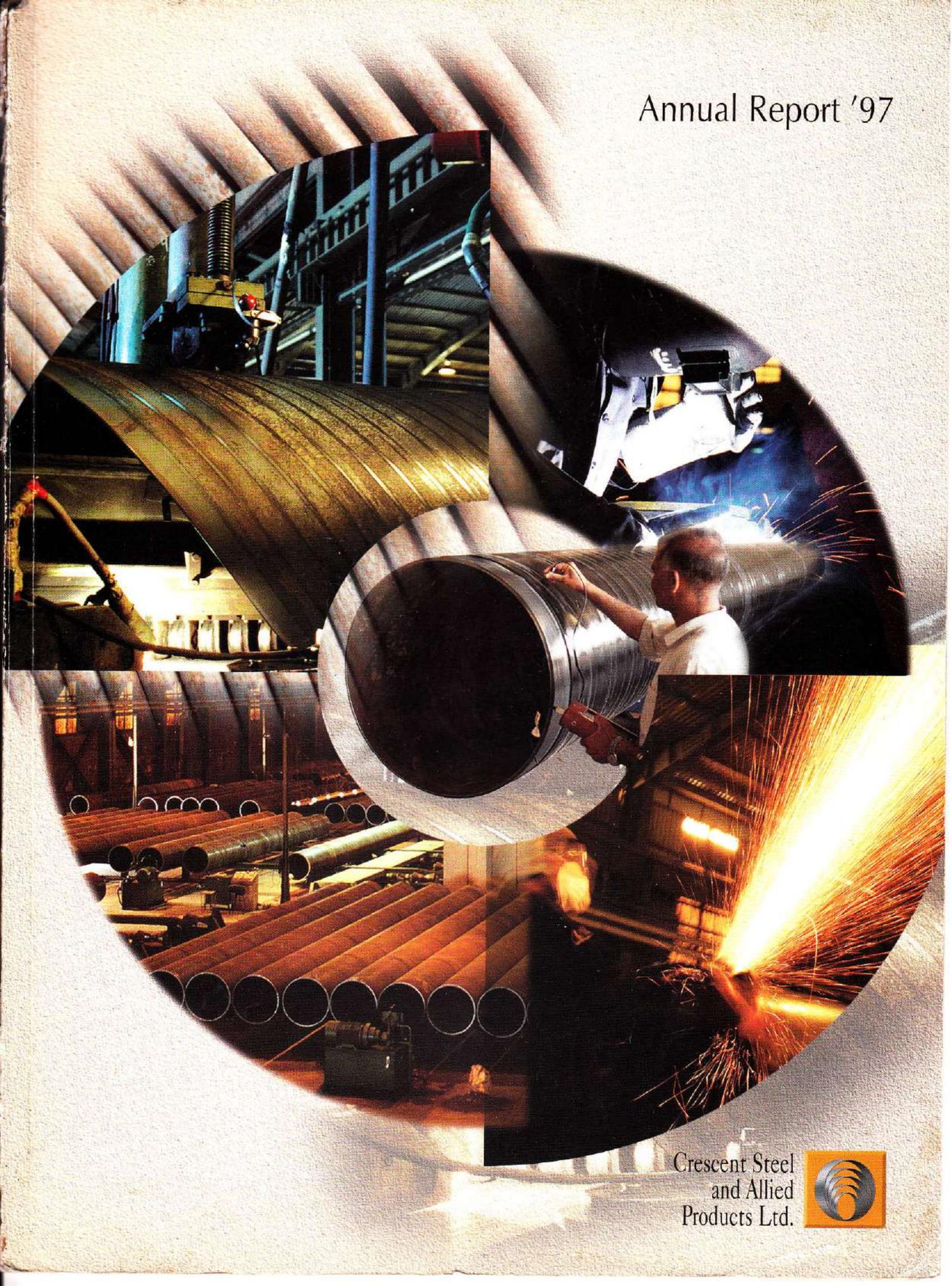


Annual Report '97



Crescent Steel
and Allied
Products Ltd.





Crescent Steel
and Allied
Products Ltd.

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COMPANY INFORMATION



Crescent Steel
and Allied
Products Ltd.

Board of Directors

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

Management

Chief Executive and Managing Director	Ahsan M. Saleem, 44 1983*
Executive Vice President and Deputy Managing Director	Mohammad Sharif, 65 1984*
Executive Vice President and Chief Financial Officer	S.M. Ehtishamullah, 58 1996*
Executive Vice President Marketing and Sales	S.A.N. Kazmi, 55 1986*
Senior Vice President Logistics and Administration	B.A. Siddiqui, 64 1992*
Senior Vice President Finance and Control	Mohammad Amin, 50 1992*
Senior Vice President and General Manager (Factory)	Nadir Mazhar, 50 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 newspapers. Crescent Steel is listed under 'Engineering'.

Effective 8th October 1997, the shares of the company can be dealt through the Central Depository System of Karachi, Lahore and Islamabad Stock Exchanges also. This will obviate the inconvenience of physical handling of share scrips.

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

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.

PRODUCTS

CSAP is a manufacturer of DSAW steel line pipes in diameters ranging from 8" to 90" and applicator of multi-layer polyethylene/polypropylene coating conforming to international standards.

ANNUAL MEETING

Thirteenth Annual General Meeting of Crescent Steel and Allied Products Limited will be held on Tuesday, December 9, 1997 at 11:00 a.m. at Pearl Continental Hotel, Shahrah-e-Quaid-e-Azam, Lahore.

CORPORATE SECRETARIES

Zaheer A. Shaikh
Rashid Sadiq

AUDITORS

A.F. Ferguson & Co.
Chartered Accountants

BANKERS

Crescent Investment Bank
National Bank of Pakistan
National Development Finance Corporation
Societe Generale The French & International Bank
Faysal Bank
Standard Chartered Bank
Muslim Commercial Bank

REGISTERED OFFICE

83, Babar Block, New Garden Town, Lahore.
Telephones : 042-5839631, 5881974 - 5
Fax : 5881976

LIASON OFFICE LAHORE

5th Floor, PAAF Building,
7-D Kashmir/Egerton Road, Lahore.
Telephone : 042-6306880-3

PRINCIPAL OFFICE

9th Floor, Sidco Avenue Centre,
264-R. A. Lines, Karachi-74400.
Telephones : 021-5685232, 5685235
Fax : 5680476
E.mail: csaplho@biruni.erum.com.pk
Website: <http://www.spark-dir.com/pages/crescent>

FACTORY

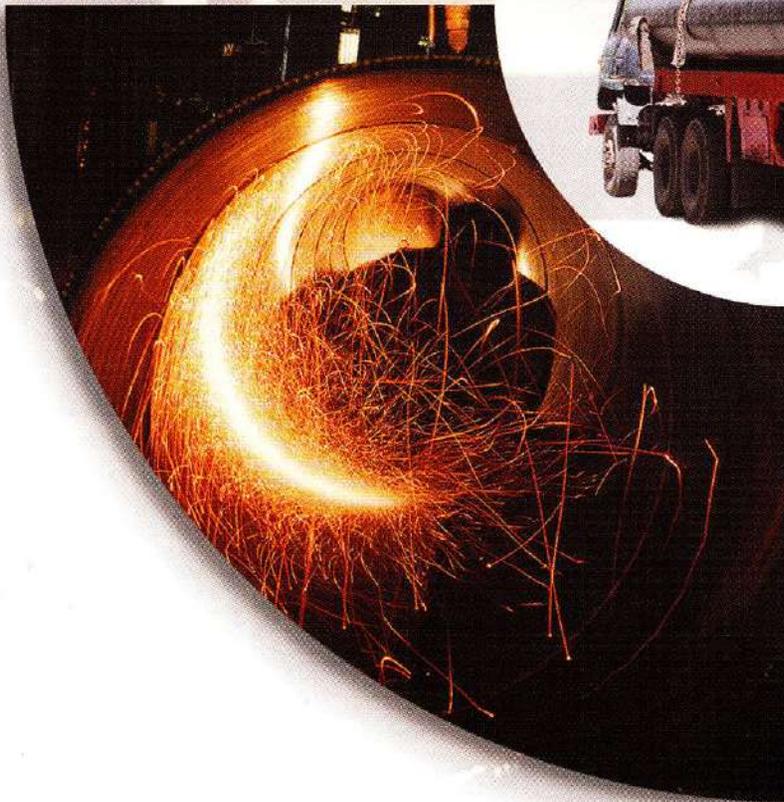
A/25, S.I.T.E., Nooriabad,
District Dadu, Sindh.
Telephones : 0221-39321
39322
39463

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 a responsible corporate citizen, and take constructive interest in supporting education and environmental causes.



COMPANY PROFILE

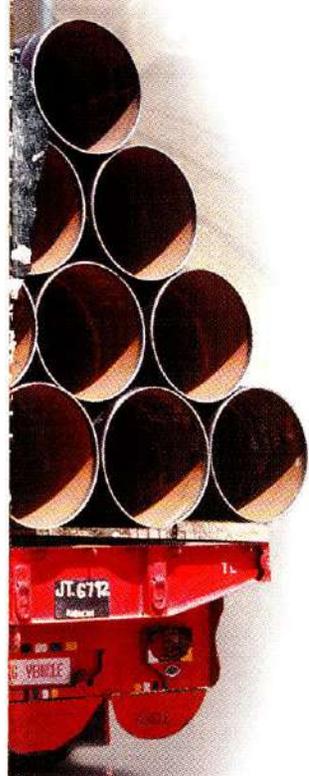
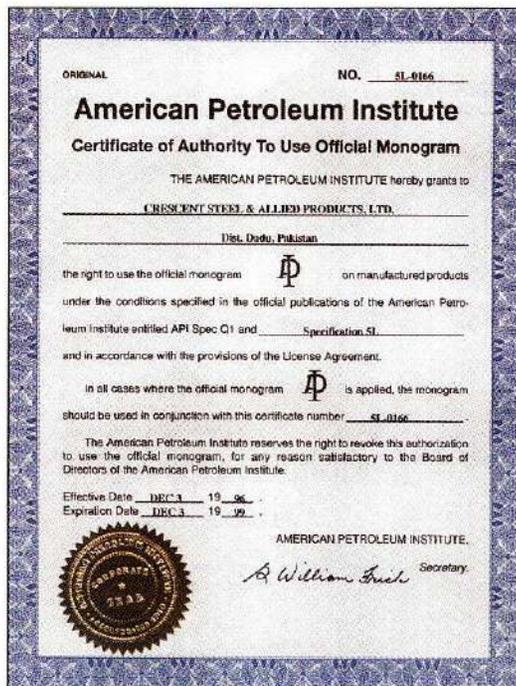
Crescent Steel and Allied Products Limited is a Public Limited Company listed on all the Stock Exchanges of Pakistan. It started its commercial production in March 1987. The manufacturing facility consists of a Spiral Pipe Production Line and a High Density Polyethylene Coating Line, both located side 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 company has the unique distinction of having the authorisation to use API monogram of the American Petroleum Institute and of having been awarded ISO 9001 accreditation from January 1997. 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 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.



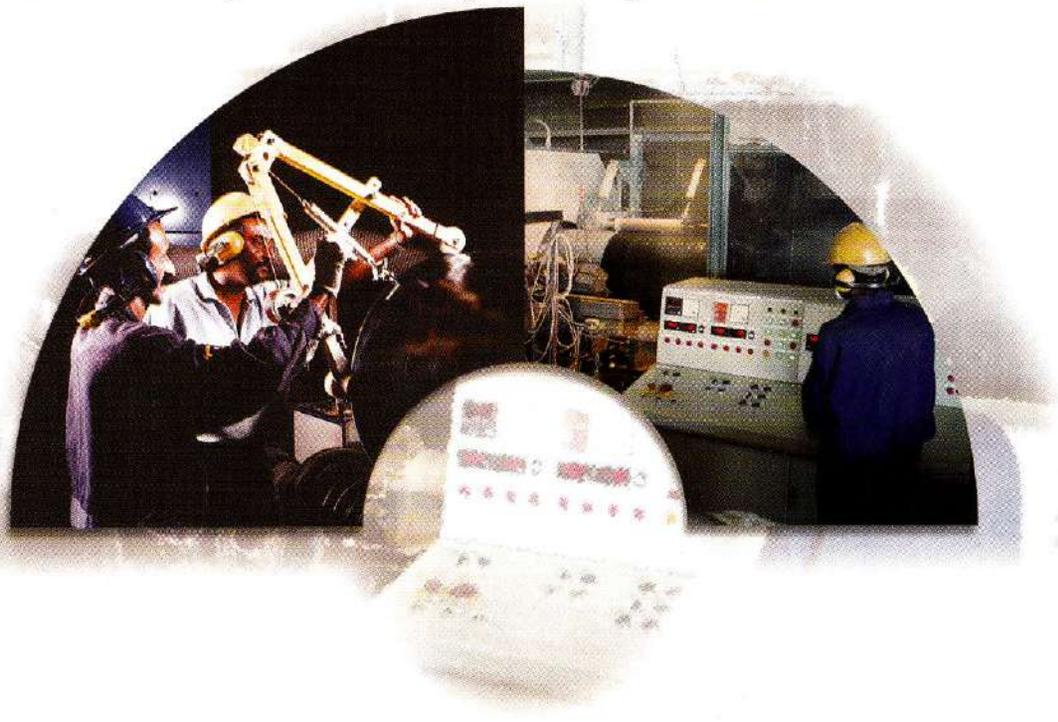
FINANCIAL HIGHLIGHTS



Crescent Steel
and Allied
Products Ltd.

	Year ended June 30, 1997	Year ended June 30, 1996	Percentage Change + Increase - Decrease
Operating Results (Rs. ,000s.)			
Revenues	991,639	506,867	+ 96
Income from Operations	234,339	210,633	+ 11
Net Income	131,913	97,800	+ 35
Data per common Share (Rs.)			
Earnings	7.56	6.44	+ 17
Book Value	25.01	22.38	+ 12
Stock Price Range	44-25	78-44	
Financial Position at June 30 (Rs. ,000s.)			
Total Assets	1,085,875	676,963	+ 60
Capitalization	497,755	409,090	+ 22
Long-term Debts	73,433	69,207	+ 6
Lease Obligations	4,233	3,319	+ 27
Deferred Taxation	33,100	15,600	+ 112
Common Equity	436,866	339,883	+ 28
Current Liabilities	575,576	267,873	+ 115
Other Statistics			
Return on Average Common Equity	33.96%	33.8%	+ 0.50
Market to Book Value (times)	1.67	3.48	- 52.0
Common Shares (Nos.)	17,465,099	15,187,043	+ 15.0

In order to make the comparisons more meaningful, the 1996 figures have been annualized.



