Crescent Steel and
Allied Products Limited

2020

ANNUAL
REPORT

THE JOURNEY AHEAD

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VISION, MISSION & CORE VALUES

OUR VISION AND MISSION DEFINE THE PURPOSE AND GOALS OF CRESCENT STEEL. TOGETHER WITH THE BUILDING BLOCKS OF OUR CORE VALUES, THEY DRIVE AND INFORM OUR STRATEGIC DIRECTION:

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 and,
- 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

Contiuous 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

Sales Revenue **3,822.2** (PKR in million)	Loss before Tax **117.8** (PKR in million)
Gross Profit ratio **1.3** Percentage	Net Loss margin **0.5** Percentage
EBITDA **416.9** (PKR in million)	Loss per Share (Basic and diluted) **0.22** (PKR per share)
Total Assets **9,661** (PKR in million)	Shareholders' Equity **5,448** (PKR in million)
Capital Expenditure **9.2** (PKR in million)	Break-up Value **70.2** (PKR per share)
Cash Dividend (Including final proposed) **-** (PKR per Share)	Return on average Capital Employed **2.4** Percentage
Gearing ratio **35.5** Percentage	Current ratio **1.1:1** Ratio
Price Earnings ratio **-** Times	Share Price **45.5** (PKR per share)

OUR GOVERNING PRINCIPLES

We conduct our business in a responsible manner; with honesty, transparency and integrity. We expect the same from all stakeholders. We insist on doing what is right and this underpins the functioning of our organization. We comply 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.

INTEGRITY

Crescent Steel and Allied Products Limited ("CSAPL") does not use bribery as an instrument for any business or financial gain. Employees are not authorized to give or receive any gift or payment which may be construed as such. Employees are also required to avoid engaging in any personal activity or financial interests conflicting with their responsibility to the Company.

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 upon 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 fixed salary as determined by the Board; performance of CEO is evaluated against approved criteria by the HR & R Committee and recommended to the Board for approval. All the other directors are paid Director's fee for attending Board meetings which is also fixed in light of applicable laws and regulations. Further, Chairman of the Board is paid honorarium for his services to the Company as approved by the Board.

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 these committees operate under a charter approved by the Board. Through its committees, the Board provides proactive oversight in some of the key areas of business and the performance of CEO. 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 of 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 has five distinct business units, a Steel Division, a Cotton Division, an Investment and Infrastructure Development Division, Crescent Hadeed Division and CS Energy Division. Respective Business Unit Heads are accountable for performance and bottom line of 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 clear responsibility and authority matrix 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 is responsible to monitor compliance with the manual.

The Company has two directly owned subsidiaries:

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

Crescent Hadeed (Private) Limited and CS Energy (Private) Limited (Formerly directly owned subsidiaries) stand amalgamated with the company, effective 30 June 2019.

SERVICE TO SOCIETY

We are committed to be active as responsible corporate citizens. We believe in "giving something back" by addressing issues such as education, healthcare, public safety, environmental health etc. This is also arising from our belief that individual entities when they work together can create powerful synergies and help to improve the conditions of the society in which they are operating. 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. Major portion of our budget for philanthropy and sponsorship is allocated to primary and secondary schooling for less privileged children.

HEALTH, SAFETY AND ENVIRONMENT

At CSAPL 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

Every year, the Business Strategy Committee reviews and updates the rolling Corporate Strategic Plan in line with major changes to the business environment. This ensures that our core strategic direction is updated and remains relevant at all times.

As part of our planned, annual business strategy meetings, we reviewed the corporate strategy FY20-FY22 to new business and environmental challenges. The effects of the COVID-19 pandemic significantly reduced global consumption and caused major supply chain disruptions; domestically, our businesses rely on infrastructure development specifically in the oil and gas transmission, construction and water works segments. Ancillary business lines also saw significant capital erosion in the face of economic challenges from the crisis induced slowdown. In navigating the crisis, compounded by the effects of economic challenges Pakistan corporates had already been facing since early 2019, It was critical to weigh efficiency against reliability across human capital, IT infrastructure, supply chains and more. It helped us recognise strengths and weaknesses in how we run our business, especially when faced with unprecedented challenges and uncertainty like the COVID-19 pandemic.

Overall, the conditions do not necessitate any radical change to our long-term targets or corporate strategy. The core business targets remain unchanged. The strategic theme ACT - H3 was retained for the next three years. ACT [Agility, Creativity, Tenacity] H3 [Head, Hands and Heart] represents the way we work at Crescent Steel.

