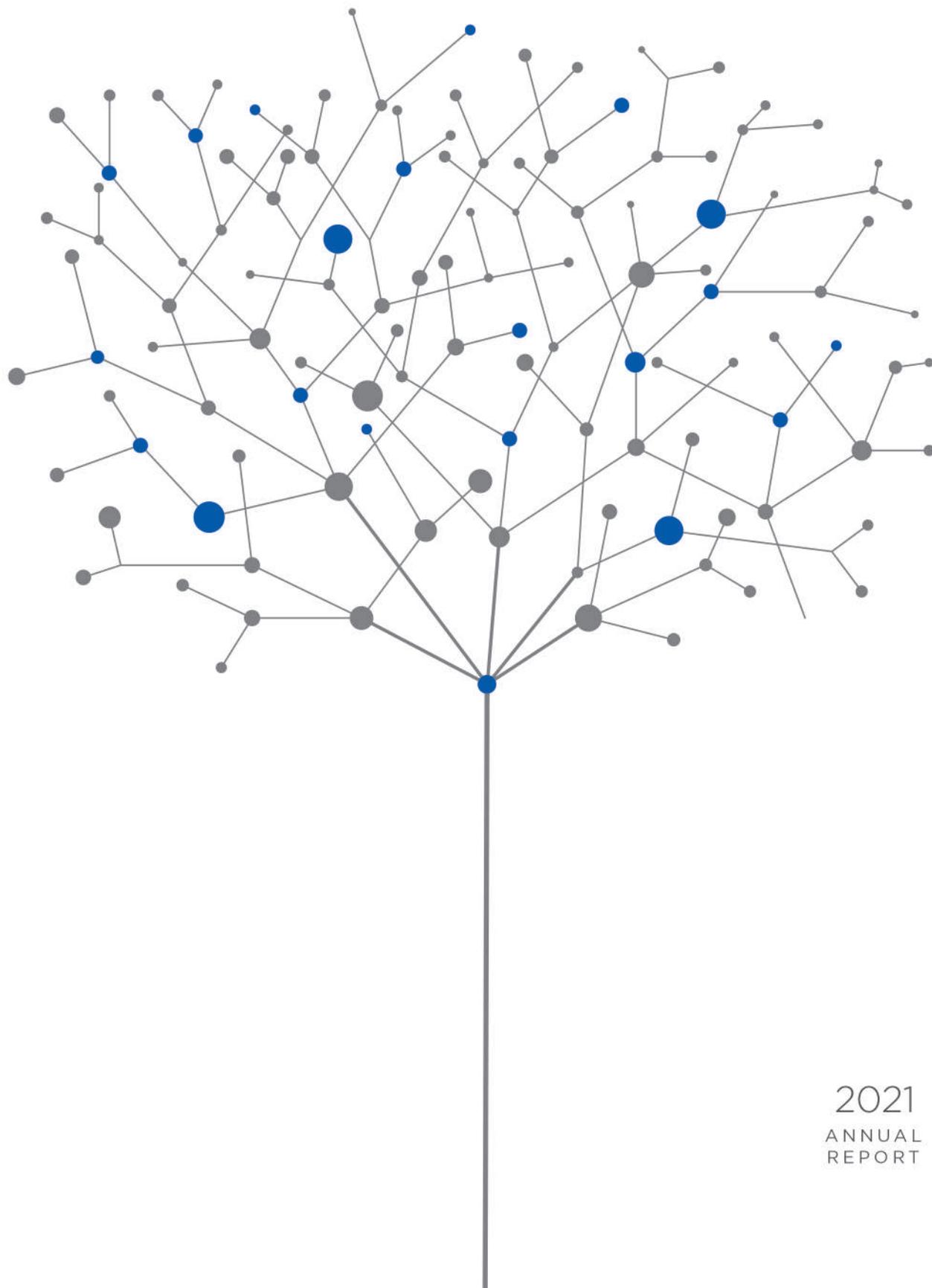




Crescent Steel and  
Allied Products Limited



2021  
ANNUAL  
REPORT





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### BCR CRITERIA INDEX

BCR criteria cross referred with page numbers of the annual report can be found on:

[http://crescent.com.pk/wp-content/uploads/2021/10/BCR\\_Criteria\\_Index.pdf](http://crescent.com.pk/wp-content/uploads/2021/10/BCR_Criteria_Index.pdf)



# VISION, MISSION & CORE VALUES

OUR VISION AND MISSION STATEMENTS AND CORE VALUES ARE THE GUIDING THEMES FOR HOW WE FRAME OUR STRATEGY AND HOW WE ACT TO ACHIEVE OUR GOALS.

## VISION

To excel across all our operations and deliver sustainable value to all stakeholders.

## MISSION

- Grow and enhance company value, and pursue new growth opportunities
- Maintain cost and quality leadership in an internationally competitive environment
- Promote best use of human talent in a safe environment, as an equal opportunity employer
- Conduct business as a responsible corporate citizen and support local communities in areas where we operate

## CORE VALUES

Our core values are at the heart of our business because they define who we are, how we work, what we believe in and what we stand for. Our core values set out how we act and how we expect to be treated as part of Crescent Steel.



### INTEGRITY

#### Consistently doing the right thing

Being ethically unyielding and honest in the way we conduct business.



### OWNERSHIP

#### Acting with stewardship

to build a better, stronger and more dynamic organization.



### CUSTOMER FOCUS

#### Leveraging relationships for out-performance

Delivering value through responsiveness to internal and external customers.



### CONTINUOUS IMPROVEMENT

#### Continuous improvement gives us competitive advantage

Fostering collaboration, innovation and creativity as individuals and as teams.



### COMMUNITY CARE

#### Social responsibility is at the heart of our business

Facilitating social equity in communities where we operate.



# KEY PERFORMANCE INDICATORS

Based on results of the Company as presented  
in the Unconsolidated Financial Statements

<b>Sales Revenue</b> <b>7,259.3</b> (PKR in million)	<b>Profit After Tax</b> <b>351.9</b> (PKR in million)	<b>Gross Profit ratio</b> <b>6.8</b> Percentage	<b>Net Profit margin</b> <b>4.8</b> Percentage
<b>EBITDA</b> <b>854.8</b> (PKR in million)	<b>Earnings Per Share</b> (Basic and diluted) <b>4.53</b> (PKR per share)	<b>Total Assets</b> <b>8,705.6</b> (PKR in million)	<b>Shareholders' Equity</b> <b>5,970.8</b> (PKR in million)
<b>Capital Expenditure</b> <b>65.6</b> (PKR in million)	<b>Break-up Value</b> <b>76.9</b> (PKR per share)	<b>Cash Dividend</b> (Including final proposed) <b>-</b> (PKR per Share)	<b>Return on Capital Employed</b> <b>4.3</b> Percentage
<b>Gearing ratio</b> <b>24.2</b> Percentage	<b>Current ratio</b> <b>1.4:1</b> Ratio	<b>Price Earnings ratio</b> <b>18.5</b> Times	<b>Share Price</b> <b>83.98</b> (PKR per share)

# OUR GOVERNING PRINCIPLES

**Everyone at Crescent Steel and everyone who acts on behalf of the Company is required to act in accordance with the highest standards of personal safety and environmental performance, governance and ethical business conduct.**

Crescent Steel conducts business in a responsible manner - with honesty, transparency and integrity and expects the same from all partners and stakeholders. Guided by our Core Values, we insist on doing what is right and this underpins the functioning of our organization. Crescent Steel complies with the Pakistan Code of Corporate Governance and other applicable regulations of the Securities and Exchange Commission as well as the listing regulations of the Pakistan Stock Exchange.

## ANTI-BRIBERY AND FACILITATION PAYMENTS

Crescent Steel and Allied Products Limited does not use bribery as an instrument for any business or financial gain and prohibits the offer, payment, solicitation or acceptance of bribes, improper benefits and facilitation payments in any form. This includes the use of third parties, including agents and representatives. Crescent Steel also has controls over the provision and receipt of gifts and gratuities, to customers, suppliers, public officials or relatives or associates of public officials. The giving or receiving of gifts or hospitality is prohibited in all circumstances that may be regarded as compromising personal judgement or the judgement of others, or conflicts in any way with Crescent Steel's purpose, values and behaviours.

## ROLE OF THE BOARD OF DIRECTORS

The Board has a fiduciary responsibility for the proper direction and control of the activities of the Company. This responsibility includes such areas of stewardship as the identification and control of the Company's business risks, the integrity of management information systems and transparent reporting to shareholders. The Board accepts its primary responsibility for the overall control architecture of the Company, however, it recognizes

that the internal control system has to be cost effective and that no cost-effective system will preclude all errors or irregularities.

The system is based on written procedures, policies, guidelines, an organogram that provides an appropriate division of responsibility, a programme of internal audit, manning of all key functions by qualified personnel and constant skills development.

## REMUNERATION OF BOARD OF DIRECTORS AND CHAIRMAN

All directors of the Company are Non-Executive except for the Chief Executive Officer (CEO). The CEO is paid remuneration as determined by the Board; performance of the CEO is evaluated against approved criteria by the HR & R Committee and recommended to the Board for approval. All the directors other than the CEO are paid Director's fee for attending the meetings of the Board and its Committees as fixed by the Board in light of applicable laws and regulations. In addition, an honorarium is paid to the Chairman, as fixed by the Board, for holding the office.

## CODE OF CONDUCT

The Board has adopted a code of conduct for its members, executives and staff, specifying the business standards and ethical considerations in conducting its business. The code includes:

- Corporate governance
- Relationship with employees, customers and regulators
- Confidentiality of information
- Trading in Company's shares
- Environmental responsibilities

## BOARD COMMITTEES

The Board has constituted the following committees:

- Audit Committee
- Risk Management Committee
- Human Resource and Remuneration Committee
- Governance and Nomination Committee

All board committees operate under an approved charter. Through its committees, the Board provides proactive oversight in key areas of business and the performance of the Company. The Board regularly reviews the respective charters of these committees.

### AUDIT COMMITTEE

The governing charter of the Audit Committee addresses the requirement of the Code of Corporate Governance and includes the requirements of best practices. The Committee is accountable to the Board for the recommendation of appointment of external auditors, directing and monitoring the audit function and reviewing the adequacy and quality of the audit process.

CEO and the CFO are responsible for the accuracy of financial information for inclusion in the annual report; the Committee provides the Board with additional assurance. The Committee also ensures that the Company has an effective internal control framework. These controls include safe-guarding of assets, maintaining proper accounting records complying with legislation and ensuring the reliability of financial information.

### RISK MANAGEMENT COMMITTEE

The governing charter of the Risk Management Committee addresses the Company's strategic direction in the management of the Company's business risks. The committee is responsible for oversight on the establishment and implementation of a risk management framework, reviewing the effectiveness

of the framework in identifying and managing risks and a review of all material controls (financial, operational, compliance) to ensure adequacy of risk mitigation measures.

### HUMAN RESOURCE AND REMUNERATION COMMITTEE (HR & R)

The HR & R Committee reviews the human resource architecture of the Company and addresses the requirements of the Code of Corporate Governance. The Committee has been constituted to address and improve the crucial area of human resource development. Its aim is to assist the Board and guide the management in the formulation of the market driven HR policies regarding performance management, HR staffing, compensation and benefits. The expanded role of the Committee is to review CEO performance and to recommend CEO compensation for the approval of the Board. Further, the selection, evaluation and compensation of CFO, Company Secretary and Head of Internal Audit is also reviewed and recommended to the Board by the Committee. It is also responsible for consideration and approval of CEO recommendations on selections, evaluation and compensation for key management positions that report directly to CEO.

### GOVERNANCE AND NOMINATION COMMITTEE

The role of Governance and Nomination Committee is to assist the Board in the discharge of its functions as well as compliance with the Company's governing principles. The Committee takes a leadership role in shaping the code of business conduct (governing principles) in order to keep them in line with international best practices. The committee will also monitor compliance with the Code of Corporate Governance other than those areas which fall under the oversight of the Audit Committee and Human Resource and Remuneration Committee.

The Board has established a mechanism for the evaluation of Board's and Board Committees' performance on the recommendation of the Governance and Nomination Committee. This evaluation is based on the mechanism of self-assessment by the individual

Board/Committee members. For this purpose, a toolkit has been designed for assessing Board's/Committees' performance.

Governance and Nomination Committee evaluates the Board's and Board Committees' performance in line with the methodology approved by the Board and recommends the same to the Board for their review and approval.

## MANAGEMENT STRUCTURE

The Company operates five distinct business units and two wholly owned subsidiaries:

- Steel Division – Line Pipe Manufacturing, Line Pipe Coatings and Fabrication Services
- Cotton Division – Yarn Manufacturing
- Investment and Infrastructure Development Division (including wholly owned subsidiary CS Capital Private Limited)
- Crescent Hadeed Division – Steel meltshop and Billet Manufacturing
- CS Energy Division – Bagasse Fired Thermal Co-Generation Plant (including wholly owned subsidiary Solution de Energy)

Each division is managed independently by a Business Unit Head who is accountable for performance and bottom line of their respective business units.

The accounting for these units is done separately in an arm's length manner to arrive at the true profit before tax for each unit. Five business unit heads and four corporate functional heads as defined in the management structure with clearly defined responsibility and authority matrices have direct reporting lines to the Chief Executive Officer. Limits of authority at all levels are clearly defined in our control manual. The Internal Audit function has been outsourced to a reputable Audit firm to monitor compliance with managements systems and manage operational risks.

## SERVICE TO SOCIETY

We are committed to be active as responsible corporate citizens. We believe in “giving something back” by addressing gaps in targeted areas including education, healthcare, public safety, environmental protection and stewardship – with a particular focus on education. As such a majority of our giving is allocated to primary and secondary schooling for less privileged children.

We believe that individual entities when working together can create powerful synergies and help to improve quality of life in the areas where they operate. These principles are not just put forth on paper but we have over the years actively strived to promote issues of education, health and environment.

## HEALTH, SAFETY AND ENVIRONMENT

At Crescent Steel, compliance with workplace health and safety standards are of critical importance across all our locations. We are committed to actively managing health and safety risks associated with our business and are working towards improving our procedures to reduce, remove or control the risk of fire, accidents or injuries to employees and visitors. All activities at all our campuses are required to conform to international standards for health and safety certified by ISO 14001 and OHSAS 18001.

We also ensure that our products are shipped in a safe manner complying with all safety standards and legal requirements.

## SHAREHOLDERS

The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to the shareholders in the annual report, interim quarterly reports and through information portal of Pakistan Stock Exchange as and when required. The Board encourages the shareholders' participation at the Annual General Meetings to ensure a high level of accountability. The Company's financial statements are available on the Company's website and an officer is designated to answer all shareholders enquiries.

# CORPORATE STRATEGY

Each year, the Company's Business Strategy Committee reviews and updates the Corporate Strategic Plan alongside major market shifts and significant changes in the operating environment. This ensures that our core strategic direction is updated and remains relevant at all times.

As part of our planned annual business strategy reviews, we reviewed the corporate strategy FY22-FY24 to new business and environmental challenges. The effects of the COVID-19 pandemic continue to impact how we work and, as well as the global economy and as economic activity is picking up we have seen a significant rise in commodity prices. It helped us recognise strengths and weaknesses in how we run our business, especially when faced with unprecedented challenges and uncertainty.

Overall, the conditions do not necessitate any radical change to our long-term business targets or corporate strategy which remains centered on growth in the engineering sector. The core business targets remain unchanged.



**Agility**



**Creativity**



**Tenacity**

The strategic theme **ACT - H<sup>3</sup>** adopted in the Corporate Strategy 2014 was maintained for the 2022-2024. ACT [Agility, Creativity, Tenacity] to be achieved through H<sup>3</sup> [Head, Hands and Heart] represents the way we work at Crescent Steel.

We continue to maintain that the engineering sector will be the drive growth in Pakistan – with a low per capita steel consumption average and population dynamics, Pakistan has massive space for growth. Our strategic focus therefore, remains towards developing a robust, high impact engineering sector portfolio, to strengthen our position in Pakistan's engineering industry, maintain and grow our position as a leading steel line pipe producer for the Pakistan market.

In cascading our strategic objectives across the organisation, we have formulated strategic perspectives for different time-frames, to aid us in developing strategic actions across various functions of the organisation and

to monitor outcomes. The basis is our purpose which is defined by the vision and mission statements. Based on this and guided by our Core Values, we steer the Company with a medium term strategy, focused on the following priorities:

- Improving returns and delivering growth
- Delivering growth and development in natural gas, LNG and water/sewerage management and to bring innovation in construction applications – through our contribution to infrastructure development
- A strong, high performance corporate culture
- A strong corporate structure to withstand periods of inactivity in core businesses
- Capital management and liquidity

The operational objectives of our strategy, which are based on four perspectives, are a balanced product offering, strong corporate structure, technology leadership, skills adequacy, a leading position in the market segments relevant to us, agility, customer focus and community care.

To advance our objectives, we plan to pursue the following business strategies:

- Enhance leading position in Pakistan line pipe market and provide value added solutions to help deliver growth in LNG and natural gas transmission upcountry
- Develop strong social and relationship capital and provide meaningful inputs to regulators, legislators, policy makers, shareholders, customers, government bodies such as the EDB and, more
- Support the national security objective of delivering a sustainable national water transmission/ management network
- Work to develop innovative construction practices locally; create a market for piling solutions
- Leverage technical expertise and know how to provide pipeline services, solutions and consultancy
- Target opportunities for participating in regional pipeline projects
- Reducing our energy dependence by investing in renewable energy systems
- Leverage engineering expertise to build ancillary business lines in the steel long products segment/ secondary steel markets
- Strengthen our culture of high performance and continue to assess ourselves with fairness
- Live our Core Values

Objective	Timeline	Rating	Strategy	
<p><b>Enhance shareholders' value and offer consistent, competitive returns, by delivering sustainable growth.</b></p>	<p><b>Long term</b></p>	<p><b>High</b></p>	<ul style="list-style-type: none"> <li>- Maximize revenues by supplementing product portfolios and new markets development.</li> <li>- Cost and quality leadership.</li> <li>- Enhance market share.</li> <li>- Effective Supply Chain management.</li> <li>- Strengthen stakeholder engagement.</li> <li>- Deliver a leading customer /business partner experience</li> </ul>	
<p><b>Build and maintain a strong corporate structure to withstand periods of inactivity in core businesses and to effectively manage business risks.</b></p>	<p><b>Long term</b></p>	<p><b>High</b></p>	<ul style="list-style-type: none"> <li>- Develop strong relationship capital and provide meaningful inputs to regulators, legislators, policy makers, shareholders, customers, government bodies</li> <li>- Growing responsibly through acquisitions and organic growth in engineering, energy, real estate and food sectors</li> <li>- Moderate risk exposure and strong, regularly monitored controls</li> <li>- Remain invested in blue chip Pakistan corporates through capital market investments for capital appreciation and dividend yields</li> </ul>	
<p><b>Build operational agility, be responsive to changing business environment and customer needs.</b></p>	<p><b>Short to Medium term</b></p>	<p><b>High</b></p>	<ul style="list-style-type: none"> <li>- Foster a culture of collaboration, learning and creativity</li> <li>- Secure competitive advantage through professional procurement structures</li> <li>- Expand in the steel long products segment / secondary steel markets</li> <li>- Leverage technical / engineering expertise to provide pipeline services, solutions and consultancy and develop market for construction/piling and line pipe coatings</li> <li>- Leveraging information systems for decision support and connectivity across locations and hybrid work environments</li> <li>- Target opportunities for participating in regional pipeline projects</li> <li>- Disciplined liquidity management</li> <li>- Embrace a decentralized and digital future</li> </ul>	

	Resource Allocation Plan	Key Performance Indicators (KPI)	Status / Actual Results
	All forms of Capitals	<ul style="list-style-type: none"> <li>- Earnings per Share</li> <li>- Dividend per share</li> <li>- Payout Ratio</li> <li>- Return on Equity</li> <li>- Sales Margins</li> <li>- Market price per share</li> </ul>	<ul style="list-style-type: none"> <li>- 5 years average: <ul style="list-style-type: none"> <li>• Earnings per share Rs. 5.78</li> <li>• Dividend per share Rs. 1.45</li> <li>• Payout ratio 12.18</li> <li>• Return on Equity 6.85%</li> </ul> </li> <li>- Improved sales margin of 6.8%</li> <li>- Market price per share Rs. 83.98</li> <li>- Corporate briefing sessions</li> <li>- Development of new/alternative suppliers for main imported raw materials</li> <li>- Customer engagement by regular customer meetings, customer visits, and technical advice to further strengthen business relationships.</li> </ul>
	Human Capital Financial Capital Manufactured Capital Social & Relationship Capital	<ul style="list-style-type: none"> <li>- Diversified streams of revenue</li> <li>- Enhancing focus on unit level performance</li> <li>- Ease of access to capital and effective financial management</li> <li>- Regulatory compliance, strong monitoring and controls through independent audit functions</li> <li>- Imposition of any fines or penalties</li> </ul>	<ul style="list-style-type: none"> <li>- Diversified revenue wallets and focused division level accounting</li> <li>- Achieved new synergies by diversification within Company.</li> <li>- Variance Analysis and Budgetary Controls</li> <li>- Independent Internal Audit system and monitoring of controls at divisional levels</li> <li>- 5 year average gearing ratio 27.7%</li> <li>- There were no non-compliances reported by any Government body or institution during the year.</li> </ul>
	All forms of Capitals	<ul style="list-style-type: none"> <li>- Relationships with business partners including investors, lenders, suppliers, customers and regulatory bodies</li> <li>- Plant availability</li> <li>- Capacity utilization of plant and machinery</li> <li>- Customer Satisfaction Scores</li> </ul>	<ul style="list-style-type: none"> <li>- Make to order specialised products to meet customer needs</li> <li>- With its high-class team and management support, Crescent Steel continues to maintain quality management certification under API Q1 and ISO 9001 and closed the audit with no non-compliance.</li> <li>- Plant availability (planned vs. actual) <ul style="list-style-type: none"> <li>• Steel division: 96.3%</li> <li>• CS Hadeed (Billet) division: 104.5%</li> <li>• Cotton division: 98.3%</li> <li>• CS Energy division: 100.5%</li> </ul> </li> <li>- Capacity Utilisation <ul style="list-style-type: none"> <li>• Steel division: 78.2%</li> <li>• Hadeed (Billet) division: 24.6%</li> <li>• Cotton division: 95.6%</li> <li>• CS Energy division: 22.0%</li> </ul> </li> <li>- Customer Satisfaction Score: 94.0%</li> </ul>

Objective	Timeline	Rating	Strategy	
<p><b>To manage our impacts and to support local communities where we operate.</b></p>	<p><b>Long term</b></p>	<p><b>High</b></p>	<ul style="list-style-type: none"> <li>- Contribute towards an educated Pakistan</li> <li>- Support employees seeking further education</li> <li>- Sponsor education for the children of Employees</li> <li>- Emergency medical and affordable healthcare</li> <li>- Targeted investments towards prevention of endemic diseases - Hepatitis Free Pakistan</li> <li>- Environmental stewardship - minimize the environmental impact of our operations and advocate for environment protection</li> </ul>	
<p><b>Enhance skilled workforce and maintain highly ethical environment for employees.</b></p>	<p><b>Medium term</b></p>	<p><b>High</b></p>	<ul style="list-style-type: none"> <li>- Talent Reviews and targeted development plans for high potential resources</li> <li>- Identify and target to close on skill gaps</li> <li>- Providing a performance culture and safe environment where people can learn and are assessed with fairness</li> </ul>	
<p><b>Ensure health and safety of employees in workplaces.</b></p>	<p><b>Short to Medium term</b></p>	<p><b>High</b></p>	<ul style="list-style-type: none"> <li>- Deliver leading HSE practices by going beyond local environmental protection requirements and benchmark on global best practices and standards</li> <li>- Build a strong culture of safety by regularly engaging staff at all levels on safe practices and wellbeing.</li> </ul>	

	Resource Allocation Plan	Key Performance Indicators (KPI)	Status / Actual Results
	Human Capital Financial Capital Social & Relationship Capital	<ul style="list-style-type: none"> <li>- 2- 5% of profit before tax allocated towards causes we support.</li> <li>- Number of Crescent Scholars and their progress</li> <li>- Impact evaluations for discretionary giving</li> <li>- Endorsement and recognition from regulators and other authorities</li> </ul>	<ul style="list-style-type: none"> <li>- Distributed 3.10% of profits before tax in donations and community investments</li> <li>- Ranked third in the category of donations by public limited companies as a percentage of profit before tax by the Pakistan Centre for Philanthropy (PCP) for the year 2018</li> <li>- Our people have volunteered 981 hours (FY20: 909 hours) to structured community programs throughout the year</li> <li>- Supported 6 students at universities in Pakistan including 1 under the Scholarship Plan for the Children of our Employees. 26 students have been supported in full or in part for tertiary programs</li> <li>- To date the Company has helped build 21 schooling units (16 primary and 5 secondary school units) and continues to support 15 schooling units (12 primary and 3 secondary school units)</li> <li>- Our sustainability report 2021 covers our discretionary contributions section for further details.</li> </ul>
	Human Capital Social & Relationship Capital	<ul style="list-style-type: none"> <li>- Internal &amp; External Training</li> <li>- Education programs for employees</li> <li>- Employee turnover ratio</li> <li>- Employees Satisfaction Survey</li> </ul>	<ul style="list-style-type: none"> <li>- 30 employees, which is 71% of management staff at the Company was reviewed in the Organization Talent Review exercise to identify hi potential people.</li> <li>- 137 employees were trained for a total of 739 hours during the year.</li> <li>- Employees turnover ratio of 90.01% - this is because of spinning industry dynamics where turnover is high and is indicated by the retention rate which is also c.90%.</li> <li>- Employees' Satisfaction Index of 3.69/5.</li> </ul>
	Human Capital Manufactured Capital Financial Capital Social & Relationship Capital	<ul style="list-style-type: none"> <li>- Number of accidents and injuries reported with a ZERO Accident, ZERO injury target</li> <li>- Preventive Actions: Hazard Identification Reports</li> <li>- Breaches in HSE protocols</li> </ul>	<ul style="list-style-type: none"> <li>- The Company retained standards certification for ISO 45001 and ISO 14001</li> <li>- No major accidents occurred during the year at any of the Company's facilities</li> <li>- All staff is vaccinated at least for first doses with a target to be fully vaccinated by 31 October including all third party staff. COVID positivity rate was 1.83% only. However, we had one COVID related fatality since the pandemic emerged.</li> <li>- Compliance with all COVID protocols as recommended by WHO and Centre of Disease Control as well as NCOC</li> </ul>

## RESOURCE ALLOCATION PLANS

Crescent Steel shall ensure that appropriate resources are available to assist with the implementation of strategic objectives. Appropriate investments have already been made to ensure that demand for our core products can be met without any delay or interruption in sales.

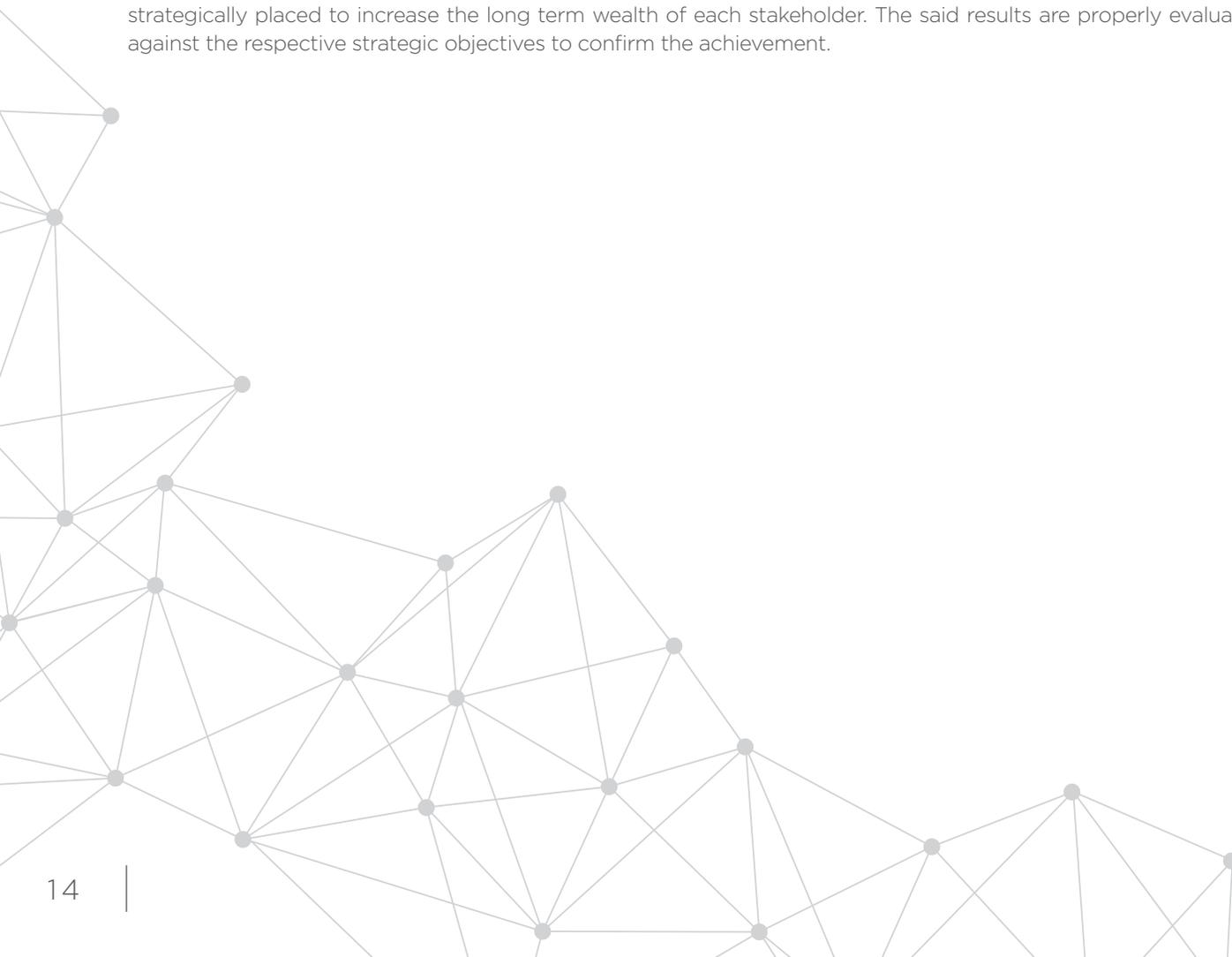
A dedicated senior management committee is tasked with unearthing potential new business opportunities and creating feasibilities accordingly. All strategic actions are backed with managerial and financial resources as required and as best determined by the Board and Management.

## SIGNIFICANT CHANGES IN OBJECTIVES AND STRATEGIES FROM PREVIOUS PERIOD

Based on dynamic business environment, strategic objectives and their implementation strategies are developed and executed professionally. There is no material change in the Company's objective, strategies and critical performance indicators from the previous year. Also, there are no significant plan for corporate restructuring, business expansion or discontinuance of operations.

## RELATIONSHIP BETWEEN ENTITY'S RESULTS AND MANAGEMENT'S OBJECTIVES

Financial and non-financial results are the reflection of achievement of management's objective which are strategically placed to increase the long term wealth of each stakeholder. The said results are properly evaluated against the respective strategic objectives to confirm the achievement.



# MECHANISM FOR PROVIDING INFORMATION AND RECOMMENDATION TO THE BOARD

**Information regarding any matter of concern or any recommendation is put forward by the CEO to the Board Chairman or to the respective committees of the Board.**

## FORMAL REPORTING LINE

The current operational structure of the Company consists of shared services such as Finance, HR, IT, Supply Chain, etc. and corporate divisions, each of which is headed by a Business Unit Head (BUH).

The BUHs act as CEOs for the respective units and are responsible for the day to day management and performance of their division. Board Committees have access to BUHs to obtain any information they require pertaining to their respective division.

Further information regarding any matter of concern or recommendation is also put forward by the CEO to the respective committees of the Board.

## EMPLOYEES

Our employees are encouraged to express their views and share their suggestions with the management and the Board. We have established several formal and informal avenues for our people through which they can share feedback and ideas regarding the business and the Company as a place of work. Physical suggestion boxes have been placed at all corporate offices and factory locations and a virtual suggestion box with direct access to the CEO is available on our internal SharePoint portal. In addition to this, we organize an annual Open House with the CEO where employees may drop in to meet the CEO one on one to express their concerns and share their feedback directly with him. These meetings are aimed at capturing free and first hand suggestions that are useful in refining operations and in improving the work environment.

The formal mechanisms in place provide our people with avenues to share suggestions and raise grievances and concerns on matters relating to the Company. Suggestions and grievances are reviewed and monitored directly by the CEO or the Head of Corporate Affairs. In case, the matter is of a significant nature, the same is addressed in the meetings of the Management Committee, Board of Directors or the relevant Board Committee.

The Company also has a Whistle Blowing Policy to enable employees to raise serious concerns to the management regarding the business or Company, anonymously, without fear of repercussions.

## SHAREHOLDERS

Every year the Annual General Meeting of shareholders is called in accordance with the requirements of the Companies Act, 2017. This meeting is attended by the CEO, Chairman, Board of Directors and the Company Secretary. The interactive session between the Company's management and shareholders allows the shareholders to ask questions on financial, economic and social matters and provide recommendations. The CEO responds to all such queries and takes necessary actions accordingly.

Moreover, the Company has provided contact details of relevant personnel who should be contacted for general and specific queries on its website:

[www.crescent.com.pk/shareholders-information/](http://www.crescent.com.pk/shareholders-information/)

## MANAGING CONFLICT OF INTEREST

The Company in compliance with the Code of Corporate Governance, annually circulates and obtains a signed copy of the Code of Conduct from all its employees and directors. The Code of Conduct covers matters relating to conflict of interest. Further, the directors are annually reminded of the insider trading circular issued by the Securities and Exchange Commission of Pakistan to avoid dealing in shares while they are in possession of "insider information".

As per the provisions of the Companies Act, 2017, every director is required to provide to the Board complete details regarding any material transaction which may bring conflict of interest with the Company for prior approval of the Board. The interested director(s) do not participate in the discussion neither they vote on such matters.

The transactions with all the related parties are made on arms-length basis and complete details are provided to the Board for their approval. Further all the transactions with the related parties are fully disclosed in the annual financial statements of the Company.

# OUR HISTORY (1983-2021)

## 1983-2000

### 1983

- Incorporation of Crescent Steel and Allied Products Limited\*

### 1987

- Started commercial production
- Listed on Pakistan Stock Exchange
- API Certification accreditation

### 1989-90

- Modification of pipe plant to produce line pipes up to 90 inches in outside diameter

### 1991

- Exported line pipes
- Investment made in 3-layered polyolefin coating facility

### 1992

- Executed first ever 3LPE coating project in Pakistan

### 1995-96

- Change of reporting period from December to June
- Introduced new logo of the Company

### 1997

- First company in its sector to obtain ISO 9001 accreditation
- Started reporting on Environment and Social Responsibility

### 2000

- Diversified into the textile sector by acquiring Crescent Cotton Products consisting of 19,680 spindles\*

## 2001-2010

### 2001-02

- BMR at Crescent Cotton Products

### 2003

- Adaptation of the Code of Corporate Governance
- Formation of the Board Audit Committee
- Formation of the Board Human Resource Committee

### 2004

- Implementation of ERP and other IT related initiatives
- Acquired testing facilities for our service line pipes

### 2005

- Installed fine count unit at Crescent Cotton Products consisting 25,344 spindles\*

### 2006

- Pipe manufacturing and coating plant significantly upgraded to produce pipes for cross country pipelines
- Completion and commencement of production on the new spinning mill
- Acknowledged among KSE - Top 25 Companies 2005
- First Pakistani Company to acquire oil and gas industry specific ISO/TS 29001, QMS Certification from API
- 1st Position - Best Corporate Report Awards 2005 (ICAP and ICMAP)

### 2007

- Initiated the Oracle e-business suite initiated
- The Investment and Infrastructure Development Division (IID) was carved out as a separate business unit

### 2008

- Executed port piles work
- 1st Position - Best Corporate Report Award 2007 (ICAP and ICMAP)

### 2009

- Oracle E-Business Suite go - live
- Merit certificate - Best Presented Accounts and Corporate Governance Disclosure Award 2009 (SAFA)
- Acknowledged among KSE - Top 25 Companies 2008
- 2nd Position - Best Corporate Report Award 2008 (ICAP and ICMAP)

### 2010

- Acquired a 100% stake in Shakarganj Energy (Private) Limited, a bagasse fired thermal generation power plant\*
- Adapted horizontal and vertical integration in the steel business
- Complied with ISO 14001 and OHSAS 18001 requirements for the first time
- 2nd Position - Best Corporate Report Award 2009 (ICAP and ICMAP)

## 2011-2020

### 2011

- Upgraded coating plant capacity to 60" making it the only coating plant of this capacity in Pakistan
- Migrated entire ERP system to Cloud Infrastructure
- Acknowledged among KSE - Top 25 Companies 2010
- Machinery enhancement at Crescent Cotton Products
- 2nd Position - Best Corporate Report Award 2010 (ICAP and ICMAP)

### 2012

- Acquired a 100% stake in CS Capital (Private) Limited\*
- Steel Division upgraded with state of the art digital control

- systems and HMI (Human Machine Interface) capabilities
- Acknowledged among KSE - Top 25 Companies 2011
- BMR at Crescent Cotton Products
- 1st Position - Best Management and Decent Work Practices Award (EFP)
- 2nd Position - Best Practices Award on OSH&E (Occupational Safety, Health and Environment) (EFP)
- 2nd Position - Best Corporate Report Award 2011 (ICAP and ICMAP)

## 2013

- Incorporated a wholly owned subsidiary Crescent Hadeed (Private) Limited to manufacture steel billets\*
- High energy efficient motors installed for reducing consumption of energy during production
- Defined Crescent Core Values
- Launched Crescent Communications - an internal communication platform
- Developed a sustainability reporting framework
- 1st Position - Best Corporate Report Award 2012 (ICAP and ICMAP)
- 2nd Position - Corporate Excellence Award (MAP)

## 2014

- 1st Position - Employer of the Year Award 2012 (EFP)
- 1st Position - Best Practice Award on OHSAS 2013 (EFP)
- 2nd Position - Best Corporate Report Award 2013 (ICAP and ICMAP)
- 3rd Position - Best CEO Award 2013 (Mass HRS)
- 4th Position - Best Sustainability Report Award 2013 (ICAP and ICMAP)
- 5th Position - Corporate Philanthropy Award 2012 (PCP)

## 2015

- Land allocated by Punjab Power Development Board to Solution de Energy (Private) Limited to establish solar power generation plant
- Installation of 7,680 compact attachments to enhance efficiency\*
- Received KSE - Top 25 Companies Award for the years 2010, 2011 and 2013

- 2nd Position - Best Presented Annual Report Award 2013 (SAFA)
- 3rd Position - Best Practice Award on OSH&E (Occupational Safety, Health and Environment) 2014 (EFP)

## 2016

- Rights issued to finance expansion in the line pipe manufacturing unit by adding another SP Line
- Installation and commencement of operation on the second SP Line, enhancing the installed capacity and product offering
- Record production of 58,202 tons of Mixed-Dia Bare Pipe and coating of 590,738 square meter
- 1st Position in the Diversified Holdings Sector - Best Presented Annual Report Award 2014 (SAFA)
- 3rd Position in the Engineering Sector - Best Corporate Report Award 2014 (ICAP and ICMAP)
- 2nd Position - Best Sustainability Report Award 2014 (ICAP and ICMAP)
- 2nd Position in the Human Resource Development Category - Employer of the Year Award 2014 (EFP)

## 2017

- Record production of 88,110 tons of Mixed-Dia Bare Pipe
- Assigned initial entity ratings of 'A+/A-2' (Single A Plus/A-Two) by JCR-VIS
- 1st Position in the Diversified Holdings Sector - Best Presented Annual Report Award 2015 (SAFA)
- 3rd Position in the Engineering Sector - Best Corporate Report Award 2015 (ICAP and ICMAP)
- 3rd Position - Best Sustainability Report Award 2015 (ICAP and ICMAP)
- 1st Position in the Engineering and Autos Sector - Best Corporate Report Award 2016 (ICAP and ICMAP)
- 3rd Position - Best Sustainability Report Award 2016 (ICAP and ICMAP)

## 2018

- Maintained the entity rating of 'A+/A-2' (Single A Plus/A-Two) by JCR-VIS
- Listed among PSX - Top 25 Companies 2016
- 1st Position in the Diversified Holdings Sector - Best Presented Annual Report Award 2016 (SAFA)
- 3rd Position in the Integrated Reporting Category - Best Presented Annual Report Award 2016 (SAFA)
- 5th Position - Best Sustainability Report Award 2017 (ICAP and ICMAP)

## 2019

- Certificate of Merit in the Engineering and Autos Sector - Best Corporate Report Award 2018 (ICAP and ICMAP)
- Amalgamation of Crescent Hadeed (Private) Limited and CS Energy (Private) Limited - wholly owned subsidiaries
- 1st Position in the Diversified Holdings Sector - Best Presented Annual Report Award 2017 (SAFA)
- Enhanced hydro-tester machine capacity to meet new industry requirements

## 2020

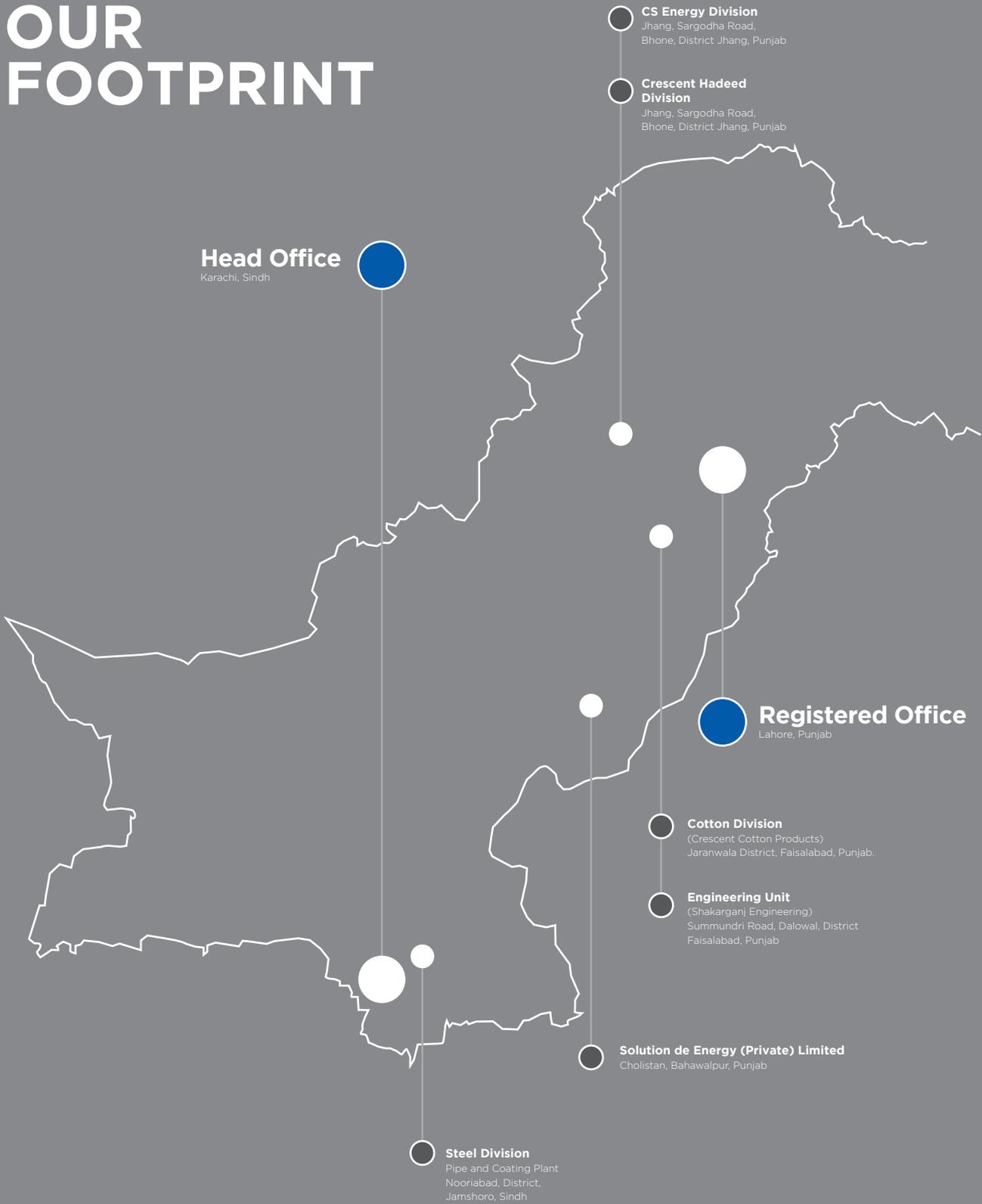
- Issuance of electricity generation license of Solution de Energy
- 3rd Position - Corporate Philanthropy Award 2018 (PCP)
- Tested and implemented IT infrastructure for work from home.
- Implementation of Covid-19 protocols and work instructions

## 2021

- 1st in the Diversified Holdings Sector - Best Presented Annual Report Award 2019 (SAFA)
- Certificate of Merit in the Engineering and Autos Sector - Best Corporate Report Award 2019 (ICAP and ICMAP)
- Certificate of Merit in the Engineering and Autos Sector - Best Corporate Report Award 2020 (ICAP and ICMAP)

\*Denote diversification into new business, major expansion in existing units and landmark achievements.

# OUR FOOTPRINT





# COMPANY PROFILE

**Crescent Steel and Allied Products Limited is a conglomerate corporation listed on the Pakistan Stock Exchange as 'CSAP'. Starting commercial operations with a line pipe manufacturing facility in March 1987, today the company operates businesses in four defined sectors - engineering, textiles, capital markets and power – spread over six campuses in Pakistan. The Company operates five divisions and two wholly owned subsidiaries.**

## STEEL DIVISION - SPIRAL PIPE PRODUCTION LINE, PIPE COATINGS AND FABRICATION

The Company's Steel Division operates two Helical Seam Submerged Arc Welded steel pipe manufacturing lines and an external coating application line at Nooriabad and, a fabrication facility - Shakarganj Engineering - in Dalawal, Faisalabad. The pipe manufacturing facility produces Submerged Arc Welded Helical seam carbon steel pipes in diameters ranging from 8 to 120 inches (219mm - 3,048mm), thickness up to 1 inch and in steel grade up to API 5L X-100 or equivalent. The unit has authorization to use API monogram of the American Petroleum Institute (API) - the highest international standard accredited for quality of steel line pipe in the Oil and Gas Sector and also continues to retain the ISO 9001 certification.

The Coating Plant is capable of applying various flow efficient and corrosion protection coatings such as Multilayer Polyolefin and Polypropylene coatings, Single Layer Fusion Bonded Epoxy coatings, Liquid Epoxy coatings and High Temperature Heat Shrink Tape coatings on steel pipes ranging from 4" - 60" (114 mm - 1,524 mm), tape coatings on pipe diameter above 60" (1,524 mm) and internal epoxy coatings on diameters ranging from 8"- 60" (219 mm - 1,524 mm).

Crescent Steel is a responsible local line pipe manufacturer that continues to serve as a partner in important national energy projects with demonstrated commitment in terms of quality, experience, financial strength and technical expertise.

The fabrication unit has the capability to fabricate and erect reliable, quality machinery at par with international standards and designs, especially for the sugar and cement industry. The unit specializes in

the manufacture and supply of cane shredders, juice heaters, evaporators, batch and continuous vacuum pans, centrifugal machines, stainless steel deep bed filters, spray clusters, multi-jet condensers, perforated plates, vibrio screens and high voltage transformer tanks.

The unit also has the capability to fabricate and erect machinery used in the secondary steel sector and it was leveraged for partial fabrication of a continuous caster machine structure, girders for overhead cranes and a vibratory scrap feeder for the billet manufacturing units of the steel industry.

## COTTON DIVISION - COTTON YARN SPINNING UNIT

The Cotton Division comprises of one spinning unit with 19,680 spindles and is located in Jaranwala. The unit operating as "Crescent Cotton Products" (CCP), has a daily production capacity of 385 bags of high quality cotton/synthetic carded yarn, in counts ranging from 10s to 31s.

CCP is a division of the company but its operating results are shown separately. As a division, it is registered with the Ministry of Textile Industry Pakistan and All Pakistan Textile Mills Association (APTMA). It produces quality cotton/synthetic yarn with value addition of slub, siro and compact attachments.

CCP is equipped with modern high-tech European and Japanese machinery ensuring a high-quality yarn making process, producing various counts from 10s to 31s and has a notional capacity (based on 20s) of 6.36 million kilograms per annum.

The brand is known for its high quality and hence demands a premium.

## INVESTMENT AND INFRASTRUCTURE DEVELOPMENT DIVISION

The division manages an investment portfolio in securities (shares, bonds and other securities), across diversified sectors and investment properties in order to meet specified investment goals at a given risk appetite, to maximize returns.

The portfolio is balanced in a way that spreads risk over a diversified spectrum and offers potential for growth as well as dividend yields, while real estate investments are held for rental as well as long term appreciation.

## CS ENERGY DIVISION

The primary function of this unit is to provide electricity internally to Crescent Hadeed Division -Billet Manufacturing Unit and generate, accumulate, distribute, sell and supply electricity to distribution companies, as permitted.

Initially equipped with a 15MW co-generation, thermal generation power plant at Bhone, Punjab, the unit commenced commercial operations in December 2014. The unit also employs a 16.5MW condensing and extraction turbine to process steam during off-season periods to ensure uninterrupted supply to Crescent Hadeed Division throughout the year. The generation plant use bagasse in the combustion process to produce power and process steam.

## CRESCENT HADEED DIVISION- BILLET MANUFACTURING UNIT

The principal activity of the unit is to manufacture and sale Steel Billet through a Steel Melting plant which is located at Bhone, District Jhang, Punjab. It commenced commercial operations in January 2016.

The unit operates a melt shop (equipped with two induction melting furnaces and a continuous casting machine) with an annual production capacity of 85,000 MT of steel billets in sizes ranging from 100mm X 100mm

to 150mm X 150mm and a standard length of 6 meters. Billets manufactured by the unit are used by re-rolling mills to manufacture bars and other steel long products for use in the construction and engineering sectors.

## SUBSIDIARY COMPANIES

### CS CAPITAL (PRIVATE) LIMITED

CS Capital (Private) Limited is a fully owned subsidiary of Crescent Steel. The principal activity of the subsidiary is to manage and organically grow investment portfolios in stocks, commodities and other securities, both strategic and short term.

### SOLUTION DE ENERGY (PRIVATE) LIMITED

Solution de Energy which was previously operating as a fully owned subsidiary of CS Energy (Private) Limited, now operates as a fully owned subsidiary of Crescent Steel, post amalgamation of CS Energy (Private) Limited and Crescent Steel.

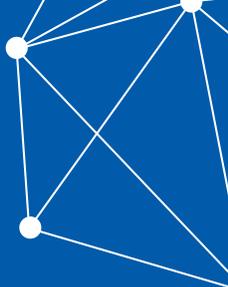
The company was incorporated in October 2013, its principal activity being to build, own, operate and maintain a 100 MW solar power project.

## POSITION IN THE VALUE CHAIN

As Crescent Steel operates in multiple business segments, it therefore has different positions in the value chain it operates. These positions are discussed in detail in the "Our Business" section of Corporate Responsibility Report 2021.

## COMPOSITION OF LOCAL AND FOREIGN SUPPLIES

To meet strict quality standards Crescent Steel sources raw materials and spares of the desired quality and specifications from both local and foreign suppliers. Compositions are discussed in detail in the "Our Supply Chain" section of Corporate Responsibility Report 2021.



# COMPANY INFORMATION

## BOARD OF DIRECTORS

**Ahmad Waqar**  
Chairman, Non-Executive Director

**Ahsan M. Saleem**  
Chief Executive Officer

**Farah Ayub Tarin**  
Non-Executive Director (Independent)

**Farrukh V. Junaidy**  
Non-Executive Director (Independent)

**Muhammad Kamran Saleem**  
Non-Executive Director (Independent)

**Nadeem Maqbool**  
Non-Executive Director (Independent)

**Nasir Shafi**  
Non-Executive Director

**S.M. Ehtishamullah**  
Non-Executive Director

## COMPANY SECRETARY

**Isha Fazal**

## AUDIT COMMITTEE

**Farrukh V. Junaidy**  
Chairman, Non-Executive Director (Independent)

**Nadeem Maqbool**  
Member, Non-Executive Director (Independent)

**Nasir Shafi**  
Member, Non-Executive Director

**S.M. Ehtishamullah**  
Member, Non-Executive Director

## HUMAN RESOURCE AND REMUNERATION COMMITTEE

**Nadeem Maqbool**  
Chairman, Non-Executive Director (Independent)

**Ahmad Waqar**  
Member, Non-Executive Director

**Farah Ayub Tarin**  
Member, Non-Executive Director (Independent)

**Nasir Shafi**  
Member, Non-Executive Director

## GOVERNANCE AND NOMINATION COMMITTEE

**Ahmad Waqar**  
Chairman, Non-Executive Director

**Ahsan M. Saleem**  
Member, Chief Executive Officer

**Farrukh V. Junaidy**  
Member, Non-Executive Director (Independent)

## RISK MANAGEMENT COMMITTEE

**S.M. Ehtishamullah**  
Chairman, Non-Executive Director

**Farah Ayub Tarin**  
Member, Non-Executive Director (Independent)

**Muhammad Kamran Saleem**  
Member, Non-Executive Director (Independent)

Disclaimer: Other than the position of Chairman and CEO, listings are in alphabetical order

## MANAGEMENT TEAM

### **Ahsan M. Saleem - 1983\***

Chief Executive Officer

### **Muhammad Saad Thaniana - 2007\***

Chief Financial Officer and CEO Solution De Energy (Private) Limited

### **Abdul Rouf - 2000\***

Business Unit Head - Cotton Division

### **Arif Raza - 1985\***

Business Unit Head - Steel Division

### **Hajerah A. Saleem - 2012\***

Business Unit Head - Investments and Infrastructure Development Division and Head of Corporate Affairs and CEO CS Capital (Private) Limited

### **Hasan Altaf Saleem - 2010\***

Business Unit Head - Crescent Hadeed

### **Abdullah A. Saleem - 2017\***

Head of Supply Chain

### **Iqbal Abdulla - 2014\***

IT Advisor

### **Mushtaque Ahmed - 1985\***

Head of Manufacturing - Steel Division

## HEAD OF INTERNAL AUDIT

### **Azeem Sarwar - 2018\***

## AUDITORS

### **EXTERNAL AUDITORS**

A.F. Ferguson & Co  
Chartered Accountants

## Internal Auditors

BDO Ebrahim & Co  
Chartered Accountants

## LEGAL ADVISOR

Hassan and Hassan, Advocates, Lahore  
A.K. Brohi & Co., Advocates, Karachi

## BANKERS

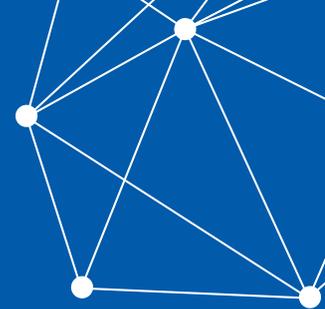
### **Conventional**

Allied Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
JS Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
Summit Bank Limited

### **Shariah Compliant**

Al-Baraka Bank Pakistan Limited  
BankIslami Pakistan Limited  
Dubai Islamic Bank Pakistan

\* Year of Joining



## SUBSIDIARIES\*\*

CS Capital (Private) Limited  
Solution de Energy (Private) Limited

## REGISTERED OFFICE

E-Floor, IT Tower, 73-E/1, Hali Road,  
Gulberg-III, Lahore.  
Tel: +92 42 3578 3801-03  
Fax: +92 42 3578 3811

## LIAISON OFFICE LAHORE

E-Floor, IT Tower, 73-E/1, Hali Road,  
Gulberg-III, Lahore.  
Tel: +92 42 3578 3801-03  
Fax: +92 42 3578 3811  
Email: asif.randhawa@crecident.com.pk

## PRINCIPAL OFFICE

9th Floor, Sidco Avenue Centre, 264 R.A. Lines,  
Karachi-74200.  
Tel: +92 21 3567 4881-85  
Fax: +92 21 3568 0476  
Email: info@crecident.com.pk

## PRODUCTION SITES

### STEEL DIVISION PIPE AND COATING PLANTS

A/25, S.I.T.E., Nooriabad, District  
Jamshoro, Sindh-73090.  
Tel: +92 25 4670 020-22, +92 25 4670 055  
Email: arif.raza@crecident.com.pk

### ENGINEERING UNIT

(Shakarganj Engineering)  
17 Kilometer Summundri Road, Dalawal,  
District Faisalabad, Punjab.  
Tel : +92 41 2569 825-26  
Fax: +92 41 2679 825

### COTTON DIVISION CRESCENT COTTON PRODUCTS

1st Mile, Lahore Road, Jaranwala,  
District Faisalabad.  
Tel: +92 41 4318 061-65  
Fax: +92 41 4318 066  
Email: abdul.rouf@crecident.com.pk

### CRESCENT HADEED DIVISION BILLET MANUFACTURING UNIT

59 Kilometer, Jhang Sargodha Road,  
Bhone, District Jhang  
Tel: +92 48 6889 210 - 12  
Email: hasan@crecident.com.pk

\*\* Registered Office and Principal Office are same as holding company

## CS ENERGY DIVISION POWER GENERATION UNIT

57 Kilometer, Jhang Sargodha Road, Bhone,  
District Jhang.  
Tel: +92 48 6889 210 - 12

## PUBLIC INFORMATION

Financial analysts, stock brokers, interested investors and financial media desiring information regarding the Company can contact.

### Ms. Iesha Fazal

Company Secretary  
9th Floor, Sidco Avenue Centre,  
264 R.A. Lines, Karachi-74200.  
Tel: +92 21 3567 4881-85  
Email: [company.secretary@crescent.com.pk](mailto:company.secretary@crescent.com.pk)

## SHARE REGISTRAR

Enquiries concerning lost share certificates, dividend payments, change of address, verification of transfer deeds and share transfers should be directed to Company's Share Registrar.

M/s CorpTec Associates (Private) Limited,  
503-E Johar Town, Lahore.  
Tel: +92 42 3517 0336-37  
Fax: +92 42 3517 0338  
Email: [info@corptec.com.pk](mailto:info@corptec.com.pk)

## CORPORATE WEBSITE

To visit our website, go to [www.crescent.com.pk](http://www.crescent.com.pk).



## FINANCIAL STATEMENT

For Annual Report 2021 go to:  
<http://crescent.com.pk/wp-content/uploads/2021/10/CSAPL-Accounts-2021.pdf>



## CORPORATE RESPONSIBILITY REPORT

The Complete Report can be found on:  
<http://www.crescent.com.pk/wp-content/uploads/2021/10/CSAPL-CRR-Report-2021.pdf>



# GROUP STRUCTURE



Crescent Steel and  
Allied Products Limited

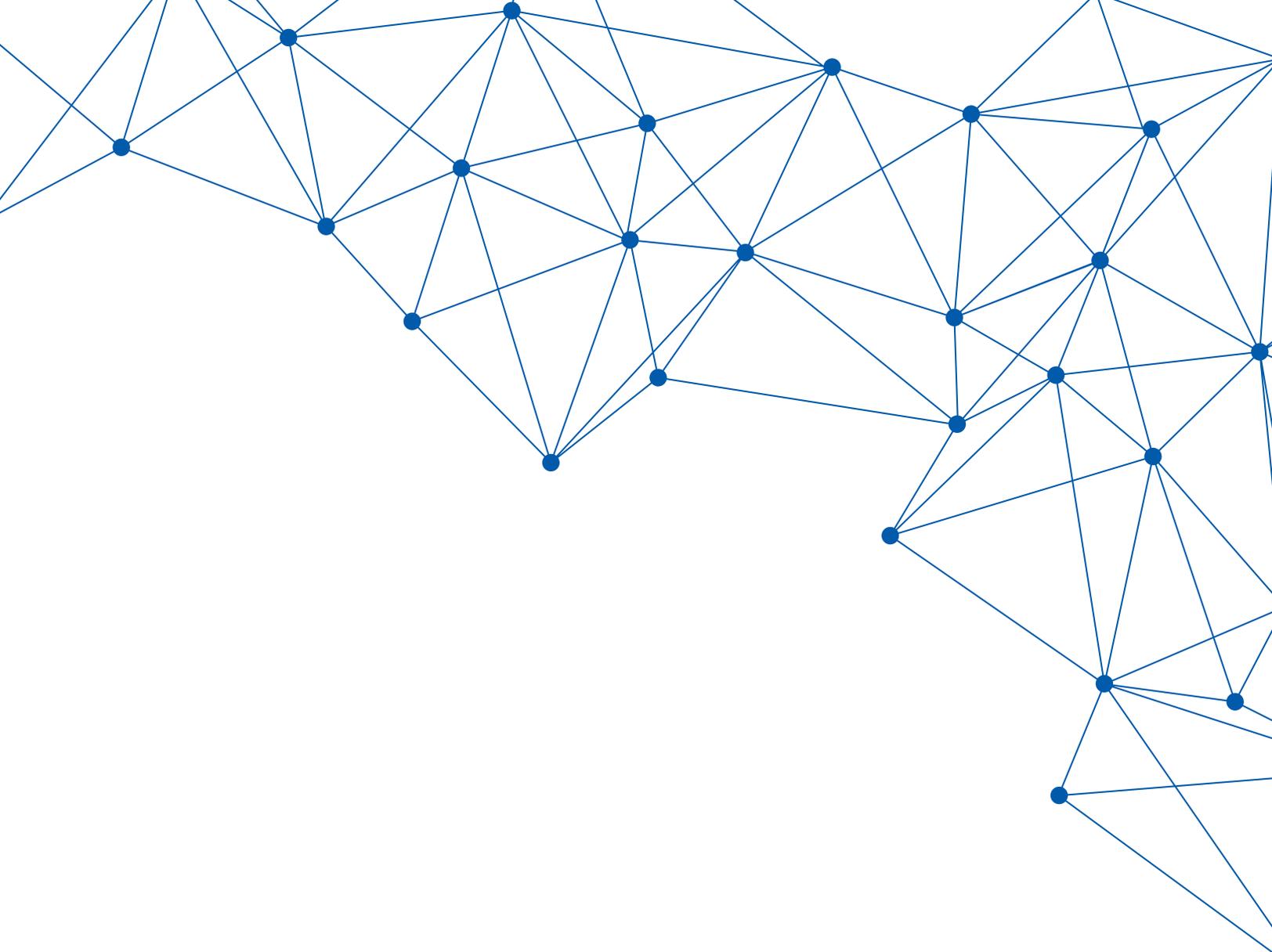
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## BUSINESS UNITS

Steel Division  
Crescent Cotton Products - Cotton Division  
Investment and Infrastructure Development Division  
Crescent Hadeed - Steel Billets Division  
CS Energy - Energy Division

## SUBSIDIARIES

CS Capital (Private) Limited  
Solution De Energy (Private) Limited



# AWARDS AND ACCOLADES

## **SOUTH ASIAN FEDERATION OF ACCOUNTANTS: ANNUAL REPORT AWARDS 2019**

Our Company was ranked first in the category of Diversified Holdings by South Asian Federation of Accountants (SAFA) under the 'Best Presented Annual Report Awards' for 2019.

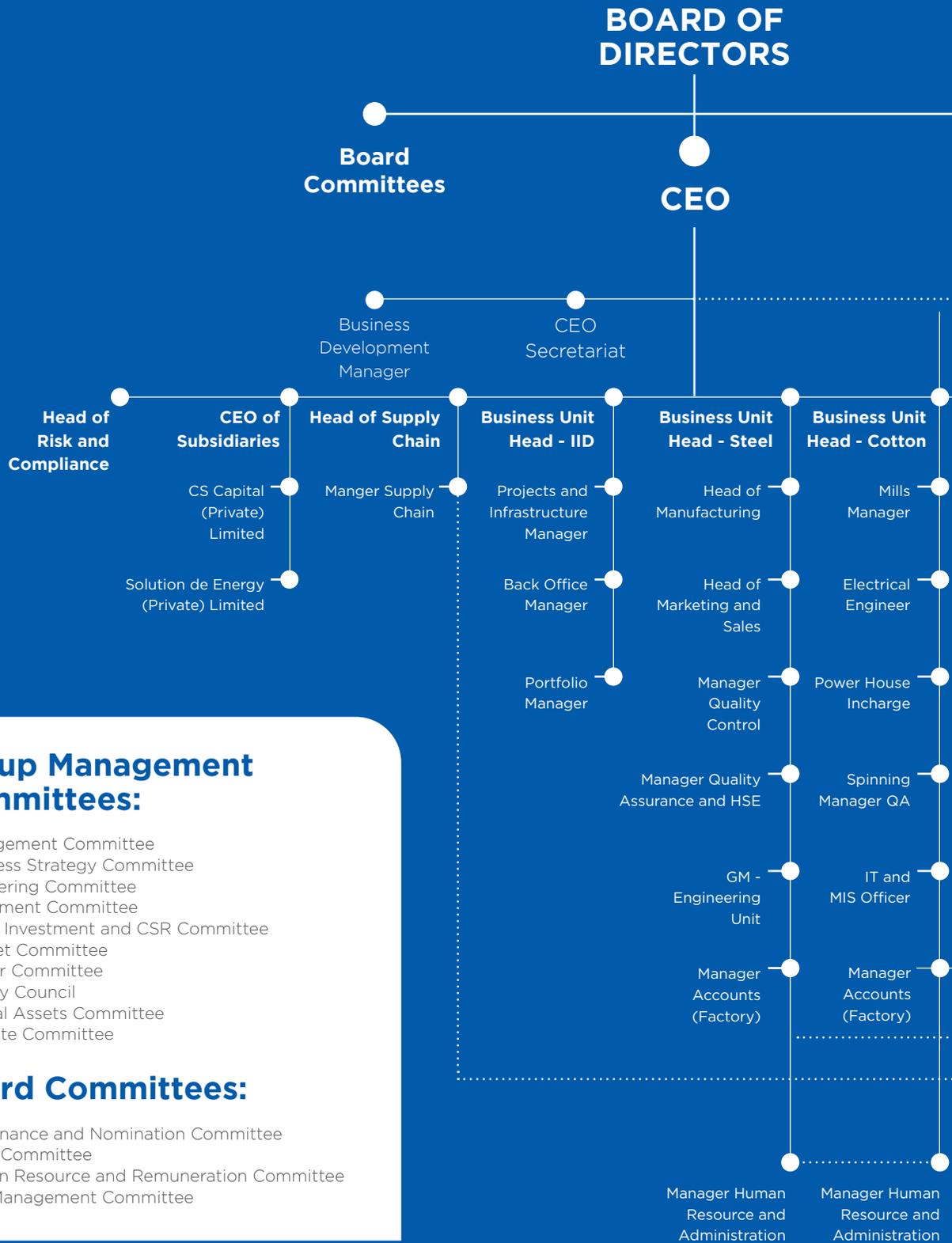
## **ICAP AND ICMAP BEST CORPORATE REPORT AWARD 2019**

The Annual Report of the Company for the year 2019 secured a certificate of merit in the Engineering and Autos Sector.

## **ICAP AND ICMAP BEST CORPORATE REPORT AWARD 2020**

The Annual Report of the Company for the year 2020 secured a certificate of merit in the Engineering and Autos Sector.

# MANAGEMENT STRUCTURE OF THE COMPANY

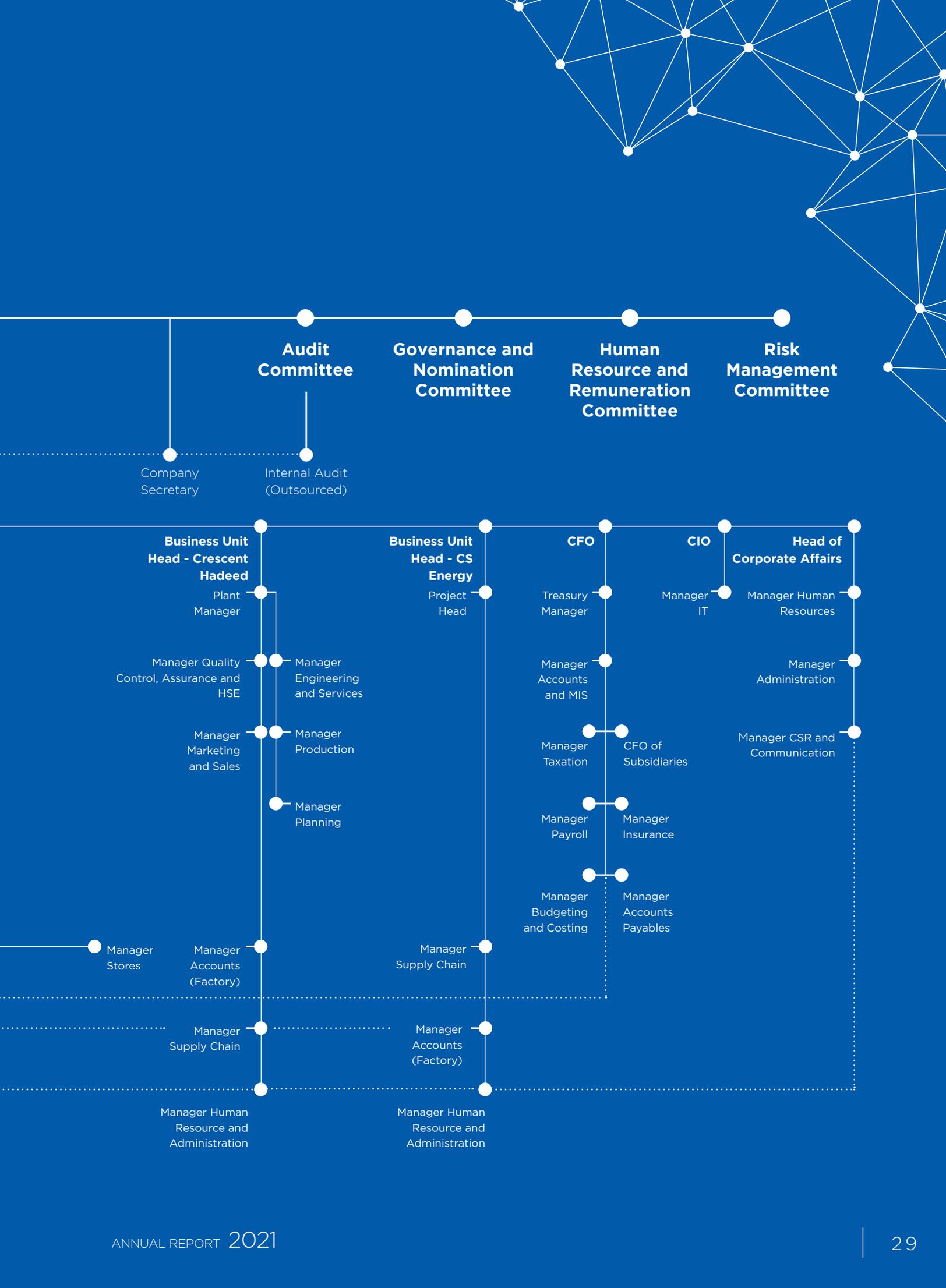


## Group Management Committees:

- Management Committee
- Business Strategy Committee
- IT Steering Committee
- Investment Committee
- Social Investment and CSR Committee
- Budget Committee
- Tender Committee
- Quality Council
- Capital Assets Committee
- Website Committee

## Board Committees:

- Governance and Nomination Committee
- Audit Committee
- Human Resource and Remuneration Committee
- Risk Management Committee



# BOARD OF DIRECTORS



## AHMAD WAQAR, 72

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Masters in English Literature, MBA (Finance)

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Joined Board: 30 January 2012

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Chairman (Non-Executive Director)

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### Major Engagements:

#### Past:

Principal Advisor to Chairman, Petroleum Exploration Limited (PEL),

#### Public Sector:

Chairman FBR,  
Secretary, Investment Division  
Secretary, Ministry of Petroleum and Natural Resources,  
Secretary, Privatization Commission.  
Additional Secretary In-charge, Ministry of Privatization.  
Member Finance, Capital Development Authority,  
Deputy Secretary, Cabinet Division.

#### Chairman:

Saindak Metals (Private) Limited,  
Pakistan Mineral Development Corporation,  
Government Holdings (Private) Limited.

#### Director/Member (Nominee – Government of Pakistan):

State Bank of Pakistan,  
United Bank Limited,  
Habib Bank Limited,  
Pak-Kuwait Investment Company,  
Pakistan Telecommunication Company Limited,  
Pakistan International Airlines,  
Hydrocarbon Development Institute of Pakistan,  
Pakistan Electronic Media Regulatory Authority,  
Private Power Infrastructure Board,  
Overseas Pakistanis Foundation,  
U-fone.



## AHSAN M. SALEEM, 68

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Masters in Economics

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Joined Board: 01 August 1983

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Chief Executive Officer and Managing Director

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### Other current engagements:

Founding Director, The Citizens Foundation,  
Founding Director, Pakistan Centre for Philanthropy

Chairman, Board of Governors, Indus Valley School of Arts and  
Architecture

Trustee, Commecs Educational Trust





**FARAH AYUB TARIN,  
66**

MBA, Masters in Defence & Strategic Studies, M.A English Literature

Joined Board: 23 December 2019

Director (Non-Executive, Independent)

**Past Engagements:**

Controller General of Accounts  
Project Director PIFRA  
Accountant General Pakistan Revenues  
Director General, HRM  
Deputy Secretary, Economic Affairs Division, Pak Secretariat,  
Islamabad



**FARRUKH V. JUNAIDY,  
62**

FCA

Joined Board: 29 January 2015

Director (Non-Executive, Independent)

**Other Current Engagements:**

**Senior Partner:**

Junaidy Shoab Asad - Chartered Accountants

**Director:**

Pak Qatar Family Takaful Limited  
Pak Qatar General Takaful Limited  
Pakistan Revenue Automation  
Limited  
CDC Share Registrar Services Limited  
Zenith Automotive (Private) Limited

**Past Engagements:**

**Director:**

Karachi Stock Exchange  
National Clearing Company of Pakistan

**Group Chief Financial Officer:**

Dewan Mushtaq Group

**Partner:**

KPMG Pakistan

**Company Secretary and Senior Vice President:**

Gandhara Leasing Company Limited

**Vice President:**

Institute of Chartered Accountant of Pakistan

# BOARD OF DIRECTORS



## NAHEED MAQBOOL, 61

A.B Eco.

Joined Board: 25 March 2020

Director (Non-Executive, Independent)

### **Other Current Engagements: Chief Executive Officer:**

Suraj Cotton Mills Limited  
Premier Insurance Limited,

### **Director:**

Suraj Cotton Mills Limited  
Premier Financial Services (Pvt) Ltd.  
Crescent Fiber Limited

### **Past Engagements Director/ Chairman:**

Karachi Cotton Association  
National Textile Foundation  
All Pakistan Textile Mills Association - APTMA

### **Trustee:**

Old Grammarian Society



## NASIR SHAFI, 72

MBA

Joined Board: 01 August 1983

Director (Non-Executive)

### **Other Current engagements: Chairman:**

Crescent Bahuman Limited

### **Past engagements: Director:**

The Crescent Textile Mills Limited





**S.M. EHTISHAMULLAH,  
82**

FCA

Joined Board: 30 January 2000

Director (Non-Executive)

**Past engagements:**

**Director:**

- Agriauto Industries Limited
- Al-Ghazi Tractors Limited
- Crescent Leasing Corporation Limited
- Hinopak Motors Limited



**Muhammad Kamran Saleem,  
49**

M.Com., LL.B., LL.M., ACA (Eng. And Wales), FCA (Pak.), FCMA, FCIS, PGD

Joined Board: 30 January 2021

Director (Non-Executive, Independent)

**Other current engagements:**

**Chief Executive Officer:**

Pak Qatar Investment Private Limited

**Director:**

Pak Elektron Limited

**Chairman:**

Standing Committee on Takaful and Window Takaful

**Group Director Finance and Company Secretary:**

Pak Qatar Family Takaful Limited

# BOARD OF DIRECTORS AND ITS COMMITTEES

## THE BOARD

The Company has a unitary board structure consisting of eight directors (including appointed CEO) of which four are independent. Crescent gives due consideration to the qualifications and expertise of individuals when deciding on the Board's composition to ensure that a vast range of expertise and experience is represented on the Board in the best interest of stakeholders and the Company.

The Board has formulated policies which it reviews on periodic basis including risk management, procurement of fixed assets, goods and services, investments, borrowings, donations, charitable giving and contributions, whistle blowing, delegation of financial authority, transactions with related parties and transfer pricing, provision for slow moving stores and spares and impairment of assets, Board charter etc. and such policies are implemented and monitored through delegation of duties to four standing committees of the Board: The Audit, Risk Management, Human Resource and Remuneration, and Governance and Nomination Committees.

## BOARD COMMITTEES

### AUDIT

The Committee comprises of four members who all are Non- Executive Directors, including two Independent Directors, as Chairman and Member.

The terms of reference of the Audit Committee include the following:

- To provide the Board of Directors ("the Board") with an independent and objective evaluation of the operations, policies, procedures and controls implemented within the Company.
- To provide supplemental assistance and resources to the internal audit department of the Company in order for them to provide the Management and the Board of the Company with an independent, objective evaluation of their operations, policies, procedures and controls.
- To provide the Board with an oversight of the internal audit department in the Company to assure that an effective internal audit function is in place, which includes a risk based annual and long range audit plan, a reporting mechanism and a quality control plan.
- To provide assistance to the Board in fulfilling their oversight responsibility relating to integrity of the financial statements and financial reporting.
- To review and evaluate procedures established to comply with laws and regulations and to monitor compliance thereof.

- To assess the Company's risk management process including risk related to Financial Statements and Financial Reporting.
- To recommend the appointment of the Internal and External Auditor for the Board's approval.

### RISK MANAGEMENT

The Committee comprises of three members who all are Non-Executive Directors, including two Independent Directors. The Committee has been constituted to address and improve risk oversight and risk management within the Company.

The terms of reference of the Risk Management Committee include the following:

- Oversee and recommend the risk management policies and procedures of the Company.
- Review and recommend changes as needed to ensure that the Company has in place at all times a Risk Management policy which addresses the strategic, operational, financial and compliance risks.
- Implement and maintain a sound risk management framework which identifies, assesses, manages and monitors the Company's business risks.
- Set reporting guidelines for management to report to the Committee on the effectiveness of the Company's management of its business risks.
- Review the Company and its subsidiaries' risk profiles and evaluate the measures taken to mitigate the business risks (Risk Register).

### HUMAN RESOURCE AND REMUNERATION

The Committee comprises of four members who all are Non-Executive Directors, including two Independent Directors. The Committee has been constituted to address and improve the area of Human Resource Development. The main aim of the committee is to assist the Board and guide the management in the formulation of market driven HR policies regarding performance Management, HR staffing, compensation and benefits, that are compliant with the laws and regulations.

The terms of reference of the Human Resource Remuneration Committee includes the following:

- Recommending human resource management policies to the Board.
- Recommending to the Board the selection, evaluation, compensation (including retirement benefits) of the CEO, CFO, Company Secretary and Head of Internal Audit.

- Ensure a proper system of succession planning for top management is in place and the adequacy of the same in the rest of the organization.
- Review the organizational structure and recommend changes, if any, to increase the effectiveness and efficiency of reporting lines and the division of authority and responsibility.
- Review the effectiveness of the recruitment and recommend changes, if any.
- Guide management in development/revision of all employees benefits, policies and rewards.
- Oversee employee development by monitoring HR aspects of organizational learning and development.
- Ensure that the performance management system is achieving its objectives of fairly rewarding employees' performance and is in line with company objectives.

## GOVERNANCE AND NOMINATION

The Committee comprises of two Non-Executive Directors (One Independent) and One Executive Director (CEO) of the Board. The role of the Committee is to assist the Board in the discharge of its function as well as compliance with the Company's governing principles. The Committee takes

a leadership role in shaping the Company's governing principles in order to keep them in line with International best practices.

The terms of reference of the Governance and Nomination Committee include the following:

- Monitoring compliance with the Code of Corporate Governance (SECP's and Company's Governing Principles) other than those areas which fall under the oversight of the Audit Committee.
- Advising Directors on Governance principles periodically and changes in the requirements of the Code of Corporate Governance whenever required.
- Reviewing that the key functions of the Company and assignment/responsibilities of main functionaries are consistent with the business objectives.
- Advising the CEO on the adequacy of available skills and expertise for achieving the business objectives.
- Examining the need for additional Board Committees and recommending changes/modifications in the structure/ functions of the existing Board Committees.
- Evaluating the performance of the Board and its committees.

## ATTENDANCE IN BOARD AND COMMITTEE MEETINGS

Attendance in Meetings	Board		Audit Committee		HR and Remuneration Committee*		Governance and Evaluation Committee*		Risk Management	
	Required	Attended	Required	Attended	Required	Attended	Required	Attended	Required	Attended
<b>Non- Executive Directors</b>										
Mr. Ahmad Waqar	6	6	-	-	1	1	2	2	-	-
Mrs. Farah Ayub Tarin	6	6	-	-	1	1	1	1	-	-
Mr. Farrukh Viqaruddin Junaidy	6	5	4	4	-	-	1	1	-	-
Mr. Muhammad Kamran Saleem **	4	4	-	-	-	-	-	-	-	-
Mr. Nadeem Maqbool	6	6	4	4	-	-	-	-	-	-
Mr. Nasir Shafi	6	6	4	4	1	1	-	-	-	-
Mr. S. M Ehtishamullah	6	6	4	4	-	-	-	-	-	-
<b>Chief Executive Officer</b>										
Mr. Ahsan M. Saleem	6	6	-	-	1	1	2	2	-	-

\* Committee structure changed during the year.

\*\* Joined board 30 January 2021.

# MANAGEMENT COMMITTEES

## MANAGEMENT COMMITTEE

Ahsan M. Saleem	Chairperson
Abdullah A. Saleem	Member
Abdul Rouf	Member
Arif Raza	Member
Hajerah A. Saleem	Member
Hasan A. Saleem	Member
Muhammad Saad Thaniana	Member

The Committee devises long-term policies and vision for the Company with the sole objective of providing the best returns to shareholders by optimally allocating existing resources. The Committee is also responsible for reviewing the Company's operations on a regular basis, establishing and ensuring adequacy of internal controls and, monitoring compliance of key policies. The Management Committee meets on a quarterly basis. Terms of reference of the committee include the following:

- To prepare, approve and keep an updated long-term plan,
- Provide guidelines to the Business Strategy Committee for medium and short-term tactics,
- Discuss new ideas, new business lines, new product lines, new markets, and / or refer new opportunities and feasible ideas to another committee for refinement,
- Analyse current market situation with a view to maintain sustainable competitive advantage,
- To discuss in detail the plans of the Group and accordingly adjust the policies of the Company to avoid any conflict, and
- Analyse group investment opportunities and refer to the investment committee, if required.

## BUSINESS STRATEGY COMMITTEE

Ahsan M. Saleem	Chairperson
Abdullah A. Saleem	Member
Abdul Rouf	Member
Arif Raza	Member

Hajerah A. Saleem	Member
Hasan A. Saleem	Member
Muhammad Saad Thaniana	Member
Azeem Sarwar	Secretary

The Committee is responsible for formulation of business strategy, review of risks and their mitigation plan. Further, the Committee is also responsible for staying abreast of developments and trends in the Industry to assist the Board in planning for future capital-intensive investments and growth of the Company.

The Committee meets at least twice a year. The terms of reference include the following:

- To prepare, approve and recommend to the Board a framework for business strategy,
- Develop and approve medium term plan(s) to meet interim objectives and milestone for any long-term project approved by the Executive Committee,
- Review the progress of different new projects of the Company,
- Approve short term goals, both qualitative and quantitative, for different segments of the Company,
- Review periodically the targets achieved and revise the operational targets, if required,
- Review allocation of resources to different segments such as investments, core business etc., and
- Gather information and prepare an updated SWOT analysis of the Company, to be reviewed by the Executive Committee.

## IT STEERING COMMITTEE

Ahsan M. Saleem	Chairperson
Hajerah A. Saleem	Member
Iqbal Abdulla	Member
Muhammad Saad Thaniana	Member
Osama Mansoor	Secretary

The Committee monitors the implementation of IT Strategy on a regular basis. It ensures that Crescent Steel stays current with the evolving new technologies and Information System Processes. The Committee prepares a long-term IT plan, which includes fostering an IT Culture at all levels. Terms of reference of the committee include the following:

- To guide the IT Department and Management in preparing the IT Strategy of the Company in a cost-effective manner,
- Monitor the implementation of the IT Strategy on a regular basis,
- Ensure that Crescent Steel stays current with the evolving new technologies and the latest Information System Processes as applicable to the business and growth of the company,
- Provide the basis for preparing long-term IT plans while not losing sight of the immediate goals and objectives,
- Facilitate the promotion of an IT Culture in the Company at all levels. This has been done by traditional training interventions including company-wide workshops at all levels, and
- Assist the Board to ensure that the IT vision provided by the Board is manifested in the IT Strategy and its subsequent implementation.

## INVESTMENT COMMITTEE

Ahsan M. Saleem	Chairperson
Hajerah A. Saleem	Member
Muhammad Saad Thaniana	Member

The Committee helps in maintaining a balanced portfolio of investments and maximize returns while keeping risk at a desirable low level. Terms of reference of the committee include the following:

- To determine the sector wise weightage of the portfolio based on market conditions,
- Assess and monitor the risk associated to the portfolio, and
- Review the performance of the investments and take decisions relating to scrip wise entry and exit.

## SOCIAL INVESTMENT AND CSR COMMITTEE

Arif Raza	Chairperson
Abdullah A. Saleem	Member
Abdul Rouf	Member
Hajerah A. Saleem	Member
Hasan A. Saleem	Member
Muhammad Saad Thaniana	Member
Sana Arif	Secretary

The Committee reviews the distribution of charitable contribution in line with Company's Policy for donations, charities and contributions. Terms of reference of the committee include the following:

- To review and recommend any changes to Company's policy relating to Corporate Social Responsibility for the approval of BOD,
- Review and recommend the distribution of charitable contribution in line with the Corporate Social Responsibility policy,
- Review and monitor CSR activities, and
- Measure social investments to evaluate their impact.

