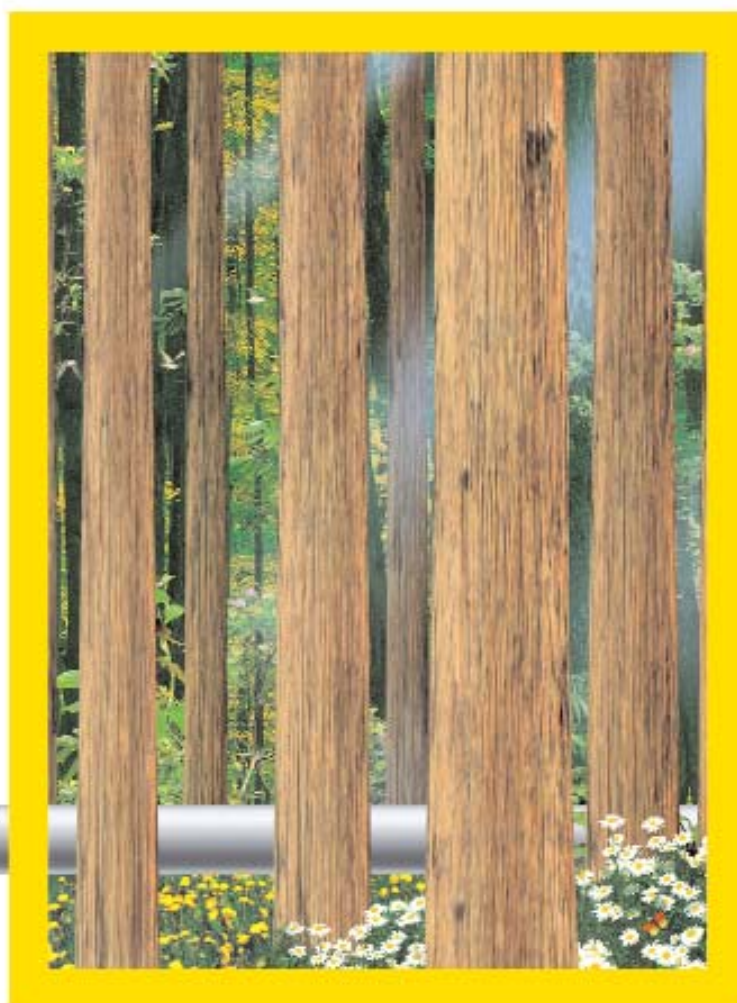


INTERIM REPORT FOR THE QUARTER & NINE
MONTHS ENDED 31 MARCH 2006



Crescent Steel &
Allied Products Ltd.



Crescent Steel &
Allied Products Ltd.

COMPANY INFORMATION

BOARD OF DIRECTORS

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

COMPANY SECRETARY Mohammad Amin

AUDIT COMMITTEE

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

HUMAN RESOURCE COMMITTEE

<i>Chairman</i>	Ahsan M. Saleem Javed Iqbal Nasir Shafi
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EXECUTIVE COMMITTEE

<i>Chairman</i>	Ahsan M. Saleem S.M. Ehtishamullah S.A.N. Kazmi
-----------------	---

BUSINESS STRATEGY COMMITTEE

<i>Chairman</i>	Ahsan M. Saleem S.M. Ehtishamullah S.A.N. Kazmi Abdul Rouf
-----------------	---

SYSTEM AND TECHNOLOGY COMMITTEE

<i>Chairman</i>	Ahsan M. Saleem Shahid H. Mir Shakil Akhtar
-----------------	---

INVESTMENT COMMITTEE

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

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

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

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

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

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

Sr. General Manager
Cotton Division
Abdul Rouf, 46
2000*

Chief Information Officer
(Outsourced)
Shakeel Akhtar, 42
2006*

Head of Marketing
Arif Raza, 44
1985*

Head of Manufacturing
Mushtaque Ahmed, 44
1985*

* Year joined Company



Crescent Steel &
Allied Products Ltd.

CHIEF EXECUTIVE'S REVIEW

Dear Shareholders,

I am pleased to present the results of your Company for the nine months ended 31 March 2006. This quarter the economy continued its momentum towards the growth target of 7% with the stock market surging to its highest level of 11,486 points.

These nine months were marked by the GoP and the SBP's efforts to bring inflationary pressures down, temper consumer exuberance through high interest rates and encourage investment oriented imports. At present also the SBP is continuing this stance and may further tighten its monetary policy in order to slow down inflation, even at the expense of curbing the growth rates in the short term.

These measures therefore affected the operational activities of your Company where net profits were a little subdued with income from other sources largely helping to boost the bottom line. Profits after tax stood at Rs. 319.6 million, an increase of 14.8% over the corresponding period last year. Profit after tax for the third quarter amounted to Rs. 114.7 million as compared to Rs. 105.8 million of the corresponding period, an increase of 8.4%.

In the ensuing paragraphs operating performances of both the divisions are set out separately.

