

Crescent Steel and Allied Products Limited
Annual Report 1998

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COMPANY INFORMATION

Board of Directors

Chairman

Mazhar Karim

Chief Executive

Ahsan M. Saleem

Azimuddin Syed
Muhammad Arshad
Mohammad Sharif
Nasir Shafi
Nauman Ahmed Qureshi
Raziur Rehman Khan
Zahid Bashir

Management

Chief Executive and Managing Director	Ahsan M. Saleem, 45 1983*
Executive Vice President and Deputy Managing Director	Mohammad Sharif, 66 1984*
Executive Vice President and Chief Financial Officer	S.M. Ehtishamullah, 59 1996*
Executive Vice President Marketing and Sales	S.A.N. Kazmi, 56 1986*
Senior Vice President Finance and Control	Mohammad Amin, 51 1992*
Senior Vice President and General Manager (Factory)	Nadir Mazhar, 51 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'.

The shares of the company can be dealt through the Central Depository System of Karachi, Lahore and Islamabad Stock Exchanges. 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

Fourteenth Annual General Meeting of Crescent Steel and Allied Products Limited will be held on Thursday December 17, 1998 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
Credit Agricole Indosuez
The Global French Bank
Trust Investment 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 - 5674881 - 5
Fax: 5680476
E.mail: csaplh @ bimni.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 Epoxy³⁴ 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 co--fly 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

			Percentage Change
Year ended	Year ended		
June 30,	June 30,		+ Increase
1998	2.00		- Decrease

Operating results (Rs. 000's.)

Revenues	1,184,177	991,639	+ 19
Income from operations	195,788	234,339	- 16
Net income	190,930	131,913	+ 45

Data per common share (Rs.)

Earnings	9.51	7.56	+ 57
Book value	31.14	25.01	+ 25
Stock price range	25-20	44-25	

Financial position at lane 30 (Rs. 000's.)

Total assets	832,450	1,085,875	- 23
Capitalization	666,304	510,299	+ 31
Long-term debts	40,819	73,433	- 44
Lease obligations	2,245	4,233	- 47
Deferred taxation	19,100	33,100	- 42
Common equity	625,435	436,866	+ 43
Current liabilities	166,195	575,576	- 71

Other statistics

Return on average common equity	35.95%	33.96%	+ 6
Market to book value (times)	0.81	1.67	- 54
Common shares (Nos.)	20,084,863	17,465,099	+ 15

FINANCIAL SUMMARY

	1998	1997	1996	1994	1993
Operating Results (Rs. 000's)					
Net Sales	1,184,177	991,639	506,867	329,801	640,060
Cost of Sales	913,938	693,120	261,622	148.76	482,536
Selling and Administrative expenses	74,451	64,180	34,610	27.40	18,946
Financial expenses	17,602	26,700	23,550	34.87	40,161
Other charges	30,308	41,461	41,858	19.67	6,258
Other income, Net	41,789	5,274	2,731	19.53	1,709
Pre tax profit	189,667	171,452	147,957	118.64	93,869
Income tax	(1,263)	39,539	50,158	38 790	33,503
Extraordinary item	47,852	--	--	--	(51)

Net income	238,782	131,913	97,799	79,853	60,315
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Per Share Results and Returns

Earning per share (Rupees)	9.51	7.56	6.43	6.05	5.71
Net income to sales (%)	16.12	13.31	19.30	24.21	9.43
Return on average assets (%)	19.91	14.97	23.10	14.95	10.27
Return on average equity (%)	35.95	33.96	33.80	38.26	41.65

Financial Position (Rs. 000's)

Current Assets	520,049	797,203	382,249	268,163	180,544
Current liability	166,195	575,576	267,873	259,671	152,011
Operating Fixed Assets	230,395	240,181	247,487	262,898	275,817
Total Assets	832,450	1,085,875	676,963	592,775	474,389
Long-term Debt	40,819	73,433	69,206	97,360	143,677
Shareholders' Equity	625,435	436,866	339,883	238,744	178,700
Break-up value per share (Rupees)	31.14	25.01	22.38	18.08	16.91

Financial Ratios

Current assets to current liabilities	3.13	1.47	1.56	1.03	1.18
Long term debt to capitalization (%)	6.13	14.39	16.91	28.72	44.57
Total debt to total assets (%)	24.87	59.76	49.70	59.70	62.35
Interest coverage (times)	11.78	6.42	6.28	4.40	3.33
Average collection period (days)	24	33	29	41	24
Inventory turnover (times)	5.80	3.91	4.75	3.55	3.18
Fixed assets turnover (times)	5.14	4.25	4.62	2.93	2.32
Total assets turnover (times)	1.42	0.94	1.69	1.30	1.35

Other Data (Rs. 000's)

Depreciation	35,920	35,285	48,459	29,845	28,326
Capital expenditure	29,485	24,716	31,595	10,906	26,333

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 30,1998. 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, 1998	Year ended June 30, 1997
	Rupees (000's)	
PROFIT FOR THE YEAR AND SURPLUS		
Profit before taxation and extraordinary item	189,667	171,452
Provision for taxation		
- Current	(12,737)	(22,039)
- Deferred	14,000	(17,500)
	-----	-----
	1,263	(39,539)
	-----	-----
Profit after taxation and before extraordinary item	190,930	131,913
Extraordinary item	47,852	--
	-----	-----
Profit after taxation and extraordinary item	238,782	131,913
Unappropriated Profit brought forward	2,739	1,954
	-----	-----
Profit available for appropriation	241,521	133,867
APPROPRIATIONS:		
- Reserve for proposed bonus shares issue		
Nil (1997:3 shares for every 20 shares)	--	(26,198)
- Proposed Dividend @ 25 % (1997: 20%)	(50,212)	(34,930)
- General Reserve	(190,000)	(70,000)
	-----	-----
	(240,212)	(131/128)
	-----	-----
UNAPPROPRIATED PROFIT CARRIED FORWARD	1,309	2,739
	=====	=====

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

Sd/-

Ahsan M. Saleem

Chief Executive

Karachi: October 13, 1998

CHIEF EXECUTIVE'S REVIEW

DEAR INVESTOR

Bismillah Ar Rahman Ar Rahim

While presenting this report for the fiscal 1998, I would like to start by inviting your attention to the note of caution sounded by me at the last Annual General Meeting and I quote from the 1997 report;

"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.....".

I am afraid that the outlook for 1999 clouds the outstanding achievements in fiscal 1998. Management's response to challenges arising from the grim outlook for 1999 will be dealt with later in this report. Here I

would like to take you through with our operations during fiscal 1998 which has been a milestone year in many a way.

Your Company surpassed all the past records and I am happy to report that despite great economic uncertainty, the revenues, profits and assets utilization were all better than ever before. This was possible, by the Grace of Allah, due to a high standard of performance and continued adherence to our Mission statement.

Due to stringent cost control, improvement in productivity and specific focus on the return on assets objectives, there have been improvements in net earnings per share and all key balance sheet ratios. It is indeed gratifying that we are able to report results in line with targets and expectation of the shareholders.

During the year the Company earned highest ever pretax profit of Rs. 189.6 million (1997: Rs. 171.4 million) after providing Rs. 25.1 million towards diminution in the value of short term investments but before accounting for credits arising from extra ordinary item and deferred tax reversal. Net profit after tax and extraordinary item was Rs.238.8 million.

OPERATIONS

Actual production of line pipes of varied sizes and thicknesses during the year was 36,988 tons (1997: 42,234 tons), when translated to the notional pipe size of 30" diameter the production was at 61,490 tons for 1998 (1997:58,728 tons). The pipe plant utilization at 77% was higher by 3% over 1997. This was achieved practically in a little over 10 months as the plant remained idle after May 11, 1998.

The coating operations remained below capacity due to scarcity of coating jobs during the year. However, capacity utilization of coating plant being 41% in 1998 was much better than 1997 when it was only 25%.

Revenue from production of bare pipes was Rs. 1,013 million (1997:923 million) which was higher by 9.8% over 1997.

Revenue from coating was Rs.171 million (1997: Rs. 69 million) showing an increase of over 148% over fiscal 1997. Operational costs have been kept generally in check and remained in line with targets set for the year. As a percentage of sales operating expenses work out to 6.28% in fiscal 1998 compared to 6.47% in 1997.

Financial charges for final 1998 at Rs. 17.0 million were considerably lower than 1997 (Rs.26.7 million). This was due to better fund management. The liquidity position of the Company throughout fiscal 1998 remained robust and there was substantial cash balance of Rs.312.2 million at the year end.

