



Condensed Interim Report for the Quarter ended September 2007



Crescent Steel &
Allied Products Ltd.



Crescent Steel &
Allied Products Ltd.

COMPANY INFORMATION

BOARD OF DIRECTORS

<i>Non-Executive Chairman</i>	Mazhar Karim
<i>Chief Executive & MD</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. (Sharjeel Jamil Ahmed-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
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BUSINESS STRATEGY COMMITTEE

<i>Chairman</i>	Ahsan M. Saleem S.M. Ehtishamullah S.A.N. Kazmi Abdul Rouf
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SYSTEM AND TECHNOLOGY COMMITTEE

<i>Chairman</i>	Ahsan M. Saleem M. Saad Thaniana Shakeel Akhtar
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INVESTMENT COMMITTEE

<i>Chairman</i>	Ahsan M. Saleem S.M. Ehtishamullah M. Saad Thaniana
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THE MANAGEMENT

Chief Executive and
Managing Director
Ahsan M. Saleem, 54
1983*

Advisor to CEO (Technical)
Mohammad Sharif, 75
1984*

Finance Director & CFO
S.M. Ehtishamullah, 68
1996*

Commercial Director /
Head of Buying
S.A.N. Kazmi, 65
1986*

BU Head - Cotton Division
Abdul Rouf, 48
2000*

Chief Information Officer
Shakeel Akhtar, 43
2006*

Senior Vice President
(Finance & Control)
M. Saad Thaniana, 39
2007*

Head of Marketing
Steel Division
Arif Raza, 46
1985*

Head of Manufacturing
Steel Division
Mushtaque Ahmed, 46
1985*

* Year joined Company



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 a Cotton Spinning Unit of 19,680 spindles CCP-I and 25,344 spindles CCP-II both at Jaranwala, Faisalabad.

Company's Investment and Infrastructure Development Division manages an investment portfolio and real estate.

Crescent Steel and Allied Products Limited is an equal opportunity employer with a sense of social responsibility and strongly supports education, healthcare and environmental causes.

STEEL DIVISION

The Spiral Pipe Plant has a capability of manufacturing high quality steel pipes in the diameter range of 8" – 90" (219 mm – 2286 mm) in wall thickness from 4 mm – 19 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 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. In addition, we have become the first Pakistani company to have acquired oil and gas industry specifics ISO/TS 29001, Quality Management System Certification from API. 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 4" – 56" (114 mm – 1422 mm). Crescent Steel maintains high quality norms in all its products and 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 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 Credential. CCP produces good quality cotton yarn of various counts from 10s to 80s having a notional capacity based on 20s of 6.5 and 9.3 million kgs per annum in CCP-I and CCP-II respectively and its products are consistently in demand and generally sold at a premium.

INVESTMENT AND INFRASTRUCTURE DEVELOPMENT DIVISION

During the last year Investment and Infrastructure Development Division (IID) was carved separately from Steel Division under the new business Architecture. The division manages an investment portfolio in shares and other securities, across diversified sectors and real estate. Our strategy has been to focus on those sectors and projects which have potential for growth and where real investments are being made.



Crescent Steel &
Allied Products Ltd.

CHIEF EXECUTIVE'S REVIEW

INVESTMENT AND INFRASTRUCTURE DIVISION

During the period under review, the market was volatile as KSE-100 index went up as high as 14,202 with a bottom of 11,958 closing at 13,352. The company generated 5.9 percent return on average investment (excluding equity accounted undertakings) as compared to negative 3 percent in KSE index during the quarter. In this market with careful switching we realized capital gains of Rs. 29.8 million and dividend income of Rs. 39.4 million. Division contributed Rs. 239.7 million in the bottom line of the company during the quarter including one-off amount of Rs. 110.1 million transferred from other capital reserves to Profit & Loss Account for the period (being share of profit from Shakarganj Mills Limited due to its disposal of PICIC shares) in accordance with equity accounting method as required under IAS-28 "Investment in Associates". Profit before tax excluding the above increased by 21 percent as compared to the corresponding quarter of last year.

