

# Notes to the Financial Statements

For the year ended 30 June 2008

## 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 a 6th floor, Crescent Standard Tower, 10-B, Block E-2, Main Boulevard, Gulberg-III, Lahore.
- 1.2 The Company's steel segment is one of the down stream industries of Pakistan Steel Mills, manufacturing large diameter spiral arc welded steel line pipes at Nooriabad (District Dadu). The Company has a coating facility capable of applying three layer high density polyethylene coating on steel line pipes. The coating plant commenced commercial production from 16 November 1992.
- 1.3 The Company acquired a running spinning unit of 14,400 spindles (now 19,680 spindles) at Jaranwala (District Faisalabad) on 30 June 2000 from Crescent Jute Products Limited. Another spinning unit CCP-II was added with 25,344 spindles in 2006. The cotton spinning activity is carried out by the Company under the name and title of "Crescent Cotton Products a division of Crescent Steel and Allied Products Limited".

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with 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 provision of and directives issued under the Companies Ordinance, 1984. In case requirement 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 the following:

- investments classified as held for trading are stated at fair value (refer para 5.10.1)
- investments classified as available-for-sale are stated at fair value (refer para 5.10.1)
- derivative financial instruments are stated at fair value (refer para 5.10.4)

### 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

For the year ended 30 June 2008

### 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 47 to these financial statements.

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

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning on or after 1 July 2008 and are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures in the certain cases:

- Revised IAS 1 - Presentation of Financial Statements;
- Revised IAS 23 - Borrowing costs;
- IAS 29 - Financial Reporting in Hyperinflationary Economies;
- IAS 32 (amendment) - Financial instruments: presentation and consequential amendments to IAS 1 - Presentation of Financial Statements;
- IFRS 2 (amendment) - Share-based payments;
- IFRS 3 (amendment) - Business Combinations and consequential amendments to IAS 27 - Consolidated and separate financial statements, IAS 28 - Investment in associates and IAS 31 - Interest in Joint Ventures;
- IFRS 7 - Financial Instruments: Disclosures;
- IFRS 8 - Operating Segments;
- IFRIC 12 - Service Concession Arrangements;
- IFRIC 13 - Customer Loyalty Programmes;
- IFRIC 14 - IAS 19-The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction;
- IFRIC 15 - Agreement for the Construction of Real Estate;
- IFRIC 16 - Hedge of Net Investment in a Foreign Operation;

# Notes to the Financial Statements

For the year ended 30 June 2008

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 5.1 Mark-up bearing borrowings

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

### 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 recognised 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.

##### 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.



## Notes to the Financial Statements

For the year ended 30 June 2008

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 current rates of taxation.

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

### 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, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### 5.5 Trade and other payables

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

## Notes to the Financial Statements

For the year ended 30 June 2008

### 5.6 Dividend

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

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

#### Depreciation

Depreciation is charged to income on straight line basis at the rates specified in note 15 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.

The gain or loss on disposal or requirement 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

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



## Notes to the Financial Statements

For the year ended 30 June 2008

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 an 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 expenditures 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 expenditures 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.

## Notes to the Financial Statements

### For the year ended 30 June 2008

#### 5.10 Investments

##### 5.10.1 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.

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

###### Loans and advances originated by enterprise

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

###### Investments in associate - Equity Method

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

These investments are initially 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 changes in the associate's equity which are 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 stated at fair value, with any resultant gain or loss being recognized directly in equity. Gains or losses on available-for-sale investments are recognized directly in equity until the investments are sold or disposed off, or until the investments are determined to be impaired, at that time cumulative gain or loss previously reported in the equity is included in current year's profit and loss account.



## Notes to the Financial Statements

For the year ended 30 June 2008

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

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

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

5.10.4 Derivative financial instruments

The Company enters into derivative financial instruments, which include future contracts in stock market. Derivatives are initially recorded at cost and are remeasured to fair value on subsequent reporting dates. The fair value of a derivative is the equivalent of the unrealized gain or loss from marking to market the derivative using prevailing market rates. Derivatives with positive market values (unrealized gains) are included in other receivables and derivatives with negative market values (unrealized losses) are included in other liabilities in the balance sheet. The resultant gains and losses from derivatives held for trading purposes are included in income currently. No derivative is designated as hedging instrument by the Company.

5.11 Stores and spares

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

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

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

## Notes to the Financial Statements

For the year ended 30 June 2008

### 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.

### 5.15 Revenue recognition

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

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

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

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

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 profit is recognized on a straight line basis over the lease term.

### 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

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

### 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

For the year ended 30 June 2008

### 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

2008	2007		2008	2007
(Number of shares)			(Rupees in '000)	
22,230,188	22,230,188	Ordinary shares of Rs. 10 each fully paid in cash	222,302	222,302
29,097,079	24,430,965	Ordinary shares of Rs. 10 each fully issued as bonus shares	290,971	244,310
<u>51,327,267</u>	<u>46,661,153</u>		<u>513,273</u>	<u>466,612</u>

6.1 During the current period, 4,666,114 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:

	2008	2007
	(Number of shares)	
Crescent Jute Products Limited	–	139,392
Shakarganj Mills Limited	2,563,693	2,330,630
Crescent Sugar Mills & Distillery Limited	965,062	1,127,193
Muhammad Amin Muhammad Bashir Limited	562	511
The Crescent Textile Mills Limited	5,645,160	5,131,964
Premier Insurance Limited	27,400	–

## Notes to the Financial Statements

For the year ended 30 June 2008

### 7. LONG TERM LOAN

	2008	2007
	(Rupees in '000)	
Allied Bank Limited	392,854	448,841
Amortization of initial transaction cost	263	263
Repayment	(112,500)	(56,250)
	280,617	392,854
Current portion	(112,500)	(112,500)
	168,117	280,354

- 7.1 The mark-up rate is 6 months KIBOR prevailing on the base rate setting date plus 1.9 percent per annum. Mark-up is payable on quarterly basis. The effective mark-up charged during the year ranges from 11.86% to 15.04% (2007: 11.6% to 12.5%).

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

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

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

	2008	2007
	(Rupees in '000)	
Term Finance Certificates (TFCs)		
Balance as at 1 July	148,652	222,753
Transaction cost amortized	899	899
Redemption	(75,000)	(75,000)
	74,551	148,652
Current portion	(74,551)	(75,000)
Balance as at 30 June	-	73,652



## Notes to the Financial Statements

For the year ended 30 June 2008

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

	2008	2007
	(Rupees in '000)	
Commercial Banks	55,000	107,500
Financial Institutions	20,000	42,500
	<u>75,000</u>	<u>150,000</u>

- 8.2 Principal purpose for the use of subscription money

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

- 8.3 Redemption of TFCs

The terms of redemption are as under :

Tenor		5 years
Expected profit rate	8.3.1	Base rate plus 250 bps
Floor		None
Cap		9%
Principal redemption		Principal redemption has started from 7 July 2006 in 8 equal semi-annual installments.

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

- 8.4 Security

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

- 8.5 Trustee

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

## Notes to the Financial Statements

For the year ended 30 June 2008

### 9. DEFERRED TAXATION

	2008	2007
	(Rupees in '000)	
Deferred tax credits / (debits) arising in respect of temporary taxable differences due to :		
Accelerated tax depreciation / amortization	187,800	199,116
Finance lease arrangements	2,450	1,560
Provisions for stock-in-trade and stores and spares	(23,365)	(25,920)
Provisions for doubtful debts, advances and other receivables	(47,208)	(32,121)
Provisions for impairment in unquoted available for sale investments	(9,058)	(9,058)
Current year tax loss	–	(82,187)
Share of profit from investments in equity accounted undertakings	886	13,194
	<u>111,505</u>	<u>64,584</u>

### 10. TRADE AND OTHER PAYABLES

Trade creditors		24,963	268,047
Commission payable		2,804	2,434
Accrued liabilities	10.1	39,457	39,572
Provisions	10.2	52,421	44,631
Advance from customers		55,589	15,460
Retention money		2,901	3,808
Due to associated undertakings	10.3	3,395	12,973
Payable to provident fund		27	803
Unclaimed dividend		14,306	8,129
Sales tax payable		2,680	138
Special Excise Duty payable		180	–
Workers Welfare Fund		27,964	14,849
Workers Profit Participation Fund	10.4	2,403	11,741
Withholding tax payable		115	352
Customer's security deposit		2,050	4,556
Others		9,564	7,587
		<u>240,819</u>	<u>435,080</u>

#### 10.1 Accrued liabilities

Salaries, wages and other benefits		11,875	9,581
Accrual for 10-C bonus		750	662
Compensated absences		6,242	6,180
Accruals		20,590	23,149
		<u>39,457</u>	<u>39,572</u>



## Notes to the Financial Statements

For the year ended 30 June 2008

### 10.2 Movement of provisions

	Infrastructure fee	Sales Tax	Liquidated damages	Total
	(Rupees in '000)			
	(Note 10.2.1)	(Note 10.2.2)	(Note 10.2.3)	
Opening balance 1 July 2007	32,300	3,242	9,089	44,631
Provision for the year	7,200	–	1,501	8,701
Provision written back	–	–	(911)	(911)
Closing balance 30 June 2008	<u>39,500</u>	<u>3,242</u>	<u>9,679</u>	<u>52,421</u>

10.2.1 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. 50 million (2007: Rs. 36 million) in favour of Excise and Taxation Department. However, the Company is contesting this issue in High Court. Current year charge has been calculated on the value of imports during the year.

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

10.2.3 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.

