

CRESCENT GROUP



Annual Report '94



Crescent Steel and Allied Products Limited

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COMPANY INFORMATION



Board of Directors

Chairman	Mazhar Karim
Chief Executive	Ahsan M. Saleem
	A.K.M. Saeed
	Azimuddin Syed
	Muhammad Arshad
	Mohammad Sharif
	Nasir Shafi
	Zahid Bashir
	Zaigham M. Rizvi

Management

Chief Executive and Managing Director	Ahsan M. Saleem, 42 1983*
Executive Vice President and Deputy Managing Director	Mohammad Sharif, 63 1984*
Executive Vice President Marketing and Sales	S.A.N. Kazmi, 53 1986*
Senior Vice President Logistics and Administration	B.A. Siddiqui, 62 1992*
Senior Vice President Finance and Control	Mohammad Amin, 48 1992*
Senior Vice President and General Manager (Factory)	Nadir Mazhar, 48 1993*

* Year joined company

COMPANY AND INVESTORS' INFORMATION



STOCK EXCHANGE LISTING

Crescent Steel and Allied Products Limited is listed on the Karachi, Lahore and Islamabad Stock Exchanges.

Daily quotations on the Company's stock can be obtained from leading news-

papers. 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.

Telephone: 568-8447

will be held on Tuesday, June 27, 1995 at 11:30 a.m. at Pearl Continental Hotel, Shahrah-e-Quaid-e-Azam, Lahore.

CORPORATE SECRETARY

Zaheer A. Shaikh

AUDITORS

A.F. Ferguson & Co.
Chartered Accountants

SHAREHODER 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.

Telephones : 042-5839631
5881974
5881975

Fax : 042-5881976

BANKERS

Crescent Investment Bank Limited
National Bank of Pakistan
National Development Finance Corporation
Societe Generale The French & International Bank
Standard Chartered Bank
Faisal Bank Limited

REGISTERED OFFICE

83, Babar Block,
New Garden Town,
Lahore.

ANNUAL MEETING

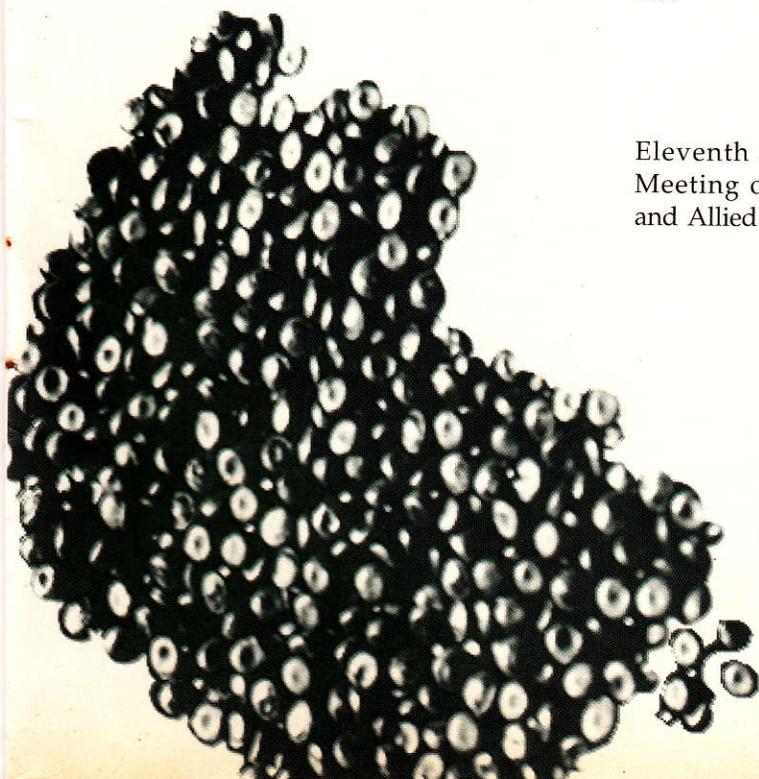
Eleventh Annual General Meeting of Crescent Steel and Allied Products Limited

PRINCIPAL OFFICE

9th Floor, Sidco Avenue Centre,
Maulana Din Muhammad Wafai Road
Karachi-74400

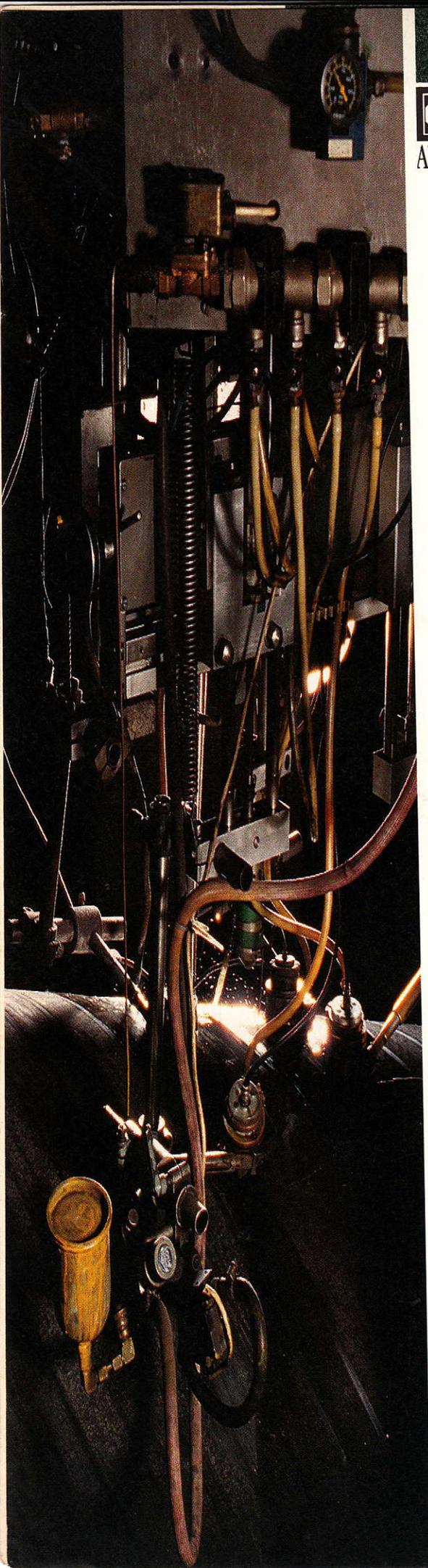
FACTORY

A/25, S.I.T.E., Nooriabad,
District Dadu, Sindh.



MISSION, VISION AND VALUES

 Crescent
Steel and
Allied Products Ltd.



1. To add value to shareholders and the economy by engaging profitably in the supply of products for Water, Oil and Gas transmission as core business and other selected activities.
2. To gain and maintain cost and quality leadership in the international competitive environment, as world class manufacturers.
3. To promote best use and development of human talent in a safe working environment; as an equal opportunity employer.
4. To conduct business as responsible corporate citizen, and take constructive interest in supporting education and environmental causes.

COMPANY PROFILE



Crescent Steel and Allied Products Limited is a Public Limited Company listed on all the Stock Exchanges of Pakistan. It started its commercial production in March 1987. The manufacturing facility consists of a Spiral Pipe Production Line and a High Density Polyethylene Coating Line, both located side by side at the Sindh Industrial Trading Estate, Nooriabad in Dadu district of Sindh.

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

The spiral Pipe Plant has a capability of manufacturing high quality steel pipes in the diameter range of 8 5/8"

(219mm) - 90" (2200mm) in wall thicknesses ranging from 4mm - 16 mm and material grades up to API 5Lx70 grade. The maximum annual capacity of the pipe plant is 80,000 tons per annum. Crescent Steel and Allied Products Limited follows a strict quality regime and the product is comparable to any of its kind in the world. It is also authorised to use the API monogram which is the highest accreditation of quality in steel line pipes.

A new high Density Polyethylene Coating Plant was added adjacent to the pipe mill in 1992. This plant is capable of applying Multi Layer Coating comprising of Fusion Bonded Epoxy, Co-Polymer Adhesive and High Density Polyethylene on Steel pipes ranging from 8 5/8" (219mm) - 42" (1000mm). For clients who prefer a single layer protection only, the Plant is capable of delivering Fusion Bonded Epoxy as a single protection in the same range.

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.



FINANCIAL HIGHLIGHTS



	(In Rupees)		Percentage Change
	1994	1993	+ Increase - Decrease
Operating Results:			
Revenues	329,801,359	640,060,156	* - 48
Income from Operations	153,644,224	138,578,261	+ 11
Net Income	79,852,971	60,314,714	+ 32
Data per common Share:			
Earnings	6.050	5.710	+ 6
Book Value	18.080	16.910	+ 7
Stock Price Range	65-150	43-110	+ 36
Financial Position at December 31:			
Total Assets	592,775,426	474,388,750	+ 25
Capitalization	333,104,015	322,377,758	+ 3
Long-term Debts	94,359,826	99,658,509	- 5
Lease Obligations	10,992,929	14,018,844	- 21
Deferred Taxation	15,600,000	30,000,000	- 48
Common Equity	238,744,189	178,700,405	+ 34
Current Liabilities	259,671,411	152,271,048	+ 71
Other Statistics:			
Return on Average Common Equity	36.52%	41.61%	- 12
Market to Book Value (times)	8.30	6.50	+ 17
Common Shares (Nos.)	13,206,125	10,564,900	+ 25

* During the year, a major portion of the operation was conducted by way of conversion of client owned steel. Therefore, revenues reflect conversion charges without any overall negative impact on earnings.

FINANCIAL SUMMARY



	1994	1993	1992	1991	1990
Operating Results (in Rupees)					
Net sales	329,801,359	640,060,156	338,223,661	350,097,360	161,541,400
Cost of Sales	148,756,198	482,535,534	224,666,237	281,233,695	120,739,704
Selling and Administrative expenses	27,400,937	18,946,361	10,944,703	8,096,765	5,018,215
Financial expenses	34,866,280	40,160,891	53,962,886	32,437,255	33,016,302
Other charges	19,669,251	6,257,937	1,913,650	2,671,700	496,114
Other income, Net	19,534,024	1,709,242	1,337,937	675,800	329,426
Pre tax profit	118,642,720	93,868,675	28,074,122	26,333,745	260,0491
Income tax	38,789,749	33,503,023	(1,982,687)	(1,922,233)	-
Prior year's adjustment	-	(50,938)	-	8,135,023	5,179,212
Net income / (loss)	79,852,971	60,314,714	26,091,435	32,546,535	7,779,703
Per Share Results and Returns					
Earning per share	Rs.6.05	Rs.5.71	Rs.4.24	Rs.5.29	Rs.1.26
Net income to sales	24.21%	9.43%	7.70%	9.30%	4.80%
Return on average assets	14.95%	10.27%	4.60%	8.80%	2.70%
Return on average equity	38.26%	41.65%	32.76%	102.00%	66.00%
Financial Position (in Rupees)					
Current Assets	268,162,569	180,544,229	415,651,354	273,181,623	158,888,380
Current liability	259,671,411	152,010,992	438,756,402	311,864,619	207,546,948
Operating Fixed Assets	262,897,918	275,816,983	282,982,268	150,284,847	149,698,442
Total Assets	592,775,426	474,388,750	701,381,743	425,664,947	310,995,515
Long-term Debt	94,359,826	143,677,353	144,239,650	65,655,072	87,849,846
Shareholders' Equity	238,744,189	178,700,405	111,136,691	48,145,256	15,598,721
Break-up value per share	18.08	16.91	11.29	7.82	2.50
Financial Ratios					
Current assts to current liabilities	1.03	1.18	0.94	0.87	0.77
Long term debt to capitalization %	28.72	44.57	54.92	57.69	84.92
Total debt to total assets %	59.70	62.35	83.12	88.69	94.98
Interest coverage (times)	4.4	3.33	1.52	2.06	1.23
Average collection period (days)	41	24	48	131	47
Inventory turnover (times)	3.55	3.18	1.56	5.28	1.63
Fixed assets turnover (times)	2.93	2.32	1.18	2.30	1.06
Total assets turnover (times)	1.30	1.35	0.48	0.82	0.51
Other Data (in Rupees)					
Deptreciation	29,844,728	28,325,520	16,521,551	13,819,631	7,382,952
Capital expenditure	10,906,093	26,333,265	149,418,512	6,174,076	1,633,986

DIRECTORS' REPORT



The directors of the company feel pleasure in submitting their report together with the audited accounts of the Company for the year ended December 31, 1994. The accompanying Chief Executive's Review and other details provide a more detailed description of activities in the year and prospects for the future.