STEEL DIVISION

Revenue of the steel division stood at Rs. 542.8 million for the nine months ended 31 March 2006 as compared to Rs. 1,584.3 million in the same period of last year, with the gross profit margin declining

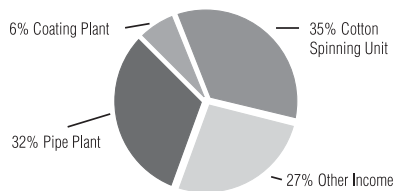
from 19.1% to 10.4% in nine months under review. This decline was mostly due to non-execution and delay in expected orders by our customers.

Pipe production at straight tonnage for nine months ended 31 March 2006 was 13,754 tons as compared to 33,608 tons during the same period of last year. Coating activity measured 124,983 square metres during the current nine months as compared to 184,907 square metres of pipe coated during the corresponding period of last year. Decrease in sales was due to some of the projected jobs of gas companies being deferred and execution of small jobs mainly involving conversion orders for KWSB. Further, margins remained under pressure due to competition.

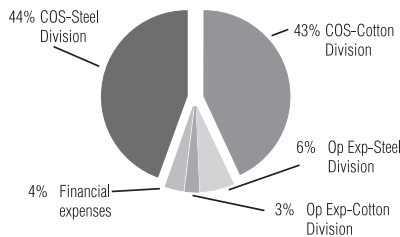
The capacity utilization was 28% as against 41% in the previous period. Steel prices remained high during the period under review and showed no signs of abating at the end of the third quarter. This and unavailability of steel which is our basic raw material further aggravated the situation. Operating expenses stood at Rs. 67.4 million in current nine months (3QFY05: Rs.76.9 million). Operating profit of Rs. 364.5 million for the nine months ended of FY06 as against Rs. 416.8 million in the same period of last year.

These nine months under review witnessed an increase of 54% at the local bourse where introduction of continuous funding system, good corporate results and rising oil prices resulted in frequent upsurges in the index. Active portfolio management

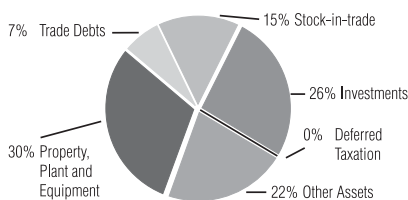
Revenue



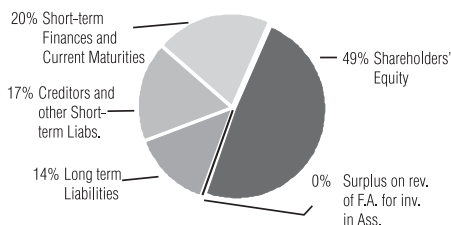
Expenses



Assets



Liabilities



CHIEF EXECUTIVE'S REVIEW

and strong fundamentals helped to post other income of Rs. 375.3 million (3QFY05: Rs. 191.0 million) including unrealized gain of Rs. 190.9 on held-for-trading investments for the period under review (3QFY05: Rs. 14.5 million).

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

COTTON DIVISION

Sales revenue in the cotton division increased slightly from Rs. 490.8 million in 3QFY05 to Rs. 491.6 million in current nine months. The gross profit margin however improved considerably from a negative 0.2% in 3QFY05 to 4.3% in current nine months. This was mainly due to proactive cotton procurement and subdued cotton costs.

TOTAL PROFIT

The above mentioned factors resulted in a net profit before tax of Rs. 321.4 million in current nine months as compared to Rs. 357.6 million in 3QFY05. The total net profit after tax amounted to Rs. 319.6 million as against Rs. 278.3 million in the corresponding period of last year. Earning per share improved

from Rs. 9.54 in the nine months of FY05 to Rs. 10.96 in the period under review.

BALANCE SHEET

The Company's balance sheet continues to remain robust reflecting good fundamentals supported by strong capital reserves. Debt to equity ratio stands at 22:78 while the current ratio is 1:1. Break up value of shares has been diluted to Rs. 74.7 from Rs. 75.7 at 30 June 2005 mainly due to the issue of 4.86 million bonus shares in the current nine months ended 31 March 2006.

FUTURE OUTLOOK

The order book for the fourth quarter in the steel division is fairly healthy.

A number of measures are being taken to improve the efficiency and reduce operating expenses of the cotton division. Progress on the new cotton spinning unit is satisfactory and soft opening of the second spinning unit commenced on 19 April 2006 and it is expected that full commissioning will take place before the month end. Accordingly with increased production and competitive cotton cost it is expected that the cotton division would perform better in the coming quarter. With this unit we hope to tap a new target market and also achieve operational efficiency.

Looking ahead at the cotton scenario, despite a reasonable crop worldwide, cotton consumption has shown robust growth. The crop has been good (although below target) in Pakistan but the prices

have stayed firm and show an upward trend for the next quarter. However the demand pricing for cotton products has also risen and we expect a firm and stable market trend. The overall returns are expected to increase in the next quarter.

It may not be out of place to mention that the Company has declared stock dividend of 20% by issuing bonus shares. Further to facilitate the continued growth and strengthening of the Company's existing assets base, CSAPL Board of Directors approved a right issue of 1:3 with a premium of Rs. 30/- per share, to assign adequate capital to the new cotton spinning facility and keep the D/E ratio at a prudent level.



Ahsan M. Saleem
Chief Executive Officer
28 April 2006



Crescent Steel &
Allied Products Ltd.