## OTHER COMMITTEES

In addition to the above committees, the Company has also constituted the following committees which work in their respective domains as per approved terms of references:

- **Budget Committee**
- **Tender Committee**
- **Quality Council**
- **Capital Assets Committee**
- **Website Committee**

# REPORT OF THE AUDIT COMMITTEE

The Audit Committee (the Committee) comprises four Non-Executive Directors out of which more than one member of the Committee qualifies as financially literate. Details of the Directors are set out in the Board of Directors section of this report. The Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the Internal Auditors and the External Auditors attended the Committee meetings by invitation. The Head of Internal Audit is the secretary of the Committee. Senior Management Officers are invited to attend the Committee's meetings as and when the business of the Committee requires their presence. The Committee meets with the Internal Auditors and the External Auditors with and without the presence of CEO and CFO.

The Committee has concluded its annual review of the conduct and operations of the Company during the financial year ended 30 June 2021, and reports that:

- Four meetings of the Committee were held during the financial year ended 30 June 2021 which were presided by the Chairman, Audit Committee.
- The Committee reviewed the quarterly and annual financial statements of the Company and recommended them for approval of the Board.
- The Board has issued a "Statement of Compliance with the Code of Corporate Governance" which was duly reviewed by the external auditors of the Company.
- Understanding and compliance with Company Code of Business Practice and Ethics has been affirmed by the members of the Board, the Management and employees of the Company, individually. Equitable treatment of shareholders has also been ensured.
- Appropriate accounting policies have been consistently applied. All core and other applicable International Accounting Standards were followed in preparation of financial statements of the Company and consolidated financial statements for the financial year ended 30 June 2021, which present fairly the state of affairs, results of operations, cash flows and change in equity of the Company and its subsidiaries.
- The CEO and the CFO have reviewed the unconsolidated and consolidated financial statements of the company along with Directors' Report. They acknowledge their responsibility for true and fair presentation of the Company's financial condition and results, compliance with regulations and applicable accounting standards and design and effectiveness of internal control system of the Company.
- Accounting estimates are based on reasonable and prudent judgment.
- Proper and adequate accounting records have been maintained by the Company in accordance with the Companies Act 2017 and the external reporting is consistent with Management processes and adequate for shareholder needs.
- The Committee has reviewed and recommended for inclusion on notes to financial statements all related party transactions.
- No cases of complaints regarding accounting, internal controls, audit matters or whistle blowing events were received by the Committee.
- The Company's system of internal control is sound in design and has been continually evaluated for effectiveness and adequacy.
- The Committee has ensured the achievement of operational, compliance, risk management, financial reporting and control objectives, safeguarding of the assets of the Company and the shareholders wealth at all levels within the Company.
- The Committee ensured that their statutory obligations and requirements of best practices of governance have been met through a tool-kit developed by the management.
- Closed periods were duly determined and announced by the Company, precluding the Directors, the CEO and Executives of the Company from dealing in Company shares, prior to each Board meeting involving announcement of interim / final results, distribution to shareholders or any other business decision, which could materially affect the share market price of Company, along with maintenance of confidentiality of all business information.

## INTERNAL AUDIT

- The Board has effectively monitored the internal control framework. The internal audit function has been outsourced to BDO Ebrahim and Co.,

Chartered Accountants who are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

- Internal auditors independently reviewed the risks and control processes operated by the management. The Internal Audit function has carried out its duties under the charter approved by the Committee. It carries out independent audits in accordance with an internal audit plan which is approved with the Committee before the start of the financial year.
- The internal audit plan provides a high degree of financial and business segment wise coverage and devotes significant effort to the review of the risk management framework surrounding the major business risks.
- Internal audit reports include recommendations to improve internal controls together with agreed management action plans to resolve the issues raised. Internal audit follows up the implementation of recommendations and reports progress to senior management and the Committee.
- The Committee reviews the findings of the internal audits completed during the year, taking appropriate action or bringing the matters to the Board's attention where required.
- Coordination between the External and Internal Auditors was facilitated to ensure efficiency and contribution to the Company's objectives, including a reliable financial reporting system and compliance with laws and regulations.
- The effectiveness of the internal audit function is reviewed and discussed by the Committee on an annual basis. Based on the Committee's review of the performance of the internal audit function, the Committee has recommended to the Board for the appointment of BDO Ebrahim and Co., Chartered Accountants for the financial year 2021-22.

## EXTERNAL AUDIT

- The statutory Auditors of the Company, A.F.Ferguson & Co., Chartered Accountants, have completed their Audit engagement of the "Unconsolidated Financial Statements", the "Consolidated Financial Statements" and the "Statement of Compliance with the Code of Corporate Governance" for the financial year ended 30 June 2021.

- The Auditors have been allowed direct access to the Committee and the effectiveness, independence and objectivity of the Auditors has thereby been ensured.
- The Committee has reviewed and discussed with the external auditors and management, all the key audit matters and other issues identified during the external audit along with the methods used to address the same. Moreover, during the year Management letter for year ended 30 June 2020 was received within 45 days of the date of the Auditors' Report on financial statements as required under the PSX Rule Book; and the Committee reviewed and discussed Management letter with the external auditors and the management.
- The performance, cost and independence of the external auditor is reviewed annually by the Committee.

Based on the Committee's review of the performance of external auditors, the Committee has recommended to the Board reappointment of A. F. Ferguson & Co., Chartered Accountants, as statutory auditors for the year 2021-22 at the forthcoming Annual General Meeting.

By order of the Audit Committee



**Farrukh V. Junaidy**

Chairman, Audit Committee

12 August 2021

# STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

## CRESCENT STEEL AND ALLIED PRODUCTS LIMITED FOR THE YEAR ENDED 30 JUNE 2021

Crescent Steel and Allied Products Limited (hereinafter referred to as “the Company”) has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (“the Regulations”) in the following manner:

- The Board is comprised of eight (8) Directors including the Chief Executive Officer (a deemed director, as per Section 188 of the Companies Act, 2017) as follows:

- Male Directors: 7
- Female Directors: 1

- The composition of the Board is as follows:

Categories	Number of Directors	Names of Directors
<b>Independent Directors</b>	4	<ul style="list-style-type: none"> <li>• Mrs. Farah Ayub Tarin</li> <li>• Mr. Farrukh V. Junaidy</li> <li>• Mr. Muhammad Kamran Saleem</li> <li>• Mr. Nadeem Maqbool</li> </ul>
<b>Non-Executive Directors</b>	7	<ul style="list-style-type: none"> <li>• Mr. Ahmad Waqar</li> <li>• Mrs. Farah Ayub Tarin</li> <li>• Mr. Farrukh V. Junaidy</li> <li>• Mr. Muhammad Kamran Saleem</li> <li>• Mr. Nadeem Maqbool</li> <li>• Mr. Nasir Shafi</li> <li>• Mr. S.M. Ehtishamullah</li> </ul>
<b>Female Director</b>	1	Mrs. Farah Ayub Tarin
<b>Executive Director</b>	1	Mr. Ahsan M. Saleem

- All directors have confirmed that they do not serve as a director on more than seven (7) listed companies, including this Company;

- The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it across the Company along with supporting policies and procedures;
- The Board has developed a vision/mission statement, overall corporate strategy, and significant policies of the Company. The Board has ensured that a complete record of the particulars of significant policies, along with their date of approval and/or updates are maintained by the Company;
- All powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/shareholders, as empowered by the relevant provisions of the Act and the Regulations;
- The meetings of the Board were presided over by the Chairman. The Board has complied with the requirements of the Act and Regulations with respect to frequency, recording and circulating minutes of meetings of the Board;
- The Board has a formal policy and transparent procedures for remuneration of directors, in accordance with the Act and the Regulations;
- Four (4) Directors of the Company have a minimum of 14 years of education and 15 years of experience as directors of a listed Company. One director is exempted by the SECP from the requirements of Directors’ Training Program (DTP), in lieu of experience. Two directors of the Company have completed certification under the DTP conducted by Pakistan Institute of Corporate Governance (PICG).
- The Board has approved appointment of the Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
- Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;

12. Board committees are structured as follows:

Committees	Members
<b>Audit Committee</b>	<ul style="list-style-type: none"> <li>• Mr. Farrukh Viqaruddin Junaidy (Chairman)</li> <li>• Mr. Nadeem Maqbool</li> <li>• Mr. Nasir Shafi</li> <li>• Mr. S.M. Ehtishamullah</li> </ul>
<b>HR and Remuneration Committee</b>	<ul style="list-style-type: none"> <li>• Mr. Nadeem Maqbool (Chairman)</li> <li>• Mr. Ahmad Waqar</li> <li>• Mrs. Farah Ayub Tarin</li> <li>• Mr. Nasir Shafi</li> </ul>
<b>Governance and Nomination Committee</b>	<ul style="list-style-type: none"> <li>• Mr. Ahmad Waqar (Chairman)</li> <li>• Mr. Ahsan M. Saleem</li> <li>• Mr. Farrukh Viqaruddin Junaidy</li> </ul>
<b>Risk Management Committee</b>	<ul style="list-style-type: none"> <li>• Mr. S.M. Ehtishamullah (Chairman)</li> <li>• Mrs. Farah Ayub Tarin</li> <li>• Mr. Muhammad Kamran Saleem</li> </ul>

13. The number of meetings held for each committee during the year were as follows:

Committees	Frequency of meetings
<b>Audit Committee</b>	Held four (4) times during the year once every quarter; prior to approval of interim and final results of the Company and as required by the Code.
<b>HR and Remuneration Committee</b>	Held once (1) during the year as required by the Code.
<b>Governance and Nomination Committee</b>	The meetings of the Governance and Nomination Committee were held twice (2) during the year.

14. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance;

15. The Board has outsourced the internal audit function to qualified and experienced resources, conversant with the policies and procedures of the Company;

16. The statutory auditors of the Company have confirmed that: they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan (ICAP), they are registered with the Audit Oversight Board of Pakistan, they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics, as adopted by the Institute of Chartered Accountants of Pakistan, and they and the partners of the firm involved in the audit are not close relatives (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Directors of the Company;

17. The statutory auditors or persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirements, and the auditors have confirmed that they have observed IFAC guidelines in this regard;

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with; and

19. There is no non-compliance with other requirements of the Regulations.



**AHMAD WAQAR**

Chairman

12 August 2021

# PEOPLE

The people in our company ultimately determine our success or failure as a business. Sound strategy, effective plans, efficient processes and quality products will all fall apart if we don't have the right people to execute these strategies, plans and processes. As a company, we have a deep appreciation for our employees and their importance in meeting our strategic goals. Performing competitively in the evolving business landscape requires empowered and competent people working safely together across our Company.

We center our attention on creating a corporate culture which focuses on our people and their wellbeing, as positive attitude, strong skills and creative abilities of

our people create value for the business. Our goal is to align the aims and aspirations of our people with those of the Company, encouraging a performance driven culture and a place where people love to work.

Our people have made continued contributions in their areas of work and our surrounding communities and try to engage at all levels, both through work related initiatives and, on a personal level. As on 30 June 2021, we employed 765 people compared with 766 as on 30 June 2020.

During the year, we employed an average of 766 people, shown by geographical region in the table below.

Headcount				
Year	Region	Corporate / Regional Office Employees	Factory Employees	Total Number of Employees
2021	Sindh	76	141	217
	Punjab	6	542	548
2020	Sindh	74	157	231
	Punjab	5	530	535
2019	Sindh	73	175	248
	Punjab	5	506	511

## COMMUNICATION AND ENGAGEMENT

To create a positive work environment and a performance driven culture, we strive to ensure effective and open communication across the organization. Effective communication leads everyone to be on the same page; moving in the same direction towards our common goal.

Employees serve as ambassadors of the Company. We strive to create an environment with open communication and trust in order to encourage employees to engage more and understand that what they do matters in the success of the business. We listen to our people and in turn empower them to feel valuable, which elevates productivity as well as boosts their self-esteem.

We have various formal and informal mechanisms of communicating and engaging with our employees including:

- Physical suggestion boxes at all our locations to report potential breaches of our Governing Principles and Code of Conduct, confidentially and anonymously
- Electronic suggestion box on the Company intranet with direct access to the CEO
- Crescent Communications, an internal communication platform
- Quarterly newsletters
- Employee opinion and other feedback surveys to measure employee engagement, motivation, affiliation and commitment to the Company
- Daily lunch where everyone eats together

The Company also holds Open House sessions with the CEO across all our campuses. These sessions allow people to have a two-way discussion directly with the CEO whether individually or in groups of two. Employees can share their ideas and concerns with the CEO which can be key drivers of process improvements. In the past Open House sessions have led to great initiatives and improvements at Crescent Steel.

Our management also follows an open door policy to encourage open communication, feedback, and discussion regarding any matter of importance.

During the year we also conducted sessions on investor awareness, anti-tobacco campaign, breast cancer and safety and security. We continue to engage staff in various citizenship activities that run alongside our philanthropic CSR initiatives.

## WHISTLE BLOWING

The Whistle Blowing Policy provides a platform to our employees to highlight any improper conduct or wrong doing without concern for reprisals or victimization. At Crescent Steel employees are strongly encouraged to blow the whistle if they witness an ethical, moral or legal concern. All allegations of breaches are investigated and followed up on by the Head of Internal Audit.

The whistle blowing framework covers the following:

- Incorrect financial reporting
- Unlawful activity
- Activities that are not in line with Company's policies, including the Code of Conduct
- Activities, which otherwise amount to serious improper conduct

## VOICE OF EMPLOYEES: EMPLOYEE OPINION SURVEY

Crescent Steel is driven towards improving the satisfaction level of its employees. People are the key to business success and hence determining what matters to our people is important.

Our annual Employee Opinion Survey (EOS) provides us with employee insights and information regarding the workplace which is essential to our strategy of building a place where people love to work.

In 2021, the response rate was 83%, which showed a decline of 3% compared with 2020, and the average employee satisfaction score was 3.69/5, which was also lower as compared to last year's score of 3.81/5. This is primarily on account of including Crescent Hadeed to the EOS Universe. Strong scores were registered for our strategy, values, structure of the organization, process flow, work environment and culture.

As with every survey in the past major area of concern included compensation - we have however benchmarked compensation of all key positions against the market.



## DIVERSITY AND INCLUSION

We encourage and respect diversity of thought, ideas and perspective from our workforce and have incorporated it in our workplace culture. We prioritize diversity and inclusion initiatives and invest resources into making sure our teams are set up for success. We value everyone's differences and provide equality of opportunity without any biases towards any race, gender, ethnicity, personality, age or background.

In this era of globalization, we recognize that a diverse workforce brings a fresh array of perspectives to the table. We are committed to providing equality of opportunity and creating a rewarding workplace for all employees. Increasing female representation, especially in management level roles, is an ongoing priority.

As on 30 June 2021, 16% or 13 of our employees across our corporate offices were females. 20% or 2 members of the Executive Management Team, 7% or 2 of the management roles were filled by women and, 3% or 26 members of our workforce consisted of minorities and for the Head Office minorities constitute 11% or 8 members of the workforce. 24% or 6 new hires at our corporate offices were females.

We have adopted work practices to accommodate a diverse workforce such as flexible work schedules and celebration of different religious festivals at our Head Office. We are pleased to see that our employees celebrate the inclusive environment at the workplace.

We go beyond abilities, age, ethnicity, gender and religion to create an environment that welcomes all forms of diversity including geographical diversity. Over the last year 79% of new entrants represent rural communities and 81% of our total workforce is from rural Pakistan.

We also work closely with the communities where we operate to identify and invest in initiatives that help support diversity and inclusion.

## TRAINING, DEVELOPMENT AND SUSTAINABILITY

Personal and professional development of employees are essential components of our agenda. We invest in our people and their development and strive to meet the personal growth, achievement and recognition needs of our employees in order to ensure continuous growth of our organization.

We consider training not as a cost but an investment for the future and want our employees to grow with the Company. Being a strategic partner to the organization, it is HR's priority to develop the next generation of leader's and ensure successful leadership transition.

Crescent Steel offers great opportunities to learn on-the-job. Training starts from day one, and becomes successive as our employees grow. We have identified subject matter experts (SMEs) within the organization for core areas such as Microsoft Excel, ERP, health safety, product quality etc. These SMEs provide regular internal trainings and are available for any further guidance. External trainings are planned for our people in relation to their job requirement, career development and succession planning. Our approach on talent multipliers rests on four core principles: to lead, coach, drive and inspire.

In line with changing market dynamics and to ensure the provision of quality products and services to our customers, this year 137 employees were trained for a total of 739 hours. We have successfully concluded 35 internal and external trainings this year.

Out of the total training hours for our corporate offices, 31% were allocated to our female staff.

## DEVELOPING EMPLOYEES FROM TRAINEE TO MANAGER

As part of succession planning for our employees, we develop each employee to grow within the organization and take up future roles smoothly. It is our key priority to equip our employees with the necessary knowledge, skills and abilities. It enables us to retain valuable employees as they are aware that we are willing to invest in them.

We support employees in equipping themselves with the necessary knowledge, skills and abilities – starting from career training through to further development of top management. Our aim is to enhance the skills and abilities of our employees, to enable them to maximize their potential and help achieve individual and organizational goals.

We also have regular career conversations as they help develop a clear path for growth and development. We encourage our employees to achieve bigger and better things each day.

## TALENT MANAGEMENT

Our people enable us to succeed in our business. They are the ones who turn our ideas into reality and help us achieve our goals. Hence, it is crucial that we attract, onboard, develop, motivate, and retain high-performing employees. We believe that to succeed as an organization we have to enable our employees to grow along with us.

We strive to develop high performing and diverse talent within the organization. At Crescent Steel, we develop our people through training, job rotation or through educational activities for them to succeed in decision-making positions.



Talent review sessions are conducted annually to identify and develop capable individuals to succeed within the organization. These sessions enable us to identify potential successors and ensures that they are appropriately developed through training, job rotation or further education. A performance development and retention plan is designed for selected candidates to develop their skills and for them to gain experience. These individuals then take up leadership roles. Identifying them timely ensures that they have the necessary skills and experience to step up and fill a key role within the Company when the time arises.

## REWARDS AND BENEFITS

We know that retaining high quality employees requires providing the right rewards and benefits to recognize them for their contribution and hard work. We believe recognition provides a sense of accomplishment and makes employees feel valued for their work. Our employees gain when they contribute to our success.

Our compensation, benefits and reward schemes enable us to attract and retain top talent within the Company. Our reward package goes beyond competitive pay to include:

- Health benefits for the employee and their family
- Scholarships for employees and their children

- Rewards for employees' contributions
- Retirement benefits
- Subsidized meals
- Adequate time off
- Performance based incentives

## FIVE VALUES AS BASIS FOR CORPORATE CULTURE

Our values drive our corporate culture and are important for the long term growth of our business. They support our vision and are the essence of our identity, principles and beliefs. Our employees share our organization's values and are rewarded when they practice and demonstrate a strong belief in them.

Our five values: Integrity, Ownership, Customer Focus, Continuous Improvement and Community Care, define who we are, how we work, what we believe in and what we stand for. These values transform our Company's mission and vision into reality, they form our corporate culture and drive our people's behavior as well as its relationship with its customers, suppliers and shareholders.

Further details on our human capital management strategy, engagement and performance can be referred to in our Corporate Social Responsibility Report 2021.

# IT GOVERNANCE

IT Governance is an integral part of Crescent Steel Enterprise Governance and consists of leadership, structures, and processes which ensure that Crescent Steel's IT sustains and extends its impact on business to meet its objectives. Our IT department is a critical resource which continuously works towards implementing improvements in the Company's business processes while ensuring the IT infrastructure and human skills are kept up-to-date.

The existence of an agile IT infrastructure and well integrated and secure systems was amply reflected during the ongoing pandemic which necessitated almost the entire office based workforce to seamlessly work from home.

Our information systems are well integrated and captures near real time data for process owners consistently providing business intelligence for structured decision making. Implemented in 2008, our Oracle ERP system consist of almost all modules covering all layers of Financials, Order Management, Inventory, Manufacturing, Supply Chain, and Project Management.

## IT STRATEGY

Our IT department has a well-defined strategic plan which serves as a guide for strategic initiatives over the next three to five years. Well defined policies and procedures are in place to ensure consistency and measured IT operations since Crescent Steel's operational agility is dependent on IT operations. The IT Steering Committee oversees the strategic direction and effectiveness of the IT department within the entire organization.

For reasons of high availability, our primary datacenter is collocated at a Tier-3 Data Centre and secured and protected with a Next Generation Firewall. The ageing servers and storage have been recently replaced with the latest generation of HP servers and SAN storage along with a completely upgraded technology stack to support all equipment and applications. Backing up of all data is a regimented practice with a copy of the backup stored safely at an offsite location, besides reflecting it on the Disaster Recovery Site.

Our Disaster Recovery Plan (DRP) is an action plan devised to recover seamlessly from an unexpected disruption of service due to a man-made disaster or

any natural catastrophe. The aim is to get the Company operations resumed in as little time as possible. The data loss and time to recover is measured within the defined concepts of Recovery Time Objective (RTO) and the Recovery Point Objective (RPO).

## DEVELOPMENTS IN MIS

IT Department has initiated a plan to upgrade our core business application (Oracle EBS) from version 11.1.3 to the latest version 12.2.9 which is technically and functionally a much improved product and will provide more visibility, better real time dashboards and reporting facility. Moreover, the plan includes implementation of Enterprise Command Center (ECC), Landed Cost Module (LCM) and Mobile Phone based workflow approvals which will not only enhance the end user experience but also promote digitalization of the working environment.

A state of the art Sustainability Reporting and Time Office Management applications have been developed by IT which greatly reduces the manual efforts required in the operations and at the same time provides better controls and also enhances the accuracy of reporting.





# REVIEW REPORT BY THE CHAIRMAN

**Dear Shareholders, on behalf of the Board of Directors, I am pleased to present the annual financial results of our organization for the year ending 30 June 2021.**

This Annual Report provides information on our financial performance during the year and covers in brief, our performance on non-financial metrics, separately presented in our Corporate Responsibility Report 2021 in detail.

I wish to begin by extending my gratitude to individuals and institutions which have been at the forefront in the battle against the Pandemic in the country and the world at large. The pandemic has severely affected the global economy but at the same time, has also reminded us of the value of many things usually taken for granted.

The pandemic has affected everyone in industry—impacts that are likely to be felt for some time to come. Economic activity, and in particular, Large-Scale Manufacturing (LSM), had been in decline in the last years (down 3.38% and 10.17% YOY in 2019 and 2020 respectively and up 15% YOY in 2021). This worsened following the post-election adjustment period, and the outbreak of the pandemic unfortunately only added to already existing challenges.

Having said this, our resolve and ability to adapt helped us navigate with relative ease. The stimulus programs and review of policy rates by the Government, abated much of the pandemic induced crisis and as inoculations picked up and businesses reopened, we began to see a fast economic recovery on the back of favourable macroeconomic policies, lower finance costs and targeted concessional refinance schemes, which have provided the business and private sector some relief.

Here, I would also like to recognize the management and our people for their resolve, perseverance and untiring support in these testing times, they have stood firm with us and continued to deliver despite hardships of over two years.

I would also like to thank you, the shareholders, for your consistent support, and I hope that your patronage of the Company would continue in years to come.

## COMPANY PERFORMANCE

Your Company posted a profit after tax of Rs. 351.86 million (EPS Rs. 4.53). Sales volumes improved marginally across all our business segments as economic activity began to pick up – although progress on key projects continued to disappoint. We maintained a healthy GP margin of 5.8% across our manufacturing units. Our investments division posted investment income of Rs. 233 million and posted an ROI of 36.52% on its trading portfolio. We maintain our position that energy infrastructure projects are vital for Pakistan and material for our business and are keeping a close eye on further developments on these.

Alongside our business operations, we continue to serve and invest in communities where we operate. Furthermore, we strive to support our workers and their families during difficult economic times, and are pleased to note that we retained all staff on full pay, throughout the crisis period.

## BOARD PERFORMANCE

On 31 January 2021, a new Board consisting of seven (7) Directors was elected for a term of three (3) years and its term is expiring on 30 January 2024. Six (6) of the seven retiring Directors were re-elected, unopposed to a new three-year term on the Board of Crescent Steel. The Board appointed Mr. Ahsan Muhammad Saleem as Chief Executive Officer for the period of the Board term and welcomed Mr. Muhammad Kamran Saleem who joined as a new Director - I congratulate Mr. Kamran Saleem on his appointment and look forward to his contributions.

I am grateful to the Board for reposing their confidence in me once again by nominating me as Chairman of the Board. I will continue to lead the Board and run its affairs in a conducive environment and ensure effective participation from all Directors in Company's strategic matters. I remain firmly committed to ensuring that your Company complies with all relevant codes and regulations and that the management continues to make decisions that create value for you in the short, medium and long term.

Immediately on the constitution of the new Board, an orientation session was held where the new Director, was introduced to the management and taken through the workings of the Company.

The new Board also constituted the Governance and Nomination, Audit, Human Resource and Remuneration, and Risk Management Committees.

The Governance Committee assessed the mix of the skills and experience of the Board members and gave its recommendations to the Board on the composition of other Board Committees which were duly considered. The terms of reference (TORs) of these committees have been determined by the Board keeping in view the best corporate practices and requirements of Code of Corporate Governance. The TORs are kept under regular review to ensure compliance with laws and regulations, and that your Company continues to achieve high standards of corporate governance.

The Audit Committee has focused, in particular, on improvements in the internal control environment and on strengthening financial reporting processes. The Internal Audit Function has been outsourced to a well reputed professionally qualified firm of Chartered Accountants who conduct internal audit exercise every quarter and report significant findings to the Audit Committee and Board. Considering best corporate practices which encourage change in external auditors at regular intervals, the Company has appointed A.F. Ferguson & Co. as its external auditors for year under review. The Audit Committee is chaired by Mr. Farrukh Viqaruddin Junaidy, an independent director.

The Human Resource and Remuneration Committee (HR&R) has ensured that the HR policies (i.e. performance management, HR staffing, compensation and benefits) are market driven and aligned with the Company's performance, shareholders' interests and long-term success of the Company. The committee also reviewed and recommended remunerations for key positions as recommended by the Code of Corporate Governance Regulations, 2019. The HR&R committee reviewed the CEO's self-assessment document and conducted a joint evaluation for onward review of the Board.

The Risk Management Committee has been constituted to assist the Board in identifying various risks associated with the Company's businesses and its operations and in developing mitigating strategies for the same.

The Board carries out a review of its effectiveness and performance each year after closure of the Fiscal year, on a self-assessment basis, through the Governance and Nomination Committee. The last such review was carried out in 2020—the Board as a whole, has been carrying out a Board evaluation since 2013. Overall effectiveness of the Board and its committees was assessed as highly satisfactory. Areas which required improvements were noted and action plans were framed. The next review is scheduled in FY 2022.

The overall assessment was based on an evaluation of the following integral components:

- Vision, mission and values
- Engagement in strategic planning
- Formulation of policies
- Monitor the organization's business activities
- Adequacy of financial resources management
- Provide effective fiscal oversight
- Act as a responsible employer
- Relationship between Board and Staff
- Organization's Public Image and our societal impact
- Review of the CEO's performance
- Board Structure and Dynamics

The Board and its Committees have performed their duties and responsibilities diligently, and have played a pivotal role in guiding the Company in its strategic matters. The Board also played a key role in monitoring management performance and focusing on major risk areas. The Board was fully involved in the strategic planning process and in honing the vision of the Company.

The Board comprises of an adequate number of independent and non-executive directors who are well qualified and provide effective guidance and oversight to the management of the Company.

The Board recognizes the importance of sound corporate governance and has instituted a strong governance framework which supports effective and prudent management of business and drives the long-term success of the Company. This also ensures accountability, protection and enhancement of stakeholder value.

The Board has strived to ensure that the management remains agile to changes and shocks as we continue to navigate the pandemic crisis alongside other challenges.

In a fast-evolving world, with rapid technological and environmental changes, I am proud that Crescent Steel places its people at the heart of all its efforts. One of our key focus areas, remains the health and safety of our employees and other stakeholders. The Company has ensured strict compliance of COVID-19 SOPs including effective hygiene and social distancing protocols. These include mandated wearing of face masks, ensuring vaccination of eligible employees, provision of sanitizers in office premises, regular disinfections, and temperature checks etc. As I write this, one hundred percent (100%) of our employees are partially vaccinated and most of them would be fully vaccinated by the end of August 2021.

The Board has reviewed the Annual Report and Financial Statements and is pleased to confirm that it considers that the report and financial statements, taken as a whole, are fair, balanced and understandable. Some key elements of non-financial reporting in this report include our CSR performance,

Our Statement of Compliance with Code of Corporate Governance, policies on Health, Safety and Environment and Quality, our key initiatives, a timeline of the Company's history and our footprint. Statutorily required documents such as notice of Annual General Meeting, pattern of shareholding, shareholding of associated persons, etc. have also been adequately disclosed in the Annual Report.

In closing, on behalf of the Board, I wish to acknowledge the contribution of all our stakeholders, including, shareholders, employees, customers, suppliers, lenders and others. I believe in the strategic direction of the Company and I am confident that our management will be able to successfully steer our businesses despite the challenges that are likely to persist in the year ahead.



**Ahmad Waqar**

Chairman

12 August 2021



# CEO'S REVIEW

## DEAR INVESTORS:

**I take pleasure in presenting the Annual Report of your Company along with audited Financial Statements (Separate and Consolidated) for the year ended 30 June 2021.**

In a year characterized by extraordinary global and financial challenges, I am proud of what we were able to accomplish. Crescent Steel's foundational strength and the agility of our operating model, in addition to the unparalleled commitment of a resilient workforce, allowed us to finish the year with a solid performance and make progress across important strategic objectives, setting the stage for future growth.

Economic performance was able to recover, although not to pre-pandemic levels, primarily on the back of a favorable policy induced operating environment that saw low interest rates, a managed current account and a pick-up in inoculations, trigger domestic demand and alleviate concerns, specifically, pandemic related uncertainty. Strong recovery is indicative in healthy corporate sector results as well as the 8% growth in Large-Scale Manufacturing (LSM), leading to an overall growth of 3.9%.

The flexibility and strength of our operating model, and the efforts of our leadership and teams, allowed us to end the year with stronger results, in line with our objectives to protect our financial position and maintain buffers to market shocks.

Crescent Steel closed the year with a profit after tax of Rs. 352 million (FY20: Loss after tax of Rs. 17 million) and a contribution to the exchequer and economy aggregating Rs. 2,213 million (FY20: Rs. 1,793 million). On a consolidated basis, the Group posted profit after tax of Rs. 791 million (FY 20: Loss after tax of Rs. 20 million).

Revenues were up 89.9% from last year at Rs. 7,259 million driven primarily by a pick-up in demand in the steel pipe and billet segments both of which saw sales growth of **112.4%** over last year to Rs. 4,805 million in FY21 (FY20: Rs. 2,262 million) – mostly organic growth with volumes for steel line pipe and billet sales almost doubling. Gross profit margins increased to **6.8%** (FY20: 1.3%) and operating profit margins also improved to **8.7%** (FY20: 5.0%).

The Company's investment division, which is strategically positioned to meet capital related needs and buffer periods of slow demand, posted an accumulated profit before tax (PBT) of Rs. 341 million (FY20: Rs. 363 million). Our trading portfolio recorded an ROI of 36.5% on weighted average investments of Rs. 153 million whereas the benchmark KSE-100 index increased by 37.6%. On a consolidated basis (including CS Capital Private Limited), the investment division posted a PBT of Rs. 839 million, of which Rs. 195 million constitutes unrealized gains on account of revaluation of unquoted strategic investments and Rs. 383 million in share of profit from associates. The PBT also includes gains on disposal of investment property of Rs. 128 million.

EBIT increased to **Rs. 637** million (FY20: Rs. 191 million), representing a margin on net sales of 8.8% (FY20: 5.0%) while underlying EBITDA totaled **Rs. 855** million (FY20: Rs. 417 million) at a margin of 11.8% (FY20: 10.9%). ROCE increased to **15.6%** (FY20: 2.3%).

The Group bottom line on a consolidated basis stood at **Rs. 791** million (FY20: negative Rs. 20 million). On a consolidated basis underlying EBIT increased to Rs. 756 million (FY20: Negative Rs. 141 million) representing a margin on net sales of 10.4%. EBITDA totaled Rs. 1,359 million representing a margin of 18.7%.

Consequently, Earnings per share (EPS) for FY21 stood at **Rs. 4.53** as against Loss per share (LPS) of Rs. 0.22 in FY20 and, an EPS of Rs. 10.19 on a consolidated basis in FY21 (FY20: LPS of Rs. 0.26). Segment wise performance is covered separately in this report for business units and subsidiaries.

Crescent Steel did not distribute profits this year for two reasons – Rs. 201 million came from unrealized gains on investments and, we foresee higher cashflow requirements in the business cycle on account of a global increase in commodity prices and a general uptick in input costs.

Our balance sheet remains strong at Rs. 8,706 million (FY20: Rs. 9,661 million) and continues to support our business through all difficult operating environment periods and in managing periods of famine faced our core business line.

**Despite turbulent conditions, the Company book value has grown at a compounded annual growth rate of 7.0% since 1987 from Rs. 7.11 to Rs. 76.91 as on 30 June 2021. The share price as on 30 June 2021 stood at Rs. Rs 83.98 per share.**

Having stated some fiscal facts, I would now like to move to operations.

FY21, although marred by uncertainty as COVID-19 reached pandemic levels, saw the beginnings of global recovery. Markets began to reopen, supply chain disruptions eased out and accommodative government

policies helped trigger demand. This is indicated in the sales growth we spoke of earlier as well as sustained investment income from investments in Pakistan corporates.

Energy infrastructure development projects that use pipes have been the single most important contributor to growth and hiring for us in the past and are material to business sustainability for us today. We produced and supplied 15,400 tons of steel line pipe during the year as against 7,675 tons in FY20 and 12,068 tons in FY19. Line pipe coatings, however, saw a decline with 22,587 sq meters of line pipe coatings in FY21 as against 88,647 sq meters in FY20 and 340,745 sq meters in FY19.

Revenues from steel line pipe and line pipe coatings stood at **Rs. 2,740** million (FY20: Rs. 1,291 million) generating gross profits of Rs. 420 million i.e. 15.3% (FY20: GP of Rs. 34 million i.e. 2.6%). PBT for the year was Rs. 85 million [FY20: Loss before tax (LBT) of Rs. 392 million] at a 20% contribution to total PBT.

Local cotton prices peaked to a 10-year high on account of a sharp drop of 38% in the cotton arrivals for ginning. However, market rates for yarn remained strong during the year, yielding good margins due to increased demand of exports. The plant remained operational at full capacity and produced 8.79 million Kgs (converted on 20/1 count). The division posted sales of **Rs. 2,000** million at a gross margin of Rs. 211 million i.e. 10.6%, against Rs. 1,346 million in FY20 (Gross Margin: 26 million i.e. 1.9%) and Rs. 1,685 million in FY19 (Gross margin: Rs. 106 million or 6.3%). The unit posted a PBT of Rs. 171 million, a contribution of 40.1% to total PBT (FY20: LBT of Rs. 27 million).

Our capital markets segment continued to provide working capital and cash flow support to our core business, generating Rs. 115 million in free cash flows and supporting capital needs of the business through the disposal of investment property and pledge of assets for funded and non-funded limits aggregating Rs. 1,665 million. FY21 saw the local bourse peaking at 48,982 points on 14 June 2021, almost 42% up from its close on 30 June 2020 at 34,422 points. The KSE-100 closed FY21 at 47,356 points up 37.6% – this was the highest annual return since FY14. Corporate sector earnings saw a sharp improvement as results were announced throughout the year and trading at an almost 60% discount the local bourse offers attractive future yields.

Production at the steel billet unit doubled to **20,950** tons in FY21 as against 10,894 tons in FY20 and 29,162 tons in FY19. The unit posted a gross loss of Rs. 139 million (FY20: Gross profit of Rs. 11 million) and LBT of Rs. 172 million (FY20: LBT of Rs. 35 million). We continued to face a host of operational challenges at Hadeed throughout the year, the most pronounced of these being power constraints. During the year our teams worked hard to get the unit on the national grid, however, a connection was not sanctioned despite surplus power being available in the system. Consequently, the unit operated at a capacity utilization of 24.6% making it difficult to absorb fixed costs while changing market dynamics also eroded profitability.

The bagasse fired thermal plant, produced and supplied **13,971** MWH of own source energy to the billet manufacturing unit at Rs. 9.0 per Kw/h (FY20: 7,360 MWH at Rs. 9.0 per Kw/h), representing a delta on market-based energy costs of Rs. 9 per Kw/h, and closed the year at breakeven levels with a PBT of Rs. 1 million (FY20: LBT of Rs. 27 million).

2021 has been a challenging year for Crescent Steel. I am extremely proud of my team for riding out these tough times, steering their teams and all our people who have demonstrated entrepreneurship in the way they work - working tirelessly to manage the crisis from raising working capital to meet fixed costs to seeking alternate streams of revenue, managing cost base and more.

We have made a clear prioritization of where we want to grow and have narrowed our focus on the engineering sector where we can also leverage inherent strengths. We hope to remain actively invested in the cause of an educated Pakistan and strive to ensure that there is no negative impact of our operations on the communities where we operate.

**I am pleased that we have been able to demonstrate that we can ride out difficult times and take on challenges. I know that Crescent Steel is a strong Company - one that can absorb shocks and deliver in difficult times, from a long-term viewpoint.**

## LOOKING AHEAD

FY22 will see benefits of increased development spending, reduced/rationalized tariff structures on the import of raw materials and capital goods take effect - largely supportive monetary and fiscal conditions will support growth which is being forecasted at 4.2% for FY22.

International commodity prices, including that of steel have skyrocketed this year, coupled with the rise in crude prices and supply chain disruptions (trade flows) these have directly contributed to an escalation of freight costs, which are likely to persist in the medium term and may never revert to pre-covid levels. Input costs, therefore, are likely to remain high. This will also directly affect prospects of exports from Pakistan as it is not generally a port of call for vessels.

Market conditions are likely to remain challenging as socio-political dynamics in the region shift post US exit from Afghanistan presenting varying degrees of security and economic challenges for Pakistan.

Demand will gradually pick up although, containment measures will follow as inflationary, and balance of payments pressures build up. Corporate sector earnings announced during the year have been promising and indicate a stronger than expected recovery in industry and services sectors, however, capital markets performance will depend heavily on stability in liquidity, political and socio-economic conditions. We expect it to remain range bound and post stable returns based on historical Compound Annual Growth Rate (CAGR).

We do not expect a significant rise in demand for steel line pipes in the short term but as time passes energy import infrastructure and upcountry supply lines are becoming increasingly critical and will trigger line pipe demand in the medium term. We have seen some momentum in the Oil and Gas segment, specifically with regards to pipeline capacity augmentation to transport imported LNG; these may continue to come through in smaller lots during FY22. The North South project, however, seems to be facing planning challenges even though it is an imperative for national energy security. Other than planned energy sector pipelines, we expect follow through on the Karachi Bulk Water Supply project as well as some demand for pipes in the construction segment, as we continue to push for market development in this area. Similarly, we will continue to develop the market for line pipe coatings and encourage end users of pipes to move from traditional coating applications towards best practice in anti-corrosion and protective coatings.

Operations in our billet manufacturing unit, on the back of improving conditions in the construction segment, especially the government's housing scheme as well as some anticipated amendments to duty structures, may see improvements in the short term. Demand and pricing for rebars and billets are in equilibrium on the back of the relief packages for construction and housing schemes. Consequently, we are expecting better performance on sales and profit margins from our steel melt-shop. Having said that this is heavily dependent on reliable power, without which capacity utilization at the unit for FY22 will remain low. Our teams, however, are working hard to get the unit on the national grid and push beyond budgeted production targets to absorb fixed costs.

We have a clear strategy and our focus for the year ahead remains of strengthening our position in the engineering sector and on reviewing our existing asset base to get leaner and more agile as we continue to build pathways towards future sustainable and long-term gains and growth.

I would like to thank the Board and its committees for their proactive role in guiding us, and to all our employees and my management team for their strong commitment and their outstanding contribution in challenging time.

Finally, I would like to recognize and thank our other key stakeholders - our customers, the communities in which we operate, our business partners and particularly you, our shareholders for your ongoing support.

I look forward to your continued support in our collective journey to build a sustainable and value creating enterprise.



**Ahsan M. Saleem**

Chief Executive Officer

12 August 2021

# DIRECTORS' REPORT

The Directors of the Company are pleased to submit their report, together with audited financial statements of the Company for the year ended 30 June 2021.

## OPERATING RESULTS

The financial results of the Company are summarized below:

(Rupees in '000)	2021	2020
Profit / (loss) for the year before taxation	426,542	(117,773)
Taxation	(74,682)	100,649
Profit / (loss) after taxation	351,860	(17,124)
Total other comprehensive income for the year	170,676	71,349
Basic and diluted earnings / (loss) per share	Rs. 4.53	Rs. (0.22)

## STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- These unconsolidated financial statements, prepared by the management of the Company, present fairly, its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of unconsolidated financial statements.
- The system of internal controls is sound in design and has been effectively implemented. The system is continuously monitored by Internal Audit and through other such monitoring procedures. The process of monitoring internal controls shall continue as an ongoing process with the objective to strengthen controls and improve the system.
- There are no significant doubts on the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the Code of Corporate Governance, 2019.
- Details of significant changes in the Company's operations during the current year as compared to last year and significant plans and decisions for the future prospects of profits are stated in the Chief Executive's Review as endorsed by the Board of Directors.
- Key operating and financial data for last six years in summarized form is annexed.
- Information about taxes and levies is given in the notes to the financial statements.
- The number of employees as at 30 June 2021 is 765 (2020: 778).
- Value of Investment of the following funds based on the audited accounts are as follows:

Name of Fund	Value of Investment	Period of latest audited accounts
Provident Fund	Rs. 273.81 million	31 December 2017
Gratuity Fund	Rs. 264.45 million	31 December 2017
Pension Fund	Rs. 784.28 million	31 December 2016
CCP Provident Fund	Rs. 7.12 million	30 June 2018

- During the year six (6) meetings of the Board of Directors and four (4) meetings of the Audit Committee were held, whereas two (2) meetings of the Governance and Nomination Committee and one (1) meeting of the Human Resource and Remuneration Committee were convened. Attendance of each director is attached separately.

## PATTERN OF SHAREHOLDING AND SHARES TRADED

The pattern of shareholding and additional information regarding pattern of shareholding is attached separately. During the year, M/s. Pak Qatar Family Takaful Limited, who were one of our substantial shareholders, have transacted in the shares of the Company.

Other than that, no trading in the shares of the Company was carried out by any Director, the Chief Executive Officer, the Chief Financial Officer, the Company Secretary, Executives and their spouses and minor children.

## DIRECTORS

Election of Directors was held on 29th January, 2021 where seven (7) directors were elected unopposed on the Board of Directors of the Company, in line with the number fixed by the Board, in accordance with the requirements of Companies Act, 2017.

Mr. Muhammad Kamran Saleem was elected on to the Board of Directors, along with six (6) retiring Directors, who were re-elected. We look forward to leveraging his experience and expertise and welcome him as a member of the Board.

Subsequent to the Election of Directors, the Board in their 171st meeting held on 3rd February, 2021 unanimously appointed Mr. Ahsan M. Saleem as Chief Executive Officer who shall hold his office for the term of the Board i.e. until 30th January, 2024.

No casual vacancy occurred on the Board since the elections.

Details of the composition of the Board of Directors and their committees are provided in the Statement of Compliance with the Code of Corporate Governance.

For the purposes of various clauses of the PSX Rule Book, the Board has defined that Functional Heads of all departments of the Company shall be considered as "Executives". This has been reviewed and found satisfactory keeping in view the management structure of the company.

## PERFORMANCE EVALUATION OF BOARD OF DIRECTORS AND ITS COMMITTEES

The Governance and Nomination Committee assessed the performance of the Board of Directors and its Committees according to the established mechanism of self-assessment.

Performance evaluations for FY20 were approved by the Board on the recommendations of the Governance and Nomination Committee.

## CEO'S PERFORMANCE EVALUATION

During the year, the Human Resource and Remuneration Committee of the Board carried out the CEO's performance evaluation, which was approved by the Board.

The evaluation was reviewed against the following criteria:

- Leadership
- Policy and strategy
- People Management
- Business Processes/Excellence
- Governance and Compliance
- Financial Performance
- Impact on Society

## REMUNERATION OF DIRECTORS

The Chairman and other directors are entitled to remuneration in terms of Section 170 of the Companies Act, 2017. The scale of remunerations is determined by the Board as provided in the Articles of Association of the Company.

Details of remuneration paid to Chairman, Chief Executive and non-executive directors (including independent directors) are disclosed in note 47 to the enclosed unconsolidated financial statements.

## ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and the Chief Executive Officer have separate and distinct roles. The Chairman has all the powers vested under the Code of Corporate Governance and presides over Board meetings. The principal role of the Chairman is to manage and to provide leadership to the Board of Directors of the Company. The Chairman is accountable to the Board and is a direct liaison between the Board and the management of the Company through the Chief Executive Officer. The Chairman is independent from management and free from any interest and any business or other relationship which could conflict with the Chairman's independent judgement.

The Chief Executive Officer performs his duties in accordance with the related laws. The Board, recommends and oversees implementation of the business strategies, and is responsible for overall control, operations and perpetuation of the enterprise.

## UNCONSOLIDATED FINANCIAL STATEMENTS

As required under regulation 25 of Code of Corporate Governance 2019, the Chief Executive Officer and Chief Financial Officer presented the unconsolidated financial statements, duly endorsed under their respective signatures, for consideration and approval of the Board of Directors. The Board, after consideration, based on the recommendations of the Audit Committee, approved and authorized the Financial Statements for issuance and circulation.

No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which this Statement of Financial position relates and the date of Directors' Report.

## AUDITORS

The auditors, M/s. A. F. Ferguson & Co., Chartered Accountants, are due to retire in the forthcoming Annual General Meeting of the Company and being eligible, have offered themselves for reappointment. The Audit Committee and the Board have recommended their appointment as external auditors for the next financial year, for shareholders consideration and approval at the upcoming annual general meeting.

## OUTLOOK

Fiscal year 2021 has been one of those years that has left an impact on everyone - it brought with it significant disruptions to markets across the world prompting a stimulus response from governments, including in Pakistan. The socio-economic impacts of plummeting demand and a complete halt in economic activity that we saw early in the pandemic crisis were therefore largely abated - as inoculations picked up and healthcare systems were reinforced, gradually markets began to reopen triggering a fast economic recovery.

Asian Development Bank estimates put Pakistan growth rate for FY21 at 2% and expect it to double over FY22 to 4% - indicating a pick-up in economic recovery.

As economic activity picks up we expect it to trigger demand across all our operating segments. With a concentration on the engineering sector both, our flagship operations in line pipe manufacturing and our billet manufacturing operations will see increased demand as infrastructure and construction related activities pick up. A low cost of funds base and a stable USD will help keep input costs in check, however, steep rises in commodity prices will continue to bode challenges.

Our order book for the line pipe segment is healthy and is expected to keep our plant operational for the first half of the next fiscal year. There are significant planned projects in both the energy and water infrastructure spaces - most of national strategic importance - and we feel that these will also begin to show some traction, triggering healthy demand for line pipe. We expect other ancillary businesses in spinning and engineering sectors to continue to contribute to our top and bottom-line performance.

As economic recovery picks up and the government's reform programs start to show results, corporates are expected to post healthy returns and capital markets are expected to return stable gains over FY22 on the back of strong corporate sector performance, strong liquidity flows, a low interest rate environment and a stable reserve position. However, the upcoming IMF program, impacts of USA's exit from Afghanistan in the region, our progress on COVID-19 inoculations will be the key drivers of capital market performance in FY22.

I would like to thank all stakeholders for their patronage and look for their continued support.

For and behalf of Board of Directors.



**Ahsan M. Saleem**

Chief Executive Officer



**Nadeem Maqbool**

Director

12 August 2021

لائن پائپ سے متعلق ہماری آرڈر بک بہت اچھی ہے اور امید کی جاسکتی ہے کہ اس کی وجہ سے اگلے مالی سال کے پہلے نصف تک ہمارے پلانٹ کام کرتے رہیں گے۔ آبی انفراسٹرکچر اور توانائی سے متعلق اہم منصوبوں پر کام ہو رہا ہے، جو کہ قومی سطح پر انتہائی اہمیت کے حامل ہیں، امید کی جاتی ہے کہ ان منصوبوں کے باعث لائن پائپ کی طلب میں مزید اضافہ ہوگا اور کاروبار میں اضافہ ہوگا اور معیشت میں بہتری ہوگی۔ علاوہ ازیں ہم اس بات کی بھی امید کرتے ہیں کہ اسپننگ اور انجینئرنگ سیکٹر سے وابستہ دیگر متعلقہ کاروباری سرگرمیاں بھی ہماری کارکردگی اور منافع میں اضافے کا باعث بنیں گی۔

جیسے جیسے معیشت بحال ہو رہی ہے اور حکومت کی جانب سے متعارف کروائی جانے والی اصلاحات کے بہتر نتائج سامنے آنے لگے ہیں، کارپوریٹ سیکٹر بھی اچھا منافع کمانے کی پوزیشن میں آ رہا ہے اور کیپٹل مارکیٹس بھی مالی سال 2022 میں اچھا منافع دینے کی پوزیشن میں ہوں گی، جس میں کارپوریٹ سیکٹر کی اچھی کارکردگی، مضبوط لیکویڈیٹی، کم شرح سود اور متوازن مالی ذخائر اہم کردار ادا کریں گے۔ تاہم آئندہ آنے والا آئی ایم ایف پروگرام، افغانستان سے امریکی انخلاء کے خطے پر اثرات اور کورونا سے نمٹنے کیلئے ویکسینیشن کے سلسلے میں ہماری کارکردگی وہ اہم عوامل ہونگے جن پر بڑی حد تک مالی سال 2022 کے دوران کیپٹل مارکیٹ کی کارکردگی کا انحصار ہوگا۔

میں اس موقع پر تشارکت داروں کا ان کی رہنمائی کیلئے بے حد ممنون ہوں اور امید کرتا ہوں کہ مستقبل میں بھی ان کی حمایت ہمارے شامل حال رہے گی۔

برائے و مخانب بورڈ آف ڈائریکٹرز



ندیم مقبول  
ڈائریکٹر



احسان ایم سلیم  
چیف ایگزیکٹو آفیسر

12 اگست 2021

## ڈائریکٹروں کا مشاہرہ

کمپنیز ایکٹ 2017 کے سیکشن 170 کے تحت چیئرمین اور دیگر ڈائریکٹرز مشاہرے کا استحقاق رکھتے ہیں۔ جہاں تک مشاہرے کے اسکیل کا تعلق ہے کمپنی کے آرڈیننگ آف ایسوسی ایشن کے تحت بورڈ کی جانب سے اس کا تعین کیا جاتا ہے۔

زیر نظر مالی سال کے اختتام سے ڈائریکٹر رپورٹ کے اجراء کی تاریخ تک کمپنی کے معاملات میں ایسی کوئی قابل ذکر تبدیلی واقع نہیں ہوئی جس کی بنیاد پر کمپنی کی مالیاتی پوزیشن پر کوئی فرق پڑتا ہو۔

## آڈیٹرز

آڈیٹرز میسرز ایف فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس، کمپنی کے اگلے عام سالانہ اجلاس تک ریٹائر ہو رہے ہیں اور اہلیت کے مطابق ان کی جانب سے ایک مرتبہ پھر اپنی خدمات دینے کی پیشکش کی گئی ہے۔ کمپنی کے بورڈ آف ڈائریکٹرز اور بورڈ کی آڈٹ کمیٹی کی جانب سے ان کی تعیناتی کی سفارش کی گئی ہے تاکہ اگلے عام سالانہ اجلاس میں حصص داران سے اس کی منظوری حاصل کی جاسکے۔

چیئرمین، چیف ایگزیکٹو اور غیر انتظامی ڈائریکٹرز (بشمول غیر جانبدار ڈائریکٹرز) کو ادا کئے جانے والے مشاہرے کی تفصیلات کا منسلکہ غیر مربوط مالیاتی دستاویزات کے نوٹ نمبر 47 میں بیان کر دیا گیا ہے۔

## چیئرمین اور چیف ایگزیکٹو آفیسر کا کردار

چیئرمین اور چیف ایگزیکٹو آفیسر کے اپنے علیحدہ علیحدہ کردار ہیں۔ کوڈ آف کارپوریٹ گورننس کے تحت چیئرمین کو تمام اختیارات حاصل ہیں اور وہ بورڈ کے اجلاسوں کی صدارت بھی کرتے ہیں۔ چیئرمین کا سب سے اہم کردار یہ ہے کہ وہ کمپنی کے بورڈ آف ڈائریکٹرز کی رہنمائی کریں۔ چیئرمین بورڈ کے سامنے جوابدہ ہیں اور چیف ایگزیکٹو آفیسر کے ذریعے بورڈ اور کمپنی انتظامیہ کے مابین براہ راست رابطے کی ذمہ داری بھی سرانجام دیتے ہیں۔ چیئرمین انتظامیہ سے تعلق ہیں اور وہ کسی مفاد، کاروبار اور ایسے کسی بھی تعلق سے آزاد ہیں جس کی وجہ سے ان کی آزاد رائے پر حرف آتا ہو۔

مستقبل پر نظر  
مالی سال 2021 ان مالی سالوں میں شمار ہوتا ہے جس کے اثرات سے کوئی بھی محفوظ نہ رہ سکا۔ یہ مالی سال عالمی سطح پر اپنے ساتھ مارکیٹ کیلئے بڑے مسائل لے کر آیا جس کی وجہ سے تمام حکومتوں کو فوری طور پر کئی فیصلے کرنے پڑے جن میں پاکستان بھی شامل ہے۔ کورونا سے پیدا ہونے والی وبائی صورتحال کے بعد جس طرح طلب میں یکدم کمی واقع ہوئی اور تمام معاشی سرگرمیاں تھپکنے لگیں، اس صورتحال میں بہتری آنے لگی ہے کیونکہ ویکسینیشن کا عمل تیز کر دیا گیا ہے اور صحت کا نظام کو تقویت دی گئی ہے اور آہستہ آہستہ مارکیٹیں کھلنے سے معاشی سرگرمیاں ایک مرتبہ پھر تیزی کے ساتھ بحال ہونے لگی ہیں۔

کمپنی کے چیف ایگزیکٹو آفیسر قانون کے تحت اپنی ذمہ داریاں نبھاتے ہیں۔ بورڈ کاروباری حکمت عملی کا تعین اور اس کی نگرانی کرتا ہے اور کمپنی کے مجموعی انتظام، افعال اور کمپنی کو پیشگی کی بنیاد پر چلانے کی ذمہ داری بھی انہی پر عائد ہوتی ہے۔

ایشیائی ترقیاتی بینک کی جانب سے مالی سال 2021 کیلئے پاکستان کی معاشی شرح نمو کو 2% تجویز کیا گیا تھا اور اگلے مالی سال یعنی 2022 کیلئے معاشی شرح نمو 4% تک رہنے کی پیشن گوئی کی گئی ہے۔ جس سے ظاہر ہوتا ہے کہ معیشت بحالی کی راہ پر گامزن ہے۔

## غیر مربوط مالیاتی دستاویزات

کوڈ آف کارپوریٹ گورننس 2019 کے ضابطہ 25 کے تحت چیف ایگزیکٹو آفیسر اور چیف فنانشل آفیسر کی جانب سے غیر مربوط مالیاتی دستاویزات پیش کی گئی ہیں، جن پر ان کے دستخطوں سے توثیق بھی کی گئی ہے تاکہ بورڈ کی جانب سے اس کی منظوری حاصل کی جاسکے۔ آڈٹ کمیٹی کی جانب سے سفارش کے بعد، بورڈ کی جانب سے غور کئے جانے اور منظوری دینے جانے کے بعد غیر مربوط مالیاتی دستاویزات کو صحیح قرار دیا گیا اور ان کے اجراء اور تقسیم کی منظوری دی گئی۔

جیسے جیسے معاشی سرگرمیاں بحال ہو رہی ہیں، اس بات کی قوی امید کی جا رہی ہے کہ تمام کاروباری شعبوں میں طلب میں زبردست اضافہ ہو سکتا ہے۔ انجینئرنگ سیکٹر پر توجہ مرکوز رکھتے ہوئے، ہمارے اہم شعبے جس میں لائن پائپ مینوفیکچرنگ اور بلٹ میوفیکچرنگ آپریشنز شامل ہیں، کی طلب میں زبردست اضافہ متوقع ہے کیونکہ انفراسٹرکچر اور تعمیرات سے متعلق سرگرمیوں میں اضافہ ہوا ہے۔ کم لاگت پر فنڈز کی فراہمی اور امریکی ڈالر میں توازن سے پیداواری لاگت کنٹرول میں رہ سکتی ہے، تاہم اشیاء کی قیمتوں میں زبردست اضافہ مسائل پیدا کر سکتا ہے۔

- دوران سال بورڈ آف ڈائریکٹرز کے چھ (6) اور آڈٹ کمیٹی کے چار (4) اجلاس منعقد کئے گئے، جبکہ گورننس اینڈ نوٹیفیکیشن کمیٹی کے دو (2) اور ایسوسی ایٹس اور ایڈوائزری کمیٹی کے ایک (1) اجلاس منعقد کیا گیا۔ تمام ڈائریکٹروں کی حاضری فرداً فرداً منسلک کر دی گئی ہے۔

### ترتیب حصص داری اور حصص کی خرید و فروخت

ترتیب حصص داری اور اس سے متعلق اضافی معلومات کو اس رپورٹ کے ساتھ منسلک کیا گیا ہے۔

دوران سال پاک قطر فیملی ہیکافل لمیٹڈ، جو کہ ہمارے بڑے حصص داران میں شامل تھے، کی جانب سے کمپنی کے حصص کی لین دین کی گئی

اس کے علاوہ کسی بھی ڈائریکٹر، چیف ایگزیکٹو آفیسر، چیف فنانشل آفیسر، کمپنی سیکرٹری، ایگزیکٹو ز اور ان کی ازواج یا نابالغ بچوں کی جانب سے اس عرصے کے دوران کمپنی حصص کی کوئی خرید و فروخت نہیں کی گئی

### ڈائریکٹرز

مؤرخہ 29 جنوری 2021 کو ڈائریکٹرز کے انتخابات کا انعقاد کیا گیا جس میں سات (7) ڈائریکٹرز بلا مقابلہ کمپنی کے بورڈ آف ڈائریکٹرز کیلئے منتخب ہوئے، بورڈ آف ڈائریکٹرز کیلئے متعین کردہ تعداد کمپنیز ایکٹ 2017 کے قواعد و ضوابط کے عین مطابق ہے۔

جناب محمد کامران سلیم کو بورڈ آف ڈائریکٹرز میں منتخب کیا گیا، اس کے علاوہ منتخب ہونے والے ڈائریکٹرز میں ریٹائر ہونے والے چھ (6) ڈائریکٹرز بھی شامل ہیں جنہیں ایک مرتبہ پھر منتخب کیا گیا ہے۔ ہم معزز ڈائریکٹرز کے تجربے اور مہارت سے بھرپور فائدہ اٹھانے کیلئے پُر امید ہیں اور انھیں بطور بورڈ ممبر خوش آمدید کہتے ہیں۔

ڈائریکٹرز کے انتخابات کے بعد، بورڈ کی جانب سے 3 فروری 2021 کو اپنا 171 واں اجلاس منعقد کیا گیا جس میں جناب احسان ایم سلیم کو اتفاق رائے سے چیف ایگزیکٹو آفیسر تعینات کیا گیا، ان کی یہ تعیناتی بورڈ کے عرصے یعنی 30 جنوری 2024 تک رہے گی۔

انتخابات کے انعقاد کے بعد سے اب تک بورڈ میں کوئی اتفاقی آسامی پیدا نہیں ہوئی۔

بورڈ آف ڈائریکٹرز اور ان کی کمیٹیوں کے امتزاج اور رکنیت سے متعلق تمام تفصیلات کو اسٹیٹمنٹ آف کمپلائنس برائے بورڈ آف کارپوریٹ گورننس میں بیان کر دیا گیا ہے۔

مزید برآں، پاکستان اسٹاک ایکسچینج کی رول بک کی مختلف شکلوں کی رو سے، بورڈ کی جانب سے یہ معیار مقرر کر دیا گیا ہے کہ تمام شعبوں کے انتظامی سربراہان کو "ایگزیکٹو" گردانا جائے گا۔ بورڈ کی جانب سے اس معیار پر نظر ثانی کر لی گئی ہے اور کمپنی کے انتظامی ڈھانچے کو مد نظر رکھتے ہوئے اس پر اطمینان کا اظہار کیا گیا ہے۔

### بورڈ آف ڈائریکٹرز اور اس کی کمیٹیوں کی کارکردگی کی جانچ

گورننس اینڈ نوٹیفیکیشن کمیٹی کی جانب سے خود احتسابی کے مربوط نظام کے تحت بورڈ آف ڈائریکٹرز اور اس کمیٹیوں کی کارکردگی کا جائزہ لیا گیا ہے۔

گورننس اینڈ نوٹیفیکیشن کمیٹی کی جانب سے سفارش کئے جانے کے بعد بورڈ کی جانب سے کارکردگی برائے مالی سال 2020 کی جانچ کی منظوری دی جا چکی ہے۔

### چیف ایگزیکٹو آفیسر کی کارکردگی کا جائزہ

دوران سال بورڈ کی ہیومن ریسورس اور ادائیگیوں کی کمیٹی کی جانب سے چیف ایگزیکٹو آفیسر کی کارکردگی کا جائزہ لیا گیا جس کی بورڈ کی جانب سے باقاعدہ منظوری حاصل کی جا چکی ہے۔ کارکردگی کی جانچ درج ذیل پیمانوں کے تحت کی گئی:

- رہنمائی
- پالیسی و حکمت عملی
- انتظامی امور برائے ہیومن ریسورس
- کاروباری امور / مہارتیں
- گورننس اور اصولوں کی پاسداری
- مالیاتی کارکردگی
- معاشرے پر اثرات

## ڈائریکٹرز رپورٹ

انتہائی مسرت کے ساتھ ڈائریکٹروں کی جانب سے مالی سال اختتامیہ 30 جون 2021 سے متعلق رپورٹ بمعہ آڈٹ شدہ مالیاتی رپورٹس پیش کی جارہی ہیں۔

### کاروباری نتائج

کمپنی کے مالیاتی نتائج کا خلاصہ ذیل میں پیش کیا جا رہا ہے:

2020	2021	(روپے "000" میں)
(117,773)	426,542	منافع/(نقصان) برائے سال قبل از ٹیکس
100,649	(74,682)	ٹیکس
(17,124)	351,860	منافع/(نقصان) بعد از ٹیکس
71,349	170,676	برائے سال دیگر جامع آمدن/نقصان
روپے (0.22)	روپے 4.53	بنیادی و تجمیلی آمدن فی حصص

گزشتہ مالی سال کے مقابلے میں رواں مالی سال کے دوران کمپنی کے آپریشنز میں اہم تبدیلیوں اور مستقبل میں کمپنی کی ترقی اور منفعت کے لیے کیے گئے اہم فیصلوں اور قابل ذکر منصوبوں سے متعلق تفصیلات کو چیف ایگزیکٹو کے جائزے میں شامل کیا گیا ہے اور اس کی بورڈ آف ڈائریکٹرز سے باقاعدہ منظوری حاصل کی جا چکی ہے۔

کمپنی کے کاروباری افعال اور مالیاتی نتائج کے بارے میں گزشتہ چھ سالوں سے متعلق اہم ترین جھلکیوں کو رپورٹ ہذا کے منسلک کیا گیا ہے۔

ٹیکسوں اور لیویز سے متعلق معلومات کو بھی مالیاتی دستاویزات کے نوٹس میں شامل کیا گیا ہے۔

بتاریخ 30 جون 2021 ملازمین کی تعداد 765 تھی (2020 میں یہ تعداد 778 تھی)۔

کمپنی کے ریٹائرمنٹ فنڈز کی سرمایہ کاری کی قدر بمطابق آڈٹ شدہ اکاؤنٹس درج ذیل ہے:

فنڈ کا نام	سرمایہ کاری کی قدر	آڈٹ شدہ اکاؤنٹس کا حالیہ ترین عرصہ
پروویڈنٹ فنڈ	Rs. 273.81 million	31 دسمبر 2017
گریجویٹ فنڈ	Rs. 264.45 million	31 دسمبر 2017
پینشن فنڈ	Rs. 784.28 million	31 دسمبر 2016
سی ای پی پروویڈنٹ فنڈ	Rs. 7.12 million	30 جون 2018

### کارپوریٹ اور فنانشل رپورٹنگ کا دائرہ کار

کمپنی کی انتظامیہ کی جانب سے تیار شدہ غیر مربوط مالیاتی گوشوارے کمپنی کے تمام امور، آپریشنز کے نتائج، ترسیل نقد رقوم اور حصص میں ردوبدل سے متعلق معاملات کی صحیح صحیح ترجمانی کرتے ہیں۔

کمپنی کی جانب سے متعلقہ ریکارڈ کو باقاعدہ قواعد کے مطابق کھاتوں میں درج کیا گیا ہے۔

تمام تر مالیاتی گوشواروں کی تیاری کے سلسلے میں مناسب محاسبی پالیسیوں پر مستقل بنیادوں پر عمل کیا گیا ہے، نیز تمام تر مالیاتی تخمینے معقول اور قرین قیاس ہیں۔

غیر مربوط مالیاتی دستاویزات کی تیاری کے سلسلے میں پاکستان میں مروجہ انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز (IFRS) کو زیر استعمال لایا گیا ہے۔

اندرونی طور پر کنٹرول کا نظام انتہائی منظم اور جامع ہے اور اسے مؤثر انداز سے نافذ کیا گیا ہے اور اس پر انٹرنل آڈٹ کے ذریعے مکمل نظر رکھی جاتی ہے۔ اندرونی کنٹرول

کی کڑی نگرانی کا عمل پیشگی کی بنیاد پر جاری رہے گا جس کا بنیادی مقصد یہی ہے کہ کمپنی کے اندر کنٹرول کے نظام کو مزید موثر بنایا جائے۔

کمپنی کے اپنا وجود برقرار رکھ پانے کی کوئی وجہ نظر نہیں آتی۔

کارپوریٹ گورننس کی بہترین روایات پر عمل پیرا ہونے سے کسی بھی قسم کی کوئی قابل ذکر روگردانی نہیں کی گئی جیسا کہ اس سلسلے میں کوڈ آف کارپوریٹ گورننس 2019

میں ضوابط درج ہیں۔

# FINANCIAL AND OPERATIONAL PERFORMANCE

## BUSINESS SEGMENTS

### STEEL DIVISION

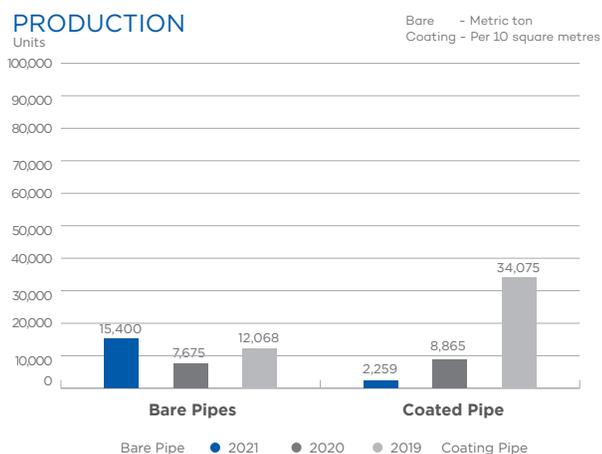
Steel Division revenue for FY21 was up by 111.8% YOY at Rs. 2,734.9 million - including inter-segment sales (FY20: Rs. 1,291.21 million). Current year sales mainly relate to bare pipe orders. Gross profit margins were substantially better this year at 15.3% (FY20: 2.6%). 1HYFY21 ended with healthy gross profit margins, mainly due to execution 112 k.m bare pipe project; however, plant mostly remained idle during 2HYFY21 (i.e. March to June 2021).

Revenue from the sales of bare pipes, coating plant and fabrication activities amounted to Rs. 2,562.2 million, Rs 62.2 million and Rs. 115.7 million, respectively in FY21. Bottom line Profit before tax (PBT) for the year stood at Rs. 85.1 million (FY20: LBT Rs. 392.2 million).

Operating expenses were slightly lower than last year amounting to Rs. 186.2 million in FY21 (FY20: Rs. 193.6 million). Finance cost was also 30% lower as compared to last year amounting to Rs. 172 million in FY21 (FY20: Rs. 245.7 million) due to decrease in policy rate.

Distribution and selling expenses fell in line with sales and closed the year at Rs. 10.9 million. As a percentage of sales these were at 0.4% (FY20: 0.7%).

Bare pipe production, in different diameters, at 15,400 tons (FY20: 7,675 tons) was almost doubled than last year. Line-pipe coating of 22,587 square meters was recorded during FY21 as compared to 88,647 square meters during the FY20.



### IID DIVISION

#### THE EQUITIES MARKET - KSE 100 INDEX

The KSE-100 provided investors with a return of 37.6 per cent at the close of trading for FY21.

FY21 saw the local bourse peaking at 48,982 points on 14 June 2021, almost 42% up from its close on 30 June 2020, at 34,422 points. On the back of improving economic activity and GoP stimulus, the KSE-100 closed FY21 at 47,356 points up 37.6% or 12,934 points - this is the highest annual return since FY14.

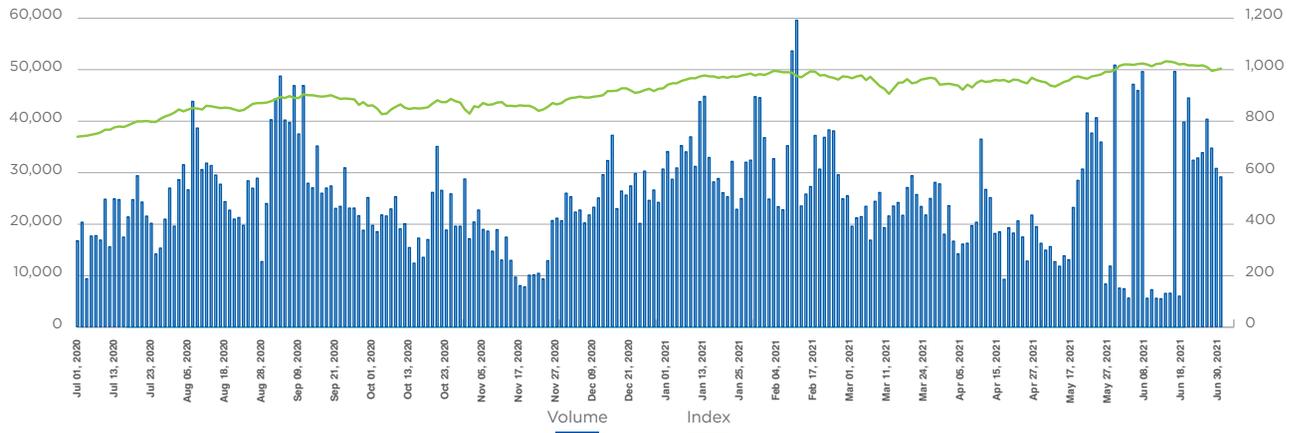
Comparative average returns were 16.29% on average a year and compounded annual growth rate (CAGR) at 14.25% over the last 10 years, however, it is important to note that average annual returns dropped to 6.65% and CAGR to 4.62% when looked at over the last five years with two of these five years posting negative returns of 10% in FY18 and 19.11% in FY19. The index closed FY20 marginally up at 1.53% - FY18 and FY19 were marred with political uncertainty and the latter half of FY20 was spent navigating the pandemic crisis.

With uncertainties settling on most fronts, investors returned to the market, lifting the benchmark KSE-100 index to a four-year high.

Rising local liquidity after COVID-19, leverage market reforms and economic recovery, all combined to bring about positive impact on the stock market in FY21. Daily all share average volume traded stood at 526.97 million shares as against 196.03 million shares in FY20, with 4QFY21 volumes standing at 669.36 million shares—one of the highest in PSX history. Traded value stood at Rs. 19,190 million in FY21 compared to Rs. 7,200 million in the same period last year. Including futures, value traded per day stood at Rs. 28,000 million, representing the highest value traded on a single day over the last 15 years. Improved investor sentiments and volumes also enabled record IPOs and right offerings - these aggregated Rs. 17,070 million which is 0.85% of total KSE-100 market cap of Rs. 2,010 billion. It is worth noting that the order book for IPOs translated to a 2.2x oversubscription for new listings at the index (44 billion against the 20 billion raised). Including the Rs. 11 billion BAFL TFC issue and rights issues by companies (25 issues) during FY21, total capital raised through markets stood at Rs. 50 billion.

During the FY21, market capitalization increased by 27.07% (35% in USD terms) i.e. Rs. 1,760 billion, taking the total capitalization to Rs. 8,290 billion and KSE-100 market capitalization increased by 30.20% (38.56% in USD terms) i.e. Rs. 466.79 million, market capitalization of KSE-100: Rs. 2,010 billion).

## THE MARKET PERFORMANCE FOR FY21



Sector performance remained strong across all major sectors: Positive contributions to the index were led by Refinery (287%), closely followed by Technology (233%) while Engineering (112%), Cements (74%), Automobiles (47%), Textile (42%), Power (22%) also remained strong leading sectors throughout the period under review.

### IID Performance

During the year under review, the division recorded investment income of Rs. 232.6 million (FY20: Rs. 389.3 million).

The trading portfolio yielded a gain on investments of Rs. 55.79 million, at a positive ROI of 36.5% on weighted average investments of Rs. 152.79 million, and on account of unrealized gain of Rs. 200.71 million of which Rs 161.57 million constitutes revaluation gains on unquoted strategic investments in Central Depository Company of Pakistan Limited (CDC) amounting to Rs. 62.09 million and Shakarganj Food Products Limited (SFPL) amounting to Rs. 99.48 million.

The trading portfolio dividend yield for the year stood at 4.54% at Rs. 10.06 million compared to KSE-100 yields of 5.37%.

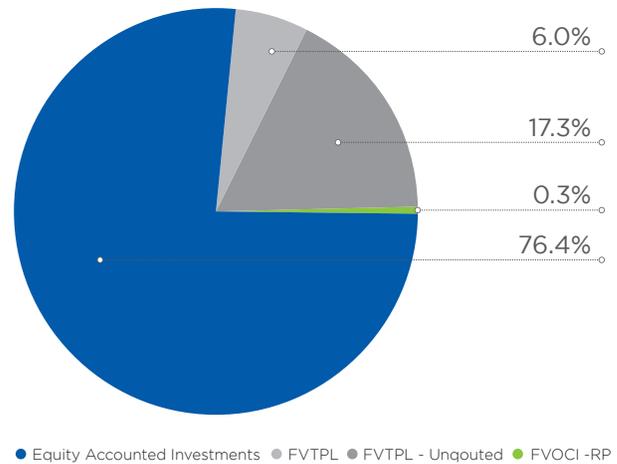
On an overall basis, the equity portfolio, excluding unquoted strategic investments, posted a positive ROI of 7.25% on weighted average investments of Rs. 3,473.45 million. The segment also owns rental properties, which yielded return of 6.8% on cost.

Investment property was also sold during the year resulting gain of Rs. 128.2 million is reflected in other income.

Consequently, the Division posted a PBT of Rs. 340.8 million contributing Rs. 4.39 or 97% to Company's EPS.

The Company's investment portfolio has been depicted in the chart as below:

### PORTFOLIO CONCENTRATION BY INVESTMENT TYPE



### COTTON SEGMENT PERFORMANCE

The division recorded sales of Rs. 2,000 million (FY20: Rs. 1,346 million) and posted a Gross Profit of Rs. 211.5 million (FY20: Gross Profit Rs. 25.8 million).

Operating and Administrative expenses were recorded at Rs. 42.1 million (FY20: Rs. 40.6 million). As a percentage of sales these were up by 0.1% from last year (FY20: 0.6%).

The year ended with a PBT of Rs. 171.1 million (FY20: Loss before tax Rs. 26.7 million). The operations from Cotton Division constituted a cash profit of Rs. 207.6 million.

## HADEED (BILLET) DIVISION

Hadeed Division recorded sales amounting to Rs. 2,065.1 million. Production was recorded at 20,949.6 M.Ton billets by consuming 22,377.0 M.Ton Scrap at an average yield of 93.6%. Gross loss for the year stood at Rs. 138.6 million i.e. negative 6.71% of sales. Plant operated for 83 days with one furnace and 30 days with two furnaces. LBT for the year was recorded at Rs. 171.6 million due to unabsorbed fixed cost and substantial increase in raw material prices.

## CS ENERGY DIVISION

The Division reported a profit of Rs. 1.1 million. During FY21, 26,207 MWH of electricity was generated and sold. Revenue for the year stood at Rs. 640.4 million.

## CS CAPITAL (PRIVATE) LIMITED

During the year under review, the Subsidiary Company recorded investment income of Rs. 123.8 million (FY20: investment income of Rs. 34.2 million).

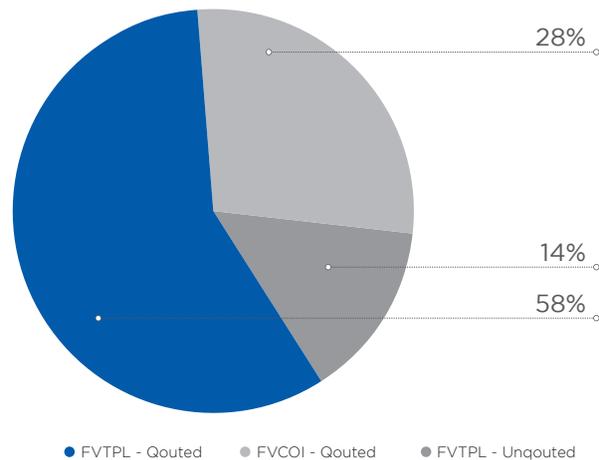
The trading portfolio yielded a profit on investments of Rs. 87.4 million, at a positive ROI of 38.9% on weighted average investments of Rs. 224.7 million, on account of unrealized gain of Rs. 95.5 million including gains on revaluation of unquoted strategic investment in SFPL aggregating Rs. 33.2 million while unrealized gains on the HFT segment stood at Rs. 62.3 million.

The trading portfolio dividend yield for the year stood at 6.0% at Rs. 17.99 million compared to KSE-100 yields of 5.37%.

On an overall basis, the equity portfolio, excluding unquoted strategic investments, posted an ROI of 17.01% on weighted average investments of Rs. 920.25 million. Total unrealized gain stood at Rs. 95.55 million (FY20: unrealized loss of Rs. 21.10 million) and total dividends at Rs. 18.0 million. Consequently, the Company posted a PBT of Rs. 115.75 million.

The Company's investment portfolio has been depicted in the chart as below:

SEGMENT WISE CONCENTRATION



# QUALITY

Crescent Steel has been consistently providing products conforming to international standards by utilizing highly skilled manpower and latest available equipment for manufacturing, inspection and testing.

By taking into account risks and opportunities, maintaining sustainability and adopting the principle of doing right the first time, customer satisfaction is ensured at all levels. With continuous improvement as one of the core values of the company, targets are set, regularly, to keep improving our performance and further enhance the customer satisfaction.

The company retains its authorization to use the American Petroleum Institute (API) monogram on its products, since its inception in 1987. API signifies the highest international standard accredited for quality of high pressure oil and gas steel line pipes. With its high class team and management support, Crescent Steel continues to improve its quality management system developed against international standards API Q1 and ISO 9001.

The quality control function ensures that the product manufactured is in complete compliance with client requirement by utilizing highly skilled inspection and testing team and state of the art equipment. Crescent Steel strictly adheres to its quality policy to ensure that quality is embedded from the start to the end of the value chain. The management ensures measurable and verifiable quality objectives are set throughout the organization, from the initial inspection of raw materials to the transportation of the finished product to the customer.

Cotton division is committed to deliver best quality Yarn with prediction approaches for determination/evaluation of the yarn properties through state of the art instruments by USTER Technologies. Equipped with Japanese and European machinery and variety in quality cotton/synthetic products, ensures our production with zero sales return. Compact Ring Spun Yarn, having options of Slub and Siro with versatility of different blends is our speciality.

# CHALLENGES AND INITIATIVES

## CHALLENGES

### GLOBAL HEALTH CRISIS

The pandemic induced crisis and ensuing global lockdowns through the first half of the fiscal year, with the second and third waves of COVID-19, disrupted business as usual and catalyzed businesses in focusing on employee safety by adopting remote working arrangements, limiting capacities and adopting technology to better manage operations. Global supply chains remained disrupted with increased delivery lead times, high freight costs, and diminished supply chain reliability. Liquidity issues persisted as cash generation from operations was diminished and buffers built into business were adversely affected by the scale of the crisis.

The crisis brought into focus the importance of building resilience within the business to combat unprecedented natural calamities and crises. For Crescent Steel we are proud that our IT infrastructure, enabled us in rapidly transitioning to remote working, in order to keep our employees safe – this was a priority. Our systems and people proved to be agile in adapting, in the face of unprecedented challenges. We worked with our domestic and foreign supply chain partners to minimize disruptions and improve reliability; to manage liquidity, we availed concessional financing to retain our people and to manage payroll. We had some long-term loans deferred for a year to manage cash flows pressures as plants remained idle, during this period.

Now, as things have started to ease out managing our business in a manner that we can strike a balance between cost and resilience while building buffers to shocks has become increasingly important.

### TARIFF ANOMALIES AND TARIFF STRUCTURE CERTAINTY

The government introduced welcome changes in tariffs on a host of raw materials and consumables in the budget for 2020-2021; however the prevailing tariff structure does not go far enough in implementing the cascading principle, especially with engineering products. Tariff rates typically increase with the degree of processing of a product and is meant to incentivize import substitution and discourage commercial imports that are draining foreign exchange.

Our line pipe unit competes for business against mostly foreign bidders, and excessive duties on critical raw materials and consumables impacts our ability to remain competitive; in order to ensure a level playing field and to develop the local engineering sector, it is necessary that tariffs are rationalized with cascading duties. While anomalies in the tariff structure of Hot Rolled Coils (HRC) and Steel Line Pipes have been reviewed recently with reduction in duties imposed on HRC, foreign suppliers with predatory pricing, export rebates and artificially depressed cost levels are able to price local line pipe manufacturers out of market. Therefore, countervailing duties and regulatory duties must be reviewed and imposed only on products that are manufactured in sufficient quantity locally; additionally, policy on import substitution should have a clear objective to support local value addition.

Tariffs on steel scrap were reduced in the Budget 2020-2021 while duties on intermediary and finished products (i.e. steel billets and deformed bar) were maintained with a cascading duties structure; however, given that domestic production of steel scrap is negligible, tariffs on steel scrap should be removed altogether. Furthermore, customs valuation of imported steel scrap should be reviewed as Import Trade Prices (ITP) imposed are significantly higher than prevailing market prices. These factors increase costs of production and ultimately result in expensive products for the end-user, compared with regional markets.

Additionally, the uncertainty around tariff structures and the absence of an import substitution policy or effective cascading tariff structures hinders investment and innovation. The tariff concessions available to importers of value added steel products for projects under the Fifth Schedule of the Customs Act is concerning, as it favours imports of steel line pipes, steel billets and steel reinforced bars for various projects of national importance, at the expense of the domestic industry.

We remain connected with relevant stakeholders, including the Engineering Development Board (EDB), the Ministry of Petroleum and the Tariff Anomaly committee to share our reservations and proposals on the need to introduce effective cascading duties and import substitution policies.

## **REGIONAL COMPETITION**

Regional players in the local line pipe industry, specifically Chinese manufacturers have a competitive edge and easily beat local prices on the back of export rebates and depressed input costs. Local manufacturers on the other hand face rising input costs in addition to the tariff anomalies mentioned above. Furthermore, evaluation frameworks and draconian procedures in public sector procurement are skewed to favour foreign bidders – local manufacturers are unable to compete effectively without significant erosion to margins.

## **CAPITAL MANAGEMENT AND LIQUIDITY**

Lower margins over the last three years and a significant decline in demand due to COVID-19 resulted in increasing liquidity pressures during the year, exacerbated by a steep fall in the stock market which directly affected working capital buffers built into our business. To counter this, we raised additional financing at concessional rates and are comfortable that we maintain strong relationships with providers of capital as well as a low gearing ratio enabling us to raise further debt if necessary.

## **SUPPLY CHAIN**

COVID-19 presents a window into the long-term resilience of businesses by highlighting the response to severe stress and change. It brings to the fore the importance of continued focus on Environmental, Social and Governance (ESG) priorities in order to build revenues and secure continuity.

The supply chain disruptions and rising commodity costs have led to exponential price increases and predatory practices in global shipping and freight which has further increased costs for suppliers and ultimately end-users. This is further compounded by the nature of our businesses, mostly project based, with supplies of products manufactured against specific quality standards and customer specific requirements. Sufficient transport infrastructure through railways, and inland waterways, is unavailable – in-bound and out-bound logistics are managed entirely through trucking; this is expensive and increases our carbon footprint. In the absence of quality suppliers available domestically

there is a heavy reliance on imported supplies; this adds an element of risk to our supply chain in terms of material availability and lead times. Customs Procedures and Policies work against us, especially in the current environment, where Customs officials are concerned with increasing revenue, frivolous claims and assessments remain a time-consuming challenge.

In our core business (Bare and Coated Pipes), the issue of lead times is pronounced as a majority of our business is project based, with customized raw material and consumables; therefore, managing lead times for inbound logistics against stringent delivery deadlines remains a significant challenge. We leverage our long-standing relationships with leading suppliers to minimize disruptions at our facilities.

For our Steel melting Division (Hadeed/Billets), Customs Valuations on our Raw Material result in higher duties and taxes and intense scrutiny of incoming Steel Scrap by customs officials results in clearance delays, increasing costs. The local supply chain associated with the melting industry is highly disorganized, this results in higher costs of procurement from local suppliers. Furthermore, inbound logistics of raw materials is subject to volatile fuel costs, confusion on axle load policies, and increasing demurrage and detention costs (due to customs related hurdles, distance of our plant from the port, as well as road conditions and infrastructure).

Through dynamic sourcing and logistics strategies we strive to ensure quality and mitigate costs wherever possible; we have a high reliance on Chinese supplies to take advantage of favorable Free Trade Agreement Tariffs and to manage foreign exchange exposure. We use our long-standing relationships with our key suppliers to gather credible data and leverage the best possible deals. We are proud of our relationship capital with our foreign and local suppliers; this enables us to buy the right time, from the right place, at the right price.

## **SPINNING OPERATIONS**

Higher input costs, especially raw material and energy have made it difficult to remain competitive with other export oriented countries in the region. This is compounded by the additional advantage available to

regional counterparts in the form of export rebates and other incentives. Additionally, as sales tax refunds are not issued in cash and need to be adjusted, this is an additional working capital constraint for business.

Lack of availability of quality raw material locally has increased reliance on imports, and has increased our inventory management costs as well as financial exposure.

