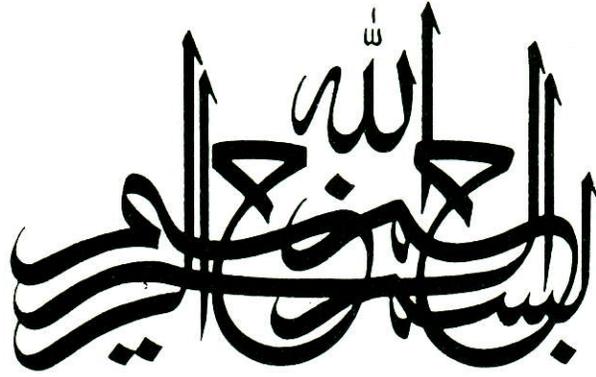


# Annual Report 1991



Crescent Steel and Allied Products Limited



*In the name of Allah, the Compassionate, the Merciful*

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## Company & Investor Information

### **Corporate Secretary**

Zaheer A. Shaikh

### **Auditors**

A.F. Ferguson & Co.  
Chartered Accountants

### **Bankers**

National Bank of Pakistan  
National Development  
Finance Corporation

### **Registered Office**

45, Shahrah-e-Quaid-e-Azam  
Lahore

### **Principal Office**

9th Floor, Sidco Avenue Centre  
264 R.A. Lines  
Karachi

### **Factory**

A/25, S.I.T.E. Nooriabad,  
Dist. Dadu.

### **Stock Exchange Listing**

Crescent Steel and Allied Products Limited is listed on the Karachi Stock Exchange and Lahore Stock Exchange.

Daily quotations on the Company's stock can be obtained from leading newspapers. Crescent Steel is listed under 'Engineering'.

### **Public Information**

Financial analysts, stock brokers, interested investors and financial media desiring information about 'Crescent Steel' should contact Mohammad Amin at Company's Principal office, Karachi.

Tel: 5685231 to 5685236

### **Shareholder Information**

Enquiries concerning lost share certificates, dividend payments, change of address, verification of transfer deeds and share transfer should be directed to the Shareholder Services department at the Registered office at Lahore.

Tel: 042 238336-7 }  
Fax: 042 230846 }

### **Annual Meeting**

Eighth Annual General Meeting of Crescent Steel and Allied Products Limited will be held on

Thursday June 25, 1992 at 11.00 a.m.  
Pearl Continental Hotel,  
Shahrah-e-Quaid-e-Azam,  
Lahore



### **Directors**

Mazhar Karim

Ahsan M. Saleem

Azimuddin Syed

Kabir A. Qureshi

Maqbul Ahmad

Muhammad Anwar

Muhammad Javed Amin

Mohammad Sharif

Nasir Shafi

Shaukat Shafi

Zahid Bashir

Zaigham M. Rizvi

Chairman

Chief Executive

### **Management**

Ahsan M. Saleem, 39  
Chief Executive &  
Managing Director  
\* 1983

Mohammad Sharif, 60  
Executive Vice President &  
Deputy Managing Director  
\* 1984

S.A.N. Kazmi, 50  
Executive Vice President,  
Marketing & Sales  
\* 1986

Razi A. Malik, 46  
Senior Vice President,  
Finance & Control  
\* 1989

\* year joined company



## Directors' Report and Chief Executive's Review

### Results

By the grace of Allah fiscal 1991 was a year of significant progress. We improved revenues, stepped up production, increased our cash flow from operating activities and turned in a reasonable profit. Profit before taxation amounted to Rs. 26.3 millions (1990: Rs. 2.6 millions) on turnover up by 117% to Rs. 350 millions. These results are much to our expectations and it is indeed gratifying that the confidence expressed in past reports was well justified. A net prior year credit of Rs. 8.1 millions took the pre tax profit to Rs. 34.4 millions. Net accumulated loss now remains at Rs. 13.3 millions (1990: Rs. 45.9 millions).

### Business Review

The level of activity forecast at the interim stage prevailed in the second half. Production for the year totalled 17,759 Tons and represent an increase of 63% over the previous year. Gross margins were maintained at a satisfactory level although some of the benefit of marginal cost of production was taken away by unabated fall in the exchange parity of Pak rupees and ever rising increases in other costs.

The pipes which were manufactured in the early days of the company and the stuck up raw material of 1988 have mostly been sold during the year at good profits. Accordingly inventories at the year end comprise of fresh stocks being acquired/manufactured against firm orders. The company has thus been relieved of a major financial burden of carrying high level of inventories.

You will recall that we had been pursuing export opportunities for some time. This was accomplished during the year and a small quantity was exported to middle east market. The opening to the export market, however, came at a time when demand at home also picked up to the extent that production capacity and timely availability of quality steel has become a limiting factor. Production stoppages during the year amounted to 1300 hrs more than half of which are attributed to non availability of steel from Pakistan Steel.

### Capital Investment and Product Range

We are continually pursuing opportunities of enhancing our product range to capture the work which would otherwise go to overseas suppliers. In 1989 and 1990 we carried out modification work to the SP machine which enhanced our range of pipe sizes from 60" dia pipes to 90" dia pipes. During 1991 we made a decision for a major investment of adding a three layer High Density Polyethylene pipe coating facility. The machinery is being imported from Holland and production is expected to commence during the third quarter of fiscal 1992. Ours will be the first and only polyethylene coating plant in the country for which we already have substantial work order in hand.

Polyethylene coated pipes were first used in Pakistan two years ago by a Gas Company. Although expensive they are, gaining popularity because of their effectiveness against corrosion and low post laying



maintenance. We are confident that once our plant is in operation it will stimulate further orders for pre-coated pipes demand for which already exist with some organisation.

The project cost is estimated to be Rs. 148 millions for which NDFC are providing us a Foreign Currency Loan of US\$ 3.834 millions and the balance will be raised through equity and internal generation/lease financing.

#### **Prudential Regulations**

Our ability to borrow in accordance with our needs will be severely restricted due to SBP prudential regulations which will come into effect on July 1, 1992. In order to sustain the present level of activity, fresh capital is being injected. After introduction of additional capital the company will be suitably deleveraged to maintain prudent Balance Sheet ratios even after the addition of new pipe coating facility. The management aims to close fiscal 1992 at Debt/Equity ratio of 68:32 and current ratio of 1:1.

#### **Right Shares**

The Board of Directors at its meeting held on May 14, 1992 approved issuance of 60% right shares at par subject to approval of Controller of Capital Issues.

#### **Future Outlook**

There has been good rise in new order intake and we are happy to report that we entered into fiscal 1992 with strong order book. Enquiries are active and although some

productions days were lost due to non availability of raw material we view the current year and longer term prospects with considerable optimism. It is expected that the majority of profits will be earned in the second half year.

To maintain a leading share of the market, additional capacity is being planned and we are aiming at installation of additional capacity by the second quarter of fiscal 1993.

Even at difficult times, CSAP has endeavoured to remain at the cutting edge of technology which has in turn enabled us to deliver quality products which can compete with any in the world. Improvement will continue to be made in this direction during fiscal 1992.

#### **Employees**

This report would not be complete without mentioning the loyal and able people who work for us. Our management and staff have worked extremely hard over the year to produce the very satisfactory results on which we are presently reporting and of which we are so proud. Our sincere thanks to everyone.

