff retirement benefits

	2009		2008	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	4,078	1,044	4,066	854
Interest cost	5,007	1,275	3,845	973
Expected return on plan assets	(4,465)	(1,422)	(4,346)	(1,373)
Past service cost	274	71	282	66
	4,894	968	3,847	520

### 31. (Loss) on / income from Investment

		2009		2008	
		(Rupees in '000)			
Return on Term Finance Certificates			2,109		2,026
Dividend income	31.1		57,662		89,758
(Loss) / gain on sale of investments					
- Available-for-sale			13,597		125,028
- Held for trading			(211,230)		66,911
Unrealized loss on held for trading investments			(207,719)		(212,982)
Reclassification of share of equity of associate on loss of significant influence			(916)		-
Rent from investment properties	31.2		7,650		2,866
			(338,847)		73,607

31.1 This includes Rs. 3.078 million (2008: Rs. 2.549 million) dividend on preference shares from Shakarganj Mills Limited an associated company.

31.2 Direct operating expenses incurred against rent income from investment property amounted to Rs. 2.94 million (2008: Rs. 1.3 million). Further Rs. 1.92 million (2008: Rs. 0.8 million) were incurred against the non rented out area.



## Notes to the Financial Statements

For the year ended 30 June 2009

### 32. Distribution and Selling Expenses

		Steel Segment		Cotton Segment		Total	
		2009	2008	2009	2008	2009	2008
(Rupees in '000)							
Salaries, wages and other benefits	32.1	5,084	5,272	1,834	1,278	6,918	6,550
Commission		–	–	6,019	4,346	6,019	4,346
Travelling, conveyance and entertainment		645	537	42	41	687	578
Depreciation	13.2	258	366	2	–	260	366
Insurance		102	51	–	–	102	51
Postage, telephone and telegram		91	81	35	47	126	128
Advertisement		386	794	–	–	386	794
Bid bond expenses		259	461	–	–	259	461
Transportation		–	–	–	567	–	567
Legal and professional charges		595	693	–	–	595	693
Others		397	422	1,407	306	1,804	728
		<u>7,817</u>	<u>8,677</u>	<u>9,339</u>	<u>6,585</u>	<u>17,156</u>	<u>15,262</u>

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

Salaries, wages and other benefits		4,098	4,392	1,834	1,278	5,932	5,670
Provident fund contributions		169	182	–	–	169	182
Pension fund	32.2	668	601	–	–	668	601
Gratuity	32.2	149	97	–	–	149	97
		<u>5,084</u>	<u>5,272</u>	<u>1,834</u>	<u>1,278</u>	<u>6,918</u>	<u>6,550</u>

#### 32.2 Staff retirement benefits

	2009		2008	
	Pension	Gratuity	Pension	Gratuity
(Rupees in '000)				
Current service cost	555	160	635	160
Interest cost	683	195	600	182
Expected return on plan assets	(608)	(217)	(678)	(257)
Past service cost	38	11	44	12
	<u>668</u>	<u>149</u>	<u>601</u>	<u>97</u>

# Notes to the Financial Statements

## For the year ended 30 June 2009

### 33. Administrative Expenses

		Steel Segment		Cotton Segment		IID Segment		Total	
		2009	2008	2009	2008	2009	2008	2009	2008
(Rupees in '000)									
Salaries, wages and other benefits	33.1	43,118	39,716	5,569	3,318	5,429	3,928	54,116	46,962
Rents, rates and taxes		318	904	101	15	314	101	733	1,020
Travelling, conveyance and entertainment		4,668	6,052	704	814	536	672	5,908	7,538
Fuel and power		4,987	3,292	256	134	567	366	5,810	3,792
Postage, telephone and telegram		1,700	1,334	243	66	189	148	2,132	1,548
Insurance		713	767	75	59	147	85	935	911
Repairs and maintenance		2,496	4,339	193	104	351	482	3,040	4,925
Auditors' remuneration	33.3	1,005	1,284	158	159	109	143	1,272	1,586
Legal and professional and corporate service charges		11,030	15,986	1,330	3,370	4,102	1,776	16,462	21,132
Advertisement		332	151	–	–	37	17	369	168
Donations	33.4	4,241	21,980	1,955	4	471	2,442	6,667	24,426
Depreciation	13.2 & 15	16,498	17,074	385	472	6,060	2,382	22,943	19,928
Amortization of intangible assets	14.1	175	60	79	–	19	7	273	67
Printing, stationery and office supplies		1,660	1,151	226	114	184	128	2,070	1,393
Newspapers, subscriptions and periodicals		406	157	296	6	46	18	748	181
Others		2,194	113	685	2	273	13	3,152	128
		<u>95,541</u>	<u>114,360</u>	<u>12,255</u>	<u>8,637</u>	<u>18,834</u>	<u>12,708</u>	<u>126,630</u>	<u>135,705</u>