## **CYCLICAL NATURE OF STEEL PIPE INDUSTRY**

Cyclicity in sales is a significant challenge particularly for large diameter pipe manufacturers. Given the reliance of large diameter pipe manufacturers on public sector and pipeline augmentation projects of gas utility companies. This was particularly felt as the order pipeline for line pipes dried up completely on the back of cuts in government spending and a review of the national energy infrastructure strategy. Additionally domestic water infrastructure development projects and construction projects are highly price sensitive and have an opaque procurement process; it remains a challenge to penetrate these segment.

## **CURRENCY DEVALUATION AND FX VOLATILITY**

The company imports majority of its inventory in the form of raw materials, consumables and spares; therefore we are exposed to fluctuations in foreign currencies (US Dollar and Chinese Renminbi). To hedge against exchange rate volatility and as 100% forward cover in Chinese Renminbi is available, we determine our advantage in trading in CNY based on prevailing market conditions and forward rates offered and hedge accordingly. For trade in USD we actively monitor available forward cover options (limited to 50% of trade value), and hedge accordingly.

## **INITIATIVES**

Innovation, machinery optimization and process improvement initiatives are of great value to us at Crescent Steel. We remain persistent in our quest to increase efficiency and productivity by investing in technology to optimize and enhance our equipment, infrastructure and by updating our procedures and framework. We firmly believe that consistent and meaningful innovation leads to increased productivity,

enhanced uptime, better quality products, good service, and environmental conservation.

## **STEEL DIVISION**

To meet customer demand for large diameter heavy wall thickness pipes, we have upgraded our manufacturing facilities with the latest technology, with an emphasis on employee training, to meet the product quality requirements as defined by the customer and the American Petroleum Institute (API). Furthermore, in order to minimize energy costs, and maximize income, especially in idling periods, we have installed a grid tied Solar Power System with a capacity of 565 Kw/h, and are awaiting approvals for net metering from the DISCO.

## **COTTON DIVISION**

Cotton division is investing in new and modern technology to meet the challenges of future and enhancing spindle capacity to minimize the cost of production by lowering per spindle shift cost. In order to maximize our income we have rented out space within our facility that was not utilized by us, including warehouse space; we are also actively evaluating options for a high capacity solar power system with net metering, and opportunities in the value added textile sector.

## **INFORMATION SYSTEMS**

The function continues to provide up to 99% uptime for all critical systems and at the same time keep focused on business continuity and disaster management. We have introduced new applications and platforms to enable remote working, streamline and upgrade our approvals mechanism, and to enhance the visibility of business intelligence, through programs such as Microsoft Teams, Adobe Sign and through the upgrade of our Enterprise Resource Management (ERP) system to the latest available on-site version. We have also implemented asset management modules, specifically for IT and Time and Attendance management systems at our Punjab based units to enhance reliability and efficiency of information systems. Retention of skilled resources remains a challenge and we expect this to persist. Mitigation of this threat is being managed through induction of new resources and continuous training programs.



# SWOT ANALYSIS

The following chart summarizes our Company's strengths, weaknesses, opportunities and threats – we drill down on these to build our strategic response to these factors:



## STRENGTHS

- Strong balance sheet footing with low gearing.
- Strong systems provide for discipline and effective management.
- Business lines provide multiple/diverse avenues of revenue generation and buffer market shocks.
- Strong culture underpinned by our core values, promotes a healthy, and inclusive workplace environment; ensures quality consciousness across all deliverables.
- Brand equity.
- Social and relationship capital.
- Organization information capital positions us well to deliver value addition to partners (suppliers and customers – example: design support for pipelines etc.)
- High quality management and workforce



## WEAKNESSES

- Penetration beyond the energy segment for line pipes and coatings, mainly water and construction sectors.
- Economies of scale
- Limited value addition in product suite of cotton and billet segments
- Low-capacity utilization for steel billets.
- Choked access to debt capital on account of heavily skewed non funded exposures on past sales.



## OPPORTUNITIES

- Future projects: Infrastructure development, Energy/LNG projects, Water supply projects, Port Construction projects etc.
- Expected rise in energy/steel demand due to increase in per capita consumption, population etc.
- Export of pipe opportunities to other countries like GCC and EU.
- Increase in overall Export of Yarn/garments to China, USA & Europe. Global economic growth expected to increase.



## THREATS

- Higher sensitivity (w.r.t. pipe demand) to socio-political landscape/environment.
- Unfavourable tariff changes, concession / SROs, foreign funding projects etc. making it easy to import line pipe.
- Foreign Exchange rate and raw material rate fluctuations.
- Cotton crop shortage/higher rates and poor quality.
- Limited availability of local scrap; reliance on imported scrap increases sensitivity to commodity markets and supply chain disruptions.
- Reliability on bagasse-based power for Steel billets.

# LIQUIDITY AND CASH FLOW MANAGEMENT

## LIQUIDITY POSITION

The Company's liquid assets comprise short term investments and cash and bank balances which stood at an aggregate of Rs. 225.8 million at the close of 2021.

## STRATEGY TO OVERCOME LIQUIDITY PROBLEMS

The working capital and financing needs of the Company are managed through a robust treasury management system which ensures effective cash flow management while safeguarding against any related risks.

The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company monitors cash flow requirements and produces cash flow projections for the short and long term. Typically, the Company ensures that it has sufficient cash on demand to meet expected operational cash flows, including servicing of financial obligations. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix.

Cash flow projections for the future indicate availability of sufficient funds for timely repayment of external debts as well as for retention for sustained profitability.

## LIQUIDITY GENERATION

The Company's liquidity requirements are met through internal cash generation from turnover, dividend receipts and sale of short term investments. Minimal reliance is placed on cash generation through external sources to ensure lower financial cost. Preference is accorded to short term debt over long term. The Company holds a sizeable unutilized borrowing capacity to meet any future funding requirements including those of diversification projects.

## INVESTMENTS AND PLACEMENT OF FUNDS

A fairly diversified high yield investment portfolio is maintained to maximize returns, remaining within prudent levels of risk and exposure.

The Company's investment portfolio therefore comprises of investments in share of mainly blue chip companies and term deposits with banks / financial institutions to enhance profitability and increase shareholders' return. A periodic evaluation of return on these investments is conducted to ensure that best possible options have been exercised.

## REPAYMENTS OF DEBTS

Total borrowings, including short term and current maturity of long term borrowings, decreased by 36.8% compared to last year at Rs. 1,912.6 million. Banks have issued corporate guarantees on behalf of the Company up to Rs. 1,497.6 million in addition to letter of credit outstanding of up to Rs. 865.0 million against lien on shipping / title documents and charge on Crescent Steel's assets.



There was a significant decrease in total borrowings and the Company holds a sizeable unutilized borrowing capacity to meet any future funding requirements.

**All debt repayments maturing this year were paid on their due time and there have been no defaults in repayment of any debt during the year.**

## CAPITAL STRUCTURE AND ASSESSMENT OF ITS ADEQUACY

Crescent Steel's capital structure comprises of Rs. 776.3 million of ordinary share capital with net worth of Rs. 6,519.6 million, reserves of Rs. 7,192.1 and long term debt (including current maturity) of Rs. 286.7 million at the close of 2021 with a debt-equity ratio of 2:98 as compared to 3:97 in 2020. Gearing ratio was 24.2 as at 30 June 2021 as compared to 35.5 in 2020. The Company believes that capital structure is in line with our benchmarks.

## BUSINESS RATIONALE FOR MAJOR CAPITAL EXPENDITURE

We create value for our stakeholders by diversifying our business and investing in our Manufactured Capital. We focus on optimizing our production infrastructure and adjust our cost base. To support Crescent Steel's diversification strategy, our planned capital expenditure gives us powerful operating leverage and expands our profitability through diversified revenue and profit streams. Disciplined management of working capital and capital expenditure enhances the cash we generate which in turn is invested to fuel growth in the business.

The Board of Directors has reviewed and approved the capital expenditure plans of the Company for year 2022. Our Capital expenditures during the year 2022 mainly include upgradation of plant and machinery.

# RISK AND OPPORTUNITY REPORT

**The Company's Board of Directors is responsible for the establishment and oversight of an effective risk management framework. They are also responsible for developing and monitoring a risk management policy to determine the Company's level of risk tolerance**

Risks and Opportunities are inherent to entrepreneurial activity. The Company conducts business in a complex and challenging environment and is therefore exposed a number of external and internal risks that may present threats to its success and profitability. Every business decision taken is based on weighing the associated risks against opportunities. We take measured risks as we strive to seize business opportunities that are compatible with our long-term vision.

## RISK MANAGEMENT POLICY

Crescent Steel is committed to implementing an organizational philosophy that ensures risk management is an integral part of corporate objectives, plans and management systems.

Compliance with legislative requirements underpin the Company's risk management policy.

Risk management objectives are as follows:

- To ensure risk management is adopted throughout the Company as a prudent management practice.
- To ensure that all employees are made aware of the need to manage risk and to promote a culture of participation in that process.
- To protect the Company from adverse incidents, to reduce its exposure to loss and to mitigate and control the impact of loss in case it occurs.
- To reduce the costs of risk to both the Company and its stakeholders.
- To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
- To ensure business growth with financial stability.

## RISK AND OPPORTUNITY MANAGEMENT

Risk and opportunity management is one of the essential elements of the Company's corporate governance and creates a balance between entrepreneurial attitude and risk levels associated with business opportunities.

In our internal risk reporting, risks are defined as potential future events or developments that could lead to a negative deviation from our (financial) targets. In parallel, opportunities are defined as potential events or developments that imply a positive deviation from our planned (financial) targets.

## RISK AND OPPORTUNITY MANAGEMENT PROCESS

We identify opportunities as part of the annual business strategic planning cycle, during which the segments analyze internal and external factors that may positively / negatively affect the development of our business. These may be factors of a social, economic or environmental nature. The core phase of our strategic planning process normally takes place before the start of the year.

Our risk management system supports recognition of developments likely to jeopardize the future performance of the Company and helps take pre-emptive action against unnecessary risks. Risk management at Crescent Steel is about safeguarding our ability to create value for all of our stakeholders and is carried out within the governance structures of the group.

Operational risk identification, management and reporting are achieved via a bottom-up approach. Risks are then managed strategically in a top-down approach emanating from the board. Risk Management Committee (RMC) comprising of Board members is

tasked to govern the risk framework of the Company. Internal audit assists the management in identifying risks along with their mitigating control.

Our plan is to implement a single risk management, reporting and governance framework in all the relevant departments, divisions and services within the group such that the group risk function (as is also occurring with governance, compliance and sustainability

functions) will be centralised into a foundational, group-wide process, and embedded into the day-to-day management of each of the group's businesses and functions and into each manager's responsibility.

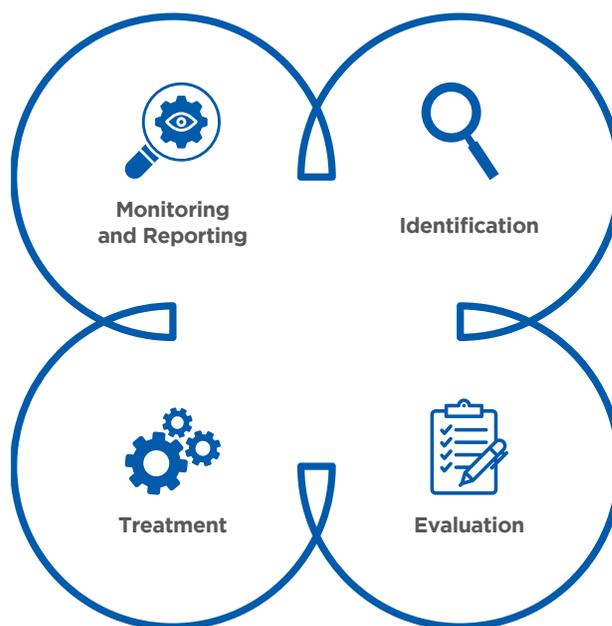
This framework will help create greater accountability, identify opportunities and help manage risks at all levels.



The Board of Directors have carried a robust assessment of the principal risks faced by the Company, including those that would threaten the business model, future performance, solvency and liquidity. RMC oversees how management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by Crescent Steel. The Audit Committee is assisted in its oversight role by the Internal Audit department. Internal Audit department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Human Resource and Remuneration Committee focuses on risks in its area of oversight. This includes succession planning with a view to ensure availability of talented functionaries in each area of critical company operations as well as assessment of compensation programs to ensure that they do not escalate corporate risk.

**Major risks and their mitigations are covered separately in this report.**



## MAJOR BUSINESS RISKS AND THEIR MITIGATION

MAJOR BUSINESS RISKS	MITIGATING FACTORS / ACTIONS IN PLACE	SOURCE OF RISK	CAPITAL AFFECTED	LIKELIHOOD	MAGNITUDE	SENSITIVITY
<b>MACRO-ECONOMIC SITUATION AND POLITICAL INSTABILITY</b>						
Our major sales over the last few years have been generated through the Steel Division, primarily constituting sale of line pipes to the state-owned gas utilities. These companies award business through a tendering process and instability in government and fiscal constraints may slow down progress in energy and water infrastructure projects will adversely affect our topline.	The Company has built a strong and resilient corporate structure that buffers shocks; this has been demonstrated in previous years where revenues from the steel division were insignificant. Our investments division also provides us with the unique opportunity to hedge against any downsides in core business areas by investing in high performing sectors and provides a liquidity buffer in difficult times.	External	Financial Capital  Manufactured Capital  Social and Relationship Capital	4 out of 5	4 out of 5	High
<b>RAW MATERIAL SOURCING / PRICING</b>						
As a majority of our core business is tendered for, there is a lag between bidding for the works and sourcing required raw material for the order. The lack of locally available raw material exposes us to a 60-90 day raw material price risk as raw material sourcing is only secured once a tender has been awarded. In periods of high price volatility this exposure can lead to an erosion of margins or having to fulfill orders at losses.	The Company does not speculate or trade in its raw material requirements and aims to use its purchasing power and long term relationships with suppliers to acquire raw materials and safeguard their constant delivery at the best conditions and with the minimum time-lag between receiving an order and procurement of raw material. The supplier base is constantly increased to ensure uninterrupted procurement and reduction in lead-times. The Company uses various available means to minimize any losses due to adverse price movements.	External	Financial Capital  Manufactured Capital	4 out of 5	5 out of 5	Medium - High

MAJOR BUSINESS RISKS	MITIGATING FACTORS / ACTIONS IN PLACE	SOURCE OF RISK	CAPITAL AFFECTED	LIKELIHOOD	MAGNITUDE	SENSITIVITY
<b>DEPENDENCE ON SUPPLIERS / CUSTOMERS</b>						
Risk of not identifying alternate suppliers for key raw materials may hamper business operations for our core segments. Also, dependence on few customers especially in Steel Division may lead to business interruptions and financial loss.	Company actively strives to search for competitive suppliers for all its raw materials in both local and international markets. The Company constantly seeks to increase its customer base and product offering to maintain and grow its revenues.	Internal - External	Financial Capital  Manufactured Capital  Social and Relationship Capital	3 out of 5	3 out of 5	Medium
<b>INVESTMENT RISK</b>						
Adverse stock market developments may affect the profitability and valuation of assets.	The Company has significant investments in marketable securities. To reduce this risk to an acceptably low level, it follows a diversified investment policy and actively manages its portfolio to match the required risk profiles.	External	Financial Capital	3 Out of 5	5 Out of 5	High
<b>CURRENCY RISK</b>						
Exchange rate fluctuations or local currency devaluation may have an impact on financial results due to reliance on imported raw material.	The Company uses various available means, including dollar based bidding for international tenders. Due to non-availability of forward cover booking in USD, we are negotiating with our Chinese suppliers of key raw materials to establish LCs in CNY to protect ourselves from the USD/PKR volatility, allowing us to hedge against exchange rate losses.	External	Financial Capital	4 Out of 5	5 Out of 5	High

MAJOR BUSINESS RISKS	MITIGATING FACTORS / ACTIONS IN PLACE	SOURCE OF RISK	CAPITAL AFFECTED	LIKELIHOOD	MAGNITUDE	SENSITIVITY
<b>INTEREST RATE RISKS</b>						
An increase in interest rates will increase the Company's borrowing costs and reduce profitability.	Company avails financing at competitive rates from varying financial institutions. Also, borrowings are based on floating rates to minimize interest rate risks.	External	Financial Capital	3 Out of 5	4 out of 5	Medium
<b>CREDIT RISK</b>						
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet their contractual obligations, and arises principally from trade receivables, bank balances, security deposits, mark-up accrued and investment in debt securities.	To manage exposure to credit risk in respect of trade receivables, management performs credit reviews considering the customer's financial position, past experience and other factors. The tender approval committee approves sales tenders and credit terms. Where considered necessary, advance payments are obtained from certain parties whereas sales made to major customers are secured through letters of credit.	Internal	Financial Capital	2 Out of 5	2 Out of 5	Low
<b>SAFETY AND SECURITY OF ASSET</b>						
Risk related to health, safety and environment can adversely affect our operations. These can be associated with personal health and safety, product quality and safety and environmental efficiency. An unfavourable incident can have a major impact on our Company and communities	Our business operations are run in compliance with international Quality, Health, Safety and Environmental standards. Moreover, we consistently make efforts to minimize our environmental impact by energy conservation and other measures with community partners.	Internal	Human Capital Social and Relationship Capital Natural Capital	3 Out of 5	3 Out of 5	Medium

MAJOR BUSINESS RISKS	MITIGATING FACTORS / ACTIONS IN PLACE	SOURCE OF RISK	CAPITAL AFFECTED	LIKELIHOOD	MAGNITUDE	SENSITIVITY
and may cause reputational damage and business disruption.	We have and continue to carry out awareness campaigns for our employees on precautionary measures regarding Covid-19 and about protecting their families and the community at large.	Internal	Human Capital  Social and Relationship Capital  Natural Capital	3 Out of 5	3 Out of 5	Medium

**COST AND AVAILABILITY OF FUNDS**

Exhaustion in the steady availability of funds and rise in interest rates may adversely affect liquidity and overall financial conditions. This risk is further compounded due to assets and funds pledged to obtain Performance Bond Guarantees that remain active over many years thus constraining the availability of funds.	Company keeps assessing its financial (funded and non-funded) requirement against its ability to borrow. Where our financing requirements exceed our ability to borrow, we seek to secure alternate avenues of raising finances including shareholders, for business and operational need. The significant portion of working capital requirements of the Company is arranged through short term financing. To successfully mitigate these risks, the Company has secured sufficient financing facilities to meet these requirements. The Company's held for trading investments portfolio is also managed to meet the working capital needs, if required. Also borrowing rates are based on floating rates to minimize interest rate volatility.	External	Financial Capital	3 Out of 5	3 Out of 5	Medium
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MAJOR BUSINESS RISKS	MITIGATING FACTORS / ACTIONS IN PLACE	SOURCE OF RISK	CAPITAL AFFECTED	LIKELIHOOD	MAGNITUDE	SENSITIVITY
<b>INTERNAL CONTROLS</b>						
In the absence of effective internal controls, the Company may be exposed to financial irregularities and resultant losses	A robust internal control system is in place that is continuously monitored by the Company's Internal Audit Function and through other monitoring procedures. The process of monitoring internal controls is an ongoing process with the objective to further strengthen the controls and bring improvements in the system. The controls in place also cover areas ranging from safeguarding of assets, compliance with laws and regulations and accuracy and reliability of records and financial reporting.	Internal	Financial Capital  Social & Relationship Capital	2 Out of 5	Low	Medium
<b>REGULATORY COMPLIANCE</b>						
Non-compliance with laws and regulation may result in penalties, reputational damage and business interruptions.	We strictly monitor our compliance with laws and regulations and all the changes in regulatory environment are dealt with proactively. Apart from external compliance we put emphasis on compliance with our 'Code of Conduct' and 'Governing Principles' which are in line with best practices.	Internal	Financial Capital  Social & Relationship Capital	2 Out of 5	3 Out of 5	Medium
<b>INCREASE IN COMPETITION THROUGH LEVERAGING OF TECHNOLOGICAL CHANGES</b>						
Competitors may be able to identify and implement a major technological step, resulting	Through corporate agility and strong market sensing, the Company remains abreast with	External	Financial Capital  Intellectual Capital	2 Out of 5	2 Out of 5	Low

MAJOR BUSINESS RISKS	MITIGATING FACTORS / ACTIONS IN PLACE	SOURCE OF RISK	CAPITAL AFFECTED	LIKELIHOOD	MAGNITUDE	SENSITIVITY
in product substitution, improvement in their production efficiencies and lower costs. The Company's inability to implement similar steps may make it uncompetitive	information on product changes, demand and any technological advancements in current manufacturing processes to ensure that the Company at least matches but ideally, exceeds the quality and service performance of competitors. The Company continuously adds to its product and service offering along with constant expansion efforts to meet growing capacity demands and specific product needs.					

**EMPLOYEE RECRUITMENT AND RETENTION**

Failure to attract and retain the right people may adversely affect the achievement of the Company's growth plans.	A strong emphasis is placed on the Company's human resource and its skill set. We utilize talent management and human resource tools to attract, retain, motivate, train and nurture personnel and staff.	Internal	Human Capital Financial Capital Social & Relationship Capital Intellectual Capital	2 Out of 5	2 Out of 5	Low
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## OPPORTUNITIES

In the short term we aim to capitalize on our organizational strengths and over the longer-term horizon, we aim to modernize by creating new business opportunities to help the accomplishment of the Company's expressed vision.

Building supply chain resilience by strengthening existing supplier relationships and exploring supplies from regions not previously considered with a longer-term focus on building capacities of local suppliers to ensure future sustainability.

We are the only functioning large dia pipe manufacturer in Pakistan having capacity of 200,000 metric tons

annually (66,667 metric tons annually per shift). With this strategic edge, the Company actively participates in gas infrastructure and water sector pipe projects to fully utilize its potential. With the expected upcoming gas infrastructure and waterworks projects, we are fully poised to capture this opportunity.

We have diversified into capital markets, energy and steel billet manufacturing sectors by continuously investing in our business segments. We are well placed to fulfill the development needs of the country. The Company is committed to search all possible avenues to maximize the pace of growth of the Company and Shareholders wealth.

# HEALTH, SAFETY AND ENVIRONMENT

At Crescent Steel, we impose the highest standards of safety and protection on our staff and the spaces in which we operate, calling on our people to put Health, Safety and Environment (HSE) principles at the heart of everything they do. The Management at Crescent Steel is committed to providing a safe, healthy and environment friendly workplace to its employees and other stake holders.

We aim to continuously improve our practices under a comprehensive HSE management system based on international best practices and are certified against ISO 45001 and ISO 14001 standards.

As part of our HSE culture and actions we strive to prevent or minimize all possible causes of injury or ill health, eliminate workplace hazards, reduce organizational health and safety (OH&S) risks and seek to minimize our environmental impacts and ensure we are always complying with all the applicable HSE requirements and international best practices

## POLICY

CSAPL is committed to providing a safe and healthy workplace for its employees and those who are associated with the company including customers, suppliers, contractors and visitors.

CSAPL strives proactively to prevent or minimize all possible causes of injury and ill health, eliminate hazards, reduce OH&S risks, protect the environment, prevention of pollution, reduce carbon footprint, minimize waste, conserve energy, enhance safety awareness, impart HSE training, prepare for emergencies and, manage environmental impacts arising from the workplace, products and services that can affect surrounding communities and the environment at large.

CSAPL consults employees on matters affecting their health and safety, encourages communication and participation, and considers HSE compliance at all times as a responsibility of everyone in the organization.

CSAPL is also committed to complying with all legal, regulatory and other HSE requirements to which it subscribes. At CSAPL, a comprehensive HSE management system is in place to review objectives and targets for continual improvement while the policy is disseminated to all stakeholders.

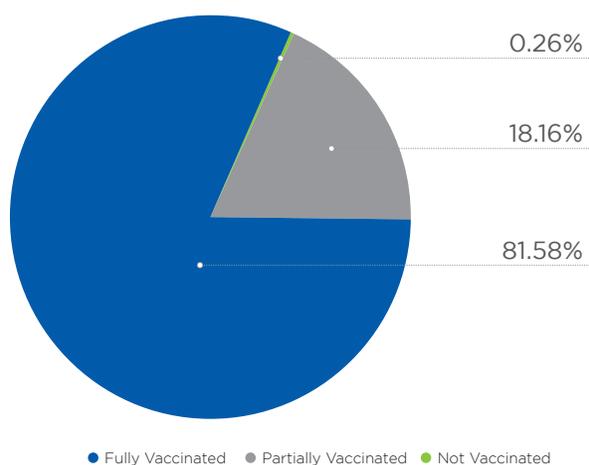
## COVID-19 CONTROL AND PREVENTION AT THE WORKPLACE

When COVID-19 hit pandemic levels across the world, guided by local and international SoPs and protocols we implemented protective measures across our locations. The first step we took was to move to remote working arrangements and as we began to resume onsite and hybrid work arrangements we ensured that all employees were regularly screened and monitored for symptoms and exposure risks.

We maintained detailed logs of positive cases across the organization universe (i.e. up to the employee family nucleus). This was a key measure to contain any possible spread of the COVID virus within the organization universe and ensure the protection and well-being of our employees. As a result through the lifecycle of the pandemic our organization positivity rate remained well below the national average at 1.83%.

As soon as the vaccination drives were initiated in the country, we facilitated our employees in the vaccination process and continue to maintain an up to date central database of vaccination status. Visitor access was allowed ONLY for those fully vaccinated.

At an organization level all staff and their family members are vaccinated for at least the first dose and we will be fully vaccinated by 31 October 2021. More than 80%<sup>1</sup> of our workforce is fully vaccinated.



<sup>1</sup> As on 10, September 2021

## WE IMPLEMENTED THE FOLLOWING INITIATIVES TO ENSURE BUSINESS CONTINUITY AND MITIGATE ANY ADVERSE IMPACTS OF THE PANDEMIC CRISIS



Disinfection of workstations, work tools and surfaces is done before the start of each day.

Face masks have been made mandatory for everyone to wear inside the office premises.

Temperature of all persons entering our premises is checked and logged daily.

VPN access has been provided to relevant users to ensure remote access and continuity of work processes.

Hand sanitizers are available to all employees and hand sanitizer dispensers have been installed at prominent places to ensure frequent sanitization.

Virtual meetings are encouraged instead of face to face sessions.



Social distancing is encouraged and ensured throughout the organization. Seating arrangements are made in line with the social distancing guidelines and social distancing marks have also been pasted on all floors to remind employees to maintain safe distance.

To facilitate online communication between employees, Microsoft Teams has been installed on all computers/devices.



Awareness posters are displayed throughout our office premises promoting employees to follow precautionary guidelines.

Ventilation has been increased by opening windows daily for a certain time period.

Communications via the internal Communications Desk are circulated and also uploaded on the intranet portal everyday to inform employees regarding the current vaccination statistics across the country and encourage them to follow SOPs.

Awareness campaigns were carried out at our factory locations to educate workers regarding the COVID-19 SOPs.



## CULTURAL CHANGE THROUGH COMMUNICATION

Communication is critical to meeting our objectives on workplace safety. We have a one-on-one HSE orientation for all new employees and an HSE briefing for all new visitors. One of the key aims of this exercise is to encourage a culture of care and safe practices.

## RAISING AWARENESS AND ENGAGING OUR PEOPLE

We all have a part to play in keeping our workplaces safe. One of the most effective ways we can do this is by being aware of the risks around us and acting to address these. That's why we actively encourage all our people to regularly assess their working environments and report any identified risks - as they rise. To create awareness and encourage a safety first culture, we use different mechanisms of engagement including safety talks, employee suggestion portal and real time reporting of un-safe acts and conditions or lost workdays due to workplace related illness or injury.

Managers up and down the line are directly accountable for the implementation of the health and safety processes and achieving desired results. Our HSE Professionals keep an eye on every part of the workplace, looking for opportunities to eliminate risks, prevent incidents, and ensure all employees are engaged. At all our operational sites, Supervisors involve the workforce in both formal and informal interactions every day to ensure safety remains in the forefront prior to starting, as well as during, every task they perform.

## ENHANCING EMPLOYEES' WELLBEING

A key priority of our agenda is the prevention of work-related illnesses. While there is clear evidence that employment can have a positive effect on personal wellbeing, poor health in the workplace can present significant safety risks. We offer a range of services to help enhance the health of our employees. These include regular medical checkups for employees in certain roles and comprehensive healthcare benefits for staff.



# CORPORATE SOCIAL RESPONSIBILITY



**At Crescent Steel Corporate Responsibility is a strategic management driven initiative that lies at the core of our business. With a vision to contribute to the communities where we operate we try to meet our own needs without compromising the ability of future generations to meet theirs.**

Our corporate strategy involves changing ways of using common resources by balancing short and long-term interests and integrating economic, environmental and social aspects into our business decisions.

Our CSR activities are divided into four categories: the economic, legal, ethical and philanthropic/ discretionary responsibilities to our stakeholders - these principles are already well integrated into our day-to-day work. Our philanthropic CSR policy allocates 2% to 5% of pre-tax profits towards focused community investments in the education, environment, health and societal sectors.

We also operate an independent Foundation with the aim to bring greater focus to our philanthropic CSR. Our objective is to enable access to funds and strategic partnerships via the CSAP Foundation. The current fund balance of the Foundation stands approximately at Rs. 6.5 million. We are working to gradually move our entire discretionary giving through the CSAP Foundation in the future with a target to build a PKR 100 million endowment by 2025 to fund our flagship CSR program with TCF.

As financial conditions improved during the year, the Company made social investments of Rs. 13.21 million or 3.10% of PBT (FY20: Rs. 1.62 million). In addition to cash contributions, our people have volunteered 981 hours (FY20: 909 hours) for structured community programs throughout the year.

Detailed information and analysis on our 2021 environmental and social performance will be published in the Crescent Steel Corporate Social Responsibility Report 2021 while selected partnerships are also captured on the next page.



## COMMITMENT TO EDUCATION

For over a year now, the education system globally has been hit hard and abruptly due to the COVID-19 pandemic. While high-income states have been able to cope to some extent, children and youth in Pakistan are at a higher risk of educational exclusion. Many schools are offering remote learning to students to mitigate the impact of school closures. While this is an option for some, it is out of reach for many in our country.

While offices, markets, playgrounds, parks, etc. operate normally, schools in Pakistan have mostly remained closed during the pandemic. As per the 2020 United Nations Sustainable Developments Goals (SDGs) Report, COVID-19 has wiped out 20 years of education gains. The pandemic is deepening the education crisis and widening existing educational inequalities in Pakistan.

Our public education system is already in a fragile condition. According to UNESCO, 22.8 million children, aged 5 to 16 years, do not attend school. The staggering figure equals 41% of this age group in Pakistan.

In order to ensure inclusive and equitable quality education for all, a minimum 60% of our annual giving is

allocated towards Education. We target our investments towards primary and secondary education and skills learning programs and also continue to support tertiary level education for children of employees and other merit students at recognized schools in Pakistan and abroad.

In FY21, in addition to continuing operational expense funding to some of the TCF schools built and supported by us, we supported 6 students in universities across Pakistan including one child of an employee through our scholarship program. 26 students have been supported in full or in part for tertiary programs. As business conditions improve we hope to resume full opex funding to TCF going forward.

## EDUCATION NON-PROFIT PARTNER

### THE CITIZENS FOUNDATION

Our main focus area of community investment is education. We believe that education helps achieve sustainable development by forming the current and future generation of leaders. In our efforts towards an educated Pakistan, we have been in partnership with The Citizens Foundation (TCF) since 1996 to support quality education.



To date the Company has helped build 21 schooling units (16 primary and 5 secondary school units) and continues to support 15 schooling units (12 primary and 3 secondary school units). An estimated 4,199 children have graduated from primary schools and 912 children have graduated from secondary schools supported by us. Approximately 230 secondary school graduates from campuses supported by us have been awarded intermediate level scholarships arranged by TCF. Combined enrolment in these schools today is 3,502 students, the majority of whom reside in some of the most impoverished communities of the country; 46% of these students are females.

Like any other school, TCF was also affected by the COVID-19 pandemic. As remote learning was not a viable option due to technological inequities, TCF rolled out several new programs to ensure continued education for its students.

## COMMITMENT TO HEALTH

According to the 2020 United Nations Sustainable Developments Goals (SDGs) Report, COVID-19 has halted or reversed progress in the health sector and shortened life expectancy.

The pandemic has worsened the condition for countries such as Pakistan, where the health spending is already far less than what is recommended by the World Health Organization (WHO). Pakistan is spending a meagre 1.2% of its GDP on healthcare while the WHO recommends at least 5% of the GDP to be spent on the health sector.



A significant increase in health spending is required in order to improve the health sector of Pakistan, however, in the 2021-22 federal budget, a mere 0.4% of the total budget is allocated towards health. Such low government spending requires private sector organizations to play their part.

We continue to invest in healthcare initiatives through donations and volunteering time for selected partners in the health sector.

## HEALTH NON-PROFIT PARTNERS

### THE HEALTH FOUNDATION

Each year, 150,000 new cases of Hepatitis B or C are reported in Pakistan. The Health Foundation (THF) aims to educate the general public regarding the symptoms, mode of acquisition and transmission of Hepatitis B and C and provide financial support to those suffering from these diseases.

Crescent Steel through THF's adopt a patient initiative, sponsored medical expenses, lab tests and consultation cost of 40 hepatitis patients this year.

Additionally, we have also extended support to THF Hepatitis Free Community Project in Rashidabad since its inception. The project is due to complete in 2022. To date, a total of 17,052 people have been sensitized regarding hepatitis B and C protection and prevention. During the year 10 new cases of hepatitis B and 272



new cases of hepatitis C were registered. Hepatitis B vaccines were administered to 8,701 people.

THF also organized a screening and vaccination drive at the Crescent Head Office to educate employees regarding hepatitis B and C protection and prevention, screening for hepatitis C and administering vaccines for hepatitis B.

## THE INDUS HOSPITAL BLOOD CENTRE

With an aim to mobilize the nation towards 100% voluntary blood donations, Indus Hospital established the first centralized blood bank of Pakistan in 2013. Crescent Steel organized two blood drives in FY21 in order to support Indus Hospital during the COVID-19 pandemic.

An active involvement and engagement was demonstrated by our employees as they voluntarily contributed for the charitable cause. A total of 30 bottles/15,000 ml of blood was collected.

## COMMITMENT TO COMMUNITY AND THE ENVIRONMENT

The role of human influence on the climate system is undisputed. According to the Global Climate Risk Index 2021, Pakistan ranks number 8 on the list of countries



most affected by climate related disasters in the long-term from 2000 to 2019 and is the 15th most affected country overall.

Pakistan is recurrently affected by catastrophes. In 2019 alone, Pakistan lost \$14 million and 8 fatalities were reported due to climate related incidents.

At Crescent Steel, we guarantee the well-being and safety of our employees and our planet. We also took part in different initiatives during the year in an effort to support the cause.

## EARTH HOUR 2021

Earth Hour has always drawn its power from the people and this year was no exception. On Saturday, March 27th, 2021, 192 countries around the globe once again came together to increase awareness and spark global conversations on protecting nature. We showed that despite the physical distance, we were still able to unite digitally to speak up for nature louder than ever. We supported Earth Hour 2021 by switching off all unnecessary lights across all our campuses from 8:30 - 9:30 PM.



## ENVIRONMENT NON-PROFIT PARTNER

### WWF - PAKISTAN

#### Marine Conservation: Mangrove Plantation

To build a safer, healthier and more resilient future for people and nature, we have been an active supporter of WWF Pakistan.

This year we planted 1,000 mangroves, bringing our total plantation size to 2,700 mangroves, which we continue to maintain through monetary contributions that ensure that for every mangrove that doesn't survive, WWF will plant another sapling. These 2,700 mangroves reduce our carbon footprint by 37.23 tons annually.

We plan to plant more mangroves in the upcoming year for marine conservation, environmental advocacy and to offset our carbon footprint.

## TREE PLANTATION ACTIVITIES

During the year, we planted 4,704 trees. Over the years our plantation size has increased to over 30,200+ trees. These trees will help reduce our carbon footprint by 179 tons annually.

### TREE PLANTATIONS



## COMMITMENT TO SOCIETY

Due to lack of education and unavailability of basic resources such as food, clean water and healthcare, Pakistan faces a number of social issues. This year the major issues that were highlighted included safety and security, animal rights, safety for women in the society and acceptance of social/religious differences. Alongside targeted investments in the education, healthcare and environmental segments, we also focus on different community development programs.

## SOCIETY NON-PROFIT PARTNER

### CITIZENS POLICE LIAISON COMMITTEE (CPLC)

CPLC is managed by dedicated and concerned citizens with a focus to end social crimes such as theft, kidnapping, child abuse, etc.

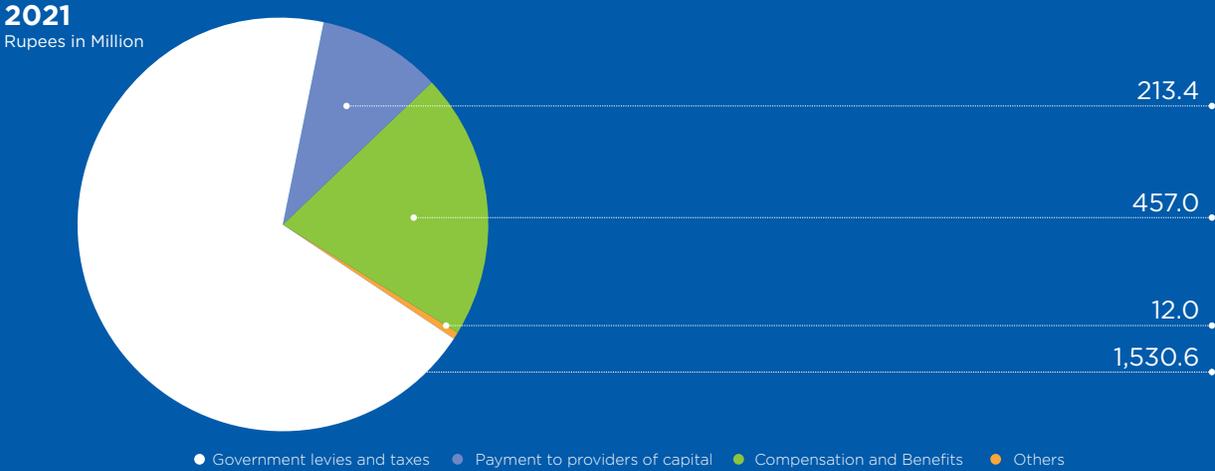
Crescent Steel joined hands with CPLC this year to support them in their monthly expenditures. CPLC also organized an informative session to educate our employees regarding the safety and security measures they can implement in their daily lives.

# CONTRIBUTION TO NATIONAL EXCHEQUER AND ECONOMY

CONTRIBUTION TO THE NATIONAL EXCHEQUER AND THE ECONOMY AGGREGATES TO RS. 2,213.0 MILLION (FY20: RS. 1,793.1 MILLION).

The Group contributed Rs. 1,530.6 million (FY20: Rs. 1,051.9 million) towards the National Exchequer on account of Government levies and taxes. Contribution to the Economy included Rs. 213.4 million (FY20: Rs. 315.1 million).

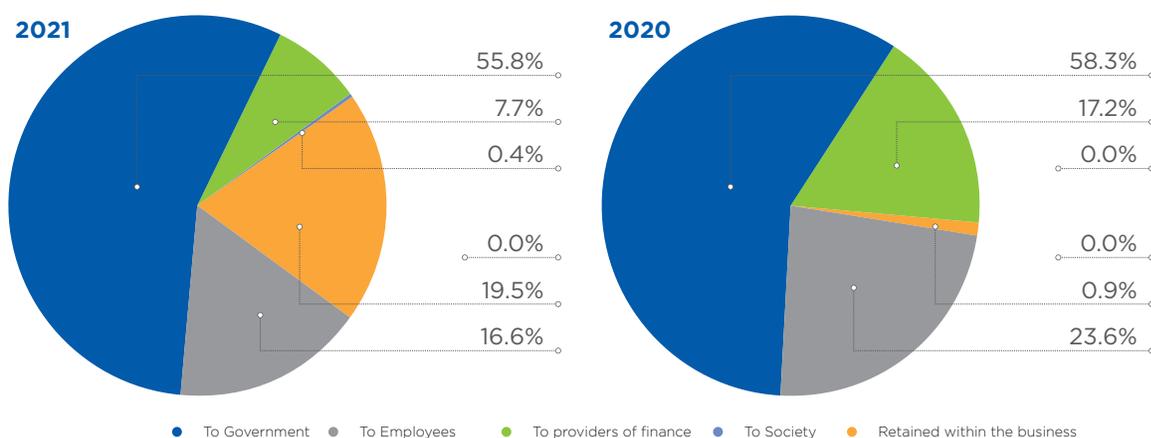
On a Group level, the Company provided employment to 765 (FY20: 778) full and part-time employees with compensation and benefits of Rs. 457.0 million (FY20: Rs. 425.4 million).



# STATEMENT OF VALUE ADDITION

	2021		2020	
	Rupees in '000	%	Rupees in '000	%
<b>WEALTH GENERATED</b>				
Total revenue	8,923,685	100.0%	4,897,788	100.0%
Bought-in-material and services	(6,182,198)	69.3%	(3,100,120)	63.3%
	2,741,487	30.7%	1,797,668	36.7%
<b>WEALTH DISTRIBUTED</b>				
<b>To Employees</b>				
Salaries, wages and other benefits	455,646	16.6%	424,118	23.6%
<b>To Government</b>				
Income tax, sales tax, custom duties, WWF and WPPF	1,527,314	55.7%	1,047,729	58.3%
<b>To Shareholders</b>				
Dividend *	-	0.0%	-	0.0%
<b>To providers of finance</b>				
Finance costs	210,781	7.7%	308,939	17.2%
<b>To Society</b>				
Donation towards education, health and environment	12,013	0.4%	618	0.0%
<b>Retained within the business for future growth</b>				
Depreciation, amortization and retained earnings	535,733	19.5%	16,264	0.9%
	2,741,487	100.0%	1,797,668	100.0%

## DISTRIBUTION OF WEALTH



# EVA AND FCF

## ECONOMIC VALUE ADDED (EVA)

EVA attempts to capture the true economic profit of the Company. It also provide a measurement of a Company's economic success (or failure) over a period of time.

Rupees in '000	2021	2020
Profit before interest and tax	637,323	191,166
Taxes	(74,682)	100,649
Net operating profit after tax (NOPAT)	562,641	291,815
Total capital employed	7,883,388	8,474,615
Cost of capital (%)	14.27%	12.54%
Cost of capital (COC) (Rs.)	1,124,959	1,062,717
	(562,318)	(770,902)

The negative number of EVA reveals that the company is less covered from its cost of capital.

## FREE CASH FLOW (FCF)

Free cash flow is the cash left over after the company pays for its working costs and capital expenditure requirement.

Rupees. in '000	2021	2020
Cash flow from operating activities	1,035,995	(1,385,637)
Capital expenditure	(65,562)	(9,154)
Free cash flow	970,433	(1,394,791)

FCF - it indicates how proficient/deficient an organization is at generating cash.

# SUMMARY DATA AND PERFORMANCE INDICATORS

For The Current And Past Six Financial Years

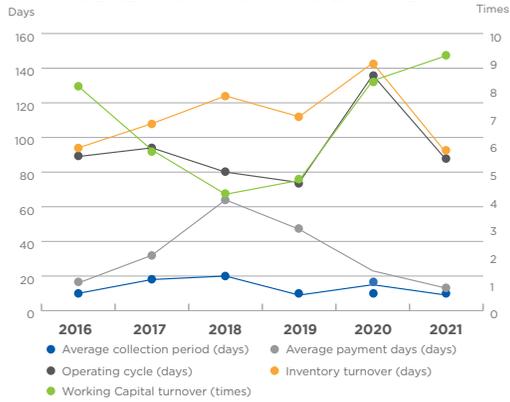
Performance Indicators	2021	2020	2019	2018	2017	2016	2015
<b>A - Profitability Ratios</b>							
Earnings before interest, taxation, depreciation and amortization (EBITDA) (Rs. in millions)	855.0	416.9	384.6	1,308.4	1,682.0	1,675.5	254.9
Profit before taxation and depreciation (Rs. in millions)	643.3	107.9	140.1	1,076.3	1,492.2	1,424.8	167.2
Gross profit ratio (%)	6.8	1.3	5.4	11.5	18.2	28.9	1.5
Operating profit margin to sales (net) (%)	8.7	5.0	6.6	17.1	15.5	21.0	6.8
Net profit / (loss) margin to sales (net) (%)	4.8	(0.4)	3.5	10.7	9.9	13.0	5.1
EBITDA margin to sales (net) (%)	11.8	10.9	9.5	18.6	16.5	22.6	12.1
Operating leverage ratio	2.60	4.83	1.84	0.8	0.0	3.9	1.4
Return on equity (%)	5.9	(0.3)	2.7	11.2	14.8	16.7	2.6
Return on average equity (%)	6.2	(0.3)	2.4	11.1	16.0	19.6	2.6
Shareholders' funds (%)	68.6	56.4	65.1	66.7	56.0	61.2	75.1
Return on shareholders' funds (%)	5.9	(0.3)	2.7	11.2	14.8	16.7	2.6
Return on capital employed (RoCE) (%)	4.3	(0.2)	1.8	8.1	11.0	14.6	2.3
Return on average assets (%)	3.8	(0.2)	1.6	6.8	9.3	13.0	2.1
<b>B - Liquidity Ratios</b>							
Current ratio	1.4 : 1	11 : 1	12 : 1	1.4 : 1	1.4 : 1	1.4 : 1	1.4 : 1
Quick / Acid-test ratio	1 : 1	0.6 : 1	0.9 : 1	0.9 : 1	0.9 : 1	0.7 : 1	1 : 1
Cash to current liabilities (%)	(26.1)	(14.2)	(32.7)	(5.8)	(4.7)	(3.7)	(24.6)
Cash flow from operating activity (%)	41.0	(35.3)	(9.1)	53.4	3.6	(58.2)	15.4
Cash flow from operations to sales (%)	14.3	(36.3)	(5.6)	22.7	1.7	(24.6)	7.7
Working capital - Net current assets (Rs. in millions)	1,134.3	448.2	475.7	1,248.1	2,096.1	1,399.5	423.3
Working capital turnover (times)	9.2	8.3	4.7	4.2	5.8	8.1	3.4
<b>C - Activity / Turnover Ratios</b>							
Debtors turnover ratio (times)	40.0	23.7	40.0	18.3	20.7	36.1	23.7
No. of days in receivables / Average collection period (days)	9	15	9	20	18	10	15
Inventory turnover ratio (times)	4.0	2.6	3.3	2.9	3.4	3.9	4.8
No. of days in inventory (days)	91	143	112	124	108	94	76
Creditors turnover ratio (times)	27.9	15.9	7.8	5.7	11.5	23.2	9.0
No. of days in creditors / Average payment period (days)	13	23	47	64	32	16	40
Property, plant and equipment turnover (times)	3.5	1.7	1.6	6.8	10.9	9.0	2.7
Total assets turnover (times)	0.8	0.4	0.5	0.7	0.8	0.8	0.4
Operating cycle (days)	87	136	74	80	94	89	51
<b>D - Investment / Market Ratios</b>							
Basic and diluted earnings / (loss) per share (Rs.)	4.53	(0.22)	1.85	9.68	13.05	12.97	1.53
Price earnings ratio (times)	18.5	-	20.4	9.4	18.3	8.8	34.0
Price to book ratio (times)	0.7	0.4	0.4	0.7	1.5	0.9	0.6
Dividend yield (%) *	-	-	-	2.2	2.2	4.4	1.3
Dividend payout ratio (%) *	-	-	-	20.7	40.3	40.1	40.8
Dividend cover ratio (times) *	-	-	-	4.8	2.4	2.6	2.2
Cash dividend (Rs. in millions) *	-	-	-	155.3	407.6	388.2	43.5
Cash dividend per share (Rs.) *	-	-	-	2.0	5.3	5.0	0.7
Market value per share (at the end of the year) (Rs.)	83.9	45.5	37.8	91.2	238.6	114.6	51.9
- Lowest during the year (Rs.)	45.8	27.8	27.4	89.8	116.0	54.6	34.9
- Highest during the year (Rs.)	96.4	58.7	101.9	229.4	283.1	134.8	62.4
Break-up value per share (Rs.)	76.9	70.2	69.5	86.6	87.8	74.8	65.2
Break-up value per share including RP investment at MV (Rs.)	97.1	90.1	95.5	124.5	143.6	94.4	84.7
<b>E - Capital Structure Ratios</b>							
Financial leverage ratio (%)	32.0	55.5	37.4	29.1	45.2	46.9	17.0
Long term debt to equity ratio (%) - Book value	3.4	4.7	5.2	5.3	5.7	8.1	7.0
Long term debt to equity ratio (%) - Market value	3.1	7.2	9.6	5.0	2.1	5.3	8.8
Weighted average cost of debt (%)	8.5	12.2	12.3	8.0	8.4	8.4	10.9
Long term debt : Equity ratio	3 : 97	4 : 96	5 : 95	6 : 95	6 : 95	8 : 92	7 : 93
Total liabilities to total assets (%)	31.4	43.5	34.8	33.2	43.9	38.7	24.9
Gearing ratio (%)	24.2	35.5	27.0	21.3	31.0	31.4	13.8
Interest coverage (times)	3.0	0.6	1.1	5.2	8.4	6.4	1.8
<b>F - Employee Productivity Ratio</b>							
Revenue per employee (Rs. in millions)	9.5	4.9	5.4	8.9	21.2	8.3	5.8
Staff turnover ratio (%) **	89.95	90.12	102.23	97.69	140.68	63.64	117.86
<b>G - Others</b>							
Spares inventory as percentage of assets cost (%)	1.87	1.75	2.24	1.68	1.34	1.18	1.24
Maintenance cost as percentage of operating expenses (%)	7.67	6.94	5.73	9.03	13.46	10.60	7.27

## Notes:

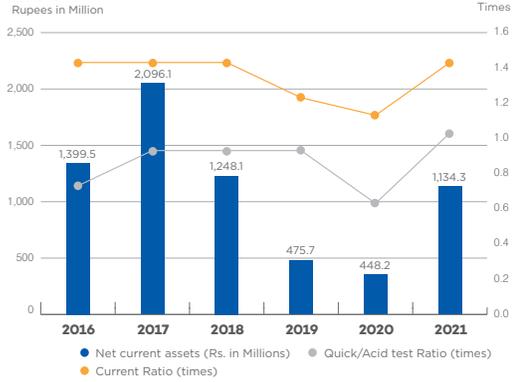
\* This includes declaration of final cash dividend recommended by the Board of Directors subsequent to year end.

\*\* Major contributor to high turnover rate is staff at the Cotton division's spinning unit.

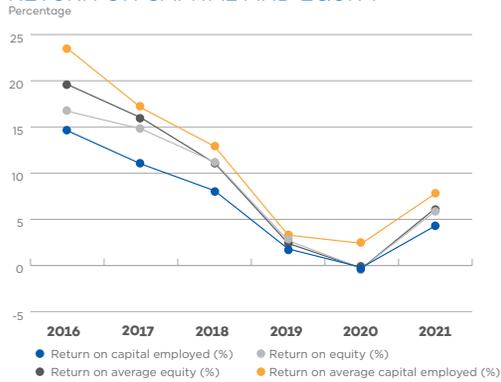
### MANAGEMENT OF WORKING CAPITAL



### LIQUIDITY



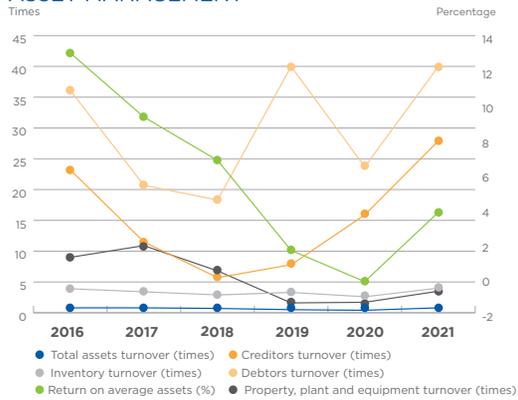
### RETURN ON CAPITAL AND EQUITY



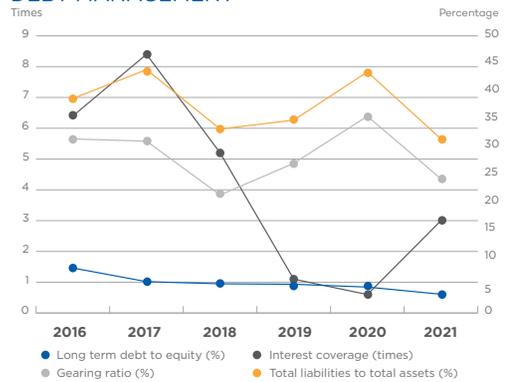
### PER SHARE RESULT



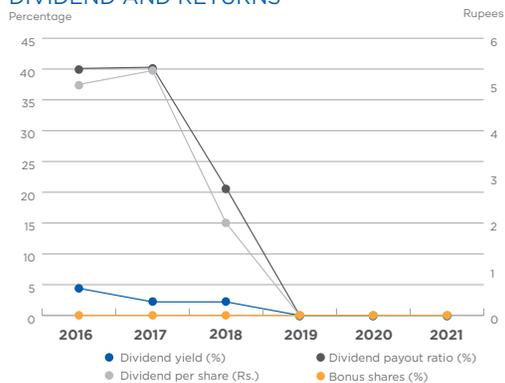
### ASSET MANAGEMENT



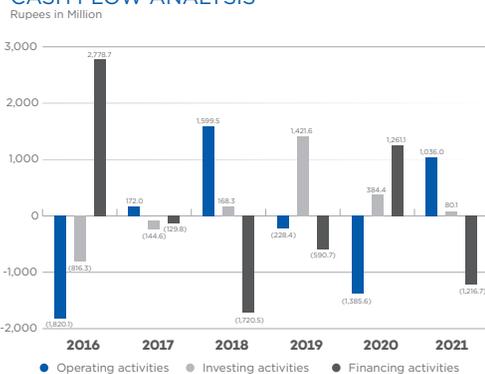
### DEBT MANAGEMENT



### DIVIDEND AND RETURNS



### CASH FLOW ANALYSIS



# VERTICAL ANALYSIS

## of Unconsolidated Statement of Financial Position and Profit or Loss For The Last Six Financial Years

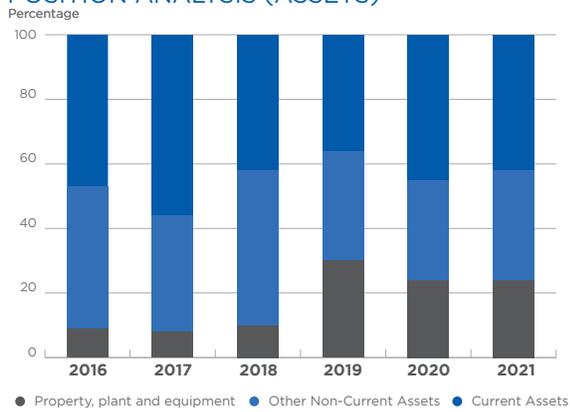
Rupees in million	2021	%	2020	%	2019	%	2018	%	2017	%	2016	%
<b>Statement of Financial Position</b>												
Property, plant and equipment	1,927	22.2	2,106	21.8	2,494	30.1	1,039	10.3	941	7.7	823	8.7
Right-of-use assets	132	1.5	169	1.7	-	-	-	-	-	-	-	-
Intangible assets	6	0.1	1	-	1	-	-	-	1	-	3	-
Investment properties	58	0.7	20	0.2	21	0.3	13	0.1	15	0.1	19	0.2
Long term investments	2,469	28.4	2,304	23.9	2,265	27.4	4,538	45.0	4,204	34.5	3,935	41.5
Long term deposits	24	0.3	224	2.3	233	2.8	217	2.2	189	1.6	177	1.9
Deferred taxation - net	428	4.9	463	4.8	292	3.5	30	0.3	-	-	-	-
Stores, spares and loose tools	163	1.9	169	1.7	186	2.2	169	1.7	163	1.3	112	1.2
Stock-in-trade	1,237	14.2	2,131	22.2	821	9.9	1,543	15.3	2,687	22.1	2,267	23.9
Trade debts	137	1.6	226	2.3	96	1.2	107	1.1	664	5.5	323	3.4
Loans and advances	136	1.6	145	1.5	123	1.5	275	2.7	378	3.1	40	0.4
Trade deposits and short term prepayments	290	3.3	62	0.6	50	0.6	26	0.3	15	0.1	16	0.2
Short term investments	222	2.5	125	1.3	167	2.0	448	4.4	515	4.2	392	4.1
Mark-up accrued	-	-	-	-	-	-	27	0.3	1	-	-	-
Other receivables	358	4.1	220	2.3	249	3.0	553	5.5	1,745	14.3	785	8.3
Taxation - net	1,115	12.7	1,273	13.2	1,261	15.2	961	9.5	633	5.3	529	5.5
Cash and bank balances	4	-	23	0.2	28	0.3	133	1.3	28	0.2	63	0.7
<b>Total assets</b>	<b>8,706</b>	<b>100</b>	<b>9,661</b>	<b>100</b>	<b>8,287</b>	<b>100</b>	<b>10,079</b>	<b>100</b>	<b>12,179</b>	<b>100</b>	<b>9,484</b>	<b>100</b>
Issued, subscribed and paid-up capital	776	8.9	776	8.0	776	9.4	776	7.7	776	6.4	776	8.2
Capital reserve	1,021	11.7	1,021	10.6	1,021	12.3	1,029	10.2	1,034	8.5	1,026	10.8
Revenue reserves	4,174	48.0	3,651	37.7	3,597	43.4	4,919	48.8	5,010	41.1	4,006	42.2
<b>Shareholders' equity</b>	<b>5,971</b>	<b>68.6</b>	<b>5,448</b>	<b>56.3</b>	<b>5,394</b>	<b>65.1</b>	<b>6,724</b>	<b>66.7</b>	<b>6,820</b>	<b>56.0</b>	<b>5,808</b>	<b>61.2</b>
Long term loans	128	1.5	190	2.0	177	2.1	227	2.3	322	2.6	394	4.2
Lease liabilities	75	0.9	65	0.7	103	1.2	127	1.3	64	0.5	77	0.8
Deferred income	4	-	7	0.1	7	0.1	8	0.1	7	0.1	9	0.1
Deferred taxation - net	-	-	-	-	-	-	-	-	233	1.9	68	0.7
Deferred liability - staff retirement benefits	-	-	24	0.2	101	1.2	-	-	-	-	-	-
Trade and other payables	755	8.7	1,069	11.0	692	8.4	1,349	13.4	1,864	15.3	711	7.5
Unpaid dividend	-	-	-	-	-	-	-	-	116	1.0	116	1.2
Unclaimed dividend	26	0.3	26	0.3	27	0.3	22	0.2	21	0.2	23	0.2
Mark-up accrued	28	0.3	54	0.6	42	0.5	16	0.2	28	0.2	21	0.2
Short term borrowings	1,515	17.4	2,676	27.7	1,577	19.1	1,458	14.3	2,517	20.7	2,084	22.1
Current portion of long term loans	159	1.8	49	0.5	110	1.3	97	1.0	141	1.2	109	1.1
Current portion of lease liabilities	36	0.4	47	0.5	51	0.6	46	0.5	42	0.3	59	0.6
Current portion of deferred income	9	0.1	6	0.1	6	0.1	5	-	4	-	5	0.1
<b>Total equity and liabilities</b>	<b>8,706</b>	<b>100</b>	<b>9,661</b>	<b>100</b>	<b>8,287</b>	<b>100</b>	<b>10,079</b>	<b>100</b>	<b>12,179</b>	<b>100</b>	<b>9,484</b>	<b>100</b>
<b>Profit or loss</b>												
Sales - net	7,259	100.0	3,822	100.0	4,066	100.0	7,043	100.0	10,209	100.0	7,412	100.0
Cost of sales	6,762	93.2	3,771	98.7	3,846	94.6	6,232	88.5	8,350	81.8	5,269	71.1
<b>Gross profit</b>	<b>497</b>	<b>6.8</b>	<b>51</b>	<b>1.3</b>	<b>220</b>	<b>5.4</b>	<b>811</b>	<b>11.5</b>	<b>1,859</b>	<b>18.2</b>	<b>2,143</b>	<b>28.9</b>
Income from investments - net	233	3.2	389	10.2	192	4.7	496	7.0	247	2.4	42	0.6
Distribution and selling expenses	15	0.2	13	0.3	15	0.4	18	0.3	31	0.3	16	0.2
Administrative expenses	246	3.4	245	6.4	188	4.6	173	2.5	287	2.8	283	3.8
Other operating expenses	27	0.4	26	0.7	29	0.7	85	1.2	411	4.0	421	5.7
Other income	196	2.7	35	0.9	89	2.2	172	2.4	202	2.0	94	1.3
<b>Operating profit before finance costs</b>	<b>638</b>	<b>8.7</b>	<b>191</b>	<b>5.0</b>	<b>269</b>	<b>6.6</b>	<b>1,203</b>	<b>16.9</b>	<b>1,579</b>	<b>15.5</b>	<b>1,559</b>	<b>21.1</b>
Finance costs	211	2.9	309	8.1	244	6.0	231	3.3	187	1.8	244	3.3
<b>Profit / (loss) before taxation</b>	<b>427</b>	<b>5.8</b>	<b>(118)</b>	<b>(3.1)</b>	<b>25</b>	<b>0.6</b>	<b>972</b>	<b>13.6</b>	<b>1,392</b>	<b>13.7</b>	<b>1,315</b>	<b>17.8</b>
Taxation	(75)	(1.0)	101	2.6	118	2.9	(220)	(3.1)	(379)	(3.7)	(348)	(4.7)
<b>Profit / (loss) for the year</b>	<b>352</b>	<b>4.8</b>	<b>(17)</b>	<b>(0.5)</b>	<b>143</b>	<b>3.5</b>	<b>752</b>	<b>10.5</b>	<b>1,013</b>	<b>10.0</b>	<b>967</b>	<b>13.1</b>

# HORIZONTAL ANALYSIS

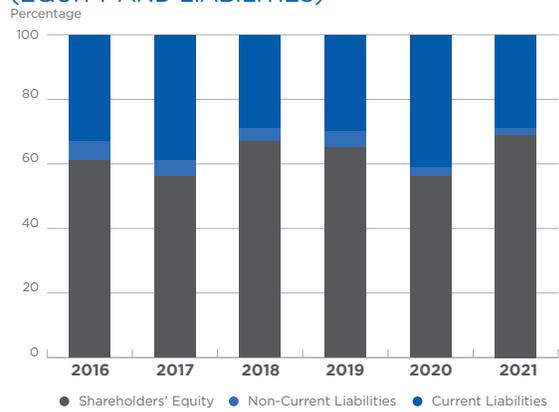
## of Unconsolidated Statement of Financial Position and Profit or Loss For The Last Six Financial Years

Rupees in million	2021	%	2020	%	2019	%	2018	%	2017	%	2016	%
<b>Statement of Financial Position</b>												
Property, plant and equipment	1,927	(8.5)	2,106	(15.6)	2,494	140.0	1,039	10.4	941	14.3	823	5.4
Right-of-use assets	132	(21.9)	169	100.0	-	-	-	-	-	-	-	-
Intangible assets	6	500.0	1	-	1	100.0	-	(100.0)	1	(66.7)	3	(70.0)
Investment properties	58	190.0	20	(4.8)	21	61.5	13	(13.3)	15	(21.1)	19	(17.4)
Long term investments	2,469	7.2	2,304	1.7	2,265	(50.1)	4,538	7.9	4,204	6.8	3,935	29.5
Long term deposits	24	(89.3)	224	(3.9)	233	7.4	217	14.8	189	6.8	177	637.5
Deferred taxation - net	428	(7.6)	463	58.6	292	873.3	30	100.0	-	-	-	(100.0)
Stores, spares and loose tools	163	(3.6)	169	(9.1)	186	10.1	169	3.7	163	45.5	112	67.2
Stock-in-trade	1,237	(42.0)	2,131	159.6	821	(46.8)	1,543	(42.6)	2,687	18.5	2,267	400.4
Trade debts	137	(39.4)	226	135.4	96	(10.3)	107	(83.9)	664	105.6	323	267.0
Loan and advances	136	(6.2)	145	17.9	123	(55.3)	275	(27.2)	378	845.0	40	122.2
Trade deposits and short term prepayments	290	367.7	62	24.0	50	92.3	26	73.3	15	(6.3)	16	45.5
Short term investments	222	77.6	125	(25.1)	167	(62.7)	448	(13.0)	515	31.4	392	1.0
Mark-up accrued	-	-	-	-	-	(100.0)	27	2,600.0	1	100.0	-	-
Other receivables	358	62.7	220	(11.6)	249	(55.0)	553	(68.3)	1,745	122.3	785	292.5
Taxation - net	1,115	(12.4)	1,273	1.0	1,261	31.2	961	51.8	633	19.7	529	150.7
Cash and bank balances	4	(82.6)	23	(17.9)	28	(78.9)	133	375.0	28	(55.6)	63	46.5
<b>Total assets</b>	<b>8,706</b>	<b>(9.9)</b>	<b>9,661</b>	<b>16.6</b>	<b>8,287</b>	<b>(17.8)</b>	<b>10,079</b>	<b>(17.2)</b>	<b>12,179</b>	<b>28.4</b>	<b>9,484</b>	<b>75.9</b>
Issued, subscribed and paid-up capital	776	-	776	-	776	-	776	-	776	-	776	25.0
Capital reserve	1,021	-	1,021	-	1,021	(0.8)	1,029	(0.5)	1,034	0.8	1,026	243.1
Revenue reserves	4,174	14.3	3,651	1.5	3,597	(26.9)	4,919	(1.8)	5,010	25.1	4,006	27.9
<b>Shareholders' equity</b>	<b>5,971</b>	<b>9.6</b>	<b>5,448</b>	<b>1.0</b>	<b>5,394</b>	<b>(19.8)</b>	<b>6,724</b>	<b>(1.4)</b>	<b>6,820</b>	<b>17.4</b>	<b>5,808</b>	<b>43.4</b>
Long term loans	128	(32.6)	190	7.3	177	(22.0)	227	(29.5)	322	(18.3)	394	64.9
Lease liabilities	75	15.4	65	(36.9)	103	(18.9)	127	98.4	64	(16.9)	77	67.4
Deferred income	4	(42.9)	7	-	7	(12.5)	8	14.3	7	(22.2)	9	800.0
Deferred taxation - net	-	-	-	-	-	-	-	(100.0)	233	242.6	68	100.0
Deferred liability - staff retirement benefits	-	(100.0)	24	(76.2)	101	100.0	-	-	-	-	-	-
Trade and other payables	755	(29.4)	1,069	54.5	692	(48.7)	1,349	(27.6)	1,864	162.2	711	13.6
Unpaid dividend	-	-	-	-	-	-	-	(100.0)	116	-	116	100.0
Unclaimed dividend	26	-	26	(3.7)	27	22.7	22	4.8	21	(8.7)	23	91.7
Mark-up accrued	28	(48.1)	54	28.6	42	162.5	16	(42.9)	28	33.3	21	75.0
Short term borrowings	1,515	(43.4)	2,676	69.7	1,577	8.2	1,458	(42.1)	2,517	20.8	2,084	590.1
Current portion of long term loans	159	224.5	49	(55.5)	110	13.4	97	(31.2)	141	29.4	109	98.2
Current portion of lease liabilities	36	(23.4)	47	(7.8)	51	10.9	46	9.5	42	(28.8)	59	25.5
Current portion of deferred income	9	50.0	6	-	6	20.0	5	25.0	4	(20.0)	5	150.0
<b>Total equity and liabilities</b>	<b>8,706</b>	<b>(9.9)</b>	<b>9,661</b>	<b>16.6</b>	<b>8,287</b>	<b>(17.8)</b>	<b>10,079</b>	<b>(17.2)</b>	<b>12,179</b>	<b>28.4</b>	<b>9,484</b>	<b>75.9</b>
<b>Profit or Loss</b>												
Sales - net	7,259	89.9	3,822	(6.0)	4,066	(42.3)	7,043	(31.0)	10,209	37.7	7,412	252.8
Cost of sales	6,762	79.3	3,771	(2.0)	3,846	(38.3)	6,232	(25.4)	8,350	58.5	5,269	154.7
<b>Gross profit</b>	<b>497</b>	<b>874.5</b>	<b>51</b>	<b>(76.8)</b>	<b>220</b>	<b>(72.9)</b>	<b>811</b>	<b>(56.4)</b>	<b>1,859</b>	<b>(13.3)</b>	<b>2,143</b>	<b>6,596.9</b>
Income from investments - net	233	(40.1)	389	102.6	192	(61.3)	496	100.8	247	488.1	42	(86.4)
Distribution and selling expenses	15	15.4	13	(13.3)	15	(16.7)	18	(41.9)	31	93.8	16	(40.7)
Administrative expenses	246	0.4	245	30.3	188	8.7	173	(39.7)	287	1.4	283	69.5
Other operating expenses	27	3.8	26	(10.3)	29	(65.9)	85	(79.3)	411	(2.4)	421	1,351.7
Other income	196	460.0	35	(60.7)	89	(48.3)	172	(14.9)	202	114.9	94	276.0
<b>Operating profit before finance costs</b>	<b>638</b>	<b>234.0</b>	<b>191</b>	<b>(29.0)</b>	<b>269</b>	<b>(77.6)</b>	<b>1,203</b>	<b>(23.8)</b>	<b>1,579</b>	<b>1.3</b>	<b>1,559</b>	<b>990.2</b>
Finance costs	211	(31.7)	309	26.6	244	5.6	231	23.5	187	(23.4)	244	201.2
<b>Profit / (loss) before taxation</b>	<b>427</b>	<b>461.9</b>	<b>(118)</b>	<b>(572.0)</b>	<b>25</b>	<b>(97.4)</b>	<b>972</b>	<b>(30.2)</b>	<b>1,392</b>	<b>5.9</b>	<b>1,315</b>	<b>2,021.0</b>
Taxation	(75)	(174.3)	101	(14.4)	118	153.6	(220)	42.0	(379)	(8.9)	(348)	(890.9)
<b>Profit / (loss) for the year</b>	<b>352</b>	<b>2,170.6</b>	<b>(17)</b>	<b>(111.9)</b>	<b>143</b>	<b>(81.0)</b>	<b>752</b>	<b>(25.8)</b>	<b>1,013</b>	<b>4.8</b>	<b>967</b>	<b>812.3</b>

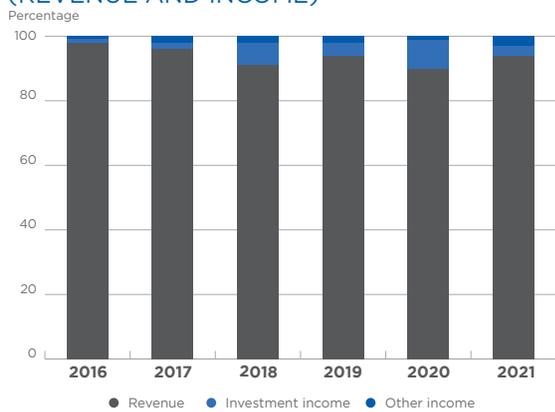
### STATEMENT OF FINANCIAL POSITION ANALYSIS (ASSETS)



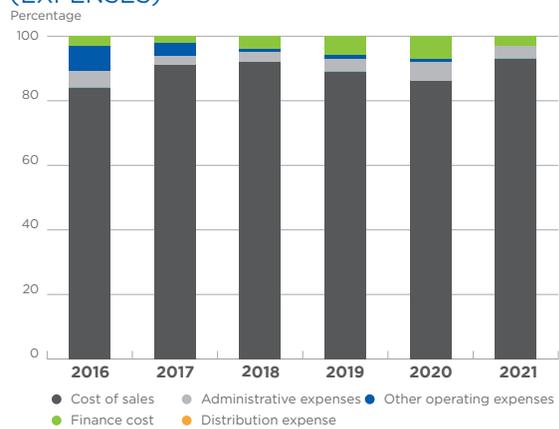
### STATEMENT OF FINANCIAL POSITION ANALYSIS (EQUITY AND LIABILITIES)



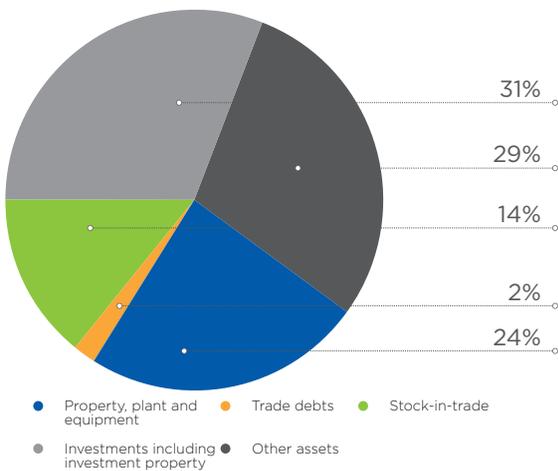
### PROFIT OR LOSS ANALYSIS (REVENUE AND INCOME)



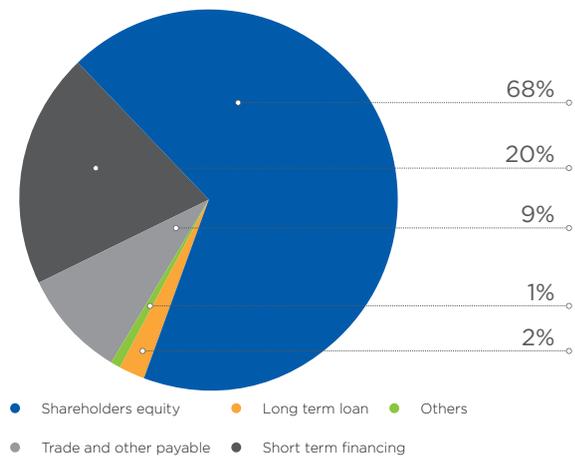
### PROFIT OR LOSS ANALYSIS (EXPENSES)



### TOTAL ASSETS AS OF 30 JUNE 2021



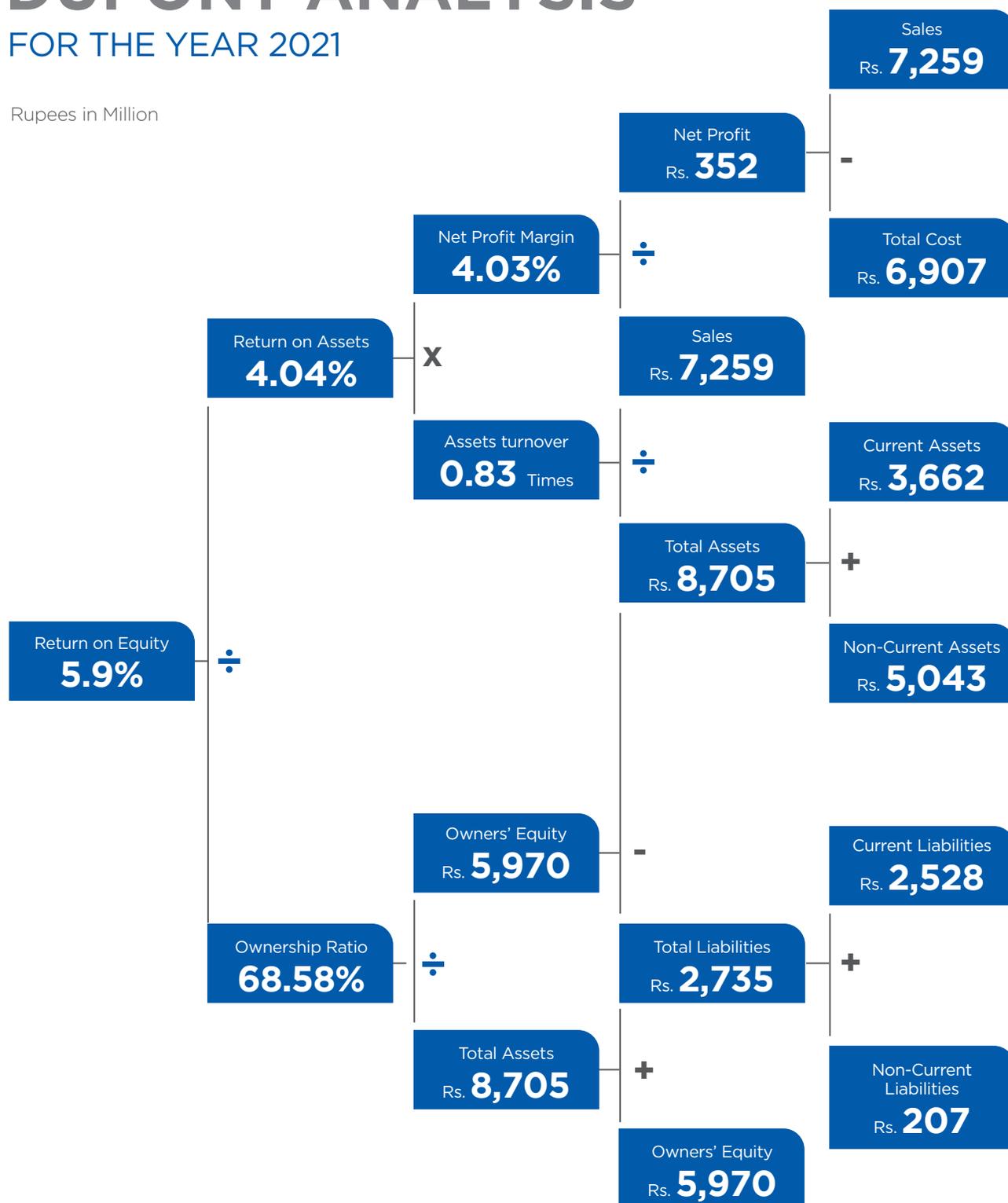
### TOTAL EQUITY AND LIABILITIES AS OF 30 JUNE 2021



# DUPONT ANALYSIS

FOR THE YEAR 2021

Rupees in Million



DuPont Analysis	2021	2020
Tax burden	17.5%	85.5%
Interest burden	49.4%	-262.3%
EBIT margin	8.8%	5.0%
Asset Turnover (times)	0.8	0.4
Leverage	32.0%	55.5%
Return on equity	5.9%	-0.3%

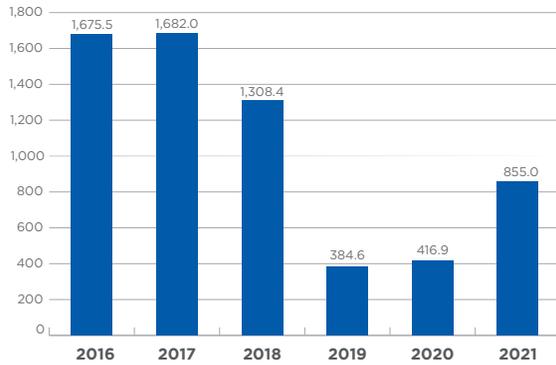
# KEY OPERATING AND FINANCIAL DATA

For The Current And Past Six Financial Years

Rupees in millions	2021	2020	2019	2018	2017	2016	2015
<b>A - Summary of Profit or Loss</b>							
Sales - net	7,259.3	3,822.2	4,066.5	7,043.8	10,208.6	7,412.0	2,101.6
Cost of sales	6,762.5	3,771.3	3,846.1	6,232.5	8,349.8	5,269.1	2,069.1
<b>Gross profit</b>	496.8	50.9	220.4	811.3	1,858.8	2,142.9	32.5
Income from investments - net	232.6	389.3	191.5	495.5	246.9	42.6	308.7
Distribution, selling and administrative expenses	260.8	258.6	203.1	190.9	317.8	298.6	194.0
Other operating expenses	27.4	25.9	28.6	84.9	410.8	421.3	29.3
Other income	196.3	35.4	89.0	171.7	201.8	93.7	25.6
<b>Operating profit before finance costs</b>	637.5	191.1	269.2	1,202.7	1,578.9	1,559.3	143.5
Finance costs	210.8	308.8	244.3	231.3	187.3	243.8	80.7
<b>Profit / (loss) before taxation</b>	426.7	(117.7)	24.9	971.4	1,391.6	1,315.5	62.8
Taxation	(74.7)	100.6	(118.6)	219.7	379.0	348.4	(43.7)
<b>Profit / (loss) for the year</b>	352.0	(17.1)	143.5	751.7	1,012.3	967.1	106.5
<b>B - Summary of Statement of Financial Position</b>							
Current assets	3,662.3	4,374.7	2,981.1	4,241.1	6,829.6	4,527.1	1,478.7
Stock-in-trade	1,236.5	2,130.7	821.4	1,542.7	2,686.7	2,266.8	453.1
Trade debts	137.1	225.8	96.4	106.9	663.7	322.9	87.9
Current liabilities	2,528.0	3,926.5	2,505.4	2,993.0	4,733.5	3,127.6	1,055.4
Trade and other payables	755.2	1,068.5	691.9	1,349.1	1,863.8	711.0	626.0
Property, plant and equipment	2,058.9	2,274.3	2,493.7	1,039.0	940.6	822.6	780.7
Total assets	8,705.6	9,660.8	8,287.0	10,079.0	12,179.6	9,484.2	5,392.7
Long term financing (excluding current maturity)	202.2	255.2	280.2	354.2	386.1	471.4	285.2
Deferred income (including current maturity)	13.3	13.3	13.4	13.5	11.6	13.8	3.2
Deferred liability - staff retirement benefits	-	23.7	100.5	-	232.8	68.3	-
Short term financing (including current maturity of long-term financing)	1,710.3	2,771.2	1,738.8	1,600.7	2,699.5	2,251.9	404.2
Reserves	5,194.5	4,672.0	4,617.7	5,947.4	6,043.4	5,031.4	3,429.7
Shareholders' equity	5,970.8	5,448.3	5,394.1	6,723.8	6,819.7	5,807.7	4,050.7
<b>C - Summary of Statement of Cash Flows</b>							
Cash and cash equivalents at the beginning of the year	(558.9)	(818.6)	(172.1)	(219.4)	(117.0)	(259.3)	(121.1)
Net cash generated from / (used in) operating activities	1,036.0	(1,385.6)	(228.4)	1,599.5	172.0	(1,820.1)	162.2
Net cash generated from / (used in) investing activities	80.1	384.2	1,421.6	168.3	(144.6)	(816.3)	(399.2)
Net cash (used in) / inflow from financing activities	(1,216.7)	1,261.1	(590.7)	(1,720.5)	(129.8)	2,778.7	98.8
Net (decrease) / increase in cash and cash equivalents	(100.6)	259.7	602.5	47.3	(102.4)	142.3	(138.2)
Transfer upon amalgamation	-	-	(1,249.0)	-	-	-	-
Cash and cash equivalents at the end of the year	(659.5)	(558.7)	(818.6)	(172.1)	(219.4)	(117.0)	(259.3)
<b>D - Other Data</b>							
Depreciation and amortization	217.5	225.8	115.4	105.7	103.0	116.1	111.4
Capital expenditure	65.6	9.2	131.3	204.2	215.2	141.5	95.7
No. of ordinary shares (no. of shares in millions)	77.6	77.6	77.6	77.6	77.6	77.6	62.1
Payments to National Exchequer	1,527.3	1,047.7	527.2	1,868.9	2,574.3	2,250.0	157.2

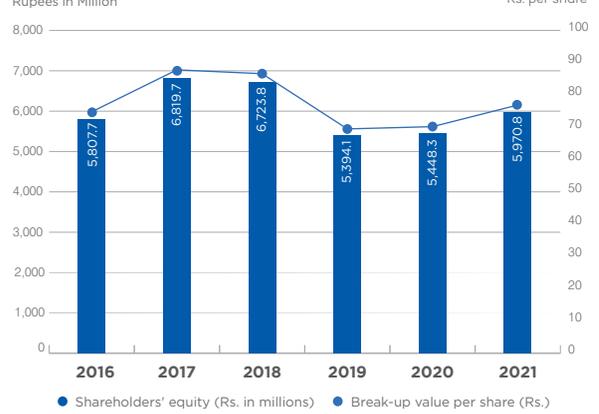
### EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION AND AMORTIZATION (EBITDA)

Rupees in Million



### SHAREHOLDERS' EQUITY AND BREAK-UP VALUE PER SHARE

Rupees in Million / Rs. per share



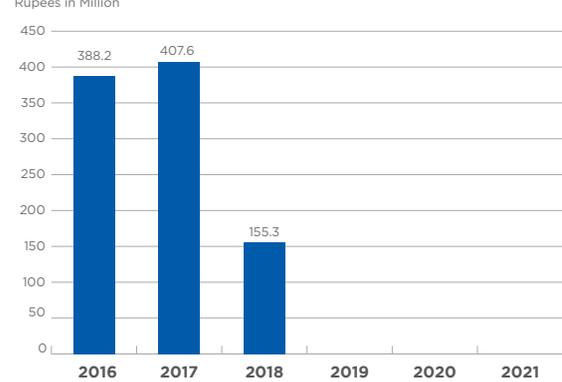
### PROFITABILITY AND RETURN

Percentage



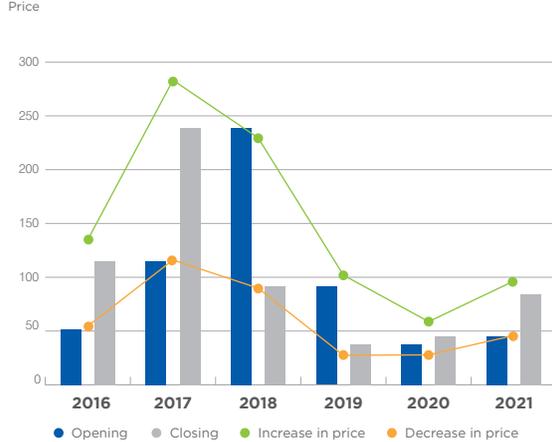
### DIVIDEND (INCLUDING FINAL PROPOSED)

Rupees in Million



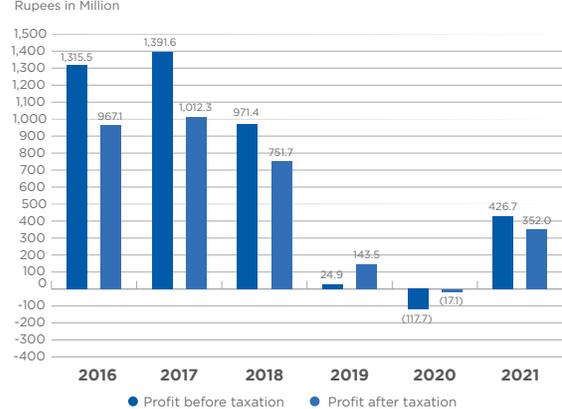
### MOVEMENT IN STOCK PRICES

Price



### PROFIT BEFORE AND AFTER TAXATION

Rupees in Million



# QUARTERLY ANALYSIS

## SALES

Sales were higher in first half as compared to second half due to Steel division orders in hand as at 30 June 2020 which were expected in the current financial year. Second half posted 46.9% or Rs. 3,403.3 million to annual revenue as against H1FY21: Rs. 3,855.9 million. As explained in detail in the operating performance reviews, the Steel line pipe division remained the main contributor to sales on the back of pipe distribution projects initiated by the gas utilities.