We are confident that we have the management, staff and the determination to ensure that the company continues on the path of further progress and prosperity.

#### **A Final Word**

We would like to express our sincere appreciation to National Development Finance



**Crescent Steel  
and Allied Products Ltd**

Corporation and National Bank of Pakistan for their contribution to our success. Their help was always available whenever we needed it.

Nothing is, however, more important to us than the confidence of the investors who have shared our optimism with us and have patiently waited for the rewards. The day, it seems, is not too far - Inshaallah.

For and on behalf of the  
Board of Directors.

A handwritten signature in black ink, appearing to read 'Ahsan M. Saleem', with a horizontal line underneath.

Ahsan M. Saleem  
Chief Executive



## Auditors' Report to the Members

We have audited the annexed balance sheet of Crescent Steel and Allied Products Limited as at December 31, 1991 and the related profit and loss account and the statement of changes in financial position, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

- (a) In our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as stated in note 2.6 with which we concur;
  - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion, and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the statement of changes in financial position, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the company's affairs as at December 31, 1991 and of the profit and the changes in financial position for the year then ended; and
- (d) in our opinion no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

A.F. Ferguson & Co.  
Chartered Accountants  
Karachi: May 24, 1992



## Balance Sheet as at December 31, 1991

|                                                                                  | Note | 1991<br>Rupees | 1990<br>Rupees |
|----------------------------------------------------------------------------------|------|----------------|----------------|
| <b>Share Capital and Reserves</b>                                                |      |                |                |
| Authorised                                                                       |      |                |                |
| 10,000,000 (1990: 10,000,000)<br>ordinary shares of Rs. 10 each                  |      | 100,000,000    | 100,000,000    |
| Issued, subscribed and paid-up                                                   |      |                |                |
| 6,150,000 (1990: 6,150,000) ordinary<br>shares of Rs. 10 each fully paid in cash | 3    | 61,500,000     | 61,500,000     |
| Accumulated loss                                                                 |      | (13,354,744)   | (45,901,279)   |
|                                                                                  |      | 48,145,256     | 15,598,721     |
| <b>Redeemable Capital</b>                                                        | 4    | 10,185,833     | 18,345,627     |
| <b>Long-term Loan and Debentures</b>                                             | 5    | 55,469,239     | 69,504,219     |
| <b>Current Liabilities</b>                                                       |      |                |                |
| Current maturity of                                                              |      |                |                |
| - Redeemable capital                                                             | 4    | 8,159,794      | 7,281,564      |
| - Long-term loan and debentures                                                  | 5    | 14,028,278     | 12,323,618     |
| Finances under mark-up arrangements                                              | 6    | 157,590,571    | 124,748,630    |
| Creditors, accrued and other liabilities                                         | 7    | 132,085,976    | 63,193,136     |
|                                                                                  |      | 311,864,619    | 207,546,948    |
| <b>Contingency and Commitment</b>                                                | 8    | —              | —              |
|                                                                                  |      | 425,664,947    | 310,995,515    |

The annexed notes form an integral part of these accounts.



|                                      | Note | 1991<br>Rupees            | 1990<br>Rupees            |
|--------------------------------------|------|---------------------------|---------------------------|
| <b>Tangible Fixed Assets</b>         |      |                           |                           |
| Operating assets                     | 9    | 150,284,847               | 149,698,442               |
| Capital work-in-progress-civil works |      | 1,338,064                 | 1,447,829                 |
| Spares held for capital expenditure  |      | 337,489                   | 337,489                   |
|                                      |      | <u>151,960,400</u>        | <u>151,483,760</u>        |
| <b>Long-Term Deposits</b>            |      | 182,410                   | 179,610                   |
| <b>Long-Term Prepayment</b>          |      | 251,762                   | —                         |
| <b>Deferred Cost</b>                 | 10   | 88,752                    | 443,765                   |
| <b>Current Assets</b>                |      |                           |                           |
| Stores, spares and loose tools       | 11   | 11,309,098                | 10,240,240                |
| Stocks                               | 12   | 32,016,401                | 52,914,109                |
| Trade debts                          | 13   | 209,320,829               | 38,015,296                |
| Short-term advances                  | 14   | 9,775,519                 | 11,803,739                |
| Short-term deposits and prepayments  | 15   | 2,206,232                 | 230,604                   |
| Other receivables                    | 16   | 4,746,725                 | 3,550,693                 |
| Cash and bank balances               | 17   | 3,806,819                 | 42,133,699                |
|                                      |      | <u>273,181,623</u>        | <u>158,888,380</u>        |
|                                      |      | <u><u>425,664,947</u></u> | <u><u>310,995,515</u></u> |

Approved by the Board of Directors on  
May 14, 1992 and signed on its behalf

Ahsan M. Saleem  
Chief Executive

Maqbul Ahmad  
Director



|                                                                                                                        | 1991<br>Rupees     | 1990<br>Rupees    |
|------------------------------------------------------------------------------------------------------------------------|--------------------|-------------------|
| <b>10. Deferred Cost</b>                                                                                               |                    |                   |
| Preliminary expenses                                                                                                   | 6,360              | 31,798            |
| Share issue expenses                                                                                                   | 51,665             | 258,331           |
| Commission and brokerage<br>on issue of shares                                                                         | 30,727             | 153,636           |
|                                                                                                                        | <u>88,752</u>      | <u>443,765</u>    |
| <b>11. Stores, Spares and Loose Tools</b>                                                                              |                    |                   |
| Stores                                                                                                                 | 1,134,407          | 449,472           |
| Spares parts                                                                                                           | 9,962,867          | 9,583,744         |
| Loose tools                                                                                                            | 211,824            | 207,024           |
|                                                                                                                        | <u>11,309,098</u>  | <u>10,240,240</u> |
| Spare parts include in transit<br>Rs. 707,199 (1990: Nil)                                                              |                    |                   |
| <b>12. Stocks</b>                                                                                                      |                    |                   |
| Raw materials - include in transit<br>Rs. 4,951,344 (1990: Rs. 31,964,892)                                             | 16,272,657         | 35,134,621        |
| Work-in-process                                                                                                        | 5,065,653          | 5,667,883         |
| Finished goods                                                                                                         | 10,678,091         | 12,111,605        |
|                                                                                                                        | <u>32,016,401</u>  | <u>52,914,109</u> |
| <b>13. Trade Debts</b>                                                                                                 |                    |                   |
| Unsecured                                                                                                              |                    |                   |
| - Considered good                                                                                                      | 209,320,829        | 38,015,296        |
| - Considered doubtful                                                                                                  | 280,965            | —                 |
|                                                                                                                        | <u>209,601,794</u> | <u>38,015,296</u> |
| Provision for doubtful debts                                                                                           | 280,965            | —                 |
|                                                                                                                        | <u>209,320,829</u> | <u>38,015,296</u> |
| Trade debts include unbilled revenue of Rs. 118,858,536 (1990:<br>Rs. 19,074,115).                                     |                    |                   |
| Maximum amount due from associated undertakings at the end of any<br>month during the year was Rs. 91,382 (1990: Nil). |                    |                   |
|                                                                                                                        | 1991<br>Rupees     | 1990<br>Rupees    |
| <b>14. Short Term Advances</b>                                                                                         |                    |                   |
| Considered good                                                                                                        |                    |                   |
| Employees                                                                                                              | 66,462             | 45,202            |
| Suppliers for goods and services                                                                                       | 9,709,057          | 11,758,537        |
|                                                                                                                        | <u>9,775,519</u>   | <u>11,803,739</u> |