Other charges for fiscal 1998 are Rs. 30.3 million which include Rs. 25.1 million as provision for diminution in value of short term investments.

The liability for income tax for the year worked out to be Rs.12.7 million, which has been provided in the accounts.

However a reversal of Rs. 14.0 million in deferred tax liability set off against current year's provision resulted into a credit of RS. 1.3 million to the current year's profit.

The profit after taxation but before extraordinary item for the year yields an earning per share of Rs 9.51 which is better than Rs. 7.56 in 1997. After extraordinary item the EPS is Rs. 11.89.

Extraordinary item represents accumulated balance in respect

of workers' profit participation provided in earlier years. This has been written back in the light of legal opinion obtained.

The balance sheet of the Company as at June 30, 1998 was healthier and stronger compared with June 30, 1997. All key ratios show substantial improvement. The current ratio at 3.13 was much better than 1.47 in 1997. Debt equity ratio improved from 14:86 to 6:94 and equity ratio from 40% to 75%. Fixed assets and inventory turnover respectively improved to 5.14 times (1997:4.25 times), and 5.80 times (1997:3.91 times), and average debt collection period came down to 24 days during the year from 33 days in 1997. Company's liquidity position was very healthy and consequently financial charges came down. High standard of financial performance continues to be an important goal for us.

Debt servicing during the year has remained satisfactory and there are no over-dues and in fact there were no short term borrowings at year end.

INVESTMENTS

Our portfolio investments appear under the classification of short term and long term investment in the Balance Sheet. Long term investments represent

investments 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.

During the year Capital Markets remained dull on account of uncertain political climate, weak economic fundamentals and disturbed law and order situation. Market sentiment appears to be still negative as in most cases even good corporate results and payouts have failed to have any impact on values.

The cost of short term investments as of June 30,1998 was Rs. 70.5 million with a market value of Rs.45.4 million.

In view of the situation explained above, to bring the value of our short term investments on a realistic basis, a provision for diminution in value to the me of Rs. 25.1 million against the short term investments has been made in the accounts, which is in conformity with the accounting policy adopted and international accounting standards.

An investment of Rs. 27.1 million has been made by the Company in Central Asia Gas Pipeline

Limited, Cayman Islands (CENTGAS) which is included in long term investments.

The shareholders of CSAPL in the last Annual General Meeting held on December 09, 1997 authorized formation of an off-shore subsidiary by the name of Crescent Continental Gas Pipeline Limited (CCGPL) registered in Bahamas with an approval to CSAPL to invest upto US\$ 1,000,000 in the Turkmenistan -Afghanistan- Pakistan Gas Pipeline Project. However the above investment of Rs. 27.1 million is still in CSAPL books. Various legal implications of routing the same via CCGPL, Bahamas are being examined and after taking all aspects into account, the investment will be parked in CCGPL.

Due to the political situation in Afghanistan, the progress on the project has slowed down.

INCOME TAX

It is a matter of satisfaction for me to inform you that assessments upto and including the assessment year 1994-95 have been finalized. For assessment year 1995-96 the issue of applicability of the presumptive regime has been decided by the Income Tax Appellate Tribunal in favor of

the Company which would result into a tax relief of Rs. 59 million for the year. However, the Deputy Commissioner of Income Tax is delaying to pass the necessary order giving effect to the Tribunals' decision.

If the basis for application of the presumptive tax on Company's income is extended, there will be a possibility to write back a sum of Rs. 36 million for assessment year 1996-97 and another Rs. 14 million in 1997-98. Thus the total write back could be Rs. 109 million. However credit for tax relief will be taken into account only after receipt of the revised order from Deputy Commissioner of Income Tax. Besides this credit to the Profit and Loss account there will be actual cash refund of over Rs. 100 million due after the revision of the order by DCIT.

CAPITAL EXPENDITURE

As reported last year, the project for modernizing the pipe plant was completed by installation of the heavy duty milling machine whereby proportion of wastage has reduced considerably. It, not only adds to the operating efficiency but will also result in saving valuable foreign exchange for the country as lesser quantity of steel will need to be imported.

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.

Your company was the first in the industry segment to get the ISO9001 recognition in addition to the API licence.

INDUSTRY PROBLEMS

The engineering industry in Pakistan has suffered over the years due to step-motherly treatment. The policies have been such that the 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 the recent years. Scarcity of raw materials or their availability at extortionate prices coupled with issue of taxation thereon, are some of the fundamental reasons for this. 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 favor 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 thicknesses. Even where the capability exists, the deliveries are extremely unreliable. All these elements put together impede the capability of the local bidders to compete for supplies to the exempt sectors.

Another problem, which at times arises, relates to design of projects revolving 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.

The Engineering, Development Board which is seized of this problem could play a decisive role in mediating between the industry and the user oil and gas companies by constituting a competent body with representatives from State Engineering, Ministry of Petroleum and pipe engineering industry to review the specifications of pipes before project is finalized. In this connection the Prime Minister's recent directive for award of contracts to local manufacturers producing goods of international standards should also be kept in view. In the past also Engineering Development Board has helped resolve certain issues of quality and specification for which their effort is gratefully acknowledged and appreciated.

There is also need to give

impetus to engineering goods industry especially for competing locally against international tender or in the export market. In either of these cases their competitiveness is impeded due to very thin margins. For export opportunities, the pipe industry needs special consideration in the form of support in freight as the freight from Pakistan is already high and for pipes because of volume it becomes even more burdensome.

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 strangled.

Before it is too late, the Government should issue guidelines for fixing octroi rates to all local bodies as they are now in a position to hold industry to ransom.

SOCIAL RESPONSIBILITY

We are happy to inform that within limitation we have kept our commitment to promote education. With our contributions three primary

schools are already running and another one is being built for the benefit of community in under privileged areas. In addition we have also contributed for the building of a boys hostel for LUMS at Lahore. For the future also, we 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.

CHALLENGES AND FUTURE OUTLOOK

At the outset it must be mentioned that the resource constraint, if anything, has worsened. The apprehensions and fears about the country's economy in general and specifically its negative impact on your Company's operations are materializing. The order book completely dried up in the year and in fact after completing the orders on hand, the production is virtually at standstill since 11 May 1998.

The pervasive uncertainty, onerous regulations, decreasing confidence of foreign as well as local investors and falling currency, result into a volatile mix clouding the outlook for 1999 and giving rise to a very unusual economic scenario. In

this backdrop it is not easy to predict any thing about the future, however the present challenge being faced by the Company may be viewed as not an entirely unusual or unique situation for an engineering industry like CSAPL. Infrastructure related expansion at times is cyclical and accordingly the present difficult condition should be regarded as an ebb in industry cycle.

During this period besides actively exploring new avenues such as export of pipes to Turkey or Middle East, the Company is taking advantage of time and opportunity available to invest in the plant modernization and in its human capital.

Your Board has already approved plans for upgrading the Coating plant enhancing its capacity to coat pipes upto 48" diameter. This will enable the Company to confidently bid in the overseas market where the requirement is for larger coated pipes.

Wherever possible, cost reduction measures have been introduced including some staffing rationalization without however compromising our competitiveness to remain at the cutting edge and thus always being in a state of readiness to take advantage of any

opportunity that comes our way.

The "human 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. A system of inter and intra departmental job rotations for the staff has been introduced to make them more versatile and enhance their synchronized reciprocal mobility. and at the same time achieve compatible organizational flexibility.

As a result of appropriate measures having been taken timely to forestall some of the imminent problems, it is a matter of some satisfaction that where the industrial sector is facing a pile up of inventories all around and is locked in a serious debt servicing crisis, CSAPL is fortunate to have been able to avoid this. Foreseeing the lean order book during 1998, steps had been taken to run down the inventory and also

concentrate on debt collections. I am happy to report that this twin effort has borne fruit as you may have already noticed from the figures appearing in the accounts. With a healthy cash surplus debt servicing does not pose any problem. In fact we had offered to pre-pay our outstanding long term debt of Rs. 19.5 million but this offer was declined by the lender.

BOARD OF DIRECTORS

During the year Mr. A K M Saeed a nominee of NIT who served on the Board for five years was replaced by Mr. Razi-ur-Rehman Khan. Mr. A K M Saeed made valuable contribution as a director and we place on record our appreciation for the guidance provided by him during his tenure. On behalf of the Board I extend a very warm welcome to Mr. Razi-ur-Rehman Khan as a director of the Company.

The Board of Directors has always been source of guidance and support for the management and I place on record my appreciation for their guiding the management through fiscal 1998 and making a great success of it.