## INCOME FROM INVESTMENTS

During the first quarter, the IID Division recorded a net profit of Rs. 25.4 million. The second and third quarter also showed positive results and the IID division contributed to Rs. 146.2 million to profits during the fiscal year. The year closed with the fourth quarter contributing profit of Rs. 169.2 million with unrealized gain on fair value through profit or loss investments of Rs 163.9 million.

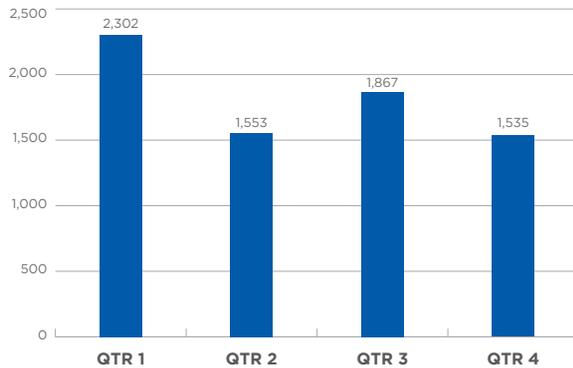
Income from investments, inclusive of dividend income of Rs. 19.3 million and unrealized gain of Rs. 200.7 million, stood at Rs. 232.6 million.

## PROFIT / LOSS AFTER TAXATION

Profit after taxation for the first quarter stood at Rs. 140.1 million. Second and third quarters added Rs. 222.3 million to the bottom line and showed profit from all Divisions except Hadeed (Billet) division. After showing good results in all three quarters, the fourth quarter posted a loss after tax of Rs. 10.6 million due to idling of Steel division and Hadeed (Billet) division plants.

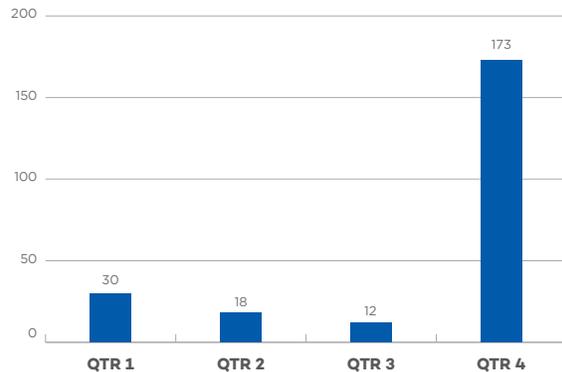
### SALES

Rupees in Million



### INVESTMENT INCOME

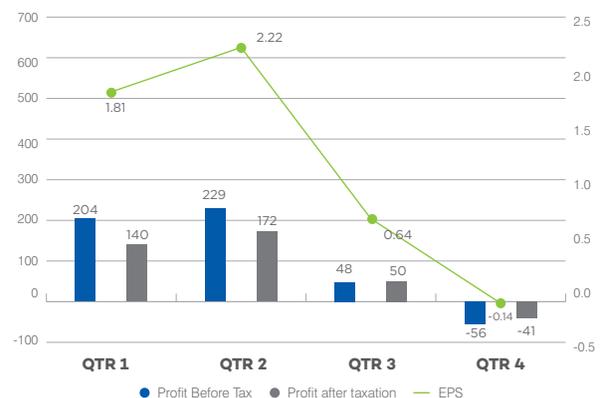
Rupees in Million



### PROFIT BEFORE TAX, PROFIT AFTER TAX AND EPS

Rupees in Million

Rupees per share

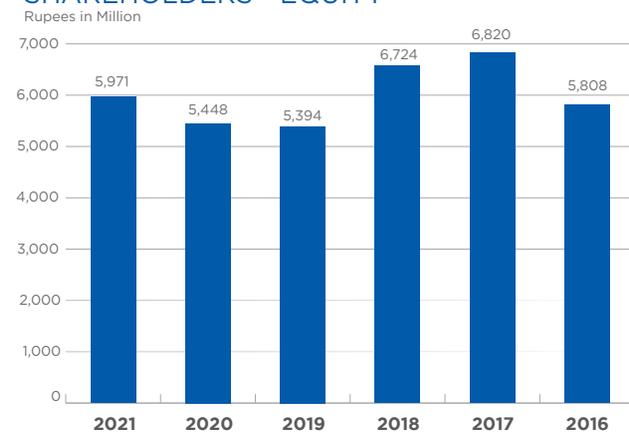


# COMMENTS ON SIX-YEAR STATEMENT OF FINANCIAL POSITION

## EQUITY

Over the last six years equity has increased to Rs. 5,971 million. Increase in equity is attributable to profitable results of the Company over the last six years and issue of rights shares amounting to Rs. 900.5 million in FY16.

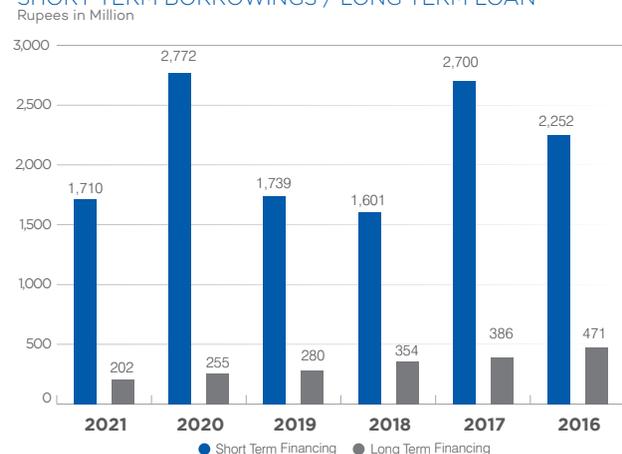
### SHAREHOLDERS - EQUITY



## SHORT TERM BORROWINGS / LONG TERM LOAN

Short term borrowings increased from Rs. 404 million in 2015 to Rs. 1,710 million in 2021. Upward movement is in line due to increase in working capital requirements during the year. During the financial year 2021, long term loans and short term borrowings decreased as compared to last year on account of repayments made during the year.

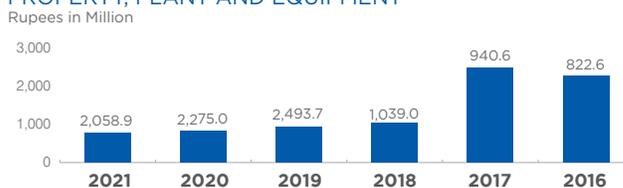
### SHORT TERM BORROWINGS / LONG TERM LOAN



## PROPERTY, PLANT AND EQUIPMENT

Increase in net book value of property, plant and equipment was mainly due to amalgamation of wholly owned subsidiaries. However, decrease in net book value of property, plant and equipment from last year was mainly due to depreciation charged during the year.

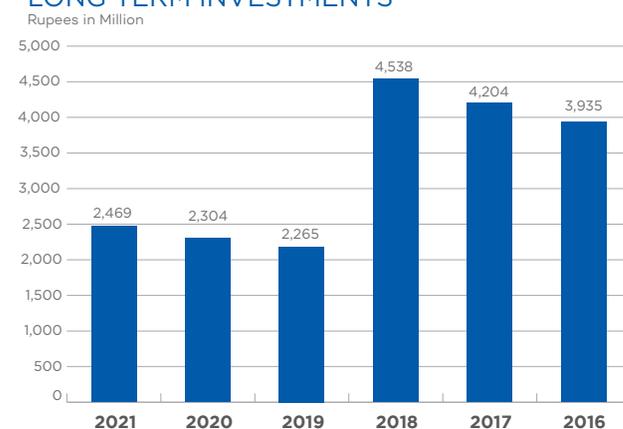
### PROPERTY, PLANT AND EQUIPMENT



## LONG TERM INVESTMENTS

Long term investments has decreased over the years from Rs. 3,935 million in 2016 to Rs. 2,469 million in 2021. The main reason for decrease in investments over the years is divestment of interest in subsidiaries due to amalgamation.

### LONG TERM INVESTMENTS

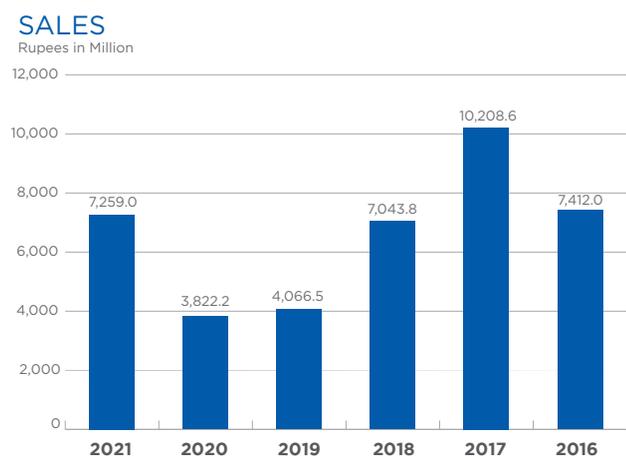


# COMMENTS ON SIX-YEAR PROFIT OR LOSS

The Company has four core businesses i.e. Steel line pipe (Steel segment), Cotton spinning (Cotton segment), Electricity supply (CS Energy Division) and Billets manufacturing (Hadeed-Billet Division). Infrastructure and development projects of oil and gas industry directly impact the top and bottom lines of Steel segment. Execution of such projects is largely dependent on infrastructure projects executed by utility companies in Pakistan and Government. Order intake during 2016 to 2018 was at an all-time high, due to capacity expansion and laying of gas pipelines for transmission of RLNG. During FY 2020, the Company secured contracts of Rs. 1.688 billion from Sui Northern Gas Pipeline Company Limited for the supply of 24" and 16" pipe which were executed during first half of FY2021. Resultantly, the Company recorded most income in the first half. Steel line pipe segment remained the main contributor to sales on the back of pipe distribution projects initiated by the Gas Utility Companies.

## SALES

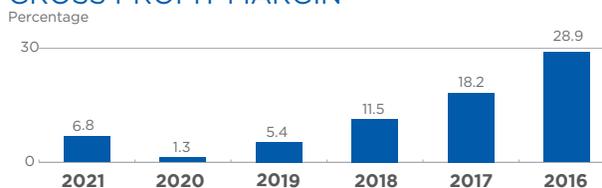
The sales stood at Rs. 7,259 million in FY21 which was 89.9% higher than last year. Sales revenue in 2020 amounting to Rs. 3,822 million was lowest in past six years, which was primarily due to lack of order intake and its consequent idling cost and overall impact of COVID 19 on economy.



## GROSS PROFIT

In FY21 gross profit margin increased to 6.8% as compared to 1.3% in the previous year. The increase in margin is due to good profit margins from Steel and Cotton division, thus significantly affecting gross profit margin. Gross profit margin of 1.3% in 2020 was the lowest during the last six years due to upward movement in HR Coil prices and idling of the Plant.

## GROSS PROFIT MARGIN



## OPERATING EXPENSE

In FY21, distribution and selling expenses stood at Rs. 15 million as compared to Rs. 13 million in FY 2020 which were 15.4% higher from FY 2020. The increase is justified as compared to increase in sales during the year.

In FY17 and FY16 major component to other operating expenses were charges for liquidated damages. Other components comprised of provision for Workers' Welfare Fund and Workers' Profit Participation Fund, which were directly related to profits of the Company.

## FINANCE COST

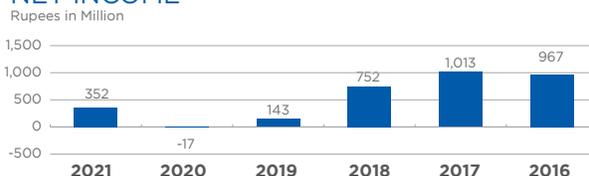
During FY21, finance costs were lower due to decrease in the working capital requirements of the Company. Increasing trend was observed in finance cost during 2018 (Rs. 231 million) to 2020 (Rs. 309 million), mainly due to high policy rate of 13.25 percent which was subsequently curtailed down to 7%.

Finance cost decreased significantly in FY17 despite increase in business activities during the year due to better cash flow management and early recoveries from debtors.

## PROFIT OR LOSS AFTER TAXATION

Variations in profit or loss after taxation during the six year period was on account of varying market conditions across business segments. Profit in FY21 was driven from all operations except Hadeed (Billet) Division.

## NET INCOME



The Company was able to maintain its profitability on net basis due to recovery of overall economic condition of the country impacted by the pandemic and orders in hand of Steel division.

## CASH FLOWS

Cash generated from operations was recorded at Rs. 1,227.8 million. Favourable movement was observed in working capital changes with net increase of Rs. 722 million in year 2021 as compared to net decrease of Rs. 1,025.6 million in year 2020. This was mainly due to decrease in stock in trade and trade debtors resulting in net cash inflow of Rs. 894.2 million and Rs. 88.7 million, respectively.

Net cash generated from operating activities stood at Rs. 1,036 million as compared to net cash used in operating activities amounting to Rs. 1,385.6 million in FY20, which was mainly due to change of cash flow from operations as explained above. Capital expenditure and net investment made were the only cash outflows from investing activities while dividend, interest income and proceeds from disposal of operating fixed assets and investment property were the main cash inflows from investing activities.

Whereas repayments of short term loans were the main factor for negative net cash outflow from financing activities for the current year. Cash and cash equivalents as at 30 June 2021 were recorded at negative Rs. 659.5 million in comparison with negative Rs. 558.9 million for 2020.

# RATIO ANALYSIS

## PROFITABILITY RATIOS

For the year FY21 gross profit margins stood at 6.8% which were higher than comparative year. Moreover, net margin also moved from negative to positive at 4.8%. The Company managed to sustain profits during the year under the COVID pandemic. Consequently, return on equity and capital employed moved from negative 0.3% and 0.2% to positive 5.9% and 4.3%, respectively in comparison with last year.

Profitability ratios of the Company remained in concurrence with overall performance during the last 6 years except in FY20. Current cover ratio increased to 1.4 times in comparison with 1.1 times in FY20. Trade creditors and short term borrowings were offset by increase in stock-in-trade, trade debtors, advances and other receivables.

## ACTIVITY / TURNOVER RATIOS

Inventory turnover days stood at 91 days, while debtors turnover in days decreased in comparison with last year from 15 days to 9 days. Number of days in creditors decreased to 13 days. In FY21, total asset increased to 0.8 times as compared to 0.4 times from last year, this was in line with the historical six-year average of the Company.

## INVESTMENT / MARKET RATIOS

With the increase in profitability, the Company's earnings per share was recorded at Rs. 4.53 per share. Price to earnings ratio stood to 18.5 times as compared to Nil in 2020. The market price of Company's share increased from Rs. 45.5 per share at the close of 2020 to Rs. 83.98 per share at close of FY21. Dividend payout ratio for 2021 was recorded at Nil against an average of 23.7% for the last 6 years.

## CAPITAL STRUCTURE RATIOS

Financial leverage ratio decreased to 32.0% in 2021 from 55.5% in 2020 due to decrease in short term financing availed during FY 2020 mainly for working capital requirements. Long term debt to equity ratio decreased to 3.4% lowest during the last 6 years. Company's interest cover ratio increased to 3.0 times in comparison with 0.6 times in 2020 as a result of increase in profitability.

# STAKEHOLDER ENGAGEMENT APPROACH

## CRESCENT STEEL STRIVES TO MAINTAIN PRO-ACTIVE, FAIR AND EFFECTIVE COMMUNICATION WITH ALL ITS STAKEHOLDERS.

Like any other business enterprise, the foremost objective of the Company is to run its businesses profitably, create maximum value for equity providers, offer growth and sustainable returns. The corporate resources are principally deployed in the achievement of this end. The company also remains mindful of other stakeholders as we do not operate in isolation to our environment and accordingly management considers itself responsible towards all stakeholders which are:



### OUR SHAREHOLDERS

To protect shareholders' investments, ensure accurate financial reporting and transparent communication and offer optimum returns to them.

Company conducts Corporate Briefing Session once a year in addition to convening of general meetings where shareholders and current as well as potential investors are provided an opportunity to interact with the Senior Management of the Company.

Company maintains a fully functional website as per SECP's requirements in this regard for listed companies. The website is continually updated and kept under review.

The company's financial reports are timely uploaded on its website and Stock Exchange portal in addition to being dispatched to shareholders as required under corporate laws.

Any major developments are also promptly notified to the Stock Exchange and posted on the company's website to ensure transparent dissemination of information in an all-inclusive manner.

The office of the Company Secretary remains available to address shareholders' grievances and queries, thus ensuring regular communication with company's investors.



### OUR CUSTOMERS

It is extremely crucial for any business to have a happy and satisfied customer base to enable it to further its objectives of profitability and growth. Management puts utmost emphasis on winning and maintaining customer satisfaction by developing and providing products and

services within promised timelines, which offer value in terms of price, quality, safety and environmental impact supported by requisite technological expertise.

Our marketing teams always remain at the forefront in assessing and fulfilling customer needs and expectations through regular visits and meetings.



### OUR PEOPLE

A capable and dedicated workforce plays a pivotal role towards the organisation's success. At Crescent Steel, we aim to develop and retain a competitive workforce which aligns with company success.

Our objectives in this area include safeguarding the human and legal rights of employees with good and safe conditions of work, offering competitive terms of service, fair reward systems, equal employment opportunities, promoting mutual respect among a diverse work force and learning and development of our employees.



### OUR BUSINESS PARTNERS

Our contractors and suppliers are instrumental in guaranteeing that we fulfill our customers' expectations, in terms of quality as well as pricing, on time. We rigorously seek mutually beneficial relationships with contractors and suppliers of goods and services to the Company, to ensure competitive procurement and optimum delivery times.



### OUR SOCIETY AND THE GOVERNMENT

Crescent Steel endeavors to conduct business as a responsible member of society, which includes observing laws, expressing support for basic human rights and giving proper regard to health, safety and environment not only at our various campuses but also beyond, extending it to the communities around us as well as the society at large.

Our CSR initiatives, which have been explained in detail in our Corporate Social Responsibility report, are a testament towards our commitment and efforts in this area.

# SHAREHOLDERS INFORMATION

## STOCK EXCHANGE LISTING

Crescent Steel and Allied Products Limited is a listed Company and its shares are traded on the Pakistan Stock Exchange. The Company's shares are quoted in leading dailies under the Engineering Sector with symbol 'CSAP'.

## OWNERSHIP

On 30 June 2021, there were 3,036 shareholders on record of the Company's ordinary shares.

## ANNUAL GENERAL MEETING

The annual shareholders meeting will be held on Thursday, 28 October 2021 at 12:00 noon at registered office, Lahore, through video-link. Shareholders as of 21 October 2021 are encouraged to participate and vote. A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote instead of him/her. A Proxy must be a member of the Company. Proxies should be filed with the company at least 48 hours before the meeting time.

## BOOK CLOSURE

The Share Transfer Books of the Company will remain closed from 21 October 2021 to 28 October 2021 (both days inclusive). Transfers received in order at Share Registrar's Office, CorpTec Associates (Private) Limited, by the close of business on 20 October 2021, will be treated in time for the entitlement to attend the Annual General Meeting of the Company.

## SHARE REGISTRAR

Enquiries concerning lost share certificates, dividend payments, change of address, verification of transfer deeds and share transfers should be directed to Company's Share Registrar.

M/s CorpTec Associates (Private) Limited,  
503-E Johar Town, Lahore.  
Tel: +92 42 3517 0336-37  
Fax: +92 42 3517 0338  
Email: info@corptec.com.pk

## PLACEMENT OF FINANCIAL STATEMENTS

The Company has placed the Audited Annual Unconsolidated and Consolidated Financial Statements for the year ended 30 June 2021 along with Auditors and Directors Report thereon on Company's website. All quarterly reports are also regularly posted on the Company's website.

## ISSUES RAISED AT LAST AGM

During the 36th Annual General Meeting of the Company held on 28 October 2020, the members raised some queries on the Financial Statements which were duly responded by the Chairman to the entire satisfaction of the members and no significant issues were raised.

## INVESTOR RELATIONS AND GRIEVANCE REDRESSAL

Investor grievances are addressed through our Company Secretary's office. Investors can lodge queries or complaints regarding information they require or for non-receipt of any right available to them directly to the Company Secretary through the contacts available on our website. A strong investor relations function enables us to provide efficient services to investors and to effectively address and redress the grievances of the investors in a timely manner and, to manage recurrences.

# FINANCIAL CALENDAR RESULTS AND DIVIDEND ANNOUNCED FY 2021

<b>28<sup>th</sup></b> October 2020	<b>11<sup>th</sup></b> February 2021	<b>29<sup>th</sup></b> April 2021	<b>12<sup>th</sup></b> August 2021
1st Quarter ending 30 September 2020 Approved and announced	2nd Quarter ending 31 December 2020 Approved and announced	3rd Quarter ending 31 March 2021 Approved and announced	Year ended 30 June 2021 Approved and announced

## EXPECTED MEETING CALENDAR FY 2022:

**The Company follows the period of July 01 to June 30 as the financial year.  
Financial Results will be announced as per the following schedule:**

<b>28<sup>th</sup></b> October 2021	<b>28<sup>th</sup></b> October 2021*	<b>31<sup>st</sup></b> January 2022*	<b>28<sup>th</sup></b> April 2022*	<b>30<sup>th</sup></b> July 2022*
Annual General Meeting	1st Quarter ending 30 September 2021	2nd Quarter ending 31 December 2021	3rd Quarter ending 31 March 2022	Year ended 30 June 2022

\* Dates are tentative and the Company reserves the right to change.

# SHARE PRICE SENSITIVITY ANALYSIS

CSAP opened FY21 at Rs. 45.50 and closed the fiscal year at Rs 83.98, gaining 84.57% over the year, on the back of improving market conditions and investor confidence as well as improving outlook specifically in the engineering and construction sectors. The scrip traded at a high of Rs. 99 and a low of Rs. 45 during FY21. Average daily volumes stood at 235,861 shares/day.

## COMPANY SHARE PRICE

Rupees per Share



# PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS

As at 30 June 2021

No. of Shareholders	Shareholding		Total Shares held
	From	To	
555	1	100	21,550
767	101	500	261,439
459	501	1,000	390,977
692	1,001	5,000	1,831,950
200	5,001	10,000	1,576,199
69	10,001	15,000	869,317
56	15,001	20,000	1,002,465
46	20,001	25,000	1,049,613
25	25,001	30,000	685,200
13	30,001	35,000	432,639
15	35,001	40,000	576,948
9	40,001	45,000	383,054
12	45,001	50,000	583,965
10	50,001	55,000	527,100
4	55,001	60,000	227,647
6	60,001	65,000	370,008
3	65,001	70,000	200,805
4	70,001	75,000	299,300
1	75,001	80,000	78,500
3	80,001	85,000	244,250
1	85,001	90,000	87,500
2	90,001	95,000	183,000
9	95,001	100,000	895,002
2	100,001	105,000	206,000
3	105,001	110,000	323,110
1	110,001	115,000	112,000
1	115,001	120,000	116,500
2	120,001	125,000	247,615
2	135,001	140,000	275,365
1	140,001	145,000	141,500
4	145,001	150,000	591,991
1	150,001	155,000	153,215
2	155,001	160,000	318,950
1	160,001	165,000	165,000
1	165,001	170,000	168,500
1	175,001	180,000	180,000
2	180,001	185,000	367,540
3	185,001	190,000	564,500
1	190,001	195,000	192,500
2	195,001	200,000	400,000
2	205,001	210,000	420,000

No. of Shareholders	Shareholding		Total Shares held
	From	To	
1	210,001	215,000	215,000
1	215,001	220,000	218,894
1	260,001	265,000	262,000
1	265,001	270,000	268,750
1	270,001	275,000	275,000
1	290,001	295,000	293,500
1	315,001	320,000	316,300
1	325,001	330,000	327,000
1	335,001	340,000	337,500
1	365,001	370,000	370,000
1	380,001	385,000	383,452
1	390,001	395,000	390,646
1	395,001	400,000	400,000
1	400,001	405,000	405,000
1	405,001	410,000	407,690
1	415,001	420,000	415,460
1	420,001	425,000	423,000
1	435,001	440,000	439,500
4	495,001	500,000	1,997,083
1	595,001	600,000	600,000
1	650,001	655,000	650,600
1	885,001	890,000	890,000
1	960,001	965,000	964,800
1	1,020,001	1,025,000	1,025,000
1	1,220,001	1,225,000	1,222,000
1	1,270,001	1,275,000	1,275,000
1	1,515,001	1,520,000	1,520,000
1	1,630,001	1,635,000	1,630,736
1	1,690,001	1,695,000	1,691,200
1	1,895,001	1,900,000	1,900,000
1	1,915,001	1,920,000	1,917,700
1	1,920,001	1,925,000	1,921,832
1	2,630,001	2,635,000	2,630,695
1	2,940,001	2,945,000	2,943,400
1	3,545,001	3,550,000	3,545,600
1	3,865,001	3,870,000	3,866,500
1	4,030,001	4,035,000	4,034,680
1	4,250,001	4,255,000	4,252,000
1	4,740,001	4,745,000	4,743,956
1	8,535,001	8,540,000	8,538,303
<b>3,036</b>			<b>77,632,491</b>

# CATEGORIES OF SHAREHOLDING

As at 30 June 2021

Categories of Shareholder	Total	% age
<b>Directors, Chief Executive Officer, Their Spouses and Minor Children</b>		
<b>CEO</b>		
Ahsan Muhammad Saleem	497,083	0.64
<b>Directors</b>		
Ahmad Waqar	27	0.00
Farrukh Viqaruddin Junaidy	1	0.00
Farah Ayub Tarin	1	0.00
Nadeem Maqbool	58,310	0.08
Syed Mahmood Ehtishamullah	19,495	0.03
Nasir Shafi	101	0.00
Muhammad Kamran Saleem	500	0.00
	<b>78,435</b>	<b>0.101</b>
<b>Director's Spouse</b>		
Shanaz Ahsan Saleem	650,600	0.84
<b>Directors, Chief Executive Officer, Their Spouses and Minor Children</b>	<b>1,226,118</b>	<b>1.6</b>
<b>Associated Companies, Undertakings &amp; Related Parties</b>		
CSAP Staff Benevolent Fund	36,178	0.05
Premier Insurance Limited	141,500	0.18
Crescent Steel & Allied Products Gratuity Fund	1,921,832	2.48
Crescent Steel & Allied Products Pension Fund	4,037,680	5.20
Crescent Steel & Allied Products Staff Provident Fund	124,200	0.16
Crescent Cotton Products Staff Provident Fund	74,800	0.10
Suraj Cotton Mills Limited	1,222,000	1.57
The Crescent Textile Mills Limited	8,538,303	11.00
Shakarganj Limited	180,000	0.23
<b>Associated Companies, Undertakings &amp; Related Parties</b>	<b>16,276,493</b>	<b>21</b>
<b>Mutual Funds and Modarabas</b>		
M/S. Unicap Modaraba	190	0.00
CDC - Trustee Atlas Stock Market Fund	405,000	0.52
B.R.R. Guardian Modaraba	16,500	0.02
CDC - Trustee APF-Equity Sub Fund	19,000	0.02
CDC - Trustee NIT-Equity Market Opportunity Fund	383,452	0.49
CDC -Trustee NIT IPF Equity Sub-Fund	16,000	0.02
CDC -Trustee NIT PF Equity Sub-Fund	13,000	0.02
MCBFSL - Trustee AKD Islamic Stock Fund	20,000	0.03
<b>Mutual Funds and Modarabas</b>	<b>873,142</b>	<b>1</b>
<b>National Investment (UNIT) Trust</b>	<b>1,630,736</b>	<b>2.10</b>

<b>Categories of Shareholder</b>	<b>Total</b>	<b>% age</b>
<b>Banks, DFIs, NBFCs</b>		
Saudi Pak Industrial & Agri. Investment Company Limited	110	0.00
Islamic Development Bank	4,743,956	6.11
Industrial Development Bank Of Pakistan	707	0.00
Pak Libya Holding Company (Private) Limited	133	0.00
Samba Bank Limited	2,381	0.00
IDBPL (ICP Unit)	145	0.00
National Bank Of Pakistan	2,400	0.00
National Bank Of Pakistan	1,691,200	2.18
MCB Bank Limited - Treasury	2,943,400	3.79
Al Baraka Bank (Pakistan) Limited	75,000	0.10
MCB Islamic Bank Limited	1,025,000	1.32
<b>Banks, DFIs, NBFCs</b>	<b>10,484,432</b>	<b>13.51</b>
<b>Insurance Companies</b>		
State Life Insurance Corporation Of Pakistan	2,630,695	3.39
Adamjee Insurance Company Limited	100,000	0.13
<b>Insurance Companies</b>	<b>2,730,695</b>	<b>3.52</b>
<b>Other Companies (Local and Foreign)</b>	<b>14,031,581</b>	<b>18.07</b>
<b>Public</b>		
Local	30,350,194	39.09
Foreign	29,100	0.04
<b>Total</b>	<b>77,632,491</b>	<b>100</b>
<b>Shareholders More Than 10.00 %</b>		
<b>The Cresnet Textile Mills Limited</b>	<b>8,538,303</b>	<b>11.00</b>

# NOTICE OF 37<sup>TH</sup> ANNUAL GENERAL MEETING

Notice is hereby given that the 37<sup>th</sup> Annual General Meeting (“AGM”) of the shareholders of Crescent Steel and Allied Products Limited (the “Company”) will be held on Thursday, 28 October 2021 at 12:00 noon, through video-link, in Lahore, to transact the following Ordinary Business:

1. To receive, consider and adopt the Chairman’s Review Report, the Reports of Directors and Auditors together with Audited Annual Separate and Consolidated Financial Statements of Crescent Steel and Allied Products Limited for the year ended 30 June 2021.
2. To appoint Company’s auditors and to fix their remuneration. The members are hereby notified that the Audit Committee and the Board of Directors have recommended the name of retiring auditors M/s A. F. Ferguson & Co. Chartered Accountants for appointment as auditors of the Company.

BY ORDER OF THE BOARD

**Iesha Fazal**  
Company Secretary

Lahore: 07 October 2021

## NOTES:

1. Keeping in view the Government’s requirements in view of Coronavirus Pandemic, and for the safety and well-being of shareholders as well as general public and to stop spread of the disease, the Company has decided to hold the AGM virtually via video link, as allowed by the SECP. The AGM can be attended using smart phones/tablets/computers. To attend the meeting through video link, members and their proxies are requested to register themselves by providing the following information along with valid copy of Computerized National Identity Card (both sides)/passport, attested copy of board resolution / power of attorney (in case of corporate shareholders) through email at [company.secretary@crescent.com.pk](mailto:company.secretary@crescent.com.pk) by 26 October 2021.

Name of member	CNIC No	CDC Account No/Folio No.	Cell Number.	Email address

2. The members who are registered after necessary verification shall be provided a video link by the Company on the same email address that they email the Company with. The Login facility shall remain available from start of the meeting till its proceedings are concluded.
3. The shareholders who wish to send their comments/ suggestions on the agenda of the AGM can email the Company at [company.secretary@crescent.com.pk](mailto:company.secretary@crescent.com.pk) or

WhatsApp at 0321 9436 216. The Company shall ensure that comments/ suggestions of the shareholders will be read out at the meeting and the responses will be made part of the minutes of the meeting.

## Book Closure and Proxies:

4. The Share Transfer Books of the Company will remain closed from 21 October 2021 to 28 October 2021 (both days inclusive). Transfers received in order at the office of our Share Registrar, M/s CorpTec Associates (Pvt) Limited, 503-E, Johar Town, Lahore by the close of business on 20 October 2021, will be treated in time for the entitlement to attend, speak and vote at the Annual General Meeting of the Company.
5. A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote instead of him/her and a proxy so appointed shall have the same rights, as respects attending, speaking and voting at the AGM as are available to the members. The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form. A Proxy must be a member of the Company.
6. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarial attested copy of the power of attorney must be deposited at the Registered Office of the Company at least 48 hours before the time of the meeting. Proxy Forms, in English and Urdu languages, have been dispatched to the members along with the notice of AGM.

### **e-Payment of Dividend:**

7. The provisions of Section 242 of the Companies Act, 2017 require the listed companies that any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders. Accordingly, the shareholders holding physical shares are requested to provide the Company's Share Registrar at the address given herein above, electronic dividend mandate on E-Dividend Form provided in the annual report and also available on website of the Company. In the case of shares held in CDC, the same information should be provided to the CDS participants for updating and forwarding to the Company. In case of non-submission, all future dividend payments may be withheld.

### **Zakat Declarations:**

8. The members of the Company are required to submit Declaration for Zakat exemption in terms of Zakat and Ushr Ordinance, 1980.

### **Circulation of Financial Statements:**

9. The shareholders who wish to receive hard copy of the aforesaid documents may send to the Company Secretary / Share Registrar, the Standard Request Form provided in the annual report and also available on the website of the Company and the Company will supply hard copies of the aforesaid document to the shareholders on demand, free of cost, within one week of such demand. The shareholders who intends to receive the annual report including the notice of meeting through e-mail are requested to provide their written consent on the Standard Request Form provided in the annual report and also available on the Company's website: [www.crescent.com.pk](http://www.crescent.com.pk).

### **Unclaimed Dividend / Shares:**

10. Shareholders, who by any reason, could not claim their dividend or bonus shares or did not collect their physical shares, if any, are advised to contact our Share Registrar M/s. Corptec Associates (Private) Limited, 503-E, Johar Town, Lahore, to collect/enquire about their unclaimed dividend / shares, if any.

### **Placement of Financial Statements:**

11. The Company has placed a copy of the Notice of AGM, Annual Separate and Consolidated Financial Statements for the year ended 30 June 2021 along with Auditors and Directors Reports thereon and Chairman's Review on the website of the Company: [www.crescent.com.pk](http://www.crescent.com.pk)

### **Deposit of Physical Shares in to CDC Accounts:**

12. As per Section 72 of the Companies Act, 2017, every existing company shall replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the Securities and Exchange Commission of Pakistan, within a period not exceeding four years from the commencement of the Companies Act, 2017. The shareholders holding shares in physical form are requested to please convert their shares in the book entry form.

For this purpose, the shareholders may open CDC sub-account with any of the brokers or investor's account directly with the CDC to place their physical shares into scrip-less form. This will facilitate them in many ways including safe custody and sale of shares, anytime they want as the trading of physical shares is not permitted as per existing Regulations of the Pakistan Stock Exchange Limited. It also reduces the risks and costs associated with storing share certificate(s) and replacing lost or stolen certificate(s) as well as fraudulent transfer of shares.

For the procedure of conversion of physical shares into book-entry form, you may approach our Share Registrar at the contact information given above.



[www.crescent.com.pk](http://www.crescent.com.pk)

6 پر کسی مقرر کرنے کیلئے جمع کروائے جانے والی دستاویز اور زبردستی پور آف یا پور آف اٹارنی کی نوٹری سے مصدقہ نقل اجلاس شروع ہونے سے کم از کم 48 گھنٹے قبل کمپنی کے رجسٹر ڈائریکٹس میں موصول ہونا لازم ہے۔ اردو اور انگریزی زبانوں میں پر کسی فارم نوٹس برائے سالانہ اجلاس عام کے ساتھ ارسال کیا جا چکا ہے۔

### ڈیویڈنڈ کی الیکٹرانک ادائیگی

7 کمپنیز ایکٹ 2017 کے سیکشن 242 کے مطابق لیزڈ کمپنیوں کیلئے لازم ہے کہ قابل ادائیگی نقد ڈیویڈنڈ اب صرف حصص داران کے فراہم کردہ بینک اکاؤنٹ میں براہ راست بذریعہ الیکٹرانک ذرائع ہی ادا کئے جاسکتے ہیں۔ لہذا ایسے حصص داران جو کہ اب تک کاغذی صورت میں حصص کے حامل ہیں سے درخواست کی جاتی ہے کہ مندرجہ بالا پتے پر کمپنی حصص رجسٹرار کے پاس ای ڈیویڈنڈ فارم پر الیکٹرانک ڈیویڈنڈ مینڈیٹ جمع کروادیں، ای ڈیویڈنڈ فارم سالانہ رپورٹ کے ساتھ منسلک ہے اور اس فارم کو کمپنی کی ویب سائٹ سے بھی ڈاؤن لوڈ کیا جاسکتا ہے۔ سی ڈی سی میں حاملین حصص سے گزارش کی جاتی ہے کہ سی ڈی سی شراکت داروں کو بھی یہی معلومات فراہم کر دی جائیں تاکہ یہ معلومات کمپنی تک پہنچ جائیں اور ان کی تجدید بھی کر لی جائے۔ بصورت دیگر مستقبل میں ملنے والے تمام ڈیویڈنڈ روک لئے جائیں گے۔

### زکوٰۃ سے متعلق حلف نامہ

8 ممبران سے درخواست کی جاتی ہے کہ زکوٰۃ و شراؤڈیننس 1980 کے قواعد کے مطابق اپنی زکوٰۃ کی ادائیگی سے متعلق حلف نامہ جمع کروادیں۔

### مالیاتی دستاویزات کی فراہمی

9 ایسے حصص داران جو کہ مذکورہ بالا دستاویزات کی نقل کاغذی صورت میں حاصل کرنے کے خواہش مند ہیں اپنی درخواست مختص درخواست فارم پر کمپنی سیکرٹری / حصص رجسٹرار کو بھیج سکتے ہیں، متعلقہ فارم سالانہ رپورٹ کے ساتھ منسلک ہے اور یہ فارم کمپنی کی ویب سائٹ سے بھی ڈاؤن لوڈ کیا جاسکتا ہے۔ درخواست موصول ہونے کی صورت میں ایک ہفتے کے اندر اندر کمپنی کی جانب سے حصص داران کو بلا معاوضہ مذکورہ بالا دستاویزات کاغذی صورت میں فراہم کر دیئے جائیں گے۔ ایسے حصص داران جو کہ سالانہ رپورٹ اور اجلاس کا نوٹس بذریعہ ای میل حاصل کرنے کے خواہش مند ہیں کو چاہئے کہ مختص درخواست فارم پر اپنی مرضی سے آگاہ کر دیں، متعلقہ فارم سالانہ رپورٹ کے ساتھ منسلک ہے اور فارم کمپنی کی ویب سائٹ [www.crescent.com.pk](http://www.crescent.com.pk) سے بھی ڈاؤن لوڈ کیا جاسکتا ہے۔

### غیر دعوہ شدہ ڈیویڈنڈا حصص

10 ایسے حصص داران جو کہ کسی بھی وجہ سے اپنے ڈیویڈنڈ کا دعوہ نہ کر سکے یا اپنے نوٹس حصص یا کاغذی صورت میں اپنے حصص اب تک موصول نہیں کر پائے سے گزارش ہے کہ اپنے غیر دعوہ شدہ ڈیویڈنڈ / حصص اور اس بارے میں معلومات کے حصول کیلئے ہمارے حصص رجسٹرار ایمرز کارپ ٹیک ایسوسی ایشن (پرائیویٹ) لمیٹڈ، E-503، جوہر ٹاؤن - لاہور سے رابطہ کریں۔

### مالیاتی دستاویزات کی فراہمی

11 کمپنی کی جانب سے نوٹس برائے سالانہ اجلاس عام، سالانہ جداگانہ اور مخلوط مالیاتی دستاویزات برائے مالی سال اختتامیہ 30 جون 2021 اور ان سے متعلق ڈائریکٹروں اور ڈیپوٹس کی رپورٹس اور چیمبر مین کی جائزہ رپورٹ کو کمپنی کی ویب سائٹ [www.crescent.com.pk](http://www.crescent.com.pk) پر فراہم کر دیا گیا ہے۔

### کاغذی / فزیکل حصص کا سی ڈی سی اکاؤنٹ میں تبادلہ

12 کمپنیز ایکٹ 2017 کے سیکشن 72 کے مطابق تمام کمپنیوں پر لازم ہے کہ اپنے کاغذی / فزیکل حصص کو سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے دی گئی تاریخ سے ہدایات کے مطابق بک انٹری کی صورت میں منتقل کریں، اور یہ منتقلیاں کمپنیز ایکٹ 2017 کے آغاز یعنی 31 مئی 2017 کے بعد سے چار برس کے اندر اندر ہونا چاہئے۔ لہذا ایسے تمام حصص داران جو کہ کاغذی / فزیکل حصص کے مالک ہیں سے گزارش کی جاتی ہے کہ اپنے حصص کو بک انٹری کی صورت میں منتقل کروالیں۔

اس مقصد کیلئے حصص داران کسی بھی بروکر یا انویسٹر کے پاس سی ڈی سی ڈی بی اکاؤنٹ کھلوا سکتے ہیں یا سی ڈی سی کے پاس براہ راست انویسٹر اکاؤنٹ بھی کھلوا سکتے ہیں تاکہ اپنے فزیکل حصص کو الیکٹرانک صورت میں منتقل کرواسکیں۔ ایسا کرنے سے انھیں کئی لحاظ سے سہولیات میسر آسکتی ہیں جیسا کہ حصص کی حفاظت اور کسی بھی وقت خرید و فروخت کیونکہ اب پاکستان اسٹاک ایکسچینج لمیٹڈ کے قواعد کے مطابق فزیکل حصص کی خرید و فروخت ممنوع قرار دی جا چکی ہے۔ ایسا کرنے سے حصص سرٹیفیکیٹس کو رکھنے کے سلسلے میں آنے والے اخراجات اور رسک کو بھی کم کیا جاسکتا ہے، حصص کو چوری ہونے یا گم ہونے سے بچایا جاسکتا ہے اور اس کے ساتھ ساتھ حصص کی دھوکہ دہی کے ساتھ منتقلی کو بھی روکا جاسکتا ہے۔

حصص کی کاغذی / فزیکل صورت سے بک انٹری کی صورت میں منتقلی کیلئے آپ ہمارے حصص رجسٹرار سے مندرجہ بالا پتے پر رابطہ کر سکتے ہیں۔



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## 37 ویں سالانہ اجلاس عام کانوٹس

بذریعہ ہذا نوٹس دیا جاتا ہے کہ کریسنٹ اسٹیل اینڈ الائیڈ پروڈکٹس لمیٹڈ (کمپنی) کے حصص داران کا 37 واں سالانہ اجلاس عام بروز جمعرات 28 اکتوبر 2021 دوپہر 12:00 بجے بمقام لاہور بذریعہ ویڈیو لنک منعقد کیا جا رہا ہے جس میں درج ذیل عمومی امور زیر بحث لائے جائیں گے:

- 1- مالی سال اختتامیہ 30 جون 2021 سے متعلق چمبر مین کی جائزہ رپورٹ، ڈائریکٹروں اور آڈیٹروں کی رپورٹس بعد کمپنی کی جدا گانہ اور مربوط آڈٹ شدہ مالیاتی دستاویزات کو موصول کرنا، انھیں زیر غور لانا اور انھیں منظور کرنا۔
- 2- کمپنی کے آڈیٹروں کی تعیناتی کرنا اور ان کے مشاہرے کا تعین کرنا۔ ممبران کو بذریعہ ہذا مطلع کیا جاتا ہے کہ بورڈ اور بورڈ کی آڈٹ کمیٹی کی جانب سے سفارش کی گئی ہے کہ ریٹائر ہونے والے آڈیٹر میسرز اے ایف فرگوسن اینڈ کو، چارٹرڈ اکاؤنٹنٹس، کو کمپنی کے آڈیٹر کے بطور تعینات کیا جائے۔

بحکم بورڈ

ایشاع فضل  
کمپنی سیکرٹری

لاہور: 07 اکتوبر، 2021

نوٹس:

3 ایسے حصص داران جو کہ سالانہ اجلاس عام کے ایجنڈے کے بارے میں اپنی آراء اور مشوروں سے آگاہ کرنا چاہتے ہیں انھیں چاہئے کہ واٹس ایپ نمبر 216-9436-0321 یا ای میل company.secretary@crescent.com.pk پر رابطہ کریں۔ کمپنی کی جانب سے اس بات کو یقینی بنایا جائے گا کہ ان مشوروں اور آراء کو اجلاس میں پڑھ کر سنایا جائے اور ان کے نتیجے میں سامنے آنے والے ردعمل کو بھی اجلاس کی کارروائی کی شقوں میں شامل کیا جائے۔

### کھاتوں کی بندش اور پراسی

4 کمپنی کے حصص منتقلی کے کھاتے 21 اکتوبر 2021 تا 28 اکتوبر 2021 (بشمول ایام مذکورہ) بند رہیں گے۔ ہمارے شیئر رجسٹرار میسرز کارپ ٹیک ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، E-503، جوہر ٹاؤن لاہور کو دفتر ایام کار کے دوران 20 اکتوبر 2021 تک موصول ہونے والی شیئرز کی منتقلی کی مکمل اور صحیح درخواستوں کو تسلیم کیا جائے گا اور ایسے ممبران سالانہ اجلاس عام میں شرکت کرنے، رائے دینے اور حق رائے دہی استعمال کرنے کے اہل ہوں گے۔

5 کمپنی کا ایسا کوئی بھی ممبر جو اجلاس میں شرکت کرنے اور ووٹ ڈالنے کا حق رکھتا ہو اپنی جگہ کسی اور ممبر کو اجلاس میں شرکت اور حق رائے دہی کیلئے اپنا پراسی مقرر کر سکتا ہے۔

1 کورونا وائرس کی وبائی صورتحال کو مد نظر رکھتے ہوئے حصص داران اور عوام الناس کی صحت اور فلاح و بہبود کو یقینی بنانے اور وباء کے مزید پھیلنا و کورونا کے غرض سے کمپنی کی جانب سے سالانہ اجلاس عام ویڈیو لنک کے ذریعے منعقد کیا جا رہا ہے جس کی اجازت ایس ای سی پی (SECP) کی جانب سے بھی دی جا چکی ہے۔ سالانہ اجلاس عام میں بذریعہ سمارٹ فون / ٹیبلیٹ / کمپیوٹر شرکت کی جاسکتی ہے۔ ممبران اور ان کے نمائندوں (proxies) سے درخواست کی جاتی ہے کہ بذریعہ ویڈیو لنک اجلاس میں شرکت کرنے کیلئے درج ذیل معلومات فراہم کر کے خود کو رجسٹرڈ کروائیں اور ان معلومات کے ساتھ ساتھ پاسپورٹ / کمپیوٹرائزڈ قومی شناختی کارڈ کی نقل (دونوں اطراف سے)، (بصورت کاروباری ادارہ) بورڈ کی قرارداد / پاور آف اٹارنی کی مصدقہ نقل بھی فراہم کرنا لازم ہے۔ یہ تمام معلومات دستاویزات 26 اکتوبر 2021 تک مندرجہ ذیل ای میل ایڈریس پر ارسال کی جاسکتی ہیں۔  
company.secretary@crescent.com.pk

ممبر کا نام	کمپیوٹرائزڈ قومی شناختی کارڈ نمبر	سی ڈی سی اکاؤنٹ نمبر / ایڈریس نمبر	موبائل نمبر	ای میل

2 معلومات کی ضروری توثیق کے بعد رجسٹر ہونے والے ممبران کو کمپنی کی جانب سے ان کے فراہم کردہ ای میل ایڈریس پر ویڈیو لنک بھیج دیا جائے گا۔ اجلاس میں شرکت (login) کی سہولت اجلاس کا آغاز ہونے سے اجلاس کے اختتام تک موجود رہے گی۔

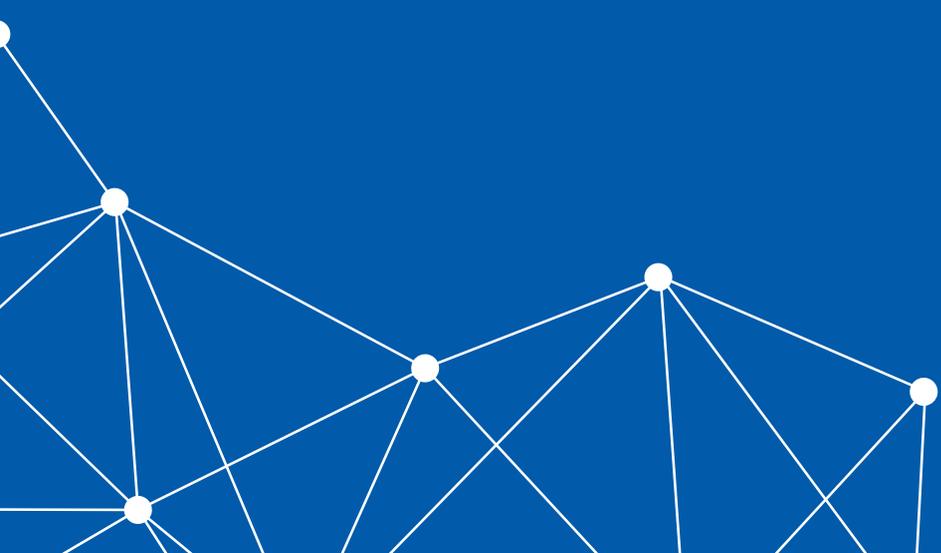
مقرر شدہ پراسی بھی اصل ممبر کی طرح سالانہ اجلاس عام میں تمام حقوق یعنی اجلاس میں شرکت کرنے، اظہار رائے اور حق رائے دہی استعمال کرنے کا مجاز ہوگا۔ پراسی فارم پر دو افراد بطور گواہ دستخط کریں گے اور فارم پر گواہوں کے دستخط کے ساتھ ساتھ ان کے نام، پتے اور قومی شناختی کارڈ کے نمبر کا درج ہونا لازم ہے۔ پراسی کیلئے کمپنی کا ممبر ہونا لازم ہے۔



CRESCENT STEEL AND ALLIED PRODUCTS LIMITED

# UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021





# INDEPENDENT AUDITOR'S REVIEW REPORT

**To the members of Crescent Steel and Allied Products Limited  
Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate  
Governance) Regulations, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Crescent Steel and Allied Products Limited for the year ended 30 June 2021 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2021.

A. F. Ferguson & Co  
Chartered Accountants

Karachi  
Date: 05 October 2021

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*A.F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
State life Building, No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan  
Tel: +92 (21) 32426682-6 / 32426711-5; Fax: +92 (21) 32415007 / 32427938 / 32424740; <www.pwc.com/pk>*

■KARACHI ■LAHORE ■ISLAMABAD

# INDEPENDENT AUDITOR'S REPORT

## To the members of Crescent Steel and Allied Products Limited Report on the Audit of the Unconsolidated Financial Statements

### Opinion

We have audited the annexed unconsolidated financial statements of Crescent Steel and Allied Products Limited (the Company), which comprise the unconsolidated statement of financial position as at 30 June 2021, and the unconsolidated statement of profit or loss and other comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated statement of profit or loss and other comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2021 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
<b>1.</b>	<p><b>Valuation of the Company's investment in shares of two companies</b></p> <p>(Refer notes 4, 6.4 and 19.3 to the annexed unconsolidated financial statements).</p> <p>The 'other long term investments' include the Company's investments in shares of Shakarganj Food Products Limited and Central Depository Company of Pakistan Limited amounting to Rs. 446.325 million and Rs. 198.206 million respectively as at 30 June 2021.</p> <p>Fair values of these investments are not measured in an active market and are determined through the application of valuation techniques under accounting and reporting standards and use of unobservable inputs required for valuation that involve the exercise of judgment over assumptions and estimates used by the management expert.</p> <p>Due to the level of judgments involved in determining fair values of these unquoted investments, we considered this is a key audit matter.</p>	<p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>• Obtained understanding of the management's process of valuation;</li> <li>• Read report of management's expert which included the methods of valuation and details about the inputs to the valuation models;</li> <li>• Involved our internal valuation specialists to review the valuation methodologies;</li> <li>• Discussed the rationale of the inputs to the valuation models and assessed its reasonableness;</li> <li>• Checked mathematical accuracy of the calculations; and</li> <li>• Assessed whether the related disclosures made in the annexed unconsolidated financial statements are in accordance with the accounting and reporting standards as applicable in Pakistan.</li> </ul>
<b>2.</b>	<p><b>Deferred tax assets</b></p> <p>(Refer notes 4, 6.17 and 21 to the annexed unconsolidated financial statements)</p> <p>As at 30 June 2021, included in the balance of deferred tax asset (net) are amounts of Rs. 403.801 million and Rs. 200.48 million representing deferred tax asset recognised on account of unutilised tax losses and minimum turnover tax respectively. Recognition of deferred tax asset on account of unutilised tax losses and minimum turnover tax requires management to estimate the Company's future taxable income and tax liability. This process relies on the assessment of the Company's profitability forecast.</p> <p>As preparing of profitability forecast and assessment of realisability of recognised deferred tax asset requires significant management judgement, we considered this a key audit matter.</p>	<p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>• Obtained understanding of management's process of preparation of forecast of tax profitability, tax liability and deferred tax calculation;</li> <li>• Discussed with the management, the significant assumptions used in preparing the tax profitability forecast and assessed its reasonableness;</li> <li>• Checked the appropriateness of tax rates applied in view of the local tax legislation;</li> <li>• Checked mathematical accuracy of the calculations; and</li> <li>• Assessed whether the related disclosures made in the annexed unconsolidated financial statements are in accordance with the accounting and reporting standards as applicable in Pakistan.</li> </ul>

### **Information Other than the Unconsolidated and Consolidated Financial Statements and Auditor's Reports Thereon**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the unconsolidated and consolidated financial statements and our auditor's reports thereon.

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Board of Directors for the Unconsolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

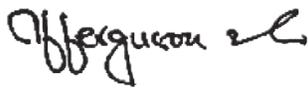
Based on our audit, we further report that in our opinion:

- (a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- (b) the unconsolidated statement of financial position, the unconsolidated statement of profit or loss and other comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- (c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- (d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

### Other Matter

The unconsolidated financial statements of the Company for the year ended 30 June 2020 were audited by another firm of Chartered Accountants whose report, dated 28 August 2020 expressed an unmodified opinion on those statements.

The engagement partner on the audit resulting in this independent auditor's report is Khurshid Hasan.



A. F. Ferguson & Co  
Chartered Accountants

Karachi

Date: 05 October 2021

# UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

Rupees in '000	Note	2021	2020
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital and reserves			
Authorized capital			
100,000,000 ordinary shares of Rs. 10 each		1,000,000	1,000,000
Issued, subscribed and paid-up capital	7	776,325	776,325
Capital reserve	8	1,020,908	1,020,908
Revenue reserves		4,173,591	3,651,055
		5,970,824	5,448,288
<b>LIABILITIES</b>			
Non-current liabilities			
Long term loans	9	127,676	190,335
Lease liabilities	10	74,570	64,820
Deferred income	11	4,450	7,053
Deferred liability - staff retirement benefits	44	-	23,713
		206,696	285,921
Current liabilities			
Trade and other payables	12	755,188	1,068,500
Unclaimed dividend		25,628	26,443
Mark-up accrued	13	28,087	54,214
Short term borrowings	14	1,514,927	2,675,360
Current portion of long term loans	9	159,038	49,345
Current portion of lease liabilities	10	36,353	46,467
Current portion of deferred income	11	8,823	6,215
		2,528,044	3,926,544
		2,734,740	4,212,465
Contingencies and commitments	15		
<b>Total equity and liabilities</b>		<b>8,705,564</b>	<b>9,660,753</b>

Rupees in '000	Note	2021	2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16	1,927,328	2,105,672
Right-of-use assets	16	131,603	168,600
Intangible assets	17	5,848	888
Investment properties	18	57,630	19,700
Long term investments	19	2,468,925	2,303,777
Long term deposits	20	23,521	224,748
Deferred taxation - net	21	428,387	462,662
		5,043,242	5,286,047
<b>Current assets</b>			
Stores, spares and loose tools	22	163,452	169,232
Stock-in-trade	23	1,236,529	2,130,741
Trade debts	24	137,073	225,799
Loans and advances	25	136,271	145,225
Trade deposits and short term prepayments	26	289,818	63,057
Short term investments	27	221,885	124,611
Other receivables	28	358,263	219,512
Taxation - net	29	1,115,078	1,273,141
Cash and bank balances	30	3,953	23,388
		3,662,322	4,374,706
<b>Total assets</b>		<b>8,705,564</b>	<b>9,660,753</b>

The annexed notes from 1 to 53 form an integral part of these unconsolidated financial statements.



Chief Executive



Director



Chief Financial Officer

# UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

Rupees in '000	Note	2021	2020
Sales	31	8,494,799	4,473,010
Less: Sales tax		1,235,543	650,808
		7,259,256	3,822,202
Cost of sales	32	6,762,523	3,771,306
Gross profit		496,733	50,896
Income from investments - net	33	232,558	389,338
		729,291	440,234
Distribution and selling expenses	34	14,980	13,324
Administrative expenses	35	245,869	245,226
Other operating expenses	36	27,447	25,958
		288,296	284,508
		440,995	155,726
Other income	37	196,328	35,440
Operating profit before finance costs		637,323	191,166
Finance costs	38	210,781	308,939
Profit / (loss) before taxation		426,542	(117,773)
Taxation	39	(74,682)	100,649
Profit / (loss) for the year		351,860	(17,124)
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Changes in the fair value of equity investments at fair value through other comprehensive income (FVOCI)	19.3.1	3,573	(425)
Gain on remeasurement of staff retirement benefit plans - net of tax		167,103	71,774
Other comprehensive income for the year		170,676	71,349
<b>Total comprehensive income for the year</b>		<b>522,536</b>	<b>54,225</b>
(Rupees)			
Basic and diluted earnings / (loss) per share	40	4.53	(0.22)

The annexed notes from 1 to 53 form an integral part of these unconsolidated financial statements.



Chief Executive



Director



Chief Financial Officer

# UNCONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

Rupees in '000	Note	2021	2020
<b>Cash flows from operating activities</b>			
Cash generated from / (used in) operations	41	1,227,801	(988,776)
Tax refund received / (paid)		49,349	(101,871)
Finance costs paid		(226,674)	(279,315)
Contribution to gratuity and pension funds		(23,450)	(22,976)
Contribution to Workers' Profit Participation Fund		(12,700)	(3,633)
Long term deposits - net		21,669	10,934
Net cash generated from / (used in) operating activities		1,035,995	(1,385,637)
<b>Cash flows from investing activities</b>			
Capital expenditure		(59,666)	(8,539)
Acquisition of intangible assets		(5,896)	(615)
Proceeds from disposal of investment property		147,503	-
Proceeds from disposal of operating fixed assets		29,825	5,313
Investments - net		(51,536)	33,871
Dividend income received		19,338	353,378
Interest income received		532	859
Net cash generated from investing activities		80,100	384,267
<b>Cash flows from financing activities</b>			
Proceeds from / (repayment of) long term loans - net	41.1	56,105	(41,454)
Payments against lease obligations - net	41.1	(30,387)	(59,675)
(Repayment of) / proceeds from short term loans obtained - net	41.1	(1,241,602)	1,362,292
Dividends paid	41.1	(815)	(82)
Net cash (used in) / generated from financing activities		(1,216,699)	1,261,081
Net (decrease) / increase in cash and cash equivalents		(100,604)	259,711
Cash and cash equivalents at beginning of the year		(558,929)	(818,640)
Cash and cash equivalents at end of the year	42	(659,533)	(558,929)

The annexed notes from 1 to 53 form an integral part of these unconsolidated financial statements.



Chief Executive



Director



Chief Financial Officer

# UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

Rupees in '000

	Issued, subscribed and paid-up capital	Capital reserve (note 8.1) Share premium	Fair value reserve	Revenue reserves (note 8.2) General reserve		Unappropriated (loss) / profit	Total revenue reserves	Total
Balance as at 1 July 2019	776,325	1,020,908	5,818	3,642,000	(50,988)	3,596,830	5,394,063	
<b>Total comprehensive income for the</b>								
<b>year ended 30 June 2020</b>								
Loss for the year	-	-	-	-	(17,124)	(17,124)	(17,124)	(17,124)
Other comprehensive (loss) / income for the year	-	-	(425)	-	71,774	71,349	71,349	71,349
Total comprehensive income for the year	-	-	(425)	-	54,650	54,225	54,225	54,225
Balance as at 30 June 2020	776,325	1,020,908	5,393	3,642,000	3,662	3,651,055	5,448,288	
<b>Total comprehensive income for the</b>								
<b>year ended 30 June 2021</b>								
Profit for the year	-	-	-	-	351,860	351,860	351,860	351,860
Other comprehensive income for the year	-	-	3,573	-	167,103	170,676	170,676	170,676
Total comprehensive income for the year	-	-	3,573	-	518,963	522,536	522,536	522,536
Balance as at 30 June 2021	776,325	1,020,908	8,966	3,642,000	522,625	4,173,591	5,970,824	

The annexed notes from 1 to 53 form an integral part of these unconsolidated financial statements.



Chief Executive



Director



Chief Financial Officer

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 1 THE COMPANY AND ITS OPERATIONS

- 1.1 Crescent Steel and Allied Products Limited (“the Company”) was incorporated on 1 August 1983 as a public limited company in Pakistan under the Companies Act, 1913 (now Companies Act, 2017) and is quoted on the Pakistan Stock Exchange. The registered office of the Company is located at E-floor, IT Tower, 73-E/1, Hali Road, Gulberg-III, Lahore. Whereas its principal office is situated at 9th floor Sidco Avenue Centre 264 R.A. Lines, Karachi.
- 1.2 The Company’s steel segment is manufacturing large diameter spiral arc welded steel line pipes at Nooriabad, District Jamshoro, Sindh. The Company has a coating facility capable of applying three layers high density polyethylene coating on steel line pipes. The coating plant commenced commercial production from 16 November 1992. The Company’s fabrication unit is engaged in fabrication and erection of machinery located at Dalowal, District Faisalabad, Punjab.
- 1.3 The Company is running cotton spinning unit at Jaranwala, District Faisalabad. This activity is carried out by the Company under the name and title of “Crescent Cotton Products” a division of Crescent Steel and Allied Products Limited.
- 1.4 The Company is also managing a portfolio of equity investments and real estate through its Investment and Infrastructure Division (IID) from the principal office of the Company.
- 1.5 The Company’s Hadeed (Billet) Segment is to cater to the growing demand of steel products and is in line with the Company’s vision to organically expand in the steel long products business. The billets manufactured are used by re-rolling mills to manufacture bars and other steel long products for use in the construction and engineering sectors. The plant of the Company is located at Bhone, district Jhang, Punjab.
- 1.6 The Company’s energy segment’s activity is to build, own, operate and maintain a power plant and to generate, accumulate, distribute, sell and supply electricity / power to Pakistan Electric Power Company (PEPCO) / Distribution Companies (DISCOs) under an agreement with the Government of Pakistan or to any other consumer as permitted. The generation plant use bagasse in the combustion process to produce power and processed steam. The plant of the Company is located at Bhone, district Jhang, Punjab.

## 2 SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS DURING THE YEAR

The Company’s net sales aggregated to Rs. 7.259 billion (2020: Rs. 3.822 billion), out of which 37.7 percent was generated from Steel division, 27.6 percent from Cotton division and rest 34.7 percent i.e. Rs. 2.519 billion were from other divisions.

Steel division net sales for 2021 amounted to Rs. 2.740 billion (2020: Rs. 1.291 billion), current year’s sales mainly relate to bare pipe orders from SNGPL.

Cotton division net sales for 2021 amounted to Rs. 2 billion (2020: Rs. 1.346 billion).

During the year, KSE-100 index benchmark increased by 37.58 percent closing at 47,356 points on 30 June 2021. The Company generated income from investments on shares amounting to Rs. 228.650 million including fair value gain recognized from unlisted securities.

During the year, the board has approved to subscribe in right shares offered by CS Capital (Private) Limited (100% subsidiary) amounting to Rs. 30 million divided into 3,000,000 ordinary shares of Rs.10 each at par.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 3 BASIS OF PREPARATION

### 3.1 Unconsolidated financial statements

These are the unconsolidated financial statements (herein after referred to as the financial statements) of the Company in which investments in subsidiaries and associates are stated at cost. The consolidated financial statements of the Company are prepared and presented separately.

### 3.2 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFASs) issued by Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards or IFASs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

### 3.3 Basis of measurement

These financial statements have been prepared under the historical cost convention except otherwise stated.

### 3.4 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the Company's functional currency and the amounts have been rounded to the nearest thousand of Pakistan Rupees.

## 4 USE OF ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

In preparing these financial statements, management has made judgement, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognised prospectively in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about judgements made in applying accounting policies that have the most significant effects on the amount recognised in the financial statements to the carrying amount of assets, liabilities, assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment in the subsequent years are set forth below:

- Property, plant and equipment (refer note 6.1)
- Intangible assets (refer note 6.2)
- Investment properties (refer note 6.3)
- Investments (refer note 6.4)
- Stores, spares and loose tools and stock-in-trade (refer notes 6.8 and 6.9)

- Employee benefits (refer note 6.12)
- Leases (refer note 6.14)
- Taxation (refer note 6.17)
- Provision (refer note 6.21)
- Impairment (refer notes 6.1, 6.2, 6.3, 6.4 and 6.22)
- Contingencies (refer note 6.27)

## **5 NEW STANDARDS, AMENDMENTS TO ACCOUNTING AND REPORTING STANDARDS AND NEW INTERPRETATIONS**

### **5.1 Amendments to accounting and reporting standards and interpretations which are effective during the year ended 30 June 2021**

There were certain amendments to the accounting and reporting standards which became mandatory for the Company during the year. However, the amendments did not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these unconsolidated financial statements.

### **5.2 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective but relevant**

There are certain amendments to accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after 1 July 2021 but are considered not to be relevant or have any significant effect on the Company's financial reporting.

Further, IFRS 17 'Insurance contracts' is yet to be adopted by the Securities & Exchange Commission of Pakistan (The SECP).

## **6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are consistently applied in the preparation of these financial statements and are the same as those applied in earlier periods presented.

### **6.1 Property, plant and equipment**

#### **Owned assets**

Property, plant and equipment, except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land is stated at cost.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets include the cost of materials and direct labour, any other cost directly attributable to bring the assets to a working condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs, if any.

#### **Subsequent expenditure**

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Company and its cost can be measured reliably. The carrying amount of the part so replaced is derecognized. The costs relating to day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## Depreciation

Depreciation is charged to profit or loss on a straight line basis at the rates specified in note 16.1 to these financial statements. Depreciation on additions to property, plant and equipment is charged from the month in which an item is acquired or capitalized while no depreciation is charged for the month in which the item is disposed off or retained.

The assets' residual values and useful lives are reviewed at each financial year end and adjusted if appropriate.

## Disposal

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense in the profit or loss.

## Right-of-use assets

Upon initial recognition, an asset acquired by way of lease is stated at an amount equal to the lower of its fair value and the present value of minimum lease payments, each determined at the inception of the lease. Subsequent to initial recognition, the asset is stated at the amount determined at initial recognition less accumulated depreciation and impairment losses, if any.

Depreciation is charged on the same basis as used for owned assets.

## Capital work-in-progress

Capital work in progress is stated at cost less impairment, if any and consists of expenditure incurred and advances made in respect of tangible and intangible assets during the course of their construction and installation. Transfers are made to relevant assets category as and when assets are available for intended use.

## Impairment

The carrying amount of property, plant and equipment is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the assets recoverable amount is estimated. The recoverable amount is the greater of its value in use and fair value less cost to sell. An impairment is recognized in profit or loss if the carrying amount exceeds its estimated recoverable amount.

## 6.2 Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any.

### Subsequent expenditure

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

### Amortization

Amortization is charged to profit or loss on a straight line basis at the rates specified in note 17 to these financial statements, over the estimated useful lives of intangible assets unless such lives are indefinite. Amortization on additions to intangible assets is charged from the month in which an item is acquired or capitalized while no amortization is charged for the month in which the item is disposed off.

### Impairment

All intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date. Where the carrying amount of an asset exceeds its estimated recoverable amount it is written down immediately to its recoverable amount. The carrying amount of other intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists than the assets' recoverable amount is estimated. The recoverable amount is the greater of its value in use and fair value less cost to sell. An impairment is recognized if the carrying amount exceeds its estimated recoverable amount.

## 6.3 Investment properties

Investment properties, principally comprising of land and buildings, are held for long term rental yields / capital appreciation. The investment properties of the Company comprise of land and buildings and are valued using the cost method i.e. at cost less any accumulated depreciation and impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the investment properties. The cost of self-constructed investment properties includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment properties to a working condition for their intended use and capitalized borrowing costs, if any.

### Depreciation

Depreciation is charged to the profit or loss on the straight line method at the rates specified in the note 18 to these financial statements so as to allocate the depreciable amount over its estimated useful life. Depreciation on additions to investment properties is charged from the month in which a property is acquired or capitalized while no depreciation is charged for the month in which the property is disposed off.

The residual values and useful lives of investment properties are reviewed at each reporting date and adjusted, if appropriate.

### Impairment

The Company assesses at each reporting date whether there is any indication that an investment property may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit or loss statement. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future period to allocate the asset's revised carrying amount over its estimated useful life.

### Disposal

The gain or loss on disposal of investment properties, represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as income or expense in the profit or loss.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 6.4 Financial instruments

### 6.4.1 Initial recognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

### 6.4.2 Financial asset

#### Classification

On initial recognition, a financial asset is classified as measured at:

- Amortized cost;
- Fair value through other comprehensive income (FVOCI) - Debt investment;
- Fair value through other comprehensive income (FVOCI) - Equity investment; or
- Fair value through profit and loss (FVTPL).

The classification depends on the Company's business model for managing financial assets and the contractual terms of the financial assets cash flows.

#### Amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### FVOCI - Debt investment

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### FVOCI - Equity investment

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in investment's fair value in OCI. This election is made on an investment-by-investment basis.

## FVTPL

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL.

### Subsequent measurement and derecognition

Financial assets are not reclassified subsequently to the initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The financial assets classified at amortized cost are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses, if any. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments classified as FVOCI are subsequently measured at fair value. Interest income calculated using effective method, foreign exchange gain and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments classified as FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, when the Company's right to receive payments is established. This category only includes equity instruments, which the Company intends to hold for the foreseeable future. On de-recognition, there is no reclassification of fair value gains and losses to profit or loss. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9.

The financial assets classified at FVTPL are subsequently measured at fair value and net gains and losses, including any interest or dividend income, are recognised in profit or loss. Net gains and losses (unrealised and realised), including any interest or dividend income, are recognised in profit or loss.

### Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The Company recognised a loss for ECL for financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The financial assets at amortized cost consist of trade receivables, cash and cash equivalents, and other receivables including loans to related party.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Management uses actual historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment to determine lifetime expected loss allowance. For other debt financial assets (i.e., loans etc.), the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due and a financial asset in default when contractual payment are 90 days past due.

## Derivative financial instruments

The Company enters into derivative financial instruments, which include future contracts in stock market. Derivatives are initially recorded at fair value and are remeasured to fair value on subsequent reporting dates. The fair value of a derivative is equivalent to the unrealized gain or loss from marking to market the derivative using prevailing market rates. Derivatives with positive market values (unrealized gains) are included in other receivables and derivatives with negative market values (unrealized losses) are included in other liabilities in the unconsolidated statement of financial position. The resultant gains and losses from derivatives held for trading purposes are recognized in profit or loss. No derivative is designated as hedging instrument by the Company.

## 6.4.3 Financial liabilities

### Classification and subsequent measurement

The Company classifies its financial liabilities as those to be measured subsequently at amortized cost using the effective interest method, if they are not:

- contingent consideration of an acquirer in a business combination
- held-for-trading
- designated as at FVTPL

The Company does not classify any of its financial liabilities under FVTPL.

### Derecognition

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in unconsolidated statement of profit or loss and other comprehensive income.

### Offsetting

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when the Company has a legal right to offset the amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

## 6.5 Investments in subsidiaries

Investments in subsidiaries are stated at cost less accumulated impairment, if any.

## 6.6 Investments in associates

Entities in which the Company has significant influence directly or indirectly (through subsidiaries) but not control and which are neither subsidiaries nor joint ventures of the members of the Company are associates. Investments in associates are stated at cost less accumulated impairment, if any.

## 6.7 Non-current assets held for sale

Non-current assets or disposal groups comprising of assets or liabilities that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets or components of a disposal group, are remeasured at lower of their carrying amount and fair value less costs to sell.

## 6.8 Stores, spares and loose tools

Stores, spares and loose tools are valued at lower of weighted average cost and net realizable value, less provision for impairment, if any. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon less impairment, if any.

Provision for obsolete and slow moving stores, spares and loose tools is determined based on management's estimate regarding their future usability and is charged to profit or loss.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs necessary to be incurred to make the sale.

Spare parts of capital nature which can be used only in connection with an item of property, plant and equipment are classified as fixed assets under the 'plant and machinery' category and are depreciated over a time period not exceeding the useful life of the related assets.

## 6.9 Stock-in-trade

Stock-in-trade is stated at the lower of cost less impairment loss, if any, and net realizable value. Cost is arrived at on a weighted average basis. Cost of work-in-process and finished goods include cost of materials and appropriate portion of production overheads. Net realizable value is the estimated selling price in the ordinary course of business less costs of completion and selling expenses. The cost of finished goods of Steel segment is assigned by using specific identification of their individual costs. Scrap stocks are valued at their estimated net realizable value.

## 6.10 Trade debts and other receivables

These are initially stated at fair value and subsequently measured at amortized cost less provisions for any uncollectible amounts. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written off.

## 6.11 Cash and cash equivalents

Cash and cash equivalents comprise of cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of statement of cash flows.

## 6.12 Employee benefits

### 6.12.1 Compensated absences

The Company accounts for all accumulated compensated absences when employees render services that increase their entitlement to future compensated absences. No actuarial valuation of compensated absences is carried out as management considers its financial impact would be immaterial.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 6.12.2 Post retirement benefits

### 6.12.2.1 Defined contribution plan - Provident fund

The Company operates a provident fund scheme for its permanent employees. Equal monthly contributions are made by the Company and its employees. Obligation for contributions to the fund are recognized as an expense in the profit or loss when they are due.

#### Cotton segment

Provision and collection from employees are made at the rate of 6.25% of basic pay of Cotton segment employees. A trust has been established and its approval has been obtained from the Commissioner of Income Tax.

#### All employees except Cotton segment

Contributions to the fund are made at the rate of 8.33% of basic pay for those employees who have served the Company for a period of less than five years and after completion of five years, contributions are made at the rate of 10%.

### 6.12.2.2 Defined benefit plans

#### Pension and gratuity fund schemes

The Company provides gratuity benefits to all its permanent eligible employees who have completed their minimum qualifying as per the terms of employment. The pension scheme provides life time pension to retired employees or to their spouses.

The Company's obligation is determined through actuarial valuations carried out under the "Projected Unit Credit Method". Remeasurements which comprise actuarial gains and losses and the return on plan assets (excluding interest) are recognized immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments. Net interest expense, current service cost and any past service cost are recognized in profit or loss. Any assets resulting from this calculation is limited to the present value of available refunds or reductions in future contributions to the plan. The latest actuarial valuation was conducted at the reporting date by a qualified professional firm of actuaries.

### 6.12.3 Staff benevolent fund

The Company has established staff benevolent fund as a separate legal entity under the Trust Act, 1882 and registered under Income Tax Ordinance, 2001. The objective of this fund is to provide at the discretion of the trustees, post retirement medical cover / facilities for retired employees and other hardship cases of extraordinary nature of existing employees of the Company. Contributions to the fund are recognized as an expense in the profit or loss when they are incurred.

## 6.13 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the profit or loss over the period of the borrowings on an effective interest basis.

#### 6.14 Leases liabilities

Lease are recognised as Right-of-use (RoU) asset and a lease liability at the lease commencement date except for short term or low value leases.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

For sale and lease back if the Company has obtained control of the underlying asset and the transfer is classified as a sale in accordance with IFRS 15 and measures a right-of-use asset arising from the leaseback as the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The gain (or loss) recognised is limited to the proportion of the total gain (or loss) that relates to the rights transferred.

If the consideration for the sale is not equal to the fair value of the asset, any resulting difference represents either a prepayment of lease payments (if the purchase price is below market terms) or an additional financing (if the purchase price is above market terms).

If the transfer is not a sale (that is, the Company does not obtain control of the asset in accordance with IFRS 15), it does not derecognise the transferred asset and accounts for the cash received as a financial liability.

#### 6.15 Asset held under Ijarah financing

Assets held under Ijarah financing are accounted for using the guidelines of Islamic Financial Accounting Standard - 2 (IFAS 2), "Ijarah" as issued by ICAP. The assets are not recognised on the Company's statement of financial position and payments made under Ijarah financing are recognised in profit or loss on a straight line basis over the term of the lease.

#### 6.16 Government grants

Government grants are transfers of resources to an entity by a government entity in return for compliance with certain past or future conditions related to the entity's operating activities. The definition of "Government" refers to Governments, Government agencies and similar bodies, whether local, national or international.

The Company recognizes government grants when there is reasonable assurance that grants will be received and the Company will be able to comply with conditions associated with grants.

Government grants are recognised at fair value, as deferred income, when there is reasonable assurance that the grants will be received and the Company will be able to comply with the conditions associated with the grants.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

Grants that compensate the Company for expenses incurred, are recognised on a systematic basis in the income for the year in which the related expenses are recognised. Grants that compensate for the cost of an asset are recognised in income on a systematic basis over the expected useful life of the related asset.

A loan is initially recognised and subsequently measured in accordance with IFRS 9. IFRS 9 requires loans at below-market rates to be initially measured at their fair value - e.g. the present value of the expected future cash flows discounted at a market-related interest rate. The benefit of Government grant is measured as the difference between the fair value of the loan on initial recognition and the amount received, which is accounted for according to the nature of the grant.

## 6.17 Taxation

### Group taxation

The Parent company has opted for Group taxation under section 59AA of the Income Tax Ordinance, 2001 along with its subsidiary CS Capital (Private) Limited. These companies are taxed as one fiscal unit under this scheme. The current and deferred income taxes have been estimated on income of each of the companies according to the applicable law and are recognised by each company separately within the Group, regardless of who has the legal liability for settlement or the legal right for recovery of the tax. Any adjustments arising solely due to Group taxation in respect of result of subsidiary is recognised in the Parent Company and the amounts paid to or receivable from the Parent company are adjusted accordingly.

### Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, and contains impacts of group taxation as explained above.

### Deferred

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profits or taxable temporary difference will be available against which the asset can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

## 6.18 Revenue recognition

Revenue comprises of sales to third parties and is measured based on the consideration specified in contracts with customers and excludes rebates and amounts, if any, collected on behalf of third parties. Revenue is recognized either at a point in time or over time, when (or as) the Company satisfies the performance obligations as specified in the contract with the customer, and when it transfers control over the promised goods or services to the customer.

The Company manufactures and contracts with customers for the sale of bare pipes, coated pipes, billets, cotton and electricity products which generally include single performance obligation. Management has concluded that revenue from sale of goods should be recognised at the point in time when control of the product has been transferred, i.e. when the products are delivered to the customer. Invoices are generated and revenue is recognised at that point in time. Delivery occurs when the products have been shipped or delivered to the customer's destination / specific location, the risks of loss have been transferred to the customer and the customer has accepted the product. The customer has accepted the product as per the sales contract or lapse of acceptance provision specified in the contract or the Company has objective evidence that all criteria for acceptance have been satisfied. Contract for the sale of bare and coated pipes contains penalty clause on account of delayed supply (liquidated damages). Under IFRS 15, these amounts are referred to as 'variable consideration'. The consideration which the Company receives in exchange for its goods or services may be fixed or variable. Variable consideration is only recognized when it is highly probable that a significant reversal will not occur. Revenue is measured based on the consideration specified in a contract with a customer, net of liquidity damages (penalties) and excludes amounts collected on behalf of third parties. A receivable is recognised when the goods are delivered.

#### 6.19 Investment and other income

Interest income is recognized using the effective interest method.

Dividend income is recognized when the right to receive the same is established i.e. the book closure date of the investee company declaring the dividend.

Gains and losses on sale of investments are accounted for when the commitment (trade date) for sale of security is made.

Rental income (net of any incentives given to lessees) from investment property is recognized on a straight line basis over the lease term.

#### 6.20 Borrowing costs

Borrowing costs incurred on long term finances directly attributable for the construction / acquisition of qualifying assets are capitalized up to the date the respective assets are available for intended use. All other mark-up, interest and other related charges are recognized in profit or loss.

#### 6.21 Provisions

A provision is recognized in the unconsolidated statement of financial position when the Company has a legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

#### 6.22 Impairment

The carrying amount of the Company's assets is reviewed at each reporting date to determine whether there is any objective evidence that an asset or group of assets may be impaired. If any such evidence exists, the asset's or group of assets' recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the higher of value in use and fair value less cost to sell. Impairment losses are recognized in profit or loss.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 6.23 Foreign currency translation

Foreign currency transactions are translated into Pakistan Rupees at exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at the rates of exchange prevailing at the reporting date. Exchange differences, if any, are recognized in the profit or loss.

## 6.24 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting structure. Management monitors the operating results of its business units separately for the purpose of making decisions regarding resource allocation and performance assessment.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets. Transactions between reportable segments are reported at cost.

## 6.25 Proposed dividend and transfer between reserves

Dividend distributions to the Company's shareholders are recognized as a liability in the period in which dividends are approved. Transfer between reserves made subsequent to the reporting date is considered as a non-adjusting event and is recognized in the period in which such transfers are made.

## 6.26 Earnings per share

The Company presents earnings per share (EPS) for its ordinary shares. EPS is calculated by dividing profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

## 6.27 Contingencies

Contingencies are disclosed when Company has possible obligation that arises from past event and whose existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of entity, or a present obligation that arises from past event but is not recognised because it is not probable that an outflow of resources embodying economic benefit will be required to settle the obligation or, when amount of obligation cannot be measured with sufficient reliability.

## 7 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2021		2020	2021		2020
Number of shares			Rupees in '000		
37,756,686	37,756,686	Ordinary shares of Rs. 10 each fully paid in cash	377,567		377,567
39,875,805	39,875,805	Ordinary shares of Rs. 10 each issued as bonus shares	398,758		398,758
77,632,491	77,632,491		776,325		776,325

7.1 Ordinary shares of the Company held by related parties as at year end are as follows:

	2021		2020	
	Percentage of holding	Number of shares	Percentage of holding	Number of shares
Crescent Steel and Allied Products Limited - Gratuity Fund	2.48%	1,921,832	2.48%	1,921,832
Crescent Steel and Allied Products Limited - Pension Fund	5.20%	4,037,680	5.19%	4,027,480
Crescent Steel and Allied Products Limited - Staff Provident Fund	0.16%	124,200	0.16%	124,200
Crescent Cotton Products - Staff Provident Fund	0.10%	74,800	0.10%	74,800
CSAP - Staff Benevolent Fund	0.05%	36,178	0.05%	36,178
Premier Insurance Limited	0.18%	141,500	0.18%	141,500
The Crescent Textile Mills Limited	11.00%	8,538,303	11.00%	8,538,303
Shakarganj Limited	0.23%	180,000	0.23%	180,000
Suraj Cotton Mills Limited	1.57%	1,222,000	1.57%	1,222,000

7.2 There is no shareholder agreement for voting rights, board selection, rights of first refusal and block voting.

## 8 RESERVE

### 8.1 Capital reserve

This includes share premium reserve amounting to Rs. 1,020.9 million and as per section 81 of the Companies Act, 2017, this can be used for following purposes:

- to write off preliminary expenses of the Company;
- to write off expenses of, or the commission paid or discount allowed on, any issue of shares of the Company;
- in providing for the premium payable on the redemption of any redeemable preference shares of the Company; and
- to issue bonus shares to its members.

### 8.2 Revenue reserves

#### Fair value reserve

This reserve has been maintained by the Company for the purposes of cumulative changes in fair value in investments classified as FVOCI.

#### General reserve

The balance in general reserve has been accumulated by way of transfers from unappropriated profit on a yearly basis.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

Rupees in '000	Note	2021	2020
<b>9 LONG TERM LOANS</b>			
<i>Secured - Under non-shariah arrangement</i>			
Allied Bank Limited	9.1	158,608	195,240
Habib Metropolitan Bank Limited	9.2 & 9.4	107,680	44,440
JS Bank Limited	9.3 & 9.4	20,426	-
		286,714	239,680
Less: Current portion shown under current liabilities		159,038	49,345
		127,676	190,335

9.1 During the year ended 30 June 2017, the Company entered into a loan arrangement with Allied Bank Limited of an amount of Rs. 100 million, out of which Rs. 74.176 million have been disbursed till 30 June 2021. The term of the loan is 5 years from the date of disbursement with a grace period of one year, repayable in 16 equal quarterly installments starting after fifteen months from date of disbursement. During the year, the Company has made repayment of Rs. 18.544 million (2020: Rs. 18.544 million). Mark-up is payable at the rate of 3 months KIBOR plus 1.5% per annum.

During year ended 30 June 2018, the Company entered into a new loan arrangement with Allied Bank Limited of an amount of Rs. 300 million, out of which Rs. 217.050 million have been disbursed till 30 June 2021. The term of the loan is 4 years from the date of disbursement with a grace period of one year; however, due to COVID-19 the bank has allowed one additional year as the grace period, repayable in 12 equal quarterly installments starting after twenty four months from date of disbursement. During the year, the Company has made repayment of Rs. 18.088 million (2020: Rs. 54.263 million). Mark-up is payable at the rate of 3 months KIBOR plus 1.5% per annum.

During the year, mark-up on such arrangements was ranged between 8.19% to 10.04% (2020: 12.69% to 14.99%) per annum. The facility is secured against first joint pari passu hypothecation / equitable mortgage on plant, machinery and property of the Company.

9.2 During the year ended 30 June 2020, the Company entered into a new loan arrangement with Habib Metropolitan Bank Limited under the State Bank of Pakistan's (SBP) "Refinance Scheme for Payment of Wages & Salaries to the Workers and Employees of Business Concern". The Company obtained the said loan at subsidized rate in two tranches in May 2020 and June 2020. The term of the loan is 2.5 years from the date of disbursement with a grace period of 6 months, repayable in 8 equal quarterly installments starting from March 2021. Mark-up is payable at the concessional rate of 2.5% per annum.

During the year, the Company entered into another loan arrangement with Habib Metropolitan Bank Limited under the SBP's "Refinance Scheme for Payment of Wages & Salaries to the Workers and Employees of Business Concern". The Company has obtained the said loan at subsidized rate in four tranches; one tranche in July 2020, two tranches in September 2020 and one tranche in October 2020. The term of the loan is 2.5 years from the date of disbursement with a grace period of 6 months, repayable in 8 equal quarterly installments starting from March 2021. Mark-up is payable at the concessional rate of 2.5% per annum.