BALANCE SHEET (UNAUDITED)

As at 31 March 2006

	Note	31 March 2006	30 June 2005 (Restated)
Rupees in thousand			
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital 30,000,000 ordinary shares of Rs 10 each		300,000	300,000
Issued, subscribed and paid-up capital		291,632	243,027
Reserves		1,320,379	1,276,893
Unappropriated profit		567,373	320,670
		<u>2,179,384</u>	<u>1,840,590</u>
Share of surplus on revaluation of fixed assets in associates - net of tax		16,419	2,760
Deferred income		76	304
Non-current liabilities			
Long-term loan	3	448,775	-
Redeemable capital		147,531	221,854
Liabilities against assets subject to finance leases		9,852	14,289
Deferred taxation		-	4,903
Current liabilities			
Trade and other payables	4	755,594	221,942
Interest and mark-up accrued		14,886	13,454
Short term borrowings	5	822,937	142,204
Current portion of redeemable capital		75,000	75,000
Current portion of liabilities against assets subject to finance leases		9,772	16,292
Taxation - net		1,586	-
		<u>1,679,775</u>	<u>468,892</u>
Contingencies and commitments	6	<u>4,481,812</u>	<u>2,553,592</u>
ASSETS			
Non-current assets			
Property, plant and equipment	7	1,366,576	441,836
Intangible assets		4,020	4,989
Investment in associates	8	481,130	312,230
Long-term investments	9	267,208	56,815
Long-term advances to staff		1,618	-
Long-term deposits		3,906	4,313
Deferred taxation		5,986	-
Current assets			
Stores, spares and loose tools		57,691	34,937
Stock-in-trade	10	657,727	194,329
Trade debts		303,345	132,037
Advances		20,435	15,663
Trade deposits and short-term prepayments		5,497	3,583
Current portion of long-term investments		10	10
Investments	11	1,166,538	1,117,279
Mark-up accrued		7,559	4,730
Other receivables		100,622	164,571
Taxation - net		-	13,188
Cash and bank balances		31,944	53,082
		<u>2,351,368</u>	<u>1,733,409</u>
		<u>4,481,812</u>	<u>2,553,592</u>

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


Chairman


Chief Executive

PROFIT AND LOSS ACCOUNT (UNAUDITED)

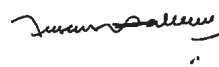
For the Nine months ended 31 March 2006

	Notes	Nine months ended 31 March 2006			Nine months ended 31 March 2005 (Restated)		
		Steel division	Cotton division	Total	Steel division	Cotton division	Total
Rupees in thousand							
Sales		542,836	491,600	1,034,436	1,584,280	490,834	2,075,114
Cost of sales		486,224	470,647	956,871	1,281,548	491,952	1,773,500
Gross profit / (loss)		56,612	20,953	77,565	302,732	(1,118)	301,614
Selling and distribution cost		5,894	5,823	11,717	5,138	3,404	8,542
Administration expenses		51,415	10,680	62,095	65,644	11,766	77,410
Other operating expenses		10,094	11,184	21,278	6,077	-	6,077
		67,403	27,687	95,090	76,859	15,170	92,029
Other operating income	12	375,282	1,863	377,145	190,950	8,319	199,269
Operating profit / (loss)		364,491	(4,871)	359,620	416,823	(7,969)	408,854
Finance costs	13	11,481	28,519	40,000	16,379	14,866	31,245
Share of profit / (loss) in associates		1,790	-	1,790	(20,018)	-	(20,018)
Profit / (loss) before taxation		354,800	(33,390)	321,410	380,427	(22,835)	357,591
Taxation - current				10,582			78,669
- deferred				(11,608)			1,831
- deferred associate				(18)			(1,217)
- prior				2,843			-
				1,799			79,283
Profit for the period				319,611			278,308
Basic and diluted earnings per share				Rs. 10.96			Rs. 9.54

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



Chairman



Chief Executive



Crescent Steel &
Allied Products Ltd.

PROFIT AND LOSS ACCOUNT (UNAUDITED)

For the quarter ended 31 March 2006

Note	Quarter ended 31 March 2006		Total	Quarter ended 31 March 2005		Total
	Steel division	Cotton division		Steel division	Cotton division	
Rupees in thousand						
Sales	342,887	180,012	522,899	916,427	155,207	1,071,634
Cost of sales	313,561	173,148	486,709	778,125	145,389	923,514
Gross profit / (loss)	29,326	6,864	36,190	138,302	9,818	148,120
Selling and distribution cost	1,974	3,376	5,350	1,856	900	2,756
Administration expenses	20,573	3,096	23,669	35,963	5,310	41,273
Other operating expenses	-	1,529	1,529	1,470	-	1,470
	22,547	8,001	30,548	39,289	6,210	45,499
Other operating income	135,300	751	136,051	99,556	589	100,145
Operating profit / (loss)	142,079	(386)	141,693	198,569	4,197	202,766
Finance cost	3,798	17,894	21,692	10,952	3,651	14,603
Share of profit / (loss) in associates	2,152	-	2,152	(6,673)	-	(6,673)
Profit / (loss) before taxation	140,433	(18,280)	122,153	180,944	546	181,490
Taxation - current			7,417			74,441
- deferred			-			1,639
- deferred associate			-			(406)
- prior			-			-
Profit for the quarter			7,417			75,674
			114,736			105,816
Basic and diluted earnings per share			Rs. 3.93			Rs. 3.63