STAFF

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.

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

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

Telephones: (021) 242 6682-6
(021) 242 6711-5
Fax: (021) 241 5007 Audit
(021) 242 7938 Tax
Telex: 21155 AFFCO
E-mail: affco-abs@cyber.net.pk
affco-tax@cyber.net.pk

We have audited the annexed balance sheet of Crescent Steel and Allied Products Limited as at June 30, 1998 and the related profit and loss account and 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, 1998 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 was deposited in the Central Zakat Fund established under section 7 of that Ordinance, except for Rs 88,461 which was deposited in the Central Zakat Fund subsequent to the year end after the receipt of a directive dated September 30, 1998 from the Corporate Law Authority through which the Authority rescinded an earlier directive whereby the company was allowed to hold the amount of zakat deducted from dividends paid to its members.

November 11, 1998

A.F. FERGUSON & CO.
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1998

	Note	1998 Rupees	1997 Rupees
Share capital and reserves			
Authorised capital			
30,000,000 (1997: 30,000,000) ordinary shares of Rs. 10 each		300,000,000	300,000,000
Issued, subscribed and paid-up capital	3	200,848,630	174,650,990
Reserves	4	423,278,056	259,475,696
Unappropriated profit		1,308,714	2,739,280
		-----	-----
		625,435,400	436,865,966
Long-term loan	5	19,473,582	36,099,897
Liabilities against assets subject to finance lease	6	2,245,442	4,233,268
Deferred taxation	7	19,100,000	33,100,000
Current liabilities			
Current maturity of long-term loan	5	16,626,315	14,188,000
Current maturity of liabilities against assets subject to finance lease	6	1,636,743	3,826,555
Short-term running finances under mark-up arrangements	8	--	6,174,173
Creditors, accrued and other liabilities	9	92,080,097	485,362,829
Taxation	10	5,640,120	31,094,328
Proposed dividend		50,212,157	34,930,198
		-----	-----
		166,195,432	575,576,085
Contingencies and commitments	11		
		-----	-----
		832,449,856	1,085,875,216
		=====	=====
Tangible fixed assets			
Operating fixed assets	12	214,957,998	218,082,763

Assets subject to finance lease	13	4,908,408	9,742,407
Capital work-in-progress	14	10,528,918	12,356,266
		-----	-----
		230,395,324	240,181,436
Long-term investments	15	80,556,256	46,678,500
Long-term deposits and prepayments	16	1,448,970	1,811,876
Current assets			
Stores, spares and loose tools	17	32,319,460	29,445,409
Stock-in-trade	18	61,646,311	346,841,030
Trade debts	19	21,234,651	203,190,357
Short-term advances	20	1,909,630	5,573,101
Short-term deposits and prepayments	21	3,071,145	3,634,337
Other receivables	22	42,258,619	51,528,659
Short-term investments	23	45,394,658	68,357,070
Short-term deposits with non-banking financial institutions	24	100,000,000	--
Cash and bank balances	25	212,214,832	88,633,441
		-----	-----
		520,049,306	797,203,404
		-----	-----
		832,449,856	1,085,875,216
		=====	=====

The annexed notes form an integral part of these accounts.

Sd/-

Mazhar Karim
Chairman

Sd/-

Ahsan M. Saleem
Chief Executive

PROFIT AND LOSS ACCOUNT
For the year ended June 30, 1998

	Note	1998 Rupees	1997 Rupees
Sales	26	1,184,177,204	991,639,318
Cost of sales	27	913,938,405	693,120,237
		-----	-----

Gross profit		270,238,799	298,519,081
		-----	-----
Selling expenses	28	25,663,181	31,701,297
Administration expenses	29	48,787,429	32,478,710
		-----	-----
		74,450,610	64,180,007
		-----	-----
Operating profit		195,788,189	234,339,074
Other income	30	41,788,733	5,274,199
		-----	-----
		237,576,922	239,613,273
		-----	-----
Financial charges	31	17,602,327	26,699,680
Other charges	32	30,307,521	41,461,284
		-----	-----
		47,909,848	68,160,964
		-----	-----
Profit before taxation and extraordinary item		189,667,074	171,452,309
Taxation	33	(1,262,937)	39,338,976
		-----	-----
Profit after taxation and before extraordinary item		190,930,011	131,913,333
Extraordinary item	34	47,851,580	--
		-----	-----
Net profit after taxation and extraordinary item		238,781,591	131,913,333
Unappropriated profit brought forward		2,739,280	1,953,785
		-----	-----
Profit available for appropriation		241,520,871	133,867,118
		-----	-----
Appropriations:			
Reserve for proposed bonus shares issue NIL (1997:15%)		--	26,197,640
		-----	-----
Proposed final dividend 25% (1997: 20%)		50,212,157	34,930,198
Transfer to general reserve		190,000,000	70,000,000
		-----	-----
		240,212,157	131,127,838
		-----	-----
Unappropriated profit carried forward		1,308,714	2,739,280
		=====	=====

The annexed notes form an integral part of these accounts.

Sd/-

Mazhar Karim

Chairman

Sd/-

**Ahsan M.
Saleem**

Chief Executive

CASH FLOW STATEMENT

For the year ended June 30, 1998.

	Note	1998 Rupees	1997 Rupees
Cash flow from operating activities			
Cash generated from operations	35	378,852,910	295,507,594
Taxes paid		(38,191,271)	(60,896,298)
Financial charges paid		(19,959,723)	(25,133,266)
Decrease/(increase) in long-term deposits and prepayments		362,906	(353,030)
		-----	-----
Net cash inflow from operating activities		321,064,822	209,125,000
Cash flow from investing activities			
Fixed capital expenditure		(27,657,911)	(23,473,595)
Investments made		(58,501,122)	(56,020,198)
Sale proceeds of fixed assets		2,374,556	1,249,662
Sale proceeds of investments		23,704,927	33,405,043
Dividend received		4,016,452	2,575,179
Return on deposits - associated undertakings		7,017,681	1,000,000
- others		10,866,765	174,970
		-----	-----
Net cash (outflow) from investing activities		(38,178,652)	(41,088,930)
Cash flow from financing activities			
Repayments of			
- a long term loan		(14,188,000)	(12,108,000)
- liabilities against assets subject to finance lease		(4,177,638)	(4,887,351)
Dividend paid		(34,764,966)	(22,757,472)
		-----	-----
Net cash (outflow) from financing activities		(53,130,604)	(39,574,823)
		-----	-----

Net increase in cash and cash equivalents		229,755,566	1,28,461,238
Cash and cash equivalents at beginning of the year		82,459,266	(46,001,972)
		-----	-----
Cash and cash equivalents at end of the year	36	312,214,832	82,459,266
		=====	=====

The annexed notes form an integral part of these accounts.

Sd/-

Mazhar Karim

Chairman

Sd/-

**Ahsan M.
Saleem**

Chief Executive

NOTES TO THE ACCOUNTS

NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1998.

1. LEGAL STATUS AND OPERATIONS

The company was incorporated on August 1, 1983 as a public limited company and is quoted on the stock exchanges in Karachi, Lahore and Islamabad. It is one of the downstream industries of Pakistan Steel Mills manufacturing large diameter spiral are 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.

In 1997 the company was awarded the ISO 9001 certification in respect of Quality Management Systems.

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 14.9% and 7% of basic salaries of the employees respectively. Last actuarial valuations of these funds were carried out as of June 30,1997, wherein, 'actuarial present value of promised retirement benefits' under the pension and gratuity fund schemes was Rs. 10,200,000 and Rs. 4,014,000 respectively and the 'fair value of plan assets' of pension and gratuity fund schemes was Rs. 5,691,000 and Rs. 2,295,000 respectively.

The principal actuarial assumptions used in the valuation of these schemes as of June 30,1997by the actuaries were:

* actuarial method- projected trait credit method;

* expected rate of growth in future salaries - 12% per annum;

* expected rate of return on fund for active members - 14% 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 year's depreciation is charged on additions except major additions or extensions to production facilities which are depreciated on pro-rata basis for the period of use during the year. 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 periods 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 Stock-in-trade

Stock-in-trade is valued at lower of cost and net realizable value. Cost is arrived at on a 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 recognized on despatch of goods to

customers. Sales are also recognized when the company specifically appropriates deliverable goods against confirmed orders.