#### 33.1 Salaries, wages and other benefits

Salaries, wages and other benefits		33,653	32,515	5,398	3,318	4,247	3,128	43,298	38,961
Provident fund contributions		1,528	1,480	171	–	192	164	1,891	1,644
Pension fund	33.2	6,628	4,933	–	–	825	548	7,453	5,481
Gratuity	33.2	1,309	788	–	–	165	88	1,474	876
		<u>43,118</u>	<u>39,716</u>	<u>5,569</u>	<u>3,318</u>	<u>5,429</u>	<u>3,928</u>	<u>54,116</u>	<u>46,962</u>

#### 33.2 Staff retirement benefits

	2009		2008	
	Pension	Gratuity	Pension	Gratuity
(Rupees in '000)				
Current service cost	6,209	1,590	5,794	1,440
Interest cost	7,624	1,939	5,477	1,639
Expected return on plan assets	(6,797)	(2,163)	(6,192)	(2,315)
Past service cost	417	108	402	112
	<u>7,453</u>	<u>1,474</u>	<u>5,481</u>	<u>876</u>



## Notes to the Financial Statements

For the year ended 30 June 2009

### 33.3 Auditors' remuneration

	2009	2008
	(Rupees in '000)	
Audit fee*	875	850
Fee for audit of funds' financial statements and other reports	209	459
Out of pocket expenses	188	277
	<u>1,272</u>	<u>1,586</u>

\*Audit fee includes services for audit of annual financial statements, limited review of condensed interim financial statements for the six months period, review report on Statement of Compliance with best Practices Code of Corporate Governance and audit of reconciliation statement of Nominee Shareholding of Central Depository Company of Pakistan Limited (CDC).

### 33.4 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	
			2009	2008
			(Rupees in '000)	
Mr. Ahsan M. Saleem	Director	The Citizens Foundation 9th Floor, NIC Building, Karachi.	5,073	20,278
	Director	Pakistan Centre for Philanthropy 1-A, Street 14, F-8/3, Islamabad.	600	873
	Member	Lyallpur Golf Club Race Course Club, Faisalabad.	714	-
			<u>6,387</u>	<u>21,151</u>

33.4.1 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 2009

## 34. Other Operating Expenses

	2009	2008
	(Rupees in '000)	
Provision for slow moving stores, spares and tools	–	5,083
Provision for stock-in-trade	8,233	–
Provision for doubtful debts	1,399	–
Provision for workers welfare fund	9,780	13,114
Provision for workers profit participation fund (Steel Division)	27,524	34,403
Provision for infrastructure fee	5,826	7,200
Impairment of intangible asset	–	10
Provision for impairment in the value of investments	102,844	42,000
Fixed assets written off	–	830
Provision for liquidated damages	11,594	590
Exchange loss	8,000	6,514
	175,200	109,744

## 35. Other Operating Income

### Income from financial assets

Return on deposits	1,340	6
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### Income from non financial assets

Liabilities written-back	4,270	565
Provision written back for stock-in-trade / stores and spares	11,670	12,381
Provision written back - workers welfare fund	19,613	–
Gain on disposal of fixed assets	266	1,312
Insurance commission	775	1,195
Others	1,036	4,114
	37,630	19,567
	38,970	19,573

## 36. Finance Costs

Mark-up on:		
Running finances	82,131	39,816
Short term loans	86,495	65,694
Long term loans	28,893	36,037
Redeemable capital	1,837	8,581
Assets subject to finance leases	–	347
Workers Profit Participation Fund	89	326
Bank charges	4,126	2,217
	203,571	153,018