	1994	1993
	Rupees (000)	
PROFIT FOR THE YEAR AND SURPLUS		
Profit before taxation	118,643	93,869
Provision for taxation		
- Current	(53,190)	(3,503)
- Deferred	14,400	(30,000)
	(38,790)	(33,503)
Profit after taxation	79,853	60,366
Prior period's adjustment	-	(51)
	79,853	60,315
Unappropriated Profit brought forward	639	736
Profit available for appropriation	80,492	61,051
APPROPRIATIONS:		
- Reserve for proposed bonus shares issue 3 shares for Every 20 shares held (1993: 5 shares for every 20 shares)	(19,809)	(26,412)
- Proposed Dividend @ Rs.1.50 (1993: Nil)	(19,809)	-
- General Reserve	(40,000)	(34,000)
	(79,618)	(60,412)
UNAPPROPRIATED PROFIT CARRIED FORWARD	874	639

AUDITORS

The present auditors M/s. A.F. Ferguson & Company, Chartered Accountants retire, and being eligible, offer themselves for reappointment.

PATTERN OF SHAREHOLDINGS

The pattern of shareholdings as referred by Section 236 of the Companies Ordinance, 1984 is enclosed.

The directors place on record their appreciation for the efforts put in by the executives, staff members and workers of the company.

FOR AND ON BEHALF OF THE BOARD

Ahsan M. Saleem
Chief Executive

Karachi: May 23, 1995

CHIEF EXECUTIVE'S REVIEW



DEAR INVESTORS:

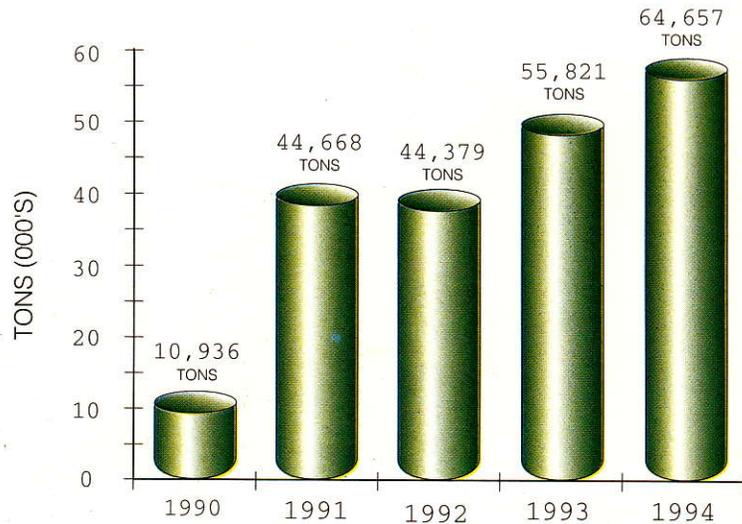
By the grace of Allah, the results at the close of Fiscal 1994 show a significant improvement over Fiscal 1993. The improvement in performance is a result of several factors: tight cost controls, improvement in productivity and specific focus on the return-on-asset objectives.

Your Company has been able to maintain profitability and constant improvement in the last five years and Fiscal 1994 has yielded the highest ever pre-tax earning of Rs.118.643 million. There has been an all round improvement in efficiencies, productivity, net earnings per share and all key balance sheet ratios. It is indeed gratifying that we have been able to report results in line with targets and expectations of the shareholders.

OPERATIONS

Production increased in the fourth year running and was 33,431 tons (26,439) up by 26.5 percent. Notional production was 64,657 tons (55,281), up by 17 percent. The coating operations remained below capacity but, in line with our estimates for the year. Capacity utilization of the Coating Plant is expected to increase in Fiscal 1995.

Revenues from sales were trimmed substantially from last year, not because of reduction in activity but



PRODUCTION BARE PIPES

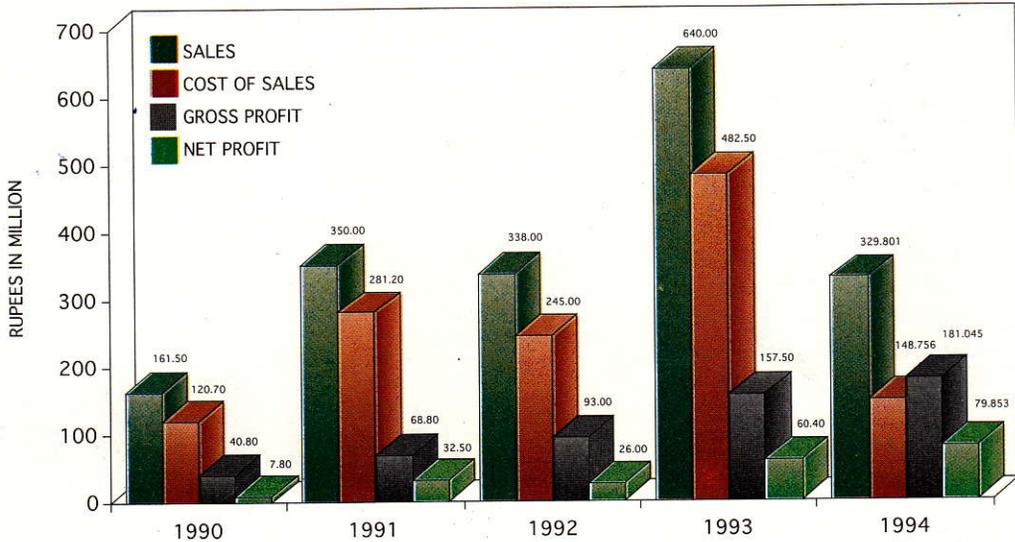
because most of the capacity was committed to conversion of client supplied material (for comparative evaluation, the revenues would have been approximately Rs. 770.0 million if last years basis had been adopted). The Company's manufacturing capabilities can be used for the manufacture of pipes out of the steel purchased by the Company or for the conversion of pipes of the steel supplied by the customers. Revenues are disclosed as own product and manufacturing charges (conversion jobs) respectively in the accounts. During the year, a major portion of the operation was conducted by way of conversion of steel owned by the customers. Accordingly, manufacturing charges have increased from Rs. 39.3 million in 1993 to Rs. 187.3 million in 1994. At the same time, the sale of own product (Bare Pipes) decreased from Rs. 515.2 mil-

lion in 1993 to Rs. 70.8 million in 1994.

However, there is no overall negative impact of the aforesaid variation as the cost of sales is correspondingly lower by the amount of the steel in 1994 which would have been required for the manufacturing of pipes. The Coating Plant provided for 26 percent of the revenues.

We started Fiscal 1994 with a full order book. Fresh order intake during 1994 was good and has helped in carrying the order book into Fiscal 1995. The margins on revenues were much higher compared to Fiscal 1993. This was mainly due to the Company not having to depoly funds on the purchase of raw material, however, part of the increase in margins was due to cutting costs and improved efficiencies. The net profit before

CHIEF EXECUTIVE'S REVIEW



SALES, COST OF SALES, GROSS PROFIT AND NET PROFIT

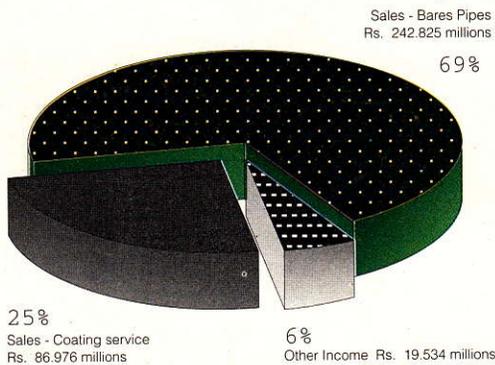
taxation was Rs. 118.643 million as compared to Rs. 93.868 millions in Fiscal 1993 and represents an earning per share before tax of Rs. 8.98. After providing for taxation, the net profit amounted to Rs. 79.853 million or Rs. 6.05 per share.

The manufacturing costs have remained in line with targets set for the year due to increase in production and more efficient use of assets. The financial costs were also reduced and stood at Rs.34.8 million showing a reduction

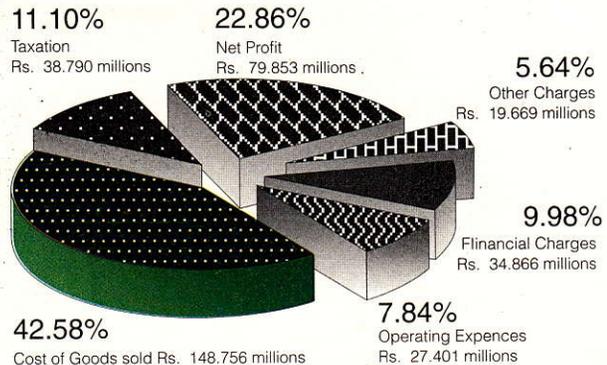
of Rs.5.3 million over last year. The liquidity position remained good throughout the year despite large amounts of funds used for debts repayment and short term investments. The liquidity ratios of the Company have remained in line with the set targets.

The balance sheet of the company was stronger at the close of Fiscal 1994 compared with last year. The current ratio is 1.03:1 and has slid slightly from 1.19:1 but remains at a level set by us

for the year. All other ratios have shown an improvement which is reflected in the debt equity ratio which improved from 45:55 to 28:72, equity ratio from 38 percent to 40.3 percent, fixed assets turnover from 2.32 times to 2.93 times and interest coverage from 3.34 time to 4.40 times. The management of receivables was good and has contributed to reduction in financial charges. Debt servicing during the year has remained satisfactory and there are no overdues.