Dividend income and gain on sale of investments are recognized 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

1998 No. of shares	1997	1998 Rupees	1997 Rupees
10,564,900	10,564,900	105,649,000	105,649,000
	Ordinary shares of Rs.10/- each fully paid in cash		
9,519,963	6,900,199	95,199,630	69,001,990
	Ordinary shares of Rs.10/- each issued as bonus shares		
----- 20,084,863 =====	----- 17,465,099 =====	----- 200,848,630 =====	----- 174,650,990 =====

4. Reserves

General reserves

At the beginning of the year	231,000,000	161,000,000
Transfer from profit and loss account	190,000,000	70,000,000
	----- 421,000,000	----- 231,000,000

Reserve for issue of bonus shares

At the beginning of the year	28,475,696	25,058,616
Transfer from profit and loss account	--	26,197,640
	-----	-----
	28,475,696	51,256,256
Bonus shares issued during the year	(26,197,640)	(22,780,560)
	-----	-----
	2,278,056	28,475,696
	-----	-----
	423,278,056	259,475,696
	=====	=====

5. Long-term loan**Secured**

From National Development Finance Corporation (NDFC) - note 5.1	36,099,897	50,287,897
Less: Current maturity shown under current liabilities	16,626,315	14,188,000
	-----	-----
	19,473,582	36,099,897
	=====	=====

5.1 The loan of US\$ 3.943 million 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 in accordance with the terms of the agreement with NDFC.

The loan carries interest rate of 16.5% per annum and is

repayable in 14 half yearly installments 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 (present and future) including receivables and inventory of raw materials, work-in-process, finished goods and supplies and also ranking pari passu with charges created to secure running finances obtained from banks as referred to in note 8.1 to 8.4

6. Liabilities against assets subject to finance lease

	Note	1998 Rupees	1997 Rupees
Minimum lease payments	6.1	4,817,215	10,227,674
Less: Finance charges not yet due		935,030	2,167,851
		-----	-----
		3,882,185	8,059,823
Less: Current maturity shown under current liabilities		1,636,743	3,826,555
		-----	-----
		2,245,442	4,233,268
		=====	=====

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 agreement include finance charges ranging from 20.38% to 26.49% per annum, which are use as discounting factors. The company intends to exercise its option to purchase the leased assets for Rs.0.893 million on completion of the lease periods.

Details of the lease agreements are as under:

Lessor	Minimum lease payments outstanding as at June 30, 1998 Rupees	Number of installments outstanding	Approximate rate of interest per annum %	Expiry Date
Asian Leasing Corporation Limited	491,400	1 quarterly	20.38	Oct. 31, 1998
Standard Chartered Mercantile Leasing Limited	863,860	44 monthly	22.02	Feb. 20, 2002
Standard Chartered Mercantile Leasing Limited	523,465	27 monthly	21.48	Sept. 20, 2000
Standard Chartered Mercantile Leasing Limited	800,415	47 monthly	22.01	May 09, 2002
Orix Leasing Corporation Limited	2,138,075	19 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. 19.10 million (1997: Rs. 33.100)

million) which is provided in the accounts.

8. Short-term finance under mark-up arrangements

	Note	1998 Rupees	1997 Rupees
Secured			
Running finance			
From National Bank of Pakistan	8.1	--	159,254
From Societe Generale, The French and International Bank	8.2	--	6,014,921
		-----	-----
		--	6,174,175
		=====	=====

8.1. The facility for running finance available amounts to Rs. 20 million (1997: Rs. 20 million). The rate of mark-up is 54 paisas per 1,000 rupees per day. A rebate of 1 paisa per 1,000 rupees per day will be allowed by the bank for prompt payment. Further rebate of 1 paisa per 1,000 rupees per day will be admissible on giving foreign exchange business in the ratio of 1:1 to the bank, more rebate of 2 paisas per 1,000 rupees per day will be admissible if the same business is routed in the ratio of 1:2, additional rebate of 2 paisas per 1,000 rupees per day will be allowed if the same business is routed in the ratio of 1:3 and subsequent rebate of 2 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, 1998. 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 pan passu with the charges created to secure foreign currency loan referred to in Note 5.

8.2 The facility of running finance available amounts to Rs. 50 million (1997: Rs. 50 million). The rate of mark-up is 16.75% per annum. The purchase price is payable on August 31, 1998. This 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 cum export refinance facility from a bank, amounting to Rs. 55 million (1997: Rs. 55 million) for purchase of raw materials. The rate of mark-up is 17% and 13% per annum respectively. This facility is secured by pledge of marketable securities and hypothecation of stocks and receivables ranking pari passu with other banks.

8.4 The company has facilities for export refinance with banks amounting to Rs. 305 million (1997: Rs. 55 million) which were unutilised at the year end (1997: Rs. NIL). These facilities are secured by lien on the letters of credit from the customers against exports by the company

8.5 The facility for opening letters of credit and guarantees as at June 30, 1998 amounted to Rs. 458 million (1997: Rs. 836.680 million) of which amount remaining unutilized at the year end was Rs. 243.45 million (1997: Rs. 200.761 million).

9. Creditors, accrued and other liabilities

	1998	1997
	Rupees	Rupees
Creditors	890,961	19,986,560
Bills payable	--	334,512,046
Excise duty payable	8,620,831	8,620,831
Sales tax Payable	--	362,809
Accrued liabilities	39,016,249	37,356,865
Interest accrued on secured loan	2,730,031	3,803,022
Accrued mark-up	119,246	1,403,651
Advances from customers	16,853,140	14,557,069
Workers' profit participation fund - Note 9.2	--	48,506,107
Workers' welfare fund	17,739,887	9,198,110
Retention money	1,569,223	1,858,387
Due to associated undertakings	830,912	1,959,655
Payable to gratuity fund	79,079	66,592
Payable to pension fund	168,318	126,514
Payable to provident fund	405,358	325,886
Unclaimed dividend	745,805	580,573

Others	2,311,057	2,138,152
	-----	-----
	92,080,097	485,362,829
	=====	=====

9.1 Maximum amount due to associated undertakings at the end of any month during the year was Rs. 2.74 million (1997: Rs. 11.90 million).

9.2 Workers' profits participation fund

	1998 Rupees	1997 Rupees
Balance at the beginning of the year/period	48,506,107	32,351,865
Provision for the year	--	9,619,882
Interest on funds utilized in company's business	--	7,190,228
	-----	-----
	--	16,810,110
	-----	-----
	48,506,107	49,161,975
	-----	-----
Less: Amount paid to the workers	654,527	655,868
Amount no longer considered payable and now written back as an extraordinary item - note 34.1	47,851,580	--
	-----	-----
	48,506,107	655,868
	-----	-----
	--	48,506,107
	=====	=====

10. Taxation

In respect of assessment year 1995-96 the company had filed an appeal in the Income Tax Appellate Tribunal (ITAT). During the year 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 that assessment year. The actual order from ITAT has not yet been given effect to by the Deputy Commissioner of Income Tax. 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 of Sindh 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, 1998.

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 and 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 the Controller of Imports and 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 judgment 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 the 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.

1.1.5 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. 30.943 million (1997: Rs. 34.584 million).

12. Operating fixed assets

12.1 The following is a statement of all operating fixed assets other

Description	Cost as at July 1, 1997	Additions/ *Transfers/ (Disposals)	Cost as at June 30, 1998	Accumulated depreciation as at July 1, 1997	Depreciation charge for the year/ *Transfers/ (on disposals)	Accumulated depreciation as at June 30, 1998	Net book value as at June 30, 1998	Rate of depreciation as a % of cost
Rupees								
Leasehold land	8,053,796	--	8,053,796	521,822	81,343	603,165	7,450,631	
Improvements to leasehold land	105,922	--	105,922	10,656	1,070	11,726	94,196	1
Building on leasehold land	53,563,479	4,878,439	58,441,918	21,392,791	3,039,662	24,432,453	34,009,465	5
Plant and machinery	180,286,814	14,290,663	194,577,477	108,812,380	8,848,856	117,661,236	76,916,241	5 to 20
Office premises	13,626,935	665,309	14,292,244	4,707,736	1,294,033	6,001,769	8,290,475	10
Furniture and fixtures	13,265,395	1,511,624	14,777,019	3,178,477	1,480,168	4,658,645	10,118,374	10
Office and other equipment	10,775,593	1,636,977	12,412,570	4,629,055	3,731,774	8,360,829	4,051,741	20 to 40
Vehicles	11,899,039	4,857,518	16,134,559	7,543,301	2,952,198	10,170,482	5,964,077	20
		*2,820,513 (3,442,511)			*1,974,357 (2,299,374)			
Workshop equipment	3,172,773	--	3,172,773	2,855,300	74,452	2,929,752	243,021	5-20
1998	294,749,746	27,840,530 *2,820,313	321,968,278	153,651,518	21,503,556 *1,974,357	174,830,057	147,138,221	

		(3,442,511)			(2,299,374)		
1997	275,755,116	19,519,555	294,749,746	133,489,158	20,230,972	153,651,518	141,098,228
		*1,045,050			*810,086		
		(1,569,975)			(878,698)		

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

12.2 During the year, the company has revised the depreciation rates on computers, included in office and other equipment, on the basis of their respective remaining useful lives.