## Statement of Changes in Financial Position for the year ended December 31, 1991

|                                                                  | 1991<br>Rupees | 1990<br>Rupees |
|------------------------------------------------------------------|----------------|----------------|
| <b>Financial Resources were provided by</b>                      |                |                |
| <b>Operations:</b>                                               |                |                |
| Net profit after taxation and before prior period's adjustment   | 24,411,512     | 2,600,491      |
| Prior period's adjustment                                        | 8,135,023      | 5,179,212      |
|                                                                  | <hr/>          | <hr/>          |
| Net profit after prior period's adjustment and taxation          | 32,546,535     | 7,779,703      |
| Add/(less) charges/(credits) not involving movement of funds:    |                |                |
| Depreciation                                                     | 13,819,631     | 12,562,164     |
| Prior period's adjustment                                        | (8,135,023)    | (5,179,212)    |
| Deferred cost written off                                        | 355,013        | 355,013        |
| Profit on sale of fixed assets                                   | (484,628)      | —              |
|                                                                  | <hr/>          | <hr/>          |
|                                                                  | 5,554,993      | 7,737,965      |
|                                                                  | <hr/>          | <hr/>          |
|                                                                  | 38,101,528     | 15,517,668     |
| <b>Other sources:</b>                                            |                |                |
| Sale proceeds on disposal of fixed assets                        | 497,456        | —              |
|                                                                  | <hr/>          | <hr/>          |
|                                                                  | 38,598,984     | 15,517,668     |
| <b>Financial Resources were used for</b>                         |                |                |
| Decrease in redeemable capital and long-term loan and debentures | 19,611,884     | 7,258,601      |
| Capital expenditure                                              | 6,174,076      | 1,633,986      |
| Increase in long-term deposits                                   | 2,800          | —              |
| Increase in long-term prepayment                                 | 251,762        | —              |
|                                                                  | <hr/>          | <hr/>          |
|                                                                  | (26,040,522)   | (8,892,587)    |
|                                                                  | <hr/>          | <hr/>          |
| <b>Increase in Working Capital</b>                               | 12,558,462     | 6,625,081      |
| <b>Analysis of Changes in Working Capital</b>                    |                |                |
| <b>Increase/(Decrease) in Current Assets</b>                     |                |                |
| Stores, spares and loose tools                                   | 1,068,858      | (84,991)       |
| Stocks                                                           | (20,897,708)   | (21,663,684)   |
| Trade debts                                                      | 171,305,533    | 28,211,686     |
| Short-term advances                                              | (2,028,220)    | 9,626,121      |
| Trade deposits and prepayments                                   | 1,975,628      | (524,604)      |
| Other receivables                                                | 1,196,032      | (2,123,871)    |
| Short-term investment                                            | —              | (36,000)       |
| Cash and bank balances                                           | (38,326,880)   | 41,896,841     |
|                                                                  | <hr/>          | <hr/>          |
|                                                                  | 114,293,243    | 55,301,498     |
| <b>(Increase) in Current Liabilities</b>                         |                |                |
| Finances under mark-up arrangements                              | (32,841,941)   | (15,780,202)   |
| Creditors, accrued and other liabilities                         | (68,892,840)   | (32,896,215)   |
|                                                                  | <hr/>          | <hr/>          |
|                                                                  | (101,734,781)  | (48,676,417)   |
|                                                                  | <hr/>          | <hr/>          |
| <b>Increase in Working Capital</b>                               | 12,558,462     | 6,625,081      |

Approved by the Board of Directors on  
May 14, 1992 and signed on its behalf

Ahsan M. Saleem  
Chief Executive

Maqbul Ahmad  
Director



## Notes to and forming part of the Accounts for the year ended December 31, 1991

### 1. Legal, Status and Operations

The company was incorporated on August 1, 1983 as a public limited company and is quoted on the stock exchanges in Karachi and Lahore. It is one of the downstream industries of Pakistan Steel Mills manufacturing large diameter spiral welded pipes at Nooriabad (District Dadu). The company commenced commercial production from March 31, 1987.

The company has been given the right to use API monogram of the American Petroleum Institute, which is the highest international standard accredited for quality of steel pipes.

### 2. Significant Accounting Policies

#### 2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

#### 2.2 Staff retirement benefits

The company operates a provident fund scheme for its permanent employees. Equal monthly contributions are made, both by the company and employees, at the rate of 8.33 percent of basic pay and dearness allowance for employees who have served the company for a period of less than five years. For employees who have completed five years or more of service, contributions are made at 10 percent.

#### 2.3 Tangible fixed assets and depreciation

Operating assets are stated at cost less accumulated depreciation except capital work-in-progress which is stated at cost. Leasehold land is amortized over the period of the lease.

Depreciation on fixed assets is charged to profit and loss account applying the straight-line method whereby the cost of an asset is written off over its estimated useful life. A full year's depreciation is charged on assets acquired during the year whereas no depreciation is charged in the year of disposal.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Profit or loss on sale or retirement of fixed assets is included in income currently.

#### 2.4 Stores and spares

Stores and spares are valued at moving average cost.



## 2.5 Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is arrived at on a moving average basis. Cost of work-in-process and finished goods includes cost of materials and appropriate portion of production overheads. Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale. Goods-in-transit are valued at actual cost accumulated to the balance sheet date.

## 2.6 Foreign currencies

Foreign currency transactions are converted into rupees at the rates of exchange prevailing at the date of the transaction. Assets and liabilities expressed in foreign currencies are translated into Pakistan rupees at the rate of exchange prevailing at the balance sheet date. Where foreign exchange contracts have been entered into, for current assets and liabilities, the rates contracted for are used.

All exchange differences and exchange risk cover fees on foreign currency loans for capital requirements are capitalized whereas those on current assets and liabilities are charged to income. Previously, exchange differences were charged to income currently. The effect of and reason for the aforementioned change in accounting policy is stated in note 30.

## 2.7 Taxation

### Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credit, rebates and exemptions available, if any.

### Deferred

The company accounts for deferred taxation on all significant timing differences using the liability method.

## 2.8 Deferred costs

Deferred costs are being written off over a period of five years from the date of commencement of commercial production.

## 2.9 Revenue recognition

Sales are recognised on despatch of goods to customers. Sales are also recognised when the company specifically appropriates deliverable goods against confirmed orders.

## 3. Issued, Subscribed and Paid-Up Capital

As partial consideration for the redeemable capital and foreign currency loan, as referred to in notes 4.1 and 5.1 respectively, National Development Finance Corporation has the option to convert in aggregate a maximum of Rs. 22.22 million, being twenty per cent of the amount sanctioned, into fully paid ordinary shares of the company at any time or from time to time during the subsistence of the credit.