Total investments appearing in long term and short term classification aggregated to Rs. 1,287.1 million and Rs. 1,152.3 million on 30 September 2007 compared to Rs. 1,259.5 million and Rs. 1,040.9 million respectively, as at 30 June 2007.

BALANCE SHEET AND CASH FLOW

The Company's balance sheet continues to remain healthy with the liquidity ratio of 1.7 : 1 and gearing of 8:92. Shareholders' funds as at quarter end totaled Rs. 3,289 million whereas balance sheet footing increased to Rs. 5,272 million as at 30 September 2007.

Cash generated from operations were healthy. However, due to large orders in process, inventories and trade debts in steel division increased during the quarter resulting in overall cash outflow of Rs. 529.1 million from operations.

FUTURE OUTLOOK

Considering the results of the steel division and orders in hand we are confident to maintain the growth momentum in this business and achieve a reasonably strong performance for the financial year. However due to uncertainties involved in other two segments of our business that is Cotton and Investment and infrastructure the results are likely to be rather flat. However the consolidated overall growth is expected to be positive.

Ahsan M. Saleem
Chief Executive
25 October 2007

CONDENSED INTERIM BALANCE SHEET (UNAUDITED)

As at 30 September 2007

	Notes	30 September 2007	30 June 2007
(Rupees in '000)			
ASSETS			
Non-current assets			
Property, plant and equipment	7	1,294,335	1,306,641
Intangible assets		465	503
Long-term investments	8	1,287,074	1,259,546
Long-term deposits and prepayments		4,626	4,567
Current assets			
Stores, spares and loose tools		56,793	48,849
Stock-in-trade	9	883,131	633,452
Trade debts		298,066	181,408
Advances		100,598	83,119
Trade deposits and short-term prepayments		5,524	4,750
Current portion of long-term investments		10	10
Investments	10	1,152,334	1,040,919
Mark-up accrued		2,650	2,476
Other receivables	11	142,289	72,635
Taxation-net		34,623	20,192
Cash and bank balances	12	9,143	36,999
		2,685,161	2,124,809
		5,271,661	4,696,066
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital			
100,000,000 ordinary shares of Rs. 10 each		1,000,000	1,000,000
Issued, subscribed and paid-up capital	13	513,273	466,612
Capital reserves		608,658	792,518
Revenue reserves		2,176,117	1,941,273
		3,298,048	3,200,403
Non-current liabilities			
Long-term loan		252,294	280,354
Redeemable capital	14	36,376	73,652
Deferred taxation		94,584	64,584
Current liabilities			
Trade and other payables		252,660	435,080
Interest and mark-up accrued		16,949	16,150
Short-term borrowings	15	1,128,786	432,799
Current portion of long-term loan		112,500	112,500
Current portion of redeemable capital	14	75,000	75,000
Current portion of liabilities against assets subject to finance leases		4,464	5,544
		1,590,359	1,077,073
		5,271,661	4,696,066
Contingencies and commitments	16		

The annexed notes 1 to 28 form an integral part of these condensed interim financial statements.


Chief Executive


Director



Crescent Steel &
Allied Products Ltd.

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)

	Notes	First quarter ended 30 September 2007	First quarter ended 30 September 2006
		(Rupees in '000)	
Sales	17	892,128	683,531
Cost of sales		<u>712,592</u>	<u>564,352</u>
Gross profit		179,536	119,179
Investment income	18	77,393	112,887
		<u>256,929</u>	<u>232,066</u>
Distribution and selling expenses		3,310	2,277
Administrative expenses		26,348	37,187
Other operating expenses	19	14,057	489
		43,715	39,953
		<u>213,214</u>	<u>192,113</u>
Other income		2,654	1,254
Operating profit before financing costs		<u>215,868</u>	<u>193,367</u>
Finance costs	20	29,252	31,124
Share of profit in associated undertakings	21	176,011	6,828
Profit before taxation		<u>362,627</u>	<u>169,071</u>
Taxation - current		4,461	876
- deferred		30,000	-
		34,461	876
Profit for the quarter		<u>328,166</u>	<u>168,195</u>
		(Rupees)	
Basic and diluted earnings per share	22	<u>6.39</u>	<u>3.68</u>

The annexed notes 1 to 28 form an integral part of these condensed interim financial statements.