FINANCIAL SUMMARY

	1997	1996	1994	1993	1992
Operating Results (Rs. 000's.)					
Net sales	991,639	506,867	329,801	640,060	338,224
Cost of Sales	693,120	261,622	148,756	482,536	224,666
Selling and Administrative expenses	64,180	34,610	27,401	18,946	10,945
Financial expenses	26,700	23,550	34,866	40,161	53,963
Other charges	41,461	41,858	19,669	6,258	1,914
Other income, Net	5,274	2,731	19,534	1,709	1,338
Pre tax profit	171,452	147,957	118,643	93,869	28,074
Income tax	39,539	50,158	38,790	33,503	(1,983)
Prior year's adjustment	-	-	-	(51)	-
Net income	131,913	97,799	79,853	60,315	26,091
Per Share Results and Returns					
Earning per share (Rupees)	7.56	6.43	6.05	5.71	4.24
Net income to sales (%)	13.31	19.30	24.21	9.43	7.70
Return on average assets (%)	14.97	23.10	14.95	10.27	4.60
Return on average equity (%)	33.96	33.80	38.26	41.65	32.76
Financial Position (Rs. 000's)					
Current Assets	797,203	382,249	268,163	180,544	415,651
Current liability	575,576	267,873	259,671	152,011	438,756
Operating Fixed Assets	240,181	247,487	262,898	275,817	282,982
Total Assets	1,085,875	676,963	592,775	474,389	701,382
Long-term Debt	73,433	69,206	97,360	143,677	144,240
Shareholders' Equity	436,866	339,883	238,744	178,700	111,137
Break-up value per share (Rupees)	25.01	22.38	18.08	16.91	11.29
Financial Ratios					
Current assets to current liabilities	1.47	1.56	1.03	1.18	0.94
Long term debt to capitalization %	12.8	16.91	28.72	44.57	54.92
Total debt to total assets %	43.45	49.70	59.70	62.35	83.12
Interest coverage (times)	6.42	6.28	4.40	3.33	1.52
Average collection period (days)	33	29	41	24	48
Inventory turnover (times)	3.91	4.75	3.55	3.18	1.56
Fixed assets turnover (times)	4.25	4.62	2.93	2.32	1.18
Total assets turnover (times)	0.94	1.69	1.30	1.35	0.48
Other Data (Rs. 000's)					
Depreciation	35,285	48,459	29,845	28,326	16,522
Capital expenditure	31,226	31,595	10,906	26,333	149,419

In order to make the comparisons more meaningful, the 1996 figures have been annualized.

DIRECTORS' REPORT



Crescent Steel
and Allied
Products Ltd.

The directors of the Company feel pleasure in submitting their report together with the audited accounts of the Company for the year ended June 30, 1997. The accompanying Chief Executive's Review and other reports provide a more detailed description of activities in the year and prospects for the future.

	Year ended June 30, 1997	Eighteen Months ended June 30, 1996
	Rupees (000's)	
PROFIT FOR THE YEAR AND SURPLUS		
Profit before taxation	171,452	221,936
Provision for taxation		
- Current	(22,039)	(85,637)
- Deferred	(17,500)	-
- Prior years	-	10,401
	(39,539)	(75,236)
Profit after taxation	131,913	146,700
Unappropriated Profit brought forward	1,954	874
Profit available for appropriation	133,867	147,574
APPROPRIATIONS		
- Reserve for proposed bonus shares issue 3 shares for every 20 shares held (1996: 3 shares for every 20 shares)	(26,198)	(22,780)
- Tax thereon	-	(2,278)
	(26,198)	(25,058)
- Proposed Dividend @ 20% (1996: 15%)	(34,930)	(22,781)
- Interim Dividend Nil (1996: 15%)	-	(22,781)
- General Reserve	(70,000)	(75,000)
	(131,128)	(145,620)
UNAPPROPRIATED PROFIT CARRIED FORWARD	2,739	1,954

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 in 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: October 16, 1997

CHIEF EXECUTIVE'S REVIEW

DEAR INVESTOR

We are pleased to present the results for the fiscal 1997 which by the grace of Allah show significant improvements. It may be mentioned at the outset that comparative figures for the previous period ending 30th June 1996 are for eighteen months. However, for comparison of the results of

the current year, the previous period's figures are annualized wherever necessary for the purposes of comments which follow.

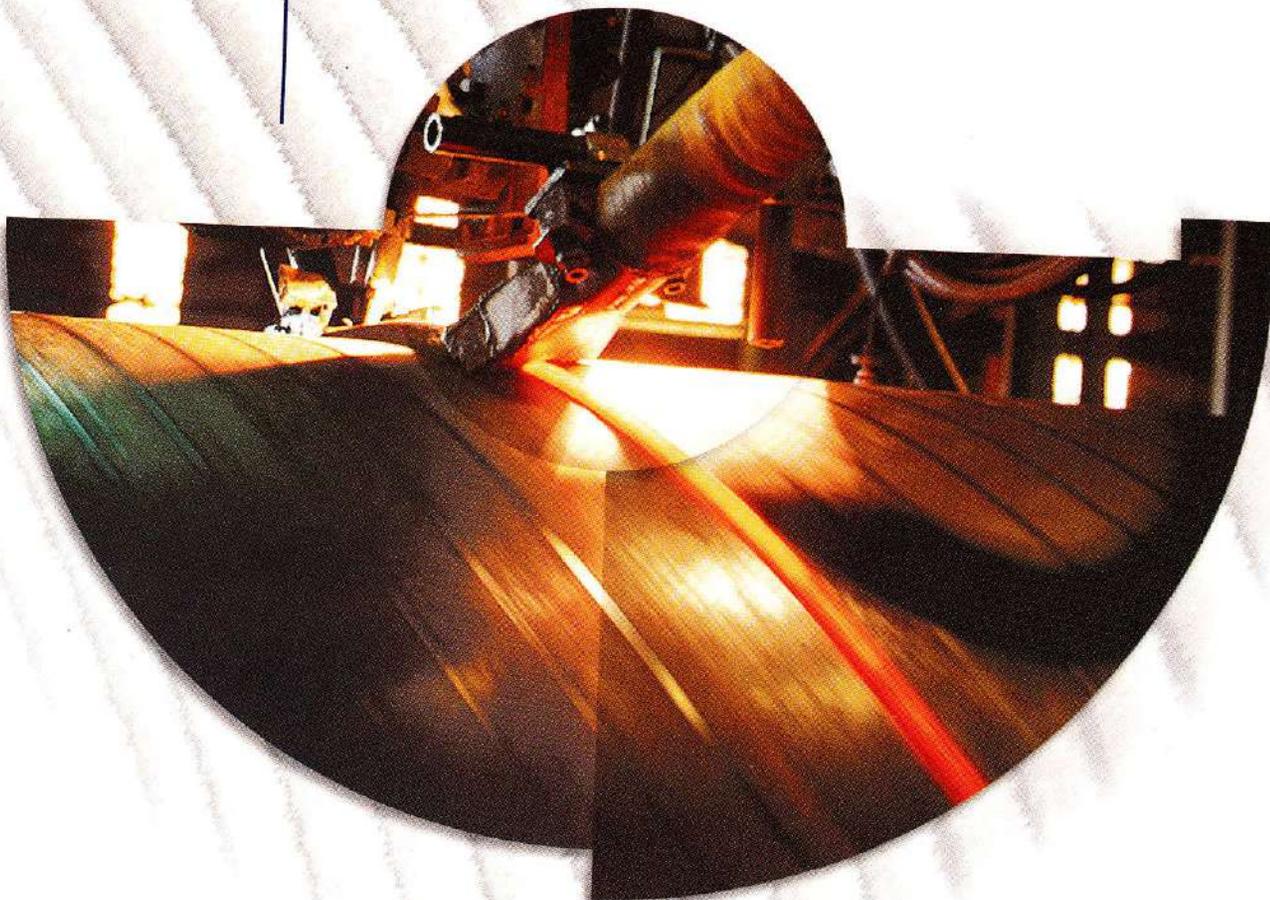
Every year, on a rising gradient, elevating the performance standards, new and challenging goals for achievement individually and collectively for the organisation as a whole are established. Al Hamd-u-Lillah, I am happy to report that responding to this continuing challenge, the individuals and the Company, for eight successive years, have been showing improvements in efficiencies, productivity, net earnings per share, and all key balance sheet and operating ratios. It is indeed a matter of satisfaction that despite difficult economic conditions, we are able to report results, which are not only in line with targets

and expectations of the shareholders but, in many respects surpass the expectations.

During fiscal 1997 the Company earned highest ever profit before taxation of Rs.171.5 million surpassing the previous high mark Rs.147.9 million achieved in 1996.

OPERATIONS

Pipe plant production has been increasing constantly over the last several years. During fiscal 1997 it went up to 42,235 tons compared to 38,096 tons in fiscal 1996, an increase of 11%. The coating operations remained below capacity due to scarcity of coating jobs during the year. Capacity utilization of the Coating Plant is expected to increase in fiscal 1998.



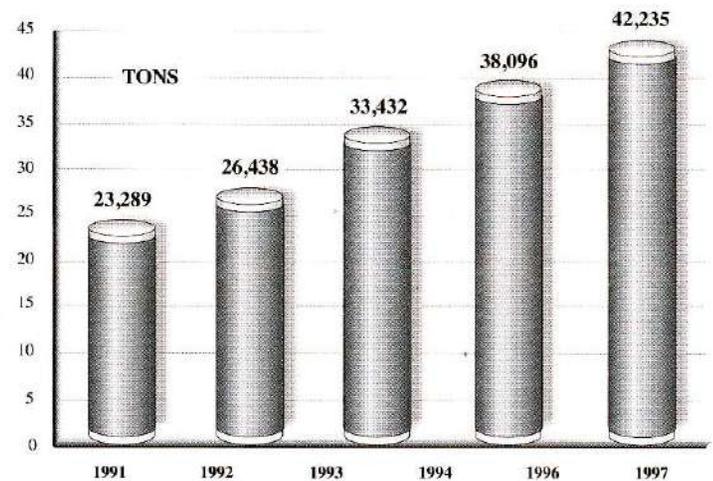
CHIEF EXECUTIVE'S REVIEW



Crescent Steel and Allied Products Ltd.

Turnover for fiscal 1997 was higher at Rs.991.5 million (1996: Rs.506.8 million). Revenue from production of Bare Pipes was Rs.922.5 million, which was higher by 191% over fiscal 1996. This was primarily due to the fact that in 1996 major part of sales revenue was from conversion activity with relatively lower sales value, as cost of material is not included therein. Whereas in 1997 the sale of own product generated bulk of the revenue. Coating operation revenue was substantially lower at Rs.69.1 million, compared to Rs.190.0 million in 1996, reflecting a fall of over 63%.

The operating expenses were generally under control and increase, if any, was in line with enhanced operating activity of the Company. As a percentage of sales, operating expenses

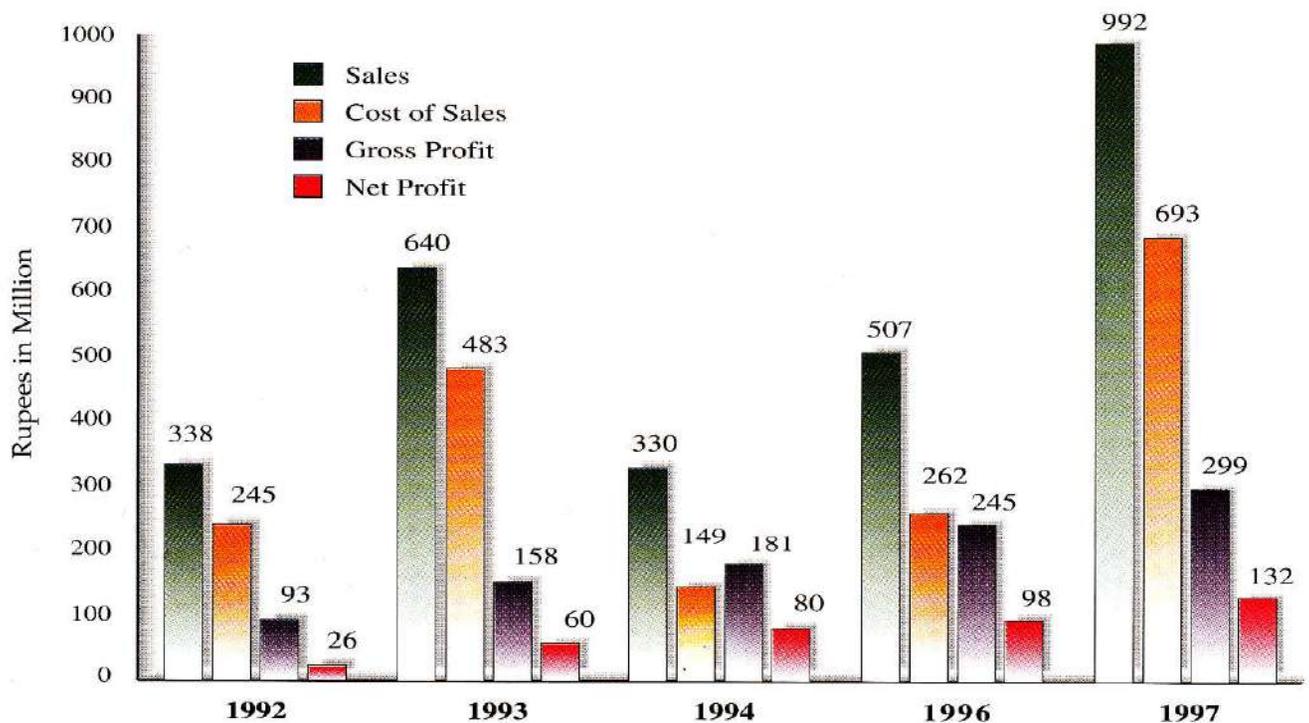


ACTUAL PIPE PRODUCTION OF MIXED DIAMETERS

work out to 6.4% in fiscal 1997 compared to 6.8% in 1996.

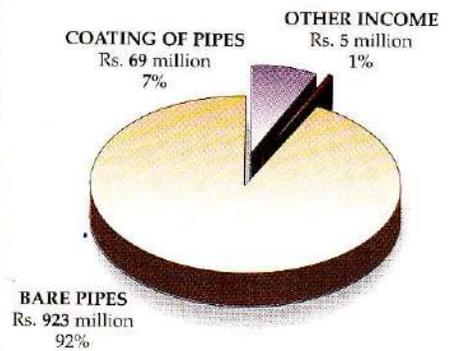
Financial charges for fiscal 1997 are Rs.26.7 million, higher by Rs.3.1 million over 1996. This is mainly due to increased

financial cost on larger average working capital funds borrowed which by the year end were fully repaid. In fact there was a reasonable cash surplus available at the end of the year.

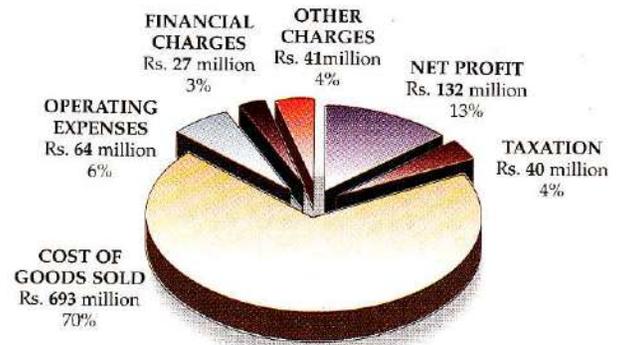


SALES, COST OF SALES, GROSS PROFIT AND NET PROFIT

CHIEF EXECUTIVE'S REVIEW



REVENUES Rs. 997 MILLION



DISTRIBUTION Rs. 997 MILLION

Other charges in fiscal 1997 are shown at Rs.41.4 million which include an expenditure of Rs.16.5 million incurred in the previous two years in connection with intended expansion of the pipe mill by acquiring a second spiral pipe machine. Due to uncertainties, this project has been given up therefore the accumulated expenditure so far incurred has been written-off.