#### 4. Redeemable Capital-Secured

Long term finances utilised under mark-up arrangements

|                                                                           | Note | 1991<br>Rupees    | 1990<br>Rupees    |
|---------------------------------------------------------------------------|------|-------------------|-------------------|
| National Development Finance Corporation (NDFC)                           |      |                   |                   |
| Suppliers credit                                                          | 4.1  | 6,874,600         | 9,378,732         |
| Term finance                                                              | 4.2  | 7,279,733         | 9,281,693         |
|                                                                           |      | <u>14,154,333</u> | <u>18,660,425</u> |
| Saudi Pak Industrial and Agricultural Investment Company Limited (SAPICO) | 4.3  | 4,191,294         | 6,966,766         |
|                                                                           |      | <u>18,345,627</u> | <u>25,627,191</u> |
| Less: Current maturity shown under current liabilities                    |      | 8,159,794         | 7,281,564         |
|                                                                           |      | <u>10,185,833</u> | <u>18,345,627</u> |

Redeemable capital and the long term foreign currency loan from NDFC referred to in note 5.1 are secured by way of pari-passu first fixed charge on all the company's immovable properties including plant and machinery, spare parts, accessories and electrical and other equipment, and a first floating charge on all other movable property and assets (present and future) including receivables and inventory of raw materials, work-in-process, finished goods and supplies and also ranking pari-passu with charges created to secure running finance obtained from a bank referred to in note 6.1.

- 4.1 The company has arranged long term finances from NDFC for purchase of locally manufactured assets. Under four separate agreements, assets valuing Rs. 0.293 million, Rs. 2.506 million, Rs. 6.929 million and Rs. 7.2 million were sold to NDFC against which the purchase prices payable by the company are Rs. 0.636 million, Rs. 5.769 million, Rs. 12.807 million and Rs. 18.760 million respectively. Rebates of Rs. 0.303 million, Rs. 2.257 million, Rs. 5.184 million and Rs. 8.388 million respectively shall be available to the company if all instalments are paid on due dates. The rates of mark-up are respectively 3%, 7.5%, 3% and 3% and 7.5% per annum. The purchase price and the mark-up are payable in 16, 16, 12 and 16 half yearly instalments by December 1, 1994, September 1, 1994, January 1, 1993 and April 20, 1995.



- 4.2 Term finance from NDFC was obtained for purchase of raw materials, finished goods, other assets, etc. Under two separate agreements, assets valuing Rs. 3.929 million and Rs. 9.268 million were sold to NDFC against which the purchase prices payable by the company are Rs. 7.262 million and Rs. 24.160 million respectively. Rebates of Rs. 1.167 million and Rs. 5.712 million shall be available to the company if all instalments are paid on due dates. The rate of mark-up is 15% per annum for both the agreements. The purchase prices and the mark-up are payable in 12 and 16 half yearly instalments by January 1, 1993 and February 25, 1995 respectively.
- 4.3 The company has arranged long term finance of Rs. 10.796 million from SAPICO. Under the agreement the amount utilised represents sales price against which the purchase price payable is Rs. 21.020 million. A rebate of Rs. 2.421 million will be available to the company if all instalments are paid on due dates. The rate of mark-up is 15% per annum. The purchase price is payable in 10 equal half yearly instalments by June 4, 1993.
- 4.4 In view of the substance of the transactions, the sales and repurchase of assets referred in notes 4.1 to 4.3 above and in notes 6.1 to 6.3 below have not been recorded in these accounts.

**5. Long-Term Loans and Debentures**

|                                                           | Note | 1991<br>Rupees    | 1990<br>Rupees    |
|-----------------------------------------------------------|------|-------------------|-------------------|
| Secured                                                   |      |                   |                   |
| Loan                                                      |      |                   |                   |
| National Development<br>Finance Corporation (NDFC)        | 5.1  | 69,497,517        | 81,752,421        |
| Unsecured                                                 |      |                   |                   |
| Debentures                                                |      |                   |                   |
| Issued to Collector of Customs                            |      | —                 | 75,416            |
|                                                           |      | <u>69,497,517</u> | <u>81,827,837</u> |
| Less: Current maturity shown under<br>current liabilities |      |                   |                   |
| Loan - NDFC                                               |      | 14,028,278        | 12,248,202        |
| Debentures                                                |      | —                 | 75,416            |
|                                                           |      | <u>14,028,278</u> | <u>12,323,618</u> |
|                                                           |      | <u>55,469,239</u> | <u>69,504,219</u> |

- 5.1 The loan from NDFC was obtained in foreign currency amounting to US\$ 5.82 million under an agreement dated October 28, 1984. The loan amount was revised to US\$ 6.16 million in accordance with the supplemental credit agreement dated January 12, 1991.

Interest is payable at the rate of 11% per annum calculated six monthly. A foreign exchange risk fee on the amount of credit drawn and remaining unpaid by the company is chargeable at the rate of 3% per annum.

In accordance with NDFC's letter no. IM&M/SRA/L-817/89 dated December 16, 1989, the repayment of the loan had been deferred for a period of two years. It is now payable in 10 half yearly instalments commencing from March 1, 1991.

This loan is secured as more fully explained in note 4.



**6. Finances under mark-up Arrangements**

|                                                         | Note | 1991<br>Rupees     | 1990<br>Rupees     |
|---------------------------------------------------------|------|--------------------|--------------------|
| <b>Secured</b>                                          |      |                    |                    |
| From a bank                                             | 6.1  | 31,011,463         | 28,161,067         |
| From National Development<br>Finance Corporation (NDFC) |      |                    |                    |
| - Trade Finance                                         | 6.2  | 80,130,774         | 66,090,306         |
| - Export Refinance                                      | 6.3  | 45,920,328         | —                  |
|                                                         |      | 126,051,102        | 66,090,306         |
| <b>Unsecured</b>                                        |      |                    |                    |
| From associated undertakings                            | 6.4  |                    |                    |
| Crescent Jute Products Limited                          |      | 504,275            | 20,497,257         |
| Shakarganj Mills Limited                                |      | 23,731             | 10,000,000         |
|                                                         |      | 528,006            | 30,497,257         |
|                                                         |      | <u>157,590,571</u> | <u>124,748,630</u> |

6.1 The facility for running finance available amounts to Rs. 20,000,000 (1990: Rs. 30,000,000). The rate of mark-up is 49 paisa per 1000 rupees per day. A rebate of 2 paisa per 1000 rupees per day will be allowed by the bank for prompt payment and a further rebate of 2 paisa per 1000 rupees per day will be admissible on giving foreign exchange business in the ratio of 1:2 to the bank. The purchase price is repayable on December 31, 1991.

The facility is secured by a charge on the present and future current assets of the company, pledge/hypothecation of stocks and a first equitable mortgage for Rs. 20 million, on the fixed assets of the company ranking pari-passu with the charges created to secure the redeemable capital and foreign currency loan referred to in notes 4 and 5.1 respectively.

6.2 The company has arranged a trade finance facility from NDFC. Under the agreement, assets of Rs. 100 million were sold to NDFC against which the purchase price payable is Rs. 120 million. The rate of mark-up is 45 Paisa per 1000 rupees per day payable quarterly. The purchase price is repayable on February 19, 1992. This facility is secured by hypothecation of stocks and receivables.