Consequently the depreciation rates have been revised. As a result the depreciation expense for the year has increased by an amount of Rs.1,390,602. Had the depreciation rates remained the same, it would have had an incremental effect of Rs.1,390,602 on the profit of the company for the year ended June 30, 1998.

12.3 Coating plant:

	Cost as at July 1, 1997	Additions/ *Transfers/ (Disposals)	Cost as at June 30, 1998	Accumulated depreciation as at July 1, 1997	Depreciation charge for the year/ *Transfers/ (on disposals)	Accumulated depreciation as at June 30, 1998	Net book value as at June 30, 1998	Rate of depreciation as a % of cost
Building on leasehold land	6,870,089	1,644,729	8,514,818	1,572,259	425,741	1,998,000	6,516,818	5

Rupees

Plant and machinery	128,578,380	--	133,640,262	56,927,913	12,647,383	72,359,331	61,280,931	5-20
		*5,061,882			*2,784,035			
Office and other equipment	78,350	--	78,350	67,743	8,507	76,250	2,100	20
Furniture and fixture	47,690	--	47,690	22,059	5,703	27,762	19,928	10
1998	135,574,509	1,644,729	142,281,120	58,589,974	13,087,334	74,461,343	67,819,777	
		*5,061,882			*2,784,035			
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			
Total operating fixed assets as at June 30, 1998	430,324,255	29,485,259	464,249,398	212,241,492	34,590,890	249,291,400	214,957,998	
		*7,882,395			*4,758,392			
		(3,442,511)			(2,299,374)			
Total operating fixed assets as at June 30, 1997	397,442,752	33,406,428	430,324,255	173,965,372	32,789,983	212,241,492	218,082,763	
		*1,045,050			*6,364,835			
		(1,569,975)			(878,698)			

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

1.2.4 Following are the details of fixed assets disposed during the year:

Description	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Mode of Disposal	Sold to
Vehicle	170,400	170,400	--	51,120	Company scheme	Mr. Khawaja M. Sharif House # 10, Guldin Colony, Nanwan Shahar, Multan.
- do -	370,687	148,274	222,413	232,000	Auction	Mr. Arshad Ali Chohan Chohan Manzil, Nabi Bux Road, Gazdorabad, Karachi.
- do -	1,353,550	1,353,550	--	500,000	Negotiation	Ms. Tahreen Shaikh 76/1-10th Street Off Khayaban-e-Sehar, Defence Phase VI,

		(475,500)			*(4,758,392)		
					(95,100)		
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)		

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

14. Capital work-in-progress

	1998 Rupees	1997 Rupees
Civil works	5,586,695	6,640,799
Plant and machinery	3,800,511	5,339,511
Others	1,141,712	375,956
	-----	-----
	10,528,918	12,356,266
	=====	=====

15, Long-term investments

Portfolio investments - note 15.1	53,423,590	46,678,500
Project investment - note 15.4	27,132,666	--
	-----	-----
	80,556,256	46,678,500
	=====	=====

15.1 Portfolio investments

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

1998	1997	1998	1997
Number of Shares		Rupees	Rupees

Quoted-Associated undertakings

500,000	500,000	Crescent Investment Bank Ltd.	7,175,000	7,175,000
885,000	175,000	Pakistan Industrial Leasing Corporation Limited	9,221,250	2,476,250
			-----	-----
			16,396,250	9,651,250
		Quoted - Others		
315,000	315,000	Crescent Leasing Corporation Limited	2,520,000	2,520,000
			-----	-----
			18,916,250	12,171,250
		Unquoted - Associated undertakings		
2,403,725	2,403,725	Crescent Greenwood Limited	24,037,250	24,037,250
1,047,000	1,047,000	Crescent Industrial Chemicals Limited	10,470,000	10,470,000
			-----	-----
			34,507,250	34,507,250
		Unquoted - Wholly owned		
2	--	subsidiary	90	--
		Crescent Continental Gas Pipelines Ltd. (US \$1 each)- note 15.5		
-----	-----		-----	-----
5,150,727	4,440,725		53,423,590	46,678,500
=====	=====		=====	=====

15.2 Aggregate market value of investments in shares quoted on the Karachi Stock Exchange as at June 30, 1998 was Rs 14,178,750 (1997:Rs.12,057,500).

15.3 The following investments having an aggregate face value of Rs. 8,600,000 (1997: Rs. 9,900,000) are deposited as security with some commercial banks.

	1998	1997
	Rupees	Rupees
Crescent Leasing Corporation Limited	3,150,000	3,150,000

Crescent Investment Bank Limited	3,700,000	5,000,000
Pakistan Industrial Leasing Corporation Limited	1,750,000	1,750,000
	-----	-----
	8,600,000	9,900,000
	=====	=====

15.4 Project investment

This represents cash calls made on the company by the operator of a joint venture by the name of Central Asia Gas Pipeline Limited, Cayman Island, (CENTGAS) in which the company has share to the extent of 3.89%. The joint venture is promoted by an international consortium comprising Unocal of USA, Delta Gas Pipeline Company (Central Asia) Limited of Saudi Arabia, Government of Turkmenistan, Indonesia Petroleum Limited (IMPEX) of Japan, CIECO Trans Asia Gas Limited, of Japan, Hyundai Engineering and Construction Company Limited of Korea, to build a 1,271 km 48" pipeline estimated to cost USS 1.7 billion, for gas transmission from Turkmenistan to Pakistan. The existing amount together with the future cash calls on the company will ultimately be routed through an off-shore subsidiary namely Crescent Continental Gas Pipelines Limited which has been formed and registered in the Bahamas presently as a dormant company. The timing

for transfer of the investment will be determined upon the progress of the Centgas project, the developments in current foreign exchange regulations and the tax implications. Mr. KM. Wajahat Ullah is the Chief Executive of CENTGAS.

Include in the amount of project investment are 38.9 shares of US \$ 0.01 each issued to the company by CENTGAS.

15.5 The shares in Crescent Continental Gas Pipelines Limited were acquired on June 30, 1998. As the subsidiary company has not prepared its first set of accounts, therefore those accounts are not annexed herewith.

16. Long-term deposits and prepayments

Security deposits	1,448,970	1,786,820
Prepayments	--	25,056
	-----	-----
	1,448,970	1,811,876
	=====	=====

17. Stores, spares and loose tools

Stores	2,861,326	6,608,276
Spare parts - note 17.1	29,050,502	22,377,421
Loose tools	407,632	459,712
	-----	-----
	32,319,460	29,445,409
	=====	=====

17.1 Spare parts include those in transit as at June 30, 1998 of Rs.1,887,568 (1997: Rs. 1,076,384).

18. Stock-in-trade

Raw materials		
Hot rolled steel coils	22,171,556	89,742,108
Coating materials	14,581,654	21,874,755
Others	5,600,083	1,840,052
Stock-in-transit	5,163,980	191,663,274
	-----	-----
	47,517,273	305,120,189
Provision for obsolescence		
- Hot rolled steel coils	(12,504,779)	--
Provision for slow moving and obsolete stock		
- Coating material	(11,288,499)	--
	-----	-----
	23,723,995	3,051,201
Work-in-process	805,049	2,449,468
Finished goods	37,117,267	39,271,373
	-----	-----
	61,646,311	346,841,030
	=====	=====

18.1 The stock-in-trade amounting to Rs. 22 million (1997: Rs. 35 million) is pledged as security with a commercial bank.

19. Trade debts

Unsecured		
Considered good	21,234,651	203,190,357
Considered doubtful	3,207,834	1,598,906
	-----	-----
	24,442,485	204,789,263
Provision for doubtful trade debts	(3,207,834)	(1,598,906)
	-----	-----
	21,234,651	203,190,357
	=====	=====

19.1 Trade debts include unbilled revenue of Rs. Nil (1997: Rs. 68,729,165).

19.2 Maximum amount due from associated undertakings at the end of any month during the year was Rs. Nil (1997: Rs. 386,553).