The net profit before taxation was Rs.171.5 million for fiscal 1997 compared to Rs.147.0 million in 1996. This may be considered as a record for the Company. The profit after taxation for fiscal 1997 was

Rs.131.9 million yielding an earning per share of Rs.7.56 which is better than Rs.6.43 in 1996. This should be considered in the backdrop of the fact that in 1996 the number of shares was 15.187 million whereas in 1997 this number went up to 17.465 million.

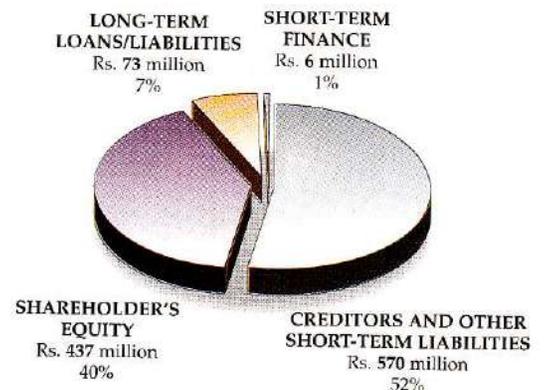
The balance sheet of the Company as at 30th June, 1997 was healthier and stronger compared with 30th June 1996. The current ratio was 1.47:1 while the debt equity ratio improved from 17:83 to 13:87. Fixed assets turnover was 4.25 times compared to 4.62 times last year. Inventory turnover was 3.91 times compared to

4.75 last year. Assets and inventory turnover apparently show a little decline over the last year due to the fact that the proportion of sales, cost of goods sold and inventory differs substantially due to the difference in volumes of conversion jobs and own products from year to year. The average debt collection period was 31 days which was more or less in line with last year.

High standard of financial performance continues to be an important goal for us. The level of the Company's capitalization, after accounting for profit appropriation as recommended by the Directors



ASSETS Rs. 1086 MILLION



LIABILITIES Rs. 1086 MILLION

CHIEF EXECUTIVE'S REVIEW



Crescent Steel
and Allied
Products Ltd.

this year, will be adequate for our present operations. The Company is in a position to meet and satisfy the requirements of banks and loan giving agencies to raise short term and long term funds for its current and future operations as and when need arises.

As reported in fiscal 1996 there does seem to be a realization for using pre-coated pipes by the utility companies and some orders received were for pre-coated pipes. However, the extent of such orders was far too inadequate in relation to the capacity of the plant and its utilization was only 25% compared to 57% in 1996. It may however be pointed out that the coating plant has proved to be of immense value in attracting orders from customers who needed pre-coated pipes which would otherwise have been lost to us.

The coating of pipes done by the Company is of outstanding quality, comparable with the best in business any where in the world.

QUALITY PROGRAMME

Excellence in quality is of utmost priority and towards this end, the Company established a formal quality programme covering the entire organization with requisite control framework for implementation of this programme. Our commitment to quality has been translated into a policy, the mission and goals of which are:

- to be one of the leading manufacturers of good quality products complying with international standards,
- to avoid non conformance and prevent recurrence of errors,
- to fulfill the contractual requirements, needs and expectations of the customers in the most efficient manner,
- to discharge our responsibility to society by maintaining good social standards, and
- to maintain a good standard of skills, motivation, safety and health of our employees.

I am happy to report that our quality programme has borne fruit and as indicated last year the Company has been awarded ISO9001 accreditation for quality

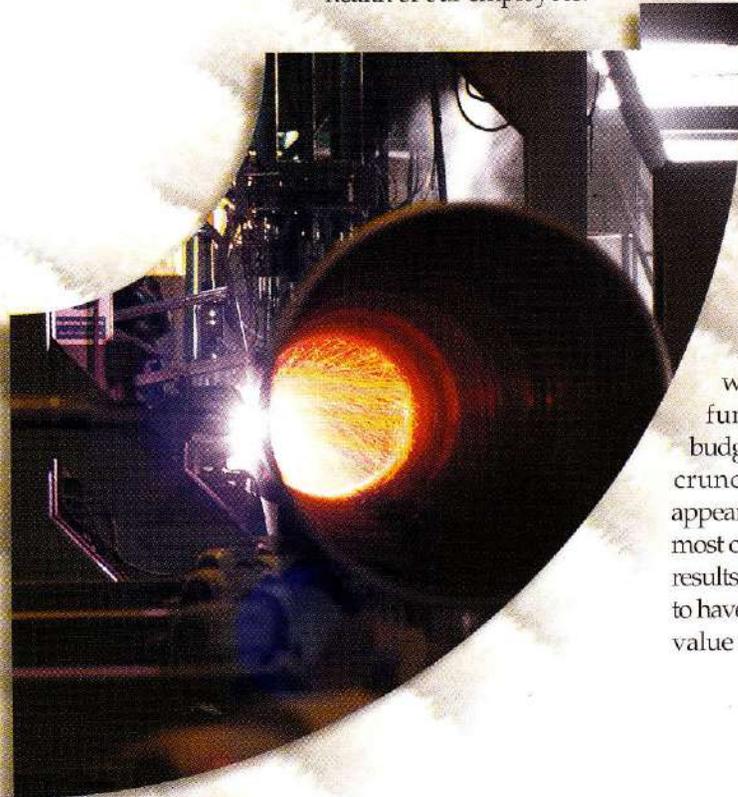


management standards in January 1997. Ours was the first Company in Pakistan in its industry segment to have received this accreditation. This is in addition to Company's right to use API monogram of the American Petroleum Institute.

INVESTMENTS

Our investment portfolio in the balance sheet appears under the classification of short term and long term. Long term investments as the nomenclature implies, represent investments reflecting sponsors' shares not likely to be sold in the near future. Whereas short term investments are made in the capital market for taking advantage of profit opportunities inclusive of capital gain, offered by shares listed on the stock exchanges.

Unfortunately, the capital markets in Pakistan have been under pressure for quite some time and are likely to remain so in the near future due to weak economic fundamentals, rising budgetary deficit and liquidity crunch. Market sentiment appears to be still negative as in most cases even good corporate results and pay-outs have failed to have any salutary effect on the value of such scrips.



CHIEF EXECUTIVE'S REVIEW

The cost of short term investment as of 30th June 1997 was Rs. 68.3 million with a market value of Rs. 78.5 million as on 15th October 1997. Some of the long term investments at the year-end were sold and repurchased at current market price and the value of these investments as on 30th June 1997 was Rs.46.7 million after booking a loss of Rs.16.6 million. The market value of the long term investments as on 15th October 1997 was Rs.46.8 million. From this it may be noted with satisfaction that the corrective actions taken by the Company last year and this year have yielded positive results and the current value of our investments are a little higher than cost.

INCOME TAX

It is a matter of satisfaction for me to inform you that all assessments upto and including fiscal 1993 corresponding to the assessment year 1994-95 have been finalized and the issues of even some small add-backs have been decided in favour of the Company.

For the assessment year 1995-96, the Company had filed returns under section 143(b) of the Income Tax Ordinance on the basis of presumptive tax regime but the Income Tax Officer disregarding this basis invoked section 80-C(5) of the Ordinance. The Company appealed to the Income Tax Appellate Tribunal which has given its judgment in our favour. Consequent to this, the Company will be entitled to a tax relief of Rs.59 million as provision for tax in the accounts was made at normal rates of tax. However, as the department

has not yet revised the assessment order, no write-back to this effect has been made in the 1997 accounts.

If the basis for application of the presumptive tax on Company's income is extended, there is a possibility to write back a sum of Rs. 36 million for assessment year 1996-97. Thus, the total write-back in fiscal 1998 could be Rs.95 million, if the department does not go to appeal against the tribunal's judgment.

INDUSTRY PROBLEMS

The engineering industry in Pakistan has suffered over the years due to step-motherly treatment. The policies have been such that the engineering industry's contribution in the economy through supply of engineering goods has declined from 42 percent in 1982 to less than half of this percentage in recent years. Scarcity of raw materials or their availability at extortionate prices coupled with issues of taxation thereon, are some of the fundamental reasons for this. There are times, when the raw material prices quoted by Pakistan Steel are more than the finished goods prices from abroad which can be imported by some sectors without payment of duties. The Government should see that the Pakistani engineering industry has access to raw materials at the same terms and prices available to their competitors in other countries. The Government should respond where there is 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 if procured from Pakistani industry, also needs to be looked into. The present procedure is heavily biased in favour of offshore suppliers as their C&F prices are compared against our ex-factory prices including add-ons. Unprecedented duty concessions have been given to potential buyers in the Petroleum & Energy sectors under the Petroleum Policy. Similar concessions are denied to local manufacturers supplying to the Petroleum & Energy sector projects and thus the basic principle of equivalence of inputs is violated and a level playing field is 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 thickness. 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.

Another problem which at times arises relates to design of projects involving supply of engineering goods. At the design stage, the consultants either due to ignorance or bias or may be even vested interest prescribe specifications which unfairly exclude indigenous pipe manufacturers. Non-acceptance of spirally welded pipe by some

CHIEF EXECUTIVE'S REVIEW



Crescent Steel
and Allied
Products Ltd.

of the oil companies for their pipeline is one such example.

It is for consideration that for problems of this nature, the issues involved should be examined by a technically competent independent body in the national interest specially for projects being funded through public exchequer by the government.

In this context, the Engineering Development Board could play a positive role and independently evaluate the prescribed specifications to ensure that these do not unfairly preclude local manufacturers from competing with international suppliers. The Engineering Development Board in the past has helped resolve certain issues of quality and specification for which their effort is gratefully acknowledged and appreciated.

The octroi collected by the local bodies is extortionate in nature. The octroi collecting regime that 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 strangulated. 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.

SOCIAL RESPONSIBILITY

Crescent Steel and Allied Products Limited has always remained conscious of its responsibility to the society. We

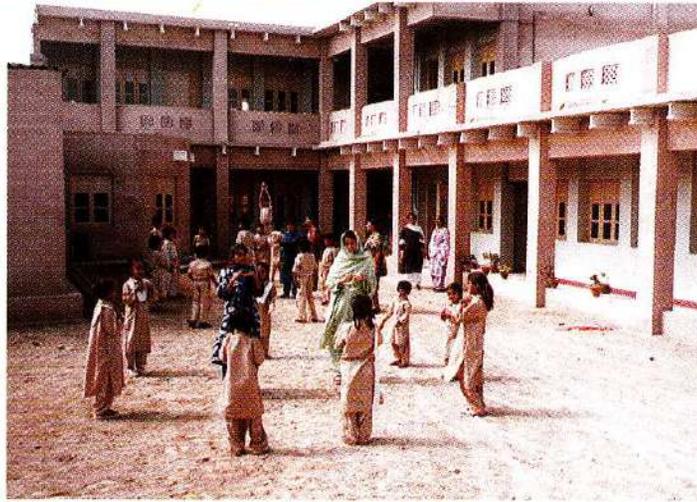
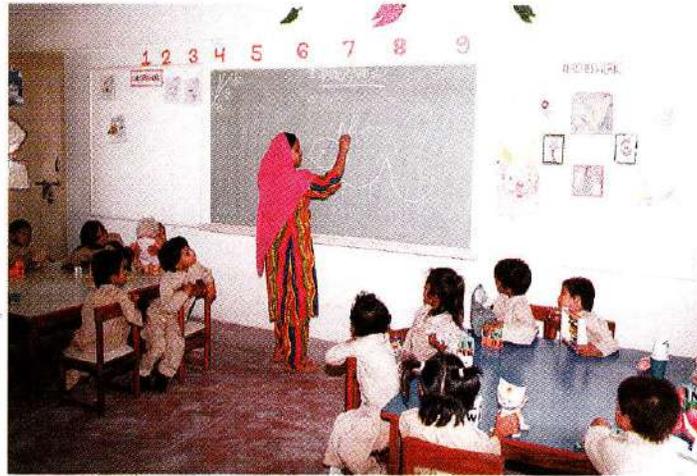
waste water to make the premises greener and have about 1000 trees out of which more than 50 percent are over 15 feet high. We also continue



have been actively supporting conservation and waste reduction, and assume responsibility for the environment. We have also participated with the community in plantation of trees while our efforts of tree plantation in our factory at Nooriabad continue. When we broke ground to build the factory in 1985, there was not even a blade of grass on that piece of land. We have recycled

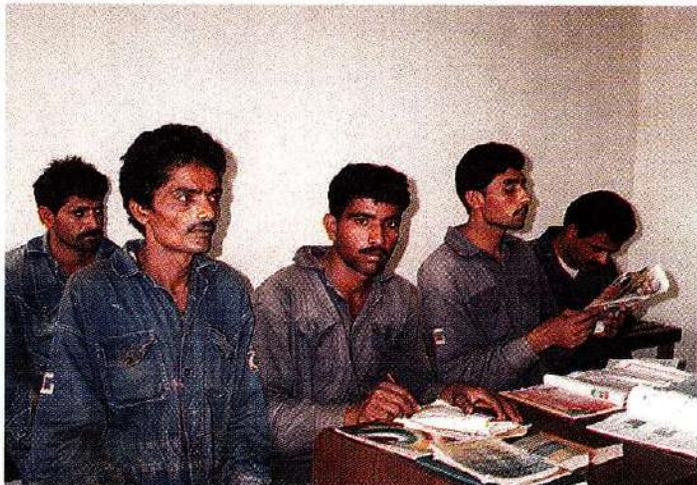
to support education at primary, secondary and tertiary levels. We spent rupees four million for the benefit of the community and two primary schools with our funding are fully functional and a third one is being built. This year we also took an initiative towards adult literacy and the uneducated workforce at the factory is being provided with formal class room education after work. At present 40 workers are studying primary

CHIEF EXECUTIVE'S REVIEW



level curriculum. After completing they will move to middle/secondary level. In a few years time, we should hopefully have no worker of less than secondary level education. For the future also,

we shall remain committed to support the causes of education, environment and health care and continue to play a role according to our financial capacity, in making this country a better place to live.



FUTURE OUTLOOK

Your Company has come a long way completing ten years of commercial production and the results of fiscal 1997 show an exceptional bottom line. However, it also brings us to a position where the Company has to consolidate on the gains it has made in the past decade. Accordingly although the Company continues to maintain high quality norms in all its products, in order to remain at the cutting edge of technology, and maintain its position of quality leadership, latest modern equipment is being added to the pipe mill to further reduce wastage in the form of scrap and improve the speed of production line. Improvement of technical capability is specially called for due to increasing competition in a shrinking local market.

With financial resource constraint at the governmental level, the infrastructure development projects seem to be getting sidelined. Fiscal 1999 will be a difficult year in terms of local order intake and we are actively exploring other opportunities particularly in the Middle East.