Revenues Rs. 349.335 million

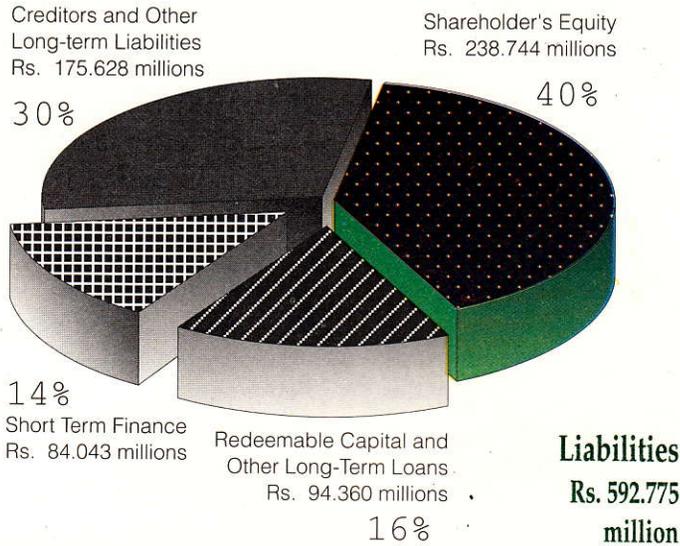
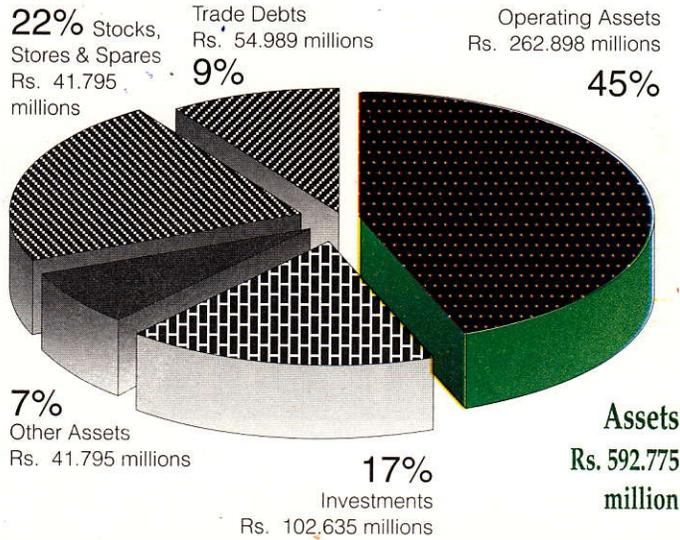


Distribution Rs. 349.335 million

CHIEF EXECUTIVE'S REVIEW



BALANCE SHEET as at December 31, 1994

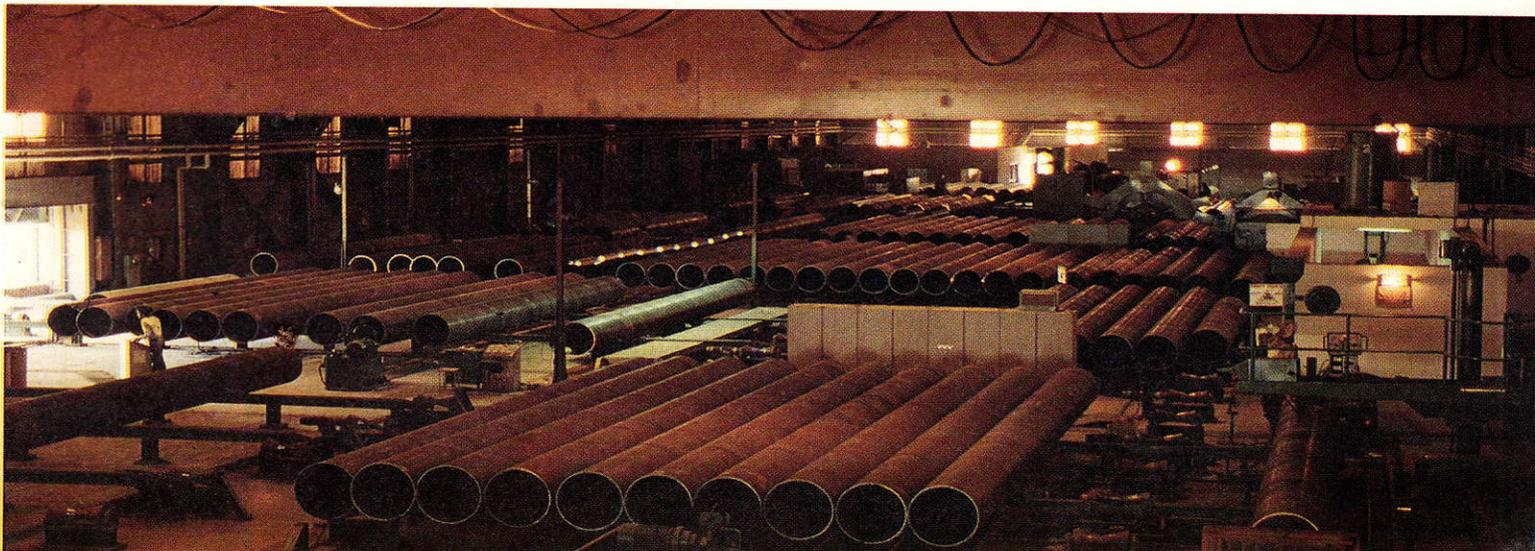


A high standard of financial performance remains an important goal for us. After accounting for the profit appropriation this year, the level of capitalization will be adequate for our present operations. Our ability to borrow for financing the present operations is also adequate, as the Company meets all the requirements of liquidity and equity for short and long term borrowing.

COATING PLANT

There is a very encouraging shift to pre-coated pipes by various utilities using our pipes and it is expected that the capacity utilization will improve substantially in 1995. Coating Plant contributed 26 percent of the revenues which included coating of pipes not produced by us.

Despite very low capacity utilization, the coating plant has proved very useful to add value to our pipe production line. The quality of coating is constantly monitored and tested at independent laboratories in Europe





with outstanding results which are comparable with the best in business anywhere in the world.

In the course of the year, we have been able to add the capability to offer Polypropylene coating in addition to the Multi-Layer High Density Polyethylene Coating.

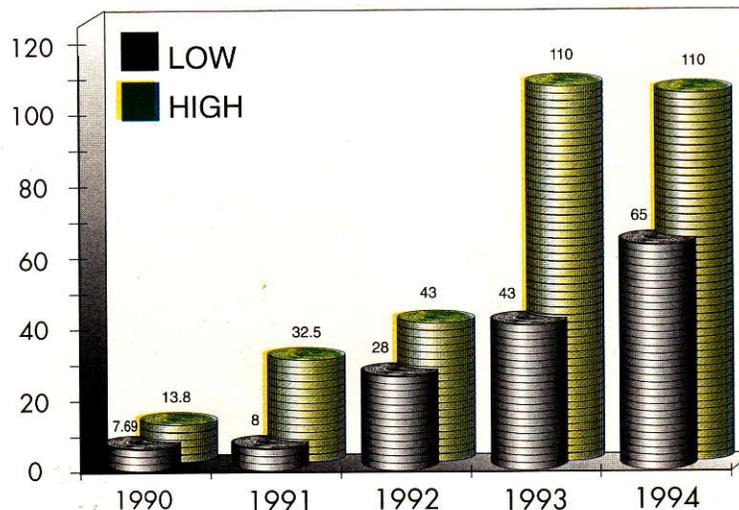
INVESTMENTS

The investment portfolio grew during the year from to Rs.35.5 million to 112.6 million. The market value of these investments at the close of Fiscal 1994 was 104.8 million. Capital gains of Rs. 8.04 million were also realized during the year. Market weakness generally linked to the developments in Karachi and increased political uncertainty has resulted in a diminution in value of the portfolio in the past balance sheet period. A provision of Rs. 10.0 million was therefore made in the accounts for diminution in value in the post balance sheet period. We are, however, confident that our investments which are mainly in the high growth sectors will perform well during 1995.

INDUSTRY PROBLEMS

For the record, I must mention here that our product exceeds the most stringent quality norms which are being periodically audited by international agencies like American Petroleum

MARKET PRICE OF SHARE



Institute. The setting up of this unit has also created a capacity to substitute imports and contribute significantly to conserving foreign exchange and solving unemployment problems in the country. Accordingly, I feel that the Government should see that Pakistani industries are encouraged by giving them the competitive edge as is done in the neighbouring and other developing countries and also by the most developed countries who propagate free market ideas in countries like ours.

The Government should also respond immediately to dumping of engineering goods by the developed countries, who do the same by imposing stiff countervailing duties on imports. I may also point out that the procedure for evaluation of international tenders - considered as exports in procured from Pakistani industry - also needs to be looked

into. The present procedure is heavily biased in favour of off-shore suppliers as their C&F prices are compared against our ex-factory prices including addons. Unprecedented duty concessions have been given to potential buyers in the Petroleum and Energy sector under the Petroleum Policy. Similar concessions are denied to local manufacturers supplying to the Petroleum and Energy sector projects and thus the basic principle of equivalence of inputs is violated and a level playing field denied to the local manufacturers. Local industry has to purchase raw materials i.e. H.R. Coils from Pakistan Steel Mills at arbitrary prices fixed by them. It puts us in a position where our raw material is dearer than the international prices for finished pipes. The capability of Pakistan Steel Mills is also questionable in higher grades and thicknesses. Even where the capability exists,



the deliveries are extremely unreliable. All these elements put together impede the capability of the local bidders to compete for supplies to the exempt sectors.

The octroi collected by the local bodies is extortionate in nature. The Octroi collecting regime which has been in force has resulted in huge sums stuck up in dispute and litigation. The Government needs to step in and establish a fair system of octroi, so that the entire industrialization process is not strangled. Before it is too late, the Government should issue guidelines for fixing octroi rates to all local bodies as they are now in a position to hold industry to ransom.

We are, however, continuing our efforts to overcome these problems and other potential threats. Based on the strength of our technology, quality and organisation, we are focusing on the opportunities opening up at home and abroad.

SOCIAL RESPONSIBILITY

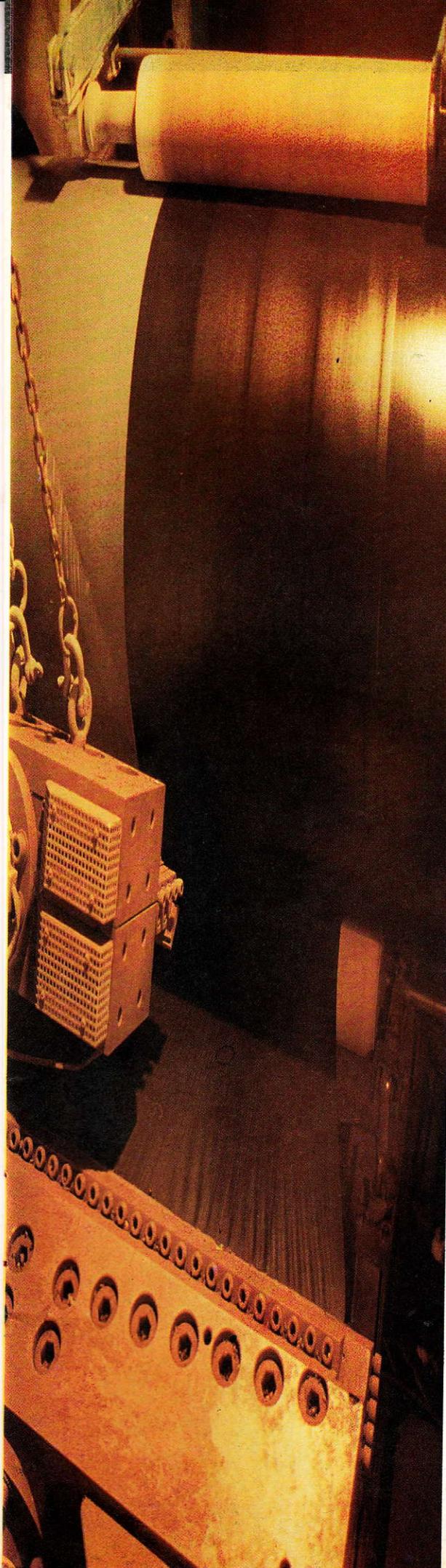
Crescent Steel & Allied Products Limited has always remained conscious of its responsibility to the society. While our core objective remains to contribute towards the wealth of the Nations' economy and add value for the share-holders, we have also supported the causes of education, environ-

ment and health care. Crescent Steel & Allied Products Limited will continue to play its role according to its financial capacity in making this country a better place to live.

FUTURE OUTLOOK

The prospects for Fiscal 1995 can be viewed with considerable optimism. Considering the order intake for Fiscal 1995, an optimum utilization of capacity is expected to maintain our share of the market and cost leadership. The level of operations projected for 1995 are expected to yield profits in line with the results of Fiscal 1994. There is no potential to increase output with the present capacity available to us in the pipe production line. There is however, scope for further increase in capacity utilization of the Coating Plant and the expected yields will offset the impact of cost increase due to normal inflation. There are plans to further modify the Pipe Making Plant which will increase capacity of the plant by about 15 percent. This modification is expected to be in place by the end of the year and the impact of increase in capacity will be visible in Fiscal 1996. Funds are also being committed for improving the overall logistics both in Pipe Making and Coating Plant.