20. Short-term advances

Considered good		
Executives	337,205	54,052
Other staff	4,501	5,727
	-----	-----
	341,706	59,809
Suppliers for goods and services	1,567,924	5,513,292
	-----	-----
	1,909,630	5,573,101
	=====	=====

20.1 The maximum amount due at the end of any month during the year from the chief executive was Rs. Nil (1997: Rs. Nil), and from executives Rs. 495,056 (1997: Rs.327,145) representing unadjusted travelling and other advances.

21. Short-term deposits and pre-payments

	1998 Rupees	1997 Rupees
Security deposits	1,979,056	2,391,995
Prepayments	1,092,089	1,242.34
	-----	-----
	3,071,145	3,634,337
	=====	=====

22. Other receivables

Considered good		
Mark-up accrued on deposits		
- associated undertakings	2,453,593	--
- others	5,304,605	--
Octroi refundable	1,523,158	14,566,467
Margin on letters of credit and guarantees	3,178,223	3,178,303
Due from associated undertakings - note 22.2	28,492,218	17,970,145
Sales tax refundable	1,162,822	--
Others	144,000	15,813,744
	-----	-----
	42,258,619	51,528,659
Considered doubtful		
Others	2,935,612	1,799,279
	-----	-----
	45,194,231	53,327,938

Provision for doubtful receivables	(2,935,612)	(1,799,279)
	-----	-----
	42,258,619	51,528,659
	=====	=====

22.1 Maximum amount due from associated undertakings at the end of any month during the year was Rs.50.997 million (1997:Rs.69.114 million).

22.2 Due From Associated Undertakings

Crescent Jute Products Limited	11,430,047	15,290,490
Crescent Textile Mills Limited	474,593	474,593
Crescent Apparel Manufacturing Company	870,009	870,009
Crescent Software Products (Private) Limited	--	1,913
Crescent Knitwear Limited	12,999	11,087
Crescent Ujala Limited	212,796	--
Shakarganj Mills Limited	15,491,774	322,053
Crescent Investment Bank	--	1,000,000
	-----	-----
	28,492,218	17,970,145
	=====	=====

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.

1998 Number of Shares	1997	Quoted - Associated undertakings	1998 Rupees	1997 Rupees
661,145	599,145	Crescent Investment Bank Ltd.	8,945,842	8,319,092
310,605	295,767	Crescent Textile Mills Limited	3,036,807	3,036,807
91,300	971,300	Crescent Jute Products Limited	538,670	538,670
26,490	24,082	Jubilee Spinning and Weaving Mills Limited	247,391	247,391
608,200	608,200	Pakistan Industrial Leasing Corporation Limited	8,224,985	8,209,235
919,854	767,847	Shakarganj Mills Limited	8,803,241	8,803,241
Quoted - Others				
1,000	102,000	A1-Towfeek Investment Bank Limited	8,928	913,540
--	5,000	A1-Faysal Investment Bank Limited	--	58,763
23,000	23,000	American Life Insurance Company Ltd.	647,500	647,500

14,883	14,175 Askari Commercial Bank Limited	268,600	268,600
23,400	19,500 Askari Leasing Limited	274,274	274,274
--	41,000 Bankers Equity Limited	--	393,600
244,500	208,500 Commercial Union Life Assurance Ltd.	3,358,350	3,010,950
222,000	222,000 Crescent Leasing Corporation Limited	1,737,933	1,737,933
100,000	-- Dhan Fibre Limited	243,750	--
3,375	22,500 Engro Chemical Pakistan Limited	328,725	2,520,000
150,000	128,000 FFC Jordan Fertilizer Company Ltd.	2,365,030	1,833,640
--	10,100 Fauji Fertilizer Company Limited	--	723,985
251,500	101,500 Faysal Bank Limited	4,166,413	2,309,888
120,075	120,075 First Crescent Modaraba	364,180	3,641.80
200	1,500 Glaxo Wellcome Pakistan Limited	19,400	145,500
--	22,500 Hub Power Company Limited	--	727,950
50	356,050 ICI Pakistan Limited	692	5,198,182
500	500 Lever Brothers Pakistan Ltd. (Rs. 50 each)	325,500	325,500
--	14,000 LTV Modaraba	--	69,170
--	35,000 Lucky Cement Limited	--	393,750
162	22,162 Modaraba A1 Mall	648	88,648
25,000	-- National Leasing Company Limited	109,700	--
411,000	20,000 Nishat Mills Limited	6,048,522	404,000
52,000	6,500 Pakistan Industrial Credit and Investment Corporation	584,425	59,475
47,000	47,000 Pakistan Telecommunication Co. Ltd.	879,757	1,548,125
1,337	1,337 Prime Commercial Bank Ltd.	16,113	16,113
15,000	15,000 S G Power Company Limited	176,288	176,288
5,000	-- Shell Pakistan Limited	1,115,425	--
24,000	-- Sitara Energy Limited	582,410	--
13,200	11,000 Soneri Bank Limited	239,250	239,250
302,806	21,831 Sui Northern Gas Pipelines Ltd.	8,453,089	6,949,461
318,362	251,850 Sui Southern Gas Company Limited	7,560,274	6,954,369
100,000	100,000 Trust Investment Bank Limited	850,000	850,000

Book value of short term

investments

70,522,112 68,357,070

Less: Provision for

diminution in the value of

short-term investments

(25,127,454) --

45,394,658 68,357,070

23.1 Aggregate market value of investments in shares/modaraba certificates quoted on the stock exchange as at June 30, 1998 was Rs. 45,394,658 (1997: .Rs. 72,975,795) which at the close of business on August 31,1998 was Rs. 45,652,038. As a matter of prudence the management has set up a provision of Rs. 25,127,454 against the carrying value of short-term investments.

23.2 The following investments having an aggregate face value of Rs. 33,298,950 (1997: Rs. 32,919,330) are deposited as security with some commercial banks.

	1998	1997
	Rupees	Rupees
A1-Towfeek Investment Bank Limited	--	810,000
American Life Insurance Company Limited	230,000	230,000
Askari Leasing Company Limited	195,000	195,000
Commercial Union Life Assurance Limited	2,085,000	2,085,000
Crescent Investment Bank Limited	5,991,250	4,691,450
Crescent Jute Products Limited	913,000	913,000
Crescent Leasing Corporation Limited	1,890,000	1,890,000
Crescent Textile Mills Limited	2,687,430	2,687,430
Engro Chemical Pakistan Limited	--	180,000
Sitara Energy Limited	240,000	--
Fauji Fertilizer Company Limited	--	101,000
FFC Jordan Fertilizer Company Limited	380,000	--
Pakistan Industrial Credit and Investment Corporation	170,000	--
Faysal Bank Limited	1,015,000	1,015,000
ICI Pakistan Limited	--	3,030,000
Jubilee Spinning and Weaving Mills Limited	96,000	96,000

Pakistan Industrial Leasing Corporation Limited	5,027,000	3,027,000
Shakarganj Mills Limited	7,678,470	7,678,470
Sui Northern Gas Pipelines Limited	2,182,100	1,771,450
Sui Southern Gas Company Limited	2,518,500	2,518,500
	-----	-----
	33,298,950	32,919,330
	=====	=====

24. Short-term deposits with non banking financial institutions

With an associated undertaking	50,000,000	--
- Pakistan Industrial Leasing Corporation		
Other		
- First Crescent Modaraba	50,000,000	--
	-----	-----
	100,000,000	--
	=====	=====

24.1 The company has placed funds in various branches with the aforementioned non-banking financial institutions. The rates of mark-up on deposits with Pakistan Industrial Leasing Corporation and First Crescent Modaraba varies from 14.5% to 18.5% and 17% to 19% per annum respectively.

1998	1997
Rupees	Rupees

25. Cash and bank balances

With banks - in time deposit accounts - note 25.1	211,549,264	86,978,652
- in current accounts	521,625	1,612,844
Cash in hand	143,943	41,945
	-----	-----
	212,214,832	88,633,441
	=====	=====

25.1 These include US\$ 149,998 (1997: US\$ NIL) being balance in a foreign currency account from which withdrawals in foreign currency have been suspended by the State Bank of Pakistan.