While export possibilities are being pursued, it is also necessary that the Company should find investment opportunities which have synergy with our existing activities. We are actively seeking participation in the Turkmenistan- Pakistan Gas Pipeline Consortium for laying 1271 km of 48" dia pipeline from Turkmenistan to Multan.

CHIEF EXECUTIVE'S REVIEW



Crescent Steel
and Allied
Products Ltd.

BOARD OF DIRECTORS

All members of the old Board of Directors whose term expired on 29th January 1997 were re-elected. During the year, Mr Zaigham Rizvi who had served on the Board for ten years resigned and was replaced by Mr. Noman Qureshi. Mr. Rizvi made very valuable contribution and we place on record our appreciation for the guidance provided during his tenure. On behalf of the Board I extend a very warm welcome to Mr. Noman Qureshi and am confident that the Company will benefit from his presence in the Board Room.

The Board of Directors has always been a source of guidance and support for the management and I place on record my appreciation for the way it has complemented the efforts of the management throughout fiscal 1997 making a great success of it.

CSAP PEOPLE

We have an exceptional group of people. They all worked very hard and were the key to another successful year. It is their hard work, commitment and devotion that has given a sound base to the Company for long term growth and has made it possible to produce the excellent results for the year which are in front of you. Every one of them is focused on one's responsibility to the shareholders and the customers. They all deserve a warm vote of thanks for a job well done.

The "intellectual capital" of our company is one of our most valuable assets and that is why improvement of the skill sets through continuous training at all levels of the organization is a high priority area. Though we have a fair idea of what new skills should be learnt and what old skills need to be updated, we are refocusing our training agenda to make training a participative exercise in a systemic sense and to use training to help integrate various functions across the Company.

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 owe our thanks to 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.

AHSAN M. SALEEM
Chief Executive

AUDITOR'S REPORT

A. F. FERGUSON & CO.
CHARTERED ACCOUNTANTS

OTHER OFFICES AT:
LAHORE - RAWALPINDI - ISLAMABAD

STATE LIFE BUILDING 1-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 June 30, 1997 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 accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purposes 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 June 30, 1997 and of the profit and the cash flows for the year then ended; and
- d) in our opinion zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

A. Ferguson & Co.
Chartered Accountants
AFF&C.

November 6, 1997

BALANCE SHEET



Crescent Steel
and Allied
Products Ltd.

As at June 30, 1997

	Note	1997	1996
		Rupees	
Share Capital and Reserves			
Authorised capital 30,000,000 (1996: 20,000,000) ordinary shares of Rs. 10 each		300,000,000	200,000,000
Issued, subscribed and paid-up capital	3	174,650,990	151,870,430
Reserve	4	259,475,696	186,058,616
Unappropriated Profit		2,739,280	1,953,785
		436,865,966	339,882,831
Long-term Loan	5	36,099,897	50,287,897
Liabilities against assets subject to finance lease	6	4,233,268	3,319,112
Deferred Taxation	7	33,100,000	15,600,000
Current Liabilities			
Current maturity of long-term liabilities	5	14,188,000	12,108,000
Current maturity of liabilities against assets subject to finance lease	6	3,826,555	4,430,982
Short-term running finances under mark-up arrangements	8	6,174,175	49,168,365
Creditors, Accrued and Other Liabilities	9	485,362,829	109,433,352
Taxation	10	31,094,328	69,951,650
Proposed Dividend		34,930,198	22,780,565
Contingencies and Commitments	11	575,576,085	267,872,914
		1,085,875,216	676,962,754

The annexed notes form an integral part of these accounts.

Mazhar Karim
Chairman

	Note	1997	1996
		Rupees	
Tangible Fixed Assets			
Operating Assets	12	218,082,763	223,477,380
Assets subject to Finance Lease	13	9,742,407	15,607,422
Capital Work-in-Progress	14	12,356,266	8,402,226
		<u>240,181,436</u>	<u>247,487,028</u>
Long Term Investments	15	46,678,500	45,767,689
Long-Term Deposits and Prepayments	16	1,811,876	1,458,846
Current Assets			
Stores, Spares and Loose Tools	17	29,445,409	31,320,300
Stock-in-Trade	18	346,841,030	160,636,346
Trade Debts	19	203,190,357	64,444,065
Short-term Advances	20	5,573,101	5,203,232
Short-term Deposits and Prepayments	21	3,634,337	4,394,598
Other Receivables	22	51,528,659	55,300,084
Short-term Investments	23	68,357,070	57,784,173
Cash and Bank Balances	24	88,633,441	3,166,393
		797,203,404	382,249,191
		<u>1,085,875,216</u>	<u>676,962,754</u>


Ahsan M. Saleem
Chief Executive

PROFIT AND LOSS ACCOUNT

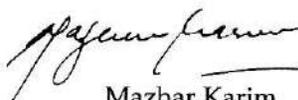


Crescent Steel
and Allied
Products Ltd.

For the year ended June 30, 1997.

	Note	Year ended June 30, 1997	Eighteen months ended June 30, 1996
Rupees			
Sales	25	991,639,318	760,300,580
Cost of sales	26	693,120,237	392,434,276
Gross Profit		298,519,081	367,866,304
Selling expenses	27	31,701,297	17,537,638
Administration expenses	28	32,478,710	34,377,561
		64,180,007	51,915,199
Operating Profit		234,339,074	315,951,105
Other income	29	5,274,199	4,096,880
		239,613,273	320,047,985
Financial charges	30	26,699,680	35,325,059
Other charges	31	41,461,284	62,786,696
		68,160,964	98,111,755
Profit before Taxation		171,452,309	221,936,230
Taxation	32	39,538,976	75,236,458
Profit after Taxation		131,913,333	146,699,772
Unappropriated profit brought forward		1,953,785	873,759
Profit available for appropriation		133,867,118	147,573,531
Appropriation:			
Reserve for proposed Bonus Shares issue @ 15% (1996:15%)		26,197,640	22,780,560
Tax thereon		-	2,278,056
Proposed final dividend @ 20% (1996 : 15%)		26,197,640	25,058,616
Interim dividend Nil (1996: 15%)		34,930,198	22,780,565
		-	22,780,565
Transfer to general reserve		70,000,000	75,000,000
		131,127,838	145,619,746
Unappropriated profit carried forward		2,739,280	1,953,785

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 June 30, 1997.

	Note	Year ended June 30, 1997	18 months ended June 30, 1996
Rupees			
Cash Flow from operating activities			
Cash generated from operations	33	295,507,594	285,574,084
Taxes paid		(60,896,298)	(50,897,120)
Financial charges paid		(25,133,266)	(36,327,405)
Increase/(decrease) in long-term deposits and prepayments- net		(353,030)	706,983
Net cash inflow from operating activities		209,125,000	199,056,542
Cash Flow from investing activities			
Fixed capital expenditure		(28,670,675)	(33,254,557)
Investments made		(56,020,198)	(98,716,225)
Sale proceeds of fixed assets		1,249,662	313,400
Sale proceeds of investments		33,405,043	52,927,363
Dividend received		2,575,179	3,383,105
Return on deposits - from an associated undertaking		1,000,000	-
Return on deposits - others		174,970	494,600
Net cash outflow from investing activities		(46,286,019)	(74,852,314)
Cash Flow from financing activities			
Liabilities against assets subject to finance lease		5,197,080	-
Repayments of			
- redeemable capital and long term loans		(12,108,000)	(37,262,612)
- liabilities against assets subject to finance lease		(4,887,351)	(8,811,710)
- dividend paid		(22,579,472)	(42,210,272)
Net cash (outflow) from financing activities		(34,377,743)	(88,284,594)
Net increase in cash and cash equivalents		128,461,238	35,919,634
Cash and cash equivalents at beginning of the year/period		(46,001,972)	(81,921,606)
Cash and cash equivalents at end of the year/period	34	82,459,266	(46,001,972)

The annexed notes form an integral part of these accounts.



Mazhar Karim
Chairman



Ahsan M. Saleem
Chief Executive

NOTES TO THE ACCOUNTS



Crescent Steel
and Allied
Products Ltd.

NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1997

1. LEGAL STATUS AND OPERATIONS

1.1 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 line pipes.

The company has also been awarded ISO 9001 Quality Management Standard certification during the year ended June 30, 1997.

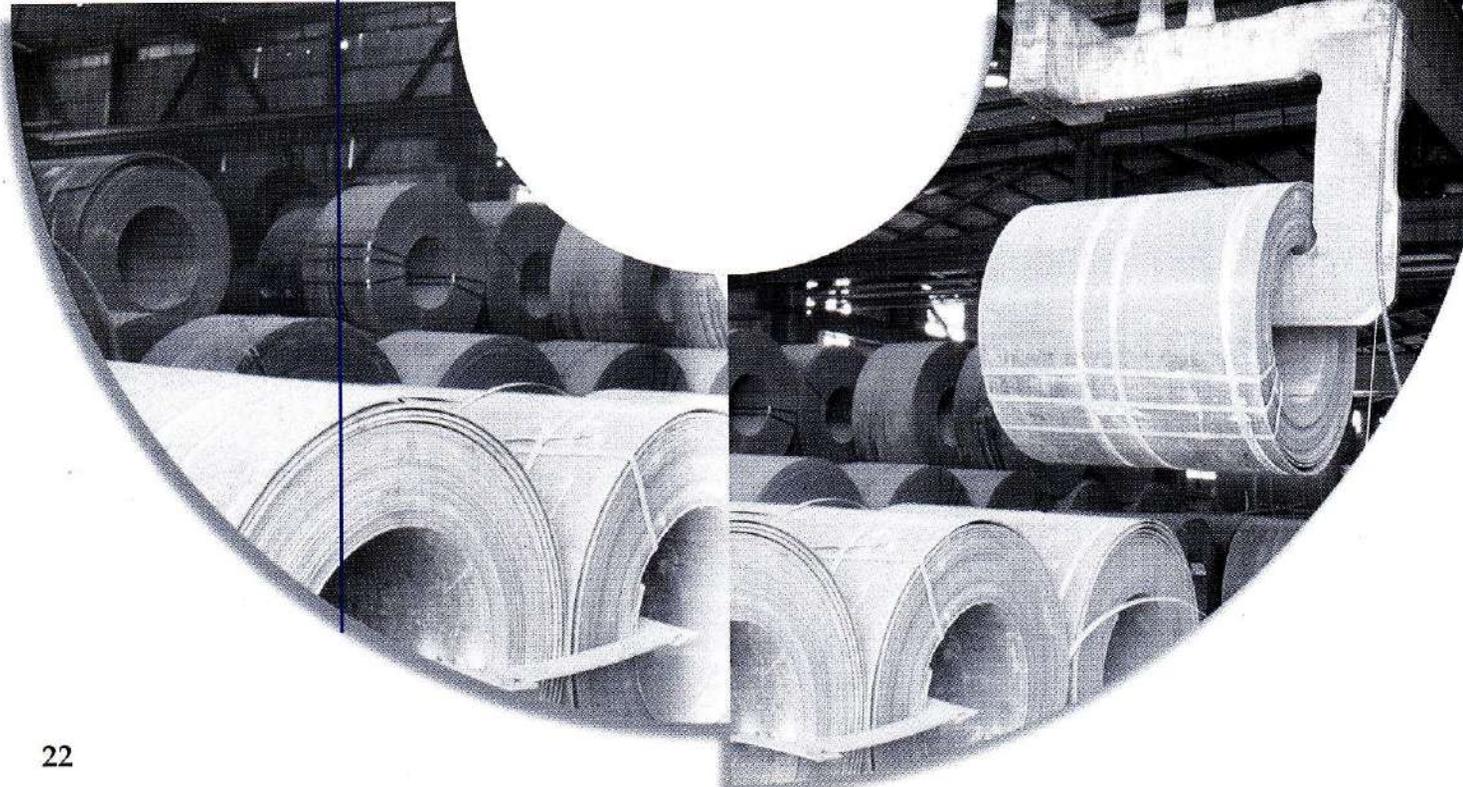
1.2 The option available to companies to adopt a calendar year as income year under the provisions of the Income Tax Ordinance, 1979 was withdrawn through the Finance Act, 1995. Consequently, the company was required to adopt the financial

year (i.e. July to June) as its income year. In view of the above the company changed its accounting year end from December to June effective July 1, 1996. As a consequence of this change these accounts have been prepared for the year ended June 30, 1997 whereas the comparative figures are for the eighteen months period ended June 30, 1996.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.



NOTES TO THE ACCOUNTS

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 the 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 pension and gratuity funds on a monthly basis according to the actuarial recommendations which are based on the 'projected unit credit method'. The current contribution rates of pension and gratuity funds are 13.8% and 6.1% of basic salaries of the employees respectively. Last actuarial valuations of these funds were carried out as of June 30, 1996, wherein, 'actuarial present value of promised retirement benefits' under the pension and gratuity

fund schemes was Rs. 7,135,500 and Rs. 2,990,500 respectively, and the 'fair value of plan assets' of pension and gratuity fund schemes was Rs. 3,569,700 and Rs. 1,935,100 respectively.

The principal actuarial assumptions used in the valuation of these schemes as of June 30, 1996 by the actuaries are:

- actuarial method-projected unit credit method;
- expected rate of growth in future salaries - 10% per annum;
- expected rate of return on fund for active members - 12% per annum; and
- expected rate of return on fund for retired members under the Pension fund scheme - 9% per annum.

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 period'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. No depreciation is charged on assets disposed off 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 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 on a weighted average basis.

2.6 Stocks-in-trade

Stocks are valued at lower of cost and net realisable value. Cost is arrived at on weighted average basis. Cost of work-in-process and finished goods includes cost of materials and appropriate portion of production overheads. Net realizable 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.

NOTES TO THE ACCOUNTS



Crescent Steel
and Allied
Products Ltd.

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

1997		1996		
No. Of Shares		Rupees		
10,564,900	10,564,900	Ordinary shares of Rs.10/- each fully paid in cash	105,649,000	105,649,000
6,900,199	4,622,143	Ordinary shares of Rs.10/- each issued as bonus shares	69,001,990	46,221,430
<u>17,465,099</u>	<u>15,187,043</u>		<u>174,650,990</u>	<u>151,870,430</u>

4. General Reserves

At the beginning of the year/period	161,000,000	86,000,000
Transfer from profit and loss account	70,000,000	75,000,000
	<u>231,000,000</u>	<u>161,000,000</u>

Reserve for issue of bonus shares
at the beginning of the year/period
Transfer from profit and loss account
Tax @10% thereon

Bonus shares issues during the year

25,058,616	-
26,197,640	22,780,560
-	2,278,056
<u>26,197,640</u>	<u>25,058,616</u>
51,256,256	25,058,616
22,780,560	-
<u>28,475,696</u>	<u>25,058,616</u>
<u>259,475,696</u>	<u>186,058,616</u>

5. Long-term Loans

Secured

From National Development Finance Corporation (NDFC)

5.1

Less: Current maturity shown under current liabilities

50,287,897	62,395,897
<u>14,188,000</u>	<u>12,108,000</u>
<u>36,099,897</u>	<u>50,287,897</u>

NOTES TO THE ACCOUNTS



Crescent Steel
and Allied
Products Ltd.