Chief Executive

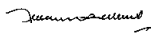
Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

For the first quarter ended 30 September 2007

	Notes	First quarter ended 30 September 2007	First quarter ended 30 September 2006 (Rupees in '000)
Cash flows from operating activities			
Cash (used in) / generated from operations	23	(480,289)	317,067
Taxes paid		(18,892)	(1,603)
Financial charges paid		(28,301)	(40,381)
Contribution to pension and gratuity fund		(1,777)	(943)
Decrease long-term deposits and prepayments		139	183
Net cash (used in) / generated from operating activities		(529,120)	274,323
Cash flows from investing activities			
Capital expenditure		(30,336)	(23,648)
Purchase of intangible assets		(41)	(175)
Proceeds from sale of property, plant and equipment		229	1,237
Investments - net		(128,672)	30,600
Dividends received		35,347	13,350
Interest received		520	1,162
Net cash (used in) / generated from investing activities		(122,953)	22,526
Cash flows from financing activities			
Receipts / (payment) of short term loans		630,313	(370,000)
Proceeds from issue of shares		-	466,612
Repayment of long term loan		(28,125)	-
Repayment of redeemable capital		(37,500)	(37,500)
Repayment of liabilities against assets subject to finance leases		(1,232)	(2,141)
Dividend paid		(1,115)	(587)
Net cash generated from financing activities		562,341	56,384
Net (decrease) / increase in cash and cash equivalents		(89,732)	353,233
Cash and cash equivalents at beginning of the period		26,275	(153,616)
Cash and cash equivalents at end of the period	24	(63,457)	199,617

The annexed notes 1 to 28 form an integral part of these condensed interim financial statements.



Chief Executive



Director



Crescent Steel &
Allied Products Ltd.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the first quarter ended 30 September 2007

	Issued, subscribed and paid-up capital	Capital reserves			Revenue reserves		Total
		Share Premium	Unrealized gain on remeasurement of available for sale investment securities	Others*	General reserve	Unappropri- ated profit	
(Rupees in '000)							
Balance as at 1 July 2006	349,959	-	105,980	210,342	921,000	450,417	2,037,698
Changes in equity for the first quarter ended 30 September 2006							
Unrealised loss on available for sale investment securities	-	-	(4,002)	-	-	-	(4,002)
Realised gain on sale of investments	-	-	(11,052)	-	-	-	(11,052)
Profit for the first quarter	-	-	-	-	-	168,195	168,195
Total recognised income and expense for the first quarter	-	-	(15,054)	-	-	168,195	153,141
Issuance of right shares	116,653	349,959	-	-	-	-	466,612
Transfer to general reserve	-	-	-	-	421,000	(421,000)	-
Balance as at 30 September 2006	466,612	349,959	90,926	210,342	1,342,000	197,612	2,657,451
Balance as at 1 July 2007	466,612	349,959	294,218	148,341	1,342,000	599,273	3,200,403
Changes in equity for the first quarter ended 30 September 2007							
Unrealised loss on available for sale investment securities	-	-	(43,832)	-	-	-	(43,832)
Realised gain on sale of investments	-	-	(29,876)	-	-	-	(29,876)
Proportionate share of various reserves of associated undertakings**	-	-	-	(110,152)	-	-	(110,152)
Profit for the first quarter	-	-	-	-	-	328,166	328,166
Total recognised income and expense for the first quarter	-	-	(73,708)	(110,152)	-	328,166	144,306
Transfer to general reserve	-	-	-	-	500,000	(500,000)	-
Dividend final 2007 (10%)	-	-	-	-	-	(46,661)	(46,661)
Issuance of bonus shares final 2007 (10%)	46,661	-	-	-	-	(46,661)	-
Balance as at 30 September 2007	513,273	349,959	220,510	38,189	1,842,000	334,117	3,298,048

*This represents various reserves maintained by the associated undertakings

**Refer note 21

The annexed notes 1 to 28 form an integral part of these condensed interim financial statements.