The effective interest on these arrangements range from 8.68% to 10.16% per annum.

9.3 During the year, the Company entered into a new loan arrangement with JS Bank Limited in three tranches; two tranches in March 2021 and one tranche in April 2021. One tranche of this loan which was received in March 2021 was converted into the State Bank of Pakistan's (SBP) "SBP Financing

Scheme for Renewable Energy” in the month of April 2021. The term of the loan is 10 years from the date of disbursement with a grace period of 3 months, repayable in monthly installments starting from June 2021. Mark-up is payable at the rate of 1 month KIBOR plus 1% per annum till approval of refinance from the SBP and after approval from the SBP, mark-up is payable at the concessional rate of 6% per annum.

The effective interest on this arrangement is 8.49% per annum.

- 9.4 The benefit of subsidized loans under notes 9.2 and 9.3 has been recognized as deferred income under note 11.

## 10 LEASE LIABILITIES

Rupees in '000	Minimum lease payments		Future finance costs		Present value of minimum lease payments	
	2021	2020	2021	2020	2021	2020
Not later than one year	44,608	54,707	8,255	8,240	36,353	46,467
Later than one year and not later than five years	84,167	70,035	9,597	5,215	74,570	64,820
	128,775	124,742	17,852	13,455	110,923	111,287
Less: Current portion shown under current liabilities					36,353	46,467
					74,570	64,820

- 10.1 The Company has entered into lease arrangements with leasing companies for lease of plant and machinery and motor vehicles. The lease term of these arrangements is from three to five years (2020: three to five years) and the liability is payable by the month ranging from six to sixty months (2020: six to sixty months). The periodic lease payments include built-in rates of mark-up ranging between 6.16% to 17.60% (2020: 7.24% to 18.42%) per annum. Included in the gross present value of minimum lease payments, is a sum aggregating Rs. 98.342 million (2020: Rs. 86.083 million) which pertains to obligations arising from sale and leaseback of assets.

The Company intends to exercise its options to purchase the leased assets upon completion of the lease term. The Company's obligations under these arrangements are secured by the lessor's title to the leased assets.

Rupees in '000	Note	2021	2020
<b>11 DEFERRED INCOME</b>			
Opening balance		13,268	13,320
Additions during the year:			
- related to government grant (concessional rate loan)		9,071	6,773
Income recognized during the year	37	(9,066)	(6,825)
		13,273	13,268
Less: Current portion shown under current liabilities		(8,823)	(6,215)
Closing balance		4,450	7,053

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

Rupees in '000	Note	2021	2020
<b>12 TRADE AND OTHER PAYABLES</b>			
Trade creditors		109,468	237,342
Bills payable		-	42,647
Commission payable		2,250	1,925
Accrued liabilities	12.1	306,441	394,528
Advances from customers	12.2	24,787	95,674
Fee, sales tax and damages	12.3	253,264	237,414
Due to related parties	12.4	1,133	4,016
Payable to provident fund		2,199	2,067
Payable to staff retirement benefit funds		2,057	2,257
Retention money		111	10,471
Sales tax payable		9,039	12,297
Withholding tax payable		2,974	1,504
Workers' Profit Participation Fund	12.5	2,904	2,061
Workers' Welfare Fund		6,944	4,114
Others		31,617	20,183
		<b>755,188</b>	<b>1,068,500</b>
<b>12.1 Accrued liabilities</b>			
Salaries, wages and other benefits		9,434	16,682
Accrual for 10-C bonus		6,222	436
Compensated absences		14,404	11,224
Liquidated damages	12.1.1	159,941	153,695
Others	12.1.2	116,440	212,491
		<b>306,441</b>	<b>394,528</b>

12.1.1 These pertain to accruals on account of liquidated damages claimed by customers on delayed supply of bare pipes and coated pipes. The Company is in process of negotiating this matter and expects that this matter may be resolved. However, on prudent basis full accrual has been recognized.

12.1.2 These include liability against Gas Infrastructure Development Cess of Rs. 29.451 million (2020: Rs. 17.004 million).

12.2 These include due to Shakarganj Limited amounting to Rs. Nil (2020: Rs. 15.906 million). The contract liabilities at the beginning of each year are recognised as revenue in the ordinary course of business.

## 12.3 Movement during the year

Rupees in '000	Infrastructure fee (Note 12.3.1)	Sales Tax (Note 12.3.2)	Liquidated damages (Note 12.3.3)	Total
Opening balance as at 1 July 2020	188,751	3,242	45,421	237,414
Charge for the year	15,850	-	-	15,850
<b>Closing balance as at 30 June 2021</b>	<b>204,601</b>	<b>3,242</b>	<b>45,421</b>	<b>253,264</b>

12.3.1 This relates to amount recognized on account of infrastructure fee/cess levied by the Government of Sindh (GoS) through Sindh Finance Act, 1994, and its subsequent versions including the Sindh Development and Maintenance of Infrastructure Cess Act, 2017 (the Act). The Act validates the fees/cess levied through the earlier versions of the law and continues the levy.

The Company contested this issue of levy and charging of fee/cess in the Sindh High Court (SHC) where the appeal was partly accepted and it was held in judgment dated 15 September 2008 that the levy and collection of infrastructure fee prior to 28 December 2006 was illegal and ultra vires and after that it is legal. The Company filed an appeal in the Supreme Court of Pakistan (SCP) against this judgment. Additionally, the GoS also filed appeal against the part of judgment decided against them.

The above appeals were disposed off in May 2011 with a joint statement of the parties that, during the pendency of the appeal, another law (a new version) came into existence which was not subject matter in the appeal. Therefore, the decision thereon be first obtained from the SHC before approaching the SCP with the right to appeal. Accordingly, a petition was filed in the SHC in respect of the above view. During the pendency of the appeal, an interim arrangement was agreed whereby bank guarantee furnished for consignments cleared up to 27 December 2006 were returned. Bank guarantees were furnished for 50% of the levy on the consignments released subsequent to 28 December 2006 while payment was made against the balance 50% amount.

After promulgation of the Act, 2017, the Company instituted legal proceedings against the levy in the SHC, where interim stay was granted on similar terms of payment of 50% of the amount of cess to the GoS and on furnishing of bank guarantees for remaining 50%. Under the arrangement if the Company succeeded in the petition, GoS would refund the amount subject to their right to appeal before SCP.

The petitions pending against all the versions of this law have been decided by the SHC by a consolidated judgment dated 4 June 2021 whereby the SHC has declared that the first four versions of the law upto the Sindh Finance (Second Amendment) Ordinance, 2001, were illegal and ultra vires as also held in the 2008 judgement of the SHC, to the extent of the petitioners who had litigated and were appellants in the earlier round for whom the applicability has attained finality and is a past and closed transaction. The 2021 judgement has validated the recovery of cess/fee effective from 28 December 2006, through the subsequent versions of the law.

The SHC has suspended its judgment till 3 September 2021 and interim arrangement of payment of 50% of the amount of cess to the GoS and furnishing of bank guarantees for remaining 50% would continue, after which guarantees provided would be en-cashed and 100% of infrastructure cess would be payable if no such stay order is passed by the SHC in the appeals to be filed against the judgment of the SHC. The Company intends to contest the issue in the SCP and as per the advice of the Company's legal counsel the chances of success in this litigation are in the Company's favour.

Till 30 June 2021, the Company has provided bank guarantees amounting to Rs. 166.54 million (2020: Rs. 156.039 million) in favour of Excise and Taxation Department, GoS.

Amount charged for the year has been estimated on the value of imports during the year and forms a component of cost of such imported raw materials. Any subsequent adjustment with respect to increase or decrease in the estimate has been recognized in the profit or loss. On a prudent basis, full amount has been recognized in this respect in these financial statements.

12.3.2 These have been made against long outstanding sales tax claims with the sales tax department.

12.3.3 This relates to amount recognised on account of liquidated damages on delayed supply of bare pipes and coated pipes. On a prudent basis full amount has been recognized in profit or loss.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

Rupees in '000	Note	2021	2020
<b>12.4</b>	<b>Due to related parties</b>		
	Premier Insurance Company Limited	353	232
	Staff Benevolent Fund	2	-
	Shakarganj Food Products Limited	778	-
	Shakarganj Limited	-	3,784
		<b>1,133</b>	<b>4,016</b>
<b>12.5</b>	<b>Workers' Profit Participation Fund</b>		
	Opening balance	2,061	5,885
	Allocation for the year	36	-
		<b>15,604</b>	<b>5,885</b>
	Amount paid to the trustees of the fund	(12,700)	(3,824)
	Closing balance	<b>2,904</b>	<b>2,061</b>
<b>13</b>	<b>MARK-UP ACCRUED</b>		
	Mark-up accrued on:		
	- Lease obligations	135	312
	- Long term loans	4,409	4,118
	- Short term borrowings	13.1	49,784
		<b>28,087</b>	<b>54,214</b>

13.1 This includes mark-up accrued amounting to Rs. 9.153 million (2020: Rs. 26.344 million) on shariah based financing arrangements.

Rupees in '000	Note	2021	2020
<b>14</b>	<b>SHORT TERM BORROWINGS</b>		
	<b>Secured from banking companies</b>		
	Running finances under mark-up arrangements	14.1	663,486
	Short term loans	14.2 & 14.4	851,441
			<b>1,514,927</b>
			<b>2,675,360</b>

14.1 Running finance facility available from conventional side of various commercial banks under mark-up arrangements amounted to Rs. 1,100 million (2020: Rs. 1,100.8 million) out of which Rs. 300 million (2020: Rs. 300 million), Rs. 150 million (2020: Rs. 150 million) and Rs. 300 million (2020: Rs. 450 million) are interchangeable with letters of credit, letters of guarantee facility and short term loans, respectively. During the year, mark-up on such arrangements ranged between 8.12% to 10.54% (2020: 10.33% to 15.85%) per annum.

14.2 Short term loans available from various commercial banks under mark-up arrangements amounted to Rs. 3,850 million (2020: Rs. 4,600 million) out of which Rs. 3,150 million (2020: Rs. 3,400 million), Rs. 305 million (2020: Rs. 255 million) and Rs. 350 million (2020: Rs. 350 million) are interchangeable with letters of credit, letters of guarantee and short term running finance facilities, respectively. During the year, mark-up on such arrangements ranged between 8.12% to 10.54% (2020: 9.79% to 16.18%) per annum.

- 14.3 The facilities for opening letters of credit amounted to Rs. 4,750 million (2020: Rs. 4,600 million) out of which Rs. 300 million (2020: Rs. 300 million), Rs. 3,150 million (2020: Rs. 3,650 million) and Rs. 305 million (2020: Rs. 255 million) are interchangeable with short term running finances, short term loans and letters of guarantee, respectively as mentioned in notes 14.1 and 14.2 above. The facility for letters of guarantee as at 30 June 2021 amounted to Rs. 1,827 million (2020: Rs. 1,794.1 million). Amounts unutilized for letters of credit and guarantees as at 30 June 2021 were Rs. 3,884.903 million and Rs. 329.442 million (2020: Rs. 4,458.25 million and Rs. 69.923 million), respectively.
- 14.4 This includes an amount of Rs. 424.181 million (2020: Rs. 697.11 million) outstanding against Islamic mode of financing. The Company is currently availing Islamic mode of financing from the Al Baraka Bank, Dubai Islamic Bank, and Bank Islami Pakistan Limited. Facilities availed during the year include letters of credit, bank guarantees, Wakala, Morabaha, Istisna and Ijarah financing.
- 14.5 The above facilities are expiring on various dates with maturity periods upto 31 January 2022. These facilities are secured by way of mortgage of land and building, hypothecation of plant and machinery, stock-in-trade, trade debts and other current assets, pledge of shares (refer note 27.2); and lien over import / export documents. Further, these facilities (refer notes 14.1 to 14.3) are also secured against pledge of shares owned by CS Capital (Private) Limited (subsidiary company).

## 15 CONTINGENCIES AND COMMITMENTS

### 15.1 Contingencies

- 15.1.1 During the year 2014 - 2015, a show cause notice was issued by the Deputy Director, Directorate of Post Clearance Audit (Customs) Karachi for payment of duties and taxes on import of certain raw materials. In response the Company had contested that the said imports were exempt under bilateral agreement between Government of Pakistan and Government of Japan for projects under grant and accordingly these were cleared by the customs. However, the collector customs issued an order dated 22 May 2015 for recovery of the said duty and taxes and penalty thereon amounting to Rs. 35.773 million. The Company has filed an appeal with the Appellate Tribunal (Customs) against the order. Based on tax consultant's opinion, no provision has been recognized in these financial statements as the case is under appeal and management considers that the same would be decided in the Company's favour.
- 15.1.2 During the year 2015 - 2016, a show cause notice was received from Sindh Revenue Board (SRB) in respect of registration as a service provider and a demand aggregating to Rs. 60 million in respect of sales tax on services was raised thereby. The Company filed a constitutional writ in the SHC against the SRB and GoS in which SHC granted interim relief to the Company.

Subsequently, the writ was decided in light of SCP's orders in similar writs where SCP had decreed for a 50% payment of tax demand in order to keep the writs maintainable.

Following closure of petition, the Company received show cause notices and demands for Sindh Sales Tax payments amounting to Rs. 79 million, which were challenged in SHC in a civil suit as well as at the Appellate forums of the tax authority. Currently, the case is pending adjudication at the SHC as well as the Commissioner (Appeals) - SRB.

No provision has been recognized in these financial statements in this respect, since based on the opinions of tax consultant and the Company's legal counsel, the management is confident of favorable outcome of the litigation in relation to the said matter.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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15.1.3 Sindh Industrial Trade Estate (SITE) has cancelled allotment of plot A-26 and A-27 and charged non-utilization fees of Rs. 0.285 million and Rs. 0.621 million, respectively. The Company has challenged the cancellation and filed a suit in the SHC. The SHC has restrained SITE from taking any adverse action against the Company. Therefore, management considers that the case would be decided in the Company's favour and no provision is required to be recognized in these financial statements.

## 15.2 Commitments

15.2.1 During the year 2015 - 2016, the Company entered into Ijarah financing arrangement amounting to Rs. 600 million with Bank Islami Pakistan Limited (BIPL) for acquisition of Spiral Pipe (SP) machine. As per requirement of IFAS-2 Ijarah financing has been treated as an operating lease. During the previous year, BIPL deferred the principal payments of rentals for one year as per the directives issued by State Bank of Pakistan vide its circular no. 12 dated 26 March 2020 which ended during the month of March 2021.

As at 30 June 2021, aggregate amount of lease rentals outstanding under the agreement is Rs. 87.985 million (2020: Rs. 121.692 million), which is payable in quarterly installments of Rs. 22.867 million (2020: Rs. 22.898 million) each approximately.

Details of future Ijarah payments under the arrangement are as follows:

Rupees in '000	2021	2020
Not later than one year	327,985	33,707
Later than one year and not later than five years	-	327,985
	327,985	361,692
Security deposit under the arrangement	(240,000)	(240,000)
	87,985	121,692

15.2.2 Amounts of guarantees issued on behalf of the Company against various contracts aggregated Rs. 1,497.559 million (2020: Rs. 1,624 million). These include guarantees issued by Islamic banks amounting to Rs. 219.58 million (2020: Rs. 259 million).

15.2.3 Commitments in respect of capital expenditure contracted for as at 30 June 2021 amounted to Rs. 8.455 million (2020: Rs. 8.455 million).

15.2.4 Commitments under letters of credit (L/C) as at 30 June 2021 amounted to Rs. 865 million (2020: Rs. 228.486 million).

Rupees in '000	Note	2021	2020
<b>16 PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	16.1	1,810,103	2,014,201
Capital work-in-progress	16.4	117,225	91,471
		1,927,328	2,105,672
Right-of-use-assets	16.1	131,603	168,600
		2,058,931	2,274,272

## 16.1 Operating fixed assets and right-of-use assets

Description	Land		Buildings		Office premises	Plant and machinery owned*	Electrical/ office equipment and installation	Furniture and fittings	Computers	Motor vehicles owned	Total operating fixed assets	Right-of-use assets		Total
	Freehold	Leasehold including improvements	On freehold land	On leasehold land								Plant and machinery	Motor vehicles	
Rupees in '000	Note													
<b>Net book value as at 30 June 2021</b>														
Balance as at 1 July 2020 (NBV)		307,723	35,940	426,931	7,390	1,178,748	13,765	10,618	987	26,793	2,014,201	144,765	23,835	1,682,801
Additions / transfers		-	-	-	-	31,217	759	-	8,747	22,436	63,159	6,317	15,864	22,181
Disposals / transfer (at NBV)	16.11	-	-	-	-	(6,827)	-	-	(62)	(16,489)	(23,378)	(28,819)	(428)	(29,247)
Transfer to investment properties		(58,497)	-	-	-	-	-	-	-	-	(58,497)	-	-	-
Depreciation charge	16.1.2	-	(1,685)	(26,695)	(1,444)	(6,344)	(1,704)	(1,682)	(8,464)	(8,464)	(185,382)	(20,130)	(9,801)	(29,931)
Balance as at 30 June 2021 (NBV)		249,226	34,255	400,236	5,946	1,066,674	8,180	8,914	7,990	24,276	1,810,103	102,133	29,470	1,941,706
<b>Gross carrying value as at 30 June 2021</b>														
Cost	16.2	249,226	43,066	663,289	96,545	2,770,417	74,912	32,100	67,231	755,546	4,099,813	174,776	73,037	2,478,13
Accumulated depreciation		-	(8,811)	(263,053)	(90,599)	(1,703,743)	(66,732)	(23,186)	(59,241)	(51,270)	(2,289,710)	(72,643)	(43,567)	(1,612,000)
Net book value		249,226	34,255	400,236	5,946	1,066,674	8,180	8,914	7,990	24,276	1,810,103	102,133	29,470	1,941,706
<b>Net book value as at 30 June 2020</b>														
Balance as at 1 July 2019 (NBV)		307,723	37,626	437,587	24,871	1,316,595	20,503	12,336	2,630	33,916	2,200,012	168,850	35,306	2,041,56
Additions / transfers		-	-	-	-	1,832	848	-	378	3,587	6,645	-	-	6,645
Disposals (at NBV)		-	-	-	-	-	-	-	(8)	(1,452)	(1,460)	(2,377)	(375)	(4,212)
Depreciation charge		-	(1,686)	(10,656)	(17,481)	(139,679)	(7,586)	(1,718)	(2,013)	(9,258)	(90,996)	(21,708)	(11,096)	(32,804)
Balance as at 30 June 2020 (NBV)		307,723	35,940	426,931	7,390	1,178,748	13,765	10,618	987	26,793	2,014,201	144,765	23,835	1,682,801
<b>Gross carrying value as at 30 June 2020</b>														
Cost	16.2	307,723	43,066	663,289	96,545	2,770,417	74,912	32,100	67,231	755,546	4,099,813	174,776	73,037	2,478,13
Accumulated depreciation		-	(7,126)	(236,358)	(89,155)	(1,629,816)	(60,388)	(21,482)	(57,559)	(42,806)	(2,166,865)	(69,840)	(35,148)	(1,04,988)
Net book value		307,723	35,940	426,931	7,390	1,178,748	13,765	10,618	987	26,793	2,014,201	144,765	23,835	1,682,801
Depreciation rates (% per annum)		-	1 - 5	5 - 10	5 - 10	5 - 20	5 - 20	10	33.33	20	10	10	20	20

\* Net book value of plant and machinery (owned) includes an aggregate amount of Rs. 0.398 million (2020: Rs. 0.582 million) representing net book value of capitalized spares.

16.1.1 During the year, assets having net book value Rs. 29,247 million (2020: Rs. 2,753 million) were transferred from lease assets to own assets due to maturity of lease term.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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Rupees in '000	Note	2021	2020
<b>16.1.2 The depreciation charge for the year has been allocated as follows:</b>			
Cost of sales	32.1	194,812	200,570
Distribution and selling expenses	34	1,021	1,108
Administrative expenses	35	19,480	22,122
		<b>215,313</b>	<b>223,800</b>

16.2 Property, plant and equipment as at 30 June 2021 include items having an aggregate cost of Rs. 1,500.528 million (2020: Rs. 1,310.585 million) that have been fully depreciated and are still in use by the Company.

16.3 Particulars of Company's immovable operating fixed assets are as follows:

Particulars	Location	Area	
<b>Building</b>			
Office premises	Saddar, Karachi	14,504.4	Sq feet
Building	Nooriabad, District Jamshoro	261,257.1	Sq feet
Building	Jaranwala, District Faisalabad	340,455.0	Sq feet
Building	Dalawal, District Faisalabad	30,484.0	Sq feet
Building	Bhone, District Jhang	78,098.0	Sq feet
Building	Bhone, District Jhang	7,515.0	Sq feet
<b>Land</b>			
Lease hold	Nooriabad, District Jamshoro	30.0	Acre
Freehold land	Dalawal, District Faisalabad	13.9	Acre
Freehold land	Jaranwala, District Faisalabad	35.5	Acre
Freehold land	Bhone, District Jhang	19.1	Acre

16.3.1 The fair value and forced sale value of property, plant and equipment approximate to Rs. 4,519.8 million and Rs. 3,675.7 million, respectively.

Rupees in '000	Note	2021	2020
<b>16.4 Capital work-in-progress</b>			
Advance to contractors		62,135	40,000
Civil work	16.4.2 & 16.4.3	28,790	50,925
Others		26,300	546
	16.4.1	<b>117,225</b>	<b>91,471</b>

16.4.1 Following is the movement in capital work-in-progress during the year:

Rupees in '000	Land	Building	Plant	Others	Total
Balance as at 1 July 2020	48,580	2,345	546	40,000	91,471
Additions	-	-	25,754	-	25,754
Balance as at 30 June 2021	<b>48,580</b>	<b>2,345</b>	<b>26,300</b>	<b>40,000</b>	<b>117,225</b>

16.4.2 This includes an amount of Rs. 26.4 million (2020: Rs. 26.4 million) paid by the Company to Pakistan Steel Mills Limited (PSML) against allotment of plot located in Karachi measuring 24,200 square yards, currently in possession of a third party. However, the third party has filed a case in SHC for declaration and injunction against said property. The Company has filed a suit in SHC for specific performance and declaration against PSML with respect to the said property and also filed an application for vacation of the injunction operating against the property. The SHC vide its interim order has restrained PSML from creating any third party interest till the disposition of the case. The applications are pending for hearing. Based on consultation with its legal advisor, management believes that it has a reasonable ground in the case and expects a favorable outcome.

16.4.3 The Company has recognized a provision in previous year for an amount of Rs. 20.619 million (2020: Rs. 20.619 million) against construction work at a site which has been halted.

16.5 The following operating fixed assets were disposed off during the year:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain	Mode of disposal	Particular of buyers
Rupees in '000							
Plant and machinery	16,038	12,828	3,210	3,210	-	Sales and Leased back	Pak Gulf Leasing Company
Plant and machinery	18,087	14,470	3,617	3,617	-	Sales and Leased back	Pak Gulf Leasing Company
Motor Vehicle	1,198	27	1,171	1,171	-	Sales and Leased back	Pak Gulf Leasing Company
Motor Vehicle	1,970	-	1,970	1,970	-	Sales and Leased back	Pak Gulf Leasing Company
Motor Vehicle	1,198	27	1,171	1,171	-	Sales and Leased back	Pak Gulf Leasing Company
Motor Vehicle	1,433	35	1,398	1,398	-	Sales and Leased back	Pak Gulf Leasing Company
Motor Vehicle	1,640	54	1,586	1,586	-	Sales and Leased back	Pak Gulf Leasing Company
Motor Vehicle	1,433	52	1,381	1,381	-	Sales and Leased back	Pak Gulf Leasing Company
Motor Vehicle	1,433	35	1,398	1,398	-	Sales and Leased back	Pak Gulf Leasing Company
Motor Vehicle	3,005	118	2,887	2,887	-	Sales and Leased back	Pak Gulf Leasing Company
Motor Vehicle	1,198	27	1,171	1,171	-	Sales and Leased back	Pak Gulf Leasing Company
Motor Vehicle	1,640	62	1,578	1,578	-	Sales and Leased back	Pak Gulf Leasing Company
Others	57,002	56,162	840	7,287	6,447	Various	Various
<b>2021</b>	<b>107,275</b>	<b>83,897</b>	<b>23,378</b>	<b>29,825</b>	<b>6,447</b>		
<b>2020</b>	<b>13,526</b>	<b>9,314</b>	<b>4,212</b>	<b>5,313</b>	<b>1,101</b>		

16.5.1 These include transfer to investment properties at net book value amounting to Rs. 58.497 million (2020: Rs. Nil)

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## 17 INTANGIBLE ASSETS

The intangible assets represent various computer softwares. Movement during the year is as follows:

Rupees in '000	Note	2021	2020
<b>Net book value as at 30 June</b>			
Net book value as at 1 July		888	484
Additions		5,896	615
Amortization	17.1	(936)	(211)
Net book value as at 30 June	17.2	5,848	888
<b>Gross carrying value as at 30 June</b>			
Cost		82,099	78,614
Accumulated amortization		(73,611)	(75,086)
Accumulated impairment loss		(2,640)	(2,640)
		(76,251)	(77,726)
Net book value		5,848	888
Amortization rate (% per annum)		33.33	33.33

17.1 The amortization charge for the year has been allocated to administrative expenses (Note 35).

17.2 Intangible assets as at 30 June 2021 include items having an aggregate cost of Rs. 75.008 million (2020: Rs. 74.778 million) that have been fully amortized and are still in use of the Company.

## 18 INVESTMENT PROPERTIES

Description	Note	Land		Buildings		Office premises	Total
		Freehold	Leasehold including improvements	On leasehold land	On freehold land		
<b>Net book value as at 30 June 2021</b>							
Balance as at 1 July 2020 (NBV)		1,740	398	17,562	-	-	19,700
Additions / transfer		43,757	1,740	-	13,000	-	58,497
Disposals (at NBV)		-	(2,131)	(17,171)	-	-	(19,302)
Depreciation charge	18.1	-	(7)	(391)	(867)	-	(1,265)
Balance as at 30 June 2021 (NBV)		45,497	-	-	12,133	-	57,630
<b>Gross carrying value as at 30 June 2021</b>							
Cost	18.2	45,497	-	-	13,000	29,830	88,327
Accumulated depreciation		-	-	-	(867)	(29,830)	(30,697)
Net book value		45,497	-	-	12,133	12,133	57,630
<b>Net book value as at 30 June 2020</b>							
Balance as at 1 July 2019 (NBV)							
Opening net book value (NBV)		1,740	605	19,132	-	5	21,482
Depreciation charge		-	(207)	(1,570)	-	(5)	(1,782)
Balance as at 30 June 2020 (NBV)		1,740	398	17,562	-	-	19,700
<b>Gross carrying value as at 30 June 2020</b>							
Cost		1,740	2,869	31,409	-	29,830	65,848
Accumulated depreciation		-	(2,471)	(13,847)	-	(29,830)	(46,148)
Net book value		1,740	398	17,562	-	-	19,700
Depreciation rates (% per annum)		-	1 & 10	10 - 20	10 - 20	5 - 10	

- 18.1 Depreciation charged for the year has been allocated to administrative expenses (Note 35).
- 18.2 Fair value of the investment properties based on recent valuation as at 30 June 2021 is Rs. 205.26 million (2020: Rs. 215 million), which is determined by an external valuer on the basis of market value.
- 18.3 Particulars of the Company's investment properties are as follows:

Particulars	Location	Area	
<b>Building</b>			
Office premises	Saddar, Karachi	4,854.2	Sq feet
Building	Ferozpur, Lahore	35,839.8	Sq feet
<b>Land</b>			
Freehold land	Gawadar	3.0	Acre
Freehold land	Ferozpur, Lahore	5.1	Acre

Rupees in '000	Note	2021	2020
<b>19 LONG TERM INVESTMENTS</b>			
Subsidiary companies - at cost	19.1	525,001	525,001
Associated companies - at cost	19.2	1,286,401	1,286,401
Other long term investments	19.3	657,523	492,375
		<b>2,468,925</b>	<b>2,303,777</b>

19.1 Subsidiary companies - at cost

2021	2020		Note	2021	2020
Number of shares				Rupees in '000	
<b>Unquoted</b>					
52,500,000	52,500,000	CS Capital (Private) Limited (Chief Executive Officer - Ms. Hajerah Ahsan Saleem)	19.1.1	525,000	525,000
2	2	Crescent Continental Gas Pipelines Limited (US \$ 1 each)	19.1.2	-	-
100	100	Solution de Energy (Private) Limited (Chief Executive Officer - Mr. Muhammad Saad Thaniana)	19.1.3	1	1
				<b>525,001</b>	<b>525,001</b>

- 19.1.1 This represents the Company's investment in 100% ordinary shares of CS Capital (Private) Limited. The Company acquired CS Capital (Private) Limited on 26 September 2011.
- 19.1.2 This represents investment in subsidiary of Rs. 90 only. The subsidiary company has not commenced operation and accordingly no financial statements have been prepared.
- 19.1.3 This represents the Company's investment in 100% ordinary shares of Solution de Energy (Private) Limited that was acquired through amalgamation on 30 June 2019.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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## 19.2 Associated companies - at cost

2021	2020		Note	2021	2020
Number of shares				Rupees in '000	
		<b>Quoted</b>			
60,663,775	60,663,775	Altern Energy Limited (Chief Executive Officer - Mr. Umer Shehzad Sheikh)	19.2.1	595,293	595,293
27,409,075	27,409,075	Shakarganj Limited (Chief Executive Officer - Mr. Anjum M. Saleem)	19.2.2	691,108	691,108
				1,286,401	1,286,401

19.2.1 The Company holds 16.69% (2020: 16.69%) shareholding in Altern Energy Limited and has representation on its Board of Directors. The Company directly and / or indirectly has significant influence as per requirement of IAS 28 'Investments in Associates', therefore it has been treated as an associate as per IAS 28.

19.2.2 The Company holds 21.93% (2020: 21.93%) shareholding in Shakarganj Limited and there is no common directorship in the investee company. However, the Company directly and / or indirectly has significant influence as per requirement of IAS 28 'Investments in Associates', therefore it has been treated as an associate as per IAS 28.

Rupees in '000	2021	2020
19.2.3 Market value of investments in associates is as follows:		
Altern Energy Limited	1,546,926	1,471,097
Shakarganj Limited	1,302,479	1,356,749
	2,849,405	2,827,846

Percentage of holding	2021	2020
19.2.4 Percentage of holding of equity in associates is as follows		
Altern Energy Limited	16.69	16.69
Shakarganj Limited	21.93	21.93

19.2.5 The latest financial statements / condensed interim financial information of associated companies as at 30 June 2021 are not presently available. The following is summarized financial information of associated companies as at 31 March 2021 and for the twelve months period ended 31 March 2021 based on respective unaudited condensed interim financial information prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim reporting:

Rupees in '000	Note	Statement of financial position					Profit of loss				
		Non current assets	Current assets	Non current liabilities	Current liabilities	Attributable to NCI	Attributable to owners of the investee company	Revenues	Profit/(loss) after tax	Other comprehensive income/(loss)	Total comprehensive income/(loss)
		(As at 31 March)					(For the twelve months period ended 31 March)				
<b>2021</b>											
Altern Energy Limited	19.2.5.1	14,878,119	20,736,624	22,667	3,506,489	12,421,177	19,664,410	9,013,855	4,637,112	2,329	4,639,441
Shakarganj Limited		16,602,360	4,453,075	2,654,513	10,785,509	1,467,077	6,148,336	25,203,082	(1,429,376)	(146,376)	(1,575,752)
<b>2020</b>											
Altern Energy Limited		16,505,644	15,657,244	1,018,035	3,698,707	10,927,318	16,518,828	16,307,981	3,740,753	1,442	3,742,195
Shakarganj Limited		11,902,705	2,361,935	1,223,295	5,562,530	-	7,478,815	6,753,207	(1,063,914)	76,546	(987,368)

19.2.5.1 These figures are based on the latest available unaudited condensed interim consolidated financial information as at 31 March 2021 of Altern Energy Limited including its wholly owned subsidiary company i.e. Power Management (Private) Limited and Rousch (Pakistan) Power Limited, subsidiary of Power Management Company holding 59.98% shares.

Rupees in '000	Note	2021	2020
<b>19.3 Other long term investments</b>			
Fair value through other comprehensive income (FVOCI)	19.3.1	12,992	9,419
Fair value through profit or loss (FVTPL)	19.3.2	644,531	482,956
		657,523	492,375

#### 19.3.1 Fair value through other comprehensive income (FVOCI)

The Company holds investment in ordinary shares of Rs. 10 each in the following listed investee companies.

2021	2020		2021	2020
Number of shares	Name of investee company		Rupees in '000	
<b>Quoted</b>				
452,379	452,379	The Crescent Textile Mills Limited	12,345	9,419
113,094	-	The Crescent Textile Mills Limited - Letter of rights	647	-
			12,992	9,419

19.3.1.1 The Company has irrevocably designated this investment at initial application of IFRS 9 to recognise in this category. This is strategic investment and management considers this classification to be more relevant. Uptil 30 June 2018, these investments were classified as available for sale under IAS 39. Unlike IAS 39, the accumulated fair value reserve related to this investment will never be reclassified to profit or loss.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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## 19.3.2 Fair value through profit or loss (FVTPL)

2021	2020		Note	2021	2020
Number of shares				Rupees in '000	
		<b>Unquoted</b>			
14,110,817	14,110,817	Shakarganj Food Products Limited		446,325	346,844
6,875,000	5,565,000	Central Depository Company of Pakistan Limited (CDC)		198,206	136,112
2,403,725	2,403,725	Crescent Bahuman Limited - Related party	19.3.2.1	24,037	24,037
1,047,000	1,047,000	Crescent Industrial Chemicals Limited	19.3.2.2	10,470	10,470
				679,038	517,463
		Less: Provision for impairment		(34,507)	(34,507)
				644,531	482,956

19.3.2.1 The Chief Executive of Crescent Bahuman Limited is Mr. Nasir Shafi. The break-up value of shares of the investee company is Rs. 10 per share (2020: Rs. 13.21 per share), calculated on the basis of audited annual financial statements for the year ended 30 June 2020. This investment had been fully charged to profit or loss in earlier periods.

19.3.2.2 This investment was fully charged to profit or loss in earlier periods.

Rupees in '000	2021	2020
<b>20 LONG TERM DEPOSITS</b>		
Security deposits		
-leasing companies	12,569	14,176
-ljarah financing arrangement	-	199,694
-others	10,952	10,878
	23,521	224,748

Rupees in '000	Note	2021	2020
<b>21 DEFERRED TAXATION - NET</b>			
Deferred tax credits / (debits) arising in respect of:			
<b>Taxable temporary differences</b>			
Accelerated tax depreciation / amortization		192,255	198,471
Lease obligations		5,997	16,463
Fair value adjustment in unquoted investment through reserves		30,119	30,119
Employee benefits - Defined benefit plan		21,622	-
Unrealized gain on fair value through profit or loss investments		59,559	22,828
		309,552	267,881
<b>Deductible temporary differences</b>			
Employee benefits - Defined benefit plan		-	(46,631)
Provision for slow moving stores, spares and loose tools		(24,497)	(21,307)
Provisions for doubtful trade debts, doubtful advances and others		(79,405)	(76,981)
Discounting on long term deposit		(7,726)	(13,565)
Deferred income		(3,849)	(1,943)
Provisions for impairment of fixed assets		(5,980)	(5,980)
Provision of Gas Infrastructure Development Cess		(4,696)	(3,477)
Excess of minimum tax over normal tax	21.2	(200,480)	(107,224)
Tax losses	21.2	(403,801)	(445,930)
Provision for diminution in the value of investments		(7,505)	(7,505)
		(737,939)	(730,543)
		(428,387)	(462,662)
<b>21.1 Break up of deferred tax (reversal) / charge is as following:</b>			
Profit or loss		(34,032)	(192,405)
Other comprehensive income		68,253	20,961
Set-off of temporary differences with the Subsidiary Company		54	913
		34,275	(170,531)

21.2 The accumulated tax losses and excess minimum tax over normal tax of the Company as at 30 June 2021 aggregated Rs. 2,083.728 million (2020: Rs. 1,907.428 million) in respect of which the Company has recognised deferred tax asset amounting to Rs. 604.281 million (2020: Rs. 553.154 million). The existing unutilised tax loss mainly attributable to tax depreciation which can be utilised for an indefinite period and unadjusted business losses which can be utilised for maximum six years against future taxable profits. The Company carries out periodic assessment to determine the benefit of the loss and minimum tax that the Company would be able to set off against the taxable profits and tax liability in future years. The amount of this benefit has been determined based on the projected taxable profits of the Company for future years and the expected applicable tax rate. The determination of projected taxable profits are most sensitive to key assumptions such as volume of bare pipe sales and availability of electricity connection for billet segment.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

Rupees in '000	Note	2021	2020
<b>22 STORES, SPARES AND LOOSE TOOLS</b>			
Stores		29,410	26,999
Spare parts		214,899	211,417
Loose tools		3,615	4,288
		247,924	242,704
Less: Provision for slow moving items	22.1	84,472	73,472
		163,452	169,232
<b>22.1 Movement in provision for slow moving items</b>			
Opening balance		73,472	88,838
Provision made / (reversed) during the year - net	36	11,000	(15,366)
Closing balance		84,472	73,472
<b>23 STOCK-IN-TRADE</b>			
Raw materials			
Hot rolled steel coils (HR Coils)		303,715	1,470,714
Coating materials		96,903	39,315
Steel scrap		174,883	56,030
Others		85,261	117,476
Raw cotton		241,380	118,521
Stock-in-transit		168,850	58,535
		1,070,992	1,860,591
Provision for obsolescence and slow-moving raw materials		-	(2,039)
		1,070,992	1,858,552
Work-in-process	23.2 & 32.1	25,797	46,508
Finished goods - net	23.2 & 32.1	135,235	214,215
Scrap / cotton waste		4,505	11,466
		165,537	272,189
		1,236,529	2,130,741

23.1 Stock amounting to Rs. 0.108 million (2020: Rs. 0.108 million) is held by third party.

23.2 Stock-in-trade as at 30 June 2021 includes items valued at net realisable value (NRV). Reversal in respect of stock written back to NRV was amounting to Rs. 26.825 million (2020: Reversal of Rs. 6.906 million). Following is the detail of closing stock-in-trade carried at NRV:

Rupees in '000	Cost	NRV
Raw materials	1,070,992	1,070,992
Work-in-process	25,797	25,797
Finished goods and scrap / cotton waste	163,189	139,740
	1,259,978	1,236,529

Rupees in '000	Note	2021	2020
<b>24 TRADE DEBTS</b>			
Secured			
Considered good		24,826	158,208
Unsecured			
Considered good	24.1	112,247	67,591
Considered doubtful		23,214	30,706
		135,461	98,297
Impairment loss on trade debts	24.3	(23,214)	(30,706)
		137,073	225,799

24.1 This includes amount due from Shakarganj Limited amounting to Rs. 33.711 million (2020: Rs. Nil). Maximum aggregate amount outstanding from related parties at any time during the year calculated by reference to month-end balances is Rs. 43.711 million.

Rupees in '000	Note	2021	2020
24.2 The aging of amount due from related parties:			
Past due 30 - 180 days		3,682	-
Past due 180 days		30,029	-
		33,711	-
24.3 Movement in impairment loss on trade debts			
Opening balance		30,706	30,706
Impairment loss during the year		74	-
Written off during the year against provision		(7,566)	-
Closing balance		23,214	30,706

## 25 LOANS AND ADVANCES

Unsecured			
Loan to related party - considered good			
Solution de Energy (Private) Limited	25.1	94,208	91,208
Advances - considered good			
Staff		516	893
Suppliers for goods and services		40,181	52,731
Advances to others		1,366	393
Advances - considered doubtful			
Suppliers for goods and services		47	47
Provision for doubtful advances		(47)	(47)
		-	-
		136,271	145,225

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

25.1 The Company has provided short term interest free loan to Solution de Energy (Private) Limited (Subsidiary Company) in order to meet its requirements for the purposes of feasibility, legal approvals and other related activities in respect of its project of 100 MW Solar Power Plant in Solar Power Park being established by the Government of Punjab in the Cholistan desert. Maximum aggregate amount outstanding at any time during the year calculated by reference to month-end balance was Rs. 94.208 million (2020: Rs. 91.208 million). The loan is repayable on demand.

Rupees in '000	Note	2021	2020
<b>26 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
Security deposits			
- leasing companies		11,406	19,776
- Ijarah financing arrangement		219,364	-
Security deposits - others	26.1	48,442	33,922
Prepayments		10,606	9,359
		<b>289,818</b>	<b>63,057</b>

26.1 This includes Rs. 28.625 million (2020: Rs. 28.625 million) in respect of cost of interconnectivity of 11 KV feeder paid to Faisalabad Electric Supply Company (FESCO) under Power Purchase Agreement (PPA) for sale of 4-6 MW power. Under the PPA, initially this cost was required to be borne by the Company; however, it is agreed that the cost so incurred will be paid back to the Company by FESCO in five years time through ten, half yearly equal instalments, without mark-up, commencing after one month from commercial operation date.

## 27 SHORT TERM INVESTMENTS

Fair value through profit or loss (FVTPL)

The Company holds investment in ordinary shares of Rs. 10 each in the following investee entities:

2021	2020		Note	2021	2020
Number of shares/units	Name of investee company			Rupees in '000	
4,125,363	4,054,163	Quoted - Investments	27.1	221,885	124,611
		<b>Unquoted</b>			
1,996	1,996	Innovative Investment Bank Limited		2,777	2,777
		Less: Provision for impairment		(2,777)	(2,777)
				-	-
			27.3	<b>221,885</b>	<b>124,611</b>

## 27.1 Quoted - Investments

The Company holds investments in ordinary shares of listed companies and units of open end mutual funds. The face value of the shares is Rs. 10 per share unless otherwise stated. Details are as follows:

2021	2020	Name of investee company	2021	2020
Number of shares / units			Rupees in '000	
1,000	-	Attock Refinery Limited	256	-
13,200	-	Avanceon Limited	1,210	-
44,000	-	Byco Petroleum Limited	511	-
208,000	237,500	D.G. Khan Cement Company Limited	24,527	20,267
222,000	200,000	Engro Fertilizers Limited	15,600	12,056
102,500	55,000	Fauji Fertilizer Company Limited	10,875	6,049
10,000	-	Ferozsons Laboratories Limited	3,528	-
1,705,000	1,705,000	HBL Growth Fund - Class A	14,152	12,788
500,673	500,673	HBL Investment Fund - Class A	1,552	1,342
-	68,500	Hi-Tech Lubricants Limited	-	2,074
100,000	-	Image Pakistan Limited	2,675	-
137,700	139,700	International Industries Limited	29,057	3,254
63,000	63,000	International Steels Limited	5,885	12,815
70,000	-	Interloop Limited	4,902	-
26,490	26,490	Jubilee Spinning and Weaving Mills Limited	90	90
-	450,000	K-Electric Limited*	-	1,355
14,000	-	Lucky Cement Limited	12,088	-
5,000	-	Mari Petroleum Company Limited	7,622	-
51,500	5,000	Meezan Bank Limited	5,944	344
4,000	-	National Refinery Limited	2,093	-
100,000	100,000	Nishat Power Limited	1,965	2,265
72,700	72,700	Oil and Gas Development Company Limited	6,909	7,924
9,000	-	Pak Elektron Limited	316	-
25,500	-	Pakistan Oilfields Limited	10,043	-
155,800	155,800	Pakistan Petroleum Limited	13,528	13,520
101,800	100,800	Pakistan State Oil Company Limited	22,829	15,943
100,000	-	Power Cement Limited	961	-
5,000	-	Tariq Glass Limited	532	-
275,000	174,000	The Hub Power Company Limited	21,909	12,615
2,500	-	TRG Pakistan Limited	416	-
			221,975	124,701
		Less: Provision for impairment	(90)	(90)
4,125,363	4,054,163		221,885	124,611

\* The face value of these ordinary shares is Rs. 3.5 per share.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

27.2 The market value of investments which have been pledged with financial institutions as security against financing facilities (refer note 14.5) are as follows:

Rupees in '000	2021	2020
<b>Name of investee company</b>		
Altern Energy Limited (Long term investment)	1,488,435	1,396,073
D.G. Khan Cement Company Limited	17,688	20,267
Engro Fertilizers Limited	14,054	12,056
Fauji Fertilizer Company Limited	4,244	4,400
HBL Investment Fund - Class A	1,550	1,340
HBL Growth Fund - Class A	7,076	6,394
Hi-Tech Lubricants Limited	-	2,074
International Industries Limited	27,369	12,815
International Steels Limited	5,885	3,254
K-Electric Limited *	-	1,355
Meezan Bank Limited	2,885	344
Nishat Power Limited	1,965	2,265
Oil and Gas Development Company Limited	6,909	1,929
Pakistan Oilfields Limited	1,969	-
Pakistan Petroleum Limited	13,528	6,075
Pakistan State Oil Company Limited	22,604	15,943
The Crescent Textile Mills Limited (Long term investment)	12,345	9,419
The Hub Power Company Limited	9,162	5,075
	<b>1,637,668</b>	<b>1,501,078</b>

\* The face value of these ordinary shares is Rs. 3.5 per share.

27.3 This represents investment in ordinary shares of listed companies and units of mutual funds. Under IAS 39, these were classified as held for trading whereas under IFRS 9 these have been classified and held as FVTPL. This also includes investment in Jubilee Spinning and Weaving Mills Limited and Innovative Investment Bank Limited, which had been fully provided for as the break-up value of their shares was Rs. Nil per share (30 June 2020: Rs. Nil). Under IAS 39, these were classified as available for sale and reclassified to FVTPL on initial application of IFRS 9 as management has not designated it as FVOCI.

Rupees in '000	Note	2021	2020
<b>28 OTHER RECEIVABLES</b>			
Dividend receivable		886	886
Provision there against		(886)	(886)
		-	-
Receivable against sale of investment		260	-
Receivable against rent from investment property		-	305
Claim receivable		843	989
Due from related parties	28.1	19,259	13,469
Sales tax refundable	28.2	80,767	154,859
Margin on letter of guarantee		15,359	15,359
Receivable from staff retirement benefits funds	44	239,843	24,995
Others		1,932	9,536
		<b>358,263</b>	<b>219,512</b>

#### 28.1 Due from related parties

Shakarganj Limited		1,376	1,102
CS Capital (Private) Limited		2,156	580
Solution de Energy (Private) Limited		11,852	11,787
The Crescent Textile Mills Limited		244	-
Shakarganj Food Products Limited		2,631	-
Crescent Socks (Private) Limited		1,000	-
		<b>19,259</b>	<b>13,469</b>

28.1.1 Maximum aggregate amount outstanding at any time during the year from related parties calculated by reference to month-end balance is as follows:

Rupees in '000	2021	2020
Shakarganj Limited	1,376	1,102
CS Capital (Private) Limited	2,453	2,214
Solution de Energy (Private) Limited	11,852	11,787
The Crescent Textile Mills Limited	337	-
Shakarganj Food Products Limited	9,172	-
Crescent Socks (Private) Limited	1,000	-
Crescent Steel and Allied Products Limited - Pension Fund	-	53
	<b>26,190</b>	<b>15,156</b>

28.1.2 The aging of amount due from related parties:

Rupees in '000	2021	2020
Not yet due	2,367	1,354
Past due 1 - 30 days	935	7
Past due 30 - 180 days	3,003	626
Past due 180 days	12,954	11,482
	<b>19,259</b>	<b>13,469</b>

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 28.2 Sales tax refundable

28.2.1 This includes payment amounting to Rs. 2.665 million made to Punjab Revenue Authority (PRA) against order received for non withholding of Punjab sales tax on services and its deposit with Punjab Revenue Authority. Currently, the appeal is pending adjudication at the Appellate Tribunal Inland Revenue - PRA. After consultation with legal advisor, the management considers that the appeal would be decided in the Company's favour.

28.2.2 During the year 2020, order under section 11 of the Sales Tax Act, 1990 has been issued where demand of Rs. 1.83 million has been raised in respect of alleged short deposit of sales tax. An appeal was preferred with the Commissioner Appeals which was decided in the Company's favour; however, an appeal against the order of the Commissioner Appeals has been filed by the Tax Department at the Appellate Tribunal which is pending adjudication.

28.2.3 During the current year, sales tax audit under section 11 of the Sales Tax Act, 1990 has been conducted and order raising demand of Rs. 1.01 million has been issued in respect of Hadeed (Billet) Division [before amalgamation, it was Crescent Hadeed (Private) Limited)]. An appeal has been preferred with the Commissioner Appeals which is pending adjudication.

28.2.4 During the current year, orders have been issued under the Sales Tax Act, 1990, where demands aggregating Rs. 0.828 million have been raised in respect of Hadeed (Billet) Division [(before amalgamation, it was Crescent Hadeed (Private) Limited)]. Appeals have been preferred with the Commissioner Appeals which are pending adjudication.

29.3.5 In the previous years, the Company adopted fixed regime of sales tax for Hadeed (Billet) division whereby sales tax liability was discharged on the basis of units of electricity consumed at Rs. 13 per unit instead of ad valorem basis supported by judgement of the Lahore High Court in writ petition no. 243530/2018. Subsequently, the department filed ICA No. 23517/2019 before High Court which is sub-judice. No proceedings have been held since.

Rupees in '000	2021	2020
<b>29 TAXATION - NET</b>		
Advance taxation	3,771,784	3,821,133
Provision for taxation	(2,656,706)	(2,547,992)
	1,115,078	1,273,141

29.1 The Income Tax assessments of the Company have been finalized up to and including Tax Year 2020, except for pending appeal effect orders in respect of tax years 2002 and 2003. Deemed assessments for certain tax years have been amended by the department on account of various issues as explained below:

- (a) Income tax assessment for Tax Year 2006 has been amended by the Additional Commissioner Inland Revenue (ACIR) by making amendments to reassess loss from Rs. 410.588 million to Rs. 296.866 million. The Company being dissatisfied, contested the same before Commissioner Inland Revenue Appeals (CIRA) who vide his order disapproved the actions of ACIR. The department, being dissatisfied, over order of CIRA, filed an appeal before Appellate Tribunal Inland Revenue which dismissed the appeal in entirety. Department has now filed case in the Lahore High Court (LHC) challenging the tribunal's decision, which is pending to be heard.

- (b) Income tax assessments of the Company for the Tax Years 2013 and 2016 have been amended by the Commissioner Inland Revenue (CIR) whereby, tax demands of Rs. 95.94 million and Rs. 143.8 million have been raised, respectively. Appeals had been preferred with the Commissioner Appeals where most of the issues were decided in favour of the Company whereas for remaining issues, appeals have been preferred before the Appellate Tribunal Inland Revenue for these tax years which are pending adjudication. Cross appeal in Tax Year 2016 has been filed by the tax department which also awaits adjudication.
- (c) The Additional Commissioner Inland Revenue amended the deemed assessment of the Company for Tax Year 2009 and Tax Year 2011 thereby raising demands of Rs. 4.937 million and Rs. 22.218 million, respectively. The Company filed appeals with the Commissioner Inland Revenue (appeals) in which majority of the issues were decided in the Company's favour in case of Tax Year 2009 and the case was remanded back to the assessing officer for Tax Year 2011. The Company filed appeal with the Appellate Tribunal for Tax Year 2009 which is pending adjudication where as for Tax Year 2011, set aside proceedings have been initiated which have been duly responded to.
- (d) Orders under section 161/205 of the Income Tax Ordinance 2001 have been issued by the Assistant Commissioner Inland Revenue, whereby demands aggregating to Rs. 8.691 million (inclusive of default surcharge) have been raised in respect of Tax Year 2014 and Rs. 5.794 million in respect of Tax Year 2010. Majority of the matters have been decided in favour of the Company at the Commissioner (Appeals) level, whereas appeals have been preferred in Appellate Tribunal Inland Revenue for remaining issues.
- (e) During the current year, order under section 122(5A) has been passed by the Commissioner Inland Revenue for the Tax Year 2017 where expenses to the tune of Rs. 9.5 million have been disallowed. An appeal has been preferred with the Commissioner Appeals which is pending adjudication.
- (f) During the year 2018, orders under section 161/205 of the Income Tax Ordinance 2001 have been issued by the Assistant Commissioner Inland Revenue, whereby demand aggregating to Rs. 4.253 million (inclusive of default surcharge) has been raised in respect of Tax Year 2017. Appeal was preferred with the Commissioner Inland Revenue Appeals where majority of issues were decided in the Company's favour along with rectification of original order. Appeal has been preferred with the Appellate Tribunal Inland Revenue for remaining issues which is pending adjudication.
- (g) During the current year, orders under section 161/205 of the Income Tax Ordinance 2001 were issued by the Assistant Commissioner Inland Revenue in respect of Tax Years 2016 through 2019 whereby demands aggregating Rs. 1 million (approximately) were raised for CS Energy (Private) Limited (previously wholly owned subsidiary - now amalgamated with and into the Company). Associated expense has been recognised accordingly in these financial statements.

No provision has been made in these financial statements in respect of demand raised by the Income Tax authorities against matters stated in (a) to (f) as mentioned above, since based on the tax consultant's opinion the management is confident of favourable outcome of these appeals.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

Rupees in '000	Note	2021	2020
<b>30 CASH AND BANK BALANCES</b>			
With banks			
- in savings account	30.1	1,128	731
- in current accounts		2,460	21,829
	30.2	3,588	22,560
Cash in hand		365	828
		3,953	23,388

30.1 Mark-up rate on saving account is 5% to 5.2% (2020: 6.5% to 11.3% ) per annum.

30.2 This includes balances amounting to Rs. 0.1 million (2020: Rs. 1.765 million) with Shariah compliant banks.

Rupees in '000	Note	2021	2020
<b>31 SALES</b>			
Local sales			
Bare pipes	31.1	2,949,164	1,017,793
Pipe coating		36,671	86,604
Pre coated pipes		36,131	298,513
Cotton yarn / raw cotton / polyester		2,315,465	1,567,180
Electricity sales		188,758	136,026
Steam sales		348,468	113,507
Steel Billets		2,249,718	983,209
Others		126,532	56,149
Scrap / waste		243,892	214,029
		8,494,799	4,473,010
Sales tax		(1,235,543)	(650,808)
		7,259,256	3,822,202

31.1 This is presented net of liquidated damages amounting to Rs. 6.678 million.

31.2 Revenue is disaggregated by operating segments under note 43. Additionally, revenue by major customers is disclosed in note 43.4 to these unconsolidated financial statements.

Rupees in '000	Note	2021	2020
<b>32 COST OF SALES</b>			
Steel segment	32.1	2,314,735	1,257,531
Cotton segment	32.1	1,788,529	1,320,153
Energy segment	32.1	636,722	299,194
Hadeed (Billet) segment	32.1	2,022,537	894,428
		6,762,523	3,771,306

Rupees in '000	Note	Steel segment		Cotton segment		Energy segment		Hadeed (Billet) segment		Total		
		2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	
<b>32.1</b>	<b>Cost of sales</b>											
	Raw materials consumed	1,837,425	934,627	1,249,261	944,862	564,343	227,662	1,668,773	652,086	5,319,802	2,759,237	
	Cost of raw cotton / polyester sold	-	-	50,860	-	-	-	-	-	50,860	-	
	Packing materials consumed	-	-	20,804	13,372	-	-	-	-	20,804	13,372	
	Store and spares consumed	39,655	33,435	23,655	17,379	6,115	4,746	46,396	21,554	115,821	77,114	
	Fuel, power and electricity	51,119	33,944	236,935	206,026	79	77	1,810	1,242	289,943	241,289	
	Salaries, wages and other benefits	32.2	128,920	120,005	145,451	132,488	3,116	5,529	38,378	22,216	315,865	280,238
	Insurance		4,185	3,944	2,767	2,874	1,170	644	1,412	1,023	9,534	8,485
	Commission		-	-	7,702	4,394	-	-	-	-	7,702	4,394
	Repairs and maintenance		3,696	2,824	2,888	2,218	34	135	1,381	569	7,999	5,746
	Depreciation	16.1.2	56,544	60,831	26,374	27,897	60,348	60,391	51,546	51,451	194,812	200,570
	Rental under Ijarah financing		33,707	68,200	-	-	-	-	-	-	33,707	68,200
	Other expenses		75,216	72,493	5,706	-	1,517	10	213,544	144,287	295,983	216,790
			2,230,467	1,330,303	1,772,403	1,351,510	636,722	299,194	2,023,240	894,428	6,662,832	3,875,435
	Opening stock of work-in-process		39,329	15,854	7,179	9,142	-	-	-	-	46,508	24,996
	Closing stock of work-in-process	23	(15,591)	(39,329)	(10,206)	(7,179)	-	-	-	-	(25,797)	(46,508)
			23,738	(23,475)	(3,027)	1,963	-	-	-	-	20,711	(21,512)
	Cost of goods manufactured		2,254,205	1,306,828	1,769,376	1,353,473	636,722	299,194	2,023,240	894,428	6,683,543	3,853,923
	Opening stock of finished goods		169,821	120,524	44,394	11,074	-	-	-	-	214,215	131,598
	Closing stock of finished goods - net	23	(109,291)	(169,821)	(25,241)	(44,394)	-	-	(703)	-	(135,235)	(214,215)
			60,530	(49,297)	19,153	(33,320)	-	-	(703)	-	78,980	(82,617)
			2,314,735	1,257,531	1,788,529	1,320,153	636,722	299,194	2,022,537	894,428	6,762,523	3,771,306
<b>32.2</b>	<b>Detail of salaries, wages and other benefits</b>											
	Salaries, wages and other benefits	32.2.1	117,009	106,629	142,041	130,412	3,099	5,515	37,748	21,915	299,897	264,471
	Pension fund	32.2.2	5,682	8,920	1,190	-	-	-	-	-	6,872	8,920
	Gratuity fund	32.2.2	2,365	660	78	-	-	-	-	-	2,443	660
	Provident fund contributions		3,864	3,796	2,142	2,076	17	14	630	301	6,653	6,187
			128,920	120,005	145,451	132,488	3,116	5,529	38,378	22,216	315,865	280,238

**32.2.1** These include contribution amounting to Rs. 0.06 million (2020: Rs. Nil) to Staff Benevolent Fund (“the Fund”). The Fund has been established as separate legal entity under the Trust Act, 1882 and registered under Income Tax Ordinance, 2001. The objective of the Fund is to provide at the discretion of the trustees, post retirement medical cover / facilities for retired employees and other hardship cases of extraordinary nature of existing employees of the Company. The Company does not have any right in the residual interest of the Fund.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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Rupees in '000	2021		2020	
	Pension	Gratuity	Pension	Gratuity
<b>32.2.2 Staff retirement benefits</b>				
Current service costs	6,309	4,419	5,174	1,616
Interest costs	17,374	7,307	19,829	4,184
Return on plan assets, excluding interest income	(16,811)	(9,283)	(16,083)	(5,140)
	6,872	2,443	8,920	660

Rupees in '000	Note	2021	2020
<b>33 INCOME FROM INVESTMENTS - NET</b>			
Dividend income	33.1	19,338	353,378
Gain / (loss) on sale of FVTPL investments - net	33.1	6,603	(4,309)
Unrealized gain on FVTPL investments - net	33.1	200,710	37,706
Rental income from investment properties	33.2	5,907	2,563
		232,558	389,338

33.1 Break up of dividend income, realised gain and unrealised gain is as follows:

Rupees in '000	Dividend income	Realised gain	Unrealised gain
Shariah compliant investee companies	7,196	4,465	36,780
Non - Shariah compliant investee companies	12,142	2,138	163,930
	19,338	6,603	200,710

33.1.1 Unrealized gain amounting to Rs. 3.573 million was recognized in the other comprehensive income during the year.

33.1.2 Income from investment was categorised as Shariah / Non - Shariah compliant investee companies on the basis of All Shares Islamic Index as circulated by the Pakistan Stock Exchange.

33.2 Direct operating expenses incurred against rental income from investment properties amounted to Rs. 6.47 million (2020: Rs. 0.873 million). Further Rs. Nil (2020: Rs. 2.258 million) were incurred against the non rented out area.

### 34 DISTRIBUTION AND SELLING EXPENSES

Rupees in '000	Note	Steel segment		Cotton segment		Hadeed (Billet) segment		Total	
		2021	2020	2021	2020	2021	2020	2021	2020
Salaries, wages and other benefits	34.1	4,639	3,046	1,529	1,917	390	70	6,558	5,033
Travelling, conveyance and entertainment		112	1,207	36	49	24	43	172	1,299
Depreciation	16.1.2	872	909	-	-	149	199	1,021	1,108
Insurance		7	22	-	-	8	20	15	42
Postage, telephone and telegram		98	48	48	42	14	17	160	107
Advertisement		216	31	-	-	-	-	216	31
Bid bond expenses		323	450	-	-	-	-	323	450
Legal and professional charges		3,157	1,362	-	-	-	-	3,157	1,362
Others		1,562	2,429	1,498	1,183	298	280	3,358	3,892
		10,986	9,504	3,111	3,191	883	629	14,980	13,324

#### 34.1 Detail of salaries, wages and other benefits

Rupees in '000	Note	Steel segment		Cotton segment		Hadeed (Billet) segment		Total	
		2021	2020	2021	2020	2021	2020	2021	2020
Salaries, wages and other benefits		3,974	2,188	1,493	1,917	357	70	5,824	4,175
Pension fund	34.1.1	425	637	24	-	12	-	461	637
Gratuity fund	34.1.1	39	47	10	-	5	-	54	47
Provident fund contributions		201	174	2	-	16	-	219	174
		4,639	3,046	1,529	1,917	390	70	6,558	5,033

Rupees in '000	2021		2020	
	Pension	Gratuity	Pension	Gratuity
<b>34.1.1 Staff retirement benefits</b>				
Current service costs	423	347	370	115
Interest costs	1,164	435	1,416	299
Return on plan assets, excluding interest income	(1,126)	(728)	(1,149)	(367)
	461	54	637	47

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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## 35 ADMINISTRATIVE EXPENSES

Rupees in '000	Note	Steel segment		Cotton segment		Energy segment		Hadeed (Billet) segment		IID segment		Total	
		2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Salaries, wages and other benefits	35.1	91,753	98,859	20,784	21,135	2,537	2,887	10,352	8,000	7,875	7,966	133,301	138,847
Rents, rates and taxes		2,399	1,926	457	371	94	65	667	268	3,258	621	6,875	3,251
Travelling, conveyance and entertainment		2,111	3,931	449	779	54	134	420	313	140	263	3,174	5,420
Fuel and power		9,056	7,795	1,332	1,214	632	259	2,323	2,145	491	427	13,834	11,840
Postage, telephone and telegram		2,057	1,663	434	392	61	43	130	115	130	103	2,812	2,316
Insurance		1,732	1,942	314	302	36	284	70	60	189	176	2,341	2,764
Repairs and maintenance		7,402	5,569	598	414	122	50	418	147	398	994	8,938	7,174
Auditors' remuneration	35.2	3,201	2,138	614	583	66	83	132	157	263	251	4,276	3,212
Legal, professional and corporate service charges		17,129	23,226	4,152	5,944	157	1,008	248	2,006	4,012	2,854	25,698	35,038
Advertisement		619	367	26	10	15	6	20	10	34	20	714	413
Donations	35.3	10,876	480	58	-	203	5	295	7	581	26	12,013	518
Depreciation	16.1.2 & 18.1	14,102	15,482	2,296	3,033	322	321	1,912	2,378	2,113	2,690	20,745	23,904
Amortization of intangible assets	17.1	707	164	150	31	21	4	21	4	37	8	936	211
Printing, stationery and office supplies		1,895	1,436	463	355	13	11	23	25	165	145	2,559	1,972
Newspapers, subscriptions and periodicals		253	287	644	360	593	517	14	13	27	26	1,531	1,203
Others		4,150	5,072	863	1,059	88	134	804	571	217	307	6,122	7,143
		169,442	170,337	33,634	35,982	5,014	5,811	17,849	16,219	19,930	16,877	245,869	245,226
<b>35.1 Detail of salaries, wages and other benefits</b>													
Salaries, wages and other benefits		81,046	71,548	18,404	20,411	2,135	2,768	9,583	7,770	6,774	7,655	117,942	110,152
Pension fund	35.1.1	7161	22,300	1,493	-	211	-	373	-	699	-	9,937	22,300
Gratuity fund	35.1.1	40	1,650	122	-	88	-	155	-	73	-	478	1,650
Provident fund contributions		3,506	3,361	765	724	103	119	241	230	329	311	4,944	4,745
		91,753	98,859	20,784	21,135	2,537	2,887	10,352	8,000	7,875	7,966	133,301	138,847

Rupees in '000	2021		2020	
	Pension	Gratuity	Pension	Gratuity
<b>35.1.1 Staff retirement benefits</b>				
Current service costs	9,123	614	12,934	4,040
Interest costs	25,123	1,152	49,573	10,460
Return on plan assets, excluding interest income	(24,309)	(1,288)	(40,207)	(12,850)
	9,937	478	22,300	1,650

Rupees in '000	Note	A. F. Ferguson & Co.	KPMG Taseer Hadi & Co.
		2021	2020
<b>35.2 Auditors' remuneration</b>			
Audit fee		2,250	2,250
Certifications and tax and other assurance services		1,330	480
		3,580	2,730
Out of pocket expenses		405	244
Sales tax		291	238
	35.2.1	4,276	3,212

**35.2.1** Audit fee includes services for audit of annual unconsolidated and consolidated financial statements, audit of annual consolidated financial statements for group taxation purpose, limited review of unconsolidated condensed interim financial information for the six months period, review report on statement of compliance with best practices of the Code of Corporate Governance, taxation services and audit of reconciliation statement of nominee shareholding of Central Depository Company.

### 35.3 Donations

Donations include the following in which a director is interested:

Name of director	Interest in donee	Name and address of the donee	Amount donated	
			2021	2020
Rupees in '000				
Mr. Ahsan M. Saleem	Director	The Citizens Foundation Plot No. 20, Sector - 14, New Brookes Chowrangi, Korangi Industrial Area, Karachi	10,668	269

**35.3.1** Donations other than those mentioned above were not made to any donee in which a director or his spouse had any interest at any time during the year.

Rupees in '000	Note	2021	2020
<b>36 OTHER OPERATING EXPENSES</b>			
Exchange loss		-	25,958
Impairment loss on trade debts		74	-
Provision for:			
- Workers' Profit Participation Fund	12.5	13,543	-
- Workers' Welfare Fund		2,830	-
- Slow moving stores, spares and loose tools - net	22.1	11,000	-
		27,447	25,958

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

Rupees in '000	Note	2021	2020
<b>37 OTHER INCOME</b>			
Income from financial assets			
Return on deposits - from conventional banking		532	859
Unwinding of discount on long term deposit		22,528	2,415
		23,060	3,274
Income from non-financial assets			
Exchange gain		18,135	-
Gain on disposal of operating fixed assets		6,447	1,101
Gain on disposal of investment property		128,201	-
Deferred income amortized	11	9,066	6,825
Insurance commission		-	1,318
Liabilities written-back		3,465	1,029
Reversal of provision for slow moving stores, spares and loose tools		-	15,366
Rent income		6,505	5,010
Others		1,449	1,517
		173,268	32,166
		196,328	35,440
<b>38 FINANCE COSTS</b>			
Mark - up on short term loans - Shariah arrangement		41,986	55,064
Interest on Non - Shariah arrangements			
- lease obligations		7,665	16,475
- long term loans		27,432	32,086
- running finances		84,913	144,828
- short term loans		41,724	50,494
Discounting of long term deposit		2,392	-
Bank charges		4,669	9,992
		210,781	308,939
<b>39 TAXATION</b>			
Current			
- for the year		114,456	89,849
- for prior years		(5,742)	1,907
		108,714	91,756
Deferred			
		(34,032)	(192,405)
		74,682	(100,649)
<b>39.1 Relationship between taxation expense and accounting profit</b>			
Profit / (loss) before taxation		426,542	(117,773)
Tax at the applicable rate of 29% (2020: 29%)		123,697	(34,154)
Tax effect of inadmissible expenses / losses		12,744	(779)
Tax effect of income taxed at a lower rate		(56,017)	(67,623)
Prior year tax effect		(5,742)	1,907
		74,682	(100,649)

39.2 Sufficient provision for tax has been made in these financial statements taking into account the profit for the year and various admissible and inadmissible allowances and deduction under the Income Tax Ordinance, 2001. Position of provisions and assessments including returns filed and deemed assessed for last three years are as follows:

Rupees in '000	2020	2019	2018
Tax provision including effects of prior years	81,427	63,513	222,849
Tax assessed / return filed	81,427	63,513	186,807

Rupees in '000	2021	2020
<b>40 BASIC AND DILUTED EARNINGS / (LOSS) PER SHARE</b>		
Profit / (Loss) for the year	351,860	(17,124)
	(Number of shares)	
Weighted average number of ordinary shares in issue during the year	77,632,491	77,632,491
	(Rupees)	
Basic and diluted earnings / (loss) per share	4.53	(0.22)

Rupees in '000	Note	2021	2020
<b>41 CASH GENERATED FROM / (USED IN) OPERATIONS</b>			
Profit / (loss) before taxation		426,542	(117,773)
<b>Adjustments for non cash charges and other items:</b>			
Depreciation on operating fixed assets and investment properties		216,578	225,582
Amortization of intangible assets	17	936	211
Charge for the year on staff retirement benefit funds	44.1.7	20,245	34,214
Dividend income	33.1	(19,338)	(353,378)
Unrealized gain on FVTPL investments - net	33.1	(200,710)	(37,706)
(Gain) / loss on sale of FVTPL investments - net	33.1	(6,603)	4,309
Provision / (reversal) for slow moving stores, spares and loose tools	36	11,000	(15,366)
Reversal of impairment loss on trade debts - net	36	74	-
Provision for Workers' Welfare Fund	36	2,830	-
Provision for Workers' Profit Participation Fund	36	13,543	-
Return on deposits	37	(532)	(859)
Gain on disposal of operating fixed assets	37	(6,447)	(1,101)
Gain on disposal of investment property	37	(128,201)	-
Deferred income amortized	37	(9,066)	(6,825)
Discounting of long term deposit	38	2,392	-
Unwinding of discount on long term deposit	37	(22,528)	(2,415)
Liabilities written off	37	(3,465)	(1,029)
Finance costs	38	208,389	308,939
		505,639	36,803
<b>Changes in:</b>			
- Stores, spares and loose tools		(5,220)	31,918
- Stock-in-trade		894,212	(1,309,372)
- Trade debts		88,652	(129,367)
- Advances		8,954	(22,540)
- Trade deposits and short term prepayments		(27,067)	(12,765)
- Other receivables		76,151	35,117
- Trade and other payables		(313,520)	381,430
		1,227,801	(988,776)

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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## 41.1 Reconciliation of movements of liabilities to cash flows arising from financing activities

	Long term loans	Lease liabilities (Including mark-up accrued)	Short term borrowings	Dividend payable	Total	
Rupees in '000						
	Note	9	10 & 13	14		
Opening balance as at 30 June 2020		239,680	111,599	2,093,043	26,443	2,470,765
Proceeds from long term loans		123,140	-	-	-	123,140
Repayment of long term loans		(67,035)	-	-	-	(67,035)
Proceeds from short term borrowings		-	-	180,061	-	180,061
Repayment of short term borrowings		-	-	(1,421,663)	-	(1,421,663)
Dividend paid		-	-	-	(815)	(815)
Lease payments		-	(57,582)	-	-	(57,582)
		56,105	(57,582)	(1,241,602)	(815)	(1,243,894)
Lease liabilities entered during the year - exceeding NBV		-	27,195	-	-	27,195
Lease liabilities restricted to NBV		-	22,538	-	-	22,538
Interest accrued on lease obligation		-	7,665	-	-	7,665
Discounting effect		(9,071)	-	-	-	(9,071)
Lease deposit matured		-	(357)	-	-	(357)
		(9,071)	57,041	-	-	47,970
Closing balance as at 30 June 2021		286,714	111,058	851,441	25,628	1,274,841

	Note	2021	2020
Rupees in '000			
<b>42 CASH AND CASH EQUIVALENTS</b>			
Running finances under mark-up arrangements	14.1	(663,486)	(582,317)
Cash and bank balances	30	3,953	23,388
		(659,533)	(558,929)

## 43 SEGMENT REPORTING

### 43.1 Reportable segments

The Company's reportable segments are as follows :

- Steel segment - It comprises of manufacturing and coating of steel pipes (note 1.2).
- Cotton segment - It comprises of manufacturing of yarn (note 1.3).
- Investment and Infrastructure Development (IID) segment - To effectively manage the investment portfolio in shares and other securities (strategic as well as short term) and investment properties (held for rentals as well as long term appreciation) (note 1.4).
- Hadeed (Billet) segment - It comprises of manufacturing billets (note 1.5).
- Energy segment - It comprises of generating and supplying electricity / power (note 1.6).

The Company's all segments are engaged in shariah compliant businesses except mentioned in note 33 to these financial statements. Information regarding the Company's reportable segments is presented below:

## 43.2 Segment revenues and results

Following is an analysis of the Company's revenue and results by reportable segments:

For the year ended 30 June 2021

Rupees in '000	Steel segment	Cotton segment	Energy segment	Hadeed (Billet) segment	IID segment	Inter-segments elimination / adjustments	Total
Sales	2,740,146	2,000,060	640,353	2,065,139	-	(186,442)	7,259,256
Cost of sales	2,319,948	1,788,573	636,722	2,203,722	-	(186,442)	6,762,523
Gross profit / (loss)	420,198	211,487	3,631	(138,583)	-	-	496,733
Income from investments - net	-	-	-	-	232,558	-	232,558
	420,198	211,487	3,631	(138,583)	232,558	-	729,291
Distribution and selling expenses	10,986	3,111	-	883	-	-	14,980
Administrative expenses	169,442	33,634	5,014	17,849	19,930	-	245,869
Other operating expenses	16,744	8,466	805	1,432	-	-	27,447
	197,172	45,211	5,819	20,164	19,930	-	288,296
	223,026	166,276	(2,188)	(158,747)	212,628	-	440,995
Other income	34,114	17,367	3,288	13,358	128,201	-	196,328
Operating profit / (loss) before							
finance costs	257,140	183,643	1,100	(145,389)	340,829	-	637,323
Finance costs	172,061	12,513	-	26,207	-	-	210,781
<b>Profit / (loss) before taxation</b>	<b>85,079</b>	<b>171,130</b>	<b>1,100</b>	<b>(171,596)</b>	<b>340,829</b>	<b>-</b>	<b>426,542</b>
Taxation							74,682
<b>Profit for the year</b>							<b>351,860</b>

For the year ended 30 June 2020

Sales	1,291,206	1,346,000	279,513	971,720	-	(66,237)	3,822,202
Cost of sales	1,257,531	1,320,153	299,194	960,665	-	(66,237)	3,771,306
Gross profit	33,675	25,847	(19,681)	11,055	-	-	50,896
Income from investments - net	-	-	-	-	389,338	-	389,338
	33,675	25,847	(19,681)	11,055	389,338	-	440,234
Distribution and selling expenses	9,504	3,191	-	629	-	-	13,324
Administrative expenses	170,337	35,982	5,811	16,219	16,877	-	245,226
Other operating expenses	23,237	4,641	-	(1,920)	-	-	25,958
	203,078	43,814	5,811	14,928	16,877	-	284,508
	(169,403)	(17,967)	(25,492)	(3,873)	372,461	-	155,726
Other income	22,919	9,636	(1,179)	4,064	-	-	35,440
Operating (loss) / profit before							
finance costs	(146,484)	(8,331)	(26,671)	191	372,461	-	191,166
Finance costs	245,722	18,347	-	35,560	9,310	-	308,939
<b>(Loss) / profit before taxation</b>	<b>(392,206)</b>	<b>(26,678)</b>	<b>(26,671)</b>	<b>(35,369)</b>	<b>363,151</b>	<b>-</b>	<b>(117,773)</b>
Taxation							(100,649)
<b>Loss for the year</b>							<b>(17,124)</b>

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

43.2.1 Revenue reported above represents revenue generated from external customers and inter-segment sales of electricity by Energy Segment to Hadeed (Billet) Segment of Rs. 181.185 million (2020: Rs. 66.237 million), Rs. 5.213 million (2020: Rs. Nil) of scrap sales by Steel Segment to Hadeed (Billet) Segment and Rs. 0.044 million (2020: Rs. Nil) of scrap sales by Steel Segment to Cotton Segment.

43.2.2 The accounting policies of the reportable segments are the same as the Company's accounting policies described in note 6 to these financial statements. The Steel segment allocates certain percentage of the common expenditure to the Cotton, Energy, Hadeed (Billet) and IID segments. In addition, finance costs between Steel and Cotton segments are allocated at average mark-up rate on the basis of funds utilized. This is the measure reported to management for the purposes of resource allocation and assessment of segment performance.

## 43.3 Revenue from major products and services

The analysis of the Company's revenue from external customers for major products and services is given in note 31 to these unconsolidated financial statements.

## 43.4 Information about sales to major customers

Revenue from major customers of Steel segment represents an aggregate amount of Rs. 2,666.242 million (2020: Rs. 1,057.732 million) of total Steel segment revenue of Rs. 2,740.146 million (2020: Rs. 1,291.206 million). Revenue from major customers of Cotton segment represents an aggregate amount of Rs. 742.924 million (2020: Rs. 322.4 million) of total Cotton segment revenue of Rs. 2,000.06 million (2020: Rs. 1,346 million). Revenue from major customers of Energy segment represents an aggregate amount of Rs. 534.017 million (2020: Rs. 116.261 million) of total Energy segment revenue of Rs. 640.353 million (2020: Rs. 279.513 million). Revenue from major customers of Hadeed (Billet) segment represents an aggregate amount of Rs. 2,033.24 million (2020: Rs. 688.167 million) of total Hadeed (Billet) segment revenue of Rs. 2,065.139 million (2020: Rs. 971.72 million).

## 43.5 Geographical information

43.5.1 All Company's revenue from external customers by geographical location is within Pakistan.

43.5.2 All non-current assets of the Company as at 30 June 2021 and 2020 were located and operating in Pakistan.

## 43.6 Segment assets and liabilities

Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follows:

Rupees in '000	Steel segment	Cotton segment	Energy segment	Hadeed (Billet) segment	IID segment	Total
<b>As at 30 June 2021</b>						
Segment assets for reportable segments	1,982,178	539,559	624,507	927,419	2,778,857	6,852,520
Unallocated corporate assets						1,853,044
Total assets as per unconsolidated statement of financial position						8,705,564
Segment liabilities for reportable segments	568,762	164,977	32,263	52,840	3,312	822,154
Unallocated corporate liabilities and deferred income						1,912,586
Total liabilities as per unconsolidated statement of financial position						2,734,740

#### 43.6 Segment assets and liabilities (continued)

Rupees in '000	Steel segment	Cotton segment	Energy segment	Hadeed (Billet) segment	IID segment	Total
As at 30 June 2020						
Segment assets for reportable segments	2,934,338	506,150	660,381	846,220	2,470,678	7,417,767
Unallocated corporate assets						2,242,986
Total assets as per unconsolidated statement of financial position						9,660,753
Segment liabilities for reportable segments	756,226	269,746	72,385	57,488	1,445	1,157,290
Unallocated corporate liabilities and deferred income						3,055,175
Total liabilities as per unconsolidated statement of financial position						4,212,465

##### 43.6.1 For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than those directly relating to corporate and taxation assets; and
- all liabilities are allocated to reportable segments other than those directly relating to corporate and taxation.

Cash and bank balances, borrowings and related mark-up receivable therefrom and payable thereon, respectively are not allocated to reporting segments as these are managed by the Company's central treasury function.

#### 43.7 Other segment information

Rupees in '000	Steel segment	Cotton segment	Energy segment	Hadeed (Billet) segment	IID segment	Total
<b>For the year ended 30 June 2021</b>						
Capital expenditure	50,272	13,440	-	1,850	-	65,562
Depreciation and amortization	72,225	28,820	60,691	53,628	2,150	217,514
Non-cash items other than depreciation and amortization - net	172,999	7,655	(2,184)	28,184	(345,071)	(138,417)
<b>For the year ended 30 June 2020</b>						
Capital expenditure	9,154	-	-	-	-	9,154
Depreciation and amortization	77,386	30,961	60,716	54,032	2,698	225,793
Non-cash items other than depreciation and amortization - net	258,621	13,912	1,179	32,536	(377,465)	(71,217)

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 44 STAFF RETIREMENT BENEFITS

### Defined benefit plans

44.1.1 The actuarial valuation of both pension and gratuity schemes has been conducted in accordance with IAS 19, 'Employee benefits' as at 30 June 2021. The projected unit credit method, using the following significant assumptions, has been used for the actuarial valuation:

	2021		2020	
	Pension	Gratuity	Pension	Gratuity
<b>Financial assumptions</b>				
- Discount rate used for interest cost in profit or loss	9.25%	8.50%	14.5%	14.5%
- Discount rate used for year end obligation	10.00%	10.00%	9.25%	8.5%
- Expected rate of increase in salaries	10.00%	10.00%	N/A	N/A
<b>Demographic assumptions</b>				
- Retirement assumption	Age 58		Age 58	
- Expected mortality for active members	SLIC (2001-05)		SLIC (2001-05)	

44.1.2 The amounts recognized in unconsolidated statement of financial position are as follows:

Rupees in '000	Note	2021			2020		
		Pension	Gratuity	Total	Pension	Gratuity	Total
Present value of defined benefit obligations	44.1.4	500,963	111,286	612,249	477,700	107,085	584,785
Fair value of plan assets	44.1.5	(640,770)	(211,322)	(852,092)	(453,987)	(132,080)	(586,067)
(Asset) / liability recognized in unconsolidated statement of financial position		(139,807)	(100,036)	(239,843)	23,713	(24,995)	(1,282)
<b>44.1.3 Movement in the net defined benefit liability / (asset)</b>							
Opening balance		23,713	(24,995)	(1,282)	100,546	(20,329)	80,217
Net benefit cost charged to profit or loss	44.1.7	17,270	2,975	20,245	31,857	2,357	34,214
Remeasurements recognized in other comprehensive income	44.1.8	(163,939)	(71,417)	(235,356)	(92,143)	(594)	(92,737)
Contributions by the Company	44.1.5	(16,851)	(6,599)	(23,450)	(16,547)	(6,429)	(22,976)
Closing balance		(139,807)	(100,036)	(239,843)	23,713	(24,995)	(1,282)
<b>44.1.4 Movement in the present value of defined benefit obligations</b>							
Opening balance		477,700	107,085	584,785	494,294	104,884	599,178
Current service cost		15,855	5,380	21,235	18,477	5,771	24,248
Interest cost		43,661	8,894	52,555	70,818	14,943	85,761
Benefits paid during the year		(11,390)	(4,903)	(16,293)	(11,794)	(3,661)	(15,455)
Remeasurement:							
Actuarial loss / (gain) from change in financial assumption		8,577	25	8,602	(21,521)	(93)	(21,614)
Experience adjustments		(33,440)	(5,195)	(38,635)	(72,574)	(14,759)	(87,333)
Closing balance		500,963	111,286	612,249	477,700	107,085	584,785

Rupees in '000	2021			2020		
	Pension	Gratuity	Total	Pension	Gratuity	Total
<b>44.1.5</b> Movement in the fair value of plan assets are as follows						
Opening balance	453,987	132,080	586,067	393,748	125,213	518,961
Contributions by the Company	16,851	6,599	23,450	16,547	6,429	22,976
Interest income on plan assets	42,246	11,299	53,545	57,438	18,357	75,795
Benefits paid during the year	(11,390)	(4,903)	(16,293)	(11,794)	(3,661)	(15,455)
Return on plan assets, excluding interest income	139,076	66,247	205,323	(1,952)	(14,258)	(16,210)
Closing balance	640,770	211,322	852,092	453,987	132,080	586,067
<b>44.1.6</b> Actual return on plan assets	181,322	77,546	258,868	55,486	4,099	59,585

**44.1.7** Following amounts have been charged in the unconsolidated profit or loss in respect of these benefits

Rupees in '000	2021			2020		
	Pension	Gratuity	Total	Pension	Gratuity	Total
Current service cost	15,855	5,380	21,235	18,477	5,771	24,248
Interest cost	43,661	8,894	52,555	70,818	14,943	85,761
Interest income on plan assets	(42,246)	(11,299)	(53,545)	(57,438)	(18,357)	(75,795)
Charge recognized in profit or loss	17,270	2,975	20,245	31,857	2,357	34,214

**44.1.8** Following amounts of remeasurements have been charged in the other comprehensive income in respect of these benefits

Rupees in '000	2021			2020		
	Pension	Gratuity	Total	Pension	Gratuity	Total
Remeasurement gain of experience adjustments	(33,440)	(5,195)	(38,635)	(72,574)	(14,759)	(87,333)
Remeasurement:						
Actuarial losses / (gain) from change in financial assumption	8,577	25	8,602	(21,521)	(93)	(21,614)
Experience adjustments	(33,440)	(5,195)	(38,635)	(72,574)	(14,759)	(87,333)
Return on plan assets, excluding interest income	(139,076)	(66,247)	(205,323)	1,952	14,258	16,210
Remeasurement income recognised in the other comprehensive income	(163,939)	(71,417)	(235,356)	(92,143)	(594)	(92,737)

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

Rupees in '000	2021			2020		
	Pension	Gratuity	Total	Pension	Gratuity	Total
44.1.9 Total defined benefit (income) / cost recognized in profit or loss and other comprehensive income	(146,669)	(68,442)	(215,111)	(60,286)	1,763	(58,523)
Weighted average duration of the defined benefit obligation (years)	11	3		11	3	
<b>Analysis of present value of defined benefit obligation</b>						
Type of Members:						
Pensioners	33	-		32	-	
Beneficiaries	75	75		80	79	
Vested / Non-Vested						
Vested benefits	464,034	93,382	557,416	453,355	90,909	544,264
Non - vested benefits	36,930	17,904	54,834	24,345	16,176	40,521
	500,964	111,286	612,250	477,700	107,085	584,785
<b>Disaggregation of fair value of plan assets</b>						
The fair value of the plan assets at reporting date for each category are as follows:						
Cash and cash equivalents (comprising bank balances and adjusted for current liabilities) - quoted						
	62,455	4,756	67,211	19,723	4,137	23,860
Debt instruments						
AA+	62,974	28,302	91,276	183,337	25,613	208,950
AA	96,343	-	96,343	230	-	230
	159,317	28,302	187,619	183,567	25,613	209,180
Equity instruments						
Engineering	339,480	161,395	500,875	183,674	87,443	271,117
Automobile Assembling	205	-	205	-	-	-
Automobile Parts and Accessories	96	-	96	74	-	74
Cement	9,555	-	9,555	7,396	-	7,396
Chemicals	235	-	235	212	-	212
Commercial Banks	444	-	444	269	-	269
Fertilizer	7,270	316	7,586	6,129	325	6,454
Insurance	69	-	69	63	-	63
Oil and Gas Exploration Companies	9,438	2,931	12,369	8,098	2,622	10,720
Oil and Gas Marketing Companies	83	-	83	803	-	803
Paper and Board	9	-	9	5	-	5
Pharmaceuticals	177	-	177	147	-	147
Power Generation and Distribution	20,638	7,931	28,569	18,732	7,250	25,982
Sugar and Allied Industries	5,511	1,589	7,100	5,740	1,691	7,431
Technology and Communication	301	-	301	-	-	-
Textile Composite	3,086	-	3,086	2,584	-	2,584
	396,597	174,162	570,759	233,926	99,331	333,257
Mutual funds						
Income Fund	22,401	4,102	26,503	16,771	2,999	19,770
	640,770	211,322	852,092	453,987	132,080	586,067

### Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Rupees in '000	Pension	Gratuity
Discount rate +1%	450,324	108,437
Discount rate -1%	562,689	114,620
Long term pension / salary increase +1%	511,843	114,605
Long term pension / salary decrease -1%	491,511	108,398
Long term pension increase +1%	555,952	-
Long term pension decrease -1%	453,889	-

The actuary of the Company has assessed that present value of future refunds or reduction in future contribution is not lower than receivable from pension and gratuity funds recorded by the Company.