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

Chairman

Chief Executive

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the Nine months ended 31 March 2006

	Issued, subscribed and paid- up capital	General reserve	Reserve for issue of bonus shares	Fair value reserve on available- for-sale investment	Others*	Unappro- priated profit	Total
----- Rupees in thousand -----							
Balance as at 1 July 2004 – Restated	220,934	921,000	22,093	138,921	105,863	57,766	1,466,577
Issuance of bonus shares	22,093		(22,093)				
Change in equity for the nine months ended 31 March 2005							
Proportionate share of various reserve of associated undertakings				-	68,904	-	68,904
Unrealized gains on available- for-sale investment				122,323	-	-	122,323
Realized gains on sale of investments				(23,209)	-	-	(23,209)
First interim dividend @ 10%						(24,303)	(24,303)
Profit for the nine months - (restated)						278,308	278,308
Total recognised income and expense for the nine months				99,114	68,904	254,005	422,023
Balance as at 31 March 2005 – Restated	243,027	921,000	-	238,035	174,767	311,771	1,888,600
Balance as at 1 July 2005 – Restated	243,027	921,000	-	158,158	197,735	320,670	1,840,590
Change in equity for the nine months ended 31 March 2006							
Unrealized gains on available- for-sale investment - for the nine months ended 31 March 2006				59,954	-	-	59,954
Proportionate share of various reserve of associated undertakings					29,221		29,221
Realized gains on sale of investments				(45,689)	-	-	(45,689)
Profit for the nine months						319,611	319,611
Total recognized income and expense for the nine months				14,265	29,221	319,611	363,097
Issuance of bonus shares	48,605	-	-	-	-	(48,605)	-
Dividend final @ 10%	-	-	-	-	-	(24,303)	(24,303)
Balance as at 31 March 2006	291,632	921,000	-	172,423	226,956	567,373	2,179,384

* This represents various reserves maintained by the associates.

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


Chairman


Chief Executive



Crescent Steel &
Allied Products Ltd.

CASH FLOW STATEMENT (UNAUDITED)

For the Nine months ended 31 March 2006

	Notes	31 March 2006	31 March 2005 (Restated)
Rupees in thousand			
Cash flow from operating activities			
Cash generated from / (used in) operations	14	59,474	101,346
Taxes paid		(4,148)	(32,416)
Financial charges paid		(65,588)	(28,378)
Contributions to pension and gratuity fund		(4,169)	(4,181)
Long-term deposits and prepayments		407	(61)
Net cash from / (used in) operating activities		(14,024)	36,310
Cash flow from investing activities			
Capital expenditure		(966,532)	(51,117)
Purchase of intangible assets		(632)	(2,932)
Investments – net		(109,275)	(100,138)
Proceeds from sale of fixed assets		1,888	1,618
Dividends received		50,579	48,661
Interest received		6,531	4,377
Net cash used in investing activities		(1,017,441)	(99,531)
Cash flow from financing activities			
Receipts against short-term loans		480,000	50,099
Redemption of redeemable capital		(75,000)	-
Receipt of long-term loan		448,775	-
Payment of liabilities against assets subject to finance leases		(10,957)	(10,016)
Dividends paid		(33,224)	(37,312)
Net cash from financing activities		809,594	2,771
Net decrease in cash and cash equivalents		(221,871)	(60,450)
Cash and cash equivalents at beginning of the period		30,878	181
Cash and cash equivalents at end of the period	15	(190,993)	(60,269)

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

Chairman

Chief Executive



Crescent Steel &
Allied Products Ltd.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the Nine months ended 31 March 2006

1. INTRODUCTION

- 1.1 The Company was incorporated on 1 August 1983 as a public limited company and is quoted on the stock exchanges in Karachi, Lahore and Islamabad. It is one of the downstream industries of Pakistan Steel Mills, manufacturing large diameter spiral arc welded steel line pipes at Nooriabad (District Jamshoro). The Company has a coating facility capable of applying three-layer high density polyethylene coating on steel line pipes. The coating plant commenced commercial production from 16 November 1992.
- 1.2 The Company acquired a running spinning unit of 14,400 spindles (now 19,680 spindles) at Jaranwala (District Faisalabad) on 30 June 2000 from Crescent Jute Products Limited. Another spinning unit CCP-2 has been added with 25,344 spindles. The cotton spinning activity is carried out by the Company under the name and title of "Crescent Cotton Products a division of Crescent Steel and Allied Products Limited". A basic sale and purchase agreement was entered into at the time of purchase, and, the transfer of legal title of land has been completed in October 2005.

2. BASIS OF PRESENTATION

- 2.1 These financial statements have been prepared in accordance with the requirements of the International Accounting Standard No. 34 'Interim Financial Reporting' and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984 and the listing regulations of the Stock Exchanges of Pakistan.

The financial statements comprise of the balance sheet as at 31 March 2006 and the profit and loss account, statements of changes in equity and the cash flow statement for the nine months ended 31 March 2006.