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

### 10.4 Workers' Profit Participation Fund

	2008	2007
	(Rupees in '000)	
Balance at beginning of the year	11,741	–
Mark-up on funds utilized in the Company's business	326	–
Allocation for the year	34,403	11,741
	<u>46,470</u>	<u>11,741</u>
Amount paid to the trustees of the fund	(44,067)	–
Balance at end of the year	<u>2,403</u>	<u>11,741</u>

## Notes to the Financial Statements

For the year ended 30 June 2008

### 11. INTEREST AND MARK-UP ACCRUED

	2008	2007
	(Rupees in '000)	
- on Long term loan	1,738	2,490
- on Term Finance Certificates	3,218	6,436
- on Running finance and short term loans	14,809	7,184
- on Leases	-	40
	19,765	16,150

### 12. SHORT TERM BORROWINGS

#### Secured from banking companies

Running finances under mark-up arrangements	12.1	837,125	10,724
Short term loans / Murabaha	12.2	282,206	422,075
		1,119,331	432,799

- 12.1 Short term running finance available from various commercial banks under mark-up arrangement amount to Rs. 2,350 million (30 June 2007: Rs. 725 million). This facility is interchangeable with Term Finance / Demand Finance as given Note No.12.2 below. The rate of mark-up ranges between 10.3% to 14.38% (30 June 2007: 10.12% to 12.37%) per annum.
- 12.2 The Company has also borrowed short term loan / murabaha financing from various commercial banks under mark-up arrangements amount to Rs. 625 million (30 June 2007: Rs. 570 million). Mark-up rates is normally negotiated at the time of the transaction. During the year, the mark-up on such arrangement ranges between 10.22% to 13.31% (30 June 2007: 9.37% to 11.62%) per annum.
- 12.3 The facilities for opening letters of credit and guarantees as at 30 June 2008 aggregate Rs. 2,850 million and Rs. 1,300 million respectively (30 June 2007: Rs. 1,700 million and Rs. 880 million respectively) of which the amounts unutilized as at 30 June 2008 were Rs. 2,587 million and Rs. 811 million (30 June 2007: Rs. 1,457 million and Rs. 409 million).

These 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.



## Notes to the Financial Statements

For the year ended 30 June 2008

### 13. TAXATION - NET

The income tax assessments of the Company have been finalized up to tax year 2007.

	2008	2007
	(Rupees in '000)	
Advance tax	488,203	350,472
Provision for taxation	(494,301)	(330,280)
	<u>(6,098)</u>	<u>20,192</u>

The Tax Officer (TO) and Income Tax Appellate Tribunal (ITAT) has issued the orders in respect of the assessment years 2001-2002, 2002-2003, Tax year 2003 and 2007. The Company has filed appeals against above mention orders passed by TO and ITAT. The appeals in respect of assessment years 2000-2001, 2001-2002, 2002-2003 and Tax year 2003 are pending adjudication, however appeal in respect of Tax year 2007 has been heard by the Commissioner Income Tax (Appeals), the order is still awaited. No provision, except for assessment year 2000-2001 against which full provision has been made, has been made in these financial statements as the management is confident for favourable outcome of these appeals. Additional tax liability of Rs. 22.03 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. 20.47 million may arise. However, no provision has been made in these financial statements as the management is confident for favourable outcome of these appeals.

### 14. CONTINGENCIES AND COMMITMENTS

- 14.1 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 (1)/94 dated 22 December 1990, being located in rural area, is only liable to pay 2% of import licence fee. The Company has provided bank guarantee of Rs. 3.42 million as directed by the Honourable Court. The petition was dismissed by High Court as having been incompetently filed. The Company has filed the appeal with Honourable Supreme Court, which has been admitted for hearing. No provision has been made in the financial statements as management considers that the case would be decided in Company's favour.

## Notes to the Financial Statements

For the year ended 30 June 2008

- 14.2 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.
- 14.3 Aggregate amount of guarantees issued by the banks on behalf of the Company against various contracts aggregated Rs. 488.56 million (30 June 2007: Rs. 470.68 million).
- 14.4 The Company filed a suit in the High Court of Sindh for recovery of retention money amounting to Rs. 3.27 million (30 June 2007: Rs. 3.27 million) from Indus Steel Pipes Limited against supply of pipes. The High Court has decided the case in the Company's favour, however, the Company has not filed any execution petition for the recovery of said amount.
- 14.5 Commitments in respect of capital expenditure contracted for as at 30 June 2008 amounted to Rs. 58.60 million (30 June 2007: Rs. 58.16 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. 12.1 million (30 June 2007: Rs. 24.2 million). It also includes an amount of Rs. 25.66 million (30 June 2007: Rs. 30.85 million) payable over the period of six years in 20 quarterly installments representing office premises in Islamabad.
- 14.6 Commitments under letters of credit as at 30 June 2008 amounted to Rs. 263.07 million (30 June 2007: Rs. 242.87 million).
- 14.7 Commitments in respect of future purchase of shares amounted to Nil (30 June 2007: Rs. 5.33 million).

### 15. PROPERTY, PLANT AND EQUIPMENT

		2008	2007
		(Rupees in '000)	
Operating fixed assets	15.1	1,126,448	1,236,790
Capital work-in-progress	15.3	106,783	69,851
		<u>1,233,231</u>	<u>1,306,641</u>



Crescent Steel &  
Allied Products Ltd.

## Notes to the Financial Statements

For the year ended 30 June 2008

### 15.1 Operating fixed assets

Description	Land		Buildings		Office premises	
	Freehold	Leasehold including improvement	On freehold Land	On Leasehold Land		
(Rupees in '000)						
<b>Net carrying value as at 1 July 2007</b>						
Opening net book value (NBV)	15.1.1	69,242	6,804	210,790	12,634	15,735
Additions		–	–	24,472	1,020	60
Transfer (at NBV)		–	(2,514)*	–	–	–
Disposals / writeoff (at NBV)	15.4	–	–	–	–	–
Depreciation charge		–	(54)	(25,650)	(1,634)	(2,682)
Balance as at 30 June 2008 (NBV)		69,242	4,236	209,612	12,020	13,113
<b>Gross carrying value as at 30 June 2008</b>						
Cost		69,242	5,646	267,845	70,027	40,493
Accumulated depreciation		–	(1,410)	(58,233)	(58,007)	(27,380)
Net book value		69,242	4,236	209,612	12,020	13,113
<b>Net carrying value as at 1 July 2006</b>						
Opening net book value (NBV)		60,906	6,886	25,509	15,175	18,416
Additions / transfers		8,336	–	202,281	–	–
Disposals / transfers (at NBV)		–	–	–	–	–
Depreciation charge		–	(82)	(17,000)	(2,541)	(2,681)
Balance as at 30 June 2007 (NBV)		69,242	6,804	210,790	12,634	15,735
<b>Gross carrying value as at 30 June 2007</b>						
Cost		69,242	8,160	243,373	69,007	40,433
Accumulated depreciation		–	(1,356)	(32,583)	(56,373)	(24,698)
Net book value		69,242	6,804	210,790	12,634	15,735
<b>Depreciation rate % per annum</b>		–	1	–	5	10

\* Transfer to investment property.

\*\* Net book value of plant and machinery includes book value of Rs. 1.89 million ( 2007: Rs. 2.08 million ) of capitalized spares.

**Notes to the Financial Statements**  
For the year ended 30 June 2008

Plant and Machinery		Electrical / Office equipment and Installation	Furniture and fittings	Computers	Motor vehicles		TOTAL
Owned **	Lease				Owned	Leases	
(Rupees in '000)							
861,125	10,000	13,901	1,785	17,882	16,892	–	1,236,790
12,826	–	1,059	1,581	8,759	16,881	–	66,658
8,000	(8,000)	–	–	–	–	–	(2,514)
(830)	–	–	–	–	(1,320)	–	(2,150)
(118,405)	(2,000)	(3,113)	(502)	(9,967)	(8,329)	–	(172,336)
<u>762,716</u>	<u>–</u>	<u>11,847</u>	<u>2,864</u>	<u>16,674</u>	<u>24,124</u>	<u>–</u>	<u>1,126,448</u>
1,581,137	–	30,868	15,866	49,631	58,741	–	2,189,496
(818,421)	–	(19,021)	(13,002)	(32,957)	(34,617)	–	(1,063,048)
<u>762,716</u>	<u>–</u>	<u>11,847</u>	<u>2,864</u>	<u>16,674</u>	<u>24,124</u>	<u>–</u>	<u>1,126,448</u>
934,651	12,000	9,382	1,772	26,186	14,600	2,895	1,128,378
55,028	–	7,049	512	1,015	10,210	(2,413)	282,018
–	–	–	(4)	–	(958)	–	(962)
(128,554)	(2,000)	(2,530)	(495)	(9,319)	(6,960)	(482)	(172,644)
<u>861,125</u>	<u>10,000</u>	<u>13,901</u>	<u>1,785</u>	<u>17,882</u>	<u>16,892</u>	<u>–</u>	<u>1,236,790</u>
1,552,343	20,000	29,809	14,285	40,872	47,320	–	2,134,844
(691,218)	(10,000)	(15,908)	(12,500)	(22,990)	(30,428)	–	(898,054)
<u>861,125</u>	<u>10,000</u>	<u>13,901</u>	<u>1,785</u>	<u>17,882</u>	<u>16,892</u>	<u>–</u>	<u>1,236,790</u>
5 - 20	10	5 & 20	10	33.33	20	20 & 33.33	



## Notes to the Financial Statements

For the year ended 30 June 2008

15.1.1 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.