Chief Executive


Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the first quarter ended 30 September 2007

1. LEGAL STATUS AND OPERATIONS

- 1.1 Crescent Steel and Allied Products Limited (the Company) was incorporated on 1 August 1983 as a public limited company in Pakistan under Companies Act 1913 (now Companies Ordinance 1984) and is quoted on all stock exchanges of Pakistan. The registered office of the Company is located at 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 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.
- 1.3 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

These condensed interim financial statements are un-audited and have been prepared in accordance with the requirements of the International Accounting Standard (IAS) - 34 "Interim Financial Reporting" as applicable in Pakistan. These condensed interim financial statements do not include all of the information required for full financial statements and should be read in conjunction with the financial statements of the Company for the year ended 30 June 2007.

The comparative balance sheet presented in these financial statements has been extracted from the audited financial statements of the Company for the year ended 30 June 2007, whereas the comparative profit and loss account, statement of changes in equity and cash flow statement are stated from the unaudited condensed interim financial statements for the first quarter ended 30 September 2006.

These condensed interim financial statements have been presented in Pakistan Rupees, which is the functional currency of the Company.

These condensed interim financial statements are being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied for the preparation of these condensed interim financial statements are the same as those applied in preparation of the annual audited financial statements of the Company for the year ended 30 June 2007.

4. ESTIMATES

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that were applied to the financial statements for the year ended 30 June 2007.

5. RISK MANAGEMENT POLICIES

Risk management policies are consistent with those disclosed in the financial statements for the year ended 30 June 2007.



Crescent Steel &
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the first quarter ended 30 September 2007

6. SEGMENT REPORTING

A segment is a distinguishable component of the Company that is engaged either in providing products (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company's primary format for segment reporting is based on business segments.

7. PROPERTY, PLANT AND EQUIPMENT

	First quarter ended 30 September 2007		First quarter ended 30 September 2006	
	Additions	Disposals	Additions	Disposals
	(Rupees in '000)			
Plant and machinery	2,663	-	1,609	-
Freehold land	-	-	8,336	-
Building	1,794	-	139,047	-
Furniture and fixtures	1,133	-	170	-
Office and other equipment	393	-	18,122	-
Computers	271	-	17	-
Vehicles	808	678	5,962	1,334
	7,062	678	173,263	1,334

8. LONG TERM INVESTMENTS

		30 September 2007	30 June 2007
		(Rupees in '000)	
Related Parties			
Investment in equity accounted undertakings	8.1 & 8.2	1,093,174	1,027,316
Held to maturity		29,994	29,994
Available for sale	8.3	-	-
Others			
Available for sale		137,109	175,435
Held to maturity		26,797	26,801
		1,287,074	1,259,546

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the first quarter ended 30 September 2007

- 8.1 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".

30 September 2007	30 June 2007		30 September 2007	30 June 2007
(Number of shares)	(Number of shares)		(Rupees in '000)	(Rupees in '000)
		Quoted		
60,475,416	60,475,416	Altern Energy Limited (Chief Executive Officer - Sheikh Muhammad Iqbal)	751,324	701,006
6,193,082	6,193,082	Shakarganj Mills Limited (Chief Executive Officer - Mr. Ahsan M. Saleem)	308,395	294,144
			1,059,719	995,150
		Unquoted		
352,625	352,625	Central Depository Company of Pakistan Limited (Chief Executive Officer - Mr. Mohammad Hanif Jakhura)	33,455	32,166
			1,093,174	1,027,316

- 8.1.1 The above figures are based on financial statements of these companies upto the period ended 30 June 2007.
- 8.2 The fair value of the investments in associates as at 30 September 2007 is Rs. 1,413.0 million (30 June 2007 : Rs.1,392.3 million).
- 8.3 This represents investments in Crescent Bahuman Limited, Crescent Industrial Chemicals Limited and Crescent Continental Gas Pipelines Limited which have been carried at carrying values of Rs. nil for reasons specified in financial statements for the year ended 30 June 2007.