## Notes to the Financial Statements

For the year ended 30 June 2009

### 37. Share of Profit in Equity Accounted Investees - net

	2009	2008
	(Rupees in '000)	
Share of profit / (loss) after taxation of:		
Altern Energy Limited	241,448	68,995
Shakarganj Mills Limited	(213,772)	(16,060)
Central Depository Company of Pakistan Limited	1,941	7,421
Shakarganj Food Products Limited	(23,891)	(9,832)
Safeway Fund Limited	(2,693)	88
Asian Capital Management Limited	651	161
	<u>3,684</u>	<u>50,773</u>

### 38. Taxation

Current		
- for the year	172,791	164,021
- for prior years	(26,396)	-
	146,395	164,021
Deferred	(11,717)	46,920
	<u>134,678</u>	<u>210,941</u>

#### 38.1 Relationship between tax expense and accounting (loss) / profit

(Loss) / profit before taxation	(105,071)	626,622
Tax at the applicable rate of 35%	(36,775)	219,318
Tax effect of inadmissible expenses / losses	195,687	24,875
Tax effect of change in tax WDV of fixed assets	-	61
Tax effect of income taxed at different rate	(16,209)	(22,860)
Tax effect on share of profit of associates taxed at different rate	-	(17,109)
Prior year tax effect	(8,025)	6,656
	<u>134,678</u>	<u>210,941</u>

### 39. Basic and Diluted (Loss) / Earnings Per Share

(Loss) / profit for the year	(239,749)	415,681
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#### (Number of shares)

Average number of ordinary shares in issue during the year	39.1	<u>56,459,993</u>	<u>56,459,993</u>
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#### (Rupees)

(Loss) / Earnings per share basic and diluted		<u>(4.25)</u>	<u>7.36</u>
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39.1 Weighted average number of shares for the year ended 30 June 2008 have been adjusted for the effect of bonus shares issued during the year.

**Notes to the Financial Statements**  
For the year ended 30 June 2009

**40. Cash Generated from Operations**

	<b>2009</b>	<b>2008</b>
	<b>(Rupees in '000)</b>	
(Loss) / profit before taxation	(105,071)	626,622
<b>Adjustments for non cash charges and other items:</b>		
Depreciation on operating fixed assets and investment properties	179,118	174,718
Reclassification of share of equity of associate on loss of significant influence	916	–
Amortization of intangible assets	392	329
Amortization of advance to staff	351	561
Provision for impairment on intangibles	–	10
Unrealized loss on held-for-trading investments	207,719	212,982
Provision against stock-in-trade and stores and spares	8,233	5,083
Reversal of provision against stock-in-trade and stores and spares	(11,670)	(12,381)
Liabilities written back	(4,270)	(565)
Provision for workers profit participation fund	27,524	34,403
Provision for workers welfare fund	9,780	13,114
Provision written back against workers welfare fund	(19,613)	–
Fixed assets written off	–	830
Provision for diminution in the value of investments	–	42,000
Impairment in the value of investment	102,844	–
Provision for infrastructure fee	9,920	7,200
Provision for doubtful debts	1,399	–
Provision for 10-C bonus	741	675
Provision against liquidated damages	11,594	590
Loss / (gain) on sale of investments	197,633	(191,939)
Pension and gratuity expense	15,606	11,422
Finance costs	203,571	153,018
Gain on disposal of fixed assets	(266)	(1,312)
Dividend income	(57,662)	(89,758)
Return on deposits, advances and investments	(3,449)	(2,032)
Share of profit in equity accounted investees	(3,684)	(50,773)
Amortization of initial transaction cost	712	1,162
Working capital changes	40.1	(29,516)
	<u>750,611</u>	<u>906,443</u>



# Notes to the Financial Statements

For the year ended 30 June 2009

## 40.1 Working capital changes

	2009	2008
	(Rupees in '000)	
(Increase) / decrease in current assets		
Stores, spares and loose tools	(2,939)	(33,619)
Stock-in-trade	(10,376)	39,773
Trade debts	33,370	62,719
Short term advances	(15,295)	58,520
Short term deposits and prepayments	(3,891)	2,337
Other receivables (net)	(133,529)	52,847
	<u>(132,660)</u>	<u>182,577</u>
Increase / (decrease) in current liabilities		
Trade and other payables	110,903	(212,093)
	<u>(21,757)</u>	<u>(29,516)</u>