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

		2008	2007
		(Rupees in '000)	
Cost of sales	30.1	154,424	156,402
Distribution and selling costs	32	366	382
Administrative expenses	33	17,546	15,860
		<u>172,336</u>	<u>172,644</u>

### 15.3 CAPITAL WORK-IN-PROGRESS

Plant and machinery		–	3,600
Civil work	15.3.1	90,059	66,251
Software	15.3.2	15,157	–
Advances to supplier		1,567	–
		<u>106,783</u>	<u>69,851</u>

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

15.3.2 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 2008

15.4 The following assets were disposed off / written off during the year:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particular of buyers
	(Rupees in '000)					
Motor vehicles	579	386	193	289	Company Scheme	Miss Mona Adeel (ex-employee)
	464	80	384	371	Company Scheme	Mr. Iftikhar Arif (ex-employee)
	390	97	293	302	Company Scheme	Mr. Arshad Ali (ex-employee)
	447	412	35	231	Insurance Claim	EFU
	395	103	292	303	Company Scheme	Mr. Fahim Karim (ex-employee)
	3,185	3,062	123	1,135	Company Scheme	Various
Plant & machinery	517	410	107	-	Write off	-
	1,879	1,488	391	-	Write off	-
	952	754	198	-	Write off	-
	352	279	73	-	Write off	-
	332	271	61	-	Write off	Various
<b>2008</b>	<u>9,492</u>	<u>7,342</u>	<u>2,150</u>	<u>2,631</u>		
<b>2007</b>	<u>38,159</u>	<u>9,427</u>	<u>28,732</u>	<u>127,419</u>		

### 16. INTANGIBLE ASSETS

	2008	2007
	(Rupees in '000)	
<b>Net carrying value as at 1 July</b>		
Net book value at 1 July	503	1,106
Additions (at cost)	456	194
Amortization	16.1 (329)	(797)
Impairment charge	16.1 (10)	-
Net book value at 30 June	<u>620</u>	<u>503</u>
<b>Gross carrying value at 30 June</b>		
Cost	11,572	11,116
Accumulated amortization	(10,942)	(10,613)
Impairment charge	(10)	-
<b>Net book value</b>	<u>620</u>	<u>503</u>



## Notes to the Financial Statements

For the year ended 30 June 2008

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

		2008	2007
		(Rupees in '000)	
Cost of sales	30.1	262	343
Administrative expenses	33	67	454
Other operating expenses	34	10	–
		339	797
		339	797

### 17. INVESTMENT PROPERTY

Description	Land On Leasehold	Buildings On Leasehold Land	Office premises	Electrical / Office equipment Installation	Furniture and fittings	TOTAL
	(Rupees in '000)					
<b>Balance as at 1 July 2007</b>	–	–	–	–	–	–
Additions / transfer from						
property, plant and equipment	2,514	21,608	25,561	1,786	916	52,385
Depreciation charge	(29)	(352)	(1,704)	(238)	(59)	(2,382)
Balance as at 30 June 2008 (NBV)	2,485	21,256	23,857	1,548	857	50,003
<b>Depreciation rate % per annum</b>	1	5	10	5 & 20	10	

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

17.2 Fair value of the investment property, based on cost of purchase is Rs. 59.5 million (2007: Nil)

### 18. LONG TERM INVESTMENTS

		2008	2007
		(Rupees in '000)	
<b>Related parties</b>			
Investment in equity accounted undertakings	18.1	1,222,695	1,027,316
Held to maturity	18.2	29,994	29,994
Available for sale	18.3	–	–
<b>Others</b>			
Available for sale	18.4	–	175,435
Held to maturity	18.5	26,791	26,801
		1,279,480	1,259,546
		1,279,480	1,259,546

## Notes to the Financial Statements

For the year ended 30 June 2008

### Investments in related parties

#### 18.1 Investments in equity accounted undertakings

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

2008	2007		2008	2007
(Number of shares)			(Rupees in '000)	
		<b>Quoted</b>		
60,475,416	60,475,416	Altern Energy Limited (Chief Executive Officer - Sheikh Muhammad Iqbal)	647,239	701,006
15,089,665	6,193,082	Shakarganj Mills Limited (Chief Executive Officer - Mr. Ahsan M. Saleem)	405,448	294,144
			1,052,687	995,150
		<b>Unquoted</b>		
528,937	352,625	Central Depository Company of Pakistan Limited (Chief Executive Officer - Mr. Mohammad Hanif Jakhura)	38,075	32,166
6,000,000	-	Shakarganj Food Products Limited (Chief Executive Officer - Mr. Anjum M.Saleem)	50,168	-
1,031,250	-	Safeway Fund Limited (Chief Executive Officer - Mr. Asif Haider Mirza)	42,117	-
2,250,000	-	Asian Capital Management Limited (Chief Executive Officer - Ms. Tehmeena Khan)	39,648	-
			1,222,695	1,027,316

18.1.1 The above figures are based on unaudited condensed interim financial statements of these companies as at 31 March 2008.



## Notes to the Financial Statements

For the year ended 30 June 2008

18.1.2 Market value / break-up of investments in associates are as follows:

	2008	2007
	(Rupees in '000)	
<b>Quoted</b>		
Altern Energy Limited	1,203,461	1,058,320
Shakarganj Mills Limited	288,514	315,847
	<u>1,491,975</u>	<u>1,374,167</u>
<b>Unquoted**</b>		
Central Depository Company of Pakistan Limited	24,027	18,134
Shakarganj Food Products Limited	22,947	-
Safeway Fund Limited	18,721	-
Asian Capital Management Limited	21,234	-
	<u>86,929</u>	<u>18,134</u>
	<u>1,578,904</u>	<u>1,392,301</u>

\*\* Break-up value of shares is based on latest available unaudited condensed interim financial statements as at 31 March 2008.

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

	2008	2007
	%	
<b>Quoted</b>		
Altern Energy Limited	17.65	17.65
Shakarganj Mills Limited	21.70	10.69
<b>Unquoted</b>		
Central Depository Company of Pakistan Limited	1.75	1.75
Shakarganj Food Products Limited	9.44	-
Safeway Fund Limited	25.00	-
Asian Capital Management Limited	25.00	-

## Notes to the Financial Statements

For the year ended 30 June 2008

18.1.4 Summarized financial information of associated companies as at 31 March 2008 where there is significant influence is as follow:

Name of investee company	Total Assets	Total Liabilities	Revenue	Profit / (loss)
	(Rupees in '000)			
<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
<b>2007</b>				
Altern Energy Limited	27,668,509	21,226,633	5,175,902	1,137,437
Shakarganj Mills Limited	12,783,052	9,564,228	3,413,231	(31,284)
Central Depository Company of Pakistan Limited	1,275,547	239,319	551,524	183,825

18.1.4.1 These figures are based on the latest available summarized consolidated condensed interim financial statements as at 31 March 2008 including its subsidiary company (Rousch (Pakistan) Power Limited).

18.1.4.2 These figures are based on the latest available summarized consolidated condensed interim financial statements as at 31 March 2008 including its wholly owned subsidiary company (Shakarganj Food Products Limited).

18.1.4.3 These figures are based on the latest available summarized condensed interim financial statements as at 31 March 2008.

18.2 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.



Crescent Steel &  
Allied Products Ltd.

## Notes to the Financial Statements

For the year ended 30 June 2008

### 18.3 Available-for-sale

2008	2007		2008	2007
(Number of shares)			(Rupees in '000)	
		<b>Unquoted</b>		
2,403,725	2,403,725	Crescent Bahuman Limited 18.3.1	24,037	24,037
1,047,000	1,047,000	Crescent Industrial Chemicals Limited 18.3.2	10,470	10,470
			34,507	34,507
		Provision for impairment loss	(34,507)	(34,507)
			—	—
2	2	Crescent Continental Gas Pipelines Limited (US \$ 1 each) 18.3.3	—	—
			—	—

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

18.3.2 The chief executive of Crescent Industrial Chemicals Limited is Mr. Tariq Shafi. The company's break up value of shares could not be ascertained as the financial statements of the company are not available.

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

### Other

### 18.4 Available-for-sale

2008	2007		2008	2007
(Number of shares)			(Rupees in '000)	
		<b>Quoted</b>		
—	7,814,456	Crescent Commercial Bank Limited 18.1.2	—	175,435
			—	175,435

## Notes to the Financial Statements

For the year ended 30 June 2008

### 18.5 Held to maturity

		2008	2007
		(Rupees in '000)	
Redeemable Capital - Term Finance Certificates (TFCs)	18.5.1	24,955	24,965
Maple Leaf Cement Limited (Preference Shares)	18.5.2	1,836	1,836
		26,791	26,801

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

United Bank Limited (5,000 TFCs of Rs. 5,000 each)	18.5.3	24,965	24,975
Current maturity shown under current assets		(10)	(10)
		24,955	24,965

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

18.5.3 This represents investments in 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.

## 19. LONG TERM DEPOSITS AND PREPAYMENTS

		2008	2007
		(Rupees in '000)	
Security deposits		3,139	2,988
Long term loans	19.1	1,102	1,579
		4,241	4,567

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

## 20. STORES, SPARES AND LOOSE TOOLS

Stores - steel segment		9,640	8,724
Spare parts - steel segment	20.1	38,696	21,086
Loose tools - steel segment		961	634
Stores and spares - cotton segment	20.2	45,332	30,566
		94,629	61,010
Provision for slow moving items	20.3	(17,244)	(12,161)
		77,385	48,849



Crescent Steel &  
Allied Products Ltd.