Towards the second half of 1995 local competition is





expected to increase as a new facility is expected to come into operation towards the middle of 1995. In the short term this may affect margins but, in the long term we view it as a facility, which will complement our efforts in providing good quality pipes from Pakistani sources to meet the requirements of the market. We also expect that in the long run it will take some portion of the market share which is at present with the foreign suppliers.

We are also moving ahead in quality and efforts towards ISO 9000 Certification have already started. Remaining at the cutting edge of technology and investing in training will continue to be a high priority in 1995.

BOARD OF DIRECTORS

The Board of Directors have always been a source of guidance and support for the management and we place on record our appreciation for the way they have complemented the efforts of the management in making 1994 a successful year.

CSAP PEOPLE

We have an exceptional group of people - executives, managers & plant personnel. They have been the key to our successful performance during 1994. Their hard-work and devotion has formed a sound base for long term growth - the foundation for further progress and profitability. All of them deserve a warm

vote for thanks.

FINAL WORD

We are grateful to the shareholders for the confidence reposed in the management and are proud to have come up to their expectations. We also thank our customers who have kept us busy during the review period, and to the financial institutions and banks for the support given to the Company.

A handwritten signature in cursive script, reading 'Ahsan M. Saleem'.

AHSAN M. SALEEM
Chief Executive



AUDITORS' REPORT TO THE MEMBERS

A. F. FERGUSON & CO.
CHARTERED ACCOUNTANTS

OTHER OFFICES AT:
LAHORE - RAWALPINDI - ISLAMABAD

STATE LIFE BUILDING I-C
OFF I. I. CHUNDRIGAR ROAD
P. O. BOX 4716
KARACHI 74000
PAKISTAN

Telephone : (021) 242 6682 - 6
(021) 242 6711 - 5
Fax : (021) 241 5007 Audit
(021) 242 7938 Tax
Telex : 21155 AFFCO

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Crescent Steel and Allied Products Limited as at December 31, 1994 and the related profit and loss account and the cash flow statement, 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 the accounting policies consistently applied;
 - (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 cash flow statement, 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, 1994 and of the profit and the cash flows 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

AFF & Co.

May 31, 1995

BALANCE SHEET



Balance Sheet as at December 31, 1994

	Notes	1994	1993
Rupees			
Share Capital and Reserves			
Authorised capital 20,000,000 ordinary shares of Rs. 10 each		200,000,000	200,000,000
Issued, subscribed and paid-up capital	3	132,061,250	105,649,000
General Reserve		86,000,000	46,000,000
Reserve for proposed bonus shares issues		19,809,180	26,412,250
Unappropriated Profit		873,759	639,155
		<u>238,744,189</u>	<u>178,700,405</u>
Redeemable Capital	4	-	1,325,557
Long-term Loan	5	67,766,897	98,332,952
Liabilities against assets subject to finance lease	6	10,992,929	14,018,844
Deferred Taxation	7	15,600,000	30,000,000
Current Liabilities			
Current maturity of long-term liabilities	8	37,460,487	34,216,903
Short-term finances under mark-up arrangements	9	84,043,389	32,878,973
Creditors, Accrued and Other Liabilities	10	72,746,036	81,658,792
Taxation		45,612,312	3,256,324
Proposed Dividend		19,809,187	-
		259,671,411	152,010,992
Contingencies and Commitments	11		
		<u>592,775,426</u>	<u>474,388,750</u>

The annexed notes from an integral part of these accounts.

Mazhar Karim
Chairman

	Notes	1994	1993
		Rupees	
Tangible Fixed Assets			
Operating Assets	12	235,967,491	255,058,351
Assets subject to Finance Lease	13	20,187,362	20,420,137
Capital Work-in-Progress	14	6,743,065	338,495
		<u>262,897,918</u>	<u>275,816,983</u>
Long Term Investments	15	59,549,110	16,143,760
Long-Term Deposits		2,165,829	1,883,778
Current Assets			
Stores, Spares and Loose Tools	16	23,988,956	23,559,034
Stock-in-Trade	17	106,468,567	53,991,605
Trade Debts	18	54,989,502	40,287,609
Short-term Advances	19	1,006,680	3,588,170
Short-term Deposits and Prepayments	20	6,487,658	2,166,524
Other Receivables	21	30,013,772	36,860,344
Short-term Investments	22	43,085,651	19,370,218
Cash and Bank Balances	23	2,121,783	720,725
		<u>268,162,569</u>	<u>180,544,229</u>
		<u><u>592,775,426</u></u>	<u><u>474,388,750</u></u>



Ahsan M. Saleem
Chief Executive

PROFIT AND LOSS ACCOUNT



For the year ended December 31, 1994.

	Notes	1994	1993
Rupees			
Sales	24	329,801,359	640,060,156
Cost of sales	25	148,756,198	482,535,534
Gross Profit		181,045,161	157,524,622
Selling expenses	26	10,715,358	4,691,915
Administration expenses	27	16,685,579	14,254,446
		27,400,937	18,946,361
Operating Profit		153,644,224	138,578,261
Other income	28	19,534,027	1,709,242
		173,178,251	140,287,503
Financial charges	29	34,866,280	40,160,891
Other charges	30	19,669,251	6,257,937
		54,535,531	46,418,828
Profit before Taxation		118,642,720	93,868,675
Taxation	31	38,789,749	33,503,023
Profit after Taxation		79,852,971	60,365,652
Prior year's adjustment		-	(50,938)
Accumulated Profit brought forward		639,155	736,691
Profit available for appropriation		80,492,126	61,051,405
Appropriation:			
Reserve for proposed Bonus Shares issue @ 15% (1993:25%)		(19,809,180)	(26,412,250)
Proposed Dividend @ 15% (1993 : NIL)		(19,809,187)	-
General Reserve		(40,000,000)	(34,000,000)
		(79,618,367)	(60,412,250)
Unappropriated profit carried forward		873,759	639,155

The annexed notes form an integral part of these accounts.

Mazhar Karim
Chairman

Ahsan M. Saleem
Chief Executive

CASH FLOW STATEMENT



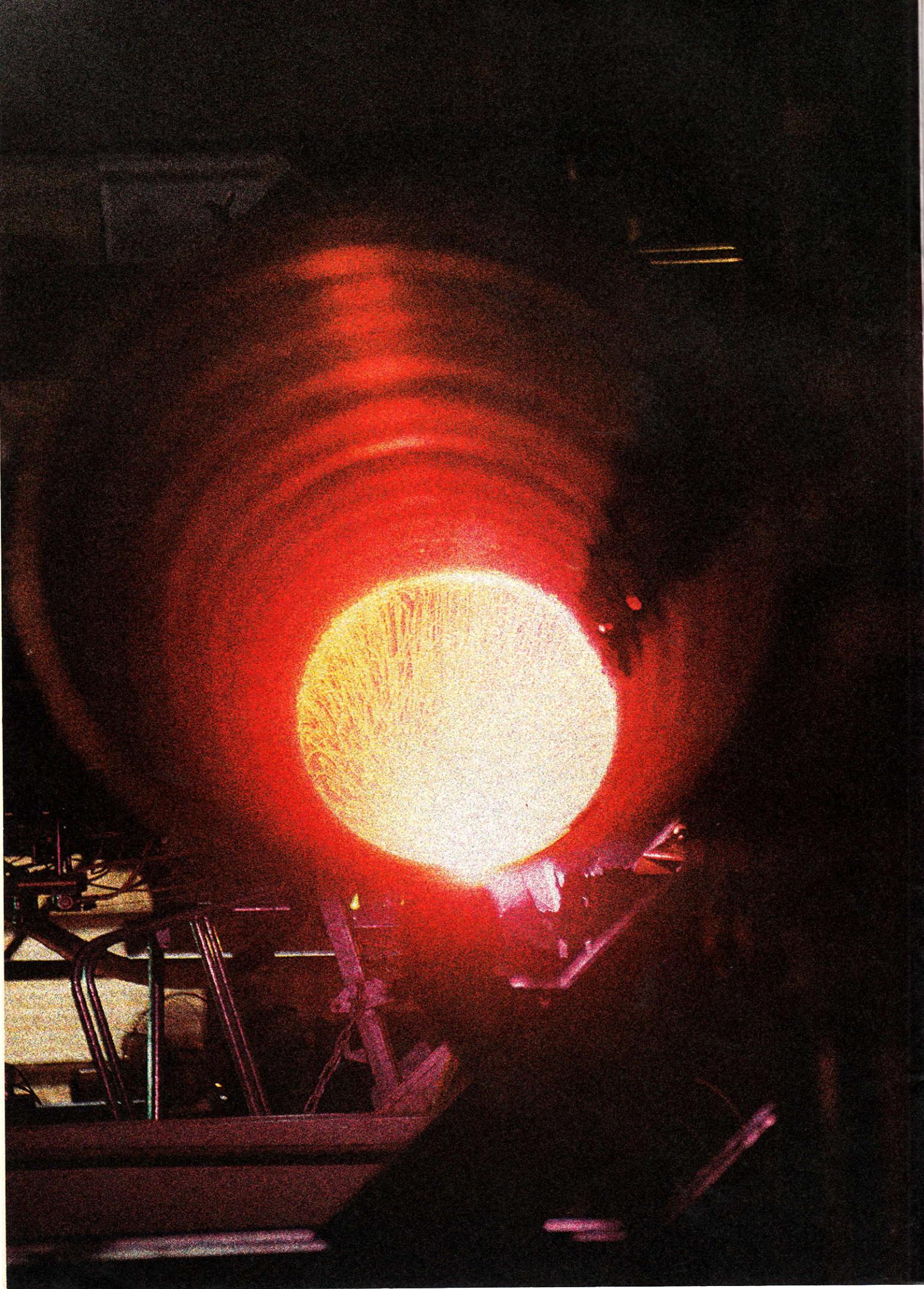
For the year ended December 31, 1994.

	Notes	1994	1993
Rupees			
Cash Flow from operating activities			
Cash generated from operations	32	127,610,203	377,032,943
Taxes paid		(10,833,761)	(2,097,854)
Financial charges paid		(48,423,151)	(39,005,537)
Increase in long-term deposits - net		(282,051)	(412,298)
Increase in long-term prepayments - net		-	59,945
Net cash inflow from operating activities		68,071,240	335,577,199
Cash Flow from investing activities			
Fixed capital expenditure		(17,310,663)	(26,333,265)
Long-term investment made		(88,021,798)	(38,192,748)
Sale proceeds of fixed assets		4,000	259,000
Sale proceeds of investments		18,941,105	3,153,130
Dividend received		89,800	29,000
Musharika income received		-	35,479
Return on deposits		136,901	82,429
Interest received from associated undertaking		-	47,553
Net cash outflow from investing activities		(86,160,655)	(60,919,422)
Cash Flow from financing activities			
Long-term borrowings		-	4,065,014
Liabilities against assets subject to finance lease		2,820,513	2,903,000
Repayments of			
- redeemable capital and long term loans		(30,043,120)	(23,826,622)
- liabilities against assets subject to finance lease		(4,451,336)	(4,022,223)
Net cash outflow from financing activities		(31,673,943)	(20,880,831)
Net (decrease)/increase in cash and cash equivalents		(49,763,358)	253,776,946
Cash and cash equivalent at beginning of the year		(32,158,248)	(285,935,194)
Cash and cash equivalent at end of the year	33	(81,921,606)	(32,158,248)

The annexed notes form an integral part of these accounts.

