

Crescent Steel and Allied Products Ltd.

ANNUAL REPORT 1997

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COMPANY INFORMATION

Board of Directors

Chairman	Mazhar Karim
Chief Executive	Ahsan M. Saleem
	A.K.M. Saeed
	Azimuddin Syed
	Muhammad Arshad
	Mohammad Sharif
	Nasir
	Shafi
	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	B.A. Siddiqui, 64 1992*
Logistics and Administration Senior Vice President	Mohammad Amin, 50 1992*
Finance and Control 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 inconve-
nience 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 certifi-
cates, 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](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

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 pro-

tection in the same range.

Crescent Steel maintains high quality norms in all its products and has consis-

tently 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

	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%	33.80%	+ 0.50
Market to Book Value (times)	1.67	348	- 520
Common Shares (Nos.)	17,465,099	15,187,043	+ 150
	-----	-----	-----

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	91,639	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	6258	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
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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 liability	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

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	Eighteen Months
June 30,	ended June 30,
1997	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.

Turnover for fiscal 1997 was higher at Rs.991.5 million (1996:45 Rs.506.8 million). Revenue from

production of Bare Pipes was 40

Rs.922.5 million, which was 3s

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
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.

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
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.

INVESTMENT

S

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
shams 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.

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 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 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
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
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
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.

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

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. F. Ferguson & Co.
Chartered
Accountants

November 6, 1997

BALANCE SHEET

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		300,000,00	0 200,000,000
		=====	=====
Issued, subscribed and paid-up capital	3	174,650,99	0 151,870,430
Reserve	4	259,475,69	6 186,058,616
Unappropriated Profit		2,739,280	1,953,785
		-----	-----
		436,865,96	6 339,882,831
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
		485,362,82	
Creditors, Accrued and Other Liabilities	9	9	109,433,352
Taxation	10	31,094,328	69,951,650
Proposed Dividend		34,930,198	22,780,565
		-----	-----
Contingencies and Commitments	11	575,576,08	5
			267,872,914
		-----	-----
		1,085,875,	
			216
			676,962,754
		=====	=====

The annexed notes form an integral part of these accounts.

Tangible Fixed Assets

Operating Assets	12	218,082,76	3
Assets subject to Finance Lease	13	9,742,407	15,607,422
Capital Work-in-Progress	14	12,356,266	8,402,226
		-----	-----
		240,181,43	
			6
			247,487,028
Long Term Investments		46,678,500	45,767,689
Long-Term Deposits and Prepayments		1,811,876	1,458,846
Current Assets		-----	-----
Stores, Spares and Loose Tools	17	29,445,409	31,320,300
		346,841,03	
Stock-in-Trade	18	0	160,636,346
Trade Debts	19	203,190,35	7
			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
		-----	-----
		797,203,40	382,249,191

-----	-----
1,085,875,	
	216 676,962,754
=====	=====

PROFIT AND LOSS ACCOUNT

For the year ended June 30, 1997.

	Note	Year ended Eighteen	
		June 30, 1997	months ended June 30, 1996
Rupees			
		991,639,31	
Sales	25	8 760,300,580	
		693,120,23	
Cost of sales	26	7 392,434,276	
		-----	-----
		298,519,08	
Gross Profit		1 367,866,304	
		-----	-----
Selling expenses	27	31,701,297	17,537,638
Administration expenses	28	32,478,710	34,377,561
		-----	-----
		64,180,007	51,915,199
		-----	-----
		234,339,07	
Operating Profit		4 315,951,105	
Other income	29	5,274,199	4,096,880
		-----	-----
		239,613,27	
		3 320,047,985	
		-----	-----
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		171,452,30	
Taxation		9 221,936,230	
Taxation	32	39,538,976	75,236,230
		-----	-----
Profit after		131,913,33	
Taxation		3 146,699,772	
Unappropriated profit brought forward		1,953,785	873,759

Profit available for appropriation

 133,867,11
 8 147,573,531

Appropriation:

Reserve for proposed Bonus Shares issue @ 15% (1996:15%)
 Tax thereon

26,197,640 22,780,560
 - 2,278,056

Proposed final dividend @ 20% (1996:15%)
 Interim dividend Nil (1996:15%)

26,197,640 25,058,616
 34,930,198 22,780,565
 - 22,780,565

Transfer to general reserve

70,000,000 75,000,000

131,127,83
 8 145,619,746

Unappropriated profit carried forward

2,739,280 1,953,785
 =====

The annexed notes form an integral part of these accounts.