## Notes to the Financial Statements

For the year ended 30 June 2008

20.1 This includes items in-transit as at 30 June 2008 of Rs. 3.09 million (2007: Rs. 1.56 million).

20.2 This includes items in-transit as at 30 June 2008 of Rs.1.58 million (2007: Rs.2.98 million).

20.3 Movement of provision for slow moving items

	2008	2007
	(Rupees in '000)	
Opening balance	12,161	11,269
Provision made during the year	5,083	892
Closing balance	<u>17,244</u>	<u>12,161</u>

### 21. STOCK-IN-TRADE

Raw materials			
Hot rolled steel coils (HR Coil)		16,928	199,872
Coating materials		49,208	101,919
Others - pipe plant		27,544	15,332
Raw cotton	21.1	358,731	138,547
Stock-in-transit	21.2	<u>421</u>	<u>78,645</u>
		452,832	534,315
Provision for slow-moving and obsolescence			
Hot rolled steel coils	21.3	(8,813)	(11,010)
Coating materials	21.3	(84)	(84)
Others	21.3	(187)	(191)
		<u>(9,084)</u>	<u>(11,285)</u>
		443,748	523,030
Work-in-process	30.1	15,074	43,482
Finished goods	30.1	159,064	90,290
Scrap / cotton waste		4,521	3,177
Provision for slow-moving and obsolescence finished goods	21.4	(16,348)	(26,527)
		<u>162,311</u>	<u>110,422</u>
		<u>606,059</u>	<u>633,452</u>

21.1 This includes raw cotton amounting to Rs. 299.7 million (2007: Rs. 62 million) pledged as security with a financial institution.

21.2 This includes raw cotton amounting to Rs. 0.137 million (2007: Rs. 44.522 million).

## Notes to the Financial Statements

For the year ended 30 June 2008

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

	2008			2007		
	H.R. Coil	Coating / Others	Total	H.R. Coil	Coating / Others	Total
	(Rupees in '000)					
Opening balance	11,010	275	11,285	–	275	275
Provision / (reversal) during the year	(2,197)	(4)	(2,201)	11,010	–	11,010
Closing balance	8,813	271	9,084	11,010	275	11,285

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

	2008	2007
	(Rupees in '000)	
Opening balance	26,527	258
Provision / (reversal) made during the year	(10,179)	26,269
Closing balance	16,348	26,527

## 22. TRADE DEBTS

Secured			
Considered good		84	142,543
Unsecured			
Considered good	22.1	118,612	38,865
Considered doubtful		148	155
Provision for doubtful trade debts		(148)	(155)
		118,612	38,865
		118,696	181,408

22.1 This includes amount due from associated undertakings of Rs. 0.11 million (2007: Rs. 0.30 million)



## Notes to the Financial Statements

For the year ended 30 June 2008

### 23. ADVANCES

		2008	2007
		(Rupees in '000)	
<b>Considered good</b>			
	Advances to staff	844	628
	Suppliers for goods and services	8,755	7,491
<b>Related parties</b>			
	Advances against shares		
	Safeway Fund Limited	23.1	15,000
	Shakarganj Food Products Limited	23.2	60,000
		15,000	75,000
<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	23.3	(290)
		-	-
		<u>24,599</u>	<u>83,119</u>

23.1 This represents advance given to Safeway Fund Limited, now an associated company against which shares will be issued, subject to regulatory approval.

23.2 During the current period 6 million shares amounting to Rs. 60 million were issued by Shakarganj Food Products Limited against such advance.

23.3 Movement of provision for doubtful advances

		2008	2007
		(Rupees in '000)	
	Opening balance	290	321
	Provision reversed during the year	-	(31)
	Closing balance	<u>290</u>	<u>290</u>

### 24. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	Lease deposit	-	1,000
	Security deposits	787	2,681
	Prepayments	1,626	1,069
		<u>2,413</u>	<u>4,750</u>

## Notes to the Financial Statements

For the year ended 30 June 2008

### 25. INVESTMENTS

		2008	2007
		(Rupees in '000)	
<b>Related parties</b>			
Held to maturity	25.1	–	42,000
Available-for-sale	25.2	26,475	28,377
		<u>26,475</u>	<u>70,377</u>
<b>Others</b>			
Available-for-sale	25.3	231,048	248,565
Held for trading	25.4	1,150,115	721,977
		<u>1,381,163</u>	<u>970,542</u>
		<u>1,407,638</u>	<u>1,040,919</u>

#### Investment in related parties

##### 25.1 Held to maturity

Musharika arrangements - Crescent Standard Modaraba

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

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

##### 25.2 Available for sale - Related Parties

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

2008	2007	Name of investee company	2008	2007
(Number of shares)			(Rupees in '000)	
<b>Quoted</b>				
452,379	411,254	The Crescent Textile Mills Limited	26,475	28,377
91,300	91,300	Crescent Jute Products Limited 25.2.1	–	–
			<u>26,475</u>	<u>28,377</u>



## Notes to the Financial Statements

For the year ended 30 June 2008

25.2.1 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.

### 25.3 Available for sale - Others

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

2008 (Number of shares)	2007	Name of investee company	2008 (Rupees in '000)	2007 (Rupees in '000)
<b>Quoted</b>				
9,060,000	6,435,000	Asian Stocks Fund Limited	56,806	30,245
9,500	34,500	Cherat Cement Company Limited	257	1,949
55,391	192,391	Fauji Fertilizer Company Limited	7,329	23,327
150,000	185,000	The Hub Power Company Limited	4,290	6,790
1,996	399,225	Inovative Investment Bank Limited (Formerly CSIBL)	–	–
26,490	26,490	Jubilee Spinning and Weaving Mills Limited	–	–
9,892	8,993	National Bank of Pakistan	1,459	2,356
–	38,000	National Investment Trust *	–	2,343
1,400	1,900	Nestle Pakistan Limited	2,296	2,936
–	5,295	Packages Limited	–	1,689
–	95,090	Pakistan Oilfields Limited	–	30,144
3,301,500	3,346,000	Pakistan Strategic Allocation Fund	30,407	35,133
100,311	245,311	PICIC Growth Fund	2,384	8,292
175,000	175,000	PICIC Investment Fund	2,079	2,669
7,944,263	6,299,784	Safeway Mutual Fund Limited	103,275	75,597
4,500	4,600	Siemens (Pakistan) Engineering Company Limited	6,326	7,981
–	8	Sui Northern Gas Pipelines Limited	–	1
173,385	156,771	Pakistan Stock Market Fund * / **	14,140	17,113
			231,048	248,565

\* These are open ended funds.

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

25.3.1 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.

## Notes to the Financial Statements

For the year ended 30 June 2008

### 25.4 Held for trading

2008 (Number of shares/units)	2007	Name of investee company	2008 (Rupees in '000)	2007
<b>Quoted</b>				
–	288,350	Al Meezan Mutual Fund Limited	–	4,383
65,000	38,000	Al Ghazi Tractors Limited **	17,703	10,830
–	10,125	Adamjee Insurance Company Limited	–	3,300
200,800	250,800	Agriaautos Industries Limited **	16,616	24,804
194,315	–	AKD Income Fund */***	10,000	–
–	15,000	Allied Bank Limited	–	2,084
5,506	–	Arif Habib Bank Limited	106	–
20,065	196,665	Arif Habib Securities Limited	3,240	22,931
67,250	35,457	Askari Bank Limited	2,702	3,755
55,500	25,000	Attock Cement Pakistan Limited	4,281	3,061
24,300	10,000	Attock Petroleum Limited	10,504	5,014
45,050	80,800	Attock Refinery Limited	11,257	9,417
6,500	7,000	Bank Al Habib Limited	274	466
214,200	40,000	Bank Alfalah Limited	8,795	2,604
–	60,000	Century Paper and Board Mills Limited	–	3,753
15,500	15,500	Cherat Cement Company Limited	420	876
6,267,956	–	Crescent Commercial Bank Limited	66,127	–
–	9,617	Dawood Hercules Chemicals Limited	–	2,682
391,690	145,990	D.G. Khan Cement Company Limited	26,298	17,008
95,000	25,000	Engro Chemicals Pakistan Limited	26,677	6,325
–	153,500	Fauji Cement Company Limited	–	3,024
235,425	173,625	Fauji Fertilizer Company Limited	31,151	21,053
20,000	20,000	First Habib Bank Modaraba	157	198
810,000	305,000	Fauji Fertilizer Bin Qasim Limited	29,136	11,895
–	30,500	Ghandhara Nissan Limited	–	1,281
220,000	150,000	Golden Arrow Selected Stocks Fund Limited **	1,478	1,245
500	–	Hinopak Motors Limited	280	–
1,520,000	600,000	The Hub Power Company Limited	43,472	22,020
–	148,700	Indus Motor Company Limited	–	45,428
–	55,000	ICI Pakistan Limited	–	9,191
–	5,000	IGI Insurance Limited	–	2,000
1,350	270,000	Inovative Investment Bank Limited (Formerly CSIBL)	–	–
25,000	–	JS Bank Limited	344	–
72,792	–	Jahangir Siddiqui and Company Limited	38,591	–
–	20,000	Javed Omer Vohra & Company Limited	–	4,670
100,000	100,000	Kohat Cement Company Limited	3,663	5,450
700,000	575,000	Kohinoor Energy Limited	19,005	21,563
–	387	Kohinoor Textile Mills Limited	–	10
341,400	243,700	Kot Addu Power Company Limited	16,046	14,659
–	1,250	Maple Leaf Cement Factory Limited	–	31



Crescent Steel &  
Allied Products Ltd.