In essence, we believe that the engineering sector will be the engine for economic growth in Pakistan and our strategic focus 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 and, to become a leading supplier of integrated line pipe solutions/ services in Pakistan.

We have formulated strategic perspectives/maps for different time-frames, to aid us in developing strategic actions and to monitor outcomes. The basis is our long-term vision: "To excel across all our operations and deliver sustainable value to all stakeholders".

Objective	Timeline	Rating	Strategy	
To enhance shareholders' value and offer consistent, competitive returns, by delivering responsible, long-term growth.	Long term	High	Maximize revenues by enhanced product offering and minimize cost through efficiencies and optimum supply chain management. Enhance market share. Strengthen stakeholder engagement.	
Build and maintain a strong corporate structure to withstand periods of inactivity in core businesses and to effectively manage business risks.	Long term	High	Develop strong social and relationship capital and provide meaningful inputs to regulators, legislators, policy makers, shareholders, customers, government bodies. Growing responsibly through business acquisitions and organic growth in engineering, energy, real estate and food sectors. Moderate risk exposure and strong, regularly monitored controls. Remain invested in blue chip Pakistan corporates through capital market investments for capital appreciation and dividend yields.	
Build operational agility, be responsive to changing business environment and customer needs by leveraging all forms of capitals.	Short to Medium term	High	Encourage ideas from the bottom to the top level. Secure competitive advantage through professional procurement structures. Together with supplier, we aim to create value and minimize risks. Build ancillary business lines in the steel long products segment / secondary steel markets. Leverage technical / engineering expertise to provide pipeline services, solutions and consultancy. Leveraging information systems for decision support and to enable remote working across all roles critical to BAU operations. Target opportunities for participating in regional pipeline projects. Work to develop innovative construction practices locally; create a market for piling solutions.	

	Resource Allocation Plan	Key Performance Indicators (KPI)	Status / Actual Results
	Financial Capital Human Capital Manufactured Capital Intellectual Capital	Earnings per Share. Market price per share. Dividend per share. Payout Ratio. Return on Equity.	**Last 5 years average:** Earning per share Rs. 7.47 Dividend per share Rs. 2.45 Payout ratio 20.21 Return on Equity 9.00%
	Human Capital Financial Capital Manufactured Capital Social & Relationship Capital	Diversified streams of revenue. Enhancing focus on unit level performance. Optimum gearing. Ease of access to capital. Regulatory compliance, strong monitoring and controls through independent audit functions. No imposition of fines and penalties.	Five different divisions having diversified streams of revenues. Last 5 years gearing ratio 29.24% There were no non-compliances reported by any Government body or institution during the year.
	All forms of Capital	Relationships with business partners including investors, lenders, suppliers, customers and regulatory bodies. Capacity utilization of plant and machinery. Sound financial management (capital, liquidity and taxation management).	Ongoing process. Make to order specialised products to meet customer needs. Customer engagement by regular customer meetings, customer visits, and technical advices to further strengthen business relationships. Exploration of alternate suppliers and performs concrete and thorough research on their product ranges to meet any contingencies, if required. The Company retains its authorization to the use the API monogram of the American Petroleum Institute, since its inception in 1987. API signifies the highest international standard accredited for quality of steel line pipes. With its high class team and management support, Crescent Steel continues to maintain quality management certification under API Q1 and ISO 9001. Achieved new synergies by diversification within Company.

Objective	Timeline	Rating	Strategy	
To manage our impacts and to support local communities where we operate.	Long term	High	Strengthen our culture of high performance and continue to asses ourselves with fairness and live by core values. Working with the communities where we operate with a focus managing the impacts of our operations as well to invest in education, emergency and quality affordable healthcare and a safe, clean and healthy environment that promotes the development.	
Optimum Cost Level.	Short to Medium term	High	A system of continuous review of existing workflow, production processes, preventive and predictive maintenance was in place throughout the year to achieve efficiency and improvement in productivity. Determined efforts were made to reduce cost through cost-effectiveness programs.	
Enhance skilled workforce and maintain highly ethical and healthy working environment for employees.	Medium term	High	Progressive training and development programs while taking initiatives that contribute towards creating an enjoyable work environment, where employees exhibit positive energy. Contribute to our durability by providing our people with working environments that maximize their skills and realize the potential of both individual employees and teams. Providing an environment where people are safe, listened to, where they continue to learn and are assessed with fairness.	
Ensure health and safety of employees in workplaces.	Short to Medium term	High	The safety of our people is incorporated into everything we do. We impose the highest standards of safety and protection on our staff and the space. We retains ISO 14001:2015 and OHSAS 18001:2007 standards certification and in process of migrating to ISO 45001:2018.	