#### 44.2 Defined contribution plan

The Company has set up provident fund for its permanent employees. The total charge against provident fund for the year ended 30 June 2021 was Rs. 11.816 million (2020: Rs. 11.106 million). Reporting year end of Provident Fund financial statements is 31 December and 30 June for Steel & IID Division, and Cotton & Hadeed Division, respectively.

The investments out of the provident funds have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the conditions specified there under.

## 45 FINANCIAL RISK MANAGEMENT

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Fair value measurements using quoted (unadjusted) in active markets for identical asset or liability.
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 45 FINANCIAL RISK MANAGEMENT (continued)

Rupees in '000

30 June 2021

	Carrying amount				Total	Fair Value			Total
	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Other financial liabilities		Level 1	Level 2	Level 3	
On-balance sheet financial instruments									
Financial assets measured at fair value									
Recurring fair value measurements									
Investments									
- Listed equity securities	221,885	12,992	-	-	234,877	234,877	-	-	234,877
- Unlisted equity securities	644,531	-	-	-	644,531	-	-	644,531	644,531
	866,416	12,992	-	-	879,408	234,877	-	644,531	879,408
Financial assets not measured at fair value									
Deposits	-	-	302,733	-	302,733	-	-	-	-
Trade debts	-	-	137,073	-	137,073	-	-	-	-
Loan to subsidiary	-	-	94,208	-	94,208	-	-	-	-
Other receivables	-	-	37,653	-	37,653	-	-	-	-
Bank balances	-	-	3,588	-	3,588	-	-	-	-
Cash	-	-	365	-	365	-	-	-	-
	-	-	575,620	-	575,620	-	-	-	-
Financial liabilities not measured at fair value									
Long term loans	-	-	-	286,714	286,714	-	-	-	-
Lease liabilities	-	-	-	110,923	110,923	-	-	-	-
Trade and other payables	-	-	-	451,020	451,020	-	-	-	-
Mark-up accrued	-	-	-	28,087	28,087	-	-	-	-
Short term borrowings	-	-	-	1,514,927	1,514,927	-	-	-	-
Unclaimed dividend	-	-	-	25,628	25,628	-	-	-	-
	-	-	-	2,417,299	2,417,299	-	-	-	-

## 45 FINANCIAL RISK MANAGEMENT (continued)

Rupees in '000

30 June 2020

	Carrying amount				Fair Value				
	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>On-balance sheet</b>									
<b>financial instruments</b>									
<b>Financial assets</b>									
<b>measured at fair value</b>									
Recurring fair value measurements									
Investments									
- Listed equity securities	124,611	9,419	-	-	134,030	134,030	-	-	134,030
- Unlisted equity securities	482,956	-	-	-	482,956	-	-	482,956	482,956
	607,567	9,419	-	-	616,986	134,030	-	482,956	616,986
<b>Financial assets not measured at fair value</b>									
Deposits	-	-	278,446	-	278,446	-	-	-	-
Trade debts	-	-	225,799	-	225,799	-	-	-	-
Loan to subsidiaries	-	-	91,208	-	91,208	-	-	-	-
Other receivables	-	-	39,658	-	39,658	-	-	-	-
Bank balances	-	-	22,560	-	22,560	-	-	-	-
Cash	-	-	828	-	828	-	-	-	-
	-	-	658,499	-	658,499	-	-	-	-
<b>Financial liabilities not measured at fair value</b>									
Long term loan	-	-	-	239,680	239,680	-	-	-	-
Lease Liabilities	-	-	-	111,287	111,287	-	-	-	-
Trade and other payables	-	-	-	711,112	711,112	-	-	-	-
Mark-up accrued	-	-	-	54,214	54,214	-	-	-	-
Short term borrowings	-	-	-	2,675,360	2,675,360	-	-	-	-
Unclaimed dividend	-	-	-	26,443	26,443	-	-	-	-
	-	-	-	3,818,096	3,818,096	-	-	-	-

The Company has not disclosed the fair values for all other financial assets and financial liabilities, as these are either short term in nature or reprice periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 45 FINANCIAL RISK MANAGEMENT (continued)

Investment property fair values have been determined by professional valuers (level 3 measurement) based on their assessment of the market values as disclosed in note 18.2. The valuations are conducted by the valuation experts appointed by the Company. The valuation experts used a market based approach to arrive at the fair value of the Company's investment properties. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these financial statements.

### 45.1 Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used by professional valuers in measuring Level 3 fair values at 30 June 2021 for unquoted equity investment measured at fair value in the statement of financial position, as well as the significant unobservable inputs used.

Name of investee company	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
- Shakarganj Food Products Limited	Discounted free cash flows with terminal growth:	- Expected free cash flows	The estimated fair value would increase / (decrease) if:
		- Terminal growth rate	
	The valuation model considers the present value of expected free cash flows, discounted using Weighted Average Cost of Capital.	- Weighted Average Cost of Capital	- The expected free cash flows were higher / (lower)
			- The terminal growth rate were higher / (lower)
			- The Weighted Average Cost of Capital were lower / (higher)
- Central Depository Company of Pakistan Limited	Dividend growth model:	- Dividend growth rate	The estimated fair value would increase / (decrease) if:
	The valuation model considers the present value of future dividends, discounted using Weighted Average Cost of Capital.	- Weighted Average Cost of Capital	- The dividend growth rate were higher / (lower)
			- The Weighted Average Cost of Capital were lower / (higher)
	The method has been changed from Net Asset Value method to Dividend Valuation method for better fair value measurement.		

## 45.2 Level 3 fair values

### Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values

Rupees in '000

Balance at 30 June 2020	
- Shakarganj Food Products Limited	346,844
- Central Depository Company of Pakistan Limited	136,112
	482,956
Fair value recognized in profit or loss during the year	
- Shakarganj Food Products Limited	99,481
- Central Depository Company of Pakistan Limited	62,094
	161,575
Balance at 30 June 2021	
- Shakarganj Food Products Limited	446,325
- Central Depository Company of Pakistan Limited	198,206
	644,531

### Sensitivity Analysis

For the fair value of unquoted equity investment, reasonably possible changes at 30 June 2021 to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

Rupees in '000	Profit or loss	
	Increase	Decrease
<b>Shakarganj Food Products Limited</b>		
- Expected cash flows (10% movement)	44,590	(44,590)
- Terminal growth rate (100 bps)	58,560	(47,553)
- Weighted Average Cost of Capital (100 bps)	(64,204)	80,008
<b>Central Depository Company of Pakistan Limited</b>		
- Dividend growth rate (100 bps)	13,200	(11,688)
- Weighted Average Cost of Capital (100 bps)	(11,688)	13,200

## 46 FINANCIAL INSTRUMENTS

The Company has exposure to the following risks from its use of financial instruments

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board of Directors is also responsible for developing and monitoring the Company's risk management policies.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 46.1 Credit risk

Credit risk represents the financial loss that would be recognized at the reporting date if counterparties fail completely to perform as contracted / fail to discharge an obligation / commitment that it has entered into with the Company. It arises principally from trade receivables, bank balances, security deposits, mark-up accrued and investment in debt securities.

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is as follows:

Rupees in '000	2021	2020
Deposits	302,733	278,446
Trade debts	137,073	225,799
Loan to subsidiary	94,208	91,208
Other receivables	37,653	39,658
Bank balances	3,588	22,560
	575,255	657,671

### Trade and other receivables

To manage exposure to credit risk in respect of trade and other receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Sales tenders and credit terms are approved by the tender approval committee. Where considered necessary, advance payments are obtained from certain parties. Sales of steel segment made to major customers are secured through letters of credit. The management has set a maximum credit period of 15 days in respect of Cotton segment's sales to reduce the credit risk.

All the trade debtors at the reporting date represent domestic parties.

The maximum exposure to credit risk before any credit enhancements for trade debts at the reporting date by type of customer was as follows:

Rupees in '000	2021	2020
Steel segment	67,015	173,948
Cotton segment	12,981	2,691
Energy segment	41,083	4,637
Hadeed (Billet) segment	15,994	44,523
	137,073	225,799
The aging of trade debts at the reporting date is		
Not past due	35,697	54,034
Past due 1 - 30 days	50,682	135,038
Past due 30 - 180 days	6,802	23,109
Past due 180 days	67,106	44,324
	160,287	256,505
Less: Impaired	23,214	30,706
	137,073	225,799

#### 46.1 Credit risk (continued)

The movement in the allowance for impairment in respect of trade debts is given in note 24.3.

The expected loss rates are based on the payment profiles of sales over a period of 60 months before 30 June 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and the unemployment rate of Pakistan in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Management uses actual historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment to determine lifetime expected loss allowance.

Loss rates are based on actual credit loss experience over the past five years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the trade debts.

Based on past experience the management believes that no impairment allowance is necessary, except mentioned above, in respect of trade debts past due as some receivables have been recovered subsequent to the year end and for other receivables there are reasonable grounds to believe that the amounts will be recovered in short course of time.

#### Settlement risk

All investing transactions are settled / paid for upon delivery as per the advice of investment committee. The Company's policy is to enter into financial instrument contract by following internal guidelines such as approving counterparties and approving credits.

#### Bank balances

The Company kept its surplus funds with banks having good credit rating. Currently, the surplus funds are kept with banks having rating from AAA to A-3.

The credit quality of the Company's investment in units of mutual funds can be assessed with reference to external credit rankings as follows:

	Rankings		Ranking Agency	2021	2020
	Short term	Long term		Rupee in '000	
<b>Mutual Funds</b>					
HBL Growth Fund (A)	MFR 2-Star	-	VIS	14,152	12,788
HBL Investment Fund (A)	MFR 2-Star	-	VIS	1,552	1,342
				<b>15,704</b>	14,130

#### Deposits

The Company has provided security deposits and retention money as per the contractual terms with counter parties as security and does not expect material loss against those deposits retention money.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 46.1 Credit risk (continued)

### Investment in debt securities

Credit risk arising on debt securities is mitigated by investing principally in investment grade rated instruments. Where the investment is considered doubtful a provision is created there against. The Company does not have debt security at reporting date.

### Concentration of credit risk

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

## 46.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligation arising from financial liabilities that are settled by delivering cash or another financial asset or that such obligation will have to be settled in a manner disadvantageous to the Company. The Company is not materially exposed to liquidity risk as substantially all obligation / commitments of the Company are short term in nature and are restricted to the extent of available liquidity. In addition, the Company has obtained running finance facilities from various commercial banks to meet the short term liquidity commitments, if any.

The following are the contractual maturities of the financial liabilities, including estimated interest payments:

	2021							
	Carrying amount	On demand	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	Over five years
<b>Financial liabilities</b>								
Long term loans	286,714	-	321,089	93,037	86,767	119,095	9,722	12,468
Lease liabilities	110,923	-	128,775	20,419	23,829	46,302	38,225	-
Trade and other payables	451,020	-	451,020	451,020	-	-	-	-
Unclaimed dividend	25,628	25,628	-	-	-	-	-	-
Mark-up accrued	28,087	-	28,087	28,087	-	-	-	-
Short term borrowings	1,514,927	1,514,927	-	-	-	-	-	-
	2,417,299	1,540,555	928,971	592,563	110,596	165,397	47,947	12,468

	2020							
	Carrying amount	On demand	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	Over five years
<b>Financial liabilities</b>								
Long term loan	239,680	-	281,197	18,783	49,064	111,162	102,188	-
Lease liabilities	111,287	-	124,742	31,118	23,589	38,797	31,238	-
Trade and other payables	711,112	-	711,112	711,112	-	-	-	-
Unclaimed dividend	26,443	26,443	-	-	-	-	-	-
Mark-up accrued	54,214	-	54,214	54,214	-	-	-	-
Short term borrowings	2,675,360	2,675,360	-	-	-	-	-	-
	3,818,096	2,701,803	1,171,265	815,227	72,653	149,959	133,426	-

### 46.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The Investment Committee monitors the portfolio of its investments and adjust the portfolio in light of changing circumstances.

#### 46.3.1 Currency risk

The Company is exposed to currency risk on import of raw materials, stores and spares and export of goods denominated in US Dollars (USD) and Euros. The Company's exposure to foreign currency risk for these currencies is as follows:

Rupees in '000	2021	
	USD	Euro
Foreign creditors	-	-
Outstanding letters of credit	5,465,635	21,060
Net exposure	5,465,635	21,060

Rupees in '000	2020	
	USD	Euro
Foreign creditors	-	-
Outstanding letters of credit	1,305,452	19,250
Net exposure	1,305,452	19,250

The following significant exchange rate has been applied:

	Average rate		Reporting date rate	
	2021	2020	2021	2020
USD to PKR	160.30	158.78	157.54	168.05
Euro to PKR	191.13	175.66	187.27	188.61

#### Sensitivity analysis

At the reporting date, if the PKR had strengthened by 10% against the USD and Euro with all other variables held constant, post-tax profit for the year would have been higher by the amount shown below, mainly as a result of net foreign exchange gain on translation of foreign creditors.

#### Effect on profit or loss

Rupees in '000	2021	2020
USD	87,614	20,728
Euro	403	338
	88,017	21,066

The weakening of the PKR against USD and Euro would have had an equal but opposite impact on the post tax profits.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 46.3.2 Interest rate risk

At the reporting date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2021	2020	2021	2020
	Effective interest (Percentage)		Carrying amount (Rupees in '000)	
<b>Financial liabilities</b>				
Variable rate instruments:				
Long term loans	8.19 - 10.16	10.12 - 14.99	171,280	239,680
Lease liabilities	6.16 - 17.6	7.24 - 18.42	110,923	111,287
Short term borrowings	8.12 - 10.54	9.79 - 16.18	1,514,927	2,675,360

## Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

## Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2020.

Rupees in '000	Profit and loss 100 bp	
	Increase	Decrease
<b>As at 30 June 2021</b>		
Cash flow sensitivity - Variable rate financial liabilities	(19,126)	19,126
<b>As at 30 June 2020</b>		
Cash flow sensitivity - Variable rate financial liabilities	(30,263)	30,263

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

## 46.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Other price risk arises from the Company's investment in units of mutual funds and ordinary shares of listed companies. To manage its price risk arising from aforesaid investments, the Company diversifies its portfolio and continuously monitors developments in equity markets. In addition the Company actively monitors the key factors that affect stock price movement.

A 10% increase / decrease in redemption and share prices at year end would have decreased / increased the Company's gain / loss in case of Fair value through profit or loss and increase / decrease surplus on re-measurement of investments in case of Fair Value through other comprehensive income investments as follows:

### 46.3.3 Other price risk (continued)

Rupees in '000	2021	2020
Effect on profit	22,189	12,461
Effect on equity	1,299	942
Effect on investments	23,488	13,403

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

## 47 REMUNERATION TO THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Rupees in '000	Chief Executive		Director		Executives		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Managerial remuneration	27,006	26,684	-	-	79,367	66,961	106,373	93,645
Fees (Note 47.1)	-	-	4,380	5,100	-	-	4,380	5,100
Contributions to								
- Gratuity fund	1,379	1,379	-	-	2,660	2,352	4,039	3,731
- Pension fund	3,312	3,312	-	-	7,390	6,591	10,702	9,903
- Provident fund	1,656	1,656	-	-	3,695	3,184	5,351	4,840
Others	8,281	7,427	-	-	4,822	3,483	13,103	10,910
	41,634	40,458	4,380	5,100	97,934	82,571	143,948	128,129
Number of persons	1	1	7	6	19	16	27	23

47.1 During the year remuneration paid to the non-executive Chairman of the Board of Directors amounted to Rs. 1.625 million (2020: Rs. 1.50 million).

47.2 The chief executive and ten executives are provided with free use of company maintained cars, in accordance with their entitlements.

47.3 The chief executive, executives and their families are also covered under group life and hospitalization insurance. A director is also covered under group hospitalization scheme.

## 48 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of subsidiaries and associated companies, directors of the Company, companies in which directors also hold directorship, related group companies, key management personnel and staff retirement benefit funds. All transactions with related parties are under agreed terms / contractual arrangements.

Transactions with related parties other than those disclosed elsewhere are as follows:

Rupees in '000				2021	2020
Name	Nature of relationship	Basis of relationship	Nature of transaction		
CS Capital (Private) Limited	Subsidiary company	100% Holding	Reimbursable expenses	1,442	1,324
Solution de Energy (Private) Limited	Subsidiary company	100% holding	Reimbursable expenses Loan given	65 3,000	125 3,000
Altern Energy Limited	Associated company	16.69% holding	Dividend received	-	342,750

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

Rupees in '000				2021	2020
Name	Nature of relationship	Basis of relationship	Nature of transaction		
Shakarganj Limited	Associated company	21.93% holding	Payments received	41,109	18,300
			Payments made against services received	18,528	263
			Sales of electricity and steam	459,167	213,276
			Sales of finished goods	352	1,109
			Sales of raw material	59,611	-
			Purchase of raw material	483,977	227,662
			Services received	7,334	1,911
			Reimbursable expenses	6,252	10,908
			Crescent Socks (Private) Limited	Related party	Subsidiary Company's associate
Payments received against services rendered	400	-			
Shakarganj Food Products Limited	Related party	Subsidiary Company's related party	Reimbursable expenses	6,543	-
			Payments received against services rendered	11,170	-
The Crescent Textile Mills Limited	Related party	Major Shareholder	Dividend received	-	271
			Payments received against services rendered	2,491	-
			Reimbursable expenses	2,735	-
			Sale of Yarn	-	41,198
Premier Insurance Company	Related party	Common directorship	Insurance premium	9,582	8,006
			Insurance premium paid	9,519	-
The Citizens' Foundation	Related party	Common directorship	Donation given	10,668	269
Crescent Cotton Products - Staff Provident Fund	Retirement benefit fund	Employees benefit fund	Contribution made	2,314	2,135
Crescent Steel and Allied Products Limited - Gratuity Fund	Retirement benefit fund	Employees benefit fund	Contribution made	6,623	6,416
Crescent Steel and Allied Products Limited - Pension Fund	Retirement benefit fund	Employees benefit fund	Contribution made	16,906	16,549
Crescent Steel and Allied Products Limited - Staff Provident Fund	Retirement benefit fund	Employees benefit fund	Contribution made	8,846	8,644
Crescent Hadeed (Private) Limited - Staff Provident Fund	Retirement benefit fund	Employees benefit fund	Contribution made	656	843
CSAP - Staff Benevolent Fund	Staff welfare fund	Employees Welfare fund	Contribution made	66	-
Key management personnel	Related parties	Executives	Remuneration and benefits	135,868	94,053

- 48.1 Sale of finished goods and raw materials, rendering of services and insurance premium are based on commercial terms and at market prices which are approved by the Board of Directors.
- 48.2 Contributions to the employee retirement benefit funds are made in accordance with the terms of employee retirement benefit schemes and actuarial advice.
- 48.3 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors of the Company. There were no transactions with the key management personnel during the year other than their terms of employment / entitlements.
- 48.4 Outstanding balances and other information with respect to related parties as at 30 June 2021 and 2020 are included in issued, subscribed and paid-up capital (note 7.1), trade and other payables (note 12), long term investments (notes 19.1, 19.2 and 19.3), other receivables (note 28.1), short term borrowings (note 14.5), and staff retirement benefits (note 44).

## 49 CAPITAL RISK MANAGEMENT

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company's overall strategy remains unchanged from year 2020.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payments to shareholders or issue new shares. The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

The Company is not subject to any externally imposed capital requirements.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt less cash and bank balances. Total capital is calculated as equity as shown in the statement of financial position plus net debt.

### 49.1 Gearing ratio

The gearing ratio at end of the year is calculated as follows

Rupees in '000	Note	2021	2020
Total debt	49.1.1	1,912,564	3,026,327
Less: Cash and bank balances		3,953	23,388
Net debt		1,908,611	3,002,939
Total equity	49.1.2	5,970,824	5,448,288
Total capital		7,879,435	8,451,227
Gearing ratio		24.2%	35.5%

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

49.1.1 Total debt is defined as long term, lease liabilities and short term borrowings (excluding derivatives), as described in notes 9, 10 and 14 to these unconsolidated financial statements.

49.1.2 Total equity includes issued, subscribed and paid-up capital and reserves.

## 50 PLANT CAPACITY AND PRODUCTION

### 50.1 Steel segment

#### Pipe plant

The plant's installed / rated capacity for production based on single shift is 66,667 tons (2020: 66,667 tons) annually on the basis of notional pipe size (Where as the notional pipe size is taken as 30" dia x ½" thickness for SP1600 and 40"dia x 5/8" thickness for SP 2003). The actual production achieved during the year was 15,400 tons (2020: 7,965 tons) line pipes of varied sizes and thickness. Actual production is equivalent to 52,113 tons (2020: 34,527 tons) when translated to the notional pipe size of 30" diameter. Reason for underutilization was delay in materialization of orders for different projects.

#### Coating plant

The coating plant has a capacity of shot blasting and coating of line pipes with single layer FBE and multilayer polyolefin coatings on pipe sizes ranging from 114 mm to 1,524 mm outside dia.

The annual capacity of the plant works out to 600,000 square meters outside surface area of line pipes based on notional size of 14" dia on single shift working. Coating of 30,528 meters (2020: 128,416 meters) of different dia pipes 22,587 square meters surface area was achieved during the year (2020: 88,647 square meters surface area). Reason for underutilization was lack of coating work orders in hand.

#### Steel melting plant

The designed capacity of Plant is 85,000 mtons (2020: 85,000 mtons) of billets per annum, but the total production during FY20-21 was 20,949.62 mtons (2020: 10,894 mtons) of billets. Unit operated only for about five months on self-generated (Inter division) power supply that was only compatible during crushing season of three months and two months on bagasse (purchased) on off and on basis. Production was suspended for rest eight months period because of no alternative power supply arrangements.

### 50.2 Cotton segment

#### Spinning unit

The plant capacity converted to 20s count polyester cotton yarn based on three shifts per day for 1,092 shifts is 9,197,007 kilogram (2020: 9,197,007 kilograms). Actual production converted into 20s count was 8,790,199 kilograms for 1,092 shifts (2020: 7,190,635 kilograms for 921 shifts).

### 50.3 Energy segment

The plant's installed production capacity was 118,856 MWh (2020: 118,856 MWh) and the actual production achieved during the year was 26,207 MWh (2020: 16,341 MWh). Reason for underutilization was that no power was supplied to FESCO and power generation was restricted to actual demand of the two customers, Hadeed (Billet) segment (internal customer) and Shakarganj Limited (external customer).

## 51 COMPARATIVE INFORMATION

The corresponding figures have been rearranged and reclassified, wherever considered necessary for the purpose of better presentation.

## 52 GENERAL

### 52.1 Number of employees

The total number of employees including contractual employees of the Company as at 30 June 2021 were 765 (2020: 778) and weighted average number of employees were 766 (2020: 769).

The number of factory employees including contractual employees of the Company as at 30 June 2021 were 683 (2020: 699) and weighted average number of employees were 685 (2020: 690).

## 53 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue in the Board of Directors' meeting held on 12 August 2021.



Chief Executive



Director



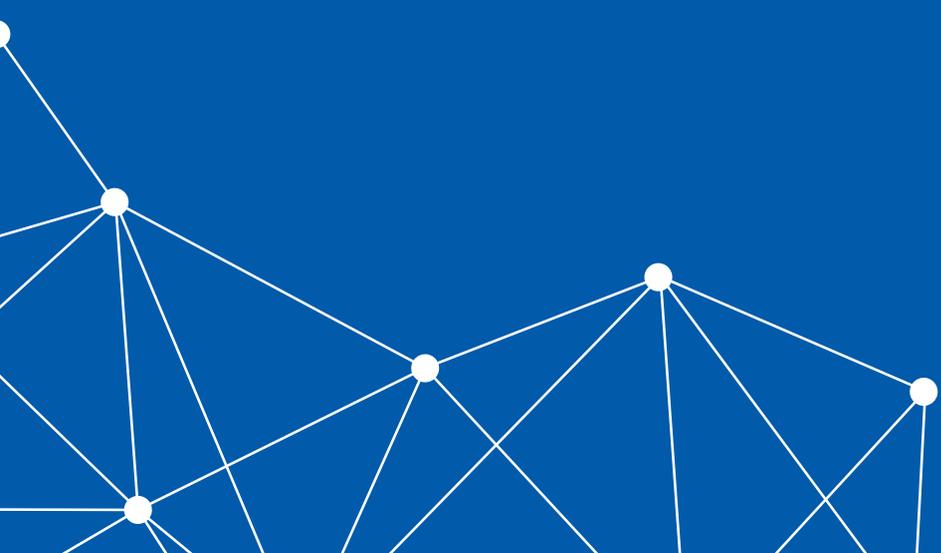
Chief Financial Officer



CRESCENT STEEL AND ALLIED PRODUCTS LIMITED

# CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021



# DIRECTORS' REPORT CONSOLIDATED

The Directors of Crescent Steel and Allied Products Limited (CSAPL) have pleasure in presenting their report together with the audited consolidated financial statements of the Group for the year ended 30 June 2021. The Group comprises of CSAPL and its wholly owned subsidiary companies namely; CS Capital (Private) Limited, Solution de Energy (Private) Limited and Crescent Continental Gas Pipelines Limited (CCGPL). CCGPL is not carrying on any business operations and accordingly no financial statements are being prepared.

The Directors' Report giving commentary on the performance of CSAPL for the year ended 30 June 2021 has been presented separately.

## GROUP RESULTS

The consolidated financial results of the Group are summarized below:

Rupees in '000	2021	2020
Profit / (loss) for the year before taxation	925,545	(282,430)
Taxation (charge) / income	(134,324)	262,563
Profit / (loss) after taxation	791,221	(19,867)
Total other comprehensive income for the year	168,936	72,048
Basic and diluted earnings / (loss) per share	Rs. 10.19	Rs. (0.26)

## PATTERN OF SHAREHOLDING

The pattern of shareholding and additional information relating thereto is attached separately.

## MATERIAL CHANGES AND COMMITMENTS

No material changes and commitments affecting the financial position of the Group have occurred between the end of the financial year to which this Balance Sheet relates and the date of the Directors' Report.

## CHIEF EXECUTIVE'S REVIEW

The Directors endorse the contents of the Chief Executive's Review for the year ended 30 June 2021, which gives information on the state of the Group's affairs, operational performance of CSAPL and its subsidiary companies, future prospects of profits along with other requisite information. The contents of the said review shall be read along with this report, Chairman's Review and our report on unconsolidated financial statements and shall form an integral part of the Director's Report in terms of section 227 of the Companies Act, 2017 and the requirements of the Code of Corporate Governance under the Pakistan Stock Exchange (PSX) Rule Book.

By order of the Board



Ahsan M. Saleem  
Chief Executive Officer  
12 August 2021



Nadeem Maqbool  
Director

## ڈائریکٹرز کی مربوط رپورٹ

کرینٹنٹ ائیل اور الائیڈ پروڈکٹس لمیٹڈ (CSAPL) کے ڈائریکٹرز انتہائی مسرت کے ساتھ 30 جون 2021 کو ختم ہونے والے مالی سال سے متعلق گروپ کی رپورٹ بمعہ آڈٹ شدہ مالیاتی دستاویزات آپ کی خدمت میں پیش کر رہے ہیں۔ گروپ سی ایس اے پی ایل اور مکمل طور پر اس کی ملکیت میں شامل ذیلی کمپنیوں سی ایس کیپٹل (پرائیویٹ) لمیٹڈ، سولوشن ڈی انرجی (پرائیویٹ) لمیٹڈ، اور کرینٹنٹ کاٹھینٹیل گیس پائپ لائنز لمیٹڈ (سی سی پی ایل) پر مشتمل ہے۔ سی سی پی ایل کی جانب سے کاروباری افعال سرانجام نہیں دیئے جا رہے ہیں اس لئے کسی بھی قسم کی مالیاتی دستاویزات بھی تیار نہیں کی گئیں۔

مالی سال اختتامیہ 30 جون 2021 کے دوران CSAPL کی کارکردگی کے بارے میں ڈائریکٹرز رپورٹ علیحدہ سے پیش کی گئی ہے۔

### گروپ نتائج

گروپ کے یکجا مالی نتائج کا خلاصہ درج ذیل ہے:

2020	2021	(روپے "000" میں)
(282,430)	925,545	زیر نظر سال کا منافع / (نقصان) قبل از ٹیکس
262,563	(134,324)	انکم ٹیکس
(19,867)	791,221	منافع / (نقصان) بعد از ٹیکس
72,048	168,936	دوران سال دیگر جامع آمدن / (نقصان)
روپے (0.26)	روپے 10.19	بنیادی و تھیلی آمدن فی حصص

### ترتیب حصص داری

ترتیب حصص داری اور اس سے متعلق اضافی معلومات رپورٹ ہذا کے ساتھ علیحدہ سے منسلک ہے۔

### اہم تغیرات و وعدے

زیر نظر مالی سال کے دوران بنائی جانے والی بیلنس شیٹ کی تاریخ اور ڈائریکٹرز رپورٹ کے شائع ہونے کے درمیان کی تاریخ تک نا تو کوئی اہم تغیرات واقع ہوئے ہیں اور نہ ہی ایسے کوئی وعدے کئے گئے ہیں جن کا اثر گروپ کے مالیاتی نتائج پر پڑتا ہو۔

### چیف ایگزیکٹو کا جائزہ

ڈائریکٹرز کی جانب سے مالی سال 30 جون 2021 کی CEO رپورٹ اور مالیاتی دستاویزات میں شامل مواد کی توثیق کی جاتی ہے جس سے گروپ کے معاملات، سی ایس اے پی ایل اور اس کی ذیلی کمپنیوں کی کاروباری کارکردگی، منافع سے متعلق پیش گوئی اور دیگر اہم معلومات کا اظہار ہوتا ہے۔ مذکورہ جائزے کو رپورٹ ہذا، چیئر مین کے جائزے اور غیر مربوط مالیاتی دستاویزات کی رپورٹ کے ساتھ ملا کر پڑھا جائے جو کہ کمپنیز ایکٹ 2017 کے دفعہ 227 اور سٹاک ایکٹ (کوڈ آف کارپوریٹ گورننس) ریگولیشنز اور پاکستان اسٹاک ایکسچینج (پی ایس ایکس) کی رول بک کے تقاضوں کے تحت ڈائریکٹرز رپورٹ کا لازمی جز ہیں۔

بجگم بورڈ



ندیم مقبول  
ڈائریکٹر



احسان ایم سلیم  
چیف ایگزیکٹو آفیسر

12 اگست 2021



# KEY PERFORMANCE INDICATORS

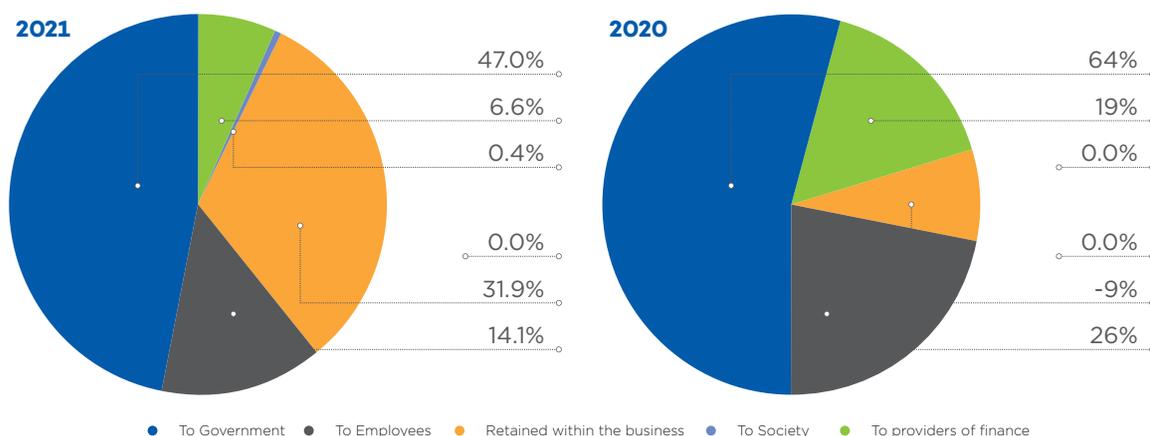
Based on results of the Company as presented  
in the Consolidated Financial Statements

<b>Sales Revenue</b> <b>7,259.3</b> (PKR in million)	<b>Profit After Tax</b> <b>791.2</b> (PKR in million)	<b>Gross Profit ratio</b> <b>6.8</b> Percentage	<b>Net Profit margin</b> <b>10.9</b> Percentage
<b>EBITDA</b> <b>1,358.8</b> (PKR in million)	<b>Earnings per Share</b> (Basic and diluted) <b>10.19</b> (PKR per share)	<b>Total Assets</b> <b>10,778.9</b> (PKR in million)	<b>Shareholders' Equity</b> <b>7,968.4</b> (PKR in million)
<b>Capital Expenditure</b> <b>67.8</b> (PKR in million)	<b>Break-up Value</b> <b>102.7</b> (PKR per share)	<b>Cash Dividend</b> (Including final proposed) <b>-</b> (PKR per Share)	<b>Return on Capital Employed</b> <b>7.9</b> Percentage
<b>Gearing ratio</b> <b>19.5</b> Percentage	<b>Current ratio</b> <b>1.5:1</b> Ratio	<b>Price Earnings ratio</b> <b>8.2</b> Times	<b>Share Price</b> <b>83.98</b> (PKR per share)

# STATEMENT OF VALUE ADDITION

	2021		2020	
	Rupees in '000	%	Rupees in '000	%
<b>WEALTH GENERATED</b>				
Total revenue	9,430,855	100.0%	4,744,061	100%
Bought-in-material and services	(6,180,580)	65.5%	(3,101,110)	65.4%
	3,250,275	34.5%	1,642,951	34.6%
<b>WEALTH DISTRIBUTED</b>				
<b>To Employees</b>				
Salaries, wages and other benefits	457,030	14.1%	425,442	26.0%
<b>To Government</b>				
Income tax, sales tax, custom duties, WWF and WPPF	1,530,593	47.0%	1,051,944	64.0%
<b>To Shareholders</b>				
Dividend	-	0.0%	-	0.0%
<b>To Providers of Finance</b>				
Finance costs	213,407	6.6%	315,109	19.0%
<b>To Society</b>				
Donation towards education, health and environment	12,013	0.4%	618	0.0%
<b>Retained within the business for future growth</b>				
Depreciation, amortization and retained earnings	1,037,232	31.9%	(150,162)	-9.0%
	3,250,275	100.0%	1,642,951	100.0%

## Distribution of Wealth



# SUMMARY DATA AND PERFORMANCE INDICATORS

For The Current And Past Six Financial Years

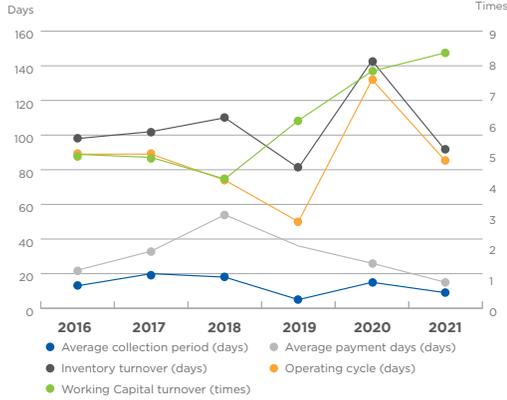
Performance Indicators	2021	2020	2019	2018	2017	2016	2015
<b>A - Profitability Ratios</b>							
Earnings before interest, taxation, depreciation and amortization (EBITDA) (Rs. in millions)**	1,358.8	260.9	189.0	635.7	2,008.4	1,914.4	389.4
Profit / (loss) before taxation and depreciation (Rs. in millions)	1,144.5	(54.4)	(131.5)	368.1	1,798.5	1,653.4	295.1
Gross profit / (loss) ratio (%)	6.8	1.3	(1.8)	5.4	13.7	26.6	0.9
Operating profit / (loss) margin to sales (net) (%)	10.3	(3.7)	(6.5)	3.3	10.0	18.6	2.2
Net profit / (loss) margin to sales (net) (%)	10.9	(0.5)	(6.1)	(0.6)	9.7	14.8	8.7
EBITDA margin to sales (net) (%)	18.7	6.8	2.8	6.4	16.3	25.3	16.9
Operating leverage ratio	37.6	3.8	3.6	4.0	0.0	2.6	1.6
Return on equity (%)	9.9	(0.3)	(6.0)	(0.8)	13.8	15.3	3.7
Return on average equity (%)	10.6	(0.3)	(5.8)	(0.8)	14.9	17.7	3.8
Shareholders' funds (%)	73.9	62.0	69.6	63.1	58.1	63.9	78.8
Return on shareholders' funds (%)	9.9	(0.3)	(6.0)	(0.8)	13.8	15.3	3.7
Return on capital employed (RoCE) (%)	7.9	(0.2)	(4.4)	(0.6)	10.6	13.8	3.4
Return on average assets (%)	7.2	(0.2)	(3.8)	(0.5)	9.0	12.3	3.1
<b>B - Liquidity Ratios</b>							
Current ratio	1.5 : 1	1.1 : 1	1.2 : 1	1.4 : 1	1.5 : 1	1.6 : 1	1.9 : 1
Quick / Acid-test ratio	1 : 1	0.6 : 1	0.9 : 1	0.9 : 1	0.9 : 1	0.9 : 1	1.4 : 1
Cash to current liabilities (%)	(26.4)	(14.6)	(33.6)	(6.6)	(5.8)	(6.8)	(18.9)
Cash flows from operating activity (%)	39.8	(35.0)	(3.1)	38.1	(0.9)	(68.4)	8.9
Cash flows from operations to sales (%)	14.3	(36.6)	(1.2)	15.2	(0.4)	(31.0)	4.1
Working capital - Net current assets (Rs. in millions)	1,253.4	487.3	499.4	1,753.8	2,949.6	2,095.1	929.3
Working capital turnover (times)	8.3	7.7	6.1	4.2	4.9	5.0	2.2
<b>C - Activity / Turnover Ratios</b>							
Debtors turnover ratio (times)	40.0	23.7	76.7	20.4	18.0	28.4	30.7
No. of days in receivables / Average collection period (days)	9	15	5	18	20	13	12
Inventory turnover ratio (times)	4.0	2.6	4.5	3.3	3.6	3.7	5.3
No. of days in inventory (days)	91	143	81	110	102	98	69
Creditors turnover ratio (times)	24.8	14.1	10.1	6.7	11.2	16.6	8.5
No. of days in creditors / Average payment period (days)	15	26	36	54	33	22	43
Property, plant and equipment turnover (times)	3.5	1.7	2.7	3.8	4.8	3.1	1.1
Total assets turnover (times)	0.7	0.3	0.7	0.8	0.8	0.7	0.3
Operating cycle (days)	85	132	50	74	89	89	38
<b>D - Investment / Market Ratios</b>							
Basic and diluted earnings / (loss) per share (Rs.)	10.19	(0.26)	(5.40)	(0.79)	15.29	15.05	2.87
Price earnings ratio (times)	8.2	-	-	-	15.6	7.6	18.1
Price to book ratio (times)	0.6	0.3	0.3	0.6	1.3	0.8	0.3
Dividend yield (%) *	-	-	-	2.2	2.2	4.4	1.3
Dividend payout ratio (%) *	-	-	-	(252.5)	34.3	34.6	21.7
Dividend cover ratio (times) *	-	-	-	(0.4)	2.9	3.0	4.1
Cash dividend (Rs. in millions) *	-	-	-	155.3	407.6	388.2	43.5
Cash dividend per share (Rs.) *	-	-	-	2.0	5.3	5.0	0.7
Market value per share (at the end of the year) (Rs.)	84.0	45.5	37.8	91.2	238.6	114.6	51.9
- Lowest during the year (Rs.)	45.8	27.8	27.4	89.8	116.0	54.6	34.9
- Highest during the year (Rs.)	96.4	58.7	101.9	229.4	283.1	134.8	62.4
Break-up value per share (Rs.)	102.7	90.3	89.6	98.1	110.8	94.3	86.8
Break-up value per share including RP investment at MV (Rs.)	101.0	92.9	96.2	121.4	148.7	93.6	86.3
<b>E - Capital Structure Ratios</b>							
Financial leverage ratio (%)	24.3	43.6	29.9	32.2	40.4	39.9	12.8
Long term debt to equity ratio (%) - Book value	2.5	3.6	4.0	4.6	4.5	6.4	5.3
Long term debt to equity ratio (%) - Market value	3.1	7.2	9.6	5.0	2.1	5.3	8.8
Weighted average of cost of debt (%)	8.5	12.2	12.3	8.0	8.4	8.4	10.9
Long term debt : Equity ratio	2 : 98	4 : 96	4 : 96	4 : 96	4 : 96	6 : 94	5 : 95
Total liabilities to total assets (%)	26.0	37.9	29.4	36.8	41.9	36.0	21.1
Gearing ratio (%)	19.5	30.2	22.8	22.8	28.3	28.0	9.8
Interest coverage (times)	5.3	0.1	(0.1)	1.6	8.8	6.9	2.9
<b>F - Employee Productivity Ratio</b>							
Revenue per employee (Rs. in millions)	9.5	4.9	9.1	12.6	25.5	8.5	6.4
No. of employees	765	778	755	789	481	891	360
Staff turnover ratio (%)**	89.95	90.12	102.23	97.69	140.68	63.64	117.86
<b>G - Others</b>							
Spares inventory as percentage of assets cost (%)	1.51	1.50	1.86	1.76	1.29	1.13	0.98
Maintenance cost as percentage of operating expenses (%)	7.64	6.92	8.25	14.50	15.42	10.51	7.24

Notes:

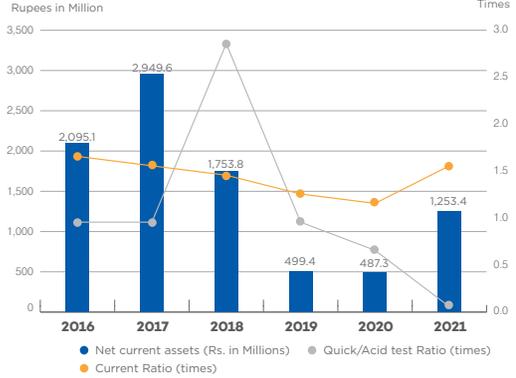
\* This includes declaration of final cash dividend recommended by the Board of Directors subsequent to year end.

\*\* Major contributor to high turnover rate is staff at the Cotton division's spinning unit.

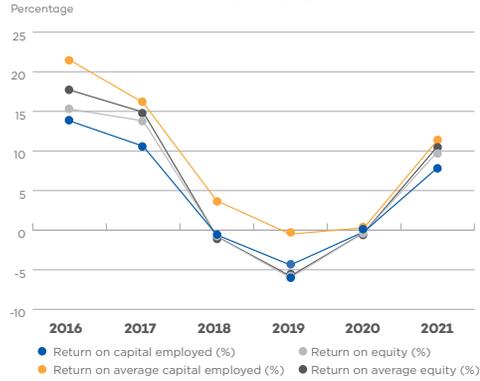
### MANAGEMENT OF WORKING CAPITAL



### LIQUIDITY



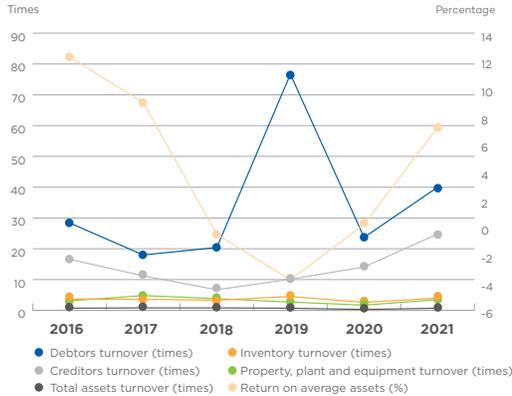
### RETURN ON CAPITAL AND EQUITY



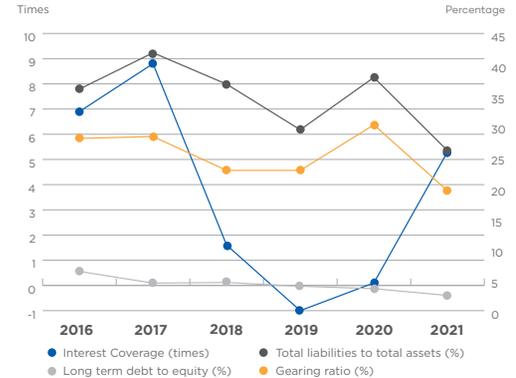
### PER SHARE RESULT



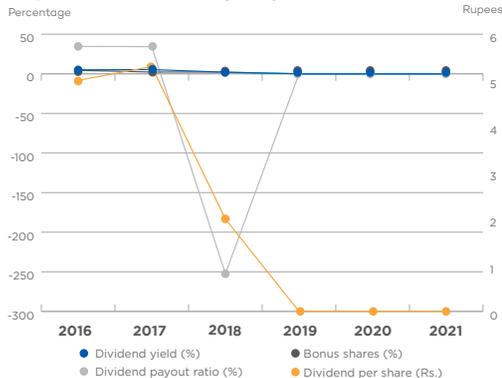
### ASSET MANAGEMENT



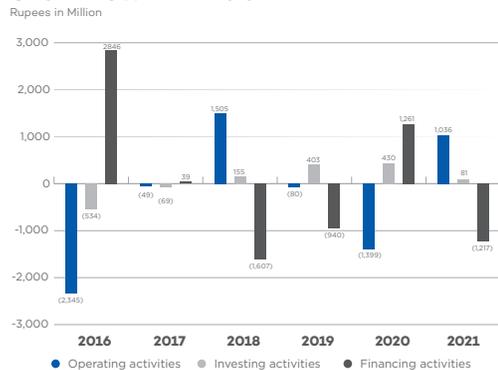
### DEBT MANAGEMENT



### DIVIDEND AND RETURNS



### CASH FLOW ANALYSIS



# VERTICAL ANALYSIS

## of Consolidated Statement of Financial Position and Profit or Loss For The Last Six Financial Years

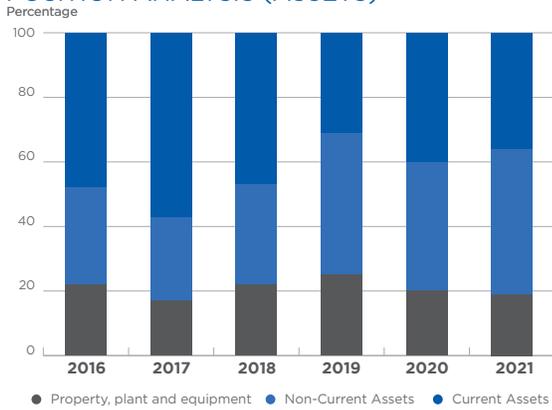
Rupees in million	2021	%	2020	%	2019	%	2018	%	2017	%	2016	%
<b>Consolidated Statement of financial position</b>												
Property, plant and equipment	1,928	18.0	2,107	18.6	2,495	24.9	2,596	21.5	2,565	17.3	2,468	21.5
Right-of-use-assets	132	1.2	169	1.4	-	-	-	-	-	-	-	-
Intangible assets	153	1.4	146	1.3	144	1.4	137	1.1	129	0.9	113	1.0
Investment properties	87	0.8	51	0.5	55	0.5	49	0.4	54	0.4	60	0.5
Investment in equity accounted investees	3,429	31.8	3,087	27.3	3,267	32.7	3,088	25.6	3,292	22.2	2,882	25.2
Other long term investments	976	9.1	731	6.5	689	6.9	263	2.2	221	1.5	221	1.9
Long term deposits	24	0.2	225	2.0	236	2.4	217	1.8	194	1.3	189	1.6
Deferred taxation - net	193	1.8	291	2.6	-	-	-	-	-	-	-	-
Stores, spares and loose tools	163	1.5	169	1.5	186	1.9	212	1.8	191	1.3	130	1.1
Stock-in-trade	1,237	11.5	2,131	18.9	821	8.2	2,268	18.8	3,385	22.9	2,531	22.1
Trade debts	137	1.3	226	2.0	96	1.0	82	0.7	891	6.0	472	4.1
Advances	42	0.4	54	0.5	34	0.3	30	0.2	21	0.1	45	0.4
Trade deposits and short term prepayments	293	2.7	66	0.6	50	0.5	72	0.6	57	0.4	38	0.3
Short term investments	522	4.8	340	3.0	405	4.0	1,055	8.7	1,201	8.1	879	7.7
Other receivables	345	3.2	207	1.8	233	2.4	631	5.3	1,774	11.9	800	7.2
Taxation - net	1,114	10.3	1,272	11.3	1,260	12.6	1,165	9.7	749	5.1	555	4.8
Cash and bank balances	4	-	24	0.2	30	0.3	194	1.6	86	0.6	74	0.6
<b>Total assets</b>	<b>10,779</b>	<b>100</b>	11,296	100	10,001	100	12,059	100	14,810	100	11,457	100
Issued, subscribed and paid-up capital	776	7.2	776	6.9	776	7.8	776	6.4	776	5.2	776	6.8
Capital reserves	1,050	9.7	1,092	9.7	1,083	10.8	1,159	9.6	1,243	8.4	1,139	9.9
Revenue reserves	6,142	57.1	5,140	45.4	5,097	51.0	5,678	47.1	6,582	44.4	5,404	47.2
<b>Shareholders' equity</b>	<b>7,968</b>	<b>74.0</b>	7,008	62.0	6,956	69.6	7,613	63.1	8,601	58.0	7,319	63.9
Long term loans	128	1.2	190	1.7	177	1.8	227	1.9	322.0	2.2	394	3.4
Lease liabilities	75	0.7	65	0.6	103	1.0	127	1.1	64	0.4	77	0.7
Deferred income	4	-	7	0.1	7	0.1	8	0.1	7	-	9	0.1
Deferred taxation	-	-	-	-	42	0.4	129	1.1	410	2.8	229	2.0
Deferred liability - staff retirement benefits	-	-	24	0.2	101	0.9	-	-	-	-	-	-
Trade and other payables	803	7.4	1,115	9.9	739	7.4	1,805	14.9	2,145	14.6	815	7.1
Unpaid dividend	-	-	-	-	-	-	-	-	116	0.8	116	1.0
Unclaimed dividend	26	0.2	26	0.2	27	0.3	22	0.2	22	0.1	23	0.2
Mark-up accrued	29	0.3	55	0.5	44	0.4	24	0.2	32	0.2	23	0.2
Short term borrowings	1,542	14.3	2,704	23.9	1,638	16.4	1,956	16.2	2,904	19.6	2,279	19.9
Current portion of long term loans	159	1.5	49	0.4	110	1.1	97	0.8	141	1.0	109	1.0
Current portion of lease liabilities	36	0.3	47	0.4	51	0.5	46	0.4	42	0.3	59	0.5
Current portion of deferred income	9	0.1	6	0.1	6	0.1	5	-	4	-	5	-
<b>Total equity and liabilities</b>	<b>10,779</b>	<b>100</b>	11,296	100	10,001	100	12,059	100	14,810	100	11,457	100
<b>Consolidated Profit or Loss Account</b>												
Sales - net	7,259	100.0	3,822	100	6,854	100	9,930	100	12,285	100	7,575	100
Cost of sales	6,763	93.2	3,771	98.7	6,978	101.8	9,390	94.6	10,598	86.3	5,559	73.4
<b>Gross profit / (loss)</b>	<b>496</b>	<b>6.8</b>	51	1.3	(124)	(1.8)	540	5.4	1,687	13.7	2,016	26.6
Income / (loss) from investments - net	356	4.9	62	1.6	(68)	(1.0)	(41)	(0.4)	205	1.7	102	1.3
Distribution and selling expenses	15	0.2	13	0.3	16	0.2	19	0.2	32	0.3	16	0.2
Administrative expenses	251	3.5	250	6.5	212	3.1	199	2.0	307	2.5	299	3.9
Other operating expenses	27	0.4	26	0.7	71	1.0	107	1.1	429	3.5	427	5.6
Other income	196	2.7	35	0.9	48	0.7	153	1.5	104	0.8	30	0.4
<b>Operating profit / (loss) before finance costs</b>	<b>755</b>	<b>10.3</b>	(141)	(3.7)	(443)	(6.4)	327	3.2	1,228	9.9	1,406	18.6
Finance costs	213	2.9	315	8.2	318	4.6	264	2.7	205	1.7	254	3.4
Share of profit in equity accounted investees - net of taxation	383	5.3	173	4.5	397	5.8	85	0.9	569	4.6	347	4.6
<b>Profit / (loss) before taxation</b>	<b>925</b>	<b>12.7</b>	(283)	(7.4)	(364)	(5.2)	148	1.4	1,592	12.8	1,499	19.8
Taxation	(134)	(1.8)	263	6.9	(55)	(0.8)	(209)	(2.1)	(405)	(3.3)	(377)	(5.0)
<b>Profit / (loss) for the year</b>	<b>791</b>	<b>10.9</b>	(20)	(0.5)	(419)	(6.0)	(61)	(0.7)	1,187	9.5	1,122	14.8

# HORIZONTAL ANALYSIS

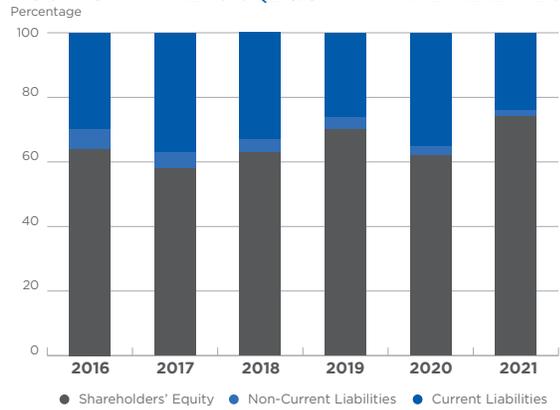
## of Consolidated Statement of Financial Position and Profit or Loss For The Last Six Financial Years

Rupees in million	2021	%	2020	%	2019	%	2018	%	2017	%	2016	%
<b>Consolidated Statement of financial position</b>												
Property, plant and equipment	1,928	(8.5)	2,107	(15.6)	2,495	(3.9)	2,596	1.2	2,565	3.9	2,468	22.2
Right-of-use-assets	132	(21.9)	169	100.0	-	-	-	-	-	-	-	-
Intangible assets	153	4.8	146	1.4	144	5.1	137	6.2	129	14.2	113	66.2
Investment properties	87	70.6	51	(7.3)	55	12.2	49	(9.3)	54	(10.0)	60	(10.4)
Investment in equity accounted investees	3,429	11.1	3,087	(5.5)	3,267	5.8	3,088	(6.2)	3,292	14.2	2,882	18.9
Other long term investments	976	33.5	731	6.1	689	162.0	263	19.0	221	-	221	-
Long term deposits	24	(89.3)	225	(4.7)	236	8.8	217	11.9	194	2.6	189	293.8
Deferred taxation - net	193	(33.7)	291	100.0	-	-	-	-	-	-	-	-
Stores, spares and loose tools	163	(3.6)	169	(9.1)	186	(12.3)	212	11.0	191	46.9	130	94.0
Stock-in-trade	1,237	(42.0)	2,131	159.6	821	(63.8)	2,268	(33.0)	3,385	33.7	2,531	458.7
Trade debts	137	(39.4)	226	135.4	96	17.1	82	(90.8)	891	88.8	472	673.8
Advances	42	(22.2)	54	58.8	34	13.3	30	42.9	21	(53.3)	45	(22.4)
Trade deposits and short term prepayments	293	343.9	66	32.0	50	(30.6)	72	26.3	57	50.0	38	153.3
Short term investments	522	53.5	340	(16.0)	405	(61.6)	1,055	(12.2)	1,201	36.6	879	6.7
Other receivables	345	66.7	207	(11.2)	233	(63.1)	631	(64.4)	1,774	121.8	800	327.8
Taxation - net	1,114	(12.4)	1,272	1.0	1,260	8.2	1,165	55.5	749	35.0	555	146.7
Cash and bank balances	4	(83.3)	24	(20.0)	30	(84.5)	194	125.6	86	16.2	74	(26.7)
<b>Total assets</b>	<b>10,779</b>	<b>(4.6)</b>	11,296	12.9	10,001	(17.1)	12,059	(18.6)	14,810	29.3	11,457	67.6
Issued, subscribed and paid-up capital	776	-	776	-	776	-	776	-	776	-	776	25.0
Capital reserves	1,050	(3.8)	1,092	0.8	1,083	(6.6)	1,159	(6.8)	1,243	9.1	1,139	187.6
Revenue reserves	6,142	19.5	5,140	0.8	5,097	(10.2)	5,678	(13.7)	6,582	21.8	5,404	23.5
<b>Shareholders' equity</b>	<b>7,968</b>	<b>13.7</b>	7,008	0.7	6,956	(8.6)	7,613	(11.5)	8,601	17.5	7,319	35.8
Long term loans	128	(32.6)	190	7.3	177	(22.0)	227	(29.5)	322	(18.3)	394	64.9
Lease liabilities	75	15.4	65	(36.9)	103	(18.9)	127	98.4	64	(16.9)	77	67.4
Deferred income	4	(42.9)	7	-	7	(12.5)	8	14.3	7	(22.2)	9	800.0
Deferred taxation - net	-	-	-	(100.0)	42	(67.4)	129	(68.5)	410	79.0	229	133.7
Deferred liability - staff retirement benefits	-	(100.0)	24	(76.2)	101	100.0	-	-	-	-	-	-
Trade and other payables	803	(28.0)	1,115	50.9	739	(59.1)	1,805	(15.9)	2,145	163.2	815	29.2
Unpaid dividend	-	-	-	-	-	-	-	(100.0)	116	-	116	100.0
Unclaimed dividend	26	-	26	(3.7)	27	22.7	22	-	22	(4.3)	23	91.7
Mark-up accrued	29	(47.3)	55	25.0	44	83.3	24	(25.0)	32	39.1	23	76.9
Short term borrowings	1,542	(43.0)	2,704	65.1	1,638	(16.3)	1,956	(32.6)	2,904	27.4	2,279	654.6
Current portion of long term loans	159	224.5	49	(55.5)	110	13.4	97	(31.2)	141	29.4	109	98.2
Current portion of lease liabilities	36	(23.4)	47	(7.8)	51	10.9	46	9.5	42	(28.8)	59	25.5
Current portion of deferred income	9	50.0	6	-	6	20.0	5	25.0	4	(20.0)	5	150.0
<b>Total equity and liabilities</b>	<b>10,779</b>	<b>(4.6)</b>	11,296	12.9	10,001	(17.1)	12,059	(18.6)	14,810	29.3	11,457	67.6
<b>Consolidated Profit or Loss Account</b>												
Sales - net	7,259	89.9	3,822	(44.2)	6,854	(31.0)	9,930	(19.2)	12,285	62.2	7,575	228.9
Cost of sales	6,763	79.3	3,771	(46.0)	6,978	(25.7)	9,390	(11.4)	10,598	90.6	5,559	143.6
<b>Gross profit / (loss)</b>	<b>496</b>	<b>872.5</b>	51	141.1	(124)	(123.0)	540	(68.0)	1,687	(16.3)	2,016	9,500.0
Income / (loss) from investments - net	356	474.2	62	191.2	(68)	(65.9)	(41)	(120.0)	205	101.0	102	(53.4)
Distribution and selling expenses	15	15.4	13	(18.8)	16	(15.8)	19	(40.6)	32	100.0	16	(41.4)
Administrative expenses	251	0.4	250	17.9	212	6.5	199	(35.2)	307	2.7	299	65.0
Other operating expenses	27	3.8	26	(63.4)	71	(33.6)	107	(75.1)	429	0.5	427	3,712.5
Other income	196	460.0	35	(27.1)	48	(68.6)	153	47.1	104	246.7	30	(6.3)
<b>Operating profit / (loss) before finance costs</b>	<b>755</b>	<b>635.5</b>	(141)	68.2	(443)	(235.5)	327	(73.4)	1,228	(12.7)	1,406	2,588.3
Finance costs	213	(32.4)	315	(0.9)	318	20.5	264	28.8	205	(19.3)	254	192.0
Share of profit in equity accounted investees - net of taxation	383	121.4	173	(56.4)	397	367.1	85	(85.1)	569	64.0	347	70.9
<b>Profit / (loss) before taxation</b>	<b>925</b>	<b>426.9</b>	(283)	22.3	(364)	(345.9)	148	(90.7)	1,592	6.2	1,499	790.7
Taxation	(134)	(151.0)	263	578.2	(55)	73.7	(209)	48.4	(405)	(7.4)	(377)	(1,278.1)
<b>Profit / (loss) for the year</b>	<b>791</b>	<b>4,055.0</b>	(20)	95.2	(419)	(586.9)	(61)	(105.1)	1,187	5.9	1,122	460.2

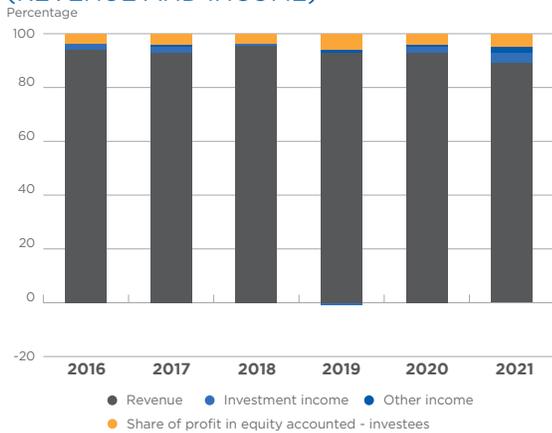
### CONSOLIDATED STATEMENT OF FINANCIAL POSITION ANALYSIS (ASSETS)



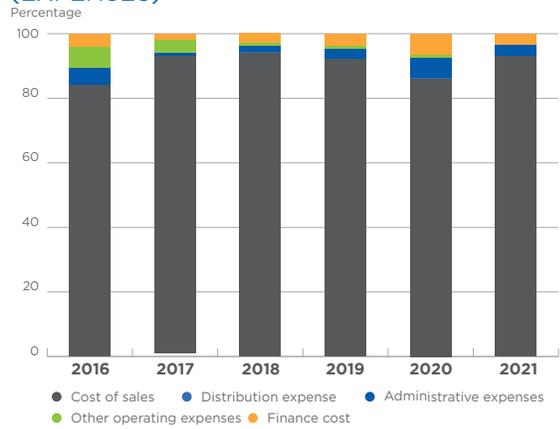
### CONSOLIDATED STATEMENT OF FINANCIAL POSITION ANALYSIS (EQUITY AND LIABILITIES)



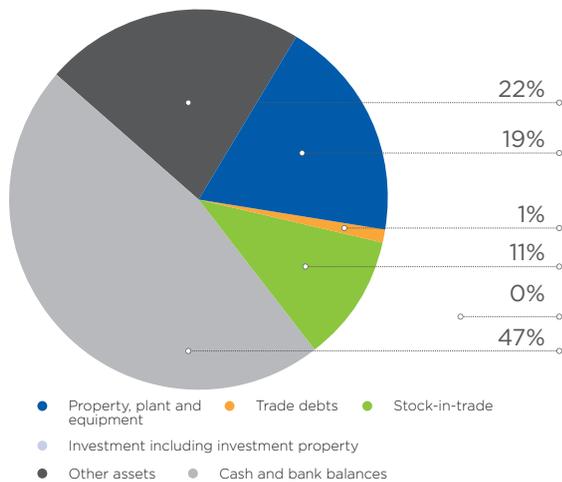
### CONSOLIDATED PROFIT OR LOSS ANALYSIS (REVENUE AND INCOME)



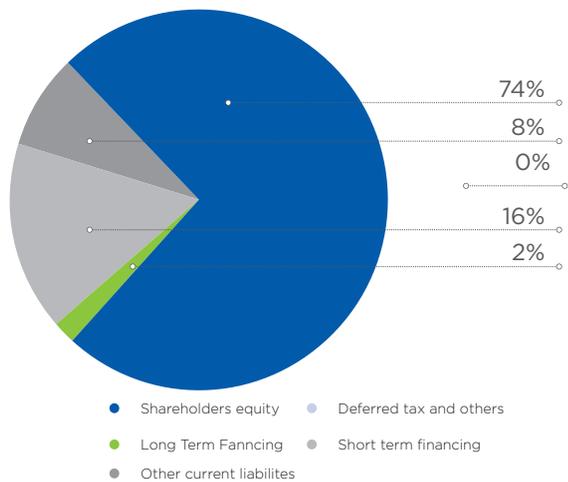
### CONSOLIDATED PROFIT OR LOSS ANALYSIS (EXPENSES)



### TOTAL ASSETS AS OF 30 JUNE 2021



### TOTAL EQUITY AND LIABILITIES AS OF 30 JUNE 2021

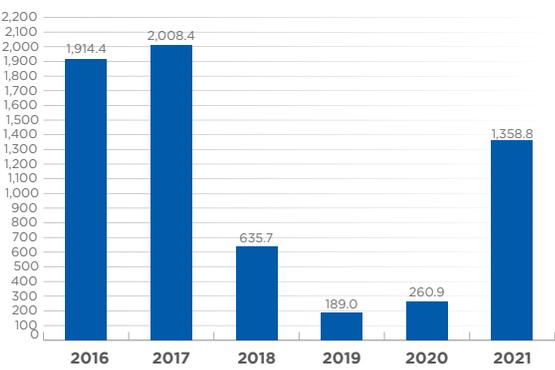


# KEY OPERATING AND FINANCIAL DATA

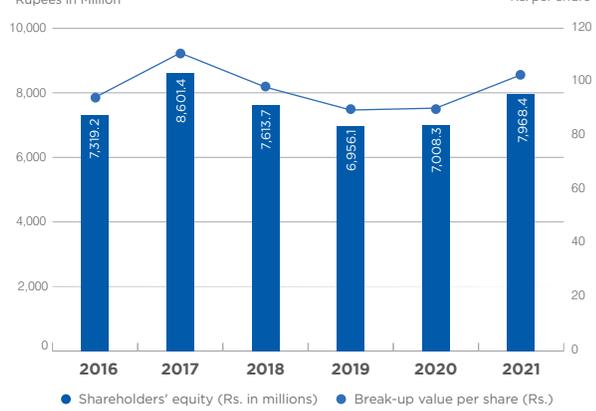
For The Current And Past Six Financial Years

Rupees in millions	2021	2020	2019	2018	2017	2016	2015
<b>A - Summary of Consolidated Profit or Loss Account</b>							
Sales - net	7,259.3	3,822.2	6,853.6	9,929.8	12,285.5	7,575.4	2,302.5
Cost of sales	6,762.6	3,771.3	6,977.7	9,390.1	10,598.0	5,559.6	2,281.9
<b>Gross profit / (loss)</b>	<b>496.7</b>	50.9	(124.1)	539.7	1,687.5	2,015.8	20.6
Income / (loss) from investments - net	356.4	62.1	(68.0)	(41.1)	204.8	102.5	219.2
Distribution, selling and administrative expenses	266.4	263.3	228.2	218.2	339.5	315.2	208.7
Other operating expenses	27.4	25.9	71.2	107.3	429.3	426.8	11.3
Other income	196.3	35.4	48.0	153.3	103.7	29.8	31.8
<b>Operating profit / (loss) before finance costs</b>	<b>755.6</b>	(140.8)	(443.5)	326.4	1,227.2	1,406.1	51.6
Finance costs	213.4	315.1	317.8	264.0	204.6	253.9	87.3
Share of profit in equity accounted investees - net of taxation	383.3	173.5	396.8	85.0	569.3	347.1	203.3
<b>Profit / (loss) before taxation</b>	<b>925.5</b>	(282.4)	(364.5)	147.4	1,591.9	1,499.3	167.6
Taxation	(134.3)	262.6	(54.7)	(208.9)	(404.9)	(377.1)	32.4
<b>Profit / (loss) for the year</b>	<b>791.2</b>	(19.8)	(419.2)	(61.5)	1,187.0	1,122.2	200.0
<b>B - Summary of Consolidated Statement of Financial Position</b>							
Current assets	3,857.2	4,489.1	3,115.0	5,708.2	8,354.7	5,524.1	1,991.0
Stock-in-trade	1,236.5	2,130.7	821.4	2,268.1	3,384.8	2,531.2	453.1
Trade debts	137.1	225.8	96.4	82.3	890.8	472.1	60.6
Current liabilities	2,603.8	4,001.8	2,615.6	3,954.4	5,405.1	3,429.0	1,061.7
Trade and other payables	802.9	1,115.3	739.1	1,805.2	2,144.8	815.0	631.0
Unpaid dividend	-	-	-	-	116.4	116.0	-
Unclaimed dividend	25.6	26.4	26.5	21.5	21.6	23.0	12.0
Property, plant and equipment	2,059.7	2,275.3	2,495.0	2,596.0	2,565.4	2,467.8	2,018.5
Total assets	10,778.9	11,296.0	10,000.9	12,059.0	14,810.2	11,457.3	6,836.7
Long term financing (excluding current maturity)	202.2	255.2	280.2	354.2	386.1	471.4	285.2
Deferred income (including current maturity)	13.3	13.3	13.3	13.5	11.6	13.3	3.1
Deferred liabilities	-	23.7	142.1	128.7	410.3	228.5	98.2
Short term financing (including current maturity of long-term financing)	1,737.7	2,798.7	1,799.7	2,098.7	3,086.4	2,446.9	404.2
Reserves	7,192.1	6,231.9	6,179.8	6,837.4	7,825.0	6,542.9	4,769.2
Shareholders' equity	7,968.4	7,008.3	6,956.1	7,613.7	8,601.4	7,319.2	5,390.2
<b>C - Summary of Consolidated Cash Flow Statement</b>							
Cash and cash equivalents at the beginning of the year	(586.0)	(877.6)	(260.3)	(313.0)	(233.4)	(200.4)	(84.1)
Net cash generated from / (used in) operating activities	1,035.5	(1,399.4)	(79.9)	1,505.1	(48.8)	(2,345.1)	94.1
Net cash generated from / (used in) investing activities	80.6	429.9	402.8	154.6	(69.4)	(534.1)	(309.2)
Net cash (used in) / generated from financing activities	(1,216.7)	1,261.1	(940.2)	(1,607.0)	38.6	2,846.2	98.8
Net (decrease) / increase in cash and cash equivalents	(100.6)	291.6	(617.3)	52.7	(79.6)	(33.0)	(116.4)
Cash and cash equivalents at the end of the year	(686.6)	(586.0)	(877.6)	(260.3)	(313.0)	(233.4)	(200.4)
<b>D - Other Data</b>							
Depreciation and amortization	219.9	228.2	235.7	224.3	211.8	161.2	134.5
Capital expenditure	67.8	10.6	145.4	249.8	298.3	557.1	745.3
No. of ordinary shares (no. of shares in millions)	77.6	77.6	77.6	77.6	77.6	77.6	62.1
Payments to National Exchequer	1,530.6	1,051.9	645.7	2,610.7	3,018.3	2,296.1	210.7

### EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION AND AMORTIZATION (EBITDA)



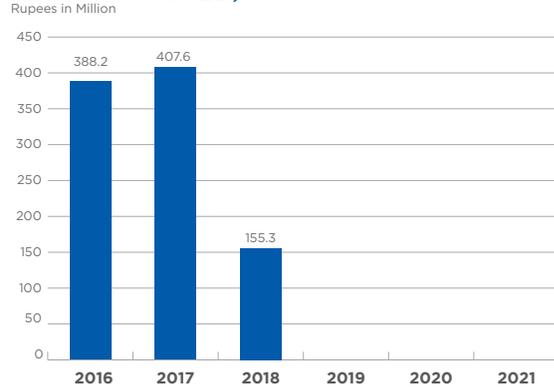
### SHAREHOLDERS' EQUITY AND BREAK-UP VALUE PER SHARE



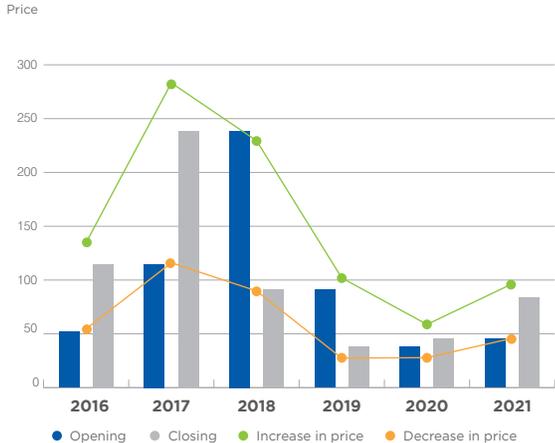
### PROFITABILITY AND RETURN



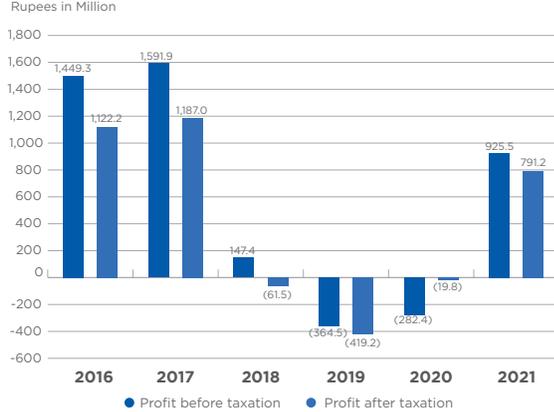
### DIVIDEND (INCLUDING FINAL PROPOSED)



### MOVEMENT IN STOCK PRICES



### PROFIT BEFORE AND AFTER TAXATION



# OTHER PERFORMANCE INDICATORS

for the current and past financial year

	2021	2020
<b>Production per employee</b>		
- Steel Division (Rs. in tons per employee)	82.8	41.9
- Cotton Division (Rs. in Kgs per employee)	18,544.7	15,043.2
- CS Hadeed Division (Rs. in mtons per employee)	748.2	473.7
<b>Plant availability (%)</b>		
Steel division	96.3	88.3
CS Hadeed division	104.5	70.7
Cotton division	98.3	82.7
CS Energy division	100.5	90.8
<b>Customer satisfaction index (%)</b>	94.0	92.3

## COMMENTS ON CONSOLIDATED ANALYSIS SIX YEARS

The Group comprise of CSAPL and wholly owned subsidiaries i.e. CS Capital (Private) Limited (CSCL), Solution de Energy (Private) Limited (SdeE) and Crescent Continental Gas Pipeline Limited (CCGPL).

### CONSOLIDATED PROFIT OR LOSS:

The difference between the results of unconsolidated and consolidated financial statements mainly represents share of profits from equity accounted investments. Share of profit had increased from Rs. 347 million in 2016 to Rs. 383 million in 2021, whereas, gain on investment income amounted to Rs. 356 million in FY21 (2020: Rs. 62 million) out of which gain of Rs. 123.8 million was contributed by CSCL (2020: Rs. 15.5 million).

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION:

With respect to statement of financial position, carrying amount of property plant and equipment (PPE) decreased by 9.5% from last year mainly due to depreciation.

Furthermore, investments in equity accounted investments increased by 19.0% from Rs. 2,882 million in 2016 to Rs. 3,429 million in 2021 mainly due to recognition of share of profits net off losses from Altern Energy Limited and Shakarganj Limited.

Total assets of the Group slightly decreased to Rs. 10,779 million in 2021 from Rs. 11,457 million in 2016.

# INDEPENDENT AUDITOR'S REPORT

To the members of Crescent Steel and Allied Products Limited

## Opinion

We have audited the annexed consolidated financial statements of Crescent Steel and Allied Products Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 30 June 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of the Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
1.	<b>Valuation of the Group's investment in shares of two companies</b>  (Refer notes 4, 6.5 and 20.2 to the annexed consolidated financial statements).  The 'other long-term investments' include the Group's investments in shares of Shakarganj Food Products Limited and Central Depository	Our audit procedures, amongst others, included the following:  • Obtained understanding of the management's process of valuation;

S. No.	Key audit matters	How the matter was addressed in our audit
	<p>Company of Pakistan Limited amounting to Rs. 595.1 million and Rs. 198.206 million respectively as at 30 June 2021.</p> <p>Fair values of these investments are not measured in an active market and are determined through the application of valuation techniques under accounting and reporting standards and use of unobservable inputs required for valuation that involve the exercise of judgment over assumptions and estimates used by the management expert.</p> <p>Due to the level of judgments involved in determining fair values of these unquoted investments, we considered this is a key audit matter.</p>	<ul style="list-style-type: none"> <li>• Read report of management's expert which included the methods of valuation and details about the inputs to the valuation models;</li> <li>• Involved our internal valuation specialists to review the valuation methodologies;</li> <li>• Discussed the rationale of the inputs to the valuation models and assessed its reasonableness;</li> <li>• Checked mathematical accuracy of the calculations; and</li> <li>• Assessed whether the related disclosures made in the annexed consolidated financial statements are in accordance with the accounting and reporting standards as applicable in Pakistan.</li> </ul>
<b>2.</b>	<b>Deferred tax assets</b>	
	<p>(Refer notes 4, 6.17 and 22 to the annexed consolidated financial statements).</p> <p>As at 30 June 2021, included in the balance of deferred tax asset (net) are amounts of Rs. 403.801 million and Rs. 200.48 million representing deferred tax asset recognised on account of unutilised tax losses and minimum turnover tax respectively pertaining to the Holding Company. Recognition of deferred tax asset on account of unutilised tax losses and minimum turnover tax requires management to estimate the Holding Company's future taxable income and tax liability. This process relies on the assessment of the Holding Company's profitability forecast.</p> <p>As preparing of profitability forecast and assessment of realisability of recognised deferred tax asset requires significant management judgement, we considered this a key audit matter.</p>	<p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>• Obtained understanding of the management of the Holding Company's process of preparation of forecast of tax profitability, tax liability and deferred tax calculation;</li> <li>• Discussed with the management, the significant assumptions used in preparing the tax profitability forecast and assessed its reasonableness;</li> <li>• Checked the appropriateness of tax rates applied in view of the local tax legislation;</li> <li>• Checked mathematical accuracy of the calculations; and</li> <li>• Assessed whether the related disclosures made in the annexed consolidated financial statements are in accordance with the accounting and reporting standards as applicable in Pakistan.</li> </ul>

## **Information Other than the Consolidated and Unconsolidated Financial Statements and Auditor's Reports Thereon**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and unconsolidated financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

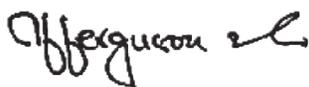
We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Other Matter**

The consolidated financial statements of the Group for the year ended 30 June 2020 were audited by another firm of Chartered Accountants whose report dated 28 August 2020 expressed an unmodified opinion thereon.

The engagement partner on the audit resulting in this independent auditor's report is Khurshid Hasan.



A. F. Ferguson & Co  
Chartered Accountants

Karachi

Date: 05 October 2021

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

Rupees in '000	Note	2021	2020
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital and reserves			
Authorized capital			
100,000,000 ordinary shares of Rs. 10 each		1,000,000	1,000,000
Issued, subscribed and paid-up capital	7	776,325	776,325
Capital reserve	8	1,050,164	1,091,622
Revenue reserves	8	6,141,931	5,140,316
		7,968,420	7,008,263
<b>LIABILITIES</b>			
Non-current liabilities			
Long term loans	9	127,676	190,335
Lease liabilities	10	74,570	64,820
Deferred income	11	4,450	7,053
Deferred liability - staff retirement benefits	46	-	23,713
		206,696	285,921
Current liabilities			
Trade and other payables	12	802,890	1,115,336
Unclaimed dividend		25,628	26,443
Mark-up accrued	13	28,723	55,112
Short term borrowings	14	1,542,306	2,702,863
Current portion of long term loans	9	159,038	49,345
Current portion of lease liabilities	10	36,353	46,467
Current portion of deferred income	11	8,823	6,215
		2,603,761	4,001,781
		2,810,457	4,287,702
Contingencies and commitments	15		
<b>Total equity and liabilities</b>		<b>10,778,877</b>	<b>11,295,965</b>



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

Rupees in '000	Note	2021	2020
Sales	32	8,494,799	4,473,010
Less: Sales tax		1,235,543	650,808
		7,259,256	3,822,202
Cost of sales	33	6,762,523	3,771,306
Gross profit		496,733	50,896
Income from investments - net	34	356,380	62,132
		853,113	113,028
Distribution and selling expenses	35	14,980	13,324
Administrative expenses	36	251,410	249,986
Other operating expenses	37	27,447	25,958
		293,837	289,268
		559,276	(176,240)
Other income	38	196,328	35,440
Operating profit / (loss) before finance costs		755,604	(140,800)
Finance costs	39	213,407	315,109
Share of profit in equity accounted investees - net of taxation	40	383,348	173,479
Profit / (loss) before taxation		925,545	(282,430)
Taxation	41	(134,324)	262,563
Profit / (loss) for the year		791,221	(19,867)
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Proportionate share of other comprehensive (loss) / income of equity accounted investees		(41,458)	8,172
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Changes in the fair value of equity investments at fair value through other comprehensive income (FVOCI) - net of tax		43,291	(7,898)
Gain on remeasurement of staff retirement benefit plans - net of tax		167,103	71,774
Other comprehensive income for the year		168,936	72,048
<b>Total comprehensive income for the year</b>		<b>960,157</b>	<b>52,181</b>
(Rupees)			
Basic and diluted earnings / (loss) per share	42	10.19	(0.26)

The annexed notes from 1 to 55 form an integral part of these consolidated financial statements.



Chief Executive



Director



Chief Financial Officer

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

Rupees in '000	Note	2021	2020
<b>Cash flows from operating activities</b>			
Cash generated from / (used in) operations	43	1,232,504	(993,880)
Tax refund received / (paid)		47,096	(106,022)
Finance costs paid		(229,560)	(286,834)
Contribution to gratuity and pension funds		(23,450)	(22,976)
Contribution to Workers' Profit Participation Fund		(12,700)	(3,633)
Long term deposits - net		21,669	13,979
Net cash generated from / (used in) operating activities		1,035,559	(1,399,366)
<b>Cash flows from investing activities</b>			
Capital expenditure		(59,376)	(8,538)
Acquisition of intangible assets		(8,463)	(2,114)
Proceeds from disposal of investment property		147,503	-
Proceeds from disposal of operating fixed assets		29,825	5,313
Investments - net		(66,790)	47,862
Dividend income received		37,329	386,552
Interest income received		532	859
Net cash generated from investing activities		80,560	429,934
<b>Cash flows from financing activities</b>			
Proceeds from / (repayment of) long term loans - net	43.1	56,105	(41,454)
Payments against lease obligations - net	43.1	(30,387)	(59,675)
(Repayment of) / proceeds from short term loans obtained - net	43.1	(1,241,602)	1,362,292
Dividends paid	43.1	(815)	(82)
Net cash (used in) / generated from financing activities		(1,216,699)	1,261,081
Net (decrease) / increase in cash and cash equivalents		(100,580)	291,649
Cash and cash equivalents at beginning of the year		(586,072)	(877,721)
Cash and cash equivalents at end of the year	44	(686,652)	(586,072)

The annexed notes from 1 to 55 form an integral part of these consolidated financial statements.



Chief Executive



Director



Chief Financial Officer

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

Rupees in '000	Issued, subscribed and paid-up capital	Capital reserves		Total capital reserves	Revenue reserves			Total revenue reserves	Total
		Share premium	Others*		Fair value reserve	General reserve	Unappropriated profit		
Balance as at 1 July 2019	776,325	1,020,908	62,542	1,083,450	36,670	3,642,000	1,417,637	5,096,307	6,956,082
Total comprehensive income for the year ended 30 June 2020									
Loss for the year	-	-	-	-	-	-	(19,867)	(19,867)	(19,867)
Other comprehensive income / (loss) for the year	-	-	8,172	8,172	(7,898)	-	71,774	63,876	72,048
Total comprehensive income for the year	-	-	8,172	8,172	(7,898)	-	51,907	44,009	52,181
Balance as at 30 June 2020	776,325	1,020,908	70,714	1,091,622	28,772	3,642,000	1,469,544	5,140,316	7,008,263
Total comprehensive income for the year ended 30 June 2021									
Profit for the year	-	-	-	-	-	-	791,221	791,221	791,221
Other comprehensive (loss) / income for the year	-	-	(41,458)	(41,458)	43,291	-	167,103	210,394	168,936
Total comprehensive income for the year	-	-	(41,458)	(41,458)	43,291	-	958,324	1,001,615	960,157
Balance as at 30 June 2021	776,325	1,020,908	29,256	1,050,164	72,063	3,642,000	2,427,868	6,141,931	7,968,420

\* This represents the Group's share of various reserves held by equity accounted investees.

The annexed notes from 1 to 55 form an integral part of these consolidated financial statements.



Chief Executive



Director



Chief Financial Officer

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 1 THE GROUP AND ITS OPERATIONS

The Group consists of Crescent Steel and Allied Products Limited ('the Holding Company') and its wholly owned subsidiary companies namely; CS Capital (Private) Limited, Solution de Energy (Private) Limited, and Crescent Continental Gas Pipelines Limited.

### 1.1 Crescent Steel and Allied Products Limited ('the Holding Company')

1.1.1 The Holding Company was incorporated on 1 August 1983 as a public limited company in Pakistan under the Companies Act, 1913 (now Companies Act, 2017) and is quoted on the Pakistan Stock Exchange. The registered offices of the Holding Company and its subsidiary companies are located at E-floor, IT Tower, 73-E/1, Hali Road, Gulberg-III, Lahore, whereas their principal offices are situated at 9th floor Sidco Avenue Centre 264 R.A. Lines, Karachi.