## Notes to the Financial Statements

For the year ended 30 June 2008

2008 (Number of shares/units)	2007	Name of investee company	2008 (Rupees in '000)	2007
<b>Quoted</b>				
500,000	1,685,000	Meezan Balanced Fund	4,775	17,271
–	100,000	Meezan Bank Limited	–	3,200
334,021	37,219	National Bank of Pakistan	49,268	9,751
100,000	235,547	National Investment Trust *	5,235	14,521
25,000	44,000	National Refinery Limited	7,437	15,004
10,000	–	Netsol Technologies Limited	973	–
15,000	40,000	New Jubilee Life Insurance Company Limited	861	2,010
–	188,500	NIB Bank Limited (R)	–	1,725
149,550	–	NIB Bank Limited	1,700	–
95,200	40,000	Nishat Mills Limited	8,184	5,219
1,032,300	340,000	Oil & Gas Development Company Limited	128,376	40,731
27,374	28,900	Packages Limited	6,895	9,221
–	25,000	NIB Bank Limited (Formerly Pakistan Industrial Credit and Investment Corporation Limited)	–	2,053
299,400	35,000	Pakistan Oilfields Limited	109,233	11,095
–	92,000	Pakistan Strategic Allocation Fund	–	966
269,200	150,000	Pakistan Telecommunication Company Limited	10,402	8,550
–	780,000	Pakistan Capital Market Fund	–	11,372
230,000	200,000	Pakistan National Shipping Corporation	16,457	18,800
1,150,450	165,500	Pakistan Petroleum Limited	283,000	43,434
331,208	288,007	Pakistan Premier Fund Limited	4,428	4,320
–	275,800	Pakistan Reinsurance Company Limited	–	61,489
55,500	–	Pakistan State Oil Company Limited	23,157	–
161,875	190,575	Pak Suzuki Motor Company Limited	19,391	74,704
–	50,000	NIB Bank Limited (Formerly PICIC Commercial Bank Limited)	–	2,200
–	530,000	PICIC Energy Fund	–	3,975
651,134	390,577	PICIC Insurance Limited	11,297	19,587
211,000	–	Samin Textiles Limited	5,849	–
–	100,200	Soneri Bank Limited	–	5,656
–	30,500	Sui Northern Gas Pipelines Limited	–	2,158
204,200	161,600	Thal Limited **	40,027	45,085
–	50,000	The Bank of Khyber	–	825
221,400	375	The Bank of Punjab	6,892	44
1,075,000	–	TRG Pakistan Limited	6,719	–
25,000	–	Standard Chartered Bank (Pakistan) Limited	588	–
101,250	–	United Bank Limited	8,615	–
140,000	–	Worldcall Telecom Limited	2,033	–
			1,150,115	721,977

\* This is open ended funds.

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

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

## Notes to the Financial Statements

For the year ended 30 June 2008

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

Name of investee company	2008	2007
	(Rupees in '000)	
Altern Energy Limited	1,203,461	1,058,320
Agriauto Industries Limited	16,302	24,429
Al Ghazi Tractors Limited	13,073	10,830
Arif Habib Securities Limited	807	8,745
Attock Petroleum Limited	8,646	–
Attock Refinery Limited	9,995	8,159
Al Meezan Mutual Fund Limited	–	4,560
Adamjee Insurance Company Limited	–	3,260
Bank Alfalah Limited	7,186	–
Crescent Commercial Bank Limited	–	114,329
D.G. Khan Cement Limited	21,189	8,231
Engro Chemical Pakistan Limited	16,849	–
Fauji Cement Company Limited	–	3,940
Fauji Fertilizer Bin Qasim Limited	28,236	5,850
Fauji Fertilizer Company Limited	36,388	34,556
The Hub Power Company Limited	45,337	1,468
ICI Pakistan Limited	–	6,684
Indus Motor Company Limited	–	25,662
Kohinoor Energy Limited	19,005	11,250
Kot Addu Power Company Limited	14,429	6,015
Kohat Cement Company Limited	3,663	5,450
Meezan Balanced Fund	4,775	16,913
Nestle Pakistan Limited	–	2,318
National Bank of Pakistan	48,528	–
National Refinery Limited	5,949	–
Nishat Mills Limited	7,307	–
Oil and Gas Development Company Limited	122,432	17,671
Pak Suzuki Motor Company Limited	15,180	72,520
Pakistan Capital Market Fund	–	8,748
Pakistan National Shipping Corporation	14,310	18,800
Pakistan Oilfields Limited	93,581	29,640
Pakistan Petroleum Limited	271,241	35,195
Pakistan Premier Fund Limited	4,011	2,250
Pakistan State Oil Company Limited	16,690	–
Pakistan Strategic Allocation Fund	29,937	34,130
Pakistan Telecommunication Company Limited	6,453	2,394
PICIC Growth Fund	2,296	7,997
PICIC Investment Fund	2,079	2,669
Soneri Bank Limited	–	5,645
Siemens (Pakistan) Engineering Company Limited	6,326	7,808
The Bank of Punjab	–	583
Thal Limited	39,939	34,945
	2,135,600	1,641,964



Crescent Steel &  
Allied Products Ltd.

## Notes to the Financial Statements

For the year ended 30 June 2008

### 26. MARK-UP ACCRUED

	2008	2007
	(Rupees in '000)	
Considered good		
- Related party	1,385	1,385
- Others	1,002	1,091
Considered doubtful		
Related party		
Profit accrued on:		
- Musharika arrangement / deposits	4,936	4,936
- Provision thereagainst	(4,936)	(4,936)
	-	-
	<u>2,387</u>	<u>2,476</u>

### 27. OTHER RECEIVABLES

Dividend receivable		15,580	1,988
Claim receivable		2,226	2,489
Due from associated undertakings	27.1	593	926
Sales tax refundable		14,729	67,024
Provision thereagainst		(4,346)	(4,346)
		10,383	62,678
Receivable from staff retirement funds	42.2	2,602	4,253
Others		345	301
		<u>31,729</u>	<u>72,635</u>

#### 27.1 Due from associated undertakings

Crescent Textile Mills Limited		10	38
Shakarganj Mills Limited		479	789
Shakarganj Food Products Limited		67	-
Crescent Jute Products Limited		37	-
Premier Insurance Limited		-	99
		<u>593</u>	<u>926</u>

## Notes to the Financial Statements

For the year ended 30 June 2008

### 28. CASH AND BANK BALANCES

		2008	2007
		(Rupees in '000)	
With banks	- in deposit accounts		
	- local currency	4,038	25,538
	- foreign currency	719	2,705
		4,757	28,243
	- in current accounts	2,700	8,235
Cash in hand		742	521
		8,199	36,999

### 29. SALES

Bare Pipes (own product excluding coating revenue)		2,691,760	1,309,170
Revenue from conversion		197,860	1,254
Coating of pipes		285,763	466,613
Cotton yarn		1,364,440	1,341,723
Scrap / waste		117,843	86,778
- Sales returns		(19,477)	(20,775)
		4,638,189	3,184,763
- Sales tax and special excise duty		(437,984)	(234,643)
		4,200,205	2,950,120

### 30. COST OF SALES

Steel	30.1	1,954,376	1,174,038
Cotton	30.1	1,349,431	1,265,618
		3,303,807	2,439,656



Crescent Steel &  
Allied Products Ltd.

## Notes to the Financial Statements

For the year ended 30 June 2008

### 30.1 Cost of sales

	Steel Segment		Cotton Segment		Total	
	2008	2007	2008	2007	2008	2007
	(Rupees in '000)					
Raw materials consumed	1,762,122	1,096,669	1,038,036	889,002	2,800,158	1,985,671
Packing materials consumed	–	–	21,754	18,462	21,754	18,462
Store and spares consumed	29,856	25,672	35,431	21,786	65,287	47,458
Fuel, power and electricity	20,479	14,681	111,922	122,482	132,401	137,163
Salaries, wages and other benefits	58,487	42,817	78,380	75,044	136,867	117,861
Insurance	1,933	2,257	3,619	4,006	5,552	6,263
Repairs and maintenance	4,511	5,341	3,594	3,606	8,105	8,947
Depreciation	16,158	29,056	138,266	127,346	154,424	156,402
Amortization of intangible assets	–	–	262	343	262	343
Other expenses	12,291	13,108	6,716	5,135	19,007	18,243
Expenses allocated to cotton segment	–	(1,156)	–	–	–	(1,156)
Expenses allocated from steel segment	–	–	–	1,156	–	1,156
	<u>1,905,837</u>	<u>1,228,445</u>	<u>1,437,980</u>	<u>1,268,368</u>	<u>3,343,817</u>	<u>2,496,813</u>
Opening stock of work-in-process	33,221	3,545	10,261	6,745	43,482	10,290
Closing stock of work-in-process	(3,548)	(33,221)	(11,526)	(10,261)	(15,074)	(43,482)
	<u>29,673</u>	<u>(29,676)</u>	<u>(1,265)</u>	<u>(3,516)</u>	<u>28,408</u>	<u>(33,192)</u>
Cost of goods manufactured	<u>1,935,510</u>	<u>1,198,769</u>	<u>1,436,715</u>	<u>1,264,852</u>	<u>3,372,225</u>	<u>2,463,621</u>
Opening stock of finished goods	64,370	39,639	25,920	26,686	90,290	66,325
Finished goods purchased	–	–	356	–	356	–
Closing stock of finished goods	(45,504)	(64,370)	(113,560)	(25,920)	(159,064)	(90,290)
	<u>18,866</u>	<u>(24,731)</u>	<u>(87,284)</u>	<u>766</u>	<u>(68,418)</u>	<u>(23,965)</u>
	<u>1,954,376</u>	<u>1,174,038</u>	<u>1,349,431</u>	<u>1,265,618</u>	<u>3,303,807</u>	<u>2,439,656</u>
30.2 Detail of salaries, wages and other benefits						
Salaries, wages and other benefits	53,504	38,636	75,845	72,666	129,349	111,302
Provident fund contributions	1,465	1,254	1,686	1,559	3,151	2,813
Pension fund	2,998	2,520	849	819	3,847	3,339
Gratuity	520	407	–	–	520	407
	<u>58,487</u>	<u>42,817</u>	<u>78,380</u>	<u>75,044</u>	<u>136,867</u>	<u>117,861</u>

## Notes to the Financial Statements

For the year ended 30 June 2008

### 30.3 Staff retirement benefits

	2008		2007	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	4,066	854	3,746	709
Interest cost	3,845	973	2,546	589
Expected return on plan assets	(4,346)	(1,373)	(3,241)	(954)
Past service cost	282	66	288	63
	3,847	520	3,339	407

### 31. INVESTMENT INCOME

		2008		2007	
		(Rupees in '000)			
Return on Term Finance Certificates/ IROP bond		2,026	2,140		
Dividend income	31.1	89,758	36,531		
Gain on sale of investments					
- Available-for-sale		125,028	132,355		
- Held for trading		66,911	105,852		
Unrealized gain on held for trading investments		(212,982)	134,479		
Rent from investment properties	31.2	2,866	-		
Income from related parties					
Provision written back on investment		-	45		
		73,607	411,402		

31.1 This includes Rs. 2.549 million (2007: Rs. 2.549 million) dividend received 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. 1.3 million (30 June 2007: Nil). Further Rs. 0.8 million were incurred against the non rented out area.