The comparative balance sheet presented in these financial statements as at 30 June 2005 has been extracted from the audited financial statements of the Company for the year ended 30 June 2005, whereas the comparative profit and loss account, statement of changes in equity and cash flow statement are stated from the unaudited financial statements for the nine months ended 31 March 2005.

- 2.2 The accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of the financial statements of the Company for the year ended 30 June 2005, except for the change explained below.

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

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

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



Crescent Steel &
Allied Products Ltd.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the Nine months ended 31 March 2006

3. LONG-TERM LOAN

	31 March 2006			31 June 2005		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Allied Bank Limited	-	450,000	450,000	-	-	-
Initial transaction cost	-	(1,313)	(1,313)	-	-	-
Amortization of initial transaction cost	-	88	88	-	-	-
	-	448,775	448,775	-	-	-

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

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

4. TRADE AND OTHER PAYABLES

4.1 Murabaha - Meezan Bank Limited

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

The facility for opening letter of credit and guarantees as at 31 March 2006 amounted to Rs. 500 million (June 2005: Rs. 500 million).

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

5. SHORT-TERM BORROWINGS

	Notes	31 March 2006			31 June 2005		
		Steel division	Cotton division	Total	Steel division	Cotton division	Total
		Rupees in thousand					
Secured from Banking Companies							
Union Bank Limited	5.1	165,170	12,141	177,311	22,204	-	22,204
MCB Bank Limited	5.2	295,626	-	295,626	120,000	-	120,000
Allied Bank Limited	5.3	350,000	-	350,000	-	-	-
		810,796	12,141	822,937	142,204	-	142,204

5.1 Union Bank Limited

This comprises of short-term loan of Rs. 50 million and running finance of Rs. 127.31 million. The Company has availed these facilities against sanction limit of Rs. 325 million (30 June 2005: Rs. 425 million).

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended 31 March 2006

million). The rate of mark-up is 6 months KIBOR (Ask) plus 1.75% with a floor of 7% per annum (30 June 2005: 7% per annum). The purchase prices are repayable within 120 to 180 days depending upon nature of financing. The mark-up is payable quarterly. The facilities will expire on 31 March 2006.

The facility for opening letter of credit and guarantees as at 31 March 2006 amounted to Rs. 467 million (30 June 2005: Rs. 467).

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

5.2 MCB Bank Limited

This comprises of short-term loan of Rs. 200 million and running finance of Rs. 95.62 million. The Company has availed these facilities against sanction limit of Rs. 300 million (30 June 2005: 200 million). The mark-up rate is 1 month KIBOR plus 1.5% with a floor of 5% (30 June 2005: 1 month KIBOR plus 1.5% with a floor of 5%). The facility will remain valid till 30 August 2006. The facility for running finance is secured against first pari passu hypothecation charge for Rs. 316.67 million over stocks including shares of investee companies and book debts of the Company, lien over import documents and duly accepted bills of exchange.

5.3 Allied Bank Limited

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

The Company has obtained facility for opening letter of credit and guarantees as at 31 March 2006 amounted to Rs. 400 million (30 June 2005: nil). The facility is unavailed as at 31 March 2006.

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

6. CONTINGENCIES AND COMMITMENTS

- 6.1 The Ministry of Labour, Manpower and Overseas Pakistani's Division (the Ministry) in response to an application for establishment of separate fund for cotton division under Clause 15 of the Scheme to the Companies Profit (Workers' Participation) Act, 1968 has granted the permission for the same. The Ministry has, however, asked the Company to deposit an amount of Rs. 47.85 million on account of Workers' Profit Participation Fund for the period between 1990 to 1997. This demand is being contested by the Company as there were no eligible workers. The management, based on the advice of its legal consultants, is considering to file a constitutional petition in the High Court and is confident of a favourable outcome. Thus, no provision has been made for the aforementioned amount in these financial statements.
- 6.2 The sales tax authorities had issued a show cause notice relating to sales tax of Rs. 2.48 million by disallowing input tax claimed on certain items and spare parts imported during the period from August 1997 to June 1998. The Company filed an appeal with the Customs, Excise and Sales Tax Appellate Tribunal who has referred the case to a Collector Sales Tax (Appeals) for fresh assessment. Based on the advice of legal advisor the management is confident that the matter will be decided in favor of the Company. Accordingly, no provision has been made in these financial statements for the aforementioned amount.
- 6.3 The company had filed a claim against SNGPL for return of its performance bond relating to a contract that was completed in the past. By way of a counter claim, SNGPL is claiming liquidated damages

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the Nine months ended 31 March 2006