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	295,507,59	4 285,574,084
Taxes paid		(60,896,29	(50,897,120
Financial charges paid		8))
Increase/(decrease) in long-term deposits and prepayments- net		(25,133,26	(36,327,405
		6))
		(353,030)	706,983
		-----	-----
Net cash inflow from operating activities		209,125,00	0 199,056,542

Cash Flow from investing activities

	(28,670,67	(33,254,557
Fixed capital expenditure	5))
	(56,020,19	(98,716,225
Investments made	8))
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	(46,286,01	(74,852,314
	9))

Cash Flow from financing activities

	-----	-----
Liabilities against assets subject to finance lease	5,197,080	-
Repayments of		
- redeemable capital and long term loans	(12,108,00	(37,262,612
- liabilities against assets subject to finance lease	0))
	(4,887,351) (8,811,710)
	(22,579,47	(42,210,272
- dividend paid	2))
	-----	-----
Net cash (outflow) from financing activities	(34,377,74	(88,284,594
	3))
	-----	-----
Net increase in cash and cash equivalents	128,461,23	8 35,919,634
Cash and cash equivalents at beginning of the year/period	(46,001,97	(81,921,606
	2))
	-----	-----
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.

NOTES TO THE ACCOUNTS

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.

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 subjects 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. less accumulated

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.

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.

3. Issued, subscribed and paid-up capital

1997 1996
No. Of Shares

1997 1996
Rupees

10,564,900	10,564,900 Ordinary shares of Rs.10/- 00each full paid in cash	105,649,000	105,649,000
------------	--	-------------	-------------

6,900,199	4,622,143 Ordinary shares of Rs.10/- 3 each -----issued as bonus ----- shares	69,001,990	46,221,430
17,465,099	15,187,043 =====	174,650,990	151,870,430
=====	=====	=====	=====

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
	-----	-----
	231,000,000	161,000,000
		0

Reserve for issue of bonus shares at the beginning of the year/period	25,058,616	-
	-----	-----
Transfer from profit and loss account	26,197,640	22,780,560
Tax @10% thereon	-	2,278,056
	-----	-----
	26,197,640	25,058,616
	-----	-----
Bonus shares issues during the year	51,256,256	25,058,616
	22,780,560	-
	-----	-----
	28,475,696	25,058,616
	-----	-----
	259,475,696	186,058,616
		6
	=====	=====

5. Long-term Loans

Secured

From National Development Finance Corporation (NDFC)	5.1	50,287,897	62,395,897
--	-----	------------	------------

Less: Current maturity shown
under

current liabilities

14,188,000 12,108,000

36,099,897 50,287,897

=====

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 equipment 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 Rupees	1996
Minimum lease payments	6.1	10,227,674	8,891,849
Less: Finance charges not yet due		2,167,851	1,141,755
		-----	-----
		8,059,823	7,750,094
Less: Current maturity shown under current liabilities		3,826,555	4,430,982
		-----	-----
		4,233,268	3,319,112
		=====	=====

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.

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 provided 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
		-----	-----
		6,174,175	49,168,365
		=====	=====

8.1 The facility for running finance available amounts to Rs.20million (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 markup 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).

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
	-----	-----
		109,433,35
	485,362,829	2
	=====	=====

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).

9.1 Workers' profit participation fund

	1997	1996
	Rupees	
Balance at the beginning 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 company5 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.

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 derides 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).

12. Operating Fixed Assets

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

Description	Cost as at	Additions/ *Transfers (Disposals)	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
	July 1, 1996							
Leasehold land	8,053,796	-	8,053,796	454,398	67,424	521,822	7,531,974	1
Improvements to leasehold land	105,922	-	105,922	9,589	1,067	10,656	95,266	1
Building on leasehold land	53,563,479	-	53,563,479	18,903,185	2,489,606	21,392,791	32,170,688	5
Plant and machinery.	179,738,864	547,950	180,286,814	97,188,964	11,623,416	108,812,380	71,474,434	5-20
Office premises	7,889,965	5,736,970	13,626,935	3,480,233	1,227,503	4,707,736	8,919,199	10
Furniture and fixtures	8,809,431	4,455,964	13,265,395	2,194,434	984,043	3,178,477	10,086,918	10
Office and other equipments	4,994,616	5,799,977 (19,000)	10,775,593	2,932,629	1,705,926 (9,500)	4,629,055	6,146,538	20

fixture

	-----	-----	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----	-----	-----
As at June 30, 1997	121,687,636	*13,886,873	135,574,509	40,476,214	12,559,011	58,589,974	76,984,535
					*5,554,749		
As at June 30, 1996	121,320,674	366,962	121,687,636	23,696,246	16,779,968	40,476,214	81,211,422
Total operating fixed assets as at June 30, 1997	397,442,752	19,519,555	430,324,255	173,965,372	32,789,983	212,241,492	218,082,763
		*14,931,923			*6,364,835		
		(1,569,975)			(878,698)		
Total operating fixed assets as at June 30, 1996	366,211,913	31,595,396	397,442,752	130,244,422	43,878,782	173,965,372	223,477,380
		(364,557)			(157,832)		