	Resource Allocation Plan	Key Performance Indicators (KPI)	Status / Actual Results
	Human Capital Financial Capital Social & Relationship Capital	Percentage of profit before tax distributed in donations. Number of Crescent Scholars and their progress. Impact evaluations for discretionary giving. Endorsement and recognition from regulators and other authorities.	Ongoing process. Philanthropic CSR policy allocates 2% to 5% of pre-tax profits. 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. Our people have volunteered 909 hours (FY19: 1,484 hours) to structured community programs throughout the year. Support 6 students in universities in Pakistan, US and Germany including 3 children of employees through our scholarship program. 21 students have been supported in full or in part for tertiary programs. 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). See "Corporate Social Responsibility" section for details.
	Financial Capital Human Capital Manufactured Capital	Profitability ratios	Ongoing process. See "Summary Data and Performance Indicator
	Human Capital Social & Relationship Capital	Internal & External Training. Education programs for employees. Employee Turnover Rate. Employees Satisfaction Survey.	147 employees were trained for a total of 726 hours during the year. Employees' Satisfaction Index of 3.81/5.
	Human Capital Manufactured Capital Financial Capital Social & Relationship Capital	Number of accidents	No major accidents occurred during the year at any of the Company's facilities, a testament to the effectiveness of Company's safety policies. The HSE management system at Crescent Steel is developed against international standards, ISO 14001:2015 and OHSAS 18001:2007. The Company is in the process of migrating from OHSAS 18001:2007 to ISO 45001:2018 to further strengthen and improve the HSE management system. Further, after the COVID-19 outbreak, necessary precautionary measures have been taken aimed at preventing pandemic's spread and ensuring safety of associates.

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

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 prevailing operational structure of the Company consists of a shared services or corporate division which consists of shared services units such as Finance, HR and IT and, various business 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 the performance of their respective division or department. Board Committees have access to BUHs for 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 forward their suggestions to 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 office and factory locations and a virtual suggestion box with direct access to the CEO is on our employee SharePoint portal. In addition to this we have an annual Open House with the CEO where employees may drop in to meet the CEO one on one and express their concerns and share feedback in person. These meetings are aimed at capturing free and first hand suggestions that are useful in refining operations and in improving work environment.

The formal mechanisms in place provide our people the access and space to give suggestions, raise grievances and concerns or any matter relating to the Company. Suggestions are reviewed and monitored directly by the CEO or the Head of Administration. 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 which is attended by CEO, Chairman, Board of Directors and Company Secretary. The interactive session between the Company's management and shareholders allows the shareholders to ask questions on financial, economic, social and any other issues and to provide any 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/

MANAGING CONFLICT OF INTEREST

The Company in compliance with the Code of Corporate Governance, annually circulates and obtains a signed copy of Code of Conduct applicable to all its employees and directors, which also relates to 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 - 2020

1983-2000

1983

- Incorporation of Crescent Steel and Allied Products Limited*

1987

- Commercial Production
- Listing on 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-layer polyolefin coating facility

1992

- First ever 3LPE coating project in Pakistan executed

1995-96

- Change of reporting period from December to June
- New logo of Company

1997

- First company in its sector to obtain ISO 9001 accreditation
- Reported 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 taken
- Testing facilities for our service line pipes acquired

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
- New spinning mill completed and commenced production
- Acknowledged among KSE - Top 25 Companies 2005
- First Pakistani Company to acquire oil and gas industry specifics ISO/ TS 29001, QMS Certification from API
- 1st Position Best Corporate Report Awards 2005 (ICAP and ICMAP)

2007

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

2008

- Port piles work executed
- 1st Position – Best Corporate Report Award 2007

2009

- Oracle e-business suite go - live
- SAFA Merit certificate - Best Presented Accounts and Corporate Governance Disclosure Awards 2009
- Acknowledged among KSE - Top 25 Companies 2008
- 2nd Position – Best Corporate Report Award 2008

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
- ISO 14001 and OHSAS 18001 requirements complied for the first time
- 2nd Position – Best Corporate Report Award 2009

2011-2020

2011

- Upgraded coating plant capacity to 60" making it the only coating plant of this capacity
- 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

2012

- Acquired 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 for "Best Management and Decent Work Practices" by the Employers' Federation of Pakistan
- 2nd Position - Best Practices Award on OSH&E (Occupational Safety, Health and Environment) in 7th Employers' Federation of Pakistan
- 2nd Position – Best Corporate Report Award 2011