6.3 The company has arranged a short-term export finance from NDFC under export refinance scheme of the State Bank of Pakistan. The sale price is Rs. 66.00 million against purchase price of Rs. 82.779 million. The rate of mark-up is 8% per annum and a prompt payment rebate of Rs. 9.206 million would be available if paid on or before August 31, 1992. The loan is secured against hypothecation of stocks of raw materials and finished goods.



6.4 Running finances from associated companies are short-term finances with no fixed maturity and carry mark-up at 47 paisa per 1000 rupees per day.

6.5 Unutilised credit facilities

The facility for opening letters of credit and guarantees as at December 31, 1991 amounted to Rs. 100,354,000 (1990: Rs. 200,000,000) of which amount remaining unutilised at the year end was Rs. 44,689,981 (1990: Rs. 118,249,600).

6.6 Maximum amount due to associated undertakings at the end of any month during the year was Rs. 116,392,438 (1990: Rs. 38,423,303).

|                                                    | 1991<br>Rupees     | 1990<br>Rupees    |
|----------------------------------------------------|--------------------|-------------------|
| <b>7. Creditors, Accrued and Other Liabilities</b> |                    |                   |
| Creditors                                          | 5,522,039          | 423,806           |
| Bills payable                                      | 24,683,322         | —                 |
| Sales tax payable                                  | —                  | 1,014,148         |
| Accrued liabilities                                | 5,040,083          | 1,399,996         |
| Interest accrued on<br>secured loan                | 5,114,892          | 4,094,784         |
| Accrued mark-up                                    | 7,249,149          | 9,592,795         |
| Security deposit                                   | 75,000             | 50,000            |
| Surcharge accrued on<br>unsecured custom debtnures | —                  | 5,323             |
| Advances from customers                            | 81,164,056         | 46,275,898        |
| Taxation                                           | 1,209,897          | —                 |
| Workers' Profits Participation Fund                | 1,377,220          | 141,101           |
| Others                                             | 650,318            | 195,285           |
|                                                    | <u>132,085,976</u> | <u>63,193,136</u> |

8. Contingency and commitment

8.1 The company is contesting a High Court case against octroi authorities in respect of excess octroi charges on Hot Rolled Coils. If the decision of the High Court goes against the company, an amount of Rs. 660,378 would become payable on account of octroi. An amount of Rs. 1,186,420 has been paid to the High Court, Sindh, as security deposit upto December 31, 1991.

8.2 The company has contracted for purchase of a polyethylene coating plant costing approximately Rs. 91 million (1990: Nil).



## 9. Operating Assets

### 9.1 The following is a statement of operating fixed assets:

|                                         | Cost as at<br>January<br>1, 1991 | Additions/<br>(deletions) | Cost as at<br>December<br>31, 1991 | Accumulated<br>deprecia-<br>tion as at<br>December<br>31, 1991 | Net book<br>value as at<br>December<br>31, 1991 | Depreciation            |                                  |
|-----------------------------------------|----------------------------------|---------------------------|------------------------------------|----------------------------------------------------------------|-------------------------------------------------|-------------------------|----------------------------------|
|                                         |                                  |                           |                                    |                                                                |                                                 | Rate as<br>%<br>of cost | Charge for<br>the year<br>Rupees |
|                                         | Rupees                           |                           |                                    |                                                                |                                                 |                         |                                  |
| Leashold land                           | 3,330,944                        | —                         | 3,330,944                          | 195,391                                                        | 3,135,553                                       | 1                       | 33,646                           |
| Improvements to<br>leasehold land       | 103,772                          | 2,150                     | 105,922                            | 4,777                                                          | 101,145                                         | 1                       | 1,070                            |
| Building on<br>leasehold land           | 36,539,557                       | —                         | 36,539,557                         | 8,674,170                                                      | 27,865,387                                      | 5                       | 1,826,977                        |
| Plant and<br>machinery                  | 160,203,227                      | 3,399,485                 | 163,602,712                        | 48,781,842                                                     | 114,820,870                                     | 5 - 20                  | 10,733,135                       |
| Office premises                         | 1,351,916                        | —                         | 1,351,916                          | 1,088,850                                                      | 263,066                                         | 10                      | 135,192                          |
| Furniture and<br>fixtures               | 618,984                          | 5,900                     | 624,884                            | 377,403                                                        | 247,481                                         | 10                      | 62,497                           |
| Office and other<br>equipment           | 1,035,481                        | 151,440<br>(750)          | 1,186,171                          | 991,144                                                        | 195,027                                         | 20                      | 107,729                          |
| Workshop and<br>laboratory<br>equipment | 2,621,941                        | 18,016                    | 2,639,957                          | 1,352,301                                                      | 1,287,656                                       | 5 - 20                  | 247,031                          |
| Motor vehicles                          | 1,461,805                        | 2,706,850<br>(631,636)    | 3,537,019                          | 1,168,357                                                      | 2,368,662                                       | 20                      | 672,354                          |
|                                         | 207,267,627                      | 6,283,841<br>(632,386)    | 212,919,082                        | 62,634,235                                                     | 150,284,847                                     |                         | 13,819,631                       |
| 1990                                    | 197,348,808                      | 282,179                   | 197,630,987                        | 47,932,545                                                     | 149,698,442                                     |                         | 12,562,164                       |

9.2 Additions to plant and machinery and workshop and laboratory equipment include exchange risk cover fees of Rs. 2,223,252 and Rs. 18,016 respectively.

9.3 Following are the details of some of the Fixed Assets sold during the year:

| Description                  | Cost    | Accumu-<br>lated Depre-<br>ciation | Book<br>Value | Sale<br>Proceeds | Mode of<br>Disposal | Sold To                                                                                                                      |
|------------------------------|---------|------------------------------------|---------------|------------------|---------------------|------------------------------------------------------------------------------------------------------------------------------|
|                              | Rupees  |                                    |               |                  |                     |                                                                                                                              |
| <b>VEHICLES</b>              |         |                                    |               |                  |                     |                                                                                                                              |
| Honda Accord<br>(130-093)    | 200,000 | 200,000                            | —             | 121,000          | Tender              | M/s. Motor Cade, R-211, 15-B<br>Buffer Zone, North Karachi.                                                                  |
| Toyota Hiace<br>(CA-7032)    | 239,000 | 239,000                            | —             | 211,555          | Tender              | M/s; Motor Cade, R-211, 15-B<br>Buffer Zone, North Karachi.                                                                  |
| Charade<br>(176-473)         | 64,136  | 51,308                             | 12,828        | 35,000           | Negoti-<br>ation    | Mr. Akbar Ali Hussain,<br>(Former Employee)<br>Flat B-1, Al-Mehdi Co-<br>operative Housing Society,<br>Britto Road, Karachi. |
| Suzuki 800 C.C.<br>(203-168) | 66,500  | 66,500                             | —             | 68,114           | Tender              | Mr. Agha Mudassir Abbas<br>68/2, Main Commercial<br>Avenue, Phase-IV,<br>D.O.C.H.S., Karachi.                                |
| Suzuki 800 C.C.<br>(E-9074)  | 62,000  | 62,000                             | —             | 61,787           | Tender              | Mr. Mohammad Aslam<br>B-11, U.B.L. Officer's Flats,<br>Nishtar Road, Karachi.                                                |