## 41. Cash and Cash Equivalents

Running finances under mark-up arrangements	11	(648,880)	(837,125)
Cash and bank balances	28	4,144	8,199
		<u>(644,736)</u>	<u>(828,926)</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 comprises manufacturing of yarn (Note 1.3).
- Investment and Infrastructure Development (IID) segment - 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, financial charges between steel and cotton segments are allocated at average mark-up rate on the basis of funds utilized. 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 2009

42.3

	Steel Segment	Cotton Segment	IID Segment	Total
	(Rupees in '000)			
<b>Segment results for the year ended 30 June 2009</b>				
Sales	1,739,350	1,571,519	–	3,310,869
Cost of sales	1,046,861	1,550,329	–	2,597,190
<b>Gross profit</b>	<b>692,489</b>	<b>21,190</b>	<b>–</b>	<b>713,679</b>
Loss on investment	–	–	(338,847)	(338,847)
	692,489	21,190	(338,847)	374,832
Distribution and selling expenses	7,817	9,339	–	17,156
Administrative expenses	95,541	12,255	18,834	126,630
Other operating expenses	66,212	6,144	102,844	175,200
	169,570	27,738	121,678	318,986
	522,919	(6,548)	(460,525)	55,846
Other operating income	37,185	1,785	–	38,970
<b>Operating profit / (loss) before finance costs</b>	<b>560,104</b>	<b>(4,763)</b>	<b>(460,525)</b>	<b>94,816</b>
Finance costs	46,930	104,291	52,350	203,571
Share of profit in equity accounted investees - net	–	–	3,684	3,684
<b>Profit / (loss) before taxation</b>	<b>513,174</b>	<b>(109,054)</b>	<b>(509,191)</b>	<b>(105,071)</b>
Taxation				134,678
<b>Loss for the year</b>				<b>(239,749)</b>
<b>Segment results for the year ended 30 June 2008</b>				
Sales	2,774,227	1,425,978	–	4,200,205
Cost of sales	1,954,376	1,349,431	–	3,303,807
<b>Gross profit</b>	<b>819,851</b>	<b>76,547</b>	<b>–</b>	<b>896,398</b>
Income from investment	–	–	73,607	73,607
	819,851	76,547	73,607	970,005
Distribution and selling expenses	8,677	6,585	–	15,262
Administrative expenses	114,360	8,637	12,708	135,705
Other operating expenses	61,782	5,962	42,000	109,744
	184,819	21,184	54,708	260,711
	635,032	55,363	18,899	709,294
Other operating income	15,630	3,943	–	19,573
<b>Operating profit before finance costs</b>	<b>650,662</b>	<b>59,306</b>	<b>18,899</b>	<b>728,867</b>
Finance costs	9,354	105,989	37,675	153,018
Share of profit in equity accounted investees	–	–	50,773	50,773
<b>Profit / (loss) before taxation</b>	<b>641,308</b>	<b>(46,683)</b>	<b>31,997</b>	<b>626,622</b>
Taxation				210,941
<b>Profit for the year</b>				<b>415,681</b>



## Notes to the Financial Statements

For the year ended 30 June 2009

### Segment Reporting - Continued

	Steel Segment	Cotton Segment	IID Segment	Total
	(Rupees in '000)			
<b>Other segment information</b>				
<b>As at 30 June 2009</b>				
Segment assets	617,276	1,329,629	911,959	2,858,864
Investment in equity accounted undertakings			1,031,453	1,031,453
Unallocated corporate assets				219,376
Total assets				<u>4,109,693</u>
Segment liabilities	244,579	268,172	1,598	514,349
Unallocated corporate liabilities				1,049,529
Total liabilities				<u>1,563,878</u>
<b>For the year ended 30 June 2009</b>				
Capital expenditure	136,340	14,538	18,237	169,115
Depreciation and amortization	33,453	139,978	6,079	179,510
<b>As at 30 June 2008</b>				
Segment assets	356,800	1,593,832	1,603,878	3,554,510
Investment in equity accounted undertakings			1,222,695	1,222,695
Unallocated corporate assets				69,485
Consolidated total assets				<u>4,846,690</u>
Segment liabilities	188,193	407,794	-	595,987
Unallocated corporate liabilities				1,256,699
Consolidated total liabilities				<u>1,852,686</u>
<b>For the year ended 30 June 2008</b>				
Capital expenditure	66,079	33,440	53,942	153,461
Depreciation and amortization	33,658	139,000	2,389	175,047