5.1 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 the pipe coating plant.

After the full disbursement of US \$3.943 million during the year 1992 the liability in Pakistan 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.

The loan is secured by way of pari passu first fixed charge on all of the company's immovable properties including plant and machinery, spare parts, accessories and electrical and other equipments and a first floating charge on all other movable property and assets (pre-

sent 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 finances obtained from banks as referred to in note 8.1 to 8.3 below.

6. Liabilities against assets subject to finance lease

	Notes	1997	1996
		Rupees	
Minimum lease payments	6.1	10,227,674	8,891,849
Less: Finance charges not yet due		2,167,851	1,141,755
		<u>8,059,823</u>	<u>7,750,094</u>
Less: Current maturity shown under current liabilities		3,826,555	4,430,982
		<u>4,233,268</u>	<u>3,319,112</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 26.40% per annum, which are used as discounting factors.

The company intends to exercise its option to purchase the leased assets for Rs. 1.728 million upon completion of the lease periods.

NOTES TO THE ACCOUNTS

Details of the lease agreements are as under:

Lessor	Minimum lease payments outstanding as at June 30, 1997	Number of instalments outstanding	Approximate rate of interest per annum	Expiry Date
		Rupees		%
Asian Leasing Corporation Limited	1,093,813	5 monthly	19.50	Nov 30, 1997
Asian Leasing Corporation Limited	1,295,800	5 quarterly	20.38	Oct 31, 1998
Standard Chartered Mercantile Leasing Limited	1,109,360	56 monthly	22.02	Feb 20, 2002
First Crescent Modaraba	1,203,576	11 monthly	26.00	June 27, 1998
Standard Chartered Mercantile Leasing Limited	572,950	40 monthly	21.51	Oct 10, 2000
Standard Chartered Mercantile Leasing Limited	728,605	39 monthly	21.48	Sept 20, 2000
Standard Chartered Mercantile Leasing Limited	988,395	59 monthly	22.01	May 09, 2002
Orix Leasing Corporation Limited	3,235,175	31 monthly	26.49	Jan 25, 2000

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. 33.100 million (1996: Rs.46.502 million) which have been pro-

vided in the accounts (1996: Rs.15.600 million).

8. Short-term finance under mark-up arrangements

	Notes	1997	1996
		Rupees	
Secured			
Running Finance			
From National Bank of Pakistan	8.1	159,254	7,978,671
From Societe Generale, The French and International Bank	8.2	6,014,921	41,189,694
		<u>6,174,175</u>	<u>49,168,365</u>

NOTES TO THE ACCOUNTS



Crescent Steel
and Allied
Products Ltd.

8.1 The facility for running finance available amounts to Rs.20 million (1996: Rs.20 million). The rate of mark-up is 60 paisas per 1,000 rupees per day. A rebate of 2 paisas per 1,000 rupees per day will be allowed by the bank for prompt payment. Further rebate of 2 paisas per 1,000 rupees per day will be admissible on giving foreign exchange business in the ratio of 1:2 to the bank, more rebate of 3 paisas per 1,000 rupees per day will be admissible if the same business is routed in the ratio of 1:3 and further rebate of 3 paisas per 1,000 rupees per day will be allowed if the same business is routed in the ratio of 1:4 and exceeds the limit. The purchase price is repayable on December 31, 1997. 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 on the fixed assets of the company ranking pari passu with the charges created to secure foreign currency loans referred to in Notes 5.

8.2 The facility of running finance available amounts to Rs. 50 million. (1996: Rs.50 million). The rate of mark-up is 16.5% per annum. The purchase price was repayable on May 31, 1997. This facility has been renewed upto August 31, 1998 at revised rates effective from August 26, 1997. The above facility is secured against pledge of marketable securities and stocks, and hypothecation charge over stocks and book debts ranking pari passu with other banks.

8.3 The company has a facility for morabaha local purchase order from a bank amounting to Rs. 55 million (1996: Rs. 55 million) for purchase of raw materials. The rate of mark-up is 17% per annum. This facility is secured by hypothecation of stocks and receivables ranking pari passu with other banks.

8.4 The facility for opening letters of credit and guarantees as at June 30, 1997 amounted to Rs. 836.680 million (1996: Rs.358.930 million) of which amount remaining unutilised at the year end was Rs.200.761 million (1996: Rs.155.672 million).

NOTES TO THE ACCOUNTS

9. Creditors, accrued and other liabilities

	1997	1996
	Rupees	
Creditors	19,986,560	18,927,034
Bills payable	334,512,046	1,610,192
Excise duty payable	8,620,831	7,392,005
Sales tax Payable	362,809	369,113
Accrued liabilities	37,356,865	23,867,470
Interest accrued on secured loan	3,803,022	4,719,303
Accrued mark-up	1,403,651	149,782
Advances from customers	14,557,069	9,802,843
Workers' profit participation fund - Note 9.1	48,506,107	32,351,865
Workers' welfare fund	9,198,110	5,062,887
Retention money	1,858,387	911,317
Due to associated undertakings	1,959,655	37,137
Payable to gratuity fund	66,592	62,920
Payable to pension fund	126,514	1,419,546
Payable to provident fund	325,886	275,319
Unclaimed dividend	580,573	379,480
Others	2,138,152	2,095,139
	<u>485,362,829</u>	<u>109,433,352</u>

Maximum amount due to associated undertakings at the end of any month during the year was Rs. 11.90 million (1996: Rs. 0.861 million).

NOTES TO THE ACCOUNTS



Crescent Steel
and Allied
Products Ltd.

9.1 Workers' profit participation fund

	1997	1996
	Rupees	
Balance at the begining of the year/period	32,351,865	15,455,717
Provision for the year/period	9,619,882	12,248,864
Interest on funds utilized in company's business	7,190,228	5,126,108
	16,810,110	17,374,972
	49,161,975	32,830,689
Less: Amount paid to the workers	655,868	478,824
	48,506,107	32,351,865

10. Taxation

In respect of assessment year 1995-96 the company had filed an appeal in the Income Tax Appellate Tribunal (ITAT). Subsequent to the year ended June 30, 1997 the ITAT has upheld the appeal of the company against the decision of Income Tax Officer to add-back certain amounts in the taxable income of the company for the assessment year. The actual order from ITAT has not yet been received. The net benefit to the company in the form of a tax relief will be approximately Rs. 59 million when an adjustment to this effect is recorded in the company's books.

11. Contingencies and commitments

11.1 The company is contesting a case in the High Court 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.988,513 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 June 30, 1997.

11.2 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 at 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 the company in case the High Court decides against the company.

NOTES TO THE ACCOUNTS

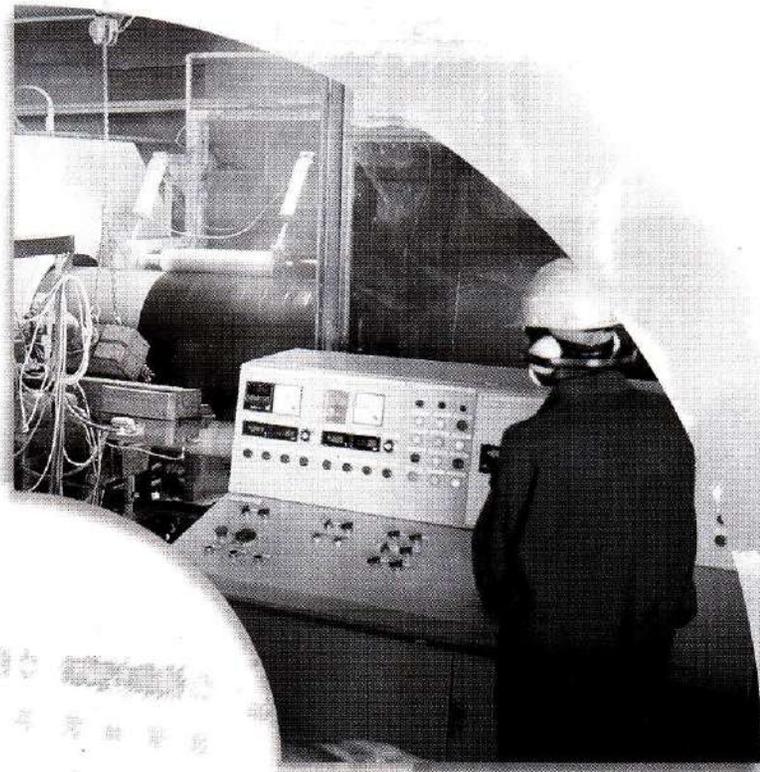
11.3 In 1993 the company imported certain raw materials which were to be consumed for production of pipes to be supplied to Sui Northern Gas Pipelines Limited to perform work under an international tender. At the import stage the raw materials were cleared by the customs authorities after obtaining bank 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 judgement is handed down by the court.

11.4 The company has filed a suit in the High Court of Sindh for restraining the customs authorities from encashing a bank guarantee of Rs. 895,000 issued while availing concessionary benefits of SRO 671 (1)/94 dated 03.07.1994. The liability of the company will eventually depend upon whether or not the goods were consumed in terms of the concession. This case is pending with High Court and a sum of Rs. 895,000 is contingently payable by the company in case the High Court decides the case against the company.

11.5 The company filed a petition before the Lahore High Court, Rawalpindi Bench, challenging the levy of 2% service charge under SRO 1190(1)96 dated 22.10.1996. The case is pending in the High Court and the company will be required to pay Rs. 4,494,975 being 2% service charge on goods cleared if the High Court dismisses company's appeal.

11.6 Aggregate commitments for capital expenditures amounted to Rs. 34.584 million (1996: Rs. 2.539 million).



NOTES TO THE ACCOUNTS



Crescent Steel
and Allied
Products Ltd.

12. Operating Fixed Assets

12.1 The following is a statement of operating fixed assets:
Other than coating plant

Description	Cost as at July 1, 1996	Additions/ *Transfers (Disposals)	Cost as at June 30, 1997
Leasehold land	8,053,796	—	8,053,796
Improvements to leasehold land	105,922	—	105,922
Building on leasehold land	53,563,479	—	53,563,479
Plant and machinery	179,738,864	547,950	180,286,814
Office premises	7,889,965	5,736,970	13,626,935
Furniture and fixtures	8,809,431	4,455,964	13,265,395
Office and other equipments	4,994,616	5,799,977 (19,000)	10,775,593
Vehicles	9,426,270	2,978,694 *1,045,050 (1,550,975)	11,899,039
Workshop equipment	3,172,773	—	3,172,773
As at June 30, 1997	275,755,116	19,519,555 *1,045,050 (1,569,975)	294,749,746
As at June 30, 1996	244,891,239	31,228,434 (364,557)	275,755,116

(*) Leased assets transferred to own assets on the expiry of lease terms during the year.

Accumulated depreciation as at July 1, 1996	Depreciation charge for the year/*Transfers (Depreciations on Disposals)	Accumulated depreciation as at June 30, 1997	Net book value as at June 30, 1997	Rate of depreciation as a % of cost
R u p e e s				
454,398	67,424	521,822	7,531,974	1
9,589	1,067	10,656	95,266	1
18,903,185	2,489,606	21,392,791	32,170,688	5
97,188,964	11,623,416	108,812,380	71,474,434	5-20
3,480,233	1,227,503	4,707,736	8,919,199	10
2,194,434	984,043	3,178,477	10,086,918	10
2,932,629	1,705,926 (9,500)	4,629,055	6,146,538	20
5,737,422	1,864,991 *810,086 (869,198)	7,543,301	4,355,738	20
2,588,304	266,996	2,855,300	317,473	5-20
133,489,158	20,230,972 *810,086 (878,698)	153,651,518	141,098,228	
106,548,176	27,098,814 (157,832)	133,489,158	142,265,958	

NOTES TO THE ACCOUNTS



12.2 Coating Plant:

Description	Cost as at July 1, 1996	Additions/ *Transfers/ (Disposals)
Building on leasehold land	6,870,089	-
Plant and machinery	114,691,507	*13,886,873
Office and other equipments	78,350	-
Furniture and fixture	47,690	-
As at June 30, 1997	121,687,636	*13,886,873
As at June 30, 1996	121,320,674	366,962
Total operating fixed assets as at June 30, 1997	397,442,752	19,519,555 *14,931,923 (1,569,975)
Total operating fixed assets as at June 30, 1996	366,211,913	31,595,396 (364,557)

(*) Leased assets transferred to own assets on the expiry of lease terms during the year.

Cost as at June 30, 1997	Accumulated depreciation as at July 1, 1996	Depreciation charge for the year/ *Transfers/ (Depreciations on Disposals)	Accumulated depreciation as at June 30 1997	Net book value as at June 30, 1997	Rate of depreciation as a % of cost
R u p e e s					
6,870,089	1,230,763	341,496	1,572,259	5,297,830	5
128,578,380	39,176,085	12,197,079 *5,554,749	56,927,913	71,650,467	5-20
78,350	52,071	15,672	67,743	10,607	20
47,690	17,295	4,764	22,059	25,631	10
135,574,509	40,476,214	12,559,011 *5,554,749	58,589,974	76,984,535	
121,687,636	23,696,246	16,779,968	40,476,214	81,211,422	
430,324,255	173,965,372	32,789,983 *6,364,835 (878,698)	212,241,492	218,082,763	
397,442,752	130,244,422	43,878,782 (157,832)	173,965,372	223,477,380	

NOTES TO THE ACCOUNTS



Crescent Steel
and Allied
Products Ltd.