- amounting to US Dollars 904,447 and mark-up. The matter is currently pending before the Arbitrators. Management of the Company, based on legal advice, is confident that there is no significant chance of the counter claim of SNGPL being allowed as the relevant guarantees have long since expired. Hence, no provision has been made in these financial statements.
- 6.4 The Company has filed a suit in the Sindh High Court against Federation of Pakistan and others, for levy of import license fee at 6% against import of coating plant in 1992. The Company contested that as per SRO 1317 (1)/94 dated 22 December 1990, being located in rural area, is only liable to pay 2% of import license fee. The Company has provided bank guarantee of Rs. 3.42 million as directed by the Honourable Court. The petition was dismissed by High Court as having been incompetently filed. The Company has filed the application with Honourable Supreme Court to obtain leave for appeal. No provision has been made in the financial statements, as management considers that the Company would be able to file appeal before Honourable Supreme Court and case would be decided in company's favour.
- 6.5 Sindh Industrial Trade Estate (SITE) cancelled allotment of plots A-26 and A-27 and charged non-utilization fees of Rs. 285,184 and Rs. 620,573 respectively. The Company has challenged the cancellation and filed a suit in Sindh High Court. The High Court has restrained SITE from taking any adverse action against the Company. Therefore, management considers that no provision is required.
- 6.6 The Company has filed a suit in the High Court of Sindh for recovery of retention money amounting to Rs. 3.27 million from Indus Steel Pipes Limited (ISP) against supply of pipes. The High Court has decided the case in the Company's favor, however, pending a formal judgement the gain has not been recognized in these financial statements. The Company has, however, raised a demand from ISP for Rs. 3.27 million.
- 6.7 The Company has filed a suit in the High Court of Sindh for restraining the customs authorities from encashing a bank guarantee of Rs. 0.895 million issued while availing concessionary benefits of SRO 671(1)/94 dated 3 July 1994. The liability of the Company will eventually depend upon whether or not the goods were consumed in terms of the concession. This case is pending with the High Court and a sum of Rs. 0.895 million is contingently payable by the Company in case the High Court decides the case against the Company.
- 6.8 Aggregate amount of guarantees given by the banks on behalf of the Company in respect of performance of various contracts as at 31 March 2006 aggregated to Rs. 396.5 million (30 June 2005: Rs. 264.36 million).
- 6.9 Commitments under letters of credits as at 31 March 2006 is Rs. 661.34 million (30 June 2005: Rs. 445.15 million).
- 6.10 Commitments in respect of capital expenditure contracted for as on 31 March 2006 is Rs. 64.70 million (30 June 2005: Rs. 51.71 million).
- 6.11 Based on latest financial statements of associates, the Company's share of contingent liabilities and commitments of associates amounted to Rs. 91.7 million and Rs. 49.4 million respectively.

7. PROPERTY PLANT AND EQUIPMENT

	Nine months ended 31 March 2006		Nine months ended 31 March 2005	
	Additions	Disposals	Additions	Disposals
	Rupees in thousand			
Plant and machinery	8,081	-	8,209	100
Freehold land	3,789	-	4,172	-
Office premises	-	-	367	-
Building	386	-	14,678	-
Furniture and fixtures	301	-	140	-
Office and other equipment	712	11	582	27
Computers	405	845	542	78
Vehicles	4,220	2,814	10,806	4,787
Workshop equipment	-	-	635	-
	17,894	3,670	40,131	4,992

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the Nine months ended 31 March 2006

- 7.1 The Company has capitalized financial charges related to new projects. Financial charges amounting to Rs. 27.02 million have been capitalized at 11% per annum.

8. INVESTMENT IN ASSOCIATES

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

The Company's share of nine months profit amounting to Rs. 2.15 million (2005: loss Rs. 20.02 million) is based on latest financial statements available.

The fair value of the investments in associates as at 31 March 2006 is Rs. 356.85 million (June 2005: Rs. 288.30 million).

9. LONG-TERM INVESTMENTS

	31 March 2006			30 June 2005		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Related parties						
Held to maturity	29,994	-	29,994	29,994	-	29,994
Others						
Available for sale	210,403	-	210,403	-	-	-
Held to maturity	26,811	-	26,811	26,821	-	26,821
	<u>267,208</u>	<u>-</u>	<u>267,208</u>	<u>56,815</u>	<u>-</u>	<u>56,815</u>

10. STOCK-IN-TRADE

	31 March 2006			30 June 2005		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Raw material	314,052	242,063	556,115	80,599	62,607	143,206
Work-in-process	10,083	3,235	13,318	4,021	2,979	7,000
Finished goods	82,080	9,683	91,763	30,302	18,417	48,719
Scrap / cotton waste	820	566	1,386	169	1,009	1,178
	<u>407,035</u>	<u>255,547</u>	<u>662,582</u>	<u>115,091</u>	<u>85,012</u>	<u>200,103</u>
Provisions	(4,798)	(57)	(4,855)	(5,068)	(706)	(5,774)
	<u>402,237</u>	<u>255,490</u>	<u>657,727</u>	<u>110,023</u>	<u>84,306</u>	<u>194,329</u>



Crescent Steel &
Allied Products Ltd.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the Nine months ended 31 March 2006

11. INVESTMENTS

	31 March 2006			30 June 2005		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Related parties						
Held to maturity	119,313	-	119,313	212,000	-	212,000
Others						
Available for sale	365,770	-	365,770	370,860	-	370,860
Held for trading	681,455	-	681,455	527,388	-	527,388
Loans and advances originated by the enterprise – Islamic Republic of Pakistan Bonds 10%	-	-	-	7,031	-	7,031
	1,166,538	-	1,166,538	1,117,279	-	1,117,279