2013

- Incorporated 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
- 2nd Prize – Corporate Excellence Award by Management Association of Pakistan

2014

- 1st Position – Employer of the Year Award 2012
- 1st Position – 9th Best Practice Award on OHSAS 2013
- 2nd Position – Best Corporate Report Award 2013
- 3rd Best CEO Award 2013
- 4th Position – Best Sustainability Award 2013
- 5th Position – Corporate Philanthropy Awards 2012

2015

- Land allocated by Punjab Power Development Board to Solution de Energy (Private) Limited to establish solar power generation facility
- 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 by South Asian Federation of Accountants
- 3rd Position - 10th Best Practice Award on OSH&E 2014

2016

- Rights issued to finance expansion in the line pipe manufacturing unit by adding another SP Line
- Installation and commencement of operation by second SP Machine 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 in the Diversified Holdings Sector - South Asian Federation of Accountant's Best Presented Annual Report Awards 2014
- 3rd position in the Engineering Sector and 2nd position for Sustainability Report - Best Corporate and Sustainability Report Awards 2014 (ICAP and ICMAP)
- 2nd in the category of Human Resource Development Employer's Federation of Pakistan's 3rd Employer of the year award of the year 2014

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 in the Diversified Holdings Sector - South Asian Federation of Accountant's Best Presented Annual Report Awards 2015
- 3rd position in the Engineering Sector and 3rd position for Sustainability Report - Best Corporate and Sustainability Report Awards 2015 (ICAP and ICMAP)
- 1st position in the Engineering and Autos Sector and 3rd position for Sustainability Report - Best Corporate and Sustainability Report Awards 2016 (ICAP and ICMAP)

2018

- JCR-VIS Credit Rating Company Limited (JCR-VIS) maintained the entity ratings at 'A+/A-2' (Single A Plus/A-Two)
- Listed as one of the top 25 Companies for 2016 by the Pakistan Stock Exchange
- 1st in the Diversified Holdings Sector - South Asian Federation of Accountant's Best Presented Annual Report Awards 2016
- Joint second runner up in the Integrated Reporting category - South Asian Federation of Accountant's Best Presented Annual Report Awards 2016
- Fifth in the Best Sustainability Report Award 2017

2019

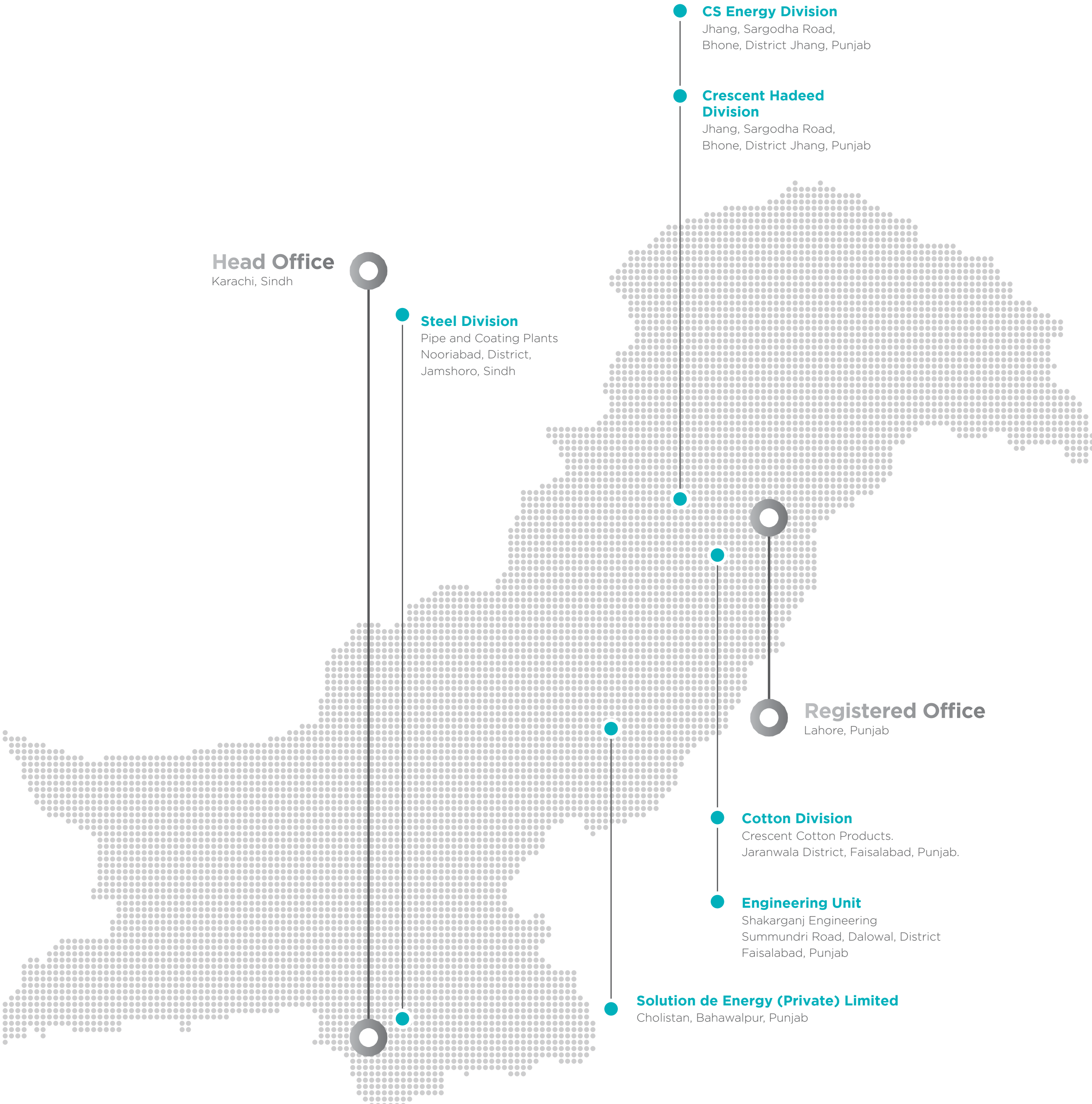
- Awarded with a certificate of merit in the Engineering and Autos Sector by Best Corporate Report Award 2018 (ICAP and ICMAP)
- Amalgamation of Crescent Hadeed (Private) Limited and CS Energy (Private) Limited – wholly owned subsidiaries
- 1st in the Diversified Holdings Sector - South Asian Federation of Accountant's Best Presented Annual Report Awards 2017
- Enhanced hydro-tester machine capacity to meet new industry requirements