1.1.2 The Holding Company's steel segment is manufacturing large diameter spiral arc welded steel line pipes at Nooriabad, District Jamshoro, Sindh. The Holding Company has a coating facility capable of applying three layers high density polyethylene coating on steel line pipes. The coating plant commenced commercial production from 16 November 1992. The Holding Company's fabrication unit is engaged in fabrication and erection of machinery located at Dalowal, District Faisalabad, Punjab.

1.1.3 The Holding Company is running cotton spinning unit at Jaranwala, District Faisalabad. This activity is carried out by the Holding Company under the name and title of "Crescent Cotton Products" a division of Crescent Steel and Allied Products Limited.

1.1.4 The Holding Company is also managing a portfolio of equity investments and real estate through its Investment and Infrastructure Division from the principal office of the Holding Company.

1.1.5 The Holding Company's Hadeed (Billet) Segment is to cater to the growing demand of steel products and is in line with the Company's vision to organically expand in the steel long products business. The billets manufactured are used by re-rolling mills to manufacture bars and other steel long products for use in the construction and engineering sectors. The plant of the Holding Company is located at Bhone, district Jhang, Punjab.

1.1.6 The Holding Company's energy segment's activity is to build, own, operate and maintain a power plant and to generate, accumulate, distribute, sell and supply electricity / power to Pakistan Electric Power Company (PEPCO) / Distribution Companies (DISCOs) under an agreement with the Government of Pakistan or to any other consumer as permitted. The Generation Plant use bagasse in the combustion process to produce power and processed steam. The plant of the Holding Company is located at Bhone, district Jhang, Punjab.

### 1.2 CS Capital (Private) Limited

CS Capital (Private) Limited was incorporated on 5 November 2010 as a private limited company in Pakistan under the Companies Ordinance, 1984 (now Companies Act, 2017). The head office of the Subsidiary Company is located at principal office of the Holding Company. The principal activity of the Subsidiary Company is to effectively manage investment portfolios in shares, commodities and other securities (strategic as well as short term). On 26 September 2011, the Holding Company has purchased the entire shareholding from its previous principal shareholder. Consequently, the Company becomes the wholly owned subsidiary of the Holding Company.

### 1.3 Solution de Energy (Private) Limited

Solution de Energy (Private) Limited was incorporated as a private limited company in Pakistan under the provisions of the Companies Ordinance, 1984 (now the Companies Act, 2017) as a result of Joint Venture Agreement ("the Agreement") executed on 8 October 2013 between Management

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

de Consortium Capital (MdeCC), a partnership concern and the Holding Company. During the year ended 30 June 2019, the Agreement was dissolved and the Holding Company and MdeCC entered into a management contract, whereby MdeCC is responsible for managing the project.

The head office of the Subsidiary Company is located at principal office of the Holding Company. The principal activity of the Subsidiary Company is to build, own, operate and maintain 100MW solar power project (the Project) and to generate, accumulate, distribute, sell and supply electricity / power to PEPCO / DISCOS under the agreement with the Government of Pakistan or to any other consumer as permitted.

The Subsidiary Company had been granted Letter of Interest (LOI) by the Punjab Power Development Board (PPDB) on 10 February 2014 and currently the Subsidiary Company is in the phase of completing the requirements specified in LOI. The Subsidiary Company has been allocated land from PPDB and the interconnectivity study report was vetted and approved by National Transmission & Despatch Company (NTDC) during the year ended 30 June 2018. Further, the Subsidiary Company has been granted electricity generation license from National Electric Power Regulatory Authority (NEPRA) for its 100MW Solar Power Plant on 29 April 2020. During the current year ended 30 June 2021, the Subsidiary Company has submitted the tariff petition to NEPRA on 22 July 2020.

## 1.4 Crescent Continental Gas Pipelines Limited

Crescent Continental Gas Pipelines Limited having share capital of Rs. 90 is not carrying on any business operations.

## 2 SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS DURING THE YEAR

The Group's net sales aggregated to Rs. 7.259 billion (2020: Rs. 3.822 billion), out of which 37.7 percent was generated from Steel division, 27.6 percent from Cotton division and rest 34.7 percent i.e. Rs. 2.519 billion were from other divisions.

Steel division net sales for 2021 amounted to Rs. 2.740 billion (2020: Rs. 1.291 billion), current year sales mainly relates to bare pipe orders from Sui Northern Gas Pipelines Limited (SNGPL).

Cotton division net sales for 2021 amounted to Rs. 2 billion (2020: Rs. 1.346 billion).

During the year, KSE-100 index benchmark increased by 37.58 percent closing at 47,356 points on 30 June 2021. The Group generated income from investments on shares amounting to Rs. 395.401 million including fair value gain recognized from unlisted securities.

During the year, the Board has approved to subscribe in right shares offered by CS Capital (Private) Limited (Subsidiary Company) amounting to Rs. 30 million divided into 3,000,000 ordinary shares of Rs. 10/- each at par.

## 3 BASIS OF PREPARATION

### 3.1 Consolidated financial statements

These consolidated financial statements have been prepared from the information available in the unconsolidated financial statements of the Holding Company, CS Capital (Private) Limited and Solution de Energy (Private) Limited for the year ended 30 June 2021. Crescent Continental Gas Pipelines Limited is not carrying on any business operations and accordingly no financial statements are being prepared. Details regarding the financial information of associates used in the preparation of these consolidated financial statements are given in note 19 to these consolidated financial statements.

The accounting policies used by the subsidiary companies in preparation of their financial statements are consistent with that of the Holding Company. The accounting policies used by the Group's associates in preparation of their respective financial statements are also consistent with that of the Holding Company. Where policies are different, necessary adjustments are made to the financial statements of that associate or subsidiary to bring their accounting policies in line with those used by the Group.

### 3.2 Statement of compliance

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFASs) issued by Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards or IFASs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

### 3.3 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except otherwise stated.

### 3.4 Functional and presentation currency

These consolidated financial statements are presented in Pakistan Rupees which is also the Group's functional and presentation currency. Amounts have been rounded to the nearest thousand of Pakistan Rupees.

## 4 USE OF ESTIMATES AND JUDGEMENTS

In preparing these consolidated financial statements, management has made judgement, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognised prospectively in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about judgements made in applying accounting policies that have the most significant effects on the amount recognised in these consolidated financial statements to the carrying amount of assets, liabilities, assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment in the subsequent years are set forth below:

- Property, plant and equipment (refer note 6.2)
- Intangible assets (refer note 6.3)
- Investment properties (refer note 6.4)
- Investments (refer notes 6.5 and 6.6)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

- Stores, spares and loose tools and stock-in-trade (refer notes 6.8 and 6.9)
- Employees benefits (refer note 6.12)
- Leases (refer note 6.14)
- Taxation (refer note 6.17)
- Provisions (refer note 6.21)
- Impairment (refer notes 6.2, 6.3, 6.4, 6.5 and 6.22)
- Contingencies (refer note 6.27)

## 5 NEW STANDARDS, AMENDMENTS TO ACCOUNTING AND REPORTING STANDARDS AND NEW INTERPRETATIONS

### 5.1 Amendments to accounting and reporting standards and interpretations which are effective during the year ended 30 June 2021

There were certain amendments to the accounting and reporting standards which became mandatory for the Group during the year. However, the amendments did not have any significant impact on the financial reporting of the Group and, therefore, have not been disclosed in these consolidated financial statements.

### 5.2 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective but relevant

There are certain amendments to accounting and reporting standards that will be mandatory for the Group's annual accounting periods beginning on or after 1 July 2021 but are considered not to be relevant or have any significant effect on the Group's financial reporting.

Further, IFRS 17 'Insurance contracts' is yet to be adopted by the Securities & Exchange Commission of Pakistan (The SECP).

## 6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are consistently applied in the preparation of these consolidated financial statements are the same as those applied in earlier periods presented.

### 6.1 Basis of consolidation

#### Subsidiaries

The consolidated financial statements include the financial statements of the Holding Company and its subsidiary companies.

Subsidiaries are those entities in which the Holding Company directly or indirectly controls, beneficially owns or holds more than 50 percent of its voting securities or otherwise has power to elect and appoint more than 50 percent of its directors. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences. The financial statements of the subsidiaries are consolidated on a line-by-line basis and the carrying value of investment held by the Holding Company is eliminated against the Holding Company's share in paid up capital of the subsidiaries. The Group applies uniform accounting policies for like transactions and events in similar circumstances except where specified otherwise.

All material inter-group balances, transactions and resulting unrealized profits / losses are eliminated.

#### Investments in associates

Entities in which the Group has significant influence directly or indirectly (through subsidiaries) but not control and which are neither subsidiaries nor joint ventures of the members of the Group are associates and are accounted for under the equity method of accounting (equity accounted investees).

These investments are initially recognized at cost. These consolidated financial statements include the associates' share of profit or loss and movements in other comprehensive income, after adjustments, if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date it ceases. Share of post acquisition profit/loss of associates is recognized in the consolidated Profit or loss. Distributions received from associates reduce the carrying amount of investment. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that investment (including any long-term interests that, in substance, form part of the Group's net investment in the associate) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised in previous years.

The carrying amount of investments in associates is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the investments is estimated which is higher of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount and is charged to consolidated profit or loss. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount but limited to the extent of carrying amount that would have been determined if no impairment loss had been recognized. A reversal of impairment loss is recognized in the consolidated profit or loss.

## 6.2 Property, plant and equipment

### Owned assets

Property, plant and equipment, except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land is stated at cost.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets include the cost of materials and direct labour, any other cost directly attributable to bring the assets to a working condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs, if any.

### Subsequent expenditure

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Group and its cost can be measured reliably. The carrying amount of the part so replaced is derecognized. The costs relating to day-to-day servicing of property, plant and equipment are recognized in the consolidated profit or loss as incurred.

### Depreciation

Depreciation is charged to the consolidated profit or loss on a straight line basis at the rates specified in note 16.1 to these consolidated financial statements. Depreciation on additions to property, plant and equipment is charged from the month in which an item is acquired or capitalized while no depreciation is charged for the month in which the item is disposed off or retained.

The assets' residual values and useful lives are reviewed at each financial year end and adjusted if appropriate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## Disposal

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense in consolidated profit or loss.

## Right-of-use assets

Upon initial recognition, an asset acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of minimum lease payments, each determined at the inception of the lease. Subsequent to initial recognition, the asset is stated at the amount determined at initial recognition less accumulated depreciation and impairment losses, if any.

Depreciation is charged on the same basis as used for owned assets.

## Capital work in progress

Capital work in progress is stated at cost and consists of expenditure incurred and advances made in respect of tangible and intangible assets during the course of their construction and installation. Transfers are made to relevant assets category as and when assets are available for intended use.

## Impairment

The carrying amount of property, plant and equipment is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the assets recoverable amount is estimated. The recoverable amount is the greater of its value in use and fair value less cost to sell. An impairment is recognized if the carrying amount exceeds its estimated recoverable amount.

## 6.3 Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any.

### Subsequent expenditure

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

### Amortization

Amortization is charged to consolidated profit or loss on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Amortization on additions to intangible assets is charged from the month in which an item is acquired or capitalized while no amortization is charged for the month in which the item is disposed off.

### Research and development expenditures

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in consolidated profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials,

direct labour, overhead costs that are directly attributable to preparing the asset for its intended use and capitalized borrowing costs. Other development expenditure is recognized in consolidated profit or loss as incurred. Capitalized development expenditure is stated at cost less accumulated amortization and accumulated impairment loss, if any. However, during the year expenses incurred in respect of the project have been capitalized (Refer note 17).

#### Impairment

All intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date. Where the carrying amount of asset exceeds its estimated recoverable amount, it is written down immediately to its recoverable amount. The carrying amount of other intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exist than the assets recoverable amount is estimated. The recoverable amount is the greater of its value in use and fair value less cost to sell. An impairment is recognized if the carrying amount exceeds its estimated recoverable amount.

### 6.4 Investment properties

Investment property, principally comprising of land and buildings, is held for long term rental yields / capital appreciation. The investment property of the Group comprises of land and buildings and is valued using the cost method i.e. at cost less any accumulated depreciation and impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowing costs, if any.

#### Depreciation

Depreciation is charged to income on the straight line method at the rates specified in the note 18 so as to allocate the depreciable amount over its estimated useful life. Depreciation on additions to investment property is charged from the month in which a property is acquired or capitalized while no depreciation is charged for the month in which the property is disposed off.

The residual values and useful lives of investment property are reviewed at each reporting date and adjusted if appropriate.

#### Impairment

The Group assesses at each reporting date whether there is any indication that investment property may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in consolidated profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future period to allocate the asset's revised carrying amount over its estimated useful life.

#### Disposal

The gain or loss on disposal of investment property, represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as income or expense in consolidated profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 6.5 Financial instruments

### 6.5.1 Initial recognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

### 6.5.2 Financial assets

#### Classification

On initial recognition, a financial asset is classified as measured at:

- Amortized cost;
- Fair value through other comprehensive income (FVOCI) - Debt investment;
- Fair value through other comprehensive income (FVOCI) - Equity investment; or
- Fair value through profit and loss (FVTPL).

The classification depends on the Group's business model for managing financial assets and the contractual terms of the financial assets cash flows.

#### Amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### FVOCI - Debt investment

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### FVOCI - Equity investment

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in investment's fair value in OCI. This election is made on an investment-by-investment basis.

## FVTPL

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL.

### Subsequent measurement and derecognition

Financial assets are not reclassified subsequently to the initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The financial assets classified at amortized cost are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses, if any. Interest income, foreign exchange gains and losses and impairment are recognised in consolidated profit or loss. Any gain or loss on derecognition is recognised in consolidated profit or loss.

Debt investments classified as FVOCI are subsequently measured at fair value. Interest income calculated using effective method, foreign exchange gain and losses and impairment are recognised in consolidated profit or loss. Other net gains and losses are recognised in consolidated OCI. On de-recognition, gains and losses accumulated in consolidated OCI are reclassified to consolidated profit or loss.

Equity investments classified as FVOCI are subsequently measured at fair value. Dividends are recognized as income in consolidated profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, when the Group's right to receive payments is established. This category only includes equity instruments, which the Group intends to hold for the foreseeable future. On de-recognition, there is no reclassification of fair value gains and losses to consolidated profit or loss. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9.

The financial assets classified at FVTPL are subsequently measured at fair value and net gains and losses, including any interest or dividend income, are recognised in consolidated profit or loss. Net gains and losses (unrealised and realised), including any interest or dividend income, are recognised in consolidated profit or loss.

### Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The Group recognised a loss for ECL for financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The financial assets at amortized cost consist of trade receivables, cash and cash equivalents, and other receivables including loans to related party.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Management uses actual historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment to determine lifetime expected loss allowance. For other debt financial assets (i.e., loans etc.), the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due and a financial asset in default when contractual payment are 90 days past due.

## Derivative financial instruments

The Group enters into derivative financial instruments, which include future contracts in stock market. Derivatives are initially recorded at fair value and are remeasured to fair value on subsequent reporting dates. The fair value of a derivative is equivalent to the unrealized gain or loss from marking to market the derivative using prevailing market rates. Derivatives with positive market values (unrealized gains) are included in other receivables and derivatives with negative market values (unrealized losses) are included in other liabilities in the unconsolidated statement of financial position. The resultant gains and losses from derivatives held for trading purposes are recognized in consolidated profit or loss. No derivative is designated as hedging instrument by the Group.

## 6.5.3 Financial liabilities

### Classification and subsequent measurement

The Group classifies its financial liabilities as those to be measured subsequently at amortized cost using the effective interest method, if they are not:

- contingent consideration of an acquirer in a business combination
- held-for-trading
- designated as at FVTPL

The Group does not classify any of its financial liabilities under FVTPL.

### Derecognition

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in consolidated profit or loss and other comprehensive income.

### Offsetting

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when the Group has a legal right to offset the amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

## 6.6 Investment in commodities

Investment in commodities is initially recognised at cost, which is its fair value. Such commodities are principally acquired with the purpose of selling in near future and generating a profit from fluctuations in price. Subsequently, investment in commodities is stated at fair value less cost to sell. Changes in fair value is recognised in consolidated profit or loss.

## 6.7 Non-current assets held for sale

Non-current assets or disposal groups comprising of assets or liabilities that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets or components of a disposal group, are remeasured at lower of their carrying amount and fair value less costs to sell.

## 6.8 Stores, spares and loose tools

Stores, spares and loose tools are valued at lower of weighted average cost and net realizable value, less provision for impairment, if any. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon less impairment, if any.

Provision for obsolete and slow moving stores, spares and loose tools is determined based on management's estimate regarding their future usability and is charged to consolidated profit or loss.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs necessary to be incurred to make the sale.

Spare parts of capital nature which can be used only in connection with an item of property, plant and equipment are classified as fixed assets under the 'plant and machinery' category and are depreciated over a time period not exceeding the useful life of the related assets.

## 6.9 Stock-in-trade

Stock-in-trade is stated at the lower of cost less impairment loss, if any and net realizable value. Cost is arrived at on a weighted average basis. Cost of work-in-process and finished goods include cost of materials and appropriate portion of production overheads. Net realizable value is the estimated selling price in the ordinary course of business less costs of completion and selling expenses. The cost of finished goods of Steel segment is assigned by using specific identification of their individual costs. Scrap stocks are valued at their estimated net realizable value.

## 6.10 Trade debts and other receivables

These are initially stated at fair value and subsequently measured at amortized cost less provisions for any uncollectible amounts. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written off.

## 6.11 Cash and cash equivalents

Cash and cash equivalents comprise of cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flow.

## 6.12 Employee benefits

### 6.12.1 Compensated absences

The Holding Company accounts for all accumulated compensated absences when employees render services that increase their entitlement to future compensated absences. No actuarial valuation of compensated absences is carried out as management considers its financial impact would be immaterial.

### 6.12.2 Post retirement benefits

#### 6.12.2.1 Defined contribution plan - Provident fund

The Group operates a provident fund scheme for its permanent employees. Equal monthly contributions are made by the Group and its employees. Obligation for contributions to the fund are recognized as an expense in consolidated profit or loss account when they are due.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## Cotton segment

Provision and collection from employees are made at the rate of 6.25% of basic pay of Cotton segment employees. A trust has been established and its approval has been obtained from the Commissioner of Income Tax.

## All employees except Cotton segment

Contributions to the fund are made at the rate of 8.33% of basic pay for those employees who have served the Company for a period of less than five years and after completion of five years, contributions are made at the rate of 10%.

## 6.12.2 Defined benefit plans

### Pension and gratuity fund schemes

The Holding Company provides gratuity benefits to all its permanent employees who have completed their minimum qualifying service as per the terms of employment. The pension scheme provides life time pension to retired employees or to their spouses.

The Holding Company's obligation is determined through actuarial valuations carried out under the "Projected Unit Credit Method". Remeasurements which comprise actuarial gains and losses and the return on plan assets (excluding interest) are recognized immediately in consolidated statement of other comprehensive income. The Holding Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments. Net interest expense, current service costs and any past service costs are recognized in consolidated profit or loss. Any assets resulting from this calculation is limited to the present value of available refunds or reductions in future contributions to the plan. The latest Actuarial valuation was conducted at the reporting date by a qualified professional firm of actuaries.

## 6.12.3 Staff benevolent fund

The Holding Company has established staff benevolent fund as a separate legal entity under the Trust Act, 1882 and registered under Income Tax Ordinance, 2001. The objective of this fund is to provide at the discretion of the trustees, post retirement medical cover / facilities for retired employees and other hardship cases of extraordinary nature of existing employees of the Holding Company. Contributions to the fund are recognized as an expense in the profit or loss when they are incurred.

## 6.13 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in consolidated profit or loss over the period of the borrowings on an effective interest basis.

## 6.14 Lease liabilities

Leases are recognised as Right-of-use (RoU) asset and a lease liability at the lease commencement date except for short term or low value leases.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

For sale and lease back if the Group has obtained control of the underlying asset and the transfer is classified as a sale in accordance with IFRS 15 and measures a right-of-use asset arising from the leaseback as the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The gain (or loss) recognised is limited to the proportion of the total gain (or loss) that relates to the rights transferred.

If the consideration for the sale is not equal to the fair value of the asset, any resulting difference represents either a prepayment of lease payments (if the purchase price is below market terms) or an additional financing (if the purchase price is above market terms).

If the transfer is not a sale (that is, the Group does not obtain control of the asset in accordance with IFRS 15), it does not derecognise the transferred asset and accounts for the cash received as a financial liability.

#### 6.15 Asset held under Ijarah financing

Assets held under Ijarah financing are accounted for using the guidelines of Islamic Financial Accounting Standard - 2 (IFAS 2), "Ijarah" as issued by Institute of Chartered Accountants of Pakistan (ICAP). The assets are not recognised on the Holding Company's statement of financial position and payments made under Ijarah financing are recognised in consolidated profit or loss on a straight line basis over the term of the lease.

#### 6.16 Government grants

Government grants are transfers of resources to an entity by a government entity in return for compliance with certain past or future conditions related to the entity's operating activities. The definition of "Government" refers to Governments, Government agencies and similar bodies, whether local, national or international.

The Group recognizes government grants when there is reasonable assurance that grants will be received and the Group will be able to comply with conditions associated with grants.

Government grants are recognized at fair value, as deferred income, when there is reasonable assurance that the grants will be received and the Group will be able to comply with the conditions associated with the grants.

Grants that compensate the Group for expenses incurred, are recognized on a systematic basis in the income for the year in which the related expenses are recognized. Grants that compensate for the cost of an asset are recognized in income on a systematic basis over the expected useful life of the related asset.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

A loan is initially recognized and subsequently measured in accordance with IFRS 9. IFRS 9 requires loans at below-market rates to be initially measured at their fair value - e.g. the present value of the expected future cash flows discounted at a market-related interest rate. The benefit that is the Government grant is measured as the difference between the fair value of the loan on initial recognition and the amount received, which is accounted for according to the nature of the grant.

## 6.17 Taxation

### Group taxation

The Holding company has opted for Group taxation under section 59AA of the Income Tax Ordinance, 2001 along with its subsidiary Company, CS Capital (Private) Limited. Both companies are taxed as one fiscal unit under this scheme. The current and deferred income taxes have been estimated on income of each of the companies according to the applicable law and are recognised by each company separately within the Group, regardless of who has the legal liability for settlement or the legal right for recovery of the tax. Any adjustments arising solely due to Group taxation in respect of result of subsidiary is recognised in the Holding Company and the amounts paid to or receivable from the Holding company are adjusted accordingly.

### Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, and contains impacts of group taxation as explained above.

### Deferred

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profits or taxable temporary difference will be available against which the asset can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

## 6.18 Revenue recognition

Revenue comprises of sales to third parties and is measured based on the consideration specified in contracts with customers and excludes rebates and amounts, if any, collected on behalf of third parties. Revenue is recognized either at a point in time or over time, when (or as) the Group satisfies the performance obligations as specified in the contract with the customer, and when it transfers control over the promised good or service to the customer.

Revenue from supply of electricity and steam is recorded upon satisfaction of performance obligation i.e. completion of service activity based on meter readings. Revenue is measured as per tariffs specified in contracts with customers.

The Group manufactures and contracts with customers for the sale of bare pipes, coated pipes, steel billets, cotton and electricity products which generally include single performance obligation. Management has concluded that revenue from sale of goods be recognised at the point in time when control of the product has transferred, being when the products are delivered to the customer. Invoices are generated and revenue is recognised at that point in time. Delivery occurs when the products have been shipped or delivered to the customer's destination / specific location, the risks of loss have been transferred to the customer and the customer has accepted the product. The customer has accepted the product as per the sales contract or lapse of acceptance provision specified in the contract or the Group has objective evidence that all criteria for acceptance have been satisfied. Contract for the sale of bare and coated pipes contains penalty clause on account of delay supply (liquidity damage). Under IFRS 15, these amounts are referred to as 'variable consideration'. The consideration which the Group receives in exchange for its goods or services may be fixed or variable. Variable consideration is only recognized when it is highly probable that a significant reversal will not occur. Revenue is measured based on the consideration specified in a contract with a customer, net of liquidity damages (penalties) and excludes amounts collected on behalf of third parties. A receivable is recognised when the goods are delivered.

#### 6.19 Investment and other income

Interest income is recognized using the effective interest method.

Dividend income is recognized when the right to receive the same is established i.e. the book closure date of the investee company declaring the dividend.

Gains and losses on sale of investments are accounted for when the commitment (trade date) for sale of security is made.

Unrealized gains and losses arising on revaluation of securities classified as 'fair value through profit and loss' are recognized in consolidated profit or loss in the period in which they arise. Gains and losses arising on revaluation of derivatives to the fair value are also recognized in consolidated profit or loss.

Rental income (net of any incentives given to lessees) from investment property is recognized on a straight line basis over the lease term.

#### 6.20 Borrowing costs

Borrowing costs incurred on long term finances directly attributable for the construction / acquisition of qualifying assets are capitalized up to the date the respective assets are available for intended use. All other mark-up, interest and other related charges are taken to consolidated profit or loss.

#### 6.21 Provisions

A provision is recognized in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

#### 6.22 Impairment

The carrying amount of the Group's assets is reviewed at each reporting date to determine whether there is any objective evidence that an asset or group of assets may be impaired. If any such evidence exists, the asset's or group of assets' recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of its value in use and fair value less cost to sell. Impairment losses are recognized in consolidated profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 6.23 Foreign currency translation

Foreign currency transactions are translated into Pakistan Rupees at exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at the rates of exchange prevailing at the reporting date. Exchange differences, if any, are recognized in consolidated profit or loss.

## 6.24 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting structure. Management monitors the operating results of its business units separately for the purpose of making decisions regarding resource allocation and performance assessment.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets.

## 6.25 Proposed dividend and transfer between reserves

Dividend distributions to the Holding Company's shareholders are recognized as a liability in the period in which dividends are approved. Transfer between reserves made subsequent to the reporting date is considered as a non-adjusting event and is recognized in the period in which such transfers are made.

## 6.26 Earnings per share

The Group presents earnings per share (EPS) for its ordinary shares. EPS is calculated by dividing profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

## 6.27 Contingencies

Contingencies are disclosed when Company has possible obligation that arises from past event and whose existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of entity, or a present obligation that arises from past event but is not recognised because it is not probable that an outflow of resources embodying economic benefit will be required to settle the obligation or, when amount of obligation cannot be measured with sufficient reliability.

## 7 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2021	2020		2021	2020
Number of shares			Rupees in '000	
37,756,686	37,756,686	Ordinary shares of Rs. 10 each fully paid in cash	377,567	377,567
39,875,805	39,875,805	Ordinary shares of Rs. 10 each issued as bonus shares	398,758	398,758
77,632,491	77,632,491		776,325	776,325

7.1 Ordinary shares of the Holding Company held by related parties as at year end are as follows:

	2021		2020	
	Percentage of holding	Number of shares	Percentage of holding	Number of shares
Crescent Steel and Allied Products Limited - Gratuity Fund	2.48%	1,921,832	2.47%	1,921,333
Crescent Steel and Allied Products Limited - Pension Fund	5.20%	4,037,680	5.18%	4,024,980
Crescent Steel and Allied Products Limited - Staff Provident Fund	0.16%	124,200	0.16%	124,200
Crescent Cotton Products - Staff Provident Fund	0.10%	74,800	0.10%	74,800
CSAP - Staff Benevolent Fund	0.05%	36,178	0.05%	36,178
Premier Insurance Limited	0.18%	141,500	0.18%	141,500
The Crescent Textile Mills Limited	11.00%	8,538,303	11.00%	8,538,303
Shakarganj Limited	0.23%	180,000	0.23%	180,000
Suraj Cotton Mills Limited	1.57%	1,222,000	1.57%	1,222,000

7.2 There is no shareholder agreement for voting rights, board selection, rights of first refusal and block voting.

## 8 RESERVE

### 8.1 Capital reserve

This includes share premium reserve amounting to Rs. 1,020.9 million and as per section 81 of the Companies Act, 2017, this can be used for following purpose:

- to write off preliminary expenses of the Holding Company;
- to write off expenses of, or the commission paid or discount allowed on, any issue of shares of the Holding Company;
- in providing for the premium payable on the redemption of any redeemable preference shares of the Holding Company; and
- to issue bonus shares to its members of the Holding Company.

### 8.2 Revenue reserves

#### Fair value reserve

This reserve has been maintained by the Holding Company for the purposes of cumulative changes in fair value in investments classified as FVOCI.

#### General reserve

The balance in general reserve has been accumulated by way of transfers from unappropriated profit on a yearly basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

Rupees in '000	Note	2021	2020
<b>9 LONG TERM LOANS</b>			
Secured - Under non-shariah arrangement			
Allied Bank Limited	9.1	158,608	195,240
Habib Metropolitan Bank Limited	9.2 & 9.4	107,680	44,440
JS Bank Limited	9.3 & 9.4	20,426	-
		286,714	239,680
Less: Current portion shown under current liabilities		159,038	49,345
		127,676	190,335

9.1 During the year ended 30 June 2017, the Holding Company entered into a loan arrangement with Allied Bank Limited of an amount of Rs. 100 million, out of which Rs. 74.176 million have been disbursed till 30 June 2021. The term of the loan is 5 years from the date of disbursement with a grace period of one year, repayable in 16 equal quarterly installments starting after fifteen months from date of disbursement. During the year, the Holding Company has made repayment of Rs. 18.544 million (2020: Rs. 18.544 million). Mark-up is payable at the rate of 3 months KIBOR plus 1.5% per annum.

During year ended 30 June 2018, the Holding Company entered into a new loan arrangement with Allied Bank Limited of an amount of Rs. 300 million, out of which Rs. 217.050 million have been disbursed till 30 June 2021. The term of the loan is 4 years from the date of disbursement with a grace period of one year; however, due to COVID-19 the bank has allowed one additional year as grace period, repayable in 12 equal quarterly installments starting after twenty four months from date of disbursement. During the year, the Holding Company has made repayment of Rs. 18.088 million (2020: Rs. 54.263 million). Mark-up is payable at the rate of 3 months KIBOR plus 1.5% per annum.

During the year, mark-up on such arrangements was ranged between 8.19% to 10.04% (2020: 12.69% to 14.99%) per annum. The facility is secured against first joint pari passu hypothecation / equitable mortgage on plant, machinery and property of the Holding Company.

9.2 During the year ended 30 June 2020, the Holding Company entered into a new loan arrangement with Habib Metropolitan Bank Limited under the State Bank of Pakistan's (SBP) "Refinance Scheme for Payment of Wages & Salaries to the Workers and Employees of Business Concern". The Holding Company obtained the said loan at subsidized rate in two tranches in May 2020 and June 2020. The term of the loan is 2.5 years from the date of disbursement with a grace period of 6 months, repayable in 8 equal quarterly installments starting from March 2021. Mark-up is payable at the concessional rate of 2.5% per annum.

During the year, the Holding Company entered into another loan arrangement with Habib Metropolitan Bank Limited under the SBP's "Refinance Scheme for Payment of Wages & Salaries to the Workers and Employees of Business Concern". The Holding Company has obtained the said loan at subsidized rate in four tranches; one tranche in July 2020, two tranches in September 2020 and one tranche in October 2020. The term of the loan is 2.5 years from the date of disbursement with a grace period of 6 months, repayable in 8 equal quarterly installments starting from March 2021. Mark-up is payable at the concessional rate of 2.5% per annum.

The effective interest on these arrangements range from 8.68% to 10.16% per annum.

9.3 During the year, the Holding Company entered into a new loan arrangement with JS Bank Limited in three tranches; two tranches in March 2021 and one tranche in April 2021. One tranche of this loan which was received in March 2021 was converted into the State Bank of Pakistan's (SBP) "SBP

Financing Scheme for Renewable Energy” in the month of April 2021. The term of the loan is 10 years from the date of disbursement with a grace period of 3 months, repayable in monthly installments starting from June 2021. Mark-up is payable at the rate of 1 month KIBOR plus 1% per annum till approval of refinance from the SBP and after approval from the SBP, mark-up is payable at the concessional rate of 6% per annum.

The effective interest on this arrangement is 8.49% per annum.

- 9.4 The benefit of subsidized loans under notes 9.2 and 9.3 has been recognized as deferred income under note 11.

## 10 LEASE LIABILITIES

Rupees in '000	Minimum lease payments		Future finance costs		Present value of minimum lease payments	
	2021	2020	2021	2020	2021	2020
Not later than one year	44,608	54,707	8,255	8,240	36,353	46,467
Later than one year and not later than five years	84,167	70,035	9,597	5,215	74,570	64,820
	128,775	124,742	17,852	13,455	110,923	111,287
Less: Current portion shown under current liabilities					36,353	46,467
					74,570	64,820

- 10.1 The Holding Company has entered into lease arrangements with leasing companies for lease of plant and machinery and motor vehicles. The lease term of these arrangements is from three to five years (2020: three to five years) and the liability is payable by the month ranging from six to sixty months (2020: six to sixty months). The periodic lease payments include built-in rates of mark-up ranging between 6.16% to 17.60% (2020: 7.24% to 18.42%) per annum. Included in the gross present value of minimum lease payments, is a sum aggregating Rs. 98.342 million (2020: Rs. 86.083 million) which pertains to obligations arising from sale and leaseback of assets.

The Holding Company intends to exercise its options to purchase the leased assets upon completion of the lease term. The Holding Company's obligations under these arrangements are secured by the lessor's title to the leased assets.

Rupees in '000	Note	2021	2020
<b>11 DEFERRED INCOME</b>			
Opening balance		13,268	13,320
Additions during the year:			
- related to government grant (concessional rate loan)		9,071	6,773
Income recognized during the year	38	(9,066)	(6,825)
		13,273	13,268
Less: Current portion shown under current liabilities		(8,823)	(6,215)
Closing balance		4,450	7,053

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

Rupees in '000 Note **2021** 2020

## 12 TRADE AND OTHER PAYABLES

Trade creditors		135,275	263,949
Bills payable		-	42,647
Commission payable		2,250	1,925
Accrued liabilities	12.1	323,729	411,753
Advances from customers	12.2	24,787	95,674
Fee, sales tax and damages	12.3	253,264	237,414
Due to related parties	12.4	1,133	4,016
Payable to provident fund		2,199	2,067
Payable to staff retirement benefit funds		2,057	2,257
Retention money		111	10,471
Sales tax payable		9,039	12,297
Withholding tax payable		2,974	1,504
Workers' Profit Participation Fund	12.5	2,904	2,061
Workers' Welfare Fund		6,944	4,114
Others	12.6	36,224	23,187
		<b>802,890</b>	<b>1,115,336</b>

### 12.1 Accrued liabilities

Salaries, wages and other benefits		9,434	16,682
Accrual for 10-C bonus		6,222	436
Compensated absences		14,404	11,224
Liquidated damages	12.1.1	159,941	153,695
Others	12.1.2	133,728	229,716
		<b>323,729</b>	<b>411,753</b>

12.1.1 These pertain to accruals on account of liquidated damages claimed by customers on delayed supply of bare pipes and coated pipes. The Holding Company is in process of negotiating this matter and expects that this matter may be resolved. However, on prudent basis full accrual has been recognized.

12.1.2 These include liability against Gas Infrastructure Development Cess of Rs. 29.451 million (2020: Rs. 17.004 million).

12.2 These include due to Shakarganj Limited amounting to Rs. Nil (2020: Rs. 15.906 million). The contract liabilities at the beginning of each year are recognised as revenue in the ordinary course of business.

### 12.3 Movement during the year

Rupees in '000	Infrastructure fee (Note 12.3.1)	Sales Tax (Note 12.3.2)	Liquidated damages (Note 12.3.3)	Total
Opening balance as at 1 July 2020	188,751	3,242	45,421	237,414
Charge for the year	15,850	-	-	15,850
<b>Closing balance as at 30 June 2021</b>	<b>204,601</b>	<b>3,242</b>	<b>45,421</b>	<b>253,264</b>

12.3.1 This relates to amount recognized on account of infrastructure fee / cess levied by the Government of Sindh (GoS) through Sindh Finance Act, 1994, and its subsequent versions including the Sindh Development and Maintenance of Infrastructure Cess Act, 2017 (the Act). The Act validates the fees / cess levied through the earlier versions of the law and continues the levy.

The Holding Company contested this issue of levy and charging of fee / cess in the Sindh High Court (SHC) where the appeal was partly accepted and it was held in judgment dated 15 September 2008 that the levy and collection of infrastructure fee prior to 28 December 2006 was illegal and ultra vires and after that it is legal. The Holding Company filed an appeal in the Supreme Court of Pakistan (SCP) against this judgment. Additionally, the GoS also filed appeal against the part of judgment decided against them.

The above appeals were disposed off in May 2011 with a joint statement of the parties that, during the pendency of the appeal, another law (a new version) came into existence which was not subject matter in the appeal. Therefore, the decision thereon be first obtained from the SHC before approaching the SCP with the right to appeal. Accordingly, a petition was filed in the SHC in respect of the above view. During the pendency of the appeal, an interim arrangement was agreed whereby bank guarantee furnished for consignments cleared up to 27 December 2006 were returned. Bank guarantees were furnished for 50% of the levy on the consignments released subsequent to 28 December 2006 while payment was made against the balance 50% amount.

After promulgation of the Act, 2017, the Holding Company instituted legal proceedings against the levy in the SHC, where interim stay was granted on similar terms of payment of 50% of the amount of cess to the GoS and on furnishing of bank guarantees for remaining 50%. Under the arrangement if the Holding Company succeeded in the petition, GoS would refund the amount subject to their right to appeal before SCP.

The petitions pending against all the versions of this law have been decided by the SHC by a consolidated judgment dated 4 June 2021 whereby the SHC has declared that the first four versions of the law upto the Sindh Finance (Second Amendment) Ordinance, 2001, were illegal and ultra vires as also held in the 2008 judgement of the SHC, to the extent of the petitioners who had litigated and were appellants in the earlier round for whom the applicability has attained finality and is a past and closed transaction. The 2021 judgement has validated the recovery of cess/fee effective from 28 December 2006, through the subsequent versions of the law.

The SHC suspended its judgment till 3 September 2021 and interim arrangement of payment of 50% of the amount of cess to the GoS and furnishing of bank guarantees for remaining 50% would continue, after which guarantees provided would be en-cashed and 100% of infrastructure cess would be payable if no such stay order is passed by the SHC in the appeals to be filed against the judgment of the SHC. The Holding Company intends to contest the issue in the SCP and as per the advice of the Company's legal counsel the chances of success in this litigation are in the Holding Company's favour.

Till 30 June 2021, the Holding Company has provided bank guarantees amounting to Rs. 166.54 million (2020: Rs. 156.039 million) in favour of Excise and Taxation Department, GoS.

Amount charged for the year has been estimated on the value of imports during the year and forms a component of cost of such imported raw materials. Any subsequent adjustment with respect to increase or decrease in the estimate has been recognized in the consolidated profit or loss. On a prudent basis, full provision has been recognized in this respect in these consolidated financial statements.

12.3.2 These have been made against long outstanding sales tax claims with the sales tax department.

12.3.3 This relates to amount recognized on account of liquidated damages on delayed supply of bare pipes and coated pipes. On a prudent basis full amount has been recognized in consolidated profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

Rupees in '000	Note	2021	2020
<b>12.4 Due to related parties</b>			
Premier Insurance Company Limited		353	232
CSAP - Staff Benevolent Fund		2	-
Shakarganj Food Products Limited		778	-
Shakarganj Limited		-	3,784
		<b>1,133</b>	<b>4,016</b>
<b>12.5 Workers' Profit Participation Fund</b>			
Opening balance		2,061	5,885
Allocation for the year	37	13,543	-
		<b>15,604</b>	<b>5,885</b>
Amount paid to the trustees of the fund		(12,700)	(3,824)
Closing balance		<b>2,904</b>	<b>2,061</b>

12.6 This includes security deposits repayable / adjustable upon termination or completion of Group's agreement with tenants. As the requirements of section 217 of the Companies Act, 2017, these have been utilized for Group's business purposes as mutually agreed in accordance with the requirements.

Rupees in '000	Note	2021	2020
<b>13 MARK-UP ACCRUED</b>			
Mark-up accrued on:			
- Lease obligations		135	312
- Long term loans		4,409	4,118
- Short term borrowings	13.1	24,179	50,682
		<b>28,723</b>	<b>55,112</b>

13.1 This includes mark-up accrued amounting to Rs. 9.153 million (2020: Rs. 26.344 million) on shariah based financing arrangement.

Rupees in '000	Note	2021	2020
<b>14 SHORT TERM BORROWINGS</b>			
<b>Secured from banking companies</b>			
Running finances under mark-up arrangements	14.1	690,865	609,820
Short term loans	14.2 & 14.4	851,441	2,093,043
		<b>1,542,306</b>	<b>2,702,863</b>

14.1 Running finance facility available from conventional side of various commercial banks under mark-up arrangements amounted to Rs. 1,300 million (2020: Rs. 1,310.8 million) out of which Rs. 300 million (2020: Rs. 300 million), Rs. 150 million (2020: Rs. 150 million) and Rs. 300 million (2020: Rs. 450 million) are interchangeable with letters of credit, letters of guarantee facility and short term loans, respectively. During the year, mark-up on such arrangements ranged between 8.12% to 10.54% (2020: 10.33% to 15.85%) per annum.

14.2 Short term loans available from various commercial banks under mark-up arrangements amounted to Rs. 3,850 million (2020: Rs. 4,600 million) out of which Rs. 3,150 million (2020: Rs. 3,400 million), Rs. 305 million (2020: Rs. 255 million) and Rs. 350 million (2020: Rs. 350 million) are interchangeable with letters of credit, letters of guarantee and short term running finance facilities, respectively.

During the year, mark-up on such arrangements ranged between 8.12% to 10.54% (2020: 9.79% to 16.18%) per annum.

- 14.3 The facilities for opening letters of credit amounted to Rs. 4,750 million (2020: Rs. 4,600 million) out of which Rs. 300 million (2020: Rs. 300 million), Rs. 3,150 million (2020: Rs. 3,650 million) and Rs. 305 million (2020: Rs. 255 million) are interchangeable with short term running finances, short term loans and letters of guarantee, respectively as mentioned in notes 14.1 and 14.2 above. The facility for letters of guarantee as at 30 June 2021 amounted to Rs. 1,859 million (2020: Rs. 1,794.1 million). Amounts unutilized for letters of credit and guarantees as at 30 June 2021 were Rs. 3,884.903 million and Rs. 329.442 million (2020: Rs. 4,458.25 million and Rs. 69.923 million), respectively.
- 14.4 This includes an amount of Rs. 424.181 million (2020: Rs. 697.11 million) outstanding against Islamic mode of financing. The Holding Company is currently availing Islamic mode of financing from the Al Baraka Bank, Dubai Islamic Bank, and Bank Islami Pakistan Limited. Facilities availed during the year include letters of credit, bank guarantees, Wakala, Morabaha, Istisna and Ijarah financing.
- 14.5 The above facilities are expiring on various dates with maturity periods upto 31 January 2022. These facilities are secured by way of mortgage of land and building, hypothecation of plant and machinery, stock-in-trade, trade debts and other current assets, pledge of shares (refer note 28.2) and lien over import / export documents. Further, these facilities (refer notes 14.1 to 14.3) are also secured against pledge of shares owned by CS Capital (Private) Limited (subsidiary company).

## 15 CONTINGENCIES AND COMMITMENTS

### 15.1 Contingencies

- 15.1.1 During 2014-2015, a show cause notice was issued by the Deputy Director, Directorate of Post Clearance Audit (Customs) Karachi for payment of duties and taxes on import of certain raw materials. In response, the Holding Company had contested that the said imports were exempt under bilateral agreement between Government of Pakistan and Government of Japan for projects under grant and accordingly these were cleared by the customs. However, the collector customs issued an order dated 22 May 2015 for recovery of the said duty and taxes and penalty thereon amounting to Rs. 35.773 million. The Holding Company has filed an appeal with the Appellate Tribunal (Customs) against the order. Based on tax consultant's opinion, no provision has been recognized in these consolidated financial statements as the case is under appeal and management considers that the same would be decided in the Holding Company's favour.
- 15.1.2 During 2015-2016, a show cause notice was received from Sindh Revenue Board (SRB) in respect of registration as a service provider and a demand aggregating to Rs. 60 million in respect of sales tax on services was raised thereby. The Holding Company filed a constitutional writ in the SHC against the SRB and GoS in which SHC granted interim relief to the Holding Company.

Subsequently, the writ was decided in light of SCP's orders in similar writs where SCP had decreed for a 50% payment of tax demand in order to keep the writs maintainable.

Following closure of petition, the Holding Company received show cause notices and demands for Sindh Sales Tax payments amounting to Rs. 79 million, which were challenged in SHC in a civil suit as well as at the Appellate forums of the tax authority. Currently, the case is pending adjudication at the SHC as well as the Commissioner (Appeals) - SRB.

No provision has been recognized in these consolidated financial statements in this respect, since based on the opinions of tax consultant and the Holding Company's legal counsel, the management is confident of favorable outcome of the litigation in relation to the said matter.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

15.1.3 Sindh Industrial Trade Estate (SITE) has cancelled allotment of plot A-26 and A-27 and charged non-utilization fees of Rs. 0.285 million and Rs. 0.621 million, respectively. The Holding Company has challenged the cancellation and filed a suit in the SHC. The SHC has restrained SITE from taking any adverse action against the Holding Company. Therefore, management considers that the case would be decided in the Holding Company's favour and no provision is required to be recognized in these consolidated financial statements.

## 15.2 Commitments

15.2.1 During 2015-2016, the Holding Company entered into Ijarah financing arrangement amounting to Rs. 600 million with Bank Islami Pakistan Limited (BIPL) for acquisition of Spiral Pipe (SP) machine. As per requirement of IFAS - 2 Ijarah financing has been treated as an operating lease. During the previous year, BIPL deferred the principal payments of rentals for one year as per the directives issued by State Bank of Pakistan vide its circular no. 12 dated 26 March 2020 which ended during the month of March 2021.

As at 30 June 2021, aggregate amount of lease rentals outstanding under the agreement is Rs. 87.985 million (2020: Rs. 121.692 million), which is payable in quarterly installments of Rs. 22.867 million (2020: Rs. 22.898 million) each approximately.

Details of future Ijarah payments under the arrangement are as follows:

Rupees in '000	2021	2020
Not later than one year	327,985	33,707
Later than one year and not later than five years	-	327,985
	327,985	361,692
Security deposit under the arrangement	(240,000)	(240,000)
	87,985	121,692

15.2.2 Amounts of guarantees issued on behalf of the Group against various contracts aggregated Rs. 1,528.009 million (2020: Rs. 1,654 million). These include guarantees issued by Islamic banks amounting to Rs. 219.58 million (2020: Rs. 153.591 million).

15.2.3 Commitments in respect of capital expenditure contracted for as at 30 June 2021 amounted to Rs. 8.455 million (2020: Rs. 8.455 million).

15.2.4 Commitments under letters of credit (L/C) as at 30 June 2021 amounted to Rs. 865 million (2020: Rs. 228.486 million).

Rupees in '000	Note	2021	2020
<b>16 PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	16.1	1,810,826	2,015,212
Capital work-in-progress	16.4	117,225	91,471
		1,928,051	2,106,683
Right-of-use-assets	16.1	131,603	168,601
		2,059,654	2,275,284

## 16.1 Operating fixed assets and right-of-use assets

Description	Land		Buildings		Office premises	Plant and machinery owned*	Electrical/ office equipment and installation	Furniture and fittings	Computers	Motor vehicles owned	Total operating fixed assets	Right-of-use assets		Total
	Freehold	Leasehold including improvements	On freehold land	On leasehold land								Plant and machinery	Motor vehicles	
Rupees in '000	Note													
<b>Net book value as at 30 June 2021</b>														
Balance as at 1 July 2020 (NBV)	307,723	35,940	426,931	7,390	5,306	1,179,763	12,743	11,631	992	26,794	2,015,213	144,765	23,835	2,183,813
Additions / transfers	-	-	-	-	-	3,127	759	-	8,747	22,436	63,159	6,317	15,964	85,340
Disposals / transfer (at NBV)	-	-	-	-	-	(6,827)	-	-	(62)	(16,489)	(23,378)	(28,819)	(428)	(29,247)
Transfer to investment properties	(58,497)	-	-	-	-	-	-	-	-	-	(58,497)	-	-	(58,497)
Depreciation charge	-	(1,685)	(26,695)	(1,444)	(900)	(136,464)	(6,344)	(1,993)	(1,682)	(8,464)	(185,671)	(20,130)	(9,801)	(215,602)
Balance as at 30 June 2021 (NBV)	249,226	34,255	400,236	5,946	4,406	1,067,689	7,158	9,638	7,995	24,277	1,810,826	102,133	29,470	1,942,429
<b>Gross carrying value as at 30 June 2021</b>														
Cost	249,226	43,066	663,289	96,545	27,481	2,772,070	74,041	34,993	67,236	75,547	4,103,494	174,776	73,037	4,351,307
Accumulated depreciation	-	(8,811)	(263,053)	(90,599)	(23,075)	(1,704,381)	(66,883)	(25,355)	(59,241)	(51,270)	(2,292,668)	(72,643)	(43,567)	(116,210)
Net book value	249,226	34,255	400,236	5,946	4,406	1,067,689	7,158	9,638	7,995	24,277	1,810,826	102,133	29,470	1,942,429
<b>Net book value as at 30 June 2020</b>														
Balance as at 1 July 2019 (NBV)	307,723	37,625	437,587	24,871	6,225	1,317,610	19,481	13,638	2,634	33,916	2,201,310	168,850	35,306	2,405,466
Additions / transfers	-	-	-	-	-	1,832	848	-	378	3,587	6,645	-	-	6,645
Disposals (at NBV)	-	-	-	-	-	-	-	-	(8)	(1,452)	(1,460)	(2,377)	(375)	(4,212)
Depreciation charge	-	(1,686)	(10,656)	(17,481)	(919)	(139,679)	(7,586)	(2,007)	(2,012)	(9,257)	(191,283)	(21,707)	(11,096)	(32,803)
Balance as at 30 June 2020 (NBV)	307,723	35,940	426,931	7,390	5,306	1,179,763	12,743	11,631	992	26,794	2,015,212	144,766	23,835	2,183,813
<b>Gross carrying value as at 30 June 2020</b>														
Cost	307,723	43,066	663,289	96,545	27,481	2,809,668	73,281	35,027	58,821	69,599	4,184,500	215,150	58,983	4,458,633
Accumulated depreciation	-	(7,127)	(236,358)	(89,155)	(22,175)	(1,629,905)	(60,538)	(23,396)	(57,829)	(42,805)	(2,169,288)	(70,384)	(35,148)	(105,532)
Net book value	307,723	35,940	426,931	7,390	5,306	1,179,763	12,743	11,631	992	26,794	2,015,212	144,766	23,835	2,183,813
Depreciation rate (% per annum)	-	1 - 5	5 - 10	5 - 10	10	5 - 20	5 - 20	10	33.33	20	10	10	20	20

\* Net book value of plant and machinery (owned) includes an aggregate amount of Rs. 0.398 million (2020: Rs. 0.582 million) representing net book value of capitalized spares.

16.1.1 During the year, asset having net book value Rs. 29,247 million (2020: Rs. 2,753 million) transferred from right of use assets to owned assets due to maturity of lease term.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

Rupees in '000	Note	2021	2020
<b>16.1.2 The depreciation charge for the year has been allocated as follows:</b>			
Cost of sales	33.1	194,812	200,570
Distribution and selling expenses	35	1,021	1,108
Administrative expenses	36	19,480	22,121
Intangible under development phase		289	287
		<b>215,602</b>	<b>224,086</b>

16.2 Property, plant and equipment as at 30 June 2021 include items having an aggregate cost of Rs. 1,500.528 million (2020: Rs. 1,310.585 million) that have been fully depreciated and are still in use by the Holding Company.

16.3 Particulars of Group's immovable operating fixed assets are as follows:

Particulars	Location	Area	
<b>Building</b>			
Office premises	Saddar, Karachi	14,504.4	Sq feet
Building	Nooriabad, District Jamshoro	261,257.1	Sq feet
Building	Jaranwala, District Faisalabad	340,455.0	Sq feet
Building	Dalawal, District Faisalabad	30,484.0	Sq feet
Building	Bhone, District Jhang	78,098.0	Sq feet
Building	Bhone, District Jhang	7,515.0	Sq feet
<b>Land</b>			
Lease hold	Nooriabad, District Jamshoro	30.0	Acre
Freehold land	Dalawal, District Faisalabad	13.9	Acre
Freehold land	Jaranwala, District Faisalabad	35.5	Acre
Freehold land	Bhone, District Jhang	19.1	Acre

16.3.1 The fair value and forced sale value of property, plant and equipment of the Group approximate to Rs. 4,519.8 million and Rs. 3,675.7 million, respectively.

Rupees in '000	Note	2021	2020
<b>16.4 Capital work-in-progress</b>			
Advance to contractors		62,135	40,000
Civil work	16.4.2 & 16.4.3	28,790	50,925
Others		26,300	546
	16.4.1	<b>117,225</b>	<b>91,471</b>

16.4.1 Following is the movement in capital work-in-progress during the year:

Rupees in '000	Land	Building	Plant	Others	Total
Balance as at 1 July 2020	48,580	2,345	546	40,000	91,471
Additions	-	-	25,754	-	25,754
Balance as at 30 June 2021	48,580	2,345	26,300	40,000	117,225

16.4.2 This includes an amount of Rs. 26.4 million (2020: Rs. 26.4 million) paid by the Holding Company to Pakistan Steel Mills Limited (PSML) against allotment of plot located in Karachi measuring 24,200 square yards, currently in possession of a third party. However, the third party has filed a case in SHC for declaration and injunction against said property. The Holding Company has filed a suit in SHC for specific performance and declaration against PSML with respect to the said property and also filed an application for vacation of the injunction operating against the property. The SHC vide its interim order has restrained PSML from creating any third party interest till the disposition of the case. The applications are pending for hearing. Based on consultation with its legal advisor, management believes that it has a reasonable ground in the case and expects a favorable outcome.

16.4.3 The Holding Company has recognized a provision in previous year for an amount of Rs. 20.619 million (2020: Rs. 20.619 million) against construction work at a site which has been halted.

16.5 The following operating fixed assets were disposed off during the year:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain	Mode of disposal	Particular of buyers
Rupees in '000							
Plant and machinery	16,038	12,828	3,210	3,210	-	Sales and Leased back	Pak Gulf Leasing Company
Plant and machinery	18,087	14,470	3,617	3,617	-	Sales and Leased back	Pak Gulf Leasing Company
Motor Vehicle	1,198	27	1,171	1,171	-	Sales and Leased back	Pak Gulf Leasing Company
Motor Vehicle	1,970	-	1,970	1,970	-	Sales and Leased back	Pak Gulf Leasing Company
Motor Vehicle	1,198	27	1,171	1,171	-	Sales and Leased back	Pak Gulf Leasing Company
Motor Vehicle	1,433	35	1,398	1,398	-	Sales and Leased back	Pak Gulf Leasing Company
Motor Vehicle	1,640	54	1,586	1,586	-	Sales and Leased back	Pak Gulf Leasing Company
Motor Vehicle	1,433	52	1,381	1,381	-	Sales and Leased back	Pak Gulf Leasing Company
Motor Vehicle	1,433	35	1,398	1,398	-	Sales and Leased back	Pak Gulf Leasing Company
Motor Vehicle	3,005	118	2,887	2,887	-	Sales and Leased back	Pak Gulf Leasing Company
Motor Vehicle	1,198	27	1,171	1,171	-	Sales and Leased back	Pak Gulf Leasing Company
Motor Vehicle	1,640	62	1,578	1,578	-	Sales and Leased back	Pak Gulf Leasing Company
Others	57,002	56,162	840	7,287	6,447	Various	Various
<b>2021</b>	<b>107,275</b>	<b>83,897</b>	<b>23,378</b>	<b>29,825</b>	<b>6,447</b>		
<b>2020</b>	<b>13,526</b>	<b>9,314</b>	<b>4,212</b>	<b>5,313</b>	<b>1,101</b>		

16.5.1 These include transfer to investment properties at net book value amounting to Rs. 58.497 million (2020: Rs. Nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 17 INTANGIBLE ASSETS

The intangible assets represent various computer softwares. Movement during the year is as follows:

Rupees in '000	Note	2021	2020
- Under use	17.1	5,848	888
- Under project development	17.2	147,407	144,840
		153,255	145,728
<b>17.1 Intangible assets - under use</b>			
Net book value as at 1 July		888	484
Additions		5,896	615
Amortization	17.1.1	(936)	(211)
Net book value as at 30 June	17.1.2	5,848	888
<b>Gross carrying value as at 30 June</b>			
Cost		82,099	78,614
Accumulated amortization		(73,611)	(75,086)
Accumulated impairment loss		(2,640)	(2,640)
Net book value		5,848	888
<b>Amortization rate (% per annum)</b>		33.33	33.33

17.1.1 The amortization charge for the year has been allocated to administrative expenses (Note 36).

17.1.2 Intangible assets as at 30 June 2021 include items having an aggregate cost of Rs. 75.008 million (2020: Rs. 74.778 million) that have been fully amortized and are still in use of the Holding Company.

17.2 This pertains to payments made on account of feasibility and other project related activities related to the subsidiary company - Solution de Energy (Private) Limited. The costs incurred have been capitalized as project development expenditure (intangible asset) in these consolidated financial statements in accordance with the requirements of IAS 38.

## 18 INVESTMENT PROPERTIES

Description	Note	Land		Buildings		Office premises	Total
		Freehold	Leasehold including improvements	On leasehold land	On freehold land		
Net book value as at 30 June 2021							
Balance as on 01 July 2020 (NBV)		1,740	30,627	18,694	-	-	51,061
Additions / transfer		43,757	1,740	-	13,000	-	58,497
Disposals (at NBV)		-	(2,131)	(17,171)	-	-	(19,302)
Depreciation charge	18.1	-	(2,376)	(473)	(867)	-	(3,716)
Balance as at 30 June 2021 (NBV)		45,497	27,860	1,050	12,133	-	86,540
<b>Gross carrying value as at 30 June 2021</b>							
Cost	18.2	45,497	44,836	1,758	13,000	29,830	134,921
Accumulated depreciation		-	(16,976)	(708)	(867)	(29,830)	(48,381)
Net book value		45,497	27,860	1,050	12,133	-	86,540

Description	Land		Buildings		Office premises	Total
	Freehold	Leasehold including improvements	On leasehold land	On freehold land		
Rupees in '000						
<b>Net book value as at 30 June 2020</b>						
Balance as at 01 July 2019 (NBV)	1,740	33,203	20,342	-	5	55,290
Depreciation charge	-	(2,576)	(1,648)	-	(5)	(4,229)
<b>Balance as at 30 June 2020 (NBV)</b>	<b>1,740</b>	<b>30,627</b>	<b>18,694</b>	<b>-</b>	<b>-</b>	<b>51,061</b>
<b>Gross carrying value as at 30 June 2020</b>						
Cost	1,740	47,705	33,167	-	29,830	112,442
Accumulated depreciation	-	(17,078)	(14,473)	-	(29,830)	(61,381)
<b>Net book value</b>	<b>1,740</b>	<b>30,627</b>	<b>18,694</b>	<b>-</b>	<b>-</b>	<b>51,061</b>
<b>Depreciation rate (% per annum)</b>	<b>-</b>	<b>1-10</b>	<b>5 - 20</b>	<b>10 - 20</b>	<b>5 - 10</b>	

18.1 Depreciation charged for the year has been allocated to administrative expenses (Note 36).

18.2 Fair value of the investment properties based on recent valuation as at 30 June 2021 is Rs. 370 million (2020: Rs. 310 million), which is determined by external valuer on the basis of market value.

18.3 Particulars of the Group's investment properties are as follows:

Particulars	Location	Area
<b>Building</b>		
Office premises	Saddar, Karachi	4,854.2 Sq feet
Building	Port Qasim Authority Karachi	415.6 Sq feet
Building	Ferozpur, Lahore	35,839.8 Sq feet
<b>Land</b>		
Freehold land	Ferozpur, Lahore	5.1 Acre
Freehold land	Gawadar	3.0 Acre
Leasehold land	Port Qasim Authority Karachi	2.0 Acre

## 19 INVESTMENT IN EQUITY ACCOUNTED INVESTEEES

2021	2020	Note	2021	2020
Number of shares			Rupees in '000	
<b>Quoted</b>				
63,967,500	63,967,500	19.1	3,429,031	2,875,409
Altern Energy Limited (Chief Executive Officer - Mr. Umer Shehzad Sheikh)				
35,011,347	35,011,347	19.1	-	211,732
Shakarganj Limited (Chief Executive Officer - Mr. Anjum M. Saleem)				
<b>Unquoted</b>				
3,430,000	3,430,000	19.1	-	-
Crescent Socks (Private) Limited (Chief Executive Officer - Mr. Shahryar Mazhar)				
			3,429,031	3,087,141

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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19.1 Movement of investment in equity accounted investees is as follows:

Description	Note	30 June 2021			Total
		Altern Energy Limited	Shakarganj Limited	Crescent Socks (Private) Limited	
Rupees in '000					
Opening balance as at 1 July 2020		2,875,409	211,732	-	3,087,141
Share of profit / (loss)	19.1.1	553,376	(170,028)	-	383,348
Share of equity	19.1.1	246	(41,704)	-	(41,458)
Closing balance as at 30 June 2021		3,429,031	-	-	3,429,031

Description		30 June 2020			Total
		Altern Energy Limited	Shakarganj Limited	Crescent Socks (Private) Limited	
Rupees in '000					
Opening balance as at 1 July 2019		2,865,712	401,194	-	3,266,906
Share of profit / (loss)		370,961	(197,482)	-	173,479
Share of equity		152	8,020	-	8,172
Dividend received		(361,416)	-	-	(361,416)
Closing balance as at 30 June 2020		2,875,409	211,732	-	3,087,141

19.1.1 These figures are based on unaudited condensed interim financial information of these companies as at 31 March 2021. The latest financial statements / condensed interim financial information of these companies as at 30 June 2021 are not presently available.

19.1.2 The Holding Company has assessed the recoverable amount of the investment in Altern Energy Limited based on value in use. The value in use has been determined on basis of Free Cash Flows to Firm method (FCFF) which assumes discount rate of 9.84% (2020: 8.87%). Based on valuation the recoverable amount exceeds the carrying amount and accordingly, no impairment was recorded.

Rupees in '000		2021	2020
19.2 Market value of investments in associates is as follows:			
Quoted			
Altern Energy Limited		1,631,171	1,551,212
Shakarganj Limited		1,663,739	1,733,062
		3,294,910	3,284,274

Percentage of holding	Note	2021	2020
19.3 Percentage of holding of equity in associates is as follows			
Altern Energy Limited	19.3.1	17.60	17.60
Shakarganj Limited		28.01	28.01
Crescent Socks (Private) Limited		48.99	48.99

19.3.1 The Holding Company and the subsidiary companies hold 16.69% and 0.91% (2020: 16.69% and 0.91%) respectively i.e. aggregate holding of 17.6% (2020: 17.6%) in the investee company. There is no common directorship in the investee company. However, the Holding Company directly and / or indirectly has significant influence as per IAS 28 'Investments in Associates', therefore only for the purpose of the equity accounting as required under IAS 28 it has been treated as an associate.

19.4 The latest financial statements / condensed interim financial information of these associated companies as at 30 June 2021 are not presently available. The following is summarized financial information of material associated companies as at 31 March 2021 and for the twelve months period ended 31 March 2021 based on respective unaudited condensed interim financial information prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim reporting, modified for fair value and other adjustments and differences in Group's accounting policies:

Rupees in '000	Altern Energy Limited		Shakarganj Limited	
	2021	2020	2021	2020
<b>For the twelve months period ended 31 March</b>				
Revenues	9,013,855	16,307,981	25,203,082	6,753,207
Profit / (loss) after tax	4,637,112	3,740,753	(1,429,376)	(1,063,914)
Other comprehensive income / (loss)	2,329	1,442	(146,376)	76,546
Total comprehensive income / (loss)	4,639,441	3,742,195	(1,575,752)	(987,368)
Attributable to non-controlling interests of associates	1,493,859	1,634,005	(184,330)	-
Attributable to owners of the investee company	3,145,582	2,108,190	(1,391,422)	(987,368)
	4,639,441	3,742,195	(1,575,752)	(987,368)
<b>As at 31 March</b>				
Non current assets	14,878,119	16,505,644	16,602,360	11,902,705
Current assets	20,736,624	15,657,244	4,453,075	2,361,935
Non current liabilities	(22,667)	(1,018,035)	(2,654,513)	(1,223,295)
Current liabilities	(3,506,489)	(3,698,707)	(10,785,509)	(5,562,530)
Net assets	32,085,587	27,446,146	7,615,413	7,478,815
Attributable to non-controlling interests of associates	12,421,177	10,927,318	1,467,077	-
Attributable to owners of the investee company	19,664,410	16,518,828	6,148,336	7,478,815
	32,085,587	27,446,146	7,615,413	7,478,815
<b>Reconciliation to carrying amounts:</b>				
Opening net assets	27,446,146	26,999,052	7,478,815	8,589,478
Impact of net asset of associate' subsidiary	-	-	1,579,214	-
Profit / (loss) after tax	4,637,112	3,740,753	(1,429,376)	(1,063,914)
Other comprehensive income / (loss)	2,329	1,442	(146,376)	93,935
Reserves	-	-	133,136	(140,684)
Dividends paid	-	(3,295,101)	-	-
Closing net assets	32,085,587	27,446,146	7,615,413	7,478,815
Group's interest in net assets of investee				
at end of the year	3,460,936	2,907,314	1,722,094	2,094,749
Fair value and other adjustments	(31,905)	(31,905)	(8,832)	(8,832)
Effect of difference in Group's accounting policy	-	-	(1,812,437)	(1,874,185)
Losses in excess of investment	-	-	99,175	-
Carrying amount of interest in equity accounted investees at end of the year	3,429,031	2,875,409	-	211,732

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19.4.1 These figures are based on the latest available unaudited condensed interim consolidated financial information as at 31 March 2021 of these associated companies including its subsidiary companies, in case of Altern Energy Limited, its wholly owned subsidiary company i.e. Power Management Company (Private) Limited and Rousch (Pakistan) Power Limited, subsidiary of Power Management Company (Private) Limited holding 59.98% shares and in case of Shakarganj Limited, its subsidiary company Shakarganj Food Products Limited where it holds 52.39%.

19.4.2 As at 30 June 2021, investment in Shakarganj Limited is carried at Rs. Nil (2020: Rs. 211.732 million) due to fact that losses incurred by Shakarganj Limited in its consolidated statement of profit or loss and comprehensive income for the period ended 31 March 2021 that results Group's share of losses in investment in Shakarganj Limited exceeds the carrying value of the investment. Therefore, carrying value of investment is restricted to Nil value as at 30 June 2021.

19.4.3 Altern Energy Limited and its subsidiaries, Power Management Company (Private) Limited and Rousch (Pakistan) Power Limited, are engaged in power generation activities. The registered office and principal office of the Altern Energy Limited is situated at Ferozepur Road, Lahore. Whereas, Shakarganj Limited (SL) is principally engaged in manufacture, purchase and sale of sugar, biofuel and yarn and its subsidiary, Shakarganj Food Products Limited has principal activity of manufacturing, processing and sale of food products. The registered office of SL is situated at Gulberg-III, Lahore.

Rupees in '000	Note	2021	2020
<b>20 OTHER LONG TERM INVESTMENTS</b>			
Fair value through other comprehensive income (FVOCI)	20.1	183,283	132,868
Fair value through profit or loss (FVTPL)	20.2	793,306	598,571
		976,589	731,439

## 20.1 Fair value through other comprehensive income (FVOCI)

The Group holds investment in ordinary shares of Rs. 10 each in the following listed investee companies.

2021	2020		Note	2021	2020
Number of shares	Name of investee company			Rupees in '000	
<b>Quoted</b>					
6,381,743	6,381,743	The Crescent Textile Mills Limited	20.1.1	174,157	132,868
		The Crescent Textile Mills			
1,595,435	-	Limited - Letter of rights		9,126	-
				183,283	132,868

20.1.1 The Group has irrevocably designated this investment at initial application of IFRS 9 to recognise in this category. This is strategic investment and management considers this classification to be more relevant. Uptil 30 June 2018, these investments were classified as available for sale under IAS 39. Unlike IAS 39, the accumulated fair value reserve related to this investment will never be reclassified to consolidated profit or loss.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

Rupees in '000	Note	2021	2020
<b>22 DEFERRED TAXATION - NET</b>			
Deferred tax credits / (debits) arising in respect of :			
<b>Taxable temporary differences</b>			
Accelerated tax depreciation / amortization		192,255	198,471
Lease obligations		5,997	16,463
Fair value adjustment in unquoted investment through reserves		30,119	36,206
Employee benefits - Defined benefit plan		21,622	-
Fair value adjustment in quoted investment through reserves		9,024	1,901
Unrealized gain on fair value through profit or loss investments		78,887	20,545
Share of profit from equity accounted investees		206,990	165,468
		<b>544,894</b>	<b>439,054</b>
<b>Deductible temporary differences</b>			
Employee benefits - Defined benefit plan		-	(46,631)
Provision for slow moving stores, spares and loose tools		(24,497)	(21,307)
Provisions for doubtful trade debts, doubtful advances and others		(79,405)	(76,981)
Discounting on long term deposit		(7,726)	(13,565)
Deferred income		(3,849)	(1,943)
Provisions for impairment of fixed assets		(5,980)	(5,980)
Provision of Gas Infrastructure Development Cess		(4,696)	(3,477)
Excess of minimum tax over normal tax	22.2	(200,480)	(107,224)
Tax losses	22.2	(403,801)	(445,930)
Provision for diminution in the value of investments		(7,505)	(7,505)
		<b>(737,939)</b>	<b>(730,543)</b>
		<b>(193,045)</b>	<b>(291,489)</b>
<b>22.1 Break up of deferred tax charge / (reversal) is as following:</b>			
Profit or loss		22,331	(358,534)
Other comprehensive income		75,376	22,862
Set-off of temporary differences with the Subsidiary Company		737	2,592
		<b>98,444</b>	<b>(333,080)</b>

22.2 The accumulated tax losses and excess minimum tax over normal tax of the Holding Company as at 30 June 2021 aggregated Rs. 2,083.728 million (2020: Rs. 1,907.428 million) in respect of which the Holding Company has recognised deferred tax asset amounting to Rs. 604.281 million (2020: Rs. 553.154 million). The existing unutilised tax loss mainly attributable to tax depreciation which can be utilised for an indefinite period and unadjusted business losses which can be utilised for maximum six years against future taxable profits. The Holding Company carries out periodic assessment to determine the benefit of the loss and minimum tax that the Holding Company would be able to set off against the taxable profits and tax liability in future years. The amount of this benefit has been determined based on the projected taxable profits of the Holding Company for future years and the expected applicable tax rate. The determination of projected taxable profits are most sensitive to key assumptions such as volume of bare pipe sales and availability of electricity connection for billet segment.

Rupees in '000	Note	2021	2020
<b>23 STORES, SPARES AND LOOSE TOOLS</b>			
Stores		29,410	26,999
Spare parts		214,899	211,417
Loose tools		3,615	4,288
		247,924	242,704
Less: Provision for slow moving items	23.1	84,472	73,472
		163,452	169,232
<b>23.1 Movement in provision for slow moving items</b>			
Opening balance		73,472	88,838
Provision made / (reversed) during the year - net	37	11,000	(15,366)
Closing balance		84,472	73,472
<b>24 STOCK-IN-TRADE</b>			
Raw materials			
Hot rolled steel coils (HR Coils)		303,715	1,470,714
Coating materials		96,903	39,315
Steel scrap		174,883	56,030
Others		85,261	117,476
Raw cotton		241,380	118,521
Stock-in-transit		168,850	58,535
		1,070,992	1,860,591
Provision for obsolescence and slow-moving raw materials		-	(2,039)
		1,070,992	1,858,552
Work-in-process	24.2 & 33.1	25,797	46,508
Finished goods - net	24.2 & 33.1	135,235	214,215
Scrap / cotton waste	24.2	4,505	11,466
		165,537	272,189
		1,236,529	2,130,741

24.1 Stock amounting to Rs. 0.108 million (2020: Rs. 0.108 million) is held by third party.

24.2 Stock-in-trade as at 30 June 2021 includes items valued at net realisable value (NRV). Reversal in respect of stock written back to NRV was amounting to Rs. 26.825 million (2020: Reversal of Rs. 6.906 million). Following is the detail of closing stock-in-trade carried at NRV.

Rupees in '000	Cost	NRV
Raw material	1,070,992	1,070,992
Work-in-process	25,797	25,797
Finished goods and scrap / cotton waste	163,189	139,740
	1,259,978	1,236,529

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Rupees in '000	Note	2021	2020
<b>25 TRADE DEBTS</b>			
Secured			
Considered good		24,826	158,208
Unsecured			
Considered good	25.1	112,247	67,591
Considered doubtful		23,214	30,706
		135,461	98,297
Impairment loss on trade debts	25.3	(23,214)	(30,706)
		137,073	225,799

25.1 This includes amount due from Shakarganj Limited amounting to Rs. 33.711 million (2020: Rs. Nil). Maximum aggregate amount outstanding from related parties at any time during the year calculated by reference to month-end balances is Rs. 43.711 million.

Rupees in '000	Note	2021	2020
25.2 The aging of amount due from related parties:			
Past due 30 - 180 days		3,682	-
Past due 180 days		30,029	-
		33,711	-
25.3 Movement in impairment loss on trade debts			
Opening balance		30,706	30,706
Impairment loss during the year	37	74	-
Written off during the year against provision		(7,566)	-
Closing balance		23,214	30,706

## 26 ADVANCES

Unsecured			
Advances - considered good			
Staff		516	893
Suppliers for goods and services		40,182	52,731
Advances to others		1,366	393
Advances - considered doubtful			
Suppliers for goods and services		47	47
Provision for doubtful advances		(47)	(47)
		-	-
		42,064	54,017

Rupees in '000	Note	2021	2020
<b>27 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
Security deposits			
- leasing companies		11,406	19,776
- Ijarah financing arrangement		219,364	-
Security deposits - others	27.1 & 27.2	51,487	36,967
Prepayments		10,606	9,359
		<b>292,863</b>	<b>66,102</b>

27.1 These include cash margin on bank guarantees issued in favour of Punjab Power Development Board (PPDB) amounting to Rs. 3.045 million (2020: Rs. 3.675 million).

27.2 These include Rs. 28.625 million (2020: Rs. 28.625 million) in respect of cost of interconnectivity of 11 KV feeder paid to Faisalabad Electric Supply Company (FESCO) under Power Purchase Agreement (PPA) for sale of 4-6 MW power. Under the PPA, initially this cost was required to be borne by the Holding Company; however, it is agreed that the cost so incurred will be paid back to the Holding Company by FESCO in five years time through ten, half yearly equal instalments, without mark-up, commencing after one month from commercial operation date.

## 28 SHORT TERM INVESTMENTS

Fair value through profit or loss (FVTPL)

The Group holds investment in ordinary shares of Rs. 10 each in the following investee entities:

2021	2020		Note	2021	2020
Number of shares	Name of investee company			Rupees in '000	
8,258,747	8,189,950	Quoted - Investments	28.1	521,641	339,692
		Unquoted			
1,996	1,996	Innovative Investment Bank Limited		2,777	2,777
		Less: Provision for impairment		(2,777)	(2,777)
				-	-
			28.3	<b>521,641</b>	<b>339,692</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 28.1 Quoted - Investments

The Group holds investments in ordinary shares of listed companies and units of open end mutual funds. The face value of the shares is Rs. 10 per share unless otherwise stated. Details are as follows.

2021	2020	Name of investee company	2021	2020
Number of shares / units			Rupees in '000	
2,000	-	Attock Refinery Limited	512	-
200,400	158,400	Avanceon Limited	18,372	5,602
88,000	-	Byco Petroleum Limited	1,022	-
358,000	390,500	D.G. Khan Cement Company Limited	42,215	33,322
500	-	Engro Corporation Limited	147	-
255,550	215,000	Engro Fertilizers Limited	17,958	12,960
69,000	125,000	Fauji Cement Company Limited	1,587	2,110
199,000	143,000	Fauji Fertilizer Company Limited	21,114	15,728
15,000	-	Ferozsons Laboratories Limited	5,292	-
1,200	-	Glaxo SmithKline Pakistan Limited	300	-
2,405,000	2,405,000	HBL Growth Fund - Class A	19,962	18,038
764,673	764,673	HBL Investment Fund - Class A	2,370	2,050
200,000	-	Image Pakistan Limited	5,350	-
-	68,500	Hi-Tech Lubricants Limited	-	2,074
170,000	69,250	Interloop Limited	11,905	3,041
202,680	206,680	International Industries Limited	42,769	9,398
289,000	313,000	International Steels Limited	26,996	25,728
26,490	26,490	Jubilee Spinning and Weaving Mills Limited	90	90
-	750,000	K-Electric Limited *	-	2,258
-	25,000	Kohat Cement Limited	-	3,436
500,000	500,000	Kohinoor Energy Limited	18,000	17,490
212,000	280,000	Loads Limited	4,581	3,892
19,000	-	Lucky Cement Limited	16,405	-
8,400	715	Mari Petroleum Company Limited	12,805	884
151,500	95,750	Meezan Bank Limited	17,485	6,592
5,062	4,500	Millat Tractors Limited	5,465	3,178
155,500	166,000	Nishat Mills Limited	14,508	12,950
205,000	205,000	Nishat Power Limited	4,028	4,643
8,000	-	National Refinery Limited	4,186	-
275,700	275,700	Oil and Gas Development Company Limited	26,200	30,051
18,000	-	Pak Elektron Limited	632	-
105,500	78,200	Pakistan Oilfields Limited	41,552	27,419
426,840	408,840	Pakistan Petroleum Limited	37,062	35,479
281,752	280,752	Pakistan State Oil Company Limited	63,183	44,404
200,000	-	Power Cement Limited	1,922	-
10,000	-	Tariq Glass Limited	1,064	-
425,000	234,000	The Hub Power Company Limited	33,860	16,965
5,000	-	TRG Pakistan Limited	832	-
			521,731	339,782
		Less: Provision for impairment	(90)	(90)
8,258,747	8,189,950		521,641	339,692

\* The face value of these ordinary shares is Rs. 3.5 per share.

28.2 The market value of investments which have been pledged with financial institutions as security against financing facilities (refer note 14.5) are as follows:

Rupees in '000	2021	2020
<b>Name of investee company</b>		
Altern Energy Limited (investment in associate)	1,564,935	1,468,823
Avanceon Limited	11,598	4,473
D.G. Khan Cement Company Limited	17,688	20,267
Engro Fertilizers Limited	15,108	12,960
Fauji Cement Company Limited	-	2,110
Fauji Fertilizer Company Limited	13,581	14,079
HBL Growth Fund - Class A	2,368	2,048
HBL Investment Fund - Class A	7,076	6,394
Hi-Tech Lubricants Limited	-	2,074
International Industries Limited	39,393	18,959
International Steel Limited	26,902	16,167
K-Electric Limited*	-	2,258
Kohat Cement Limited	-	3,436
Loads Limited	-	3,892
Mari Petroleum Company	1,090	884
Meezan Bank Limited	13,358	6,592
Millat Tractors Limited	4,858	3,178
Nishat Mills Limited	13,995	12,950
Nishat Power Limited	4,028	4,643
Oil and Gas Development Company Limited	26,200	24,056
Pakistan Oilfields Limited	32,769	27,419
Pakistan Petroleum Limited	35,499	28,034
Pakistan State Oil Company Limited	62,958	44,404
The Crescent Textile Mills Limited	173,356	132,257
The Hub Power Company Limited	13,942	9,425
	<b>2,080,702</b>	<b>1,871,782</b>

\* The face value of these ordinary shares is Rs. 3.5 per share.

28.3 This represents investment in ordinary shares of listed companies and units of mutual funds. Under IAS 39, these were classified as held for trading whereas under IFRS 9 these have been classified and held as FVTPL. This also includes investment in Jubilee Spinning and Weaving Mills Limited and Innovative Investment Bank Limited, which had been fully provided for as the break-up value of their shares was Rs. Nil per share (30 June 2020: Rs. Nil per share). Under IAS 39, these were classified as available for sale and reclassified to FVTPL on initial application of IFRS 9 as management has not designated it as FVOCI.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Rupees in '000	Note	2021	2020
<b>29 OTHER RECEIVABLES</b>			
Dividend receivable		892	885
Provision there against		(886)	(885)
		6	-
Receivable against sale of shares		1,743	1,223
Receivable against commodity	29.1	16,500	16,500
Provision there against		(17,723)	(17,723)
		520	-
Receivable against rent from investment property		643	305
Claim receivable		843	989
Due from related parties	29.2	5,251	1,102
Sales tax refundable	29.3	80,767	154,859
Margin on letter of guarantee		15,359	15,359
Receivable from staff retirement benefits funds	46.1.3	239,843	24,995
Others		2,190	9,795
		345,422	207,404

29.1 This includes Rs. 16.5 million provided to the party under buying and selling agreements of a commodity. However, due to uncertainty of the recovery of the amount provision there against has been made.

Rupees in '000	2021	2020
<b>29.2 Due from related parties</b>		
Shakarganj Limited	1,376	1,102
The Crescent Textile Mills Limited	244	-
Shakarganj Food Products Limited	2,631	-
Crescent Socks (Private) Limited	1,000	-
	5,251	1,102

29.2.1 Maximum aggregate amount outstanding at any time during the year from related parties calculated by reference to month-end balance is as follows:

Rupees in '000	2021	2020
Shakarganj Limited	1,376	1,102
The Crescent Textile Mills Limited	337	-
Shakarganj Food Products Limited	9,172	-
Crescent Socks (Private) Limited	1,000	-
Crescent Steel and Allied Products Limited - Pension Fund	-	53
	11,885	1,155

29.2.2 The aging of amount due from related parties:

Not yet due	2,252	-
Past due 1 - 30 days	756	-
Past due 30 - 180 days	2,241	-
Past due 180 days	2	1,102
	5,251	1,102

### 29.3 Sales tax refundable

29.3.1 This includes payment amounting to Rs. 2.665 million made to Punjab Revenue Authority (PRA) against order received for non withholding of Punjab sales tax on services and its deposit with Punjab Revenue Authority. Currently, the appeal is pending adjudication at the Appellate Tribunal Inland Revenue - PRA. After consultation with legal advisor, the management considers that the appeal would be decided in the Holding Company's favour.

29.3.2 During the year 2020, order under section 11 of the Sales Tax Act, 1990 has been issued where demand of Rs. 1.83 million has been raised in respect of alleged short deposit of sales tax. An appeal was preferred with the Commissioner Appeals which was decided in the Holding Company's favour; however, an appeal against the order of the Commissioner Appeals has been filed by the Tax Department at the Appellate Tribunal which is pending adjudication.

29.3.3 During the current year, sales tax audit under section 11 of the Sales Tax Act, 1990 has been conducted and order raising demand of Rs. 1.01 million has been issued in respect of Hadeed (Billet) Division [before amalgamation, it was Crescent Hadeed (Private) Limited]. An appeal has been preferred with the Commissioner Appeals which is pending adjudication.

29.3.4 During the current year, orders have been issued under the Sales Tax Act, 1990, where demands aggregating Rs. 0.828 million have been raised in respect of Hadeed (Billet) Division [before amalgamation, it was Crescent Hadeed (Private) Limited]. Appeals have been preferred with the Commissioner Appeals which are pending adjudication.

29.3.5 In the previous years, the Holding Company adopted fixed regime of sales tax for Hadeed (Billet) division whereby sales tax liability was discharged on the basis of units of electricity consumed at Rs. 13 per unit instead of ad valorem basis supported by judgement of the Lahore High Court in writ petition no. 243530/2018. Subsequently, the department filed ICA No. 23517/2019 before High Court which is sub-judice. No proceedings have been held since.

Rupees in '000	2021	2020
<b>30 TAXATION - NET</b>		
Advance taxation	3,809,195	3,856,291
Provision for taxation	(2,695,210)	(2,583,951)
	1,113,985	1,272,340

30.1 The Income Tax assessments of the Holding Company have been finalized up to and including Tax Year 2020, except for pending appeal effect orders in respect of Tax Years 2002 and 2003. Deemed assessments for certain tax years have been amended by the department on account of various issues as explained below:

- (a) Income tax assessment for Tax Year 2006 has been amended by the Additional Commissioner Inland Revenue (ACIR) by making amendments to reassess loss from Rs. 410.588 million to Rs. 296.866 million. The Holding Company being dissatisfied, contested the same before Commissioner Inland Revenue Appeals (CIRA) who vide his order disapproved the actions of ACIR. The department, being dissatisfied, over order of CIRA, filed an appeal before Appellate Tribunal Inland Revenue which dismissed the appeal in entirety. Department has now filed case in the Lahore High Court (LHC) challenging the tribunal's decision, which is pending to be heard.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

- (b) Income tax assessments of the Holding Company for the Tax Years 2013 and 2016 have been amended by the Commissioner Inland Revenue (CIR) whereby, tax demands of Rs. 95.94 million and Rs. 143.8 million have been raised, respectively. Appeals had been preferred with the Commissioner Appeals where most of the issues were decided in favour of the Company whereas for remaining issues, appeals have been preferred before the Appellate Tribunal Inland Revenue for these tax years which are pending adjudication. Cross appeal in Tax Year 2016 has been filed by the tax department which also awaits adjudication.
- (c) The Additional Commissioner Inland Revenue amended the deemed assessment of the Holding Company for Tax Year 2009 and Tax Year 2011 thereby raising demands of Rs. 4.937 million and Rs. 22.218 million, respectively. The Holding Company filed appeals with the Commissioner Inland Revenue (appeals) in which majority of the issues were decided in the Company's favour in case of Tax Year 2009 and the case was remanded back to the assessing officer for Tax Year 2011. The Holding Company filed appeal with the Appellate Tribunal for Tax Year 2009 which is pending adjudication where as for Tax Year 2011, set aside proceedings have been initiated which have been duly responded to.
- (d) Orders under section 161/205 of the Income Tax Ordinance 2001 have been issued by the Assistant Commissioner Inland Revenue, whereby demands aggregating to Rs. 8.691 million (inclusive of default surcharge) have been raised in respect of Tax Year 2014 and Rs. 5.794 million in respect of Tax Year 2010. Majority of the matters have been decided in favour of the Holding Company at the Commissioner (Appeals) level, whereas appeals have been preferred in Appellate Tribunal Inland Revenue for remaining issues.
- (e) During the current year, order under section 122(5A) has been passed by the Commissioner Inland Revenue for the Tax Year 2017 where expenses to the tune of Rs. 9.5 million have been disallowed. An appeal has been preferred with the Commissioner Appeals which is pending adjudication.
- (f) During the year 2018, orders under section 161/205 of the Income Tax Ordinance 2001 have been issued by the Assistant Commissioner Inland Revenue, whereby demand aggregating to Rs. 4.253 million (inclusive of default surcharge) has been raised in respect of Tax Year 2017. Appeal was preferred with the Commissioner Inland Revenue Appeals where majority of issues were decided in the Holding Company's favour along with rectification of original order. Appeal has been preferred with the Appellate Tribunal Inland Revenue for remaining issues which is pending adjudication.
- (g) During the current year, orders under section 161/205 of the Income Tax Ordinance 2001 were issued by the Assistant Commissioner Inland Revenue in respect of Tax Years 2016 through 2019 whereby demands aggregating Rs. 1 million (approximately) were raised for CS Energy (Private) Limited (previously wholly owned subsidiary - now amalgamated with and into the Holding Company). Associated expense has been recognised accordingly in these financial statements.