## Notes to the Financial Statements

For the year ended 30 June 2009

### 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 2009. The projected unit credit method, using the following significant assumptions, has been used for the actuarial valuation:

	2009	2008
- Discount rate	12%	12%
- Expected rate of increase in salaries	12% to 15%	12% to 15%
- Expected rate of return on plan assets	12%	12%
- Average working life of employee	10 years	10 years

43.2 The amounts recognized in balance sheet are as follows:

	2009			2008		
	Pension	Gratuity	Total	Pension	Gratuity	Total
(Rupees in '000)						
Present value of defined benefit obligation	126,611	28,177	154,788	110,954	28,404	139,358
Fair value of plan assets	(93,612)	(23,254)	(116,866)	(98,915)	(31,684)	(130,599)
Unrecognized actuarial gains / (losses)	(31,463)	(8,047)	(39,510)	(6,970)	46	(6,924)
Unrecognized past service cost	(2,186)	(1,333)	(3,519)	(2,914)	(1,523)	(4,437)
<b>Liability / (Asset) in balances</b>	<b>(650)</b>	<b>(4,457)</b>	<b>(5,107)</b>	<b>2,155</b>	<b>(4,757)</b>	<b>(2,602)</b>
Present value of defined benefit obligation - 1 July	110,954	28,404	139,358	99,224	27,945	127,169
Current service cost	10,842	2,794	13,636	10,495	2,454	12,949
Interest cost	13,315	3,409	16,724	9,922	2,795	12,717
Benefits paid	(2,647)	(3,174)	(5,821)	(2,247)	(1,016)	(3,263)
Actuarial (gains) / losses	(5,853)	(3,256)	(9,109)	(6,440)	(3,774)	(10,214)
<b>Present value of defined benefit obligation - 30 June</b>	<b>126,611</b>	<b>28,177</b>	<b>154,788</b>	<b>110,954</b>	<b>28,404</b>	<b>139,358</b>
Fair value of plan assets - 1 July	98,914	31,684	130,598	93,474	32,877	126,351
Expected return on plan assets	11,870	3,802	15,672	11,217	3,945	15,162
Contribution to fund	15,821	2,290	18,111	7,825	1,947	9,772
Benefits paid	(2,647)	(3,174)	(5,821)	(2,247)	(1,016)	(3,263)
Actuarial gains / (losses)	(30,346)	(11,348)	(41,694)	(11,354)	(6,069)	(17,423)
<b>Fair value of plan assets - 30 June</b>	<b>93,612</b>	<b>23,254</b>	<b>116,866</b>	<b>98,915</b>	<b>31,684</b>	<b>130,599</b>



## Notes to the Financial Statements

For the year ended 30 June 2009

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

	2009			2008		
	Pension	Gratuity	Total	Pension	Gratuity	Total
	(Rupees in '000)					
Current service cost	10,842	2,794	13,636	10,495	2,454	12,949
Interest cost	13,314	3,409	16,723	9,922	2,794	12,716
Expected return on plan assets	(11,870)	(3,802)	(15,672)	(11,217)	(3,945)	(15,162)
Past service cost	729	190	919	729	190	919
Expense recognized in profit or loss	13,015	2,591	15,606	9,929	1,493	11,422
Actual return on plan assets	(18,477)	(7,546)	(26,023)	(138)	(2,123)	(2,261)

### Comparison for five years

	2009	2008	2007	2006	2005
	(Rupees in '000)				
<b>Pension</b>					
As at 30 June					
Present value of defined benefit obligation	126,611	110,954	99,224	71,422	65,735
Fair value of plan assets	93,612	98,915	93,474	68,194	60,744
<b>Deficit</b>	(32,999)	(12,039)	(5,750)	(3,228)	(4,991)
<b>Experience adjustments</b>					
(Gain) / loss on obligation	(5,853)	(6,440)	8,383	(2,502)	7,791
Gain / (loss) on plan asset	(30,346)	(11,355)	14,157	(1,512)	7,962
<b>Gratuity</b>					
As at 30 June					
Present value of defined benefit obligation	28,177	28,404	27,945	19,776	18,379
Fair value of plan assets	23,254	31,684	32,878	24,023	20,687
<b>Deficit</b>	(4,923)	3,280	4,933	4,247	2,308
<b>Experience adjustments</b>					
(Gain) / loss on obligation	(3,256)	(3,774)	708	1,113	2,514
Gain / (loss) on plan asset	(11,348)	(6,091)	4,298	17	2,501

# Notes to the Financial Statements

## For the year ended 30 June 2009

### 44. Financial Instruments

The Company has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

#### 44.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties fail completely to perform as contracted and arises principally from trade receivables and investment in debt securities. Out of the total financial assets of Rs. 999.848 million (2008: Rs. 1,616.385 million), the financial assets which are subject to credit risk amounted to Rs. 283.131 million (2008: Rs. 208.005 million).