### 9.4 Prior Period's Adjustment

As a result of the change in accounting policy, as stated in note 2.6 above, the exchange risk cover fee charged to the profit and loss account upto December 31, 1990, amounting to Rs. 9,636,640 has been capitalized. The difference between the aforementioned amount and the related depreciation upto December 31, 1990 amounts to Rs. 8,135,023 and is shown as a prior period's adjustment.



|                                                                                                                        | 1991<br>Rupees     | 1990<br>Rupees    |
|------------------------------------------------------------------------------------------------------------------------|--------------------|-------------------|
| <b>10. Deferred Cost</b>                                                                                               |                    |                   |
| Preliminary expenses                                                                                                   | 6,360              | 31,798            |
| Share issue expenses                                                                                                   | 51,665             | 258,331           |
| Commission and brokerage<br>on issue of shares                                                                         | 30,727             | 153,636           |
|                                                                                                                        | <u>88,752</u>      | <u>443,765</u>    |
| <b>11. Stores, Spares and Loose Tools</b>                                                                              |                    |                   |
| Stores                                                                                                                 | 1,134,407          | 449,472           |
| Spares parts                                                                                                           | 9,962,867          | 9,583,744         |
| Loose tools                                                                                                            | 211,824            | 207,024           |
|                                                                                                                        | <u>11,309,098</u>  | <u>10,240,240</u> |
| Spare parts include in transit<br>Rs. 707,199 (1990: Nil)                                                              |                    |                   |
| <b>12. Stocks</b>                                                                                                      |                    |                   |
| Raw materials - include in transit<br>Rs. 4,951,344 (1990: Rs. 31,964,892)                                             | 16,272,657         | 35,134,621        |
| Work-in-process                                                                                                        | 5,065,653          | 5,667,883         |
| Finished goods                                                                                                         | 10,678,091         | 12,111,605        |
|                                                                                                                        | <u>32,016,401</u>  | <u>52,914,109</u> |
| <b>13. Trade Debts</b>                                                                                                 |                    |                   |
| Unsecured                                                                                                              |                    |                   |
| - Considered good                                                                                                      | 209,320,829        | 38,015,296        |
| - Considered doubtful                                                                                                  | 280,965            | —                 |
|                                                                                                                        | <u>209,601,794</u> | <u>38,015,296</u> |
| Provision for doubtful debts                                                                                           | 280,965            | —                 |
|                                                                                                                        | <u>209,320,829</u> | <u>38,015,296</u> |
| Trade debts include unbilled revenue of Rs. 118,858,536 (1990:<br>Rs. 19,074,115).                                     |                    |                   |
| Maximum amount due from associated undertakings at the end of any<br>month during the year was Rs. 91,382 (1990: Nil). |                    |                   |
|                                                                                                                        | 1991<br>Rupees     | 1990<br>Rupees    |
| <b>14. Short Term Advances</b>                                                                                         |                    |                   |
| Considered good                                                                                                        |                    |                   |
| Employees                                                                                                              | 66,462             | 45,202            |
| Suppliers for goods and services                                                                                       | 9,709,057          | 11,758,537        |
|                                                                                                                        | <u>9,775,519</u>   | <u>11,803,739</u> |



|                                                | 1991<br>Rupees   | 1990<br>Rupees |
|------------------------------------------------|------------------|----------------|
| <b>15. Short Term Deposits and Prepayments</b> |                  |                |
| Security deposits                              | 1,346,420        | —              |
| Prepayments                                    | 859,812          | 230,604        |
|                                                | <u>2,206,232</u> | <u>230,604</u> |

Maximum amount due from associated undertakings at the end of any month during the year was Rs. 877,425 (1990: Nil).

|                              | 1991<br>Rupees   | 1990<br>Rupees   |
|------------------------------|------------------|------------------|
| <b>16. Other Receivables</b> |                  |                  |
| Accrued interest             | —                | 70,425           |
| Sales tax recoverable        | 233,836          | —                |
| Export rebate                | —                | 2,756,865        |
| Octroi refundable            | 1,468,154        | 290,832          |
| Margin on guarantees         | 2,708,173        | 265,200          |
| Advance Income tax           | 218,382          | 135,663          |
| Others                       | 118,180          | 31,708           |
|                              | <u>4,746,725</u> | <u>3,550,693</u> |

|                                      |                  |                   |
|--------------------------------------|------------------|-------------------|
| <b>17. Cash and Bank Balances</b>    |                  |                   |
| With banks - in time deposit account | 50,783           | 40,560,911        |
| - in current accounts                | 446,216          | 290,469           |
| Cash and cheques in hand             | 3,309,820        | 1,282,319         |
|                                      | <u>3,806,819</u> | <u>42,133,699</u> |

|                         |                    |                    |
|-------------------------|--------------------|--------------------|
| <b>18. Sales</b>        |                    |                    |
| Sales of product        | 352,345,377        | 145,366,514        |
| Manufacturing charges   | —                  | 20,370,176         |
|                         | <u>352,345,377</u> | <u>165,736,690</u> |
| Less: Sales tax thereon | 2,248,017          | 4,195,290          |
|                         | <u>350,097,360</u> | <u>161,541,400</u> |



|                                    | 1991<br>Rupees     | 1990<br>Rupees     |
|------------------------------------|--------------------|--------------------|
| <b>19. Cost of Sales</b>           |                    |                    |
| Raw materials consumed             | 251,409,893        | 97,698,124         |
| Salaries, wages and benefits       | 5,835,991          | 4,131,357          |
| Stores and spares consumed         | 2,458,587          | 2,040,936          |
| Insurance                          | 1,273,110          | 1,150,396          |
| Depreciation                       | 13,249,510         | 12,227,718         |
| Repairs and maintenance            | 663,082            | 331,460            |
| Fuel, power and electricity        | 2,855,184          | 2,191,742          |
| Other expenses                     | 1,452,594          | 1,368,338          |
|                                    | 27,788,058         | 23,441,947         |
| Amount transferred to fixed assets | —                  | (977,146)          |
|                                    | <u>279,197,951</u> | <u>120,162,925</u> |
| Work-in-process                    |                    |                    |
| Opening stock                      | 5,667,883          | 905,711            |
| Closing stock                      | (5,065,653)        | (5,667,883)        |
|                                    | <u>602,230</u>     | <u>(4,762,172)</u> |
| Cost of goods manufactured         | 279,800,181        | 115,400,753        |
| Finished goods                     |                    |                    |
| Opening stock                      | 12,111,605         | 17,450,556         |
| Closing stock                      | (10,678,091)       | (12,111,605)       |
|                                    | <u>1,433,514</u>   | <u>5,338,951</u>   |
|                                    | <u>281,233,695</u> | <u>120,739,704</u> |
| <b>20. Selling Expenses</b>        |                    |                    |
| Salaries and other benefits        | 477,857            | 423,733            |
| Travelling and conveyance          | 258,077            | 219,649            |
| Depreciation                       | 55,090             | 50,780             |
| Advertisement                      | 57,522             | 50,093             |
| Bid Bond expenses                  | 1,373,989          | 462,483            |
| Bad debts                          | 73,076             | —                  |
| Provision for doubtful debts       | 280,965            | —                  |
| Others                             | 510,374            | 349,926            |
|                                    | <u>3,086,950</u>   | <u>1,556,664</u>   |