Crescent Steel &  
Allied Products Ltd.

## Notes to the Financial Statements

For the year ended 30 June 2008

### 32. DISTRIBUTION AND SELLING EXPENSES

	Steel Segment		Cotton Segment		Total	
	2008	2007	2008	2007	2008	2007
	(Rupees in '000)					
Salaries, wages and other benefits 32.1	5,272	4,561	1,278	1,090	6,550	5,651
Commission	–	–	4,346	3,547	4,346	3,547
Travelling, conveyance and entertainment	537	280	41	18	578	298
Depreciation 15.2	366	382	–	–	366	382
Insurance	51	90	–	–	51	90
Postage, telephone and telegram	81	151	47	64	128	215
Advertisement	794	674	–	–	794	674
Bid bond expenses	461	361	–	–	461	361
Transportation	–	29	567	424	567	453
Legal and professional charges	693	565	–	–	693	565
Others	422	520	306	530	728	1,050
	<u>8,677</u>	<u>7,613</u>	<u>6,585</u>	<u>5,673</u>	<u>15,262</u>	<u>13,286</u>

104 | ANNUAL REPORT | 2008

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

Salaries, wages and other benefits	4,392	3,849	1,278	1,090	5,670	4,939
Provident fund contributions	182	152	–	–	182	152
Pension fund 32.2	601	482	–	–	601	482
Gratuity 32.2	97	78	–	–	97	78
	<u>5,272</u>	<u>4,561</u>	<u>1,278</u>	<u>1,090</u>	<u>6,550</u>	<u>5,651</u>

#### 32.2 Staff retirement benefits

	2008		2007	
	Pension	Gratuity	Pension	Gratuity
	(Rupees in '000)			
Current service cost	635	160	541	136
Interest cost	600	182	368	113
Expected return on plan assets	(678)	(257)	(468)	(183)
Past service cost	44	12	41	12
	<u>601</u>	<u>97</u>	<u>482</u>	<u>78</u>

## Notes to the Financial Statements

For the year ended 30 June 2008

### 33. ADMINISTRATIVE EXPENSES

		Steel Segment		Cotton Segment		IID Segment		Total	
		2008	2007	2008	2007	2008	2007	2008	2007
(Rupees in '000)									
Salaries, wages and other benefits	33.1	39,716	33,258	3,318	3,555	3,928	4,090	46,962	40,903
Rents, rates and taxes		904	667	15	2	101	74	1,020	743
Travelling, conveyance and entertainment		6,052	4,375	814	853	672	548	7,538	5,776
Fuel and power		3,292	3,126	134	129	366	362	3,792	3,617
Postage, telephone and telegram		1,334	2,796	66	104	148	322	1,548	3,222
Insurance		767	1,083	59	100	85	132	911	1,315
Repairs and maintenance		4,339	3,408	104	119	482	392	4,925	3,919
Auditors' remuneration	33.3	1,284	738	159	152	143	99	1,586	989
Legal and professional and corporate service charges		15,986	28,239	3,370	3,543	1,776	2,390	21,132	34,172
Advertisement		151	215	–	–	17	24	168	239
Donations	33.4	21,980	11,525	4	7,182	2,442	1,281	24,426	19,988
Depreciation	15.2	17,074	13,874	472	400	2,382	1,586	19,928	15,860
Amortization of intangible assets	16.1	60	330	–	79	7	45	67	454
Printing, stationery and office supplies		1,151	1,032	114	182	128	135	1,393	1,349
Newspapers, subscriptions and periodicals		157	163	6	11	18	19	181	193
Others		113	434	2	141	13	48	128	623
		<u>114,360</u>	<u>105,263</u>	<u>8,637</u>	<u>16,552</u>	<u>12,708</u>	<u>11,547</u>	<u>135,705</u>	<u>133,362</u>

#### 33.1 Salaries, wages and other benefits

Salaries, wages and other benefits		32,515	27,119	3,318	3,555	3,128	3,408	38,961	34,082
Provident fund contributions		1,480	1,322	–	–	164	147	1,644	1,469
Pension fund	33.2	4,933	4,148	–	–	548	461	5,481	4,609
Gratuity	33.2	788	669	–	–	88	74	876	743
		<u>39,716</u>	<u>33,258</u>	<u>3,318</u>	<u>3,555</u>	<u>3,928</u>	<u>4,090</u>	<u>46,962</u>	<u>40,903</u>

#### 33.2 Staff retirement benefits

	2008		2007	
	Pension	Gratuity	Pension	Gratuity
(Rupees in '000)				
Current service cost	5,794	1,440	5,170	1,296
Interest cost	5,477	1,639	3,515	1,078
Expected return on plan assets	(6,192)	(2,315)	(4,474)	(1,746)
Past service cost	402	112	398	115
	<u>5,481</u>	<u>876</u>	<u>4,609</u>	<u>743</u>



## Notes to the Financial Statements

For the year ended 30 June 2008

### 33.3 Auditors' remuneration

	2008	2007
	(Rupees in '000)	
Audit fee*	850	750
Fee for audit of funds' financial statements and other reports	459	219
Out of pocket expenses	277	20
	<u>1,586</u>	<u>989</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	
			2008	2007
			(Rupees in '000)	
Mr. Ahsan M. Saleem	Director	The Citizens Foundation 9th Floor, NIC Building, Karachi.	20,278	15,304
	Director	Pakistan Centre for Philanthropy 1-A, Street 14, F-8/3, Islamabad.	873	-
	Member of Managing Committee	Commecs Education Trust 301, Fortune Centre, Main Sharah-e-Faisal, Karachi.	-	3,000
	Member	Lyallpur Golf Club Race Course Club, Faisalabad.	-	717
			<u>21,151</u>	<u>19,021</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 2008

### 34. OTHER OPERATING EXPENSES

	2008	2007
	(Rupees in '000)	
Provision for slow moving stores, spares and tools	5,083	892
Provision for stock-in-trade	–	37,280
Provision for workers welfare fund	13,114	15,141
Provision for workers profit participation fund (Steel Division)	34,403	11,741
Provision for infrastructure fee	7,200	5,900
Impairment of intangible asset	10	–
Provision for impairment of investments	42,000	46,090
Provision for other receivables, prepayments and others	–	4,983
Fixed assets written off	830	–
Provision for liquidated damages	590	3,516
Exchange loss	6,514	–
	109,744	125,543

### 35. OTHER OPERATING INCOME

Return on deposits	6	2,507
Liabilities written back	565	–
Provision written back for stock-in-trade	12,381	–
Provision written back against margin on letters of credit and guarantee	–	1,095
Gain on disposal of fixed assets	1,312	98,687
Insurance commission	–	1,277
Exchange gain	–	24
Others	5,309	3,412
	19,573	107,002

### 36. FINANCE COSTS

Mark-up on:		
Running finances	39,816	19,564
Short term loans	65,694	37,653
Long term loans	36,037	53,116
Redeemable capital	8,581	15,331
Assets subject to finance leases	347	1,161
Workers Profit Participation Fund	326	–
Bank charges	2,217	1,665
	153,018	128,490



## Notes to the Financial Statements

For the year ended 30 June 2008

### 37. TAXATION

	2008	2007
	(Rupees in '000)	
Current		
- for the year	164,021	1,964
- for prior years'	-	(769)
	164,021	1,195
Deferred	46,920	62,950
	<u>210,941</u>	<u>64,145</u>

#### 37.1 Relationship between tax expense and accounting profit

Profit before taxation	626,622	727,323
Tax at the applicable rate of 35%	219,318	254,563
Effect of non-deductible expenses	-	5,246
Tax effect of exempt income and export sales under presumptive tax regime	24,875	(162,199)
Tax effect of change in tax WDV of fixed assets	61	75
Tax effect of income taxed at different rate	(22,860)	(11,268)
Tax effect on share of profit in associates taxed at different rate	(17,109)	(21,503)
Prior years' tax effect	6,656	(769)
	<u>210,941</u>	<u>64,145</u>

### 38. BASIC AND DILUTED EARNINGS PER SHARE

Profit for the year		415,681	663,178
		(Number of shares)	
Average number of ordinary shares in issue during the year	38.1	51,327,267	49,953,244
		(Rupees)	
Earning per share basic and diluted		8.10	13.28

38.1 Weighted average number of shares for the year ended 30 June 2007 have been adjusted for the effect of bonus shares issued during the year.