2020

- Electricity Generation license of Solution de Energy (Private) Limited
- 3rd Position – Corporate Philanthropy Awards 2018
- Tested and implemented IT infrastructure for "Work From Home" arrangements.
- COVID 19 – Protocols & Work Instructions Implementations

*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 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 industry segments - 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 Dalowal, Faisalabad. The Pipe Plant manufactures high quality steel pipes in the diameter range of 8" - 120" (219 mm - 3,048 mm) in wall thickness from 4 mm – 25 mm up to lengths of 44 feet per pipe and material grades up to API 5L X-100. 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 serious and 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 is engaged in fabrication and erection of machinery at par with international standards and designs, especially for sugar and cement industry. The unit has a wide product fabrication capability and specializes in the manufacture and supply of cane shredders, juice heaters, evaporators, batch and continuous vacuum pans, centrifugal machines, stainless steel deep bed filter, spray clusters and 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 was leveraged for partial fabrication for a Continuous Caster Machine structure, girders for overhead cranes and a vibratory scrap feeder to Crescent Hadeed Division – billet manufacturing unit.

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, CCP as a division is registered with Ministry of Textile Industry Pakistan and All Pakistan Textile Mills Association (APTMA). CCP 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 Kgs per annum. The brand is known for high quality and demands a premium.

INVESTMENT AND INFRASTRUCTURE DEVELOPMENT DIVISION

The division manages a portfolio of equity investments and real estate. 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

A Power generation unit (Formerly operating as a fully owned subsidiary of Crescent Steel and Allied Products Limited) has recently merged with and into CSAPL.

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

CRESCENT HADEED DIVISION– BILLET MANUFACTURING UNIT

A billet manufacturing unit (Formerly operating as a wholly owned subsidiary of Crescent Steel and Allied Products Limited) has recently merged with and into CSAPL.

At present, 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 various sizes and a standard length of 6 meters. Billets manufactured by the Company 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. The principal activity of the subsidiary is to manage investment portfolios in shares, real estate, commodities and other securities (strategic as well as 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 operating as fully owned subsidiary of CSAPL, post amalgamation of CS Energy (Private) Limited and CSAPL.