9. STOCK-IN-TRADE

	30 September 2007	30 June 2007
	(Rupees in '000)	
Raw materials:		
Hot rolled steel coils (HR Coil)	488,897	199,872
Coating materials	86,844	101,919
Others - pipe plant	12,948	15,332
Raw cotton	78,879	138,547
Stock-in-transit	68,940	78,645
	736,508	534,315
Provision for slow-moving and obsolescence		
Hot rolled steel coils	(11,010)	(11,010)
Coating materials	(84)	(84)
Others	(191)	(191)
	(11,285)	(11,285)
	725,223	523,030
Work-in-process	38,639	43,482
Finished goods	142,876	90,290
Scrap / cotton waste	2,920	3,177
Provision for slow-moving and obsolescence finished goods	(26,527)	(26,527)
	157,908	110,422
	883,131	633,452



Crescent Steel &
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the first quarter ended 30 September 2007

10. INVESTMENTS

	30 September 2007	30 June 2007
	(Rupees in '000)	
Related parties		
Held to maturity	42,000	42,000
Available for sale	28,706	28,377
	70,706	70,377
Others		
Available for sale	264,507	248,565
Held for trading	817,121	721,977
	1,081,628	970,542
	1,152,334	1,040,919

10.1 These include securities held with the Investment Advisor of the Company. During the last year the Company entered into an investment advisory agreement (the agreement) with BMA Capital Management Limited (Investment Advisor - IA) with an initial investment amounting to Rs. 60 million. The agreement sets out the framework for investment decisions taken by IA in prescribed securities in consultation with the Company's investment committee. Carrying amount of such investments aggregate to Rs. 80.1 million as on 30 September 2007 (30 June 2007 : Rs. 80.0).

10.2 The investments having an aggregate market value of Rs. 1,810.1 million (30 June 2007: Rs. 1,642.0 million) have been pledged with financial institutions as security against financial facilities (note-15).

11. OTHER RECEIVABLES

	30 September 2007	30 June 2007
	(Rupees in '000)	
Dividend receivable	6,082	1,988
Receivable on account of sale of shares	17,207	-
Claim receivable	2,489	2,489
Due from related parties	650	926
Sales tax refundable	107,544	67,024
Provision thereagainst	(4,346)	(4,346)
	103,198	62,678
Special excise duty refundable	3,939	-
Margin on letters of credit and guarantee	3,820	-
Receivable from staff retirement funds	4,609	4,253
Others	295	301
	142,289	72,635

12. CASH AND BANK BALANCES

12.1 This includes an amount of Rs. 0.26 million (30 June 2007: Rs. 0.23 million) which is held by the investment advisor of the Company (note- 10.1).

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the first quarter ended 30 September 2007

13. ISSUED, SUBSCRIBED AND PAID-UP-CAPITAL

30 September 2007 (Number of shares)	30 June 2007		30 September 2007 (Rupees in '000)	30 June 2007
22,230,188	22,230,188	Ordinary shares of Rs. 10 each fully paid in cash	222,302	222,302
29,097,079	24,430,964	Ordinary shares of Rs. 10 each fully issued as bonus shares	290,971	244,310
<u>51,327,267</u>	<u>46,661,152</u>		<u>513,273</u>	<u>466,612</u>

14. REDEEMABLE CAPITAL - secured (non-participatory)

Term Finance Certificates (TFCs)		
Balance at beginning of period / year	148,652	222,753
Transaction cost amortised	224	899
Redemption	<u>(37,500)</u>	<u>148,652</u>
	111,376	
Current portion	<u>(75,000)</u>	<u>5,000</u>
Balance at the end of period / year	<u>36,376</u>	<u>73,652</u>

15. SHORT-TERM BORROWINGS

The facility for short term running finance available from various banks amounts to Rs. 1,075.0 million (30 June 2007: Rs. 975.0 million). The rates of mark-up ranges from 10.33 percent to 11.51 percent (30 June 2007: 9.12 percent to 12.17 percent) and the facilities are namely secured by pledge on stocks of raw cotton local / imported bales, man-made fibre and yarn, shares of public limited companies, first pari passu charges on the stocks and book debts and first pari passu hypothecation charge over present and future stock in trade, book debts, plant and machinery and current assets.