## Notes to the Financial Statements

For the year ended 30 June 2008

### 39. CASH GENERATED FROM OPERATIONS

	2008	2007
	(Rupees in '000)	
Profit before taxation	626,622	727,323
<b>Adjustments for non cash charges and other items:</b>		
Depreciation	174,718	172,644
Amortization	329	797
Amortization of advance to staff	561	198
Provision for impairment on intangibles	10	–
Adjustment arising from measurement to fair value	212,982	(134,479)
Provision against stock-in-trade and stores and spares	5,083	892
Provision written back against margin on letters of credit and guarantees	–	(1,095)
Provision / (Reversal) against stock-in-trade	(12,381)	37,280
Liabilities written back	(565)	–
Provision for workers profit participation fund	34,403	11,741
Provision for workers welfare fund	13,114	15,141
Provision against accrued mark-up	–	4,936
Fixed assets written off	830	–
Provision for diminution in the value of investments	42,000	46,090
Provision for infrastructure fee	7,200	5,900
Provision against advances	–	47
Provision for 10-C bonus	675	–
Provision against liquidated damages	590	3,516
Exchange loss / (gain)	–	(24)
Gain on sale of investments	(191,939)	(238,207)
Pension and gratuity expense	11,422	9,657
Finance costs	153,018	128,490
Gain on disposal of fixed assets	(1,312)	(98,687)
Dividend income	(89,758)	(36,531)
Return on deposits, advances and investments	(2,032)	(4,647)
Provision written back on investments	–	(45)
Share of profit in associated undertaking	(50,773)	(99,136)
Amortization of initial transaction cost	1,162	1,162
Working capital changes	39.1 (29,516)	76,609
	906,443	629,572



## Notes to the Financial Statements

For the year ended 30 June 2008

### 39.1 Working capital changes

	2008	2007
	(Rupees in '000)	
(Increase) / decrease in current assets		
Stores, spares and loose tools	(33,619)	(13,399)
Stock-in-trade	39,773	(202,213)
Trade debts	62,719	(106,261)
Short term advances	58,520	138,159
Short term deposits and prepayments	2,337	(946)
Other receivables (net)	52,847	92,864
	<u>182,577</u>	<u>(91,796)</u>
Increase in current liabilities		
Trade and other payables	(212,093)	168,405
	<u>(29,516)</u>	<u>76,609</u>

### 40. CASH AND CASH EQUIVALENTS

Running finances under mark-up arrangements	12	(837,125)	(10,724)
Cash and bank balances		8,199	36,999
		<u>(828,926)</u>	<u>26,275</u>

### 41. SEGMENT REPORTING

41.1 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).

41.2 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 (2007: KIBOR plus 2% 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 2008

41.3

	Steel Segment	Cotton Segment	IID Segment	Total
	(Rupees in '000)			
<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>
Investment Income	–	–	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 associated undertaking	–	–	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>
<b>Segment results for the year ended 30 June 2007</b>				
Sales	1,564,287	1,385,833	–	2,950,120
Cost of sales	1,174,038	1,265,618	–	2,439,656
<b>Gross Profit</b>	<b>390,249</b>	<b>120,215</b>	<b>–</b>	<b>510,464</b>
Investment Income	–	–	411,402	411,402
	390,249	120,215	411,402	921,866
Distribution and selling expenses	7,613	5,673	–	13,286
Administrative expenses	105,263	16,552	11,547	133,362
Other operating expenses	63,578	550	61,415	125,543
	176,454	22,775	72,962	272,191
	213,795	97,440	338,440	649,675
Other operating income	9,095	1,910	95,997	107,002
<b>Operating profit before finance costs</b>	<b>222,890</b>	<b>99,350</b>	<b>434,437</b>	<b>756,677</b>
Finance costs	5,178	99,362	23,950	128,490
Share of profit in associated undertaking	–	–	99,136	99,136
<b>Profit / (loss) before taxation</b>	<b>217,712</b>	<b>(12)</b>	<b>509,623</b>	<b>727,323</b>
Taxation				64,145
<b>Profit for the year</b>				<b>663,178</b>



Crescent Steel &  
Allied Products Ltd.

## Notes to the Financial Statements

For the year ended 30 June 2008

### SEGMENT REPORTING - CONTINUED

	Steel Segment	Cotton Segment	IID Segment	Total
	(Rupees in '000)			
<b>Other segment information</b>				
<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
Total assets				<u>4,846,690</u>
Segment liabilities	188,193	407,794	–	595,987
Unallocated corporate liabilities				1,256,699
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
<b>As at 30 June 2007</b>				
Segment assets	765,694	1,407,004	1,423,356	3,596,054
Investment in equity accounted undertakings			1,027,316	1,027,316
Unallocated corporate assets				72,696
Consolidated total assets				<u>4,696,066</u>
Segment liabilities	343,532	604,684	33,917	982,133
Unallocated corporate liabilities				513,530
Consolidated total liabilities				<u>1,495,663</u>
<b>For the year ended 30 June 2007</b>				
Capital expenditure	23,435	66,093	37,379	126,907
Depreciation and amortization	43,642	128,168	1,631	173,441

**Notes to the Financial Statements**  
For the year ended 30 June 2008

**42. STAFF RETIREMENT BENEFITS**

42.1 The actuarial valuation of both pension and gratuity schemes has been conducted in accordance with IAS 19 "Employee benefits" as at 30 June 2008. The projected unit credit method, using the following significant assumptions, has been used for the actuarial valuation:

	2008	2007
	(Percentage per annum)	
- Discount rate	12	10
- Expected rate of increase in salaries		
- For next year (2007 : next year)	15	20
- For next year (2007 : next two year)	15	15
- After two year (2007 : after three year)	12	10
- Expected rate of return on plan assets	12	12
- Average working life of employee	10 years	11 years

42.2 The amounts recognised in balance sheet are as follows:

	2008			2007		
	Pension	Gratuity	Total	Pension	Gratuity	Total
	(Rupees in '000)					
Present value of defined benefit obligation	110,954	28,404	139,358	99,224	27,945	127,169
Fair value of plan assets	(98,915)	(31,684)	(130,599)	(93,474)	(32,877)	(126,351)
Unrecognised actuarial gains / (losses)	(6,970)	46	(6,924)	(2,055)	2,340	285
Unrecognised past service cost	(2,914)	(1,523)	(4,437)	(3,643)	(1,713)	(5,356)
<b>Liability / (Asset) in balances</b>	<b>2,155</b>	<b>(4,757)</b>	<b>(2,602)</b>	<b>52</b>	<b>(4,305)</b>	<b>(4,253)</b>
Present value of defined benefit						
obligation - 1 July	99,224	27,945	127,169	71,422	19,776	91,198
Current service cost	10,495	2,454	12,949	9,457	2,140	11,597
Interest cost	9,922	2,795	12,717	6,428	1,780	8,208
Benefits paid	(2,247)	(1,016)	(3,263)	(1,955)	-	(1,955)
Actuarial (gains) / losses	(6,440)	(3,774)	(10,214)	13,872	4,249	18,121
<b>Present value of defined benefit obligation - 30 June</b>	<b>110,954</b>	<b>28,404</b>	<b>139,358</b>	<b>99,224</b>	<b>27,945</b>	<b>127,169</b>
Fair value of plan assets - 1 July	93,474	32,877	126,351	68,195	24,023	92,218
Expected return on plan assets	11,217	3,945	15,162	8,183	2,883	11,066
Contribution to fund	7,825	1,947	9,772	4,898	1,673	6,571
Benefits paid	(2,247)	(1,016)	(3,263)	(1,955)	-	(1,955)
Actuarial gains / (losses)	11,354	(6,069)	5,285	14,153	4,298	18,451
<b>Fair value of plan assets - 30 June</b>	<b>121,623</b>	<b>31,684</b>	<b>153,307</b>	<b>93,474</b>	<b>32,877</b>	<b>126,351</b>



## Notes to the Financial Statements

For the year ended 30 June 2008

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

	2008			2007		
	Pension	Gratuity	Total	Pension	Gratuity	Total
	(Rupees in '000)					
Current service cost	10,495	2,454	12,949	9,457	2,140	11,597
Interest cost	9,922	2,794	12,716	6,428	1,780	8,208
Expected return on plan assets	(11,217)	(3,945)	(15,162)	(8,183)	(2,883)	(11,066)
Actuarial (gains) / losses	-	-	-	-	-	-
Past service cost	729	190	919	728	190	918
<b>Expense recognised in profit or loss</b>	<b>9,929</b>	<b>1,493</b>	<b>11,422</b>	<b>8,430</b>	<b>1,227</b>	<b>9,657</b>
Actual return on plan assets	(138)	(2,123)	(2,261)	22,337	7,181	29,518

### Comparison for five years

	2008	2007	2006	2005	2004
	(Rupees in '000)				
<b>Pension</b>					
As at June 30					
Present value of defined benefit obligation	110,954	99,224	71,422	65,735	51,256
Fair value of plan assets	98,915	93,474	68,194	60,744	46,024
<b>Deficit</b>	<b>(12,039)</b>	<b>(5,750)</b>	<b>(3,228)</b>	<b>(4,991)</b>	<b>(5,232)</b>
<b>Experience adjustments</b>					
(Gain) / loss on obligation	(6,440)	8,383	(2,502)	7,791	3,139
Gain / (loss) on plan asset	(11,355)	14,157	(1,512)	7,962	4,980
<b>Gratuity</b>					
As at June 30					
Present value of defined benefit obligation	28,404	27,945	19,776	18,379	14,987
Fair value of plan assets	31,684	32,878	24,023	20,687	18,024
<b>Surplus</b>	<b>3,280</b>	<b>4,933</b>	<b>4,247</b>	<b>2,308</b>	<b>3,037</b>
<b>Experience adjustments</b>					
(Gain) / loss on obligation	(3,774)	708	1,113	2,514	448
Gain / (loss) on plan asset	(6,091)	4,298	17	2,501	2,050