12. OTHER OPERATING INCOME

	Nine months ended 31 March 2006			Nine months ended 31 March 2005		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Income From financial Assets						
Return on deposits, advances and investments	2,719	47	3,328	3,692	90	3,782
Dividend income	61,302	-	61,302	48,525	-	48,525
Gain on sale of investments	109,091	-	109,091	106,238	-	106,238
Unrealized gain on held for trading investments	190,863	-	190,863	14,490	-	14,490
Income from Related Parties						
Return on deposits, advances and investments	6,594	-	6,032	1,123	-	1,123
Dividend income	-	-	-	7,431	-	7,431
Other Income						
Gain on sale of fixed assets	737	-	737	1,785	40	1,825
Others	3,976	1,816	5,792	7,666	8,189	15,855
	375,282	1,863	377,145	190,950	8,319	199,269

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the Nine months ended 31 March 2006

13. FINANCE COSTS

	Nine months ended 31 March 2006			Nine months ended 31 March 2005		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Mark-up on:						
Provident fund	-	-	-	-	148	148
Short-term loans	32,695	688	33,383	14,034	1,526	15,560
Long-term loans	-	14,373	14,373	-	-	-
Redeemable capital	6,971	9,936	16,907	6,840	5,231	12,071
Assets subject to finance leases	1,130	488	1,618	1,384	1,094	2,478
Bank charges	242	497	739	600	388	988
	41,038	25,982	67,020	22,858	8,387	31,245
Financial charges allocated to the cotton division	(29,557)	29,557	-	(6,479)	6,479	-
	11,481	55,539	67,020	16,379	14,866	31,245
Financial charges capitalized	7.1	-	(27,020)	(27,020)	-	-
	11,481	28,519	40,000	16,379	14,866	31,245

14. CASH GENERATED FROM / (USED IN) OPERATIONS

	Nine months ended	
	31 March 2006	31 March 2005 (Restated)
	Rupees in thousand	
Profit before taxation	321,410	357,591
Adjustments for non cash charges and other items:		
Depreciation	67,641	61,296
Amortization of intangible assets	1,601	1,603
Share of loss from associate	-	20,018
Fair value adjustments	(190,863)	(14,490)
Provision for slow moving spare parts	5,272	-
Reversal against stock-in-trade	(919)	(11,795)
Provision for workers welfare fund	390	2,593
Provision for infrastructure fee	7,200	2,500
Liabilities written back	(1,450)	-
Exchange (gain) / loss	-	(123)
Gain on sale of investments	(109,091)	(106,238)
Provision for pension and gratuity	4,169	3,645
Financial charges	67,020	31,245
Gain on disposal of fixed assets	(737)	(1,825)
Dividend income	(61,302)	(55,956)
Deferred Income	(228)	(366)
Amortization of discount on IROP	-	(822)
Return on deposits, advances and investments	(9,360)	(4,905)
Amortization of initial transaction cost on TFCs	87	449
Amortization of initial transaction cost on Long- Term Loan	677	-
Provision against other receivables	62	-
Provision against bad debts	1,017	-
Provision against advances to suppliers	54	-
Working capital changes	14.1	(43,176)
	59,474	(183,074)
	59,474	101,346



Crescent Steel &
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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the Nine months ended 31 March 2006

Nine months ended
31 March 2006 31 March 2005
(Restated)
Rupees in thousand

14.1 Working capital changes

(Increase) / decrease in current assets		
Stores, spares and loose tools	(28,026)	3,555
Stock-in-trade	(462,479)	(28,155)
Trade debts	(172,325)	(238,254)
Short-term advances	(4,824)	(6,175)
Short-term deposits and prepayments	(1,914)	201
Other receivables (net)	78,719	59,331
	<u>(590,849)</u>	<u>(209,497)</u>
Increase / (decrease) in current liabilities		
Trade and other payables (net)	547,673	26,423
Working capital changes	<u>(43,176)</u>	<u>(183,074)</u>

15. CASH AND CASH EQUIVALENTS

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

Short-term running finance under markup arrangements	(222,937)	(99,264)
Cash and bank balances	31,944	38,995
	<u>(190,993)</u>	<u>(60,269)</u>

16. SUMMARY OF TRANSACTIONS WITH RELATED PARTIES

All transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using admissible valuation modes, i.e. comparable uncontrolled price method except service charges received/paid on cost plus method. The related parties and associated undertakings comprise local associated companies, staff retirement funds, directors and key management personnel Transactions with related parties during the half year ended are as follows:

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended 31 March 2006

	Nine months ended 31 March 2006			Nine months ended 31 March 2005		
	Steel division	Cotton division	Total	Steel division	Cotton division	Total
	Rupees in thousand					
Insurance premium paid	540	-	540	124	568	692
Sale of pipes / yarn	4,974	57,931	62,905	8,843	67,573	76,056
Purchase of yarn	-	3,596	3,596	-	-	-
Return on deposits	6,594	-	6,594	1,123	-	1,123
Dividends income	2,864	-	2,864	7,431	-	7,431
Service charges received	210	-	210	189	-	189
Service charges paid	11,686	1,309	112,995	1,647	2,109	3,756
Donation	2,285	800	3,085	2,305	3,950	6,255
Contribution to						
Provident Fund	3,675	322	3,997	3,583	496	4,079
Contribution to Pension Fund	2,795	81	2,876	2,436	217	2,653
Contribution to Gratuity Fund	1,130	-	1,130	989	-	989
Lease payments	2,414	-	2,414			
Investment in shares of						
Creek Marina Pakistan	150,000	-	150,000			
Payment of Term Finance						
Certificate Principal	708	542	1,250			
Sale of vehicle to						
Company Secretary	185	-	185			
Advance for purchase of land	-	35,000	35,000			
Incentive accrued	510	-	510			
Sharing of expenses	58	-	58			
Long term loan to staff	1,678	-	1,678			
Subscription in right shares	34,204	-	34,204	10,822	-	10,822
Subscription in preference shares	-	-	-	29,994	-	29,994
Redemption of term finance certificate	-	-	-	1,666	-	1,666
Purchase fixed assets	-	-	-	-	18,850	18,850
Interest to Provident Fund on accumulated balance	-	-	-	-	148	148