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Sales tenders and credit terms are approved by the tender approval committee. Where considered necessary, advance payments are obtained from certain parties. Sales made to major customers are secured through letters of credit. The management has set a maximum credit period of 15 days in respect of cotton division's sales to reduce the credit risk.

All investing transactions are settled / paid for upon delivery as per the advice of investment committee. The Company's policy is to enter into financial instrument contract by following internal guidelines such as approving counterparties and approving credits.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is:

	<b>2009</b>	<b>2008</b>
	<b>(Rupees in '000)</b>	
Investments	56,785	56,795
Loans and deposits	6,950	3,926
Trade debts	83,927	118,696
Mark-up accrued	813	2,387
Other receivables	131,115	18,744
Bank balances	3,541	7,457
	<b>283,131</b>	<b>208,005</b>



## Notes to the Financial Statements

For the year ended 30 June 2009

Investments comprise of Term Finance Certificates and Preference Shares. The analysis below summarizes the credit quality of the Company's investments.

	<b>2009</b>	<b>2008</b>
Term Finance Certificates	<u>AA</u>	<u>AA</u>
Preference Shares		
- Maple Leaf Cement Factory Limited	<u>A2</u>	<u>A</u>
- Shakarganj Mills Limited	<u>A2</u>	<u>BBB+</u>

All the trade debtors at the balance sheet date represent domestic parties.

The maximum exposure to credit risk before any credit enhancements for trade receivables at the reporting date by type of customer was:

	<b>2009</b>	<b>2008</b>
	<b>(Rupees in '000)</b>	
Cotton division	33,411	58,792
Steel division	<u>50,516</u>	<u>59,904</u>
	<u>83,927</u>	<u>118,696</u>

The aging of trade receivable at the reporting date is:

Not past due	68,171	67,598
Past due 1-30 days	4,049	7,011
Past due 30-150 days	3,080	43,159
Past due 150 days	<u>10,174</u>	<u>1,076</u>
	<u>85,474</u>	<u>118,844</u>

One of the major customer accounts for Rs. 35.16 million of the trade receivables carrying amount at 30 June 2009 (2008: Rs. 48.44 million) that has a good track record with the Company.

The movement in the allowance for impairment in respect of trade receivables is as follows:

	<b>2009</b>	<b>2008</b>
	<b>(Rupees in '000)</b>	
Opening balance	148	155
Provision during the year	1,399	-
Written off	-	(7)
Closing balance	<u>1,547</u>	<u>148</u>

## Notes to the Financial Statements

For the year ended 30 June 2009

Based on past experience the management believes that no impairment allowance is necessary in respect of trade receivables past due as some receivables have been recovered subsequent to the year end and for other receivables there are reasonable grounds to believe that the amounts will be recovered in short course of time. Non past due amounts of Rs. 43.233 million and past due amounts of Rs. 9.616 million are secured through inland letters of credit.

### 44.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Company is not materially exposed to liquidity risk as substantially all obligations / commitments of the Company are short term in nature and are restricted to the extent of available liquidity. In addition, the Company has obtained running finance facilities from various commercial banks to meet any deficit, if required to meet the short term liquidity commitments.