26. SALES

Bare Pipes - note 26.1	1,012,833,501	922,523,876
Coating of Pipes - note 26.2	171,343,703	69,115,442
	-----	-----
	1,184,177,204	991,639,318
	=====	=====

26.1 Sales - Bare Pipes

- Sales of own product - Local	17,675,242	8,240,620
- Export	999,039,001	818,650,967
	-----	-----
	1,016,714,243	826,891,587
	-----	-----
Conversion charges - Local	--	66,263,754
- Export	--	29,368,535
	-----	-----
	--	95,632,289
	-----	-----
	1,016,714,243	922,523,876
Less: Sales tax thereon	(3,880,742)	--
	-----	-----
	1,012,833,501	922,523,876
	=====	=====

26.2 Sales - Coating of pipes

Clients product - Local	34,566,121	7,627,067
- Export	140,633,657	61,488,375
	-----	-----
	175,199,778	69,115,442
Less: Sales tax thereon	(3,856,075)	--
	-----	-----
	171,343,703	69,115,442
	=====	=====

27. Cost of sales

Bare Pipes - note 27.1	798,281,505	625,333,044
------------------------	-------------	-------------

Coating of Pipes - note 27.2	115,656,900	67,787,193
	-----	-----
	913,938,405	693,120,237
	=====	=====

27.1 Cost of sales - Bare pipes

Raw material consumed	739,466,009	573,228,600
Store and spares consumed	8,956,295	11,302,602
Fuel power and electricity	9,409,898	8,018,101
Salaries, wages and other benefits	14,989,030	13,783,477
Provident fund expenses	1,822,232	1,560,673
Pension fund expenses	625,358	489,789
Gratuity fund expenses	293,826	257,785
Insurance	1,225,991	1,053,711
Repairs and maintenance	1,137,224	881,522
Depreciation	12,629,562	13,252,866
Other expenses	4,626,685	4,856,787
	-----	-----
	55,716,101	55,457,313
	-----	-----
	795,182,110	628,685,913
	-----	-----
Opening stock of work-in-process	1,284,188	3,260,296
Closing stock of work-in-process	(805,049)	(1,284,188)
	-----	-----
	479,139	1,976,108
	-----	-----
Cost of goods manufactured	795,661,249	630,662,021
Opening stock of finished goods	38,362,188	33,033,211
Closing stock of finished goods	(35,741,932)	(38,362,188)
	-----	-----
	2,620,256	(5,328,977)
	-----	-----
	798,281,505	625,333,044
	=====	=====

27.2 Cost of sales - Coating of pipes

1998	1997
Rupees	Rupees

Material consumed	75,300,764	31,672,527
Stores and spares consumed	6,538,025	5,498,917
Fuel and power	3,977,508	2,094,719
Salaries, wages and other benefits	8,024,662	6,908,645
Provident fund expenses	782,759	666,968
Pension fund expenses	268,010	219,951
Gratuity fund expenses	125,925	115,765
Insurance	966,200	1,202,087
Repair and maintenance	632,565	2,129,788
Depreciation	15,881,349	15,273,119
Other expenses	2,460,003	2,672,941
	-----	-----
	39,657,006	36,782,900
	-----	-----
	114,957,770	68,455,427
Opening stock of work-in-process	1,165,280	--
Closing stock of work-in-process	--	(1,165,280)
	-----	-----
	1,165,280	(1,165,280)
	-----	-----
Cost of goods manufactured	116,123,050	67,290,147
Opening stock of finished goods - coated pipes	909,185	1,406,231
Closing stock of finished goods - coated pipes	(1,375,335)	(909,185)
	-----	-----
	115,656,900	67,787,193
	=====	=====

28. Selling Expenses

Salaries, wages and other benefits	2,020,882	1,607,295
Provident fund expenses	103,557	89,437
Pension fund expenses	156,398	130,271
Gratuity fund expenses	73,478	6,321.70
Travelling and conveyance	1,845,558	1,179,051
Depreciation	268,566	168,828
Advertisement	583,125	594,088
Bid bond expenses	61,893	146,428
Provision for doubtful - trade debts	1,608,928	--
- other receivables	1,136,333	1,799,279
Transportation	--	519,759

Legal and professional charges	70,000	2,030,974
Liquidated damages	--	21,288,921
Sales promotion	15,513,220	333,102
Others	2,221,243	1,750,647
	-----	-----
	25,663,181	31,701,297
	=====	=====

29. Administration expenses

Salaries, wages and other benefits	12,751,547	9,847,186
Provident fund expenses	555,178	413,018
Pension fund expenses	811,003	550,287
Gratuity fund expenses	381,015	294,979
Rents, rates and taxes	50,101	113,947
Travelling, conveyance and entertainment	8,150,989	2,564,540
Fuel and power	2,818,759	1,465,160
Postage, telephone and telegram	1,685,034	1,555,633
Insurance	774,038	8,654
Repairs and maintenance	1,075,236	1,254,454
Auditors' remuneration - note 29.1	1,301,544	327,716
Legal and professional charges	2,330,840	1,202,807
Donations - note 29.2	7,441,462	3,089,841
Depreciation	7,141,009	6,590,180
Advertisement	49,148	707,931
Printing, stationery and office supplies	603,726	10,455
Newspapers, subscriptions & periodicals	422,049	454,556
Others	444,751	370,527
	-----	-----
	48,787,429	32,478,710
	=====	=====

29.1 Auditors' remuneration

Audit fee	200,000	200,000
Audit fee for fund accounts and special reports	115,000	82,500
Taxation and accounting services	957,960	--
Central and Provincial excise duty	--	25,524
Out of pocket expenses	28,584	19,692
	-----	-----
	1,301,544	327,716
	=====	=====

29.2 Donations

Donations were made to the following donee in which a director has an interest:

Name of director	Interest in Donee	Name and address of Donee	Amount donated	
			1998 Rupees	1997 Rupees
Ahsan M. Saleem	Director	The Citizens Foundation 9th Floor, NIC Building, Karachi	2,263,462	2,043,458

30. Other income

	1998 Rupees	1997 Rupees
Liabilities written-back - note 30.1	6,478,897	950,000
Return on deposits		
- associated undertakings	9,471,274	1,000,000
- others	16,171,370	174,970
Gain on disposal of fixed assets	851,019	558,385
Gain on sale of investments	1,246,603	--
Rental from an associated undertaking	187,980	15,665
Dividend income - note 30.2	4,016,452	2,575,179
Exchange gain	276,997	--
Miscellaneous	3,088,141	--
	-----	-----
	41,788,733	5,274,199
	=====	=====

30.1 Includes Rs. 5,914,832 towards cost of coils consumed and provided in excess in earlier years written back now.

30.2 Dividend income

From Associated undertakings:		
Pakistan Industrial Leasing Corporation Limited	1,566,400	1,095,400
Crescent Textile Mills Limited	370,959	--
	-----	-----
	1,937,359	1,095,400

Others	2,079,093	1,479,779
	-----	-----
	4,016,452	2,575,179
	=====	=====

31. Financial charges

Interest on long-term loans	6,662,411	8,900,000
Mark-up on:		
Export refinance	15,203,094	--
Running finances	1,237,733	6,843,368
Short-term borrowings	--	6,184,946
Finance and lease processing charges on assets subject to finance lease	1,095,427	1,278,302
Excise duty on:		
Long-term loan	--	1,192,776
Lease arrangements	--	47,021
Running finances	--	339,275
Short term borrowings	--	329,916
Interest on Workers' profits participation fund	--	7,190,228
Bank charges	2,307,521	1,491,133
Bank guarantee commission	--	64,075
	-----	-----
	26,506,186	33,861,040
Less: Finance charges recovered from associated undertakings	5,192,448	7,161,360
Others	3,711,411	--
	-----	-----
	17,602,327	26,699,680
	=====	=====

32. Other Charges

Workers' profit participation fund		
Workers' welfare fund	5,180,067	4,135,223
Loss on sale of investments	--	11,131,447
Expenses incurred for acquisition of drawings of a project abandoned	--	1,657,732
Provision for diminution in the value of short-term investments	25,127,454	--
	-----	-----
	30,307,521	41,461,284

Taxation

Current	12,737,063	22,038,976
Deferred	(14,000,000)	17,500,000
	-----	-----
	(1,262,937)	39,538,976
	=====	=====

34. Extraordinary item

Workers' profits participation fund - note 34.1	47,851,580	--
	=====	=====

34.1 This represents an accumulated balance in respect of workers' profits participation fund and interest thereon which had been provided in earlier years. This is now written back in the light of an opinion given by a legal advisor of the company.