|                                                        | 1991<br>Rupees   | 1990<br>Rupees   |
|--------------------------------------------------------|------------------|------------------|
| <b>21. Administration Expenses</b>                     |                  |                  |
| Salaries, wages and other benefits                     | 2,687,177        | 2,223,263        |
| Travelling and conveyance                              | 561,600          | 189,454          |
| Fuel and power                                         | 62,288           | 39,129           |
| Postage, telephone and telegram                        | 449,351          | 175,695          |
| Insurance                                              | 51,258           | 39,930           |
| Repairs and maintenance                                | 104,458          | 95,681           |
| Auditors' remuneration - note 22                       | 52,054           | 94,565           |
| Legal and professional charges                         | 393,097          | 121,454          |
| Depreciation                                           | 515,031          | 283,666          |
| Advertisement                                          | 98,541           | 68,437           |
| Printing, stationery and office supplies               | 257,675          | 208,759          |
| Corporate service charges to an associated undertaking | 240,000          | 240,000          |
| Training                                               | 17,896           | 10,535           |
| Rents, rates and taxes                                 | 19,317           | 6,270            |
| Donations                                              | 4,000            | —                |
| Miscellaneous                                          | 58,372           | 118,933          |
| Recoveries from an associated undertaking              | (562,300)        | (454,220)        |
|                                                        | <u>5,009,815</u> | <u>3,461,551</u> |
| <b>22. Auditors' Remuneration</b>                      |                  |                  |
| Audit fee                                              | 50,000           | 50,000           |
| Taxation services                                      | —                | 36,000           |
| Out of pocket expenses                                 | 2,054            | 8,565            |
|                                                        | <u>52,054</u>    | <u>94,565</u>    |
| <b>23. Other Income</b>                                |                  |                  |
| Profit on sale of fixed assets                         | 484,628          | —                |
| Insurance claim refund                                 | 61,372           | 128,379          |
| Return on deposits                                     | 56,157           | 112,114          |
| Miscellaneous                                          | 73,643           | 88,933           |
|                                                        | <u>675,800</u>   | <u>329,426</u>   |
| <b>24. Other Charges</b>                               |                  |                  |
| Deferred cost                                          | 355,013          | 355,013          |
| Workers' Profits Participation Fund                    | 1,316,687        | 141,101          |
| Corporate assets tax                                   | 1,000,000        | —                |
|                                                        | <u>2,671,700</u> | <u>496,114</u>   |



|                                                          | 1991<br>Rupees    | 1990<br>Rupees    |
|----------------------------------------------------------|-------------------|-------------------|
| <b>25. Financial Charges</b>                             |                   |                   |
| Interest on long term loan                               | 8,217,982         | 11,614,799        |
| Surcharge on custom debentures                           | 625               | 80,431            |
| Mark-up on                                               |                   |                   |
| Redeemable capital                                       | 2,601,951         | 3,378,156         |
| Export Refinance                                         | 1,303,636         | —                 |
| Finances from associated undertakings(net)               | 4,384,045         | 3,653,906         |
| Finances under mark-up arrangements                      | 14,334,116        | 13,781,556        |
| Penal interest                                           | 15,181            | 13,625            |
| Commitment and other charges on foreign<br>currency loan | 39,717            | 118,873           |
| Exchange loss                                            | 86,368            | 34,462            |
| Excise duty on running finances                          | 655,453           | —                 |
| Interest on Workers' Profits<br>Participation Fund       | 4,200             | —                 |
| Bank charges                                             | 793,981           | 340,494           |
|                                                          | <u>32,437,255</u> | <u>33,016,302</u> |

**26. Remuneration of Chief Executive and Other Executives**

|                                | Chief Executive  |                  | Executives       |                  | Total            |                  |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                                | 1991             | 1990             | 1991             | 1990             | 1991             | 1990             |
|                                | Rupees           |                  |                  |                  |                  |                  |
| Manageral remuneration         | 720,000          | 622,500          | 607,024          | 619,461          | 1,327,024        | 1,241,961        |
| Rent                           | 324,000          | 280,125          | 271,677          | 278,789          | 595,677          | 558,914          |
| Utilities                      | 72,000           | 62,250           | 60,370           | 61,959           | 132,370          | 124,209          |
| Medical                        | 51,147           | 6,442            | 28,742           | 31,743           | 79,889           | 38,185           |
| Provident fund contribution    | 60,024           | 51,901           | 50,364           | 51,719           | 110,388          | 103,620          |
| Club subscription and expenses | 45,764           | 5,668            | 3,645            | —                | 49,409           | 5,668            |
| Entertainment                  | —                | —                | 67,000           | 49,783           | 67,000           | 49,783           |
| Telephone                      | —                | —                | 13,700           | 11,500           | 13,700           | 11,500           |
|                                | <u>1,272,935</u> | <u>1,028,886</u> | <u>1,102,522</u> | <u>1,104,954</u> | <u>2,375,457</u> | <u>2,133,840</u> |
| Number of persons              | <u>1</u>         | <u>1</u>         | <u>4</u>         | <u>4</u>         | <u>5</u>         | <u>5</u>         |

The aggregate amounts charged in the accounts in respect of directors fee paid to seven (1990: five) directors was Rs. 3,500 (1990: Rs.2,500).

In addition all other executives are provided with free use of company maintained cars, according to their entitlements. The chief executive, executives and their families are also covered under group and hospitalisation insurance.



|                                                                | 1991<br>Rupees | 1990<br>Rupees |
|----------------------------------------------------------------|----------------|----------------|
| <b>27. Transactions with Associated Undertakings</b>           |                |                |
| Sale of goods and services                                     | 1,379,528      | 529,119        |
| Recoveries in respect of salaries of chief executive and staff | 562,300        | 454,200        |
| Mark-up paid (net)                                             | 4,350,358      | 5,328,986      |
| Guarantee commission paid                                      | 1,121,616      | 522,320        |
| Insurance premium paid                                         | 2,263,320      | 1,213,613      |
| Corporate service charges                                      | 240,000        | 240,000        |

**28. Plant Capacity and Production**

The plant's installed/rated capacity for production is 26,500 tons annually on the basis of notional pipe size of 30" dia x 1/2" thickness. The actual production achieved during the year was 17,758 tons (1990: 10,936 tons) line pipe of varied sizes and thicknesses, which is equivalent to 44,668 tons (1990: 33,050 tons), if the actual production is translated to the notional pipe size of 30" diameter.

**29. Taxation**

29.1 The company has provided for minimum tax of 0.5 per cent of the declared turnover under section 80D of the Income Tax Ordinance, 1979 for the years ended December 31, 1990 and 1991.

29.2 Accumulated tax losses as at December 31, 1991 amounted to Rs. 88,544,647.

29.3 The deferred tax liability on account of timing differences due to accelerated tax depreciation amounts to approximately Rs. 34 million (1990: Rs. 27 million).

Provision of deferred taxation has not been made as the management considers that the timing differences will not reverse in view of accumulated tax losses.