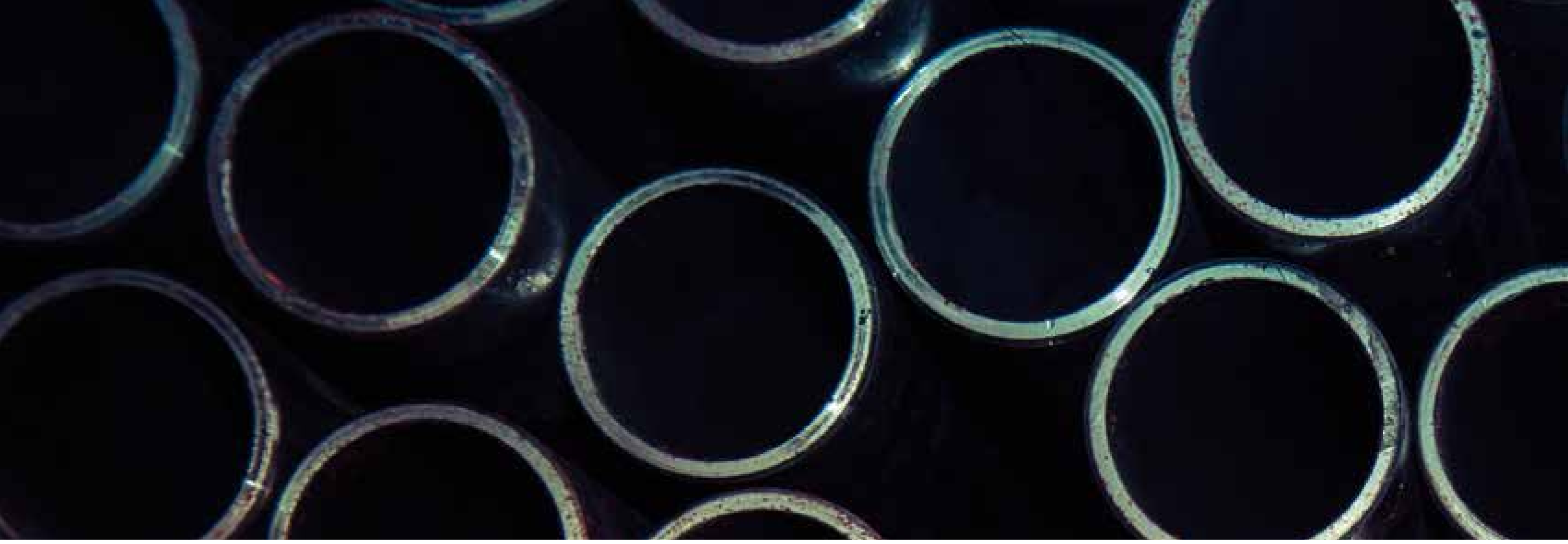
The company was incorporated in October 2013, its principal activity being to build, own, operate and maintain a 100MW solar power project.

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 positons are discussed in detail in the “Our Business process” section of Biennial Corporate Responsibility Report 2018-19.

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 Process” section of Biennial Corporate Responsibility Report 2018-19.



COMPANY INFORMATION

BOARD OF DIRECTORS

Ahmad Waqar
Chairman, Non-Executive Director (Independent)

Ahsan M. Saleem
Chief Executive Officer and Managing Director

Farah Ayub Tarin
Non-Executive Director (Independent)

Farrukh V. Junaidy
Non-Executive Director (Independent)

Nadeem Maqbool
Non-Executive Director (Independent)

Nasir Shafi
Non-Executive Director

S.M. Ehtishamullah
Non-Executive Director

COMPANY SECRETARY

Iesha 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

Ahmad Waqar
Chairman, Non-Executive Director (Independent)

Ahsan M. Saleem
Member, Chief Executive Officer and Managing 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 (Independent)