Mazhar Karim
Chairman

Ahsan M. Saleem
Chief Executive



NOTES TO THE ACCOUNTS



NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 1994.

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, Lahore and Islamabad. It is one of the downstream industries of Pakistan Steel Mills manufacturing large diameter spiral arc welded steel line pipes at Nooriabad (District Dadu). The company commenced commercial production from March 31, 1987. The company has a coating facility capable of applying 3 Layer High Density Polyethylene Coating on Steel Line Pipes. The Coating Plant commenced commercial production from November 16, 1992.

The company has 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 per cent of basic pay and dearness allowance for those employees who have served the company for a period less than five years. For employees who have completed five years or more of service, contributions are made at the rate of 10%.

The company has also established Pension, and Gratuity Fund schemes for all permanent employees who are in management cadre and paid directors. Contributions are payable to the funds on a monthly basis according to the actuarial recommendations subject to a maximum of 12.4% and 7.0% of basic salaries of the employees respectively. Last actuarial valuations of these funds were carried out as of December 31, 1993.

2.3 Tangible fixed assets and depreciation

Operating assets are stated at cost less accumulated depreciation. Leasehold land is amortized over the period of the lease. Capital work-in-progress is stated at cost. 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. Full year's depreciation is charged on additions except major additions or extensions to production facilities which are depreciated on pro-rata basis for the period of use during the year.

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 Assets subject to Finance Lease

These are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of assets acquired on lease. Aggregate amount of obligations relating to assets subject to finance

NOTES TO THE ACCOUNTS



lease is accounted for at net present value of liabilities. Assets so acquired are amortized over their respective useful lives.

Finance charge is allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

Amortization of leased assets is charged to current year's income as part of depreciation.

2.5 Stores and Spares

Stores and Spares are valued at moving average cost.

2.6 Stocks-in-trade

Stocks are valued at 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.

2.7 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 rates 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.

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.

2.8 Taxation

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

Deferred liability for taxation, if any, is accounted for on all significant timing differences using the liability method.

2.9 Revenue recognition

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

Dividend income and gain on sale of investments are recognised on receipt basis.

2.10 Investments

Long term investments are stated at cost.

Short term investments are stated at the lower of cost and market value on a portfolio basis.

NOTES TO THE ACCOUNTS



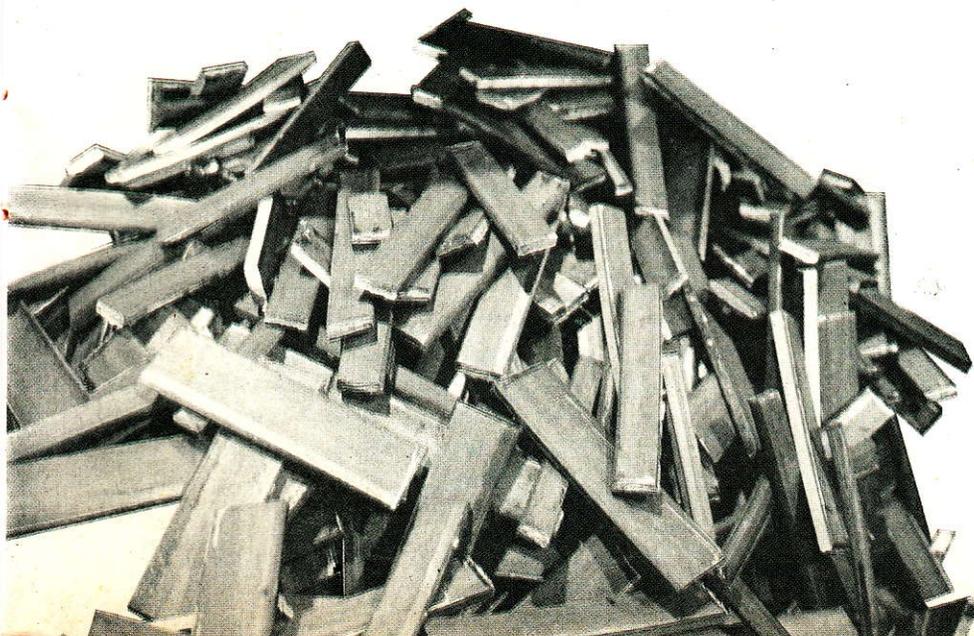
3. Issued, subscribed and paid-up capital

1994	1993		1994	1993
No. Of Shares	No. Of Shares		Rupees	Rupees
10,564,900	10,564,900	Ordinary shares of Rs.10/- each fully paid in cash	105,649,000	105,649,000
2,641,225	—	Ordinary shares of Rs.10/- each issued as Bonus Shares	26,412,250	—
<u>13,206,125</u>	<u>10,564,900</u>		<u>132,061,250</u>	<u>105,649,000</u>

3.1 As partial consideration for the foreign currency loans, as referred to in notes 5.1, National Development Finance Corporation (the Corporation) has the option

to convert in aggregate a maximum of Rs. 37.84 million, being twenty percent 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.

The Corporation had applied for conversion of Rs.7,249,000 into share capital of the company during the year 1992 exercising their option of converting principal amount of Rs.7,249,000 due on September 1, 1992 into equity. The company received consent for increase in paid-up share capital from the Controller of Capital Issues in the year 1993 and issued share certificates for 724,900 ordinary shares of Rs.10/- each to the Corporation on January 14, 1993.



NOTES TO THE ACCOUNTS



4. Redeemable capital-secured

Long term finances utilised under mark-up arrangements.

	Notes	1994	1993
		Rupees	
National Development Finance Corporation (NDFC)			
Suppliers credit	4.1	481,482	2,088,775
Term finance	4.2	844,075	2,800,692
		<u>1,325,557</u>	<u>4,889,467</u>
Less: Current maturity shown under current liabilities		1,325,557	3,563,910
		<u>-</u>	<u>1,325,557</u>

Redeemable capital and the long term foreign currency loans from NDFC referred to in note 5.1 below are secured by way of paripassu 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 9.1 and 9.2 below.

4.1 The company has arranged long term finances from NDFC for purchase of locally manufactured machinery. Under an agreement, assets valuing Rs. 7.2 million were sold to NDFC against which the purchase price payable by the company is Rs.18.760 million. Rebate of Rs.8.388 million is available to the company if all instalments are paid on their due dates. The rate of mark-up is 7.5% per annum. The purchase price and the mark-up are payable in 16 half-yearly instalments by April 20, 1995.

4.2 Term finance from NDFC

was obtained for purchase of raw materials, finished goods and other assets etc. Under an agreement, assets valuing Rs. 9.268 million were sold to NDFC against which the purchase price payable by the company is Rs. 24.160 million. Rebate of Rs.5.712 million is available to the company if all instalments are paid on their respective due dates. The rate of mark-up is 15% per annum. The purchase price and the mark-up are payable in 16 half yearly instalments by February 25, 1995.

4.3 In view of the substance of the transactions, the sales and repurchase of assets referred in notes 4.1 and 4.2 above and in notes 9.1 to 9.3 below have not been recorded in these accounts.

NOTES TO THE ACCOUNTS



5. Long-term loans-secured

	Notes	1994	1993
		Rupees	
From National Development Finance Corporation	5.1	98,332,952	124,812,162
Less: Current maturity shown under current liabilities		30,566,055	26,479,210
		<u>67,766,897</u>	<u>98,332,952</u>

5.1 The company has obtained foreign currency loans from NDFC for US\$ 5.82 million and US\$ 3.943 million under two separate agreements dated October 28, 1984 and December 24, 1991 respectively. The loan amount of US\$ 5.82 million was subsequently revised to US\$ 6.16 million in accordance with the supplemental credit agreement dated January 12, 1991. Interest on this loan is payable at the rate of 11% per annum calculated on six monthly outstanding balances in the loan account. 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 installments commencing from March 1, 1991.

The loan of US \$ 3.943 million in foreign currency was obtained from NDFC during the year 1992 for the import of machineries required for Pipe Coating Plant.

After the full disbursement of US\$ 3.943 million during the year 1992 the liability in Rupees was determined at Rs. 88,971,011/- by applying fixed exchange rate as per the terms of the agreement with NDFC.

The loan carries interest rate of 16.5% per annum and is repayable in 14 half yearly instalments commencing from July 15, 1993.

These loans are secured as more fully explained in note 4 above.

NOTES TO THE ACCOUNTS



6. Liabilities against assets subjects to finance lease

	Notes	1994	1993
Rupees			
Minimum lease payments	6.1	21,290,687	24,834,453
Less: Finance charge not yet due		4,728,883	6,641,826
		<u>16,561,804</u>	<u>18,192,627</u>
Less: Current maturity shown under current liabilities		5,568,875	4,173,783
		<u>10,992,929</u>	<u>14,018,844</u>

6.1 The company has entered into lease agreements with leasing companies and modarabas to acquire items of plant and machinery and vehicles.

Payments under these agreements include finance charges ranging from 19.50% to 26.00% per annum, which are used as discounting factors.

The company intends to exercise its option to purchase the leased assets for Rs. 1.738 million upon completion of the lease periods.

Details of the lease agreements are as under:

Lessor	Minimum lease payments outstanding as at December 31, 1994	Number of instalments outstanding	Approximate rate of interest per annum	Expiry Date
	Rupees		%	
Asian Leasing Corporation Limited	4,619,566	35 monthly	19.50	Nov 30, 1997
Asian Leasing Corporation Limited	3,306,800	15 quarterly	20.38	Oct 31, 1998
First Grindlays Modaraba	665,645	20 monthly	19.80	Aug 31, 1996
National Assets Leasing Corporation Limited	3,117,475	6 quarterly	21.57	Sept 30, 1996
Standard Chartered Mercantile Leasing Limited	5,864,375	7 quarterly	20.32	Sept 20, 1996
First Crescent Modaraba	3,716,826	41 monthly	26.00	May 28, 1998

NOTES TO THE ACCOUNTS



7. Deferred Taxation

The deferred tax liability on account of net timing differences due to accelerated depreciation and provision for doubtful debts amounts to approximately Rs. 38.490 million (1993: Rs.50.00 million) against which a provision for Rs.15.60 million has been made in the accounts in view of its likely reversals in the foreseeable future.

8. Current maturities of long-term liabilities

	Notes	1994	1993
		Rupees	
Redeemable Capital	4	1,325,557	3,563,910
Long-term Loans	5	30,566,055	26,479,210
Liabilities against assets subject to Finance Lease	6	5,568,875	4,173,783
		<u>37,460,487</u>	<u>34,216,903</u>

NOTES TO THE ACCOUNTS



9. Short-term finance under mark-up arrangements

	Notes	1994	1993
		Rupees	
Secured			
Running Finance			
From National Bank of Pakistan	9.1	15,065,852	17,878,973
From Societe Generale, The French and International Bank	9.2	10,014,051	-
		25,079,903	17,878,973
Trade Finance			
From National Development Finance Corporation (NDFC)	9.3	58,963,486	-
Short-term Loan			
From Saudi Pak Investment and Agricultural Company (Pvt) Limited		-	15,000,000
		84,043,389	32,878,973

9.1 The facility for running finance available amounts to Rs.20 million (1993: Rs.20 million). The rate of mark-up is 49 paisas per 1,000 rupees per day. A rebate of 1 paisa per 1,000 rupees per day will be allowed by the bank for prompt payment and a further rebate of 2 paisas per 1,000 rupees per day will be admissible on giving foreign exchange business in the ratio of 1:3 to the bank. The purchase price is repayable on December 31, 1994. The above facility is secured by a charge on the present and future current assets of the company, pledge/hypothecation of the stocks and first equitable mortgage for Rs.20.0 million on the fixed assets of the company

ranking pari passu with the charges created to secure the redeemable capital and foreign currency loans referred to in Notes 4 and 5 above.