12.3 Following are the details of fixed assets sold during the year:

Description	Cost	Acumulated Depreciation
Vehicle	142,250	142,250
- do -	212,500	212,500
- do -	73,350	-
- do -	66,400	13,280
- do -	57,775	11,555
- do -	57,775	11,555
- do -	35,900	25,130
- do -	154,500	154,500
- do -	353,350	176,675
- do -	284,575	85,373
- do -	66,400	13,280
- do -	46,200	23,100
Office equipment	19,000	9,500

Book Value	Sale Proceeds	Mode of Disposal	Sold to
- Rupees			
-	132,800	Auction	Mr Aziz Ahmed 75/B/II KHE Badban Phase VII, DHA, Karachi.
-	178,100	Auction	Mrs. Shamsun Nissa A-597 Sector II A North Karachi.
73,350	72,000	Insurance Claim	Premier Insurance Wallace Road, Karachi.
53,120	66,400	Insurance Claim	Premier Insurance Wallace Road, Karachi.
46,220	56,000	Insurance Claim	Premier Insurance Wallace Road, Karachi.
46,220	56,000	Insurance Claim	Premier Insurance Wallace Road, Karachi.
10,770	36,000	Insurance Claim	Premier Insurance Wallace Road, Karachi.
-	183,787	Auction	Mr. Faysal Hashim R 210, 15B Buffer Zone North Karachi.
176,675	259,500	Negotiation	Mr. Shahab Ahmed Former Executive 1-D, 2.13, Nazimabad Karachi.
199,202	96,475	Negotiation	Mrs. Irfana Zaidi Wife of an ex employee 4/G1/32, Nazimabad-IV Karachi.
53,120	66,400	Insurance Claim	Premier Insurance Wallace Road, Karachi.
23,100	46,200	Insurance Claim	Premier Insurance Wallace Road, Karachi.
9,500	-	Lost	

NOTES TO THE ACCOUNTS



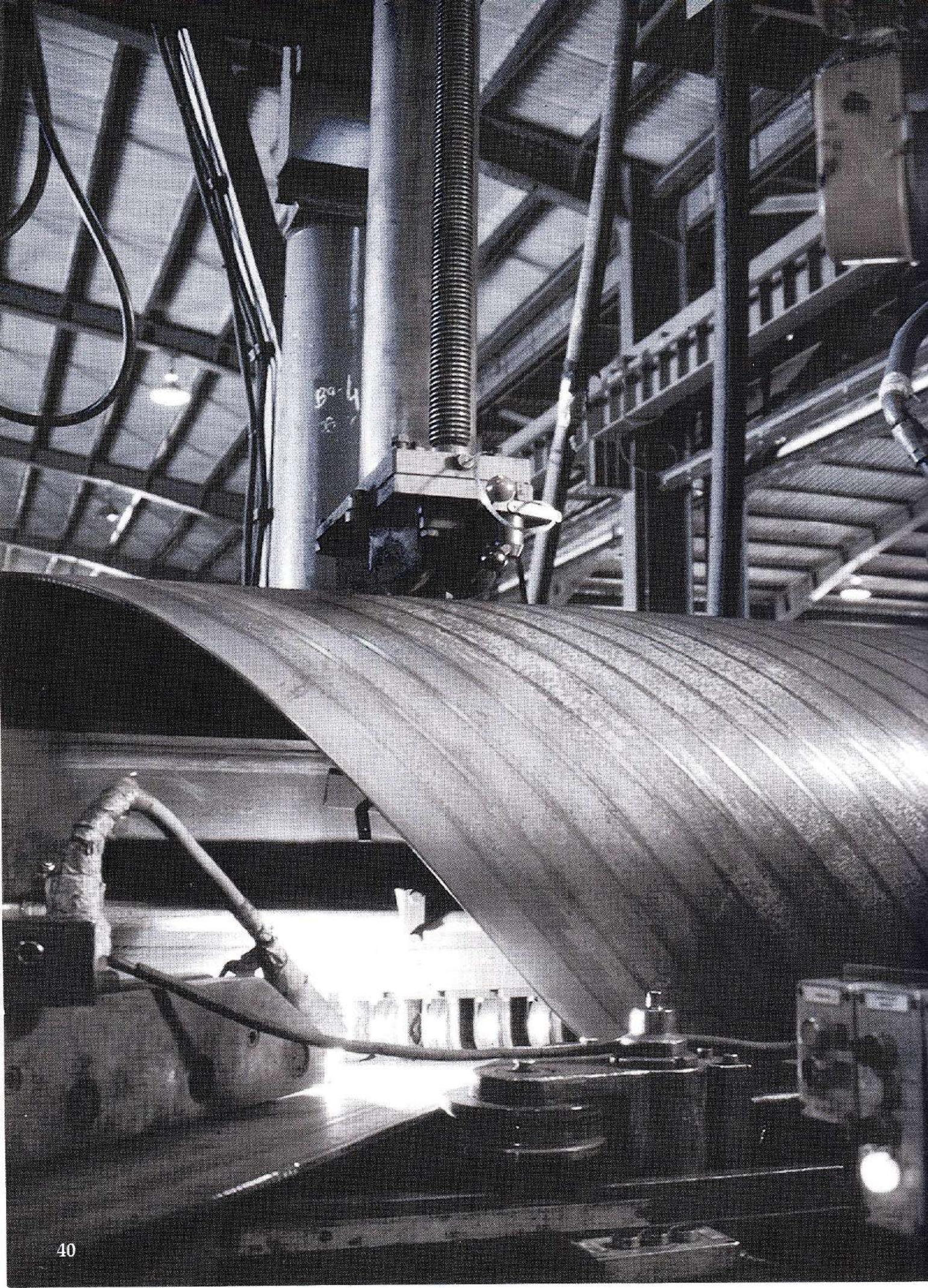
Crescent Steel
and Allied
Products Ltd.

13. Assets subject to finance lease

Description	Cost as at July 1, 1996	Additions/ *Transfers (Disposals)	Cost as at June 30, 1997
Plant and machinery	22,801,755	*(13,886,873)	8,914,882
Vehicles	3,865,563	5,197,080 *(1,045,050)	8,017,593
As at June 30, 1997	26,667,318	5,197,080 *(14,931,923)	16,932,475
As at June 30, 1996	26,667,318	-	26,667,318

13.1 A vehicle acquired under a finance lease and capitalized at Rs. 641,580 has been in the use of an associated undertaking. The company is charging monthly rentals from the associated undertaking for the use of its assets.

Accumulated depreciation as at July 1, 1996	Depreciation charge for the year/*Transfers/ (Depreciation Disposals)	Accumulated depreciation as at June 30 1997	Net book value as at June 30, 1997	Rate of depreciation as a % of cost
R u p e e s				
8,839,545	891,488 *(5,554,749)	4,176,284	4,738,598	10
2,220,351	1,603,519 *(810,086)	3,013,784	5,003,809	20
11,059,896	2,495,007 *(6,364,835)	7,190,068	9,742,407	
6,749,956	4,579,940	11,059,896	15,607,422	



NOTES TO THE ACCOUNTS

14. Capital work-in-progress

	1997	1996
	Rupees	
Civil works	6,640,799	2,669,370
Plant and machinery	5,339,511	4,871,652
Others	375,956	861,204
	<u>12,356,266</u>	<u>8,402,226</u>

15. Long-term Investment

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

1997	1996		1997	1996
Number of Shares			Rupees	
		Quoted - Associated Undertakings		
500,000	500,000	Crescent Investment Bank Ltd.	7,175,000	16,219,776
175,000	175,000	Pakistan Industrial Leasing Corporation Limited	2,476,250	8,168,750
		Quoted - Others		
315,000	315,000	Crescent Leasing Corporation Limited	2,520,000	4,357,563
		UnQuoted - Associated Undertakings		
2,403,725	1,702,160	Crescent Greenwood Limited	24,037,250	17,021,600
1,047,000	-	Crescent Industrial Chemicals Limited	10,470,000	-
<u>4,440,725</u>	<u>2,692,160</u>		<u>46,678,500</u>	<u>45,767,689</u>

NOTES TO THE ACCOUNTS



Crescent Steel
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15.1 Aggregate market value of investments in shares quoted on the stock exchange as at June 30, 1997 was Rs 12,057,500 (1996:Rs.13,478,750).

15.2, The following investments having an aggregate face value of Rs. 9,900,000 (1996: Rs. 9,900,000) are deposited as security with some commercial banks.

	1997	1996
	Rupees	
Crescent Leasing Corporation Limited	3,150,000	3,150,000
Crescent Investment Bank Limited	5,000,000	5,000,000
Pakistan Industrial Leasing Corporation Limited	1,750,000	1,750,000
	<u>9,900,000</u>	<u>9,900,000</u>

16. Long term deposits and prepayments

Security	1,786,820	1,458,846
Prepayments	25,056	-
	<u>1,811,876</u>	<u>1,458,846</u>

17. Stores, spares and loose tools

Stores	6,608,276	7,875,207
Spare parts	22,377,421	22,933,950
Loose tools	459,712	511,143
	<u>29,445,409</u>	<u>31,320,300</u>

Spare parts include those in transit as at June 30, 1997 of Rs.1,076,384 (1996: Rs. 378,180).

NOTES TO THE ACCOUNTS

18. Stock-in-Trade

	1997	1996
	Rupees	
Raw materials		
- Hot rolled steel coils	89,742,108	21,202,508
- Coating materials	21,874,755	35,993,131
- Others	1,840,052	5,776,039
- Stock-in-transit	191,663,274	59,964,930
	305,120,189	122,936,608
Work-in-process	2,449,468	3,260,296
Finished goods	39,271,373	34,439,442
	<u>346,841,030</u>	<u>160,636,346</u>

The stock-in-trade amounting to Rs. 35 million (1996: Rs. 35 million) are pledged as security with some commercial banks.

19. Trade debts

Unsecured		
Considered good	203,190,357	64,444,065
Considered doubtful	1,598,906	1,598,906
	204,789,263	66,042,971
Provision for doubtful debts	(1,598,906)	(1,598,906)
	<u>203,190,357</u>	<u>64,444,065</u>

Trade debts include unbilled revenue of Rs.68,729,165 (1996: Rs. 32,321,931).

Maximum amount due from associated undertakings at the end of any month during the year was Rs. 386,553 (1996: Rs. 227,338).

NOTES TO THE ACCOUNTS



Crescent Steel
and Allied
Products Ltd.

20. Short-term advances

	1997	1996
	Rupees	
Considered good		
Executives	54,082	10,241
Other staff	5,727	-
	59,809	10,241
Suppliers for goods and services	5,513,292	5,192,991
	<u>5,573,101</u>	<u>5,203,232</u>

The maximum aggregate amount due at the end of any month during the period from the Chief Executive was Rs. Nil (1996: Rs. 65,922), and from executives Rs. 327,145 (1996: Rs.114,087) representing unadjusted travelling and other advances.

21. Short-term deposits and pre-payments

Security deposits	2,391,995	2,283,739
Prepayments	1,242,342	2,110,859
	<u>3,634,337</u>	<u>4,394,598</u>

22. Other Receivables

Considered good		
Octroi refundable	14,566,467	13,087,262
Margin on letters of credit and guarantees	3,178,303	4,686,559
Due from associated undertakings	17,970,145	29,225,639
Others	15,813,744	8,300,624
	51,528,659	55,300,084
Considered doubtful		
Others	1,799,279	369,958
	53,327,938	55,670,042
Provision for doubtful receivables	(1,799,279)	(369,958)
	<u>51,528,659</u>	<u>55,300,084</u>

Maximum amount due from associated undertakings at the end of any month during the year was Rs.69.114 million (1996: Rs.48.666 million)

NOTES TO THE ACCOUNTS

23. Short-term Investments

Unless stated otherwise the holdings are in ordinary shares / modaraba certificates of Rs.10/- each. These investments are stated below at the lower of cost or market values.

1997 Number of Shares	1996	Quoted - Associated undertakings	1997 Rupees	1996
599,145	622,145	Crescent Investment Bank Ltd.	8,319,092	8,181,207
295,767	373,244	Crescent Textile Mills Limited	3,036,807	4,217,657
91,300	91,300	Crescent Jute Products Limited	538,670	538,670
24,082	21,893	Jubilee Spinning and Weaving Mills Limited	247,391	247,391
608,200	372,700	Pakistan Industrial Leasing Corporation Limited	8,209,235	5,766,000
-	7,928	Crescent Sugar Mills & Distillery Limited	-	67,388
767,847	767,847	Shakarganj Mills Limited	8,803,241	8,803,241
Quoted - Others				
102,000	165,000	Al-Towfeek Investment Bank Limited	913,540	1,468,500
5,000	5,000	Al-Faysal Investment Bank Limited	58,763	58,000
23,000	22,000	American Life Insurance Company Ltd.	647,500	616,000
14,175	22,000	Askari Commercial Bank Limited	268,600	495,000
19,500	-	Askari Leasing Limited	274,274	-
41,000	41,000	Bankers Equity Limited	393,600	393,600
208,500	-	Commercial Union Life Assurance Ltd.	3,010,950	-
222,000	214,000	Crescent Leasing Corporation Limited	1,737,933	1,669,200
22,500	18,000	Engro Chemical Pakistan Limited	2,520,000	2,520,000
128,000	100,000	FFC Jordan Fertilizer Company	1,833,640	1,360,000
10,100	100	Fauji Fertilizer Company Limited	723,985	6,960
101,500	61,500	Faysal Bank Limited	2,309,888	1,266,900
-	416	First Allied Bank Modaraba	-	2,122
120,075	121,575	First Crescent Modaraba	364,180	364,725
-	48,480	First Equity Modaraba	-	138,168
-	180	First UDL Modaraba	-	585
1,500	1,500	Glaxo Wellcome Pakistan Limited	145,500	145,500
22,500	40,000	Hub Power Company Limited	727,950	1,238,000
356,050	54,600	ICI Pakistan Limited	5,198,182	982,800

NOTES TO THE ACCOUNTS



Crescent Steel
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Products Ltd.

1997	1996		1997	1996
Number of Shares		Quoted - Others	Rupees	
-	61,481	Karachi Electric Supply Corporation Ltd.	-	1,291,101
-	50,000	Kohinoor Weaving Mills Limited	-	192,500
500	500	Lever Brothers Pakistan Ltd. (Rs. 50 each)	325,500	325,500
14,000	-	LTV Modaraba	69,170	-
35,000	55,000	Lucky Cement Limited	393,750	618,750
22,162	25,662	Modaraba Al Mali	88,648	102,648
-	488	Muslim Commercial Bank Ltd.	-	16,909
-	2,750	National Leasing Company Limited	-	20,350
20,000	-	Nishat Mills Limited	404,000	-
-	10,000	Pak Suzuki Motor Company Limited	-	395,000
6,500	-	Pakistan Industrial Credit and Investment Corporation	59,475	-
-	4,536	Pakistan International Airlines Limited	-	40,824
47,000	34,500	Pakistan Telecommunication Co. Ltd.	1,548,125	1,155,750
-	100,000	Platinum Commercial Bank Limited	-	500,000
1,337	17,750	Prime Commercial Bank Ltd.	16,113	189,038
15,000	15,000	S G Power Company Limited	176,288	174,000
-	5,000	Saphire Fibres Limited	-	112,500
-	5,000	Searle Pakistan Limited	-	142,500
11,000	11,000	Soneri Bank Limited	239,250	239,250
218,310	177,348	Sui Northern Gas Pipelines Ltd.	6,949,461	6,517,539
251,850	139,500	Sui Southern Gas Company Limited	6,954,369	4,352,400
100,000	100,000	Trust Investment Bank Limited	850,000	850,000
<u>4,526,400</u>	<u>3,987,923</u>		<u>68,357,070</u>	<u>57,784,173</u>

NOTES TO THE ACCOUNTS

23.1 Aggregate market value of investments in shares/ modaraba certificates quoted on the Stock Exchange as at June 30, 1997 was Rs. 72,975,795 (1996: Rs. 52,342,355).

23.2 The following investments having an aggregate face value of Rs. 32,919,330 (1996: 15,675,140) are deposited as security with some commercial banks.