Out of this Rs.300.0 million is interchangeable with cash finance while Rs. 400.0 million is interchangeable with demand finance.

Further, during the period short term finance (Finance against Imported Material - FIM) amounting to Rs. 345.0 million was also utilised. This was secured against pledge of imported HR Coils.

Further the facility for Istijrar (Master Murabaha Facility) Rs. 500.0 million (30 June 2007 : Rs. 320.0 million). The rate of mark-up ranges from 10.44 percent to 11.19 percent. These facilities are secured against first pari passu charge over stocks and book debts of the company.

16. CONTINGENCIES AND COMMITMENTS

- 16.1 The Ministry of Labour, Manpower and Overseas Pakistani's Division (the Ministry) in response to an application for establishment of separate fund for cotton segment under Clause 15 of the Scheme to the Companies Profit (Workers' Participation) Act, 1968 has granted the permission for the same. The Ministry has, however, asked the Company to deposit an amount of Rs. 47.85 million on account of Workers Profits Participation Fund for the period between 1990 to 1997. This demand is being contested by the Company as there were no eligible workers. The management, based on the advice of the legal counsel, is confident of favourable outcome. Thus, no provision has been made for the aforementioned amount in these financial statements.



Crescent Steel &
Allied Products Ltd.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the first quarter ended 30 September 2007

- 16.2 The Company has filed a suit in the Sindh High Court against Federation of Pakistan and others, for levy of import licence fee at 6% against import of coating plant in 1992. The Company contested that as per SRO 1317 (1)/94 dated 22 December 1990, being located in rural area, is only liable to pay 2 % of import licence fee. The company has provided bank guarantee of Rs. 3.42 million as directed by the Honourable Court. The petition was dismissed by High Court as having been incompetently filed. The Company has filed the appeal with Honourable Supreme Court, which has been admitted for hearing. No provision has been made in the financial statements as management considers that the case would be decided in Company's favour.
- 16.3 Sindh Industrial Trade Estate (SITE) has cancelled allotment of plot A-26 and A-27 and charged non-utilization fees of Rs. 285,184 and Rs. 620,573 respectively. The Company has challenged the cancellation and filed a suit in Sindh High Court. The High Court has restrained the SITE from taking any adverse action against the Company. Therefore, management considers that the case would be decided in Company's favour and no provision is required.
- 16.4 Aggregate amount of guarantees given by the banks on behalf of the Company in respect of the performance of various contracts aggregated Rs. 494.4 million (30 June 2007: Rs. 470.68 million).
- 16.5 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.
- 16.6 Commitments in respect of capital expenditure contracted for as at 30 September 2007 amounted to Rs. 14.5 million (30 June 2007: Rs. 3.11 million).
- 16.7 Commitments under letters of credit as at 30 September 2007 amounted to Rs. 13.9 million (30 June 2007: Rs. 242.87 million).
- 16.8 Commitment in respect of capital expenditure to be incurred on leasehold land, which has been provisionally allotted to the Company in the Downstream Industrial Estate of Pakistan Steel, Bin Qasim amounting to Rs. 24.2 million (30 June 2007 : Rs. 24.2 million). Further, the Company has booked a office premises in Islamabad. The amount of Rs.30.85 million is payable over the period of six years in 24 quarterly installments.
- 16.9 Commitments in respect of future purchase of shares amounting to Rs. Nil (30 June 2007: Rs. 5.33 million).