9.2 The facility of running finance available amounts to Rs. 20.0 million. (1993: NIL) The rate of mark-up is 44 paisas per 1,000 per day. The purchase price is repayable on October 31, 1995. The above facility is secured against pledge of marketable securities and hypothecation of stock and book debts ranking pari passu with other banks.

9.3 The company has arranged a trade finance facility from NDFC. Under the agreement

assets of Rs. 90 million were sold to NDFC against which the purchase price payable is Rs.109.8 million. The rate of mark-up is 52 paisas per 1000 rupees per day payable quarterly. The purchase price is repayable on June 30, 1995. This facility is secured by hypothecation of stocks and receivables.

9.4 Unutilised credit facilities

The facility for opening letters of credit and guarantees as at December 31, 1994 amounted to Rs. 318.393 million (1993: Rs.162.50 million) of which amount remaining unutilised at the year end was Rs.187.253 million. (1993: Rs.108.30 million).



10. Creditors, accrued and other liabilities

	1994	1993
	Rupees	
Trade creditors	A 10,095,048 ✓	8,544,443
Bills payable	B 2,996,349	-
Excise duty payable	C 6,000,560	2,149,148
Sales tax Payable	D 235,358	1,111,653
Accrued liabilities	E 15,331,182	16,763,654
Interest accrued on secured loan	F 6,916,346	8,336,865
Accrued mark-up	G 346,530	16,334,294
Advances from customers	H 11,123,234	18,292,951
Workers' profit participation fund - Note 10.1	I 15,455,717	7,884,967
Workers' welfare fund	J 2,758,528	-
Retention money	K 340,621	20,146
Due to associated undertakings	L 136,186	1,401,464
Payable to Gratuity Fund	-	44,403
Payable to Pension Fund	-	559,404
Payable to Provident Fund	M 143,479	128,492
Others	N 866,898	86,908
	<u>72,746,036</u>	<u>81,658,792</u>



NOTES TO THE ACCOUNTS



10.1 Workers' profit participation fund

	1994	1993
	Rupees	
Balance at beginning of the year	7,884,967	2,694,166
Provision for the year	6,488,096	4,957,937
Interest on funds utilized in company's business	1,449,948	332,126
	7,938,044	5,290,063
Amount paid to the workers	15,823,011 (367,294)	7,984,229 (99,262)
	15,455,717	7,884,967

11. Contingencies and Commitments

11.1 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.989,513 would become payable on account of octroi. Amounts aggregating Rs.1,515,555 have been paid to the High Court of Sindh, as security deposit upto December 31, 1994.

11.2 Aggregate commitments for capital expenditures amounted to Rs.9.931 million. (1993: Rs. 1.166 million).

11.3 Under the Rural

Development Scheme of Government of Pakistan, company enjoys a concessional rate of 2% import licence fee on import of coating plant machineries installed at Nooriabad. The Controller of Imports & Exports declined to issue Import Licence at 2% fee and insisted on payment @ 6%.

The company filed a petition with the Sindh High Court for issuance of Import Licence on payment of fee at 2%. The High Court passed an interim order allowing the company to pay 2% import licence fee in cash and required the company to furnish a bank

guarantee in favour of Controller of Imports & Exports for Rs. 3.42 million equivalent to the balance of 4%. The case is pending with the High Court and a sum of Rs. 3.42 million is contingently payable by company in case the High Court decides against the company.

11.4 In 1993 the company imported certain raw materials which were to be consumed for production of pipes to be supplied to Sui Northern Gas Pipelines Limited to perform work under an international tender. At the import stage the raw materials were cleared by the customs authorities

NOTES TO THE ACCOUNTS

 Crescent
Steel and
Allied Products Ltd.

after obtaining bank guarantees worth Rs. 16,669,300 as a security that no customs duties will be payable as the raw materials will be consumed under an international tender within the specified time period. After the performance of work under the contract the company had applied to the Chief Controller of Imports and Exports (CCI&E) for the release of guarantees who declined to do so on the contention that the company had not fulfilled the condition of consuming the raw materials within the prescribed period of time.

The company has filed a suit in the High Court of Sindh for restraining the CCI&E from encashing the bank guarantees. The lawyer engaged by the company to contest this case believes that the company will prevail when the judgment is handed down by the court.

NOTES TO THE ACCOUNTS



12. Operating Fixed Assets

12.1 The following is a statement of operating fixed assets: **Pipe Plant:**

Description	Cost as at January 1, 1994	Additions/ (deletions) * Adjustments	Cost as at December 31, 1994	R u p
Leashold land	5,577,796	* (385,000)	5,192,796	
Improvements to Leasehold land	105,922	-	105,922	
Building on leasehold land	39,785,387	1,608,562	41,393,949	
Plant and Machinery	173,600,195	1,027,421	174,627,616	
Office premises	6,289,965	1,600,000	7,889,965	
Furniture and Fixtures	1,979,339	852,257	2,831,596	
Office and other equipments	2,195,160	585,389 (25,070)	2,755,479	
Workshop equipment	3,163,699	6,941	3,170,640	
Motor vehicles	4,539,266	2,384,010	6,923,276	
Total pipe plant	237,236,729	8,064,580 (410,070)	244,891,239	
1993	215,841,270	21,858,409 (462,950)	23,723,6729	

Accumulated Depreciation as at December 31, 1994	Net Book value as at December 31, 1994	Depreciation	
		Rate as % of cost	Charge for the Year Rupees
333,945	4,858,851	1	48,566
7,987	97,935	1	1,070
14,709,802	26,684,147	5	2,185,986
80,632,395	93,995,221	5-20	10,527,003
2,499,525	5,390,440	10	653,805
927,754	1,903,842	10	282,647
1,749,298	1,006,181	20	357,929
2,187,811	982,829	5-20	266,749
3,499,659	3,423,617	20	1,313,703
106,548,176	138,343,063		15,637,458
90,935,788	146,300,941		14,757,485

1) Addition to plant and machinery and workshop and laboratory equipment (of pipe plant include exchange risk cover fee of Rs.856,578 and Rs. 6,941 respectively.)

* 2) An adjustment of Rs. 385,000 shown against cost of lease hold land (acquired in 1993, as account of brokerage fee capitalized which subsequently did not arise.)

NOTES TO THE ACCOUNTS



12.1 Coating Plant:

Description	Cost as at January 1, 1994	Additions/ (deletions) * Adjustments	Cost as at December 31, 1994
Building on leasehold land	6,789,428	-	6,789,428
Plant and Machinery	114,405,206	-	114,405,206
Office and Other Equipments	57,350	21,000	78,350
Furniture and Fixture	47,690	-	47,690
Total Coating Plant	121,299,674	21,000	121,320,674
1993	126,189,343	1,500,057 (6,389,726)	121,299,674
Total Assets	358,536,403	8,085,580 (410,070)	366,211,913
1993	342,030,613	23,358,466 (6,852,676)	358,536,403



Accumulated Depreciation as at December 31, 1994	Net Book value as at December 31, 1994	Depreciation	
		Rate as % of cost	Charge for the Year Rupees
715,507	6,073,921	5	339,471
22,942,032	91,463,174	5-20	10,794,072
28,566	49,784	20	15,670
10,141	37,549	10	4,769
23,696,246	97,624,428		11,153,982
12,542,264	108,757,410		11,149,782
130,244,422	235,967,491		26,791,440
103,478,052	255,058,351		25,907,267



Sale
Proceeds

Mode of
Disposal

Sold to

4,000

Negotiation

Computer System
Second Floor,
Mukhtar Centre,
Gulshan-e-Iqbal,
Karachi.

Accumulated
Depreciation
as at December
31, 1994

Net Book
value as at
December 31,
1994

Depreciation

Rate as
% of
cost

Charge
for the
Year
Rupees

5,419,282

17,382,473

10

2,280,175

1,060,674 ✓

2,804,889

20

773,113

6,479,956

20,187,362

3,053,288

3,426,668

20,420,137

2,489,186



NOTES TO THE ACCOUNTS



14. Capital work-in-progress

	1994	1993
	Rupees	
Civil works	2,527,907	338,495
Plant and machinery	332,062	-
Others	3,883,096	-
	<u>6,743,065</u>	<u>338,495</u>

15. Long-term Investment

Unless stated otherwise the holdings are in ordinary shares/modaraba certificates of Rs.10/- each.

1994	1993	Quoted - Associated Undertakings	1994	1993
No. Of Shares			Rupees	
545,000	300,000	Crescent Investment Bank Ltd.	16,614,647	8,499,647
110,117	101,070	Crescent Textile Mills Ltd.	5,029,613	5,029,613
300,000	-	Shakarganj Mills Ltd.	13,800,000	-
50,000	-	Pakistan Industrial Leasing Corporation Limited	3,418,750	-
315,000	210,000	Crescent Leasing Corporation Limited	3,664,500	2,614,500
			<u>42,527,510</u>	<u>16,143,760</u>
		UnQuoted - Associated Undertakings		
1,702,160	-	Crescent Greenwood Limited	17,021,600	-
			<u>59,549,110</u>	<u>16,143,760</u>

NOTES TO THE ACCOUNTS



15.1 Aggregate market value of investments in shares quoted on stock exchange as at December 31, 1994 was Rs 45,422,260 (1993:Rs.33,435,600) which at the close of business on May 8, 1995 was Rs.34,084,058.

15.2 Following investments having face value of Rs. 8,595,170/- (1993: Rs. 5,499,350) are deposited as security with commercial banks.

	1994	1993
	Rupees	
i) Crescent Leasing Corporation Limited	3,150,000	2,100,000
ii) Crescent Investment Bank Limited	3450000	3,000,000
iii) Crescent Textile Mills Limited	995,170	399,350
iv) Shakarganj Mills Limited	1,000,000	-
	<u>8,595,170</u>	<u>5,499,350</u>

16. Stores, spares and loose tools

Stores	3,095,513	2,280,277
Spare parts	20,452,181	20,859,730
Loose tools	441,262	419,027
	<u>23,988,956</u>	<u>23,559,034</u>

Spare parts include those in transit as at December 31, 1994 of Rs.617,524 (1993: Rs. 1,558,648)

NOTES TO THE ACCOUNTS



17. Stock-in-Trade

	1994	1993
	Rupees	
Raw materials		
- Hot rolled steel coils	14,906,827	9,342,558
- Coating materials	16,533,590	6,150,931
- Others	1,788,305	2,030,245
- Stock-in-transit	5,860,273	5,706,752
	39,088,995	23,230,486
Work-in-process	2,486,499	3,165,283
Finished goods	64,893,073	27,595,836
	<u>106,468,567</u>	<u>53,991,605</u>

18. Trade debts

Unsecured		
Considered good	54,989,502	40,287,609
Considered doubtful	6,259,427	169,359
	61,248,929	40,456,968
Provision for doubtful debts	(6,259,427)	(169,359)
	<u>54,989,502</u>	<u>40,287,609</u>

Trade debts include unbilled revenue of Rs.17,476,585 (1993: Rs. 13,007,765)

NOTES TO THE ACCOUNTS



19. Short-term advances

	1994	1993
	Rupees	
Considered good		
Chief Executive	-	119,621
Executives	95,019	28,955
Other staff	19,289	12,590
	114,308	161,166
Suppliers for goods and services	892,372	3,427,004
	<u>1,006,680</u>	<u>3,588,170</u>

The maximum aggregate amount due at the end of any month during the year from the Chief Executive was Rs. 99,691 (1993: Rs.119,681), executives Rs. 378,611 (1993: Rs.290,482) representing unadjusted travelling and other advances.