	1997	1996
	Rupees	
Al-Towfeek Investment Bank Limited	810,000	1,583,000
American Life Insurance Company Limited	230,000	-
Askari Leasing Company Limited	195,000	-
Bankers Equity Limited	-	325,000
Commercial Union Life Assurance Limited	2,085,000	-
Crescent Investment Bank Limited	4,691,450	690,000
Crescent Jute Products Limited	913,000	913,000
Crescent Leasing Corporation Limited	1,890,000	250,000
Crescent Textile Mills Limited	2,687,430	2,646,540
Engro Chemical Pakistan Limited	180,000	-
Fauji Fertilizer Company Limited	101,000	-
Faysal Bank Limited	1,015,000	-
ICI Pakistan Limited	3,030,000	30,000
Jubilee Spinning and Weaving Mills Limited	96,000	96,000
Karachi Electric Supply Corporation Limited	-	600,000
Kohinoor Weaving Mills Limited	-	500,000
Lucky Cement Limited	-	550,000
Pakistan Industrial Leasing Corporation Limited	3,027,000	2,407,000
Pakistan Telecommunication Company Limited	-	250,000
Platinum Commercial Bank Limited	-	200,000
S.G. Power Company Limited	-	85,000
Shakarganj Mills Limited	7,678,470	3,000,000
Sui Northern Gas Pipelines Limited	1,771,480	1,299,600
Sui Southern Gas Company Limited	2,518,500	250,000
	<u>32,919,330</u>	<u>15,675,140</u>

24. Cash and Bank Balances

With banks - in time deposit accounts	86,978,652	274,541
- in current accounts	1,612,844	2,704,443
Cash and cheques in hand	41,945	187,409
	<u>88,633,441</u>	<u>3,166,393</u>

NOTES TO THE ACCOUNTS



25. SALES

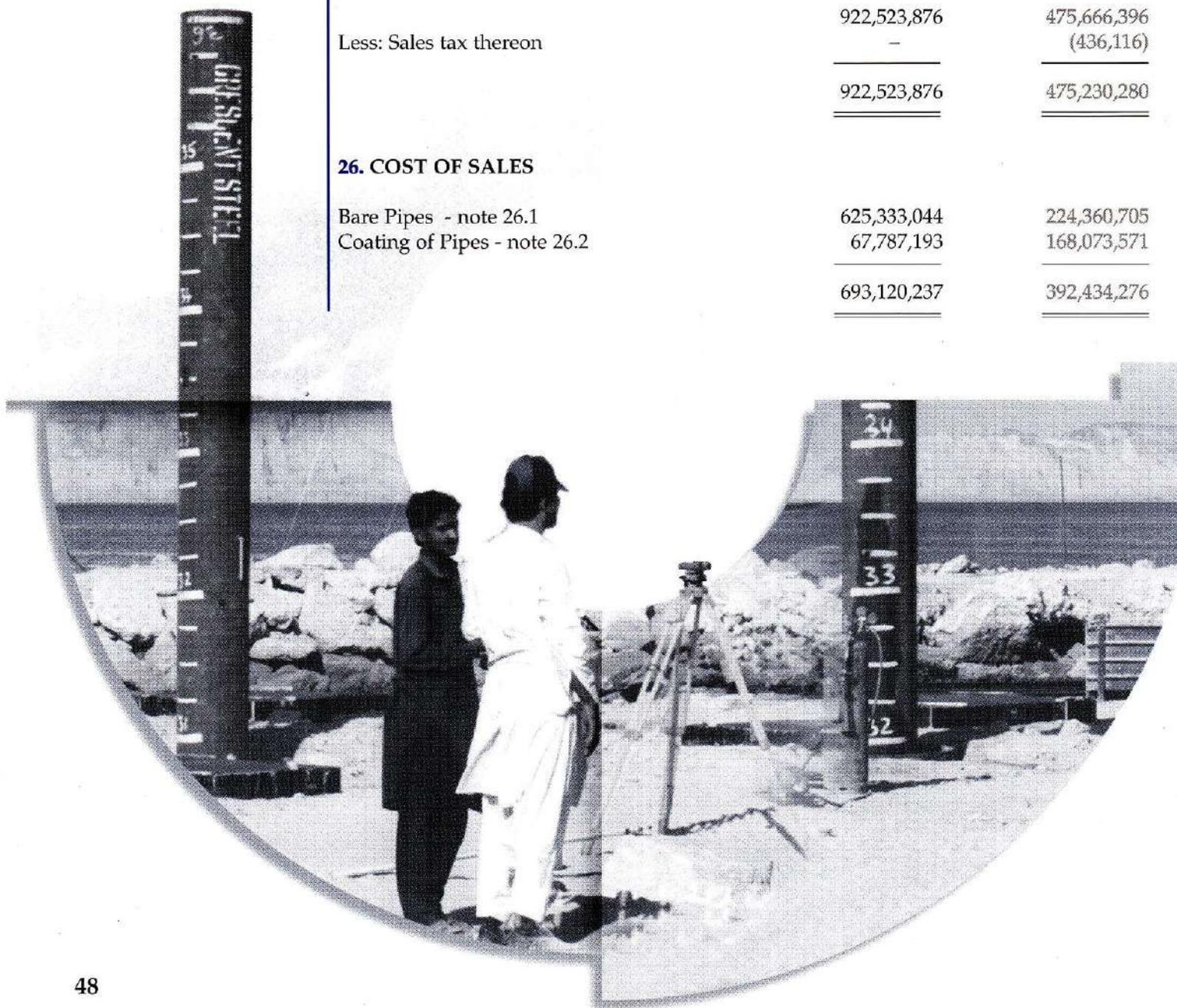
	Year ended June 30, 1997	Eighteen months ended June 30, 1996
	Rupees	
Bare Pipes - note 25.1	922,523,876	475,230,280
Coating of Pipes	69,115,442	285,070,300
	<u>991,639,318</u>	<u>760,300,580</u>

25.1 Sales - Bare Pipes

- Sales of own product	826,891,587	142,485,318
- Manufacturing charges	95,632,289	324,344,098
- Sales of purchased finished pipes	-	8,836,980
	<u>922,523,876</u>	<u>475,666,396</u>
Less: Sales tax thereon	-	(436,116)
	<u>922,523,876</u>	<u>475,230,280</u>

26. COST OF SALES

Bare Pipes - note 26.1	625,333,044	224,360,705
Coating of Pipes - note 26.2	67,787,193	168,073,571
	<u>693,120,237</u>	<u>392,434,276</u>



NOTES TO THE ACCOUNTS

26.1 Cost of Sales - Bare Pipes

	Year ended June 30, 1997	Eighteen months ended June 30, 1996
	Rupees	
Raw material consumed	573,228,600	123,054,307
Finished pipes purchased	-	8,836,980
Salaries, wages and other benefits	13,783,477	17,079,690
Provident Fund expenses	1,560,673	629,474
Pension Fund expenses	489,789	969,466
Gratuity Fund expenses	257,785	291,136
Stores and spares consumed	11,302,602	10,168,043
Insurance	1,053,711	1,198,231
Depreciation	13,252,866	20,778,147
Repairs and maintenance	881,522	2,492,569
Fuel, power and electricity	8,018,101	8,832,022
Other expenses	4,856,786	5,221,968
	55,457,312	67,660,746
	628,685,912	199,552,033
Work-in-Process		
At beginning of the year/period	3,260,296	2,486,499
At the end of the year/period	(1,284,187)	(3,260,296)
	1,976,109	(773,797)
Cost of goods manufactured	630,662,021	198,778,236
Finished Goods		
At beginning of the year/period	33,033,211	58,615,680
At end of the year/period	(38,362,188)	(33,033,211)
	(5,328,977)	25,582,469
	625,333,044	224,360,705

NOTES TO THE ACCOUNTS



Crescent Steel
and Allied
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26.2 Cost of Sales - Coating of Pipes

	Year ended June 30, 1997	Eighteen months ended June 30, 1996
	Rupees	
Material consumed	31,672,527	108,368,419
Stores and spares consumed	5,498,917	13,883,942
Insurance	1,202,087	1,737,250
Fuel and power	2,094,719	2,113,763
Repair and Maintenance	2,129,788	587,676
Salaries, wages and other benefits	6,908,645	8,958,358
Provident Fund Expenses	666,968	340,419
Pension Fund Expenses	219,951	524,409
Gratuity Fund Expenses	115,765	159,348
Depreciation	15,273,119	23,629,819
Other expenses	2,672,941	2,899,007
	<u>36,782,900</u>	<u>54,833,991</u>
Cost of goods manufactured	68,455,427	163,202,410
Closing work in process	(1,165,280)	-
Opening stock of finished goods - coated pipes	1,406,231	6,277,392
closing stock of finished goods - coated pipes	(909,185)	(1,406,231)
	<u>67,787,193</u>	<u>168,073,571</u>

27. Selling Expenses

Salaries, wages and other benefits	1,607,295	1,817,671
Provident Fund expenses	89,437	92,619
Pension Fund expenses	130,271	232,478
Gratuity Fund expenses	63,217	59,104
Travelling and conveyance	1,179,051	3,750,453
Depreciation	168,828	227,216
Advertisement	594,088	417,455
Bid bond expenses	146,428	331,651
Provision for doubtful debts - trade debts	-	1,598,906
other receivables	1,799,279	-
Transportation	519,759	2,894,415
Legal and Professional charges	2,030,974	2,825,484
Liquidated damage charges	21,288,921	1,418,832
Sales promotion	333,102	665,688
Others	1,750,647	1,205,666
	<u>31,701,297</u>	<u>17,537,638</u>

NOTES TO THE ACCOUNTS

28. Administration Expenses

	Year ended June 30, 1997	Eighteen months ended June 30, 1996
	Rupees	
Salaries, wages and other benefits	9,847,186	10,051,696
Provident Fund expenses	413,018	444,539
Pension Fund expenses	550,287	1,051,781
Gratuity Fund expenses	294,979	294,581
Travelling, conveyance and entertainment	2,564,540	5,884,520
Fuel and power	1,465,160	1,201,995
Postage, telephone and telegram	1,555,633	2,262,399
Insurance	865,493	466,367
Repairs and maintenance	1,254,454	969,443
Auditors' remuneration - note 28.1	327,716	861,674
Legal and professional charges	1,202,807	952,155
Depreciation	6,590,180	3,823,538
Advertisement	707,931	1,897,786
Printing, stationery and office supplies	810,455	878,309
Rents, rates and taxes	113,947	90,026
Donations - note 28.2	3,089,841	1,776,022
Newspapers, subscriptions & periodicals	454,556	906,744
Others	370,527	563,986
	<u>32,478,710</u>	<u>34,377,561</u>

28.1 Auditors' remuneration

Audit fee	200,000	125,000
Fee for the audit of the accounts for the six months ended June 30, 1995	-	85,000
Audit fee for fund accounts and special reports	82,500	-
Taxation and accounting services	-	596,216
Central and Provincial excise duty	25,524	21,675
Out of pocket expenses	19,692	33,783
	<u>327,716</u>	<u>861,674</u>

NOTES TO THE ACCOUNTS



Crescent Steel
and Allied
Products Ltd.

28.2 Donations

Donations include the following in whom a director is interested:

Name of director	Interest in Donee	Name and address of Donee	Amount donated	
			Year ended June 30, 1997	Eighteen months ended June 30, 1996
Ahsan M. Saleem	Director	The Citizens Foundation 9th Floor, NIC Building, Karachi	2,043,458	-

Rupees

29. Other Income

	Year ended June 30, 1997	Eighteen months ended June 30, 1996
Liabilities written-back - note 29.1	950,000	-
Return on deposits		
- received from an associated undertaking	1,000,000	-
- others	174,970	494,600
Gain on disposal of fixed assets	558,385	106,675
Rental from an associated undertaking	15,665	-
Dividend income - note 29.2	2,575,179	3,383,105
Miscellaneous	-	112,500
	<u>5,274,199</u>	<u>4,096,880</u>

Rupees

29.1 Liabilities written-back represent amounts excess provided in respect of duties refunded by the collector of Customs for acquisition of certain items of plant and machinery.

29.2 Dividend Income

From Associated undertaking		
Pakistan Industrial Leasing Corporation Limited	1,095,400	549,800
Crescent Investment Bank Limited	-	1,016,950
	1,095,400	1,566,750
Others	1,479,779	1,816,355
	<u>2,575,179</u>	<u>3,383,105</u>

NOTES TO THE ACCOUNTS

30. Financial Charges

	Year ended June 30, 1997	Eighteen months ended June 30, 1996
	Rupees	
Interest on long-term loans	8,900,000	18,056,544
Mark-up on:		
Redeemable capital	-	428,279
Running finances	6,843,368	5,316,666
Short-term borrowings	6,184,946	3,115,814
Finance and lease processing charges on assets subject to finance lease	1,278,302	3,590,456
Excise duty on:		
Long-term loans	1,192,776	1,014,458
Lease arrangements	47,021	-
Running finances	339,275	142,986
Short term borrowings	329,916	659,365
Interest on Workers' profits participation fund	7,190,228	5,126,108
Bank charges	1,491,133	1,487,001
Bank guarantee commission	64,075	47,037
	<u>33,861,040</u>	<u>38,984,714</u>
Less: Finance charges recovered from associated undertakings	7,161,360	3,659,655
	<u>26,699,680</u>	<u>35,325,059</u>

31. Other Charges

Workers' profit participation fund	9,619,882	12,248,864
Workers' welfare fund	4,135,223	5,666,069
Loss on sale of investments	11,131,447	7,451,111
Expenses incurred for acquisition of drawings of a project abandoned	16,574,732	-
Diminution in the value of short-term investments	-	37,420,652
	<u>41,461,284</u>	<u>62,786,696</u>

NOTES TO THE ACCOUNTS



Crescent Steel
and Allied
Products Ltd.

32. Taxation

	Year ended June 30, 1997	Eighteen months ended June 30, 1996 Rupees
Current		
- for the year	22,038,976	85,637,707
- for Prior years	-	(10,401,249)
	<u>22,038,976</u>	<u>75,236,458</u>
Deferred	17,500,000	-
	<u>39,538,976</u>	<u>75,236,458</u>

33. Cash generated from operations

Profit before taxation	171,452,309	221,936,230
Adjustments:		
Depreciation	35,284,990	48,458,720
Diminution in the value of short-term investments	-	37,420,652
Financial charges	26,699,680	35,325,059
Profit on sale of fixed assets	(558,385)	(106,675)
Loss on sale of investment	11,131,447	7,451,111
Dividend income	(2,575,179)	(3,383,105)
Return on deposits - from an associated undertaking	(1,000,000)	-
Return on deposits - others	(174,970)	(494,600)
Working capital changes - note 33.1	55,247,702	(61,033,308)
	<u>295,507,594</u>	<u>285,574,084</u>

NOTES TO THE ACCOUNTS

33.1 Working Capital changes

	Year ended June 30, 1997	Eighteen months ended June 30, 1996
		Rupees
(Increase)/decrease in current assets		
Stores, spares and loose tools	1,874,891	(7,331,344)
Stock-in-trade	(186,204,684)	(54,167,779)
Trade debts	(138,746,292)	(9,454,563)
Short-term advances	(369,869)	(4,196,552)
Short-term deposits and prepayments	760,261	2,093,060
Other receivables	3,771,425	(25,286,312)
	<u>(318,914,268)</u>	<u>(98,343,490)</u>
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities	374,161,970	37,310,182
	<u>55,247,702</u>	<u>(61,033,308)</u>

34. Cash and cash equivalents

Cash and bank balances	88,633,441	3,166,393
Short-term running finances under mark-up arrangements	(6,174,175)	(49,168,365)
	<u>82,459,266</u>	<u>(46,001,972)</u>

NOTES TO THE ACCOUNTS



35. Remuneration to the Chief Executive, Director and Executives

Description	Chief Executive	
	Year ended June 30, 1997	Eighteen months ended June 30, 1996
Managerial remuneration	1,830,300	2,160,450
House rent	823,500	972,000
Utilities	183,000	216,000
Travelling expense personal (as per entitlement)	138,265	101,135
Other allowance	141,600	139,300
Medical	65,662	32,061
Contribution to:		
- Provident fund	183,036	216,054
- Gratuity fund	128,100	151,200
- Pension fund	243,390	281,070
Club subscription and expenses	80,708	57,724
Entertainment	-	-
Conveyance	-	-
Telephone	-	-
	<u>3,817,561</u>	<u>4,326,994</u>
Number of persons	<u>1</u>	<u>1</u>

The aggregate amounts charged in the accounts in respect of directors' fee paid to seven (1996: seven) directors was Rs. 18,000 (1996: Rs. 6,500).