35. Cash generated from operations

Profit before taxation	189,667,074	171,452,309
Adjustments:		
Extraordinary item	47,851,580	--
Depreciation	35,920,486	35,284,990
Provision for diminution in the value of short-term investments	25,127,454	--
Financial charges	17,602,327	26,699,680
Gain on disposals of fixed assets	(851,019)	(558,385)
(Gain)/Loss on sale of investments	(1,246,603)	11,131,447
Dividend income	(4,016,452)	(2,575,179)
Return on deposits - from an associated undertaking	(9,471,274)	(1,000,000)
- others	(16,171,370)	(174,970)
Working capital changes - note 35.1	94,440,707	55,247,702
	-----	-----
Cash generated from operations	378,852,910	295,507,594
	=====	=====

35.1 Working capital changes

(Increase)/decrease in current assets		
Stores, spares and loose tools	(2,874,051)	1,874,891
Stock-in-trade	285,194,719	(186,204,684)
Trade debts	181,955,706	(138,746,292)

Short-term advances	3,663,471	(369,869)
Short-term deposits and prepayments	563,192	760,261
Other receivables (net)	17,028,238	3,771,425
	-----	-----
	485,531,275	(318,914,268)
Decrease/(increase) in current liabilities		
Creditors, accrued and other liabilities (net)	(391,090,568)	374,161,970
	-----	-----
	94,440,707	55,247,702
	=====	=====

Cash and cash equivalents

Short-term deposits with non-banking financial institutions - note 24	100,000,000	--
Cash and bank balances - note 25	212,214,832	88,633,441
Short-term running finances under mark-up arrangements - note 8	--	(6,174,175)
	-----	-----
	312,214,832	82,459,266
	=====	=====

37. Remuneration to the chief executive, a director and executives

Description	Chief Executive		Director		Executives		Total	
	1998	1997	1998	1997	1998	1997	1998	1997
	R u p e e s							
Managerial remuneration	2,220,300	1,830,300	912,300	792,300	6,977,473	5,468,117	10,110,073	8,090,717
House rent	999,000	823,500	410,400	356,400	2,926,701	2,345,949	4,336,101	3,525,849
Utilities	222,000	183,000	91,200	79,200	650,399	521,338	963,599	783,538
Travelling expense personal (as per entitlement)	264,842	138,265	12,809	104,485	--	--	277,651	242,750
Other allowance	318,869	141,600	--	--	111,929	38,448	430,798	180,048
Medical	34,418	65,662	10,932	1,051.00	324,390	217,265	369,740	293,437
Contribution to:								
- Provident fund	222,036	183,036	91,236	79,236	533,974	408,405	847,246	670,677
- Gratuity fund	155,400	128,100	63,840	55,440	408,153	319,408	627,393	502,948
- Pension fund	330,780	243,390	135,888	105,336	868,782	606,875	1,335,450	955,601
Club subscription and expenses	224,731	80,708	6,606	6,485	--	--	231,337	87,193
Entertainment	--	--	60,000	36,000	1,200,000	112,710	1,260,000	148,710

Conveyance	--	--	--	--	61,930	57,180	61,930	57,180
Telephone	--	--	18,000	9,000	22,800	20,977	40,800	29,977
	4,992,376	3,817,561	1,813,211	1,634,392	14,086,531	10,116,672	20,892,118	15,568,625
	=							
Number of persons	1	1	1	1	29	27	31	29
	=							

37.1 The aggregate amount charged in the accounts in respect of directors' fee paid to seven (1997: seven) directors was Rs. 40,000 (1997: Rs. 18,000).

37.2 The chief executive, director and seven 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.

38. Transactions with associated undertakings

	1998 Rupees	1997 Rupees
Guarantee commission paid	--	64,075
Insurance premium paid	10,239,362	7,198,771
Shares purchased	6,745,000	17,485,650
Sale of pipes	491,539	92,746
Return on deposits	9,471,274	1,000,000
Recovery of financial charges	5,192,448	7,161,360
Rental from an associated undertaking	187,980	15,665

39. Plant capacity and

production

39.1 Pipe plant

The plant's installed / rated capacity for production based on single shift is 26,500 tons (1997:26,500 tons) annually on the basis of notional pipe size of 30" dia x 1/2" thickness. The actual production achieved during the year was 36,988 tons (1997:42,234 tons) line pipes of varied sizes and thicknesses, which is equivalent to 61,490 tons (1997: 58,728 tons) if actual production is translated to the notional pipe size of 30" diameter.

39.2 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 min.

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 188,343 metres of different dia pipes (244,841 square metres surface area) was achieved during the year (1997: 149,269 square metres surface area). The plant capacity was

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

40 Year 200 compliance

The company has addressed the year 2000 compliance issue and relation to the computer hardware and software. All major hardware in use is year 2000 compliant. With regard to the operating and application softwares, necessary steps have been taken to ensure that these are year 2000 compliant by June 30, 1999.

41. Corresponding figures

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

Sd/-

Mazhar Karim
Chairman

Sd/-

**Ahsan M.
Saleem**
Chief Executive

FORM '34' PATTERN OF HOLDING OF SHARES

Held by the Shareholders as at June 30, 1998.

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
113	1	100	5,037
568	101	500	127,777
114	501	1,000	85,000
209	1,001	5,000	507,806
81	5,001	10,000	584,860
38	10,001	15,000	454,613

23	15,001	20,000	394,282
15	20,001	25,000	334,794
6	25,001	30,000	163,452
3	30,001	35,000	95,616
2	35,001	40,000	78,027
5	40,001	45,000	208,978
6	45,001	50,000	282,733
2	50,001	55,000	107,791
4	55,001	60,000	225,273
2	65,001	70,000	133,198
1	70,001	75,000	73,114
2	75,001	80,000	152,086
1	80,001	85,000	84,640
1	90,001	95,000	93,989
2	95,001	100,000	194,024
1	110,001	115,000	111,751
1	150,001	155,000	152,087
1	165,001	170,000	165,563
1	185,001	190,000	189,420
1	200,001	205,000	200,336
1	365,001	370,000	366,662
1	490,001	495,000	494,123
1	705,001	710,000	707,182
1	910,001	915,000	912,525
1	1,005,001	1,010,000	1,005,100
1	1,225,001	1,230,000	1,227,345
1	1,365,001	1,370,000	1,368,787
1	1,375,001	1,380,000	1,378,101
1	1,515,001	1,520,000	1,517,288
1	1,750,001	1,755,000	1,754,138
1	4,145,001	4,150,000	4,147,365

1,214
=====

20,084,863
=====

Held by the Shareholders as at June 30, 1998.

Categories of Shareholders	Number	Shares Held	Percentage
Individuals	1,156	4,096,198	20,394
Investment Companies	8	508,714	2,533
Insurance Companies	3	525,032	2,614

Joint Stock Companies	22	8,538,161	42,510
Financial Institution	9	5,113,320	25,459
Others	16	1,303,438	6,490
	-----	-----	-----
TOTAL	1,214	20,084,863	100.000
	=====	=====	=====
Others			
Modarabas	6	64,340	0.320
Non-Residents	10	1,239,098	6.169
	-----	-----	-----
TOTAL	16	1,303,438	6.490
	=====	=====	=====

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN
 THAT the Fourteenth Annual
 General Meeting of the
 shareholders of CRESCENT
 STEEL & ALLIED PRODUCTS
 LIMITED will be held on
 Thursday the December 17,
 1998 at 11:00 a.m. at Pearl
 Continental Hotel. Shahrah-e-
 Quaid-e-Azam, Lahore to
 transact the following business:-

1. To receive and adopt the
 Directors' and Auditors'
 Reports and Audited
 Accounts for the year ended
 June 30,1998.
2. To declare dividend. The
 Directors have recommended
 the payment of Cash
 Dividend @ Rs. 2.50 per share
 (i.e. @ 2 5%).
3. To appoint Auditors and fix
 their remuneration. The

present Auditors M/s. A.E
Ferguson & Company,
Chartered Accountants, retire
and being eligible, offer
themselves for re-appointment.

BOOK CLOSURE:

The Register of Members of the
company shall remain closed
from December 10, 1998 to
December 17, 1998 (both days
inclusive). The members whose
names appear on the Register
of Members as on December
09, 1998 shall be entitled for
cash dividend.

BY ORDER OF THE BOARD
ZAHEER A. SHAIKH
CORPORATE SECRETARY

REGISTERED OFFICE:

83-Babar Block, New Garden
Town.

LAHORE

Tele: 042-5881974-75

Fax: 5881976

Dated: November 23, 1998

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.

3. Account holders and sub-account holders holding book entry securities of the company in Central Depository System of Central Depository Company of Pakistan Limited who wish to attend the Annual General Meeting are requested to please bring original I.D. Card alongwith copy thereof duly attested by their Bankers for identification purpose.