The following are the contractual maturities of the financial liabilities, including estimated interest payments:

	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
(Rupees in '000)						
<b>2009</b>						
<b>Financial Liabilities</b>						
Loan	168,380	189,808	67,505	63,231	59,072	-
Trade and other payables	247,207	247,207	247,207	-	-	-
Interest and mark-up accrued	19,009	19,009	19,009	-	-	-
Short term borrowings	902,815	937,996	937,996	-	-	-
	<b>1,337,411</b>	<b>1,394,020</b>	<b>1,271,717</b>	<b>63,231</b>	<b>59,072</b>	<b>-</b>
<b>2008</b>						
<b>Financial Liabilities</b>						
Loan	280,617	338,811	76,183	72,819	130,736	59,073
Trade and other payables	99,440	99,440	99,440	-	-	-
Interest and mark-up accrued	19,765	19,765	19,765	-	-	-
Short term borrowings	1,119,331	1,189,887	1,189,887	-	-	-
Redeemable capital	74,551	76,830	39,265	37,565	-	-
	<b>1,593,704</b>	<b>1,724,733</b>	<b>1,424,540</b>	<b>110,384</b>	<b>130,736</b>	<b>59,073</b>



## Notes to the Financial Statements

For the year ended 30 June 2009

### 44.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

#### 44.3.1 Currency risk

The Company is exposed to currency risk on import of raw materials and stores and spares and export of goods mainly denominated in US dollars and on foreign currency bank accounts. The Company's exposure to foreign currency risk for US Dollars is as follows:

	2009 (Rupees in '000)	2008
Foreign creditors	(129,031)	–
Foreign currency bank account	<u>2</u>	<u>719</u>
Gross balance sheet exposure	(129,029)	719
Outstanding letters of credit	<u>–</u>	<u>(263,070)</u>
Net exposure	<u>(129,029)</u>	<u>(262,351)</u>

The following significant exchange rate has been applied:

	<u>Average rate</u>		<u>Reporting date rate</u>	
	2009	2008	2009	2008
	(Rupees in '000)			
USD to PKR	78.89	62.77	81.30	68.20

#### Sensitivity analysis

At reporting date, if the PKR had strengthened by 10% against the US Dollar with all other variables held constant, post-tax loss / profit for the year would have been lower by the amount shown below, mainly as a result of net foreign exchange gain on translation of foreign currency bank account and foreign creditors.

#### Effect on profit or loss

	2009 (Rupees in '000)	2008
US Dollars	<u>12,903</u>	<u>(72)</u>

The weakening of the PKR against US Dollar would have had an equal but opposite impact on the post tax loss / profits.

The sensitivity analysis prepared is not necessarily indicative of the effects on (loss) / profit for the year and assets / liabilities of the Company.

# Notes to the Financial Statements

For the year ended 30 June 2009

## 44.3.2 Interest rate risk

At the reporting date the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

<b>Financial assets</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>Effective rate</b>		<b>Carrying amount</b>	
	<b>(in Percent)</b>		<b>(Rupees in '000)</b>	
<b>Fixed rate instruments</b>				
Preference shares	8.5 & 9.75	8.5 & 9.75	<u>31,830</u>	<u>31,830</u>
Term finance certificates	8.45	8.45	<u>24,955</u>	<u>24,965</u>
<b>Financial liabilities</b>				
<b>Variable rate instruments</b>				
Loan	14.94 to 17.55	11.86 to 15.04	<u>168,380</u>	<u>280,617</u>
Short term borrowings	12.52 to 18.5	10.22 to 14.38	<u>902,815</u>	<u>1,119,331</u>

### Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in interest rates at the reporting date would not affect profit and loss account.

### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

	<b>Profit and loss 100 bp</b>	
	<b>increase</b>	<b>decrease</b>
	<b>(Rupees in '000)</b>	
<b>As at 30 June 2009</b>		
Cash flow sensitivity-Variable rate financial liabilities	<u>(3,734)</u>	<u>3,734</u>
<b>As at 30 June 2008</b>		
Cash flow sensitivity-Variable rate financial liabilities	<u>(6,562)</u>	<u>6,562</u>

The sensitivity analysis prepared is not necessarily indicative of the effects on loss for the year and assets / liabilities of the Company.



## Notes to the Financial Statements

For the year ended 30 June 2009

### 44.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Other price risk arises from the Company's investment in units of mutual funds and ordinary shares of listed companies. To manage its price risk arising from aforesaid investments, the Company diversifies its portfolio and continuously monitors developments in equity markets. In addition the Company actively monitors the key factors that affect stock price movement.