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

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

Description	Cost	Accumulated Depreciation	Book Value	Sale	Mode of	Sold to
				Proceeds	Disposal	
				Rupees		
Vehicle	142,250	142,250	-	132,800	Auction	Mr. Aziz Ahmed 75/B/II KHE Badban Phase VII, DHA, Karachi.
- do -	212,500	212,500	-	178,100	Auction	Mrs. Shamsun Nissa A-597 Sector II A North Karachi.
- do -	73,350	-	73,350	72,000	Insurance Claim	Premier Insurance Wallace Road,

- do -	66,400	13,280	53,120	66,400	Insurance Claim	Karachi. Premier Insurance Wallace Road, Karachi.
- do -	57,775	11,555	46,220	56,000	Insurance Claim	Premier Insurance Wallace Road, Karachi.
- do -	57,775	11,555	46,220	56,000	Insurance Claim	Premier Insurance Wallace Road, Karachi.
- do -	35,900	25,130	10,770	36,000	Insurance Claim	Premier Insurance Wallace Road, Karachi.
- do -	154,500	154,500	-	183,787	Auction	Mr. Faysal Hashim R 210, 15B Buffer Zone North Karachi.
- do -	353,350	176,675	176,675	259,500	Negotiation	Mr. Shahab Ahmed Former Executive 1-D, 2.13, Nazimabad Karachi.
- do -	284,575	85,373	199,202	96,475	Negotiation	Mrs. Irfana Zaidi Wife of an ex employee 4/G1/32, Nazimabad-IV Karachi.
- do -	66,400	13,280	53,120	66,400	Insurance Claim	Premier Insurance Wallace Road, Karachi.
- do -	46,200	23,100	23,100	46,200	Insurance Claim	Premier Insurance Wallace Road, Karachi.
Office equipment	19,000	9,500	9,500	-	Lost	

13. Assets subject to finance lease

Description	Cost as	Additions/ *Transfers (Disposals)	Cost as	Accumulated depreciation as at July	Depreciati on charge for the year/ as at June	Accumulated depreciatio n as at June	Net book value as at June 30,	Rate of depreciat ion as a % of
	at July 1, 1996		at June 30, 1997					

	1, 1996	*Transfers /	30, 1997	1997	cost			
		(Depreciation Disposals)						
		Rupees						
Plant and machinery	22,801,755	* (13,886,873)	8,914,882	8,839,545	891,488	4,176,284	4,738,598	10
					* (5,554,749)			
Vehicles	3,865,563	5,197,080	8,017,593	2,220,351	1,603,519	3,013,784	5,003,809	20
		* (1,045,050)			* (810,086)			
As at June 30, 1997	26,667,318	5,197,080	16,932,475	11,059,896	2,495,007	7,190,068	9,742,407	
		* (14,931,923)			* (6,364,835)			
As at June 30, 1996	26,667,318	-	26,667,318	6,749,956	4,579,940	11,059,896	15,607,422	

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.

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
	-----	-----
	12,356,266	8,402,226
	=====	=====

15. Long-term Investment

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

1997	1996		1997	1996
Number of Shares			Rupees	
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				
	1,702,16			
2,403,725	0	Crescent Greenwood Limited	24,037,250	17,021,600
1,047,000	-	Crescent Industrial Chemicals Limited	10,470,000	-
-----	--		-----	-----
	2,692,16			
4,440,725	0		46,678,500	45,767,689
=====	====		=====	=====

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
	-----	-----
	9,900,000	9,900,000
	=====	=====

16. Long term deposits and prepayments

Security	1,786,820	1,458,846
Prepayments	25,056	-
	-----	-----
	1,811,876	1,458,846
	=====	=====

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
	-----	-----
	29,445,409	31,320,300
	=====	=====

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

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
	-----	-----
		160,636,34
	346,841,030	6
	=====	=====

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
	-----	-----
		(46,042,97
	204,789,263	1
		(1,598,906
Provision for doubtful debts	(1,598,906)	}
	-----	-----
	203,190,357	(64,444,065)
	=====	=====

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).