The chief executive, director and six executives are 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 hospitalization insurance.

Director		Executives			Total	
year ended June 30, 1997	Eighteen months ended June 30, 1996.	Year ended June 30, 1997	Eighteen months ended June 30, 1996	Year ended June 30, 1997	Eighteen months ended June 30, 1996	
R	u	p	e	e	s	
792,300	960,450	5,468,117	4,892,449	8,090,717	8,013,349	
356,400	432,000	2,345,949	2,163,849	3,525,849	3,567,849	
79,200	96,000	521,338	480,857	783,538	792,857	
104,485	—	—	29,975	242,750	131,110	
—	—	38,448	—	180,048	139,300	
10,510	19,259	217,265	218,002	293,437	269,322	
79,236	96,054	408,405	393,608	670,677	705,716	
55,440	67,200	319,408	295,921	502,948	514,321	
105,336	124,872	606,875	552,504	955,601	958,446	
6,485	10,974	—	—	87,193	68,698	
36,000	54,000	112,710	144,000	148,710	198,000	
—	—	57,180	50,739	57,180	50,739	
9,000	13,500	20,977	25,200	29,977	38,700	
1,634,392	1,874,309	10,116,672	9,247,104	15,568,625	15,448,407	
1	1	27	19	29	21	

NOTES TO THE ACCOUNTS



Crescent Steel
and Allied
Products Ltd.

36. Transactions with associated undertakings

	Year ended June 30, 1997	Eighteen months ended June 30, 1996 Rupees
Guarantee commission paid	64,075	242,465
Insurance premium paid	7,198,771	8,268,494
Shares purchased	17,485,650	6,678,974
Sale of pipes	92,746	-
Return on deposits	1,000,000	-
Recovery of financial charges	7,161,360	3,659,655
Rental from an associated undertaking	15,665	-

37. 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 period was 42,234 tons (1996: 57,144 tons) line pipes of varied sizes and thicknesses, which is equivalent to 58,728 tons (1996: 86,848 tons) if actual production is translated to the notional pipe size of 30" diameter.

Coating Plant

The coating plant has a capacity of externally shotblasting and coating of line pipes 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 thickness 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 86,497 metres of different dia pipes (149,269 square metres surface area) was achieved during the year (1996: 509,069 square metres surface area). The plant

capacity was utilized to the extent of orders received for coating of pipes.

38. Corresponding Figures

Previous periods figures have been rearranged, wherever necessary, to facilitate comparison.

Mazhar Karim
Chairman

Ahsan M. Saleem
Chief Executive

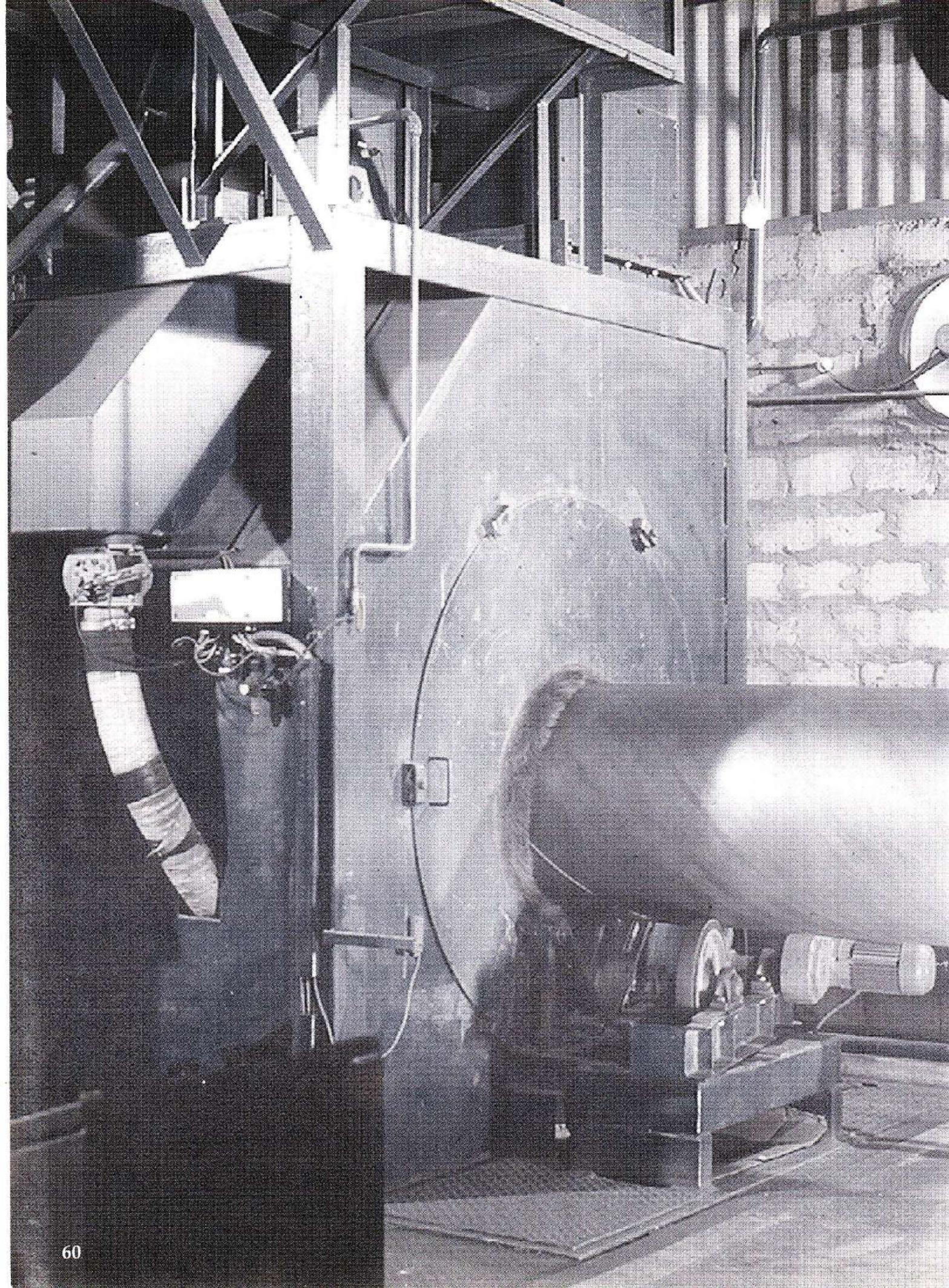
FORM '34' PATTERN OF HOLDING OF SHARES

Held by the Shareholders as at June 30, 1997.

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
203	1	100	15,482
482	101	500	110,952
106	501	1,000	76,375
223	1,001	5,000	540,886
89	5,001	10,000	646,246
40	10,001	15,000	488,550
18	15,001	20,000	319,862
7	20,001	25,000	156,089
10	25,001	30,000	272,063
3	30,001	35,000	99,590
5	35,001	40,000	185,069
6	40,001	45,000	247,508
6	45,001	50,000	289,624
1	55,001	60,000	58,190
1	60,001	65,000	63,480
3	65,001	70,000	199,525
1	70,001	75,000	73,600
2	80,001	85,000	164,386
2	85,001	90,000	172,311
1	95,001	100,000	97,175
1	110,001	115,000	115,000
2	130,001	135,000	266,956
2	140,001	145,000	287,718
1	300,001	305,000	304,175
1	315,001	320,000	318,837
1	390,001	395,000	392,616
1	425,001	430,000	429,673
2	610,001	615,000	1,227,819
1	790,001	795,000	793,500
1	870,001	875,000	874,000
1	1,065,001	1,070,000	1,067,257
1	1,190,001	1,195,000	1,190,250
1	1,195,001	1,200,000	1,198,349
1	1,360,001	1,365,000	1,361,316
1	1,525,001	1,530,000	1,525,338
1	1,835,001	1,840,000	1,835,332
<u>1,228</u>			<u>17,465,099</u>

Held by the Shareholders as at June 30, 1997.

Categories of Shareholders	Number	Shares Held	Percentage
Individuals	1,164	3,661,643	20.97
Investment Companies	10	556,388	3.19
Insurance Companies	3	456,551	2.61
Joint Stock Companies	21	3,988,793	22.84
Financial Institution	11	6,275,086	35.93
Others	19	2,526,638	14.46
TOTAL	1,228	17,465,099	100.00
Others			
Modarabas	5	63,741	0.36
Non Residents	14	2,462,897	14.10
TOTAL	19	2,526,638	14.46



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirteenth Annual General Meeting of the shareholders of CRESCENT STEEL & ALLIED PRODUCTS LIMITED will be held on Tuesday the December 09, 1997 at 11:00 a.m. at Pearl Continental Hotel, Shahrah-e-Quaid-e-Azam, Lahore to transact the following business:-

ORDINARY BUSINESS

1. To receive and adopt the Directors' and Auditors' Reports and Audited Accounts for the year ended June 30, 1997.
2. To declare dividend and bonus. The Directors have recommended the payment of Cash Dividend @ Rs. 2.00 per share (i.e. @ 20%) and issue of Bonus Shares @ 15%.
3. To appoint Auditors and fix their remuneration. The present Auditors M/s. A.F. Ferguson & Company, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS

4. To approve, under section 208 of the Companies Ordinance 1984, the investment(s) of rupee equivalent of upto US\$ 1,000,000 in Turkmenistan - Pakistan Pipeline Project through a proposed subsidiary.

STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts pertaining to the special business to be transacted

at the Thirteenth Annual General Meeting of the company.

INVESTMENT(S) IN PROPOSED CRESCENT CONTINENTAL GAS PIPELINES LIMITED

The company has joined five international companies and the Government of Turkmenistan to form a consortium which will implement Turkmenistan-Pakistan Pipeline Project (The Project) through Central Asia Gas Pipelines Limited (CENTGAS) a limited liability company incorporated in the Cayman Island. CENTGAS will build a pipeline for gas transmission from Turkmenistan to Pakistan. The project aims to develop 1271 Km long 48" dia pipeline at a cost of US\$ 1.9 billion with capacity of 20 billion cubic meters of gas per annum. The share of Crescent in the project would be upto 3.5%. The other consortium members are UNOCAL corporation of USA, Delta Oil company of Saudi Arabia, Government of Turkmenistan, Indonesia Petroleum Limited of Japan, ITOCHU Oil Exploration Limited of Japan, Hyundai Engineering and Construction Company Limited of Korea. The company is establishing a subsidiary, namely Crescent Continental Gas Pipelines Limited, a proposed private limited offshore company at Bahamas through which the company will participate in the abovesaid project. The entry into the project presents a unique opportunity to the company and participation in this project will open up the energy sector to it and create an international

linkage. The investment(s) is/are likely to give handsome returns with a possible opportunity of supply of pipes of the company in substantial quantities. It is proposed that the initial investment (s) of rupee equivalent of upto US \$ 1,000,000 for acquisition of the shares of proposed Crescent Continental Gas Pipelines Limited may be approved for onward investment(s) in CENTGAS.

The following resolution is proposed to be passed as special resolution under section 208 of the Companies Ordinance, 1984:

Resolved That consent of the company be and is hereby accorded to make investment(s) of rupee equivalent of upto US\$ 1,000,000 for acquiring fully paid up ordinary shares at par of Crescent Continental Gas Pipelines Limited, a proposed subsidiary under formation for onward investment(s) in CENTGAS for the purpose of Turkmenistan - Pakistan Pipeline Project.

Resolved Further That Chief Executive of the Company be and is hereby authorised to take or cause to be taken any and all actions necessary to acquire the shares as he thinks appropriate on behalf of the Company and further to ensure compliance with all the requirements of Section 208 of the Companies Ordinance 1984.

NOTICE OF ANNUAL GENERAL MEETING



Crescent Steel
and Allied
Products Ltd.

The company is fully authorised by its Memorandum of Association to make such investment(s). The investment(s) would be made at such time(s) as the Chief Executive may think appropriate on behalf of the company. All directors of the subsidiary would be nominee(s) of the company. The following are the material facts about the proposed special resolutions:

- | | |
|--|---|
| 1. Name of investee company or associated undertaking | Crescent Continental Gas Pipelines Limited
– a proposed subsidiary |
| 2. Nature, amount and extent | Nature: Investment in shares

Amount & Extent Rupee equivalent of
upto US\$ 1,000,000
(US\$ One Million
only) |
| 3. Price at which shares would be purchased | At par value |
| 4. Source of funds from where shares would be purchased | Internal generation |
| 5. Period for which investment would be made | Investment(s) in subsidiary will be long term |
| 6. Purpose of investment | To participate in the consortium set up to build a gas pipeline from Turkmenistan to Pakistan through investment(s) in CENTGAS. |
| 7. Benefits likely to accrue to the company and the shareholders from the proposed investment. | The company on the one hand will receive good return on its investment and on the other hand will also share in the opportunity for supply of pipes for the project. Further more, the international linkage created through the consortium is likely to provide further opportunities to the company in the energy sector. |

The projections and iterations on which the investment(s) is/are being planned are forward looking and the project's success is also dependent on a viable Afghan solution. Because of substantial work already undertaken by UNOCAL and Delta Oil in Afghanistan (the benefits of which have been assigned by these two companies to CENTGAS). It is expected that the project will proceed as planned. However, in the event the project does not progress the investment(s) will still yield benefits to the Company in the form of future opportunities resulting from its association with the project and the Consortium members even though a loss is made by the Company.

BOOK CLOSURE:

The Register of Members of the company shall remain closed from December 03, 1997 to December 10, 1997 (both days inclusive). The members whose names appear on the Register of Members as on December 02, 1997 shall be entitled for cash dividend and bonus shares.

BY ORDER OF THE BOARD
ZAAHEER A. SHAIKH
CORPORATE SECRETARY

REGISTERED OFFICE:

83-Babar Block, New Garden
Town.
LAHORE
Tele : 042-5881974-75
Fax : 5881976

Dated : November 16, 1997

NOTE:

- 1 A member eligible to attend and vote at this Meeting may appoint another member of 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.

13TH 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 13th Annual General
Meeting of the Crescent Steel and Allied Products Limited to be held on Tuesday,
December 9, 1997 and at any adjournment thereof.

Member:.....

Witness:.....

Date:

Signature on
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.

CRESCENT GROUP