20. Short-term deposits and pre-payments

Security deposits	5,088,869	1,365,521
Prepayments	1,398,789	801,003
	<u>6,487,658</u>	<u>2,166,524</u>

NOTES TO THE ACCOUNTS



21. Other Receivables

	1994	1993
	Rupees	
<u>Considered good</u>		
Octroi refundable	7,463,524	3,723,460
Margin on letters of credit and guarantees	3,778,303	3,725,039
Due from associated undertakings	16,204,721	27,583,515
Others	2,567,224	1,828,330
	30,013,772	36,860,344
<u>Considered doubtful</u>		
Others	369,958	369,958
	30,383,730	37,230,302
Provision for doubtful receivables	(369,958)	(369,958)
	<u>30,013,772</u>	<u>36,860,344</u>

Maximum amount due from associated undertakings at the end of any month during the year was Rs.51.586 million (1993: Rs.56.524 million)

NOTES TO THE ACCOUNTS



22. Short-term Investments

Unless stated otherwise the holdings are in ordinary shares / modaraba certificates of Rs.10/- each.

1994 No. Of Shares	1993	Quoted - Associated Undertakings	1994 Rupees	1993
190,600	130,000	Crescent Investment Bank Ltd.	6,156,365	3,683,180
725,500	55,000	Crescent Textile Mills Limited	3,826,236	2,737,002
91,300	-	Crescent Jute Products Limited	2,016,515	-
9,600	-	Jubilee Spinning and Weaving Mills Limited	645,535	-
76,800	-	Pakistan Industrial Leasing Corporate Limited	4,985,692	-
23,124	-	Shakarganj Mills Limited	1,109,952	-
Quoted - Others				
111,490	81,890	First Crescent Modaraba	1,834,980	1,254,937
17,480	13,700	First Equity Modaraba	121,853	105,320
13,662	54,900	Modaraba Al Mali	183,294	842,760
270,970	4,000	First UDL Modaraba	5,555,345	46,400
62,620	24,200	Atlas Bot Lease Company Ltd.	817,520	817,520
-	9,200	English Leasing Limited	-	124,345
142,000	101,000	Al-Towfeek Investment Bank Ltd.	1,724,945	1,428,673
-	10,000	Citicorp Investment Bank Ltd.	-	432,500
24,015	28,750	Muslim Commercial Bank Ltd.	660,880	1,191,125
30,700	100,000	Prime Commercial Bank Ltd.	545,409	1,771,320
91,000	28,200	Karachi Electric Supply Corp.	3,385,480	985,205
180,000	92,000	Sui Northern Gas Pipelines Ltd.	7,661,650	3,738,556
-	5,000	Century Paper and Board Mills Limited	-	130,750
-	2,500	Baluchistan Glass Limited	-	80,625
58,316	-	First Allied Bank Modaraba	738,250	-
50,000	-	Mari Gas Limited	2,574,750	-
235,000	-	Pakistan Telecommunication Corporation Vouchers	7,375,000	-
5,000	-	Tri Star Power Limited	357,500	-
3,000	-	ICI Pakistan Limited	808,500	-
Book value of short-term investments			53,085,651	19,370,218
Less: Provision for diminution in the value of short-term investment			(10,000,000)	-
			<u>43,085,651</u>	<u>19,370,218</u>

NOTES TO THE ACCOUNTS



22.1 Aggregate market value of investments in shares quoted on Stock Exchange as at Decemeber 31, 1994 was Rs.59,368,934 (1993:Rs.31,431,533) which at the close of business on May 8, 1995 was Rs. 39,470,680. As a mattter of prudence the management has set up a provision of Rs.10.0 million against the carrying value of short-term investments.

22.2 Following investments having face value of Rs. 6,857,090 (1993:2,341,000) are deposited as security with commercial banks.

	1994	1993
	Rupees	
- Al-Towfeek Investment Bank Limited	393,000	831,000
- Crescent Investment Bank Limited	1,545,000	850,000
- Muslim Commercial Bank Limited	186,250	245,000
- Crescent Textile Mills Limited	670,500	20,000
- First Crescent Modaraba	249,400	145,000
- Sui Northern Gas Pipelines Limited	491,000	250,000
- First UDL Modaraba	209,700	-
- Atlas Bot Lease Company Limited	242,000	-
- Pakistan Industrial Leasing Corporation Limited	200,000	-
- Prime Commercial Bank Limited	100,000	-
- Jubilee Spinning and Weaving Mills Limited	96,000	-
- Crescent Jute Products Limited	913,000	-
- Shakarganj Mills Limited	231,240	-
- ICI Pakistan Limited	30,000	-
- Tri Star Power Limited	50,000	-
- Mari Gas Limited	400,000	-
- Pakistan Telecommunication Corporation Vouchers	250,000	-
- Karachi Electric Supply Corporation	600,000	-
	6,857,090	2,341,000

NOTES TO THE ACCOUNTS



23. Cash and Bank Balances

	1994	1993
	Rupees	
With banks - in time deposit accounts	123,586	323,165
- in current accounts	1,848,197	251,560
Cash and cheques in hand	150,000	146,000
	<u>2,121,783</u>	<u>720,725</u>

24. SALES

Bare Pipes - note 24.1	242,824,996	548,107,428
Coating of Pipes - note 24.2	86,976,363	91,952,728
	<u>329,801,359</u>	<u>640,060,156</u>

24.1 Sales - Bare Pipes

- Sales of own product	70,806,175	515,208,243
- Manufacturing charges	187,362,932	39,365,800
	258,169,107	554,574,043
Less: sales tax thereon	(15,344,111)	(6,466,615)
	<u>242,824,996</u>	<u>548,107,428</u>

24.2 Sales - Coating of Pipes

Less: sales tax thereon	87,008,390	92,032,878
	(32,027)	(80,150)
	<u>86,976,363</u>	<u>91,952,728</u>

NOTES TO THE ACCOUNTS



25. COST OF SALES

	1994	1993
	Rupees	
Bare Pipes - note 25.1	100,748,484	402,721,427
Coating of Pipes - note 25.2	48,007,714	79,814,107
	148,756,198	482,535,534
25.1 Cost of Sales - Bare Pipes		
Raw material consumed	86,068,441	285,361,893
Salaries, wages and benefits	11,709,964	9,452,578
Stores and spares consumed	8,429,288	3,725,370
Insurance	1,217,212	1,403,777
Depreciation	13,832,719	13,224,749
Repairs and maintenance	934,831	1,155,716
Fuel, power and electricity	5,461,562	4,423,542
Other expenses	3,435,527	4,569,636
	45,021,103	37,955,368
	131,089,544	323,317,261
Work-in-Process		
At beginning of the year	3,165,283	95,349,099
At the end of the year	(2,486,499)	(3,165,283)
	678,784	92,183,816
Cost of goods manufactured	131,768,328	415,501,077
Less: Cost of down graded pipes capitalized as skids for stacking of finished goods	-	(4,474,495)
	131,768,328	411,026,582
Finished Goods		
At beginning of the year	27,595,836	19,290,681
At end of the year	(58,615,680)	(27,595,836)
	(31,019,844)	(8,305,155)
	100,748,484	402,721,427

NOTES TO THE ACCOUNTS



25.2 Cost of Sales - Coating of Pipes

	1994	1993
	Rupees	
Material consumed	33,722,965	36,517,408
Stores and spares consumed	2,016,598	3,972,188
Insurance	691,837	1,801,894
Fuel and power	2,793,418	3,011,046
Coating supervision charges	-	17,596,679
Pipe handling charges	-	1,935,667
Salaries, wages and other benefits	1,290,289	1,014,818
Depreciation	13,643,169	13,638,968
Other expenses	126,831	325,439
	<u>20,562,142</u>	<u>43,296,699</u>
Cost of goods manufactured	54,285,107	79,814,107
Less: closing stock	(6,277,392)	-
	<u><u>48,007,715</u></u>	<u><u>79,814,107</u></u>

26. Selling Expenses

Salaries, wages and other benefits	1,052,928	878,404
Travelling and conveyance	546,124	488,172
Depreciation	119,504	115,991
Advertisement	312,155	121,250
Bid bond expenses	736,127	1,984,289
Bad debts	1,220,854	-
Provision for doubtful debts	6,090,068	539,317
Others	637,598	564,492
	<u>10,715,358</u>	<u>4,691,915</u>

NOTES TO THE ACCOUNTS



27. Administration Expenses

	1994	1993
	Rupees	
Salaries, wages and other benefits	5,798,028	4,678,631
Travelling, conveyance and entertainment	1,613,718	1,535,626
Fuel and power	598,019	289,139
Postage, telephone and telegram	1,384,923	977,096
Insurance	651,062	343,072
Repairs and maintenance	466,876	239,506
Auditors' remuneration - note 27.1	255,020	105,137
Legal and professional charges	543,531	391,414
Depreciation	2,249,338	1,416,744
Advertisement	454,586	360,341
Printing, stationery and office supplies	573,327	540,313
Corporate service charges to an associated undertaking	240,000	636,357
Rents, rates and taxes	48,636	45,245
Advances to a supplier forfeited	-	1,700,000
Donations - note 27.2	712,000	624,787
Newspapers, subscriptions & periodicals	691,656	186,980
Others	404,859	184,058
	16,685,579	14,254,446
	16,685,579	14,254,446

27.1 Auditors' Remuneration

Audit fee	75,000	75,000
Taxation and accounting services	134,500	20,000
Out of pocket expenses	45,520	10,137
	255,020	105,137
	255,020	105,137

27.2 No director or his spouse has any interest in the donee's fund.

NOTES TO THE ACCOUNTS



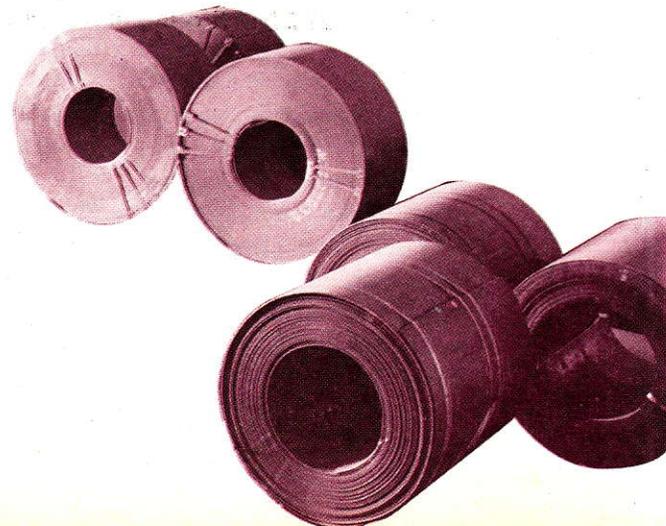
28. Other Income

	1994	1993
	Rupees	
Liabilities written-back - note 28.1	8,190,038	-
Laboratory testing income (customers' jobs)	-	310,904
Return on deposits	136,901	82,429
Gain on disposal of fixed assets	4,000	259,000
Insurance agency commission	696,968	470,517
Profit on sale of investment	8,040,090	474,360
Dividend income - note 28.2	89,800	29,000
Refund of import licence fee	2,376,230	-
Musharika income	-	35,479
Interest income from associated undertaking	-	47,553
	19,534,027	1,709,242

28.1 Liability written-back represent amounts excess provided in respect of mark-up on term finance loan.

28.2 Dividend Income

From Associated undertaking	1,275	-
Others	88,525	29,000
	89,800	29,000



NOTES TO THE ACCOUNTS



29. Financial Charges

	1994	1993
	Rupees	
Interest on long-term loans	16,540,003	19,241,487
Mark-up on Redeemable capital	373,186	804,963
Short-term loan	1,018,210	1,499,536
Running finances	6,878,781	10,207,849
Finances from associated undertakings (net)	-	239,219
Finance and lease processing charges on assets subject to finance lease	3,423,889	3,478,985
Penal interest	10,893	13,377
Excise duty on running finances		
-Current	681,119	1,290,439
-Prior	389,583	-
Excise duty on long-term loan		
-Current	1,423,803	-
-Prior	1,418,433	-
Interest on Workers' profits Participation fund	1,449,948	332,126
Bank charges	719,349	2,904,410
Bank guarantee commission	539,083	148,500
	<u>34,866,280</u>	<u>40,160,891</u>