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
	-----	-----

5,573,101 5,203,232

=====

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	
	-----	-----	
	3,634,337	4,394,598	
	=====	=====	

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)	
	-----	-----	
	51,528,659	55,300,084	
	=====	=====	

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)

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	1996	Quoted - Associated	1997	1996
Number of Shares undertakings			Rupees	
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 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 First Crescent	-	2,122
120,075	121,575	Modaraba First Equity	364,180	364,725
-	48,480	Modaraba	-	138,168

-	180	First UDL Modaraba	-	585
		Glaxo Wellcome Pakistan		
1,500	1,500	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
		Karachi Electric		
-	61,481	Supply		
		Corporation Ltd.	-	1,291,101
-	50,000	Kohinoor Weaving Mills Limited	-	192,500
		Lever Brothers Pakistan Ltd.		
500	500	(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 Mall	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	-
		Pakistan International		
-	4,536	Airlines		
		Limited	-	40,824
47,000	34,500	Pakistan Telecommunication		
		Co. Ltd.	1,548,125	1,155,750
		Platinum Commercial Bank		
-	100,000	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
		Saphire Fibres		
-	5,000	Limited	-	112,500
		Searle Pakistan		
-	5,000	Limited	-	142,500
11,000	11,000	Soneri Bank Limited	239,250	239,250
		Sui Northern Gas Pipelines		
218,310	177,348	Ltd.	6,949,461	6,517,539
		Sui Southern Gas Company		
251,850	139,500	Limited	6,954,369	4,352,400
100,000	100,000	Trust Investment Bank Limited	850,000	850,000
-----	-----		-----	-----
	3,987,92			
4,526,400	3		68,357,070	57,784,173
=====	=====		=====	=====

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	1,538,000
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

-----	-----
32,919,330	15,675,140
=====	=====

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
	-----	-----
	88,633,441	3,166,393
	=====	=====

25. SALES

Year ended	Eighteen
June 30,	months
1997	ended June
	30, 1996
	Rupees

Bare Pipes - note		475,230,28
25.1	922,523,876	0
Coating of Pipes	69,115,442	285,070,30
		0
	-----	-----
	991,639,318	760,300,58
	=====	=====

25.1 Sales - Bare Pipes

- Sales of own product	826,891,587	142,485,31
		8
		324,344,09
- Manufacturing charges	95,632,289	8
- Sales of purchased finished pipes	-	8,836,980
	-----	-----
	922,523,876	475,666,39
		6
Less: Sales tax thereon	-	(436,116}
	-----	-----
	922,523,876	475,230,28
	=====	=====

26. COST OF SALES

Bare Pipes - note	625,333,044	224,360,70
-------------------	-------------	------------

26.1		5
Coating of Pipes - note 26.2	67,787,193	168,073,571
	-----	-----
	693,120,237	392,434,276
	=====	=====

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	198,778,23

Finished Goods

At beginning of the year/period	33,033,211	58,615,680
		(33,033,211)
At end of the year / period	(38,362,188)	1)
	-----	-----
	(5,328,977)	25,582,469
	-----	-----
		224,360,70
	625,333,044	5
	=====	=====

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
	-----	-----
	36,782,900	54,833,991
	-----	-----
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)
	-----	-----

	168,073,57
67,787,193	1
=====	=====

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
	-----	-----
	31,701,297	17,537,638
	=====	=====

28. Administration Expenses

Year ended	Eighteen
June 30,	months
1997	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
	-----	-----
	32,478,710	34,377,561
	=====	=====

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
	-----	-----
	327,716	861,674
	=====	=====

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	
			Year ended June 30, 1997	Eighteen months ended June 30, 1996

Rupees				

Ahsan M. Saleem	Director	The Citizens	2,043,458	-

Foundation
 9th Floor, NIC Building,
 Karachi

29. Other Income

	Year ended	Eighteen
	June 30,	months
	1997	ended
		June 30,
		1996
	Rupees	
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
	-----	-----
	5,274,199	4,096,880
	=====	=====

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
	-----	-----
	2,575,179	3,383,105
	=====	=====

30. Financial

Charges

	Year ended	Eighteen
	June 30,	months
	1997	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
	-----	-----
	33,861,040	38,984,714
Less: Finance charges recovered from associated undertakings	7,161,360	3,659,655
	-----	-----
	26,699,680	35,325,059
	=====	=====
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
	-----	-----

41,461,284 62,786,696
 =====

32. Taxation

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

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))
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	8)
	-----	-----
Cash generated from operations	295,507,594	285,574,084
	=====	=====

33.1 Working Capital changes

Year ended	Eighteen
June 30,	months
ended	ended

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.

FORM '34' PATTERN OF HOLDING OF SHARES

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
	1,065,00		
1	1 1,070,000	1,067,257	
	1,190,00		
1	1 1,195,000	1,190,250	
	1,195,00		
1	1 1,200,000	1,198,349	
	1,360,00		
1	1 1,365,000	1,361,316	
	1,525,00		
1	1 1,530,000	1,525,338	
	1,835,00		
1	1 1,840,000	1,835,332	

-----	-----
1,228	17,465,099
=====	=====

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

		-	-----
		17,465,09	
TOTAL	1,228	9	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 above said 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.

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
undertakin
g

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. Furthermore, 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, 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**

**ZAHEERA 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 addresses, if any.