No provision has been made in these financial statements in respect of demand raised by the Income Tax authorities against matters stated in (a) to (f) as mentioned above, since based on the tax consultant's opinion the management is confident of favourable outcome of these appeals.

Rupees in '000	Note	2021	2020
<b>31 CASH AND BANK BALANCES</b>			
With banks			
- in savings accounts	31.1	1,128	731
- in current accounts		2,720	22,189
	31.2	3,848	22,920
Cash in hand		365	828
		4,213	23,748

31.1 Mark-up rate on saving account ranged between 5% to 5.2% (2020: 6.5% to 11.3%) per annum.

31.2 This includes balances amounting to Rs. 0.1 million (2020: Rs. 1.765 million) with Shariah compliant banks.

Rupees in '000	Note	2021	2020
<b>32 SALES</b>			
Local sales			
Bare pipes	32.1	2,949,164	1,017,793
Steel billets		2,249,718	983,209
Pipe coating		36,671	86,604
Pre coated pipes		36,131	298,513
Cotton yarn / raw cotton / polyester		2,315,465	1,567,180
Electricity sales		188,758	136,026
Steam sales		348,468	113,507
Others		126,532	56,149
Scrap / waste		243,892	214,029
		8,494,799	4,473,010
Sales tax		(1,235,543)	(650,808)
		7,259,256	3,822,202

32.1 This is presented net of liquidated damages amounting to Rs. 6.678 million.

32.2 Revenue is disaggregated by operating segments under note 45. Additionally, revenue by major customer is disclosed in note 45.4 to these consolidated financial statements.

Rupees in '000	Note	2021	2020
<b>33 COST OF SALES</b>			
Steel segment	33.1	2,314,735	1,257,531
Cotton segment	33.1	1,788,529	1,320,153
Energy segment	33.1	636,722	299,194
Hadeed (Billet) segment	33.1	2,022,537	894,428
		6,762,523	3,771,306

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Rupees in '000	Note	Steel segment		Cotton segment		Energy segment		Hadeed (Billet) segment		Total		
		2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	
<b>33.1</b>	<b>Cost of sales</b>											
	Raw materials consumed	1,837,425	934,627	1,249,261	944,862	564,343	227,662	1,668,773	652,086	5,319,802	2,759,237	
	Cost of raw cotton / polyester sold	-	-	50,860	-	-	-	-	-	50,860	-	
	Packing materials consumed	-	-	20,804	13,372	-	-	-	-	20,804	13,372	
	Stores and spares consumed	39,655	33,435	23,655	17,379	6,115	4,746	46,396	21,554	115,821	77,114	
	Fuel, power and electricity	51,119	33,944	236,935	206,026	79	77	1,810	1,242	289,943	241,289	
	Salaries, wages and other benefits	33.2	128,920	120,005	145,451	132,488	3,116	5,529	38,378	22,216	315,865	280,238
	Insurance		4,185	3,944	2,767	2,874	1,170	644	1,412	1,023	9,534	8,485
	Commission		-	-	7,702	4,394	-	-	-	-	7,702	4,394
	Repairs and maintenance		3,696	2,824	2,888	2,218	34	135	1,381	569	7,999	5,746
	Depreciation	16.1.2	56,544	60,831	26,374	27,897	60,348	60,391	51,546	51,451	194,812	200,570
	Rental under Ijarah financing		33,707	68,200	-	-	-	-	-	-	33,707	68,200
	Other expenses		75,216	72,493	5,706	-	1,517	10	213,544	144,287	295,983	216,790
			2,230,467	1,330,303	1,772,403	1,351,510	636,722	299,194	2,023,240	894,428	6,662,832	3,875,435
	Opening stock of work-in-process		39,329	15,854	7,179	9,142	-	-	-	-	46,508	24,996
	Closing stock of work-in-process	24	(15,591)	(39,329)	(10,206)	(7,179)	-	-	-	-	(25,797)	(46,508)
			23,738	(23,475)	(3,027)	1,963	-	-	-	-	20,711	(21,512)
	Cost of goods manufactured		2,254,205	1,306,828	1,769,376	1,353,473	636,722	299,194	2,023,240	894,428	6,683,543	3,853,923
	Opening stock of finished goods		169,821	120,524	44,394	11,074	-	-	-	-	214,215	131,598
	Closing stock of finished goods - net	24	(109,291)	(169,821)	(25,241)	(44,394)	-	-	(703)	-	(135,235)	(214,215)
			60,530	(49,297)	19,153	(33,320)	-	-	(703)	-	78,980	(82,617)
			2,314,735	1,257,531	1,788,529	1,320,153	636,722	299,194	2,022,537	894,428	6,762,523	3,771,306
<b>33.2</b>	<b>Detail of salaries, wages and other benefits</b>											
	Salaries, wages and other benefits	33.2.1	117,009	106,629	142,041	130,412	3,099	5,515	37,748	21,915	299,897	264,471
	Pension fund	33.2.2	5,682	8,920	1,190	-	-	-	-	-	6,872	8,920
	Gratuity fund	33.2.2	2,365	660	78	-	-	-	-	-	2,443	660
	Provident fund contributions		3,864	3,796	2,142	2,076	17	14	630	301	6,653	6,187
			128,920	120,005	145,451	132,488	3,116	5,529	38,378	22,216	315,865	280,238

33.2.1 These include contribution amounting to Rs. 0.066 million (2020: Rs. Nil) to CSAP - Staff Benevolent Fund ("the Fund"). The Fund has been established as separate legal entity under the Trust Act, 1882 and registered under Income Tax Ordinance, 2001. The objective of the Fund is to provide at the discretion of the trustees, post retirement medical cover / facilities for retired employees and other hardship cases of extraordinary nature of existing employees of the Holding Company. The Holding Company does not have any right in the residual interest of the Fund.

Rupees in '000	2021		2020	
	Pension	Gratuity	Pension	Gratuity
<b>33.2.2 Staff retirement benefits</b>				
Current service costs	6,309	4,419	5,174	1,616
Interest costs	17,374	7,307	19,829	4,184
Return on plan assets, excluding interest income	(16,811)	(9,283)	(16,083)	(5,140)
	6,872	2,443	8,920	660

Rupees in '000	Note	2021	2020
<b>34 INCOME FROM INVESTMENTS - NET</b>			
Dividend income	34.1	37,335	25,047
Gain / (loss) on sale of FVTPL investments - net	34.1	13,637	(4,135)
Loss on sale of investment in commodity		-	(7)
Unrealized gain on FVTPL investments - net	34.1	296,258	35,496
Rent income from investment properties	34.2	9,150	5,731
		356,380	62,132

34.1 Break up of dividend income, realised gain and unrealised gain is as follows:

Rupees in '000	Dividend income	Realised gain	Unrealised gain
Shariah compliant investee companies	17,695	8,022	84,752
Non - Shariah compliant investee companies	19,640	5,615	211,506
	37,335	13,637	296,258

34.1.1 Unrealized gain amounting to Rs. 50.414 million was recognized in the other comprehensive income during the year.

34.1.2 Income from investment was categorised as Shariah / Non-Shariah compliant investee companies on the basis of All Shares Islamic Index as circulated by the Pakistan Stock Exchange.

34.2 Direct operating expenses incurred against rental income from investment properties amounted to Rs. 9.2 million (2020: Rs. 3.583 million). Further, Rs. Nil (2020: Rs. 2.258 million) were incurred against the non rented out area.

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## 35 DISTRIBUTION AND SELLING EXPENSES

Rupees in '000	Note	Steel segment		Cotton segment		Hadeed (Billet) segment		Total	
		2021	2020	2021	2020	2021	2020	2021	2020
Salaries, wages and other benefits	35.1	4,639	3,046	1,529	1,917	390	70	6,558	5,033
Travelling, conveyance and entertainment		112	1,207	36	49	24	43	172	1,299
Depreciation	16.1.2	872	909	-	-	149	199	1,021	1,108
Insurance		7	22	-	-	8	20	15	42
Postage, telephone and telegram		98	48	48	42	14	17	160	107
Advertisement		216	31	-	-	-	-	216	31
Bid bond expenses		323	450	-	-	-	-	323	450
Transportation		-	-	-	-	-	-	-	-
Legal and professional charges		3,157	1,362	-	-	-	-	3,157	1,362
Others		1,562	2,429	1,498	1,183	298	280	3,358	3,892
		10,986	9,504	3,111	3,191	883	629	14,980	13,324

### 35.1 Detail of salaries, wages and other benefits

Rupees in '000	Note	Steel segment		Cotton segment		Hadeed (Billet) segment		Total	
		2021	2020	2021	2020	2021	2020	2021	2020
Salaries, wages and other benefits		3,974	2,188	1,493	1,917	357	70	5,824	4,175
Pension fund	35.1.1	425	637	24	-	12	-	461	637
Gratuity fund	35.1.1	39	47	10	-	5	-	54	47
Provident fund contributions		201	174	2	-	16	-	219	174
		4,639	3,046	1,529	1,917	390	70	6,558	5,033

Rupees in '000	2021		2020	
	Pension	Gratuity	Pension	Gratuity
<b>35.1.1 Staff retirement benefits</b>				
Current service costs	423	347	370	115
Interest costs	1,164	435	1,416	299
Return on plan assets, excluding interest income	(1,126)	(728)	(1,149)	(367)
	461	54	637	47

## 36 ADMINISTRATIVE EXPENSES

Rupees in '000	Note	Steel segment		Cotton segment		Energy segment		Hadeed (Billet) segment		IID segment		Total	
		2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Salaries, wages and other benefits	36.1	91,753	98,859	20,784	21,135	2,537	2,887	10,352	8,000	9,259	9,290	134,685	140,171
Rents, rates and taxes		2,399	1,926	457	371	94	65	667	268	3,535	884	7,152	3,514
Travelling, conveyance and entertainment		2,111	3,931	449	779	54	134	420	313	140	263	3,174	5,420
Fuel and power		9,056	7,795	1,332	1,214	632	259	2,323	2,145	491	427	13,834	11,840
Postage, telephone and telegram		2,057	1,663	434	392	61	43	130	115	130	103	2,812	2,316
Insurance		1,732	1,942	314	302	36	284	70	60	192	179	2,344	2,767
Repairs and maintenance		7,402	5,569	598	414	122	50	418	147	398	994	8,938	7,174
Auditors' remuneration	36.2	3,201	2,138	614	583	141	153	132	157	398	384	4,486	3,415
Legal, professional and corporate service charges		17,129	23,226	4,152	5,944	171	1,021	248	2,006	4,394	3,275	26,094	35,472
Advertisement		619	367	26	10	15	6	20	10	34	20	714	413
Donations	36.3	10,876	480	58	-	203	5	295	7	581	26	12,013	518
Depreciation	16.1.2 & 18.1	14,102	15,481	2,296	3,033	322	321	1,912	2,378	4,563	5,137	23,195	26,350
Amortization of intangible assets	17.1.1	707	164	150	31	21	4	21	4	37	8	936	211
Printing, stationery and office supplies		1,895	1,436	463	355	13	11	23	25	165	145	2,559	1,972
Newspapers, subscriptions and periodicals		253	287	644	360	593	517	14	13	27	26	1,531	1,203
Others		4,150	5,073	863	1,059	88	134	804	571	1,038	393	6,943	7,230
		169,442	170,337	33,634	35,982	5,103	5,894	17,849	16,219	25,382	21,554	251,410	249,986
<b>36.1 Detail of salaries, wages and other benefits</b>													
Salaries, wages and other benefits		81,046	71,548	18,404	20,411	2,135	2,768	9,583	7,770	8,158	8,979	119,326	111,476
Pension fund	36.1.1	7161	22,300	1,493	-	211	-	373	-	699	-	9,937	22,300
Gratuity fund	36.1.1	40	1,650	122	-	88	-	155	-	73	-	478	1,650
Provident fund contributions		3,506	3,361	765	724	103	119	241	230	329	311	4,944	4,745
		91,753	98,859	20,784	21,135	2,537	2,887	10,352	8,000	9,259	9,290	134,685	140,171

Rupees in '000	2021		2020	
	Pension	Gratuity	Pension	Gratuity
<b>36.1.1 Staff retirement benefits</b>				
Current service costs	9,123	614	12,934	4,040
Interest costs	25,123	1,152	49,573	10,460
Return on plan assets, excluding interest income	(24,309)	(1,288)	(40,207)	(12,850)
	9,937	478	22,300	1,650

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Rupees in '000	Note	A. F. Ferguson & Co.	KPMG Taseer Hadi & Co.
		2021	2020
<b>36.2 Auditors' remuneration</b>			
Audit fee	36.2.1	2,415	2,415
Certifications and tax and other assurance services		1,330	480
		3,745	2,895
Out of pocket expenses		436	268
Sales tax		305	252
		4,486	3,415

**36.2.1** Audit fee includes services for audit of annual unconsolidated and consolidated financial statements including audit of annual individual financial statements of the subsidiary companies of the Group, audit of annual consolidated financial statements for group taxation purpose, limited review of unconsolidated condensed interim financial information of the Holding Company for the six months period, review report on statement of compliance with best practices of the Code of Corporate Governance, taxation services and certification of reconciliation statement of nominee shareholding of Central Depository Company.

## 36.3 Donations

**36.3.1** Donations include the following in which a director is interested:

Name of director	Interest in donee	Name and address of the donee	Amount donated
Rupees in '000			2021
			2020
Mr. Ahsan M. Saleem	Director	The Citizens Foundation Plot No. 20, Sector - 14, New Brookes Chowrangi, Korangi Industrial Area, Karachi	10,668
			269

Donations other than those mentioned above were not made to any donee in which a director or his spouse had any interest at any time during the year.

Rupees in '000	Note	2021	2020
<b>37 OTHER OPERATING EXPENSES</b>			
Exchange loss		-	25,958
Impairment loss on trade debts		74	-
Provision for:			
- Workers' Profit Participation Fund	12.5	13,543	-
- Workers' Welfare Fund		2,830	-
- Slow moving stores, spares and loose tools - net	23.1	11,000	-
		27,447	25,958

Rupees in '000	Note	2021	2020
<b>38 OTHER INCOME</b>			
Income from financial assets			
Return on deposits - from conventional banking		532	859
Unwinding of discount on long term deposit		22,528	2,415
		23,060	3,274
Income from non-financial assets			
Gain on disposal of operating fixed assets		6,447	1,101
Gain on disposal of investment property		128,201	-
Deferred income amortized	11	9,066	6,825
Exchange gain		18,135	-
Insurance commission		-	1,318
Liabilities written-back		3,465	1,029
Reversal of provision for slow moving stores, spares and loose tools		-	15,366
Rent income		6,505	5,010
Others		1,449	1,517
		173,268	32,166
		196,328	35,440
<b>39 FINANCE COSTS</b>			
Mark-up on short term loans - Shariah arrangement		41,986	55,064
Interest on Non - Shariah arrangement			
- lease obligations		7,665	16,475
- long term loans		27,432	32,086
- running finances		87,533	150,992
- short term loans		41,724	50,494
Discounting on long term deposit		2,392	-
Bank charges		4,675	9,998
		213,407	315,109
<b>40 SHARE OF PROFIT IN EQUITY ACCOUNTED INVESTEES - NET OF TAXATION</b>			
Altern Energy Limited	19.1	553,376	370,961
Shakarganj Limited	19.1	(170,028)	(197,482)
		383,348	173,479

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

Rupees in '000	2021	2020
<b>41 TAXATION</b>		
Current		
- for the year	117,735	94,064
- for prior years	(5,742)	1,907
	111,993	95,971
Deferred	22,331	(358,534)
	134,324	(262,563)
<b>41.1 Relationship between taxation expense and accounting profit</b>		
Profit / (loss) before taxation	925,545	(282,430)
Tax at the applicable rate of 29% (2020: 29%)	268,408	(81,905)
Tax effect of inadmissible expenses / losses	(96,327)	56,710
Tax effect of income taxed at a lower rate	(32,015)	(239,276)
Prior year tax effect	(5,742)	1,907
	134,324	(262,564)

41.2 Sufficient provision for tax has been made in these consolidated financial statements taking into account the profit or loss for the year and various admissible and inadmissible allowances and deduction under the Income Tax Ordinance, 2001. Position of provision and assessment including returns filed and deemed assessed for last three years are as follows:

Rupees in '000	2020	2019	2018
Tax provision including effects of prior years	84,907	63,513	230,506
Tax assessed / return filed	84,907	63,513	194,464

Rupees in '000	2021	2020
<b>42 BASIC AND DILUTED EARNINGS / (LOSS) PER SHARE</b>		
Profit / (loss) for the year	791,221	(19,867)
	(Number of shares)	
Weighted average number of ordinary shares in issue during the year	77,632,491	77,632,491
	(Rupees)	
Basic and diluted earnings / (loss) per share	10.19	(0.26)

Rupees in '000

Note

2021

2020

**43 CASH GENERATED FROM / (USED IN) OPERATIONS**

Profit / (loss) before taxation		925,545	(282,430)
<b>Adjustments for non cash charges and other items:</b>			
Depreciation on operating fixed assets and investment properties		219,028	228,028
Amortization of intangible assets	17.1	936	211
Charge for the year on staff retirement benefit funds	46.1.7	20,245	34,214
Dividend income	34.1	(37,335)	(25,047)
Unrealized gain on FVTPL investments - net	34.1	(296,258)	(35,496)
(Gain) / loss on sale of FVTPL investments - net	34.1	(13,637)	4,135
Provision / (reversal) for slow moving stores, spares and loose tools	23.1	11,000	(15,366)
Reversal of impairment loss on trade debts - net	37	74	-
Provision for Workers' Welfare Fund	37	2,830	-
Provision for Workers' Profit Participation Fund	37	13,543	-
Return on deposits	38	(532)	(859)
Gain on disposal of operating fixed assets	38	(6,447)	(1,101)
Gain on disposal of investment property	38	(128,201)	-
Deferred income	38	(9,066)	(6,825)
Discounting of long term deposit	39	2,392	-
Unwinding of discount on long term deposit	38	(22,528)	(2,415)
Liabilities written off	38	(3,465)	(1,029)
Finance costs	39	211,015	315,109
Share of profit from equity accounted investees - net of taxation	40	(383,348)	(173,479)
		505,791	37,650
<b>Change in:</b>			
- Stores, spares and loose tools		(5,220)	31,918
- Stock-in-trade		894,212	(1,309,372)
- Trade debts		88,652	(129,367)
- Advances		11,953	(19,540)
- Trade deposits and short term prepayments		(27,067)	(15,810)
- Other receivables		76,836	29,502
- Trade and other payables		(312,653)	381,139
		1,232,504	(993,880)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 43.1 Reconciliation of movements of liabilities to cash flows arising from financing activities

	Long term loans	Lease liabilities (Including mark-up accrued)	Short term borrowings	Dividend payable	Total
Rs. in '000	9	10 & 13	14		
Opening balance as at 30 June 2020	239,680	111,599	2,093,043	26,443	2,470,765
Proceeds from long term loans	123,140	-	-	-	123,140
Repayment of long term loans	(67,035)	-	-	-	(67,035)
Proceeds from short term borrowings	-	-	180,061	-	180,061
Repayment of short term borrowings	-	-	(1,421,663)	-	(1,421,663)
Dividend paid	-	-	-	(815)	(815)
Lease payments	-	(57,582)	-	-	(57,582)
	56,105	(57,582)	(1,241,602)	(815)	(1,243,894)
Lease liabilities entered during the year - exceeding NBV	-	27,195	-	-	27,195
Lease liabilities restricted to NBV	-	22,538	-	-	22,538
Interest accrued on lease obligation	-	7,665	-	-	7,665
Discounting effect	(9,071)	-	-	-	(9,071)
Lease deposit matured	-	(357)	-	-	(357)
	(9,071)	57,041	-	-	47,970
Closing balance as at 30 June 2021	286,714	111,058	851,441	25,628	1,274,841

Rs. in '000	Note	2021	2020
<b>44 CASH AND CASH EQUIVALENTS</b>			
Running finances under mark-up arrangements	14	(690,865)	(609,820)
Cash and bank balances	31	4,213	23,748
		(686,652)	(586,072)

## 45 SEGMENT REPORTING

### 45.1 Reportable segments

The Group's reportable segments are as follows:

- Steel segment - It comprises of manufacturing and coating of steel pipes (note 1.1.2).
- Cotton segment - It comprises of manufacturing of yarn (note 1.1.3).
- Investment and Infrastructure Development (IID) segment - To effectively manage the investment portfolio in shares and other securities (strategic as well as short term) and investment properties (held for rentals as well as long term appreciation) (note 1.1.4).
- Hadeed (Billet) segment - It comprises of manufacturing billets (note 1.1.5).
- Energy segment - It comprises generating and supplying electricity (note 1.1.6).

The Group's all segments are engaged in shariah compliant businesses except mentioned in note 34 to these financial statements. Information regarding the Group's reportable segments is presented below:

## 45.2 Segment revenues and results

Following is an analysis of the Group's revenue and results by reportable segment:

For the year ended 30 June 2021

Rupees in '000	Steel segment	Cotton segment	Energy segment	Hadeed (Billet) segment	IID segment	Inter-segments elimination / adjustments	Total
Sales	2,740,146	2,000,060	640,353	2,065,139	-	(186,442)	7,259,256
Cost of sales	2,319,948	1,788,573	636,722	2,203,722	-	(186,442)	6,762,523
Gross profit / (loss)	420,198	211,487	3,631	(138,583)	-	-	496,733
Income from investments - net	-	-	-	-	356,380	-	356,380
	420,198	211,487	3,631	(138,583)	356,380	-	853,113
Distribution and selling expenses	10,986	3,111	-	883	-	-	14,980
Administrative expenses	169,442	33,634	5,103	17,849	25,382	-	251,410
Other operating expenses	16,744	8,466	805	1,432	-	-	27,447
	197,172	45,211	5,908	20,164	25,382	-	293,837
	223,026	166,276	(2,277)	(158,747)	330,998	-	559,276
Other income	34,114	17,367	3,288	13,358	128,201	-	196,328
Operating profit / (loss) before finance costs	257,140	183,643	1,011	(145,389)	459,199	-	755,604
Finance costs	172,061	12,513	1	26,207	2,625	-	213,407
Share of profit in equity accounted investees - net of taxation	-	-	-	-	383,348	-	383,348
<b>Profit / (loss) before taxation</b>	<b>85,079</b>	<b>171,130</b>	<b>1,010</b>	<b>(171,596)</b>	<b>839,922</b>	<b>-</b>	<b>925,545</b>
Taxation							134,324
<b>Profit for the year</b>							<b>791,221</b>

For the year ended 30 June 2020

Sales	1,291,206	1,346,000	279,513	971,720	-	(66,237)	3,822,202
Cost of sales	1,257,531	1,320,153	299,194	960,665	-	(66,237)	3,771,306
Gross profit / (loss)	33,675	25,847	(19,681)	11,055	-	-	50,896
Income from investments - net	-	-	-	-	(299,284)	361,416	62,132
	33,675	25,847	(19,681)	11,055	(299,284)	361,416	113,028
Distribution and selling expenses	9,504	3,191	-	629	-	-	13,324
Administrative expenses	170,337	35,982	5,894	16,219	21,554	-	249,986
Other operating expenses	23,237	4,641	-	(1,920)	-	-	25,958
	203,078	43,814	5,894	14,928	21,554	-	289,268
	(169,403)	(17,967)	(25,575)	(3,873)	(320,838)	361,416	(176,240)
Other income	22,919	9,636	(1,179)	4,064	-	-	35,440
Operating (loss) / profit before finance costs	(146,484)	(8,331)	(26,754)	191	(320,838)	361,416	(140,800)
Finance costs	245,722	18,347	3	35,560	15,476	-	315,108
Share of profit in equity accounted investees - net of taxation	-	-	-	-	173,479	-	173,479
<b>(Loss) / profit before taxation</b>	<b>(392,206)</b>	<b>(26,678)</b>	<b>(26,757)</b>	<b>(35,369)</b>	<b>(162,835)</b>	<b>361,416</b>	<b>(282,429)</b>
Taxation							(262,563)
<b>Loss for the year</b>							<b>(19,866)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

45.2.1 Revenue reported above represents revenue generated from external customers and inter-segment sales of electricity by Energy Segment to Hadeed (Billet) Segment of Rs. 181.185 million (2020: Rs. 66.237 million), Rs. 5.213 million (2020: Rs. Nil) of scrap sales by Steel Segment to Hadeed (Billet) Segment and Rs. 0.044 million (2020: Rs. Nil) of scrap sales by Steel Segment to Cotton Segment.

45.2.2 Transfer prices between reportable segments are on an agreed basis in a manner similar to transactions between third parties.

45.2.3 The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 6 to these consolidated financial statements. The Steel segment allocates certain percentage of the common expenditure to the Cotton and IID segments. In addition, finance costs between Steel and Cotton segments are allocated at average mark-up rate on the basis of funds utilized. This is the measure reported to management for the purposes of resource allocation and assessment of segment performance.

## 45.3 Revenue from major products and services

The analysis of the Group's revenue from external customers for major products and services is given in note 32 to these consolidated financial statements.

## 45.4 Information about major customers

Revenue from major customers of Steel segment represents an aggregate amount of Rs. 2,666.242 million (2020: Rs. 1,057.732 million) of total Steel segment revenue of Rs. 2,740.146 million (2020: Rs. 1,291.206 million). Revenue from major customers of Cotton segment represents an aggregate amount of Rs. 742.924 million (2020: Rs. 322.400 million) of total Cotton segment revenue of Rs. 2,000.06 million (2020: Rs. 1,346.000 million). Revenue from major customers of Energy segment represent an aggregate amount of Rs. 534.017 million (2020: Rs. 116.261 million) of total Energy segment revenue of Rs. 640.353 million (2020: Rs. 279.513 million). Revenue from major customers of Hadeed (Billet) segment represent an aggregate amount of Rs. 2,033.240 million (2020: Rs. 688.167 million) of total Hadeed (Billet) segment revenue of Rs. 2,065.139 million (2020: Rs. 971.720 million).

## 45.5 Geographical information

45.5.1 All Group's revenue from external customers by geographical location is within Pakistan.

45.5.2 All non-current assets of the Group as at 30 June 2021 and 2020 were located and operating in Pakistan.

## 45.6 Segment assets and liabilities

Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follows:

Rupees in '000	Steel segment	Cotton segment	Energy segment	Hadeed (Billet) segment	IID segment	Total
As at 30 June 2021						
Segment assets for reportable segments	1,982,178	539,559	775,478	927,419	1,613,018	5,837,652
Investment in equity accounted investees	-	-	-	-	3,429,031	3,429,031
Unallocated corporate assets						1,512,194
Total assets as per consolidated statement of financial position						10,778,877
Segment liabilities for reportable segments	568,762	164,977	77,680	52,840	33,614	897,873
Unallocated corporate liabilities and deferred income						1,912,584
Total liabilities as per consolidated statement of financial position						2,810,457

Rupees in '000	Steel segment	Cotton segment	Energy segment	Hadeed (Billet) segment	IID segment	Total
As at 30 June 2020						
Segment assets for reportable segments	2,934,338	506,150	809,174	846,220	1,143,380	6,239,262
Investment in equity accounted investees	-	-	-	-	3,087,141	3,087,141
Unallocated corporate assets						1,969,562
Total assets as per consolidated statement of financial position						11,295,965
Segment liabilities for reportable segments	756,226	269,746	118,597	57,488	30,470	1,232,527
Unallocated corporate liabilities and deferred income						3,055,175
Total liabilities as per consolidated statement of financial position						4,287,702

45.6.1 For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than those directly relating to corporate and taxation assets; and
- all liabilities are allocated to reportable segments other than those directly relating to corporate and taxation;

Cash and bank balances, borrowings and related mark-up receivable therefrom and payable thereon, respectively are not allocated to reporting segments as these are managed by the Group's central treasury function.

#### 45.7 Other segment information

Rupees in '000	Steel segment	Cotton segment	Energy segment	Hadeed (Billet) segment	IID segment	Total
<b>For the year ended 30 June 2021</b>						
Capital expenditure	52,549	13,440	-	1,850	-	67,839
Depreciation and amortization	72,225	28,820	60,691	53,628	4,600	219,964
Non-cash items other than depreciation and amortization - net	172,999	16,664	(2,183)	28,184	(855,382)	(639,718)
<b>For the year ended 30 June 2020</b>						
Capital expenditure	8,539	-	-	-	-	8,539
Depreciation and amortization	77,386	30,961	60,716	54,032	5,144	228,239
Non-cash items other than depreciation and amortization - net	258,812	13,721	1,182	32,536	(214,410)	91,841

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 46 STAFF RETIREMENT BENEFITS

### 46.1 Defined benefit plans

46.1.1 The actuarial valuation of both pension and gratuity schemes has been conducted in accordance with IAS 19, 'Employee benefits' as at 30 June 2021. The projected unit credit method, using the following significant assumptions, has been used for the actuarial valuation:

	2021		2020	
	Pension	Gratuity	Pension	Gratuity
<b>Financial assumptions</b>				
- Discount rate used for interest cost in profit or loss	9.25%	8.50%	14.50%	14.50%
- Discount rate used for year end obligation	10.00%	10.00%	9.25%	8.50%
- Expected rate of increase in salaries	10.00%	10.00%	N/A	N/A
<b>Demographic assumptions</b>				
- Retirement assumption	Age 58		Age 58	
- Expected mortality for active members	SLIC (2001-05)		SLIC (2001-05)	

46.1.2 The amounts recognized in consolidated statement of financial position are as follows:

Rupees in '000	Note	2021			2020		
		Pension	Gratuity	Total	Pension	Gratuity	Total
Present value of defined benefit obligations	46.1.4	500,963	111,286	612,249	477,700	107,085	584,785
Fair value of plan assets	46.1.5	(640,770)	(211,322)	(852,092)	(453,987)	(132,080)	(586,067)
(Asset) / liability recognized in consolidated statement of financial position	46.1.3	(139,807)	(100,036)	(239,843)	23,713	(24,995)	(1,282)
<b>46.1.3 Movement in the net defined benefit liability / (asset)</b>							
Opening balance		23,713	(24,995)	(1,282)	100,546	(20,329)	80,217
Net benefit cost charged to consolidated profit or loss	46.1.7	17,270	2,975	20,245	31,857	2,357	34,214
Remeasurements recognized in consolidated other comprehensive income	46.1.8	(163,939)	(71,417)	(235,356)	(92,143)	(594)	(92,737)
Contributions by the Holding Company	46.1.5	(16,851)	(6,599)	(23,450)	(16,547)	(6,429)	(22,976)
Closing balance		(139,807)	(100,036)	(239,843)	23,713	(24,995)	(1,282)
<b>46.1.4 Movement in the present value of defined benefit obligations</b>							
Opening balance		477,700	107,085	584,785	494,294	104,884	599,178
Current service cost		15,855	5,380	21,235	18,477	5,771	24,248
Interest cost		43,661	8,894	52,555	70,818	14,943	85,761
Benefits paid during the year		(11,390)	(4,903)	(16,293)	(11,794)	(3,661)	(15,455)
Remeasurement:							
Actuarial loss / (gain) from change in financial assumption		8,577	25	8,602	(21,521)	(93)	(21,614)
Experience adjustments		(33,440)	(5,195)	(38,635)	(72,574)	(14,759)	(87,333)
Closing balance		500,963	111,286	612,249	477,700	107,085	584,785

Rupees in '000	2021			2020		
	Pension	Gratuity	Total	Pension	Gratuity	Total
<b>46.15</b> Movement in the fair value of plan assets are as follows:						
Opening balance	453,987	132,080	586,067	393,748	125,213	518,961
Contributions by the Holding Company	16,851	6,599	23,450	16,547	6,429	22,976
Interest income on plan assets	42,246	11,299	53,545	57,438	18,357	75,795
Benefits paid during the year	(11,390)	(4,903)	(16,293)	(11,794)	(3,661)	(15,455)
Return on plan assets, excluding interest income	139,076	66,247	205,323	(1,952)	(14,258)	(16,210)
Closing balance	640,770	211,322	852,092	453,987	132,080	586,067
<b>46.16</b> Actual return on plan assets	181,322	77,546	258,868	55,486	4,099	59,585

**46.1.7** Following amounts have been charged in the consolidated profit or loss in respect of these benefits

Rupees in '000	2021			2020		
	Pension	Gratuity	Total	Pension	Gratuity	Total
Current service costs	15,855	5,380	21,235	18,477	5,771	24,248
Interest costs	43,661	8,894	52,555	70,818	14,943	85,761
Expected return on plan assets	(42,246)	(11,299)	(53,545)	(57,438)	(18,357)	(75,795)
Charge / (income) recognized in consolidated profit or loss	17,270	2,975	20,245	31,857	2,357	34,214

**46.1.8** Following amounts of remeasurements have been charged in consolidated other comprehensive income in respect of these benefits

Rupees in '000	2021			2020		
	Pension	Gratuity	Total	Pension	Gratuity	Total
Remeasurement gain of experience adjustments	(33,440)	(5,195)	(38,635)	(72,574)	(14,759)	(87,333)
Remeasurement:						
Actuarial losses / (gain) from changes in financial assumptions	8,577	25	8,602	(21,521)	(93)	(21,614)
Experience adjustments	(33,440)	(5,195)	(38,635)	(72,574)	(14,759)	(87,333)
Return on plan assets, excluding interest income	(139,076)	(66,247)	(205,323)	1,952	14,258	16,210
Remeasurement income charged in consolidated other comprehensive income	(163,939)	(71,417)	(235,356)	(92,143)	(594)	(92,737)

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Rupees in '000	2021			2020		
	Pension	Gratuity	Total	Pension	Gratuity	Total
46.1.9 Total defined benefit (income) / cost recognized in consolidated profit or loss and other comprehensive income	(146,669)	(68,442)	(215,111)	(60,286)	1,763	(58,523)
Weighted average duration of the defined benefit obligation (years)	11	3		11	3	
<b>Analysis of present value of defined benefit obligation</b>						
Type of Members:						
Pensioners	33	-		32	-	
Beneficiaries	75	75		80	79	
Vested / Non-Vested						
Vested benefits	464,034	93,382	557,416	453,355	90,909	544,264
Non - vested benefits	36,930	17,904	54,834	24,345	16,176	40,521
	500,964	111,286	612,250	477,700	107,085	584,785
<b>Disaggregation of fair value of plan assets</b>						
The fair value of the plan assets at reporting date for each category are as follows:						
Cash and cash equivalents (comprising bank balances and adjusted for current liabilities) - quoted						
	62,455	4,756	67,211	19,723	4,137	23,860
Debt instruments						
AA+	62,974	28,302	91,276	183,337	25,613	208,950
AA	96,343	-	96,343	230	-	230
	159,317	28,302	187,619	183,567	25,613	209,180
Equity instruments						
Engineering	339,480	161,395	500,875	183,674	87,443	271,117
Automobile Assembling	205	-	205	-	-	-
Automobile Parts and Accessories	96	-	96	74	-	74
Cement	9,555	-	9,555	7,396	-	7,396
Chemicals	235	-	235	212	-	212
Commercial Banks	444	-	444	269	-	269
Fertilizer	7,270	316	7,586	6,129	325	6,454
Insurance	69	-	69	63	-	63
Oil and Gas Exploration Companies	9,438	2,931	12,369	8,098	2,622	10,720
Oil and Gas Marketing Companies	83	-	83	803	-	803
Paper and Board	9	-	9	5	-	5
Pharmaceuticals	177	-	177	147	-	147
Power Generation and Distribution	20,638	7,931	28,569	18,732	7,250	25,982
Sugar and Allied Industries	5,511	1,589	7,100	5,740	1,691	7,431
Technology and Communication	301	-	301	-	-	-
Textile Composite	3,086	-	3,086	2,584	-	2,584
	396,597	174,162	570,759	233,926	99,331	333,257
Mutual funds						
Income Fund	22,401	4,102	26,503	16,771	2,999	19,770
	640,770	211,322	852,092	453,987	132,080	586,067

### Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Rupees in '000	Pension	Gratuity
Discount rate +1%	450,324	108,437
Discount rate -1%	562,689	114,620
Long term pension / salary increase +1%	511,843	114,605
Long term pension / salary decrease -1%	491,511	108,398
Long term pension increase +1%	555,952	-
Long term pension decrease -1%	453,889	-

The actuary of the Holding Company has assessed that present value of future refunds or reduction in future contribution is not lower than receivable from pension and gratuity funds recorded by the Holding Company.

#### 46.2 Defined contribution plan

The Group has set up provident fund for its permanent employees. The total charge against provident fund for the year ended 30 June 2021 was Rs. 11.816 million (2020: Rs. 11.106 million). Reporting year end of Provident Fund Financial Statements is 31 December and 30 June for Steel & IID Division, and Cotton & Hadeed (Billet) Division, respectively.

The investments out of the provident funds have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the conditions specified there under.

## 47 FINANCIAL RISK MANAGEMENT

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Fair value measurements using quoted (unadjusted) in active markets for identical asset or liability.
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Rupees in '000

30 June 2021

	Carrying amount				Total	Fair Value			Total
	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Other financial liabilities		Level 1	Level 2	Level 3	
On-balance sheet financial instruments									
Financial assets measured at fair value									
Recurring fair value measurements									
Investments									
- Listed equity securities	521,642	183,283	-	-	704,925	704,925	-	-	704,925
- Unlisted equity securities	793,306	-	-	-	793,306	-	-	793,306	793,306
	1,314,948	183,283	-	-	1,498,231	704,925	-	793,306	1,498,231
Financial assets not measured at fair value									
Deposits	-	-	305,778	-	305,778				
Trade debts	-	-	137,073	-	137,073				
Other receivables	-	-	24,812	-	24,812				
Bank balances	-	-	3,848	-	3,848				
Cash	-	-	365	-	365				
	-	-	468,028	-	471,876				
Financial liabilities not measured at fair value									
Long term loans	-	-	-	286,714	286,714				
Lease liabilities	-	-	-	110,923	110,923				
Trade and other payables	-	-	-	498,722	498,722				
Unclaimed dividend	-	-	-	25,628	25,628				
Mark-up accrued	-	-	-	28,723	28,723				
Short term borrowings	-	-	-	1,542,306	1,542,306				
	-	-	-	2,493,016	2,493,016				

Rupees in '000

30 June 2020

	Carrying amount				Fair Value				
	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>On-balance sheet financial instruments</b>									
<b>Financial assets measured at fair value</b>									
Recurring fair value measurements									
Investments									
- Listed equity securities	339,692	132,868	-	-	472,560	472,560	-	-	472,560
- Unlisted equity securities	598,571	-	-	-	598,571	-	-	598,571	598,571
	938,263	132,868	-	-	1,071,131	472,560	-	598,571	1,071,131
<b>Financial assets not measured at fair value</b>									
Deposits	-	-	281,491	-	281,491	-	-	-	-
Trade debts	-	-	225,799	-	225,799	-	-	-	-
Other receivables	-	-	27,550	-	27,550	-	-	-	-
Bank balances	-	-	22,920	-	22,920	-	-	-	-
Cash	-	-	828	-	828	-	-	-	-
	-	-	558,588	-	535,668	-	-	-	-
<b>Financial liabilities not measured at fair value</b>									
Long term loans	-	-	-	239,680	239,680	-	-	-	-
Lease liabilities	-	-	-	111,287	111,287	-	-	-	-
Trade and other payables	-	-	-	757,948	757,948	-	-	-	-
Unclaimed dividend	-	-	-	26,443	26,443	-	-	-	-
Mark-up accrued	-	-	-	55,112	55,112	-	-	-	-
Short term borrowings	-	-	-	2,702,863	2,702,863	-	-	-	-
	-	-	-	3,893,333	3,893,333	-	-	-	-

The Group has not disclosed the fair values for all other financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

Investment property fair values have been determined by professional valuers (level 3 measurement) based on their assessment of the market values as disclosed in note 18.2. The valuations are conducted by the valuation experts appointed by the Group. The valuation experts used a market based approach to arrive at the fair value of the Group's investment properties. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty, accordingly a qualitative disclosure of sensitivity has not been presented in these consolidated financial statements.

## 47.1 Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used by professional valuers in measuring Level 3 fair values at 30 June 2021 for unquoted equity investment measured at fair value in the statement of financial position, as well as the significant unobservable inputs used.

Name of investee company	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
- Shakarganj Food Products Limited	Discounted free cash flows with terminal growth:  The valuation model considers the present value of expected free cash flows, discounted using Weighted Average Cost of Capital.	- Expected free cash flows	The estimated fair value would increase / (decrease) if:
		- Terminal growth rate	
		- Weighted Average Cost of Capital	- The expected free cash flows were higher / (lower)
			- The terminal growth rate were higher / (lower)
			- The Weighted Average Cost of Capital were lower / (higher)
- Central Depository Company of Pakistan Limited	Dividend growth model:  The valuation model considers the present value of future dividends, discounted using Weighted Average Cost of Capital.	- Dividend growth rate	The estimated fair value would increase / (decrease) if:
		- Weighted Average Cost of Capital	- The dividend growth rate were higher / (lower)
			- The Weighted Average Cost of Capital were lower / (higher)
	The method has been changed from Net Asset Value method to Dividend Valuation method for better fair value measurement.		

## 47.2 Level 3 fair values

### Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values

Rupees in '000

Balance at 30 June 2020	
- Shakarganj Food Products Limited	462,459
- Central Depository Company of Pakistan Limited	136,112
	598,571
Fair value recognized in profit or loss during the year	
- Shakarganj Food Products Limited	132,641
- Central Depository Company of Pakistan Limited	62,094
	194,735
Balance at 30 June 2021	
- Shakarganj Food Products Limited	595,100
- Central Depository Company of Pakistan Limited	198,206
	793,306

### Sensitivity Analysis

For the fair value of unquoted equity investment, reasonably possible changes at 30 June 2021 to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

Rupees in '000	Profit or loss	
	Increase	Decrease
<b>Shakarganj Food Products Limited</b>		
- Expected cash flows (10% movement)	59,453	(59,453)
- Terminal growth rate (100 bps)	78,080	(63,404)
- Weighted Average Cost of Capital (100 bps)	(85,605)	106,677
<b>Central Depository Company of Pakistan Limited</b>		
- Dividend growth rate (100 bps)	13,200	(11,688)
- Weighted Average Cost of Capital (100 bps)	(11,688)	13,200

## 48 FINANCIAL INSTRUMENTS

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of Group's risk management framework. The Board of Directors is also responsible for developing and monitoring the Group's risk management policies.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 48.1 Credit risk

Credit risk represents the financial loss that would be recognized at the reporting date if counterparties fail completely to perform as contracted / fail to discharge an obligation / commitment that it has entered into with the Group. It arises principally from trade receivables, bank balances, security deposits, mark-up accrued and investment in debt securities.

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is as follows:

Rupees in '000	2021	2020
Deposits	305,778	281,491
Trade debts	137,073	225,799
Other receivables	24,812	27,550
Bank balances	3,848	22,920
	471,511	557,760

### Trade and other receivables

To manage exposure to credit risk in respect of trade and other receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Sales tenders and credit terms are approved by the tender approval committee. Where considered necessary, advance payments are obtained from certain parties. Sales of steel segment made to major customers are secured through letters of credit. The management has set a maximum credit period of 15 days in respect of Cotton segment's sales to reduce the credit risk.

All the trade debtors at the reporting date represent domestic parties.

The maximum exposure to credit risk before any credit enhancements for trade debts at the reporting date by type of customer was as follows:

Rupees in '000	2021	2020
Steel segment	67,015	173,948
Cotton segment	12,981	2,691
Energy segment	41,083	4,637
Hadeed (Billet) segment	15,994	44,523
	137,073	225,799
The aging of trade debts at reporting date is		
Not past due	35,697	54,034
Past due 1 - 30 days	50,682	135,038
Past due 30 - 180 days	6,802	23,109
Past due 180 days	67,106	44,324
	160,287	256,505
Less: Impaired	23,214	30,706
	137,073	225,799

The movement in the allowance for impairment in respect of trade debts is given in note 25.3.

The expected loss rates are based on the payment profiles of sales over a period of 60 months before 30 June 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Holding Company has identified the GDP and the unemployment rate of Pakistan in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Management uses actual historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment to determine lifetime expected loss allowance.

Loss rates are based on actual credit loss experience over the past five years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the trade debts.

Based on past experience the management believes that no impairment allowance is necessary, except mentioned above, in respect of trade debts past due as some receivables have been recovered subsequent to the year end and for other receivables there are reasonable grounds to believe that the amounts will be recovered in short course of time.

#### Settlement risk

All investing transactions are settled / paid for upon delivery as per the advice of investment committee. The Group's policy is to enter into financial instrument contract by following internal guidelines such as approving counterparties and approving credits.

#### Bank balances

The Group kept its surplus funds with banks having good credit rating. Currently, the surplus funds are kept with banks having rating from AAA to A-3.

The credit quality of the Group's investment in units of mutual funds can be assessed with reference to external credit rankings as follows:

	Rankings		Ranking Agency	2021	2020
	Short term	Long term		Rupee in '000	
<b>Mutual Funds</b>					
HBL Growth Fund (A)	MFR 2-Star	-	VIS	19,962	18,038
HBL Investment Fund (A)	MFR 2-Star	-	VIS	2,370	2,050
				<b>22,332</b>	<b>20,088</b>

#### Deposits

The Group has provided security deposits and retention money as per the contractual terms with counter parties as security and does not expect material loss against those deposits retention money.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## Investment in debt securities

Credit risk arising on debt securities is mitigated by investing principally in investment grade rated instruments. Where the investment is considered doubtful a provision is created there against. The Group does not have debt security at reporting date.

## Concentration of credit risk

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Group believes that it is not exposed to major concentration of credit risk.

## 48.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligation arising from financial liabilities that are settled by delivering cash or another financial asset or that such obligation will have to be settled in a manner disadvantageous to the Group. The Group is not materially exposed to liquidity risk as substantially all obligation / commitments of the Group are short term in nature and are restricted to the extent of available liquidity. In addition, the Group has obtained running finance facilities from various commercial banks to meet the short term liquidity commitments, if any.

The following are the contractual maturities of the financial liabilities, including estimated interest payments:

	2021							
	Carrying amount	On demand	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	Over five years
<b>Financial liabilities</b>								
Long term loans	286,714	-	321,089	93,037	86,767	119,095	9,722	12,468
Lease liabilities	110,923	-	128,775	20,419	23,829	46,302	38,225	-
Trade and other payables	498,722	-	498,722	498,722	-	-	-	-
Unclaimed dividend	25,628	25,628	-	-	-	-	-	-
Mark-up accrued	28,723	-	28,723	28,723	-	-	-	-
Short term borrowings	1,542,306	1,542,306	-	-	-	-	-	-
	<b>2,493,016</b>	<b>1,567,934</b>	<b>977,309</b>	<b>640,901</b>	<b>110,596</b>	<b>165,397</b>	<b>47,947</b>	<b>12,468</b>

	2020							
	Carrying amount	On demand	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	Over five years
<b>Financial liabilities</b>								
Long term loan	239,680	-	281,197	18,783	49,064	111,162	111,162	102,188
Lease liabilities	111,287	-	124,742	31,118	23,589	38,797	38,797	31,238
Trade and other payables	757,948	-	757,948	757,948	-	-	-	-
Unclaimed dividend	26,443	26,443	-	-	-	-	-	-
Mark-up accrued	55,112	-	55,112	55,112	-	-	-	-
Short term borrowings	2,702,863	2,702,863	-	-	-	-	-	-
	<b>3,893,333</b>	<b>2,729,306</b>	<b>1,218,999</b>	<b>862,961</b>	<b>72,653</b>	<b>149,959</b>	<b>149,959</b>	<b>133,426</b>

### 48.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The Investment Committee monitors the portfolio of its investments and adjust the portfolio in light of changing circumstances.

#### 48.3.1 Currency risk

The Group is exposed to currency risk on import of raw materials, stores and spares and export of goods denominated in US Dollars (USD) and Euros. The Group's exposure to foreign currency risk for these currencies is as follows:

Rupees in '000	2021	
	USD	Euro
Foreign creditors	-	-
Outstanding letters of credit	5,465,635	21,060
Net exposure	5,465,635	21,060

Rupees in '000	2020	
	USD	Euro
Foreign creditors	-	-
Outstanding letters of credit	1,305,452	19,250
Net exposure	1,305,452	19,250

The following significant exchange rate has been applied:

	Average rate		Reporting date rate	
	2021	2020	2021	2020
USD to PKR	160.30	158.78	157.54	168.05
Euro to PKR	191.13	175.66	187.27	188.61

#### Sensitivity analysis

At the reporting date, if the PKR had strengthened by 10% against the USD and Euro with all other variables held constant, post-tax profit for the year would have been higher by the amount shown below, mainly as a result of net foreign exchange gain on translation of foreign creditors.

#### Effect on consolidated profit or loss

Rupees in '000	2021	2020
USD	87,614	130,545
Euro	403	1,925
	88,017	132,470

The weakening of the PKR against USD and Euro would have had an equal but opposite impact on the post tax profits.

The sensitivity analysis prepared is not necessarily indicative of the effects on the consolidated profit for the year and assets / liabilities of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 48.3.2 Interest rate risk

At the reporting date, the interest rate profile of the Group's significant interest bearing financial instruments was as follows:

	2021	2020	2021	2020
	Effective interest (Percentage)		Carrying amount (Rupees in '000)	
<b>Financial liabilities</b>				
Variable rate instruments:				
Long term loans	8.19 - 10.16	10.12 - 14.99	171,280	239,680
Lease liabilities	6.16 - 17.6	7.24 - 18.42	110,923	111,287
Short term borrowings	8.12 - 10.54	9.79 - 16.18	1,542,306	2,702,863

## Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

## Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) the consolidated profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2020.

Rupees in '000	Profit and loss 100 bp	
	Increase	Decrease
<b>As at 30 June 2021</b>		
Cash flow sensitivity - Variable rate financial liabilities	(19,399)	19,399
<b>As at 30 June 2020</b>		
Cash flow sensitivity - Variable rate financial liabilities	(30,538)	30,538

The sensitivity analysis prepared is not necessarily indicative of the effects on the consolidated profit for the year and assets / liabilities of the Group.

## 48.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Other price risk arises from the Group's investment in units of mutual funds and ordinary shares of listed companies. To manage its price risk arising from aforesaid investments, the Group diversifies its portfolio and continuously monitors developments in equity markets. In addition the Group actively monitors the key factors that affect stock price movement.

A 10% increase / decrease in redemption and share prices at year end would have decreased / increased the Group's gain / loss in case of Fair value through profit or loss and increase / decrease surplus on re-measurement of investments in case of fair value through other comprehensive income investments as follows:

Rupees in '000	2021	2020
Effect on profit	43,697	33,969
Effect on equity	18,328	13,287
Effect on investments	62,025	47,256

The sensitivity analysis prepared is not necessarily indicative of the effects on the consolidated profit for the year and assets / liabilities of the Group.

## 49 REMUNERATION TO THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Rupees in '000	Chief Executive		Director		Executives		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Managerial remuneration	27,006	26,684	-	-	79,367	66,961	106,373	93,645
Fees	-	-	4,380	5,100	-	-	4,380	5,100
Contributions to								
- Gratuity fund	1,379	1,379	-	-	2,660	2,352	4,039	3,731
- Pension fund	3,312	3,312	-	-	7,390	6,591	10,702	9,903
- Provident fund	1,656	1,656	-	-	3,695	3,184	5,351	4,840
Others	8,281	675	-	-	4,822	3,483	13,103	4,158
	41,634	33,706	4,380	5,100	97,934	82,571	143,948	121,377
Number of persons	1	1	7	6	19	16	27	23

49.1 During the year remuneration paid to the non-executive Chairman of the Board of Directors amounted to Rs. 1.625 million (2020: Rs. 1.50 million).

49.2 The chief executive and ten executives are provided with free use of Holding company maintained cars, in accordance with their entitlements.

49.3 The chief executive, executives and their families are also covered under group life and hospitalization insurance. A director is also covered under group hospitalization scheme.

## 50 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated companies, directors of the Holding Company, companies in which directors also hold directorship, related group companies, key management personnel and staff retirement benefit funds. All transaction with related parties are under agreed terms / contractual arrangements. Transactions between the Holding Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Transactions with related parties other than those disclosed elsewhere are as follows:

Rupees in '000				2021	2020
Name	Nature of relationship	Basis of relationship	Nature of transaction		
Altern Energy Limited	Associated company	17.60% holding	Dividend received	-	361,416
Shakarganj Limited	Associated company	28.01% holding	Payments received	41,109	18,300
			Payments made against services received	18,528	263
			Sales of electricity and steam	459,167	213,276
			Sales of finished goods	352	1,109
			Sales of raw material	59,611	-
			Purchase of raw material	483,977	227,662
			Sales of raw cotton		
			Services received	7,334	1,911
			Reimbursable expenses	6,252	10,908
Crescent Socks (Private) Limited	Related party	Subsidiary Company's associate	Rental income	1,400	-
			Payments received against services rendered	400	-
Shakarganj Food Products Limited	Related party	Subsidiary Company's related party	Reimbursable expenses	6,543	-
			Payments received against services rendered	11,170	-
The Crescent Textile Mills Limited	Related party	Major Shareholder	Dividend received	-	271
			Payments received against services rendered	2,491	-
			Reimbursable expenses	2,735	-
			Sale of Yarn	-	41,198
			Letter of right issue	9,126	-
Premier Insurance Company Limited	Related party	Common directorship	Insurance premium	9,582	8,006
			Insurance premium paid	9,519	-
The Citizens' Foundation	Related party	Common directorship	Donation given	10,668	269
Crescent Cotton Products - Staff Provident Fund	Retirement benefit fund	Employees benefit fund	Contribution made	2,314	4,270
Crescent Steel and Allied Products Limited - Gratuity Fund	Retirement benefit fund	Employees benefit fund	Contribution made	6,623	6,416
Crescent Steel and Allied Products Limited - Pension Fund	Retirement benefit fund	Employees benefit fund	Contribution made	16,906	16,549
Crescent Steel and Allied Products Limited - Staff Provident Fund	Retirement benefit fund	Employees benefit fund	Contribution made	8,846	8,644
Crescent Hadeed (Private) Limited - Staff Provident Fund	Retirement benefit fund	Employees benefit fund	Contribution made	656	843
CSAP - Staff Benevolent Fund	Staff welfare fund	Employees Welfare fund	Contribution made	66	-
Key management personnel	Related parties	Executives	Remuneration and benefits	135,868	94,053

- 50.1 Sale of finished goods and raw materials, rendering of services and insurance premium are based on commercial terms and at market prices which are approved by the Board of Directors.
- 50.2 Contributions to the employee retirement benefit funds are made in accordance with the terms of employee retirement benefit schemes and actuarial advice.
- 50.3 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including directors of the Group. There were no transactions with the key management personnel during the year other than their terms of employment / entitlements.
- 50.4 Outstanding balances and other information with respect to related parties as at 30 June 2021 and 2020 are included in issued, subscribed and paid-up capital (note 7.1), trade and other payables (note 12.4), investment in equity accounted investees (note 19), other receivables (note 29.2), short term borrowings (note 14.5) and staff retirement benefits (note 46).
- 50.5 The Holding Company has provided short term interest free loan recorded in note 25 to its unconsolidated financial statements to Solution de Energy (Private) Limited (Subsidiary Company) in order to meet its requirements for the purposes of feasibility, legal approvals and other related activities in respect of its project of 100 MW Solar Power Plant in Solar Power Park being established by the Government of Punjab in the Cholistan desert. The loan is repayable on demand.

## **51 CAPITAL RISK MANAGEMENT**

The Group's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's overall strategy remains unchanged from year 2020.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders or issue new shares. The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Group finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

The Group is not subject to any externally imposed capital requirements.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt less cash and bank balances. Total capital is calculated as equity as shown in the consolidated statement of financial position plus net debt.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 51.1 Gearing ratio

The gearing ratio at end of the year is calculated as follows:

Rupees in '000	Note	2021	2020
Total debt	51.1.1	1,939,943	3,053,830
Less: Cash and bank balances		4,213	23,748
Net debt		1,935,730	3,030,082
Total equity	51.1.2	7,968,420	7,008,263
Total capital		9,904,150	10,038,345
Gearing ratio		20%	30%

51.1.1 Total debt is defined as long term loan, lease liabilities and short term borrowings (excluding derivatives), as described in notes 9, 10 and 14 to these consolidated financial statements.

51.1.2 Total equity includes issued, subscribed and paid-up capital and reserves.

## 52 PLANT CAPACITY AND PRODUCTION

### 52.1 Steel segment

#### Pipe plant

The plant's installed / rated capacity for production based on single shift is 66,667 tons (2020: 66,667 tons) annually on the basis of notional pipe size (Where as the notional pipe size is taken as 30" dia x ½" thickness for SP1600 and 40"dia x 5/8" thickness for SP 2003). The actual production achieved during the year was 15,400 tons (2020: 7,965 tons) line pipes of varied sizes and thickness. Actual production is equivalent to 52,113 tons (2020: 34,527 tons) when translated to the notional pipe size of 30" diameter. Reason for underutilization was delay in materialization of orders for different projects.

#### Coating plant

The coating plant has a capacity of shot blasting and coating of line pipes with single layer FBE and multilayer polyolefin coatings on pipe sizes ranging from 114 mm to 1,524 mm outside dia.

The annual capacity of the plant works out to 600,000 square meters outside surface area of line pipes based on notional size of 14" dia on single shift working. Coating of 30,528 meters (2020: 128,416 meters) of different dia pipes 22,587 square meters surface area was achieved during the year (2020: 88,647 square meters surface area). Reason for underutilization was lack of coating work orders in hand.

#### Steel melting plant

The designed capacity of plant is 85,000 mtons (2020: 85,000 mtons) of billets per annum, but the total production during FY20-21 was 20,949.62 mtons (2020: 10,894 mtons) of billets. Unit operated only for about five months on self-generated (Inter division) power supply that was only compatible during crushing season of three months and two months on bagasse (purchased) on off and on basis. Production was suspended for rest eight months period because of no alternative power supply arrangements.

## 52.2 Cotton segment

### Spinning unit

The plant capacity converted to 20s count polyester cotton yarn based on three shifts per day for 1,092 shifts is 9,197,007 kilogram (2020: 9,197,007 kilograms). Actual production converted into 20s count was 8,790,199 kilograms for 1,092 shifts (2020: 7,190,635 kilograms for 921 shifts).

## 52.3 Energy segment

The plant's installed production capacity was 118,856 MWh (2020: 118,856 MWh) and the actual production achieved during the year was 26,207 MWh (2020: 16,341 MWh). Reason for underutilization was that no power was supplied to FESCO and power generation was restricted to actual demand of the two customers, Hadeed (Billet) segment (internal customer) and Shakarganj Limited (external customer).

## 53 COMPARATIVE INFORMATION

The corresponding figures have been rearranged and reclassified, wherever considered necessary for the purpose of better presentation.

## 54 GENERAL

### 54.1 Number of employees

The total number of employees including contractual employees of the Group as at 30 June 2021 were 765 (2020: 778) and weighted average number of employees were 766 (2020: 769).

The number of factory employees including contractual employees of the Group as at 30 June 2021 were 683 (2020: 699) and weighted average number of employees were 685 (2020: 690).

## 55 DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue in the Board of Directors meeting held on 12 August 2021.



Chief Executive



Director



Chief Financial Officer

# GLOSSARY - LIST OF ABBREVIATIONS

ACIR	Additional Commissioner Inland Revenue	IFAS	Islamic Financial Accounting Standards
AEL	Altern Energy Limited	IFRIC	International Financial Reporting
API	American Petroleum Institute		Interpretation Committee
APTMA	All Pakistan Textile Mills Association	IFRS	International Financial Reporting Standards
BCI	Better Cotton Initiative	IID	Investment and Infrastructure Development
Board	Board of Directors	ISO	International Organization for Standards
BOI	Board of Investment	IT	Information Technology
BMR	Balancing, Modernization and Replacement	KG	Kilo Gram
BU	Business Unit	KIBOR	Karachi Interbank Offer Rate
CCP	Crescent Cotton Products	Lbs	Pounds
CDC	Central Depository Company of Pakistan	LC	Letter of Credit
CEO	Chief Executive Officer	LHC	Lahore High Court
CFO	Chief Financial Officer	LED	Light Emitting Diode
CHL	Crescent Hadeed (Private) Limited	LNG	Liquefied Natural Gas
CIR	Commissioner Inland Revenue	LRQA	Lloyd's Register Quality Assurance
CIRA	Commissioner Inland Revenue Appeals	LSM	Large Scale Manufacturing
CIO	Chief Information Officer	MFI	Melt Flow Index
CPEC	China Pakistan Economic Corridor	MT	Management Trainee
CSAPL	Crescent Steel and Allied Products Limited	Mtons	Metric tons
CSCL	CS Capital (Private) Limited	MWh	Megawatt-Hour
CSEL	CS Energy (Private) Limited	NBV	Net Book Value
CSR	Corporate Social Responsibility	NRV	Net Realisable Value
COVID-19	Coronavirus Disease of 2019	OCI	Other Comprehensive Income
GDP	Gross Domestic Product	OHSAS	Occupational Health and Safety
Dia	Diameter		Advisory Services
DISCOS	Distribution Companies	OPS	Ounce Per Spindle
DRP	Disaster Recovery Plan	OSH&E	Occupational Safety, Health and Environment
DSC	Differential Scanning Calorimeter		
EBIT	Earnings before Interest and Taxation	PEPCO	Pakistan Electric Power Company
EBITDA	Earnings before Interest, Taxation Depreciation and Amortization	PICG	Pakistan Institute of Corporate Governance
		PKR	Pakistani Rupee
ECL	Expected Credit Loss	PNAC	Pakistan National Accreditation Council
EDB	Engineering Development Board of Pakistan	PPA	Power Purchase Agreement
EOBI	Employees' Old Age Benefit Institute	PRA	Punjab Revenue Authority
EPS	Earning Per Share	PSDP	Public Sector Development Programme
E&P	Exploration and Production	PSML	Pakistan Steel Mills Limited
ERP	Enterprise Resource Planning	PSX	Pakistan Stock Exchange
ERS	Expeditious Refund System	QMS	Quality Management System
FBR	Federal Board of Revenue	RoU	Right of Use Asset

FCF	Free Cash Flow	SBP	State Bank of Pakistan
FCSS	Free Cash Flows to Firm Method	SCP	Supreme Court of Pakistan
FDI	Foreign Direct Investment	SECP	Securities and Exchange Commission of Pakistan
FESCO	Faisalabad Electric Supply Company		
FVOCI	Fair Value Through Other Comprehensive Income	SdeE	Solution de Energy (Private) Limited
FVTPL	Fair Value Through Profit or Loss	SHC	Sindh High Court
GIDC	Gross Infrastructure Development Cess	SITE	Sindh Industrial Trade Estate
GoP	Government of Pakistan	SMEDA	Small and Medium Enterprise Development Authority
GoS	Government of Sindh		
HR&R	Human Resource and Remuneration	SP	Spiral Pipe
HR Coil	HR Coil Hot Rolled Coil	SRB	Sindh Board of Revenue
HR	Human Resource	TCF	The Citizens Foundation
HSE	Health, Safety and Environment	TFC	Term Finance Certificate
IAS	International Accounting Standards	THF	The Health Foundation
IASB	International Accounting Standards Board	USD	United States Dollars
ICAP	Institute of Chartered Accountants of Pakistan	USDA	United States Department of Agriculture
		WPPF	Workers' Profit Participation Fund
ICMAP	Institute of Cost and Management Accountants of Pakistan	WWF	Workers' Welfare Fund
		YoY	Year on Year



# FORM OF PROXY

## 37<sup>th</sup> ANNUAL GENERAL MEETING

I/We \_\_\_\_\_ s/o \_\_\_\_\_  
r/o \_\_\_\_\_, being member(s) of Crescent Steel and Allied Products Limited and holder of  
\_\_\_\_\_ Shares as per Folio No. \_\_\_\_\_/CDC Participation ID # \_\_\_\_\_  
and Sub Account # \_\_\_\_\_/CDC Investor Account ID # \_\_\_\_\_  
hereby appoint \_\_\_\_\_ s/o \_\_\_\_\_  
r/o \_\_\_\_\_ having Folio No. \_\_\_\_\_ CDC Participation ID # \_\_\_\_\_ and  
Sub Account # \_\_\_\_\_/CDC Investor Account ID # \_\_\_\_\_ as my/our proxy to attend,  
speak and vote for me/us and on my/our behalf at the Annual General Meeting of Crescent Steel and Allied  
Products Limited scheduled to be held on Thursday, 28 October 2021 at 12:00 noon, Lahore, through video-  
link and any adjournment thereof.

At witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2021.

1. Name \_\_\_\_\_  
CNIC \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_

2. Name \_\_\_\_\_  
CNIC \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_

Please affix  
here Revenue  
Stamps of  
Rs. 5/-

Members' Signature

### Note:

1. A member entitled to attend and vote at a General Meeting is entitled to appoint another member as proxy.
2. The instrument appointing a Proxy validly filled and signed together with the Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited at the Registered Office or the office of the Share Registrar of the Company, CorpTec Associates (Pvt) Limited, 503-E, Johar Town, Lahore, not less than 48 hours before the time of holding the Meeting.
3. CDC account holders will further have to follow the guidelines as laid down in circular # 1 dated January 26, 2000 of the Securities & Exchange Commission of Pakistan for appointing Proxies.
4. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
5. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
6. The members who are registered after the necessary verification shall be provided a video-link of the meeting by the Company on the same email address that they emailed the company with.
7. In case of a corporate entity, the Board of Directors' resolution/power of attorney with specimen signatures and email details of the representative and a copy of CNIC shall be submitted along with proxy form to the Company.



# پراکسی فارم

## 37 واں سالانہ اجلاس

میں مسمیٰ / مسماة \_\_\_\_\_ بن / بنت \_\_\_\_\_ ساکن / ساکنہ \_\_\_\_\_

بحیثیت رکن (ممبر) کریڈٹ اسٹیبل اینڈ الائیڈ پروڈکٹس لمیٹڈ

اور حامل \_\_\_\_\_ حصص، بحوالہ فولیو نمبر \_\_\_\_\_ اسی ڈی سی شراکت داری شناختی نمبر \_\_\_\_\_ اور ذیلی اکاؤنٹ نمبر \_\_\_\_\_

اسی ڈی سی انویسٹرا کاؤنٹ نمبر \_\_\_\_\_ بذریعہ ہڈا مسمیٰ / مسماة \_\_\_\_\_ بن / بنت \_\_\_\_\_

ساکن / ساکنہ \_\_\_\_\_ حامل فولیو نمبر \_\_\_\_\_ اسی ڈی سی شراکت داری شناختی نمبر \_\_\_\_\_

اور ذیلی اکاؤنٹ نمبر \_\_\_\_\_ سی ڈی سی انویسٹرا کاؤنٹ نمبر \_\_\_\_\_ کو اپنی جانب سے پراکسی مقرر کرتا ہوں / کرتی ہوں کہ بروز جمعرات مورخہ 28 اکتوبر 2021 بوقت دوپہر 12 بجے ہر مقام لاہور بذریعہ ویڈیو لنک یا کسی اور طریقے سے کریڈٹ اسٹیبل اینڈ الائیڈ پروڈکٹس لمیٹڈ کے سالانہ اجلاس عام میں میری جانب سے شرکت کرے، اپنی رائے کا اظہار کرے اور میری جانب سے حق رائے دہی استعمال کرے۔

مورخہ \_\_\_\_\_ 2021 کو میرے / ہمارے دستخط سے جاری ہوا۔

برائے مہربانی یہاں 5 روپے والی ریونیو اسٹیپ چسپاں کریں

دستخط نمبر \_\_\_\_\_

نام \_\_\_\_\_

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر \_\_\_\_\_

پتہ \_\_\_\_\_

\_\_\_\_\_

نام \_\_\_\_\_

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر \_\_\_\_\_

پتہ \_\_\_\_\_

\_\_\_\_\_

نوٹس:

- 1- کوئی بھی ممبر جو کہ اجلاس میں شرکت کرنے اور حق رائے دہی استعمال کرنے کا استحقاق رکھتا ہو اپنی جگہ کسی اور ممبر کو اپنا پراکسی مقرر کر سکتا ہے۔
- 2- پراکسی مقرر کرنے کیلئے باقاعدہ پر شدہ اور دستخط شدہ دستاویز اور اگر لازم ہو تو پورا نارٹاری کے ساتھ جو دستخط شدہ ہو یا نوٹری سے توثیق شدہ ہو اور اس کی نقل کمپنی کے حصص رجسٹرار کو پیک ایبوسٹی ایٹس (پرائیویٹ) لمیٹڈ-503، جو ہرٹاؤن، لاہور کے پاس اجلاس منعقد ہونے سے کم از کم 48 گھنٹے قبل جمع کروادی جائے۔
- 3- سی ڈی سی اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر کو سرکلر نمبر 1 مورخہ 26 جنوری 2000 از سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان برائے پراکسی میں مزکورہ ہدایات پر بھی عمل کرنا ہوگا۔
- 4- پراکسی فارم پر دو افراد کی جانب سے گواہی ہونا لازم ہے جن کے نام، پتے اور کمپیوٹرائزڈ قومی شناختی کارڈ نمبر بھی فارم پر درج کرنا لازم ہے۔
- 5- پراکسی فارم کے ساتھ مستفید مالک اور پراکسی کے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقل منسلک کرنا لازم ہے۔
- 6- لازمی توثیق کے بعد رجسٹری ہونے والے ممبران کو کمپنی کے اجلاس کے سلسلے میں اسی ای میل پرایک ویڈیو لنک فراہم کیا جائے گا جو کہ ان کی جانب سے کمپنی کو فراہم کیا گیا تھا۔
- 7- بصورت کارپوریٹ ادارہ، بورڈ آف ڈائریکٹرز کی قرارداد نمونہ دستخط اور ای میل تفصیلات بابت نمائندہ اور کمپیوٹرائزڈ قومی شناختی کارڈ کی نقل کمپنی کو فراہم کیا جانا لازم ہے۔

# CONSENT FORM FOR ELECTRONIC TRANSMISSION OF ANNUAL REPORT AND NOTICE OF AGM

M/s Corptec Associates (Private) Limited  
503-E, Johar Town, Lahore  
Email: info@corptec.com.pk

Subject: CONSENT FORM FOR ELECTRONIC TRANSMISSION OF ANNUAL REPORT AND NOTICE OF AGM

Dear Sirs,

I/We, being the shareholder(s) of Crescent Steel and Allied Products Limited (“Company”), do hereby consent and authorize the Company for electronic transmission of the Annual Audited Financial Statements of the Company along with the Notice of Annual General Meeting via the Email provided herein below and further undertake to promptly notify the Company of any change in my Email address.

I/We understand that the transmission of Annual Audited Financial Statements of the Company along with Notice of Annual General Meeting via the Email shall meet the requirements as mentioned under the provisions of Companies Act, 2017.

1. Name of Shareholder(s): \_\_\_\_\_
2. Father’s / Husband Name: \_\_\_\_\_
3. CNIC: \_\_\_\_\_
4. NTN: \_\_\_\_\_
5. Participant ID / Folio No: \_\_\_\_\_
6. E-mail address: \_\_\_\_\_
7. Telephone: \_\_\_\_\_
8. Mailing address: \_\_\_\_\_

Signature: \_\_\_\_\_  
(In case of corporate shareholders,  
the authorized signatory must sign)

Date: \_\_\_\_\_



# سالانہ رپورٹ اور اے جی ایم نوٹس کی الیکٹرانک ٹرانسمیشن کی اجازت کا فارم

میسرز کارپ ٹیک ایسوسی ایٹس (پرائیویٹ) لمیٹڈ

503-E، جوہر ٹاؤن، لاہور

ای میل: info@corpsec.com.pk

عنوان: سالانہ رپورٹ اور اے جی ایم نوٹس کی الیکٹرانک ٹرانسمیشن کی اجازت کا فارم

جناب عالی:

میں/ہم بذریعہ ہذا کرپٹیک ایسوسی ایٹس اینڈ الائیڈ پرائیکٹس لمیٹڈ ("کمپنی") کا/کے شیئرز ہولڈرز (ہولڈرز) ہونے کے ناطے کمپنی کے آڈٹ شدہ مالیاتی اسٹیٹمنٹس بمع سالانہ اجلاس عام کے نوٹس کی، ذیل میں دیئے گئے ای میل کے ذریعے الیکٹرانک ٹرانسمیشن کی اجازت اور اختیار دیتا ہوں/دیتی ہوں اور اپنے ای میل ایڈریس میں کسی تبدیلی کی کمپنی کو فوری طور پر اطلاع دینے کا وعدہ کرتا ہوں/کرتی ہوں۔

میں سمجھتا ہوں کہ کمپنی کے آڈٹ شدہ مالیاتی اسٹیٹمنٹس بمع سالانہ اجلاس عام کے نوٹس کی ای میل کے ذریعے ٹرانسمیشن سے ان تقاضوں کی تکمیل ہوگی جن کا کمپنیز ایکٹ، 2017ء کی دفعات کے تحت ذکر کیا گیا ہے۔

- 1۔ شیئرز ہولڈرز (ہولڈرز) کا نام \_\_\_\_\_
- 2۔ والد/شوہر کا نام \_\_\_\_\_
- 3۔ سی این آئی سی \_\_\_\_\_
- 4۔ این ٹی این \_\_\_\_\_
- 5۔ پارٹنیشن آئی ڈی/فولیو نمبر \_\_\_\_\_
- 6۔ ای میل ایڈریس \_\_\_\_\_
- 7۔ فون نمبر: \_\_\_\_\_
- 8۔ میٹنگ ایڈریس: \_\_\_\_\_

تاریخ: \_\_\_\_\_

دستخط

(کارپورٹ شیئرز ہولڈرز کی صورت میں،

مجاز دستخط کنندہ لازمی دستخط کرے)

# STANDARD REQUEST FORM FOR HARD COPIES OF ANNUAL AUDITED ACCOUNTS

Name of member: \_\_\_\_\_

CNIC No/Passport No: \_\_\_\_\_

Folio/CDC Participant ID/Sub a/c/Investor a/c: \_\_\_\_\_

Registered Address: \_\_\_\_\_

I/We hereby request you to provide me/us a hard copy of the Annual Report of Crescent Steel & Allied Products Limited for the year ended June 30, 2021 at my above mentioned registered address instead of CD/DVD/USB.

I/We undertake to intimate any change in the above information through revised Standard Request Form.

Date: \_\_\_\_\_

\_\_\_\_\_  
Member's signature

**Note:**

This Standard Request Form may be sent at either of the following addresses of the Company Secretary or Independent Share Registrar of the Company:

**Company Secretary**

Crescent Steel and Allied Products Limited  
9th Floor, Sidco Avenue Centre, 264 R.A. Lines, Karachi  
Email: [company.secretary@crescent.com.pk](mailto:company.secretary@crescent.com.pk)

**Chief Executive,**

M/s Corptec Associates (Private) Limited  
(Share Registrar )  
503-E, Johar Town, Lahore  
Email: [info@corptec.com.pk](mailto:info@corptec.com.pk)

In case a member prefers to receive hard copies for all the future annual audited accounts, then such preference shall be communicated to the Company in writing.



# کرینٹ اسٹیل اینڈ الائیڈ پراڈکٹس لمیٹڈ

## معیاری درخواست فارم برائے سالانہ آڈٹ شدہ مالیاتی اسٹیٹمنٹس کی ہارڈ کاپیز

ممبر کا نام: \_\_\_\_\_  
سی این آئی سی نمبر/ پاسپورٹ نمبر \_\_\_\_\_  
فولیو/سی ڈی سی پارٹنر شپ آئی ڈی/ سب ا/c/ انویسٹر a/c \_\_\_\_\_  
رجسٹرڈ ایڈریس: \_\_\_\_\_

میں/ ہم آپ سے درخواست کرتا ہوں/ کرتے ہیں کہ مجھے/ ہمیں کرینٹ اسٹیل اینڈ الائیڈ پراڈکٹس لمیٹڈ کے 30 جون 2021 کو ختم ہونے والے سال کی سالانہ رپورٹ کی ہارڈ کاپی، سی ڈی/ ڈی وی ڈی/ یو ایس بی کے بجائے میرے مذکورہ بالا رجسٹرڈ پتے پر فراہم کی جائے۔

میں وعدہ کرتا ہوں کہ میں مذکورہ بالا معلومات میں کسی تبدیلی کی اطلاع نظر ثانی شدہ معیاری درخواست فارم کے ذریعے دوں گا/ دیں گے۔

تاریخ \_\_\_\_\_  
ممبر کے دستخط \_\_\_\_\_

نوٹ: یہ معیاری درخواست فارم کمپنی سیکرٹری یا کمپنی کے انڈیپنڈنٹ شیئر رجسٹرار، کسی کے بھی درج ذیل پتے پر بھیجا جاسکتا ہے۔

### کمپنی سیکرٹری

کرینٹ اسٹیل اینڈ الائیڈ پراڈکٹس لمیٹڈ  
9th فلور، سڈکو ایویوینو سٹریٹ، 264 آر. اے لائنز، کراچی  
ای میل: company.secretary@crescent.com.pk

### چیف ایگزیکٹو

میسرز کارپ ٹیک ایسوسی ایٹس (پرائیویٹ) لمیٹڈ  
انڈیپنڈنٹ شیئر رجسٹرار آف کرینٹ اسٹیل اینڈ الائیڈ پراڈکٹس لمیٹڈ  
503-E، جوہر ٹاؤن، لاہور  
ای میل: info@corptec.com.pk

اگر کوئی ممبر مستقبل کے تمام سالانہ آڈٹ شدہ مالیاتی اسٹیٹمنٹس کی ہارڈ کاپیوں کی وصولی کو ترجیح دیتا ہے تو اس ترجیح کے بارے میں کمپنی کو تحریری طور پر مطلع کیا جائے۔

# E-DIVIDEND FORM (DIVIDEND PAYMENT THROUGH ELECTRONIC MODE)

The Company Secretary/Share Registrar,

I, \_\_\_\_\_, holding CNIC No. \_\_\_\_\_, being the registered shareholder of the company under folio no. \_\_\_\_\_, state that pursuant to the relevant provisions of Section 242 of the Companies Act, 2017 pertaining to dividend payments by listed companies, the below mentioned information relating to my Bank Account for receipt of current and future cash dividends through electronic mode directly into my bank account are true and correct and I will intimate the changes, if any, in the above-mentioned information to the Company and the concerned Share Registrar as soon as these occur through revised E-Dividend Form.

Title of Bank Account \_\_\_\_\_

Bank Account Number \_\_\_\_\_

IBAN Number \_\_\_\_\_

Bank's Name \_\_\_\_\_

Branch Name and Address \_\_\_\_\_

Cell Number of Shareholder \_\_\_\_\_

Landline number of Shareholder \_\_\_\_\_

Email address of Shareholder \_\_\_\_\_

In case of CDC shareholding, I hereby also undertake that I shall update the above information of my Bank Account in the Central Depository System through respective participant.

Date: \_\_\_\_\_

\_\_\_\_\_  
Member's signature

## Note:

This Standard Request Form may be sent at either of the following addresses of the Company Secretary or Independent Share Registrar of the Company:

### Company Secretary

Crescent Steel and Allied Products Limited  
9th Floor, Sidco Avenue Centre, 264 R.A. Lines Karachi  
Email: [company.secretary@crescent.com.pk](mailto:company.secretary@crescent.com.pk)

### Chief Executive,

M/s Corptec Associates (Private) Limited  
(Share Registrar)  
503-E, Johar Town, Lahore  
Email: [info@corptec.com.pk](mailto:info@corptec.com.pk)



# کرینٹ اسٹیل اینڈ الائیڈ پراڈکٹس لمیٹڈ

## ای۔ ڈیویڈنڈ فارم (الیکٹرانک طریقے سے ڈیویڈنڈ کی ادائیگی)

دی کمپنی سیکرٹری/شیئر رجسٹرار،

میں \_\_\_\_\_ حال سی این آئی سی نمبر \_\_\_\_\_ فوئیو نمبر \_\_\_\_\_ کے تحت کمپنی کے رجسٹرڈ شیئر ہولڈر ہونے کی حیثیت سے بیان کرتا ہوں/کرتی ہوں کہ لسٹڈ کمپنیوں کی طرف سے ڈیویڈنڈ کی ادائیگیوں سے متعلق کمپنیز ایکٹ، 2017ء کے سیکشن 242 کی متعلقہ دفعات کی رو سے موجودہ اور مستقبل کے کیش ڈیویڈنڈز کی الیکٹرانک طریقے سے براہ راست میرے بینک اکاؤنٹ میں وصولی کے لئے ذیل میں دی جانے والی معلومات صحیح اور درست ہیں۔ اگر اوپر بیان کردہ معلومات میں کوئی تبدیلی ہوئی تو جیسے ہی یہ تبدیلی ہوگی میں نظر ثانی شدہ ای۔ ڈیویڈنڈ فارم کے ذریعے کمپنی اور متعلقہ شیئر رجسٹرار کو فوری طور پر اس کی اطلاع دوں گا/دوں گی۔

ٹائٹل آف بینک اکاؤنٹ

بینک اکاؤنٹ نمبر

آئی بی اے این نمبر

بینک کا نام

برانچ کا نام اور ایڈریس

شیئر ہولڈر کا سیل نمبر

شیئر ہولڈر کا لینڈ لائن نمبر

شیئر ہولڈر کا ای میل

سی ڈی سی شیئر ہولڈنگ کی صورت میں، میں بذریعہ ہذا یہ وعدہ بھی کرتا ہوں کہ متعلقہ پارٹنیشن کے ذریعے سنٹرل ڈیپازٹری سسٹم میں اپنے بینک اکاؤنٹ کی مذکورہ بالا معلومات کو اپ ڈیٹ کروں گا/کروں گی۔

تاریخ \_\_\_\_\_

ممبر کے دستخط

نوٹ: یہ معیاری درخواست فارم کمپنی سیکرٹری یا کمپنی کے انڈیپنڈنٹ شیئر رجسٹرار، کسی کے بھی درج ذیل پتے پر بھیجا جاسکتا ہے:

کمپنی سیکرٹری

کرینٹ اسٹیل اینڈ الائیڈ پراڈکٹس لمیٹڈ

9th فلور، سڈکو ایویو سنٹر، 264 آراے لائنز کراچی

ای میل: company.secretary@crest.com.pk

چیف ایگزیکٹو

میسرز کارپ ٹیک ایسوسی ایٹس (پرائیویٹ) لمیٹڈ

انڈیپنڈنٹ شیئر رجسٹرار آف کرینٹ اسٹیل اینڈ الائیڈ پراڈکٹس لمیٹڈ

503-E، جوہن ٹاؤن، لاہور

ای میل: info@corpsec.com.pk

# FORM FOR VIDEO CONFERENCE FACILITY

The Company Secretary/Share Registrar,

I, We \_\_\_\_\_, of \_\_\_\_\_, being the registered shareholder(s) of the company under Folio No(s). \_\_\_\_\_/ CDC Participant ID No. \_\_\_\_\_ and Sub Account No. \_\_\_\_\_ /CDC Investor Account ID No., and holder of \_\_\_\_\_ Ordinary Shares, hereby request for video conference facility at \_\_\_\_\_ for the Annual General Meeting of the Company to be held on 28 October, 2021.

Date: \_\_\_\_\_

\_\_\_\_\_  
Member's signature

**Note:**

This Standard Request Form may be sent at either of the following addresses of the Company Secretary or Independent Share Registrar of the Company:

**Company Secretary**

Crescent Steel and Allied Products Limited  
9th Floor, Sidco Avenue Centre, 264 R.A. Lines Karachi  
Email: company.secretary@crescent.com.pk

**Chief Executive,**

M/s Corptec Associates (Private) Limited  
(Share Registrar)  
503-E, Johar Town, Lahore  
Email: info@corptec.com.pk



# کریسنٹ اسٹیل اینڈ الائیڈ پراڈکٹس لمیٹڈ

## ای۔ فارم برائے ویڈیو کانفرنس سہولت

دی کمپنی سیکرٹری/شیئر رجسٹرار،

\_\_\_\_\_ سے تعلق رکھنے والا/ والے، میں/ ہم \_\_\_\_\_ حامل \_\_\_\_\_ عام حصص ذیلیو نمبر (نمبرز) \_\_\_\_\_ / سی ڈی سی پارٹنر شپ ID  
نمبر \_\_\_\_\_ اور سب اکاؤنٹ نمبر \_\_\_\_\_ سی ڈی سی انویسٹر اکاؤنٹ ID نمبر \_\_\_\_\_ کے تحت کمپنی کے رجسٹرڈ شیئر ہولڈر (ہولڈرز) کی حیثیت سے 28  
اکتوبر 2021 کو منعقد ہونے والے کمپنی کے سالانہ اجلاس عام کے لئے \_\_\_\_\_ میں ویڈیو کانفرنس سہولت کی درخواست کرتا ہوں/ کرتے ہیں۔

تاریخ \_\_\_\_\_

ممبر کے دستخط

نوٹ: یہ معیاری درخواست فارم کمپنی سیکرٹری یا کمپنی کے انڈیپنڈنٹ شیئر رجسٹرار، کسی کے بھی درج ذیل پتے پر بھیجا جاسکتا ہے۔

### کمپنی سیکرٹری

کریسنٹ اسٹیل اینڈ الائیڈ پراڈکٹس لمیٹڈ

9th فلور، سڈکو ایویو سنٹر، 264 آراے لائنز، کراچی

ای میل: company.secretary@crescent.com.pk

### چیف ایگزیکٹو

میسرز کارپ ٹیک ایسوسی ایٹس (پرائیویٹ) لمیٹڈ

انڈیپنڈنٹ شیئر رجسٹرار آف کریسنٹ اسٹیل اینڈ الائیڈ پراڈکٹس لمیٹڈ

503-E، جوہان ڈائن، لاہور

ای میل: info@corpsec.com.pk