30. Other Charges

Workers' profit participation fund	6,488,096	4,957,937
Workers' welfare fund		
- Current	2,758,528	-
- Prior	422,627	-
	3,181,155	-
Exchange loss	-	1,300,000
Provision of diminution in the value of short-term investments	10,000,000	-
	<u>19,669,251</u>	<u>6,257,937</u>

NOTES TO THE ACCOUNTS



31. Taxation

	1994	1993
	Rupees	
Current		
- For the year	48,630,002	3,200,301
- Prior year	4,559,747	302,722
Deferred	53,189,749	3,503,023
	(14,400,000)	30,000,000
	<u>38,789,749</u>	<u>33,503,023</u>

32. Cash generated from operations

Profit before taxation	118,642,720	93,868,675
Adjustments:		
Depreciation	29,844,728	28,325,520
Provision for diminution in the value of short-term investments	10,000,000	-
Prior period adjustments	-	(50,938)
Adjustment in cost of leasehold land	385,000	-
Financial charges	34,866,280	40,160,891
Profit on sale of fixed assets	(4,000)	(259,000)
Profit on sale of investment	(8,040,090)	(474,360)
Dividend income	(89,800)	(29,000)
Musharika income	-	(35,479)
Return on deposits	(136,901)	(82,429)
Interest income from associated undertaking	-	(47,553)
Working capital changes - note 32.1	(57,857,734)	215,656,616
Cash generated from operations	<u>127,610,203</u>	<u>377,032,943</u>

NOTES TO THE ACCOUNTS



32.1 Working Capital changes

	1994	1993
	Rupees	
(Increase)/decrease in current assets		
Stores, spares and loose tools	(429,922)	(4,263,868)
Stock in trade	(52,476,962)	195,910,249
Trade debts	(14,701,893)	72,683,202
Short-term advances	2,581,490	12,374,672
Short-term deposits and prepayments	(4,321,134)	234,068
Other receivables	6,846,572	(26,149,051)
	<u>(62,501,849)</u>	<u>250,789,272</u>
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities	8,912,756	(33,683,905)
Adjustment for accruals of financial charges	(4,268,641)	(1,448,751)
	<u>(57,857,734)</u>	<u>215,656,616</u>

33. Cash and cash equivalents

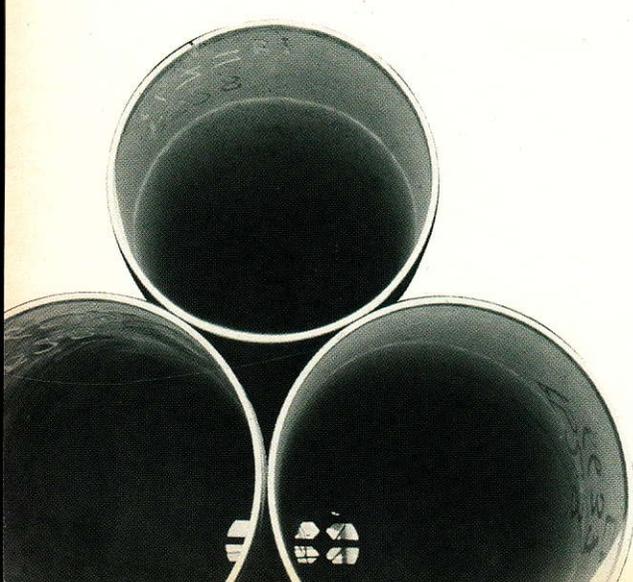
Cash and bank balances	2,121,783	720,725
Short-term finances under mark-up arrangements	(84,043,389)	(32,878,973)
	<u>(81,921,606)</u>	<u>(32,158,248)</u>

NOTES TO THE ACCOUNTS



34. Remuneration to Chief Executive, Director and Executives

	Chief Executive		1994
	1994	1993	
Managerial remuneration	1,170,000	1,020,000	547,200
House rent	526,500	459,000	246,240
Utilities	117,000	102,000	54,720
Travelling expense personal (as per entitlement)	59,025	-	-
Medical	70,440	48,809	27,360
Contribution to:			
- Provident Fund	117,036	102,036	54,756
- Gratuity Fund	81,900	113,274	38,304
- Pension Fund	145,080	74,966	67,852
Club subscription and expenses	50,418	37,890	4,075
Entertainment	-	-	36,000
Conveyance	-	-	-
Telephone	-	-	9,000
	<u>2,337,399</u>	<u>1,957,975</u>	<u>1,085,507</u>
Number of persons	1	1	1



Director	Executives		Total		
	1993	1994	1993	1994	
	R u p e e s				
	456,000	2,180,535	1,624,176	3,897,735	3,100,176
	205,200	962,835	719,225	1,735,575	1,383,425
	45,600	213,981	159,838	385,701	307,438
	-	-	-	59,025	-
	21,855	98,335	74,490	196,135	145,154
	45,636	181,145	128,640	352,937	276,312
	51,560	134,691	91,096	254,895	255,930
	33,514	238,596	142,732	451,528	251,212
	3,110	-	-	54,493	41,000
	36,000	96,000	96,000	132,000	132,000
	-	24,937	-	24,937	-
	9,000	16,800	16,800	25,800	25,800
	907,475	4,147,855	3,052,997	7,570,761	5,918,447
	1	13	9	15	11

The aggregate amounts charged in the accounts in respect of directors' fee paid to seven (1993: nine) directors was Rs. 7,000 (1993: Rs. 10,000).

Out of thirteen executives four were provided with free use of company maintained cars, according to their entitlements. The chief executive, director and executives and their families are also covered under group and hospitalisation insurance.

NOTES TO THE ACCOUNTS



35. Transactions with associated undertakings

	Notes	1994	1993
		Rupees	
Sale of goods and services		-	320,014
Mark-up paid (net)		-	239,219
Guarantee commission paid		663,885	2,657,203
Insurance premium paid		3,934,816	4,517,142
Corporate service charges & others		240,000	636,357
Shares purchased		20,810,000	14,423,895
Fixed assets purchased		2,200,000	4,283,606

36. PLANT CAPACITY AND PRODUCTION

Pipe plant

The plant's installed/rated capacity for production based on single shift, 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 33,432 tons (1993:

26,438 tons) line pipes of varied sizes and thicknesses, which is equivalent to 64,657 tons (1993: 55,821 tons) if actual production is translated to the notional pipe size of 30" diameter.

Coating plant

The coating plant has a capacity of externally shot-blasting and coating of line pipe with 3 layer high/medium density polyethylene coating at a rate of 250 square metres of surface area per hour on pipe sizes ranging from 219 to 1067 mm outside dia and thick-

ness ranging from 3 to 16 mm.

The annual capacity of the plant works out to 600,000 square metres outside surface of pipes based on notional size of 30" dia on single shift working. Coating of 82,675 metres of different dia pipes (187,252 square metres surface area) was achieved during the year (1993: 193,266 square metres surface area). The plant capacity was utilized to the extent of orders received for coating of pipes.

37. COMPARATIVE FIGURES

Previous year's figures have been rearranged, wherever necessary, to facilitate comparison.

Mazhar Karim
Chairman

Ahsan M. Saleem
Chief Executive

FORM '34' PATTERN OF HOLDING OF SHARES



Pattern of Holding of Shares
Held by the Shareholders as at 31st December 1994.

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
160	1	100	11,126
486	101	500	98,105
93	501	1,000	71,600
240	1,001	5,000	634,629
66	5,001	10,000	474,573
28	10,001	15,000	355,831
15	15,001	20,000	255,762
04	20,001	25,000	88,250
05	25,001	30,000	138,375
05	30,001	35,000	156,751
07	35,001	40,000	259,001
01	40,001	45,000	44,000
04	45,001	50,000	194,875
03	60,001	65,000	186,800
02	65,001	70,000	130,462
01	75,001	80,000	75,650
01	110,001	115,000	110,625
01	120,001	125,000	125,000
01	150,001	155,000	153,875
01	245,001	250,000	250,000
01	285,001	290,000	288,375
01	295,001	300,000	296,875
01	310,001	315,000	312,500
01	460,001	465,000	463,125
01	595,001	600,000	600,000
01	660,001	665,000	664,985
01	805,001	810,000	807,000
02	895,001	900,000	1,800,000
01	905,001	910,000	906,125
01	995,001	1,000,000	1,000,000
01	1,095,001	1,100,000	1,099,875
01	1,150,001	1,155,000	1,151,975
1,137			13,206,125

Categories of Shareholders	Number	Shares Held	Percentage
Individuals	1,092	2,653,940	20.10
Investment Companies	5	164,375	1.25
Insurance Companies	3	174,200	1.32
Joint Stock Companies	16	3,820,835	28.93
Financial Institution	8	3,944,725	29.87
Modaraba Companies			
Others	13	2,448,050	18.53
TOTAL	1,137	13,206,125	100.00
Others			
Modarabas	2	18,300	0.14
Non Residents	11	2,429,750	18.39
TOTAL	13	2,448,050	18.53

NOTICE OF ANNUAL GENERAL MEETING



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 11th Annual General Meeting of Crescent Steel & Allied Products Limited will be held on Tuesday, June 27, 1995 at 11:30 a.m. at Pearl Continental Hotel, Shahrah-e-Quaid-e-Azam, Lahore to transact the following business:

1. To confirm the Minutes of 10th Annual General Meeting held on June 29, 1994.
2. To receive and adopt the Audited Accounts of the Company for the year ended December 31, 1994 together with the Directors' and Auditors' Reports thereon.
3. To approve Cash Dividend and Bonus Shares. The Directors have recommended the payment of Cash Dividend @ 15% and issue of Bonus Shares @ 15%.
4. To appoint Auditors for the year 1995 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.

BOOK CLOSURE:

The Share Transfer Books of the company will remain closed from June 22, 1995 to June 29, 1995 (both days inclusive). Transfers received in order at the Registered Office by the close of business hours on June 21, 1995 will be treated in time for the entitlement of Cash Dividend and Bonus Shares.

BY ORDER OF THE BOARD
ZAHEER A. SHAIKH
CORPORATE SECRETARY

REGISTERED OFFICE:

83-Babar Block, New
Garden Town, Lahore
Telephone No. 5881974-75,
5839631

Dated: May 30, 1995

NOTES:

1. 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.
2. Shareholders are requested to immediately notify the change in address, if any.

11TH ANNUAL GENERAL MEETING

The Corporate Secretary
Crescent Steel and Allied Products Limited
83-Babar Block, New Garden Town,
Lahore.

PROXY FORM

I/We.....
of.....
a member/members of the Crescent Steel and Allied Products Limited, and holder
of ordinary shares as per Registered Folio No.
do hereby appoint of
(Name) (Address)
or failing him..... of
who is also member of the Company vide Registered Folio No. as my/our proxy
to attend and vote for me/us and on my/our behalf at the 11th Annual General Meeting of the
Crescent Steel and Allied Products Limited to be held on Tuesday, June 27, 1995 and at any
adjournment thereof.

Member:.....

Witness:

Date:

Signature on
Rs. 2/-
Revenue
Stamp

NOTES:

1. A member eligible to attend and vote at this Meeting may appoint any other 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 of holding the Meeting.

2. Shareholders are requested to immediately notify the change in address, if any.
3. A proxy must be a member of the Company, Signature should agree with the specimen registered with the Company.