17. SALES

	First quarter ended 30 September 2007	First quarter ended 30 September 2006
	(Rupees in '000)	
Bare Pipes (own product excluding coating revenue)	488,343	300,100
Revenue from conversion	35,966	1,254
Coating of pipes	103,790	65,824
Cotton yarn	323,459	345,818
Scrap / waste	26,053	19,922
Sales returns	(1,644)	(1,054)
	<u>975,967</u>	<u>731,864</u>
Sales tax	(83,839)	(48,333)
	<u>892,128</u>	<u>683,531</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the first quarter ended 30 September 2007

18. INVESTMENT INCOME

	First quarter ended 30 September 2007	First quarter ended 30 September 2006
(Rupees in '000)		
Income From Financial Assets		
Return on Term Finance Certificates	539	540
Dividend income	39,441	18,207
Gain on sale of investments	29,771	69,323
Unrealized gain on held for trading investments	7,642	24,817
	77,393	112,887

19. OTHER OPERATING EXPENSES

Provision for workers welfare fund	7,400	-
Provision for workers profit participation fund	6,603	-
Provision for liquidated damages	-	427
Exchange loss	54	62
	14,057	489

20. FINANCE COST

Mark-up on:		
Running finances / Short-term loans	13,846	12,921
Long-term loans	11,673	13,135
Redeemable capital	2,617	4,318
Assets subject to finance leases	143	447
Bank charges	973	303
	29,252	31,124

21. SHARE OF PROFIT IN ASSOCIATED UNDERTAKINGS

Share of profit in associated undertakings includes one-off amount of Rs. 110.1 million attributed due to profit from sale of PICIC shares by Shakarganj Mills Limited with a corresponding debit of same value in other capital reserves reported under shareholders' equity (refer : Statement of changes in equity).

22. BASIC AND DILUTED EARNINGS PER SHARE

	First quarter ended 30 September 2007	First quarter ended 30 September 2006
(Rupees in '000)		
Profit for the quarter	328,166	168,195
(Number of shares)		
Weighted average number of ordinary shares in issue	51,327,267	45,748,217
(Rupees)		
Basic and diluted earnings per share	6.39	3.68

22.1 Weighted average number of shares for the quarter ended 30 September 2006 have been adjusted for the effect of bonus shares issued in the current period.



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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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23. CASH (USED IN) / GENERATED FROM OPERATIONS

	First quarter ended 30 September 2007	First quarter ended 30 September 2006
	(Rupees in '000)	
Profit before taxation	362,627	169,071
Adjustments for non cash charges and other items:		
Depreciation	41,964	42,649
Amortization of intangible assets	79	458
Share of profit in associated undertakings	(176,011)	(6,828)
Fair value adjustments	(7,642)	(24,817)
Gain on sale of investments	(29,771)	(69,324)
Dividend income	(39,441)	(18,207)
Pension and gratuity expense	1,777	1,441
Financial charges	29,252	31,124
Exchange loss	54	46
Gain on disposal of fixed assets	(194)	(650)
Return on Term Finance Certificates	(539)	(540)
Return on deposits, advances and investments	(156)	(105)
Amortization of initial transaction cost on TFCs	224	224
Amortization of initial transaction cost on Long Term Loan	65	65
Working capital changes	(662,577)	192,460
	<u>(480,289)</u>	<u>317,067</u>

23.1 WORKING CAPITAL CHANGES

(Increase) / decrease in current assets		
Stores, spares and loose tools	(7,944)	(14,495)
Stock-in-trade	(249,678)	184,603
Trade debts	(116,658)	(70,246)
Short-term advances	(17,526)	(29,917)
Short-term deposits and prepayments	(774)	(2,445)
Other receivables (net)	(65,560)	6,572
	<u>(458,140)</u>	<u>74,072</u>
Increase / (decrease) in current liabilities		
Trade and other payables	(204,437)	118,388
	<u>(662,577)</u>	<u>192,460</u>

24. CASH AND CASH EQUIVALENTS

Running finances under markup arrangements	(72,600)	(212,170)
Cash and bank balances	9,143	411,787
	<u>(63,457)</u>	<u>199,617</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the first quarter ended 30 September 2007