17. COMPARATIVES

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


18. GENERAL

18.1 These financial statements were authorized for issue on 28 April 2006 by the Board of Directors of the Company.

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



Chairman



Chief Executive

SHAREHOLDERS' INFORMATION

STOCK EXCHANGE LISTING

Crescent Steel and Allied Products Limited is a listed company and its shares are traded on all the three stock exchanges of Pakistan.

The Company's share is quoted in leading dailies under the Engineering Sector.

PUBLIC INFORMATION

Financial analysts, stock brokers, interested investors and financial media desiring information about 'Crescent Steel' should contact Farrukh Hussain at the Company's Principal Office, Karachi.

Telephone: 021-5674881-5

Email: farrukh.hussain@

crescent.com.pk

SHAREHOLDERS' INFORMATION

Enquiries concerning lost share certificates, dividend payments, change of address, verification of transfer deeds and share transfers should be directed

to the Shareholder Services Department at the Registered Office at Lahore.

Telephone: 042-111-912-912

Fax: 042-5875915-16

Email: csbm@csibl.com

PRODUCTS

Steel Division

Manufacturer of DSAW steel line pipes in diameters ranging from 8" to 90" and applicator of multi-layer polyolefin coating conforming to international standards.

Cotton Division

Manufacturer of quality cotton yarn of various counts of 10s to 60s.

AUDITORS

KPMG Taseer Hadi & Co.

LEGAL ADVISOR

Hassan & Hassan, Advocates, Lahore.

BANKERS

Union Bank Limited

MCB Bank Limited

Meezan Bank Limited

PICIC Commercial Bank Limited

REGISTERED OFFICE

4th Floor, Crescent Standard Tower, 10-B, Block E-2, Main Boulevard, Gulberg-III, Lahore.

Telephone: 042-111-912-912

Fax: 042-5875915-16

Email: csbm@csibl.com

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FACTORY – STEEL DIVISION

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E.mail: mushtaq.ahmed@nra.

crescent.com.pk



Crescent Steel &
Allied Products Ltd.

COMPANY PROFILE

Crescent Steel and Allied Products Limited is a Public Limited Company listed on all the Stock Exchanges of Pakistan. It started commercial production in March 1987. The manufacturing facilities consist of a Spiral Pipe production line and a multi-layer Polyolefin and stand-alone Epoxy Coating line, both located side by side at the Sindh Industrial Trading Estate, Nooriabad in Jamshoro District of Sindh and Cotton Spinning Units of 19,680 spindles CCP-1 and 25,344 spindles CCP-2 at Jaranwala, Faisalabad. Crescent Steel and Allied Products Limited is an equal opportunity employer with a sense of social responsibility and strongly supports education and environmental causes.

Steel Division

The Spiral Pipe Plant has a capability of manufacturing high quality steel pipes in the diameter range of 8-5/8"-90" (219 mm to 2286 mm) in wall thickness from 4 mm -18 mm and material grades up to API 5L X-80. The Company has been gradually enhancing and upgrading the pipe production capacity which has increased from 80,000 tons initially to the present notional capacity of 90,000 tons per annum. The Company has authorization to use the API monogram of the American Petroleum Institute – the highest

international standard accredited for quality of steel line pipe. It also has the ISO 9001 : 2000 certification. The Polyolefin Coating Plant was added adjacent to the pipe mills which is capable of applying single and multi-layer Coatings comprising of Fusion Bonded Epoxy, Co-Polymer Adhesive and High Density Polyethylene / polypropylene and Polyethylene Tape Coating on steel pipes ranging from 6-5/8" – 48" (168 mm – 1219 mm).

Crescent Steel maintains high quality norms in all its products, has consistently exceeded the requirements of international standards both in steel line pipe and multi-layer coatings, and will continue to remain at the cutting edge in terms of technology, quality control and quality assurance.

Cotton Division

In the year 2000, the Company acquired a running cotton spinning mill located at Jaranwala near Faisalabad, which is the hub of the textile industry and carries out this activity under the name and title of "Crescent Cotton Products" (CCP) a Division of Crescent Steel and Allied Products Limited.

CCP is a division of the Company but its operating results are shown separately. CCP as a division holds

ISO 9001 : 2000 Quality Management Credentials. CCP produces good quality cotton yarn of various counts from 10s to 60s having a notional capacity based on 20s of 6.2 and 9.3 million kgs per annum in CCP-1 and CCP-2 respectively and its products are consistently in demand and generally sold at a premium.