**30. Effect of and Reason for the Change in Accounting Policy**

30.1 Exchange parity of Pakistan rupee has been continuously falling against most foreign currencies ever since it was delinked from the US\$ in 1982. It has, therefore, become a necessity to hedge foreign currency liabilities, particularly long term loans for capital requirements, by paying an Exchange Risk Cover Fee (ERCF) to the State Bank of Pakistan. ERCF is effectively an exchange loss which is permitted to be added to the cost of assets under paragraph 2(D) of Part II of the fourth schedule to the Companies Ordinance, 1984.

The company had taken the option of Exchange Risk Cover for a foreign currency loan obtained for acquiring capital assets but since ERCF is built into the interest rate it was, till 1990, considered to be interest expense and not an exchange loss.



Company's former policy of charging exchange differences to income was influenced by the fact that these were immaterial as the company believed that it did not have or envisaged to have major foreign currency gains or losses. Had the company in prior years recognised that ERCF was in effect an exchange loss, management believes, that they would have adopted a policy of capitalizing ERCF.

In view of the aforementioned matters and the fact that company's future expansion plans will require large foreign currency loans involving payment of substantial exchange risk cover fee the company has decided to make the change as stated in note 2.6 above.

30.2 Had the above mentioned change not been made the net profit for the year after tax and before prior period's adjustment would have reduced by Rs. 1,470,849 to Rs. 22,940,663.

**31. Comparative Figures**

Previous year's figures have been rearranged, wherever necessary, for the purposes of comparison.

Approved by the Board of Directors on  
May 14, 1992 and signed on its behalf

Ahsan M. Saleem  
Chief Executive

Maqbul Ahmad  
Director



**Form '34'**

**Pattern of Holding of Shares  
Held by the Shareholders as at 31.12.1991.**

| No of Shareholders | Shareholdings |           | Total Shares held |
|--------------------|---------------|-----------|-------------------|
|                    | From          | To        |                   |
| 8830               | 1             | - 100     | 883000            |
| 130                | 101           | - 500     | 41600             |
| 63                 | 501           | - 1000    | 57800             |
| 96                 | 1001          | - 5000    | 266102            |
| 17                 | 5001          | - 10000   | 130501            |
| 5                  | 10001         | - 15000   | 67700             |
| 6                  | 15001         | - 20000   | 100302            |
| 1                  | 30001         | - 35000   | 31501             |
| 1                  | 35001         | - 40000   | 36200             |
| 1                  | 50001         | - 55000   | 53700             |
| 1                  | 55001         | - 60000   | 59901             |
| 1                  | 195001        | - 200000  | 199900            |
| 1                  | 295001        | - 300000  | 300000            |
| 1                  | 330001        | - 335000  | 332493            |
| 1                  | 400001        | - 405000  | 403500            |
| 2                  | 445001        | - 450000  | 900000            |
| 2                  | 495001        | - 500000  | 1000000           |
| 1                  | 1285001       | - 1290000 | 1285800           |
| <b>9160</b>        |               |           | <b>6150000</b>    |

| Categories of Shareholders | Number      | Shares Held    | Percentage    |
|----------------------------|-------------|----------------|---------------|
| Individuals                | 9142        | 1585207        | 25.78         |
| Investment Companies       | 3           | 230600         | 3.75          |
| Insurance Companies        | 1           | 10000          | .16           |
| Joint Stock Companies      | 8           | 2044893        | 33.25         |
| Financial Institution      | 4           | 2243000        | 36.47         |
| Other (Trusts)             | 2           | 36300          | .59           |
| <b>Total</b>               | <b>9160</b> | <b>6150000</b> | <b>100.00</b> |



## Notice of Meeting

Notice is hereby given that the 8th Annual General Meeting of Crescent Steel & Allied Products Limited will be held at Pearl Continental Hotel, Shahrah-e-Quaid-e-Azam, Lahore, on Thursday June 25, 1992 at 11.00 A.M. to transact the following business:

1. To confirm the Minutes of the last Annual General Meeting.
2. To receive and adopt the Audited Accounts of the Company for the year ended December 31, 1991 together with the Directors' and Auditors' Reports thereon.
3. To appoint Auditors for the year 1992 and to fix their remuneration. The present Auditors M/s. A.F. Ferguson & Company, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.
4. **Special Business:**  
To approve increase in authorised capital of the company from Rs. 100 million to Rs. 200 million.
5. To consider any other business which may be placed before the Meeting with the permission of the Chair.

The Share Transfer Books of the Company will remain closed from June 18, 1992 to June 25, 1992 (both days inclusive).

By Order of the Board

**Zaheer A. Shaikh**  
Corporate Secretary

**Registered Office:**  
45-Shahrah-e-Quaid-e-Azam,  
LAHORE:

Dated: May 18, 1992

### Notes:

1. The Board of Directors in their meeting held on May 14, 1992 have decided to offer right shares @ 60% at par to the shareholders subject to the approval of Controller of Capital Issues, Islamabad, Separate dates of book closure for the entitlement of right shares will be announced on receipt of consent from Controller of Capital Issues.
2. A member eligible to attend and vote at this Meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received by the Company at the Registered Office not later than 48 hours before the time for holding the Meeting.
3. Resolution proposed to be moved at the meeting and the statement under section 160(1)(b) of the Companies Ordinance, 1984 pertaining to the special business are being sent to the members with notice of the meeting.



## **Statement Under Section 160(1)(b) of the Companies Ordinance, 1984**

This statement sets out the material facts concerning the Special Business to be transacted at the 8th Annual General Meeting of the Company to be held on June 25, 1992.

### **Increase in Authorised Capital:**

To enable the company to increase its paid-up capital from time to time the Directors have recommended to increase the Authorised Capital from Rs. 100 Million to Rs. 200 Million. For this purpose it is proposed that the following resolution be passed as special resolution.

"Resolved That the authorised capital of the company be increased from Rs. 100,000,000/- to Rs. 200,000,000/- by creation of =10,000,000= additional ordinary shares of Rs. 10/- each ranking in dividend and in all other respects pari passu with the existing =10,000,000= ordinary shares of Rs. 10/- each in the capital of the company and the capital clause of the memorandum of association be and is hereby altered accordingly."

The Directors of the Company are not interested in the above mentioned business.



## 7th Annual General Meeting

### Form of Proxy

**IMPORTANT**

This Form of Proxy, in order to be effective, must be deposited duly completed, at the Company's Registered Office at 45, Shahrah-e-Quaid-e-Azam, Lahore, not less than 48 hours before the time of holding the meeting.

A proxy must be a member of the Company. Signature should agree with the specimen registered with the company.

Please quote Registered Folio Number

I/We \_\_\_\_\_  
of \_\_\_\_\_  
being member of Crescent Steel & Allied Products Ltd. and holder  
of \_\_\_\_\_ ordinary shares, hereby appoint  
\_\_\_\_\_ of \_\_\_\_\_  
(Name) (Address)

who is also a member of the Company as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 7th Annual General Meeting of the Company to be held at Pearl Continental Hotel, Shahrah-e-Quaid-e-Azam, Lahore, on June 20, 1991 or at any adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 1991  
Signed by the said \_\_\_\_\_ in the presence of \_\_\_\_\_

\_\_\_\_\_  
(Member's Signature)

Date \_\_\_\_\_  
Place \_\_\_\_\_

Affix Eighty Paise  
Revenue Stamp which  
must be cancelled  
either by signature  
over it or by some  
other means