25. SEGMENT REPORTING

	Steel Segment	Cotton Segment	IID Segment	Total
	(Rupees in '000)			
Segment results for the quarter ended 30 September 2007				
Gross Sales	550,443	341,685	-	892,128
Cost of sales	394,963	317,629	-	712,592
Gross Profit	<u>155,480</u>	<u>24,056</u>	<u>-</u>	<u>179,536</u>
Investment Income	-	-	77,393	77,393
	<u>155,480</u>	<u>24,056</u>	<u>77,393</u>	<u>256,929</u>
Distribution and selling expenses	1,777	1,533	-	3,310
Administrative expenses	22,071	1,825	2,452	26,348
Other operating expenses	9,011	155	4,891	14,057
	<u>32,859</u>	<u>3,513</u>	<u>7,343</u>	<u>43,715</u>
	<u>122,621</u>	<u>20,543</u>	<u>70,050</u>	<u>213,214</u>
Other income	829	1,825	-	2,654
Profit from operations	<u>123,450</u>	<u>22,368</u>	<u>70,050</u>	<u>215,868</u>
Finance costs	2,232	20,637	6,383	29,252
Share of profit in associates	-	-	176,011	176,011
Profit before taxation	<u>121,218</u>	<u>1,731</u>	<u>239,678</u>	<u>362,627</u>
Taxation				34,461
Profit after taxation				<u>328,166</u>
Segment results for the quarter ended 30 September 2006				
Gross Sales	322,221	361,310	-	683,531
Cost of sales	243,933	320,419	-	564,352
Gross Profit	<u>78,288</u>	<u>40,891</u>	<u>-</u>	<u>119,179</u>
Investment Income	-	-	112,887	112,887
	<u>78,288</u>	<u>40,891</u>	<u>112,887</u>	<u>232,066</u>
Distribution and selling expenses	816	1,461	-	2,277
Administrative expenses	29,705	4,182	3,300	37,187
Other operating expenses	427	62	-	489
	<u>30,948</u>	<u>5,705</u>	<u>3,300</u>	<u>39,953</u>
	<u>47,340</u>	<u>35,186</u>	<u>109,587</u>	<u>192,113</u>
Other income	768	486	-	1,254
Profit from operations	<u>48,108</u>	<u>35,672</u>	<u>109,587</u>	<u>193,367</u>
Finance costs	1,827	20,848	8,449	31,124
Share of profit in associates	-	-	6,828	6,828
Profit before taxation	<u>46,281</u>	<u>14,824</u>	<u>107,966</u>	<u>169,071</u>
Taxation				876
Profit after taxation				<u>168,195</u>



Crescent Steel &
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the first quarter ended 30 September 2007

26. TRANSACTIONS WITH RELATED PARTIES

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

	First quarter ended 30 September 2007	First quarter ended 30 September 2006
(Rupees in '000)		
Associated companies		
Sale of finished goods including waste	13,284	33,318
Rendering of services	327	272
Receiving of services	2,653	1,179
Payment against purchase of property, plant and equipment	9,000	-
Financial charges on Term Finance Certificates	-	167
Dividends received	1,058	1,295
Return on deposits	643	644
Redemption of term finance certificates	-	625
Balances due from associates	661	1,365
Balances due to associates	3,767	13,914
Other related parties		
Donations	188	800
Contribution to pension fund	1,289	1,073
Contribution to gratuity fund	488	369
Contribution to provident fund	2,002	1,963

27. NON ADJUSTING EVENTS AFTER BALANCE SHEET DATE

The Board of Directors of the Company has declared 10% (i.e. Re. 1 per share) first interim cash dividend for the year ending 30 June 2008, at their meeting held on 25 October 2007. The dividend shall be recognised as liability in the period in which it is declared as required by International Accounting Standard 10 "Events after Balance Sheet Date" as applicable in Pakistan.

28. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 25 October 2007 by the board of directors of the company.

Chief Executive

Director

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 Mohammad Yamin at the Company's Principal Office, Karachi.

Telephone: 021-5674881-5
E.mail: mohammad.yamin@
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: 042-5783828-32
Fax: 042-5875916

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 80s.

AUDITORS

KPMG Taseer Hadi & Co.

LEGAL ADVISOR

Hassan & Hassan, Advocates,
Lahore

BANKERS

Standard Chartered Bank
(Pakistan) Limited
MCB Bank Limited
Allied Bank Limited
Meezan Bank Limited
The HongKong and Shanghai
Banking Corporation Limited

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MILLS – COTTON DIVISION

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