Ahsan M. Saleem
Member, Chief Executive Officer and Managing Director

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

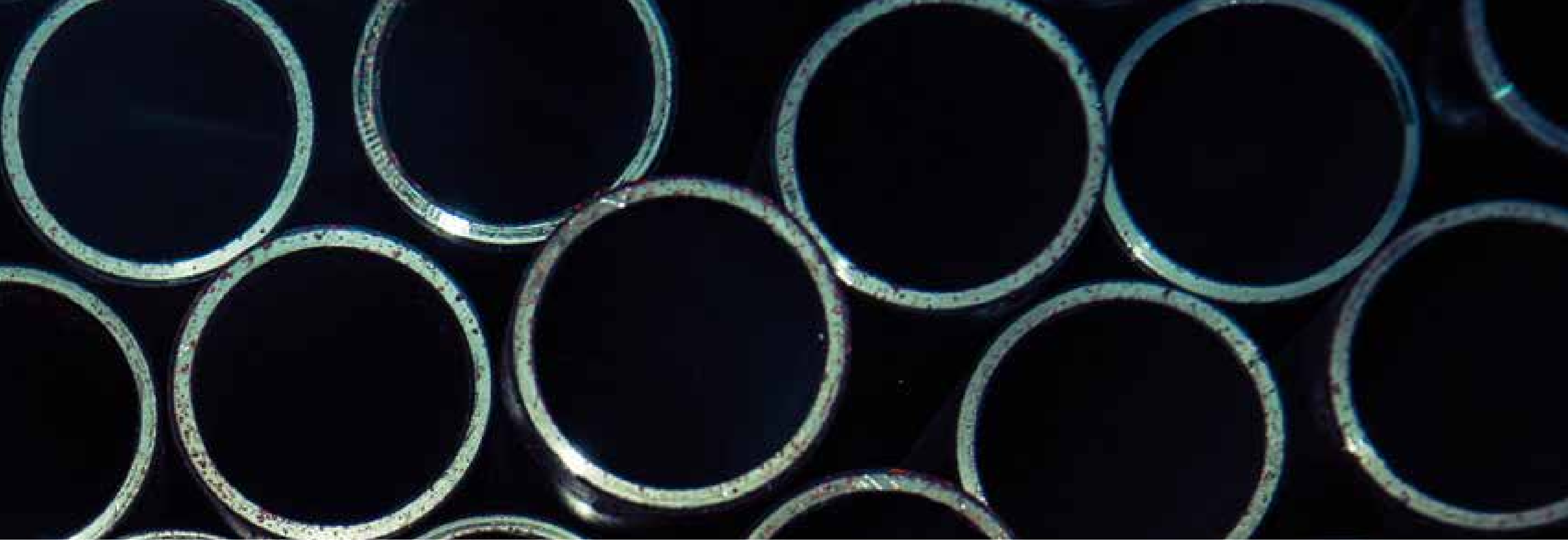
RISK MANAGEMENT COMMITTEE

S.M. Ehtishamullah
Chairman, Non-Executive Director

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

Nadeem Maqbool
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 and Managing Director

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 A. Saleem - 2010*
Resident Director Cotton and 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