A 10% increase / decrease in redemption and share prices at year end would have decreased / increased the Company's loss in case of held for trading investments and increase / decrease surplus on re-measurement of investments in case of 'available for sale' investments as follows:

	<b>2009</b>	<b>2008</b>
	<b>(Rupees in '000)</b>	
Effect on profit or loss	50,237	115,012
Effect on equity	21,374	25,752
Effect on investments	<u>71,611</u>	<u>140,764</u>

The sensitivity analysis prepared is not necessarily indicative of the effects on loss / equity and assets of the Company.

### 44.4 Fair value of financial instruments

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

## Notes to the Financial Statements

For the year ended 30 June 2009

### 45. Remuneration to the Chief Executive, Director and Executives

	Chief Executive		Director		Executives		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	(Rupees in '000)							
Managerial remuneration	6,000	5,730	2,910	2,967	18,467	11,877	27,377	20,574
House rent	2,700	2,579	1,309	1,335	6,422	4,328	10,431	8,242
Utilities	600	573	291	297	1,475	1,009	2,366	1,879
Travelling expenses	1,152	893	317	296	309	–	1,778	1,189
Others	709	533	–	–	44	–	753	533
Medical	60	356	109	105	1,029	538	1,198	999
Contribution to:								
- Provident fund	600	573	291	297	922	633	1,813	1,503
- Gratuity fund	460	401	223	208	657	389	1,340	998
- Pension fund	1,200	1,105	582	573	2,008	1,481	3,790	3,159
Club subscription and expenses	447	337	10	9	46	15	503	361
Entertainment	–	–	33	36	121	126	154	162
Conveyance	–	–	–	–	971	604	971	604
Telephone	–	–	11	12	28	30	39	42
	13,928	13,080	6,086	6,135	32,499	21,030	52,513	40,245
<b>Number of persons</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>14</b>	<b>9</b>	<b>16</b>	<b>11</b>

- 45.1 The aggregate amount charged in the account in respect of directors' fees paid to seven (2008: six) directors was Rs. 0.305 million (2008: Rs. 0.155 million).
- 45.2 The chief executive, a director and five 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 2009

## 46. Transactions with Related Parties

Related parties include associated companies, directors of the company, companies where directors also hold directorship, related group companies, key management personnel and staff retirement funds. 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. Assets purchased from associated concerns are based on valuation determined by independent valuers. There are no transactions with the key management personnel other than under their terms of employment / entitlements. Contributions to the employee retirement benefits are made in accordance with the terms of employee retirement benefit schemes and actuarial advice. Particulars of transactions with employee retirement benefit plans are disclosed in note 43 to these financial statements.

Transactions with related parties and associated undertakings, other than those disclosed elsewhere in these financial statements, are follows:

		<b>2009</b>	<b>2008</b>
		<b>(Rupees in '000)</b>	
<b>Associated companies</b>			
Sale of finished goods including waste		16,080	22,978
Purchase of yarn		–	385
Rendering of services		1,182	1,238
Receiving of services		4,743	5,132
Rental income		4,649	1,065
Advance against rental income		–	355
Dividends received		–	9,930
Purchase of shares		20,872	260,202
Purchase of operating fixed assets		120,510	–
<b>Other related parties</b>			
Donations	33.4	6,387	21,151
Contribution to provident fund		10,346	9,966
Contribution to pension fund	43.2	15,821	7,825
Contribution to gratuity fund	43.2	2,290	1,947
Dividends received		–	20,418
Remuneration to key management personnel		44,285	37,947

# Notes to the Financial Statements

## For the year ended 30 June 2009

### 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 (2008: 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 14,368 tons (2008: 41,102 tons) line pipes of varied sizes and thickness, which is equivalent to 37,470 tons (2008: 50,958 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 585,651 meters of different dia pipes (382,902 square meters surface area) was achieved during the year (2008: 208,487 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 5,306,859 kilograms (2008: 4,424,849 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 9,894,119 kilograms (2008: 11,181,265 kilograms).

#### 47.3 The capacities of the plant were utilized 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.

### 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 judgment (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 expenditure to make the sale.

# Notes to the Financial Statements

For the year ended 30 June 2009

## Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 43 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Changes in these assumptions in future years may affect the liability under these schemes in those years.

## 49. Corresponding Figures

Previous year's figures of mark-up accrued amounting to Rs. 1.575 million has been reclassified to other receivables for the purpose of better presentation.

## 50. Date of Authorization for Issue

These financial statements were authorized for issue in the Board of Directors meeting held on 31 July 2009.



**Chief Executive**



**Director**