## Notes to the Financial Statements

### For the year ended 30 June 2008

#### 43. FINANCIAL ASSETS AND LIABILITIES

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

	2008							Total
	Interest/mark-up bearing			Non-interest/mark-up bearing				
	Effective rate of interest / mark-up %	Maturity upto one year	Maturity after one year and upto five years	Sub-total	Maturity upto one year	Maturity after one year and upto five years	Sub-total	
(Rupees in '000)								
<b>Financial assets</b>								
Investments	8.45 to 9.75	10	56,785	56,795	1,407,638	1,222,695	2,630,333	2,687,128
Long term loans and deposits		-	-	-	-	4,241	4,241	4,241
Trade debts		-	-	-	118,696	-	118,696	118,696
Short term deposits		-	-	-	787	-	787	787
Mark-up accrued		-	-	-	2,387	-	2,387	2,387
Other receivables		-	-	-	21,346	-	21,346	21,346
Advances		-	-	-	15,000	-	15,000	15,000
Cash and bank balances		4,757	-	4,757	3,442	-	3,442	8,199
		<b>4,767</b>	<b>56,785</b>	<b>61,552</b>	<b>1,569,296</b>	<b>1,226,936</b>	<b>2,796,232</b>	<b>2,857,784</b>

	2007							Total
	Interest/mark-up bearing			Non-interest/mark-up bearing				
	Effective rate of interest / mark-up %	Maturity upto one year	Maturity after one year and upto five years	Sub-total	Maturity upto one year	Maturity after one year and upto five years	Sub-total	
(Rupees in '000)								
<b>Financial assets</b>								
Investments	8.45 to 9.75	42,010	56,795	98,805	998,919	1,202,751	2,201,670	2,300,475
Long term loans and deposits		-	-	-	-	4,567	4,567	4,567
Trade debts		-	-	-	181,408	-	181,408	181,408
Short term deposits		-	-	-	2,681	-	2,681	2,681
Mark-up accrued		-	-	-	2,476	-	2,476	2,476
Other receivables		-	-	-	9,957	-	9,957	9,957
Advances		-	-	-	75,000	-	75,000	75,000
Cash and bank balances		28,243	-	28,243	8,756	-	8,756	36,999
		<b>70,253</b>	<b>56,795</b>	<b>127,048</b>	<b>1,279,197</b>	<b>1,207,318</b>	<b>2,486,515</b>	<b>2,613,563</b>



## Notes to the Financial Statements

For the year ended 30 June 2008

2008

	Effective rate of interest / mark-up %	Interest/mark-up bearing			Non-interest/mark-up bearing			Total
		Maturity upto one year	Maturity after one year and upto five years	Sub-total	Maturity upto one year	Maturity after one year and upto five years	Sub-total	
(Rupees in '000)								
<b>Financial liabilities</b>								
Long term loans	11.86 to 15.04	112,500	168,117	280,617	–	–	–	280,617
Redeemable capital	9	74,551	–	74,551	–	–	–	74,551
Liabilities against assets subject to finance leases		–	–	–	–	–	–	–
Short term borrowings	10.22 to 14.38	1,119,331	–	1,119,331	–	–	–	1,119,331
Trade and other payables		–	–	–	99,467	–	99,467	99,467
Interest and mark-up accrued		–	–	–	19,765	–	19,765	19,765
		<b>1,306,382</b>	<b>168,117</b>	<b>1,474,499</b>	<b>119,232</b>	<b>–</b>	<b>119,232</b>	<b>1,593,731</b>

2007

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

On-balance sheet gap :

<b>2008</b>	<b>(1,301,615)</b>	<b>(111,332)</b>	<b>(1,412,947)</b>	<b>1,450,064</b>	<b>1,226,936</b>	<b>2,677,000</b>	<b>1,264,053</b>
2007	(555,590)	(297,211)	(852,801)	915,138	1,205,739	2,120,877	1,268,076

Off- balance sheet items :  
financial commitments

- Outstanding LCs / LGs	<b>2008</b>	–	–	–	<b>721,807</b>	<b>29,823</b>	<b>751,630</b>	<b>751,630</b>
	2007	–	–	–	627,818	85,732	713,550	713,550

## Notes to the Financial Statements

For the year ended 30 June 2008

### 43.1 Concentration of credit risk

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

### 43.2 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered in foreign currencies. The Company incurs foreign currency risk on sales and purchases that are entered in a currency other than Pak Rupees. The Company uses forward foreign exchange contracts to hedge its foreign currency risk, when considered appropriate. As at the year end the Company had liabilities in foreign currencies aggregating Nil (2007: Nil) against which no forward exchange contracts were obtained.

### 43.3 Capital risk management

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to the shareholders or issue new shares.

### 43.4 Fair values of financial assets and liabilities

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

### 43.5 Market risk

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

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

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



## Notes to the Financial Statements

For the year ended 30 June 2008

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

	Chief Executive		Director		Executives		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
	(Rupees in '000)							
Managerial remuneration	5,730	5,688	2,967	2,610	11,877	7,859	20,574	16,157
House rent	2,579	2,559	1,335	1,175	4,328	3,323	8,242	7,057
Utilities	573	569	297	261	1,009	786	1,879	1,616
Travelling expenses	893	525	296	261	–	–	1,189	786
Others	533	548	–	–	–	–	533	548
Medical	356	105	105	123	538	449	999	677
Contribution to:								
- Provident fund	573	569	297	261	633	370	1,503	1,200
- Gratuity fund	401	398	208	183	389	191	998	772
- Pension fund	1,105	1,052	573	483	1,481	900	3,159	2,435
Club subscription and expenses	337	338	9	7	15	4	361	349
Entertainment	–	–	36	36	126	126	162	162
Conveyance	–	–	–	–	604	–	604	–
Telephone	–	–	12	12	30	30	42	42
	<u>13,080</u>	<u>12,351</u>	<u>6,135</u>	<u>5,412</u>	<u>21,030</u>	<u>14,038</u>	<u>40,245</u>	<u>31,801</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>9</u>	<u>7</u>	<u>11</u>	<u>9</u>

44.1 The aggregate amount charged in the account in respect of directors' fees paid to six (2007: six) directors was Rs. 0.155 million (2007: Rs. 0.160 million).

44.2 The chief executive, a director and five executives are provided with free use of Company maintained cars, according to their entitlements.

44.3 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 2008

### 45. TRANSACTIONS WITH RELATED PARTIES

All transactions involving related parties arising in the normal course of business are conducted at commercial terms and conditions, and at prices agreed based on inter company prices using admissible valuation modes, i.e. comparable uncontrolled price method except service charges received / paid on cost plus method. The related parties and associated undertakings comprise local associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings, other than those disclosed elsewhere in these financial statements, are follows:

	2008	2007
	(Rupees in '000)	
<b>Associated companies</b>		
Sale of finished goods including waste	22,978	70,906
Purchase of yarn	385	–
Rendering of services	1,238	2,995
Receiving of services	5,132	3,026
Rental income	1,065	–
Advance against rental income	355	–
Dividends received	9,930	3,573
Return on deposits	–	917
Right shares subscribed	–	438,396
Right shares subscribed under underwriting arrangement	–	152,822
Advance against shares	–	60,000
Purchase of shares	260,202	–
<b>Other related parties</b>		
Donations	33.4	21,151
Contribution to provident fund		9,966
Contribution to pension fund	42.2	7,825
Contribution to gratuity fund	42.2	1,947
Dividends received		20,418
		–



## Notes to the Financial Statements

For the year ended 30 June 2008

### 46. PLANT CAPACITY AND PRODUCTION

#### 46.1 Steel segment

##### Pipe plant

The plant's installed / rated capacity for production based on single shift is 30,000 tons (2007:30,000 tons) annually on the basis of notional pipe size of 30" dia x 1/2" thickness. The actual production achieved during the year was 41,102 tons (2007: 23,180 tons) line pipes of varied sizes and thickness, which is equivalent to 50,958 tons (2007: 67,104 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 313,199 meters of different dia pipes (208,487 square meters surface area) was achieved during the year (2007: 422,272 square meters surface area).

#### 46.2 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 4,424,849 kilograms (2007: 6,109,490 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 11,181,265 kilograms (2007: 10,609,697 kilograms).

46.3 The capacities of the plant were utilized to the extent of orders received.

### 47. ACCOUNTING ESTIMATES AND JUDGEMENTS

#### Income taxes

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

#### Held to maturity investment

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

# Notes to the Financial Statements

For the year ended 30 June 2008

## 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 expenditures to make the sales.

## 48. NON ADJUSTING EVENTS AFTER BALANCE SHEET DATE

The Board of Directors in their meeting held on 31 July 2008 has proposed 10% bonus issue (2007:10% bonus) of Rs. 51.3 million (2007: Rs. 46.7 million). The appropriations of proposed bonus issue will be reflected in the financial statements for the year ending 30 June 2009.

## 49. GENERAL

- 49.1 Previous year figures have been rearranged and reclassified where necessary for the purposes of comparison. These changes were made for better presentation of transactions in the financial statements of the Company.
- 49.2 These financial statements were authorized for issue in the board of directors meeting held on 31 July 2008.



Chief Executive



Director