KPMG Taseer Hadi & Co.
Chartered Accountants

Internal Auditors

BDO Ebrahim & Co
Chartered Accountants

LEGAL ADVISOR

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

BANKERS

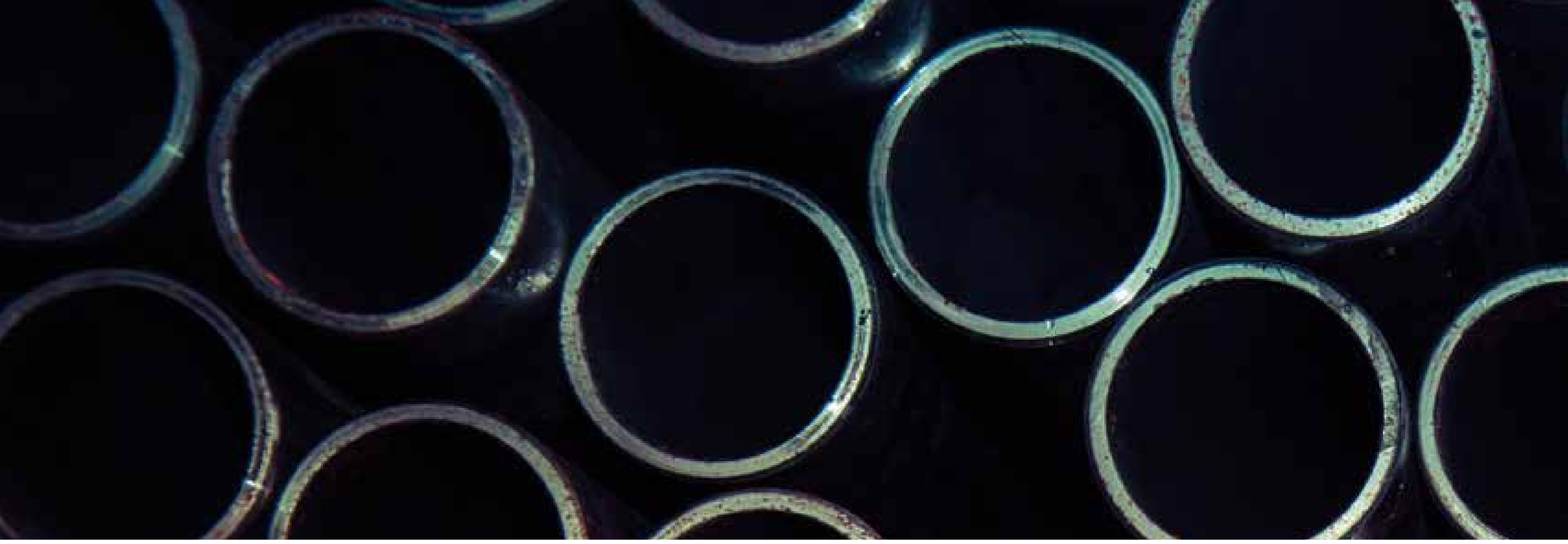
Conventional

Allied Bank Limited
Habib Bank Limited
Industrial and Commercial Bank of China
Habib Metropolitan Bank Limited
MCB Bank Limited
National Bank of Pakistan
Summit Bank Limited
JS 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@crescent.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@crescent.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@crescent.com.pk

ENGINEERING UNIT

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

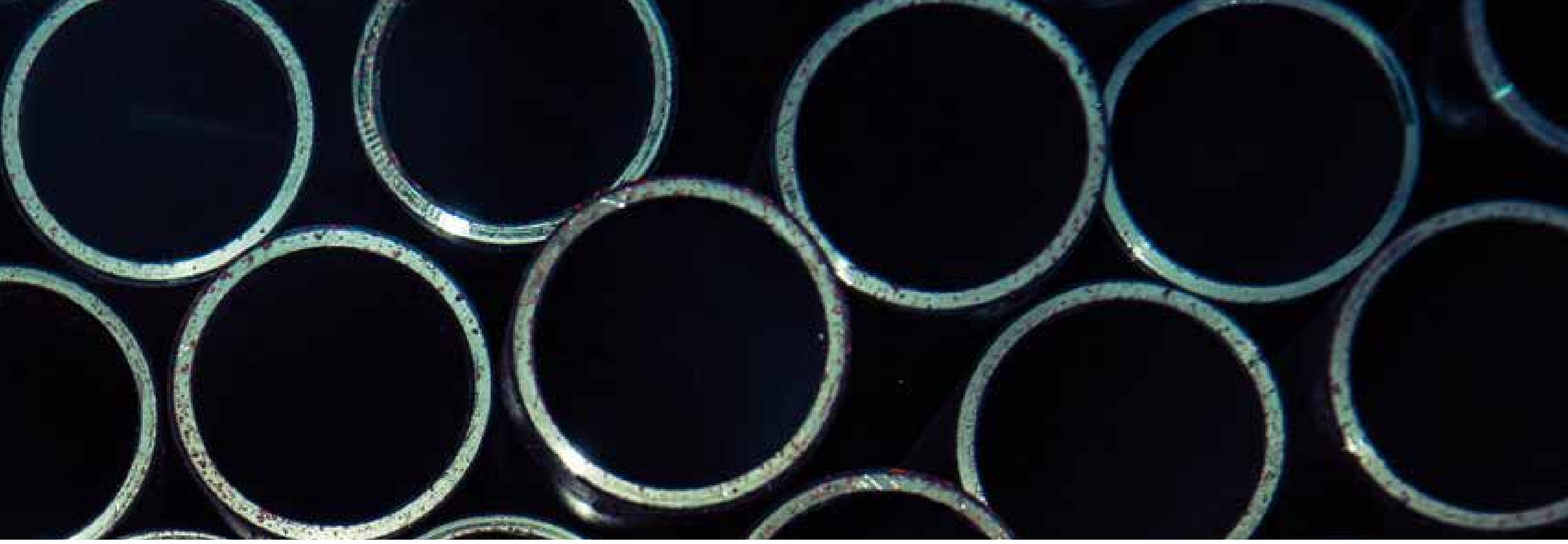
COTTON DIVISION
CRESCENT COTTON PRODUCTS

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

CRESCENT HADEED DIVISION
BILLET MANUFACTURUNG UNIT

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

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

CORPORATE WEBSITE

To visit our website, go to www.crescent.com.pk

FINANCIAL STATEMENT

For Annual Report 2020 go to:
http://crescent.com.pk/wp-content/uploads/2020/10/CSAPLAccounts-2020.pdf

CORPORATE RESPONSIBILTY REPORT

The Complete Report can be found on:
http://crescent.com.pk/wp-content/uploads/2020/10/CSAPL-CSR-Report-2020.pdf

GROUP STRUCTURE

Crescent Steel and Allied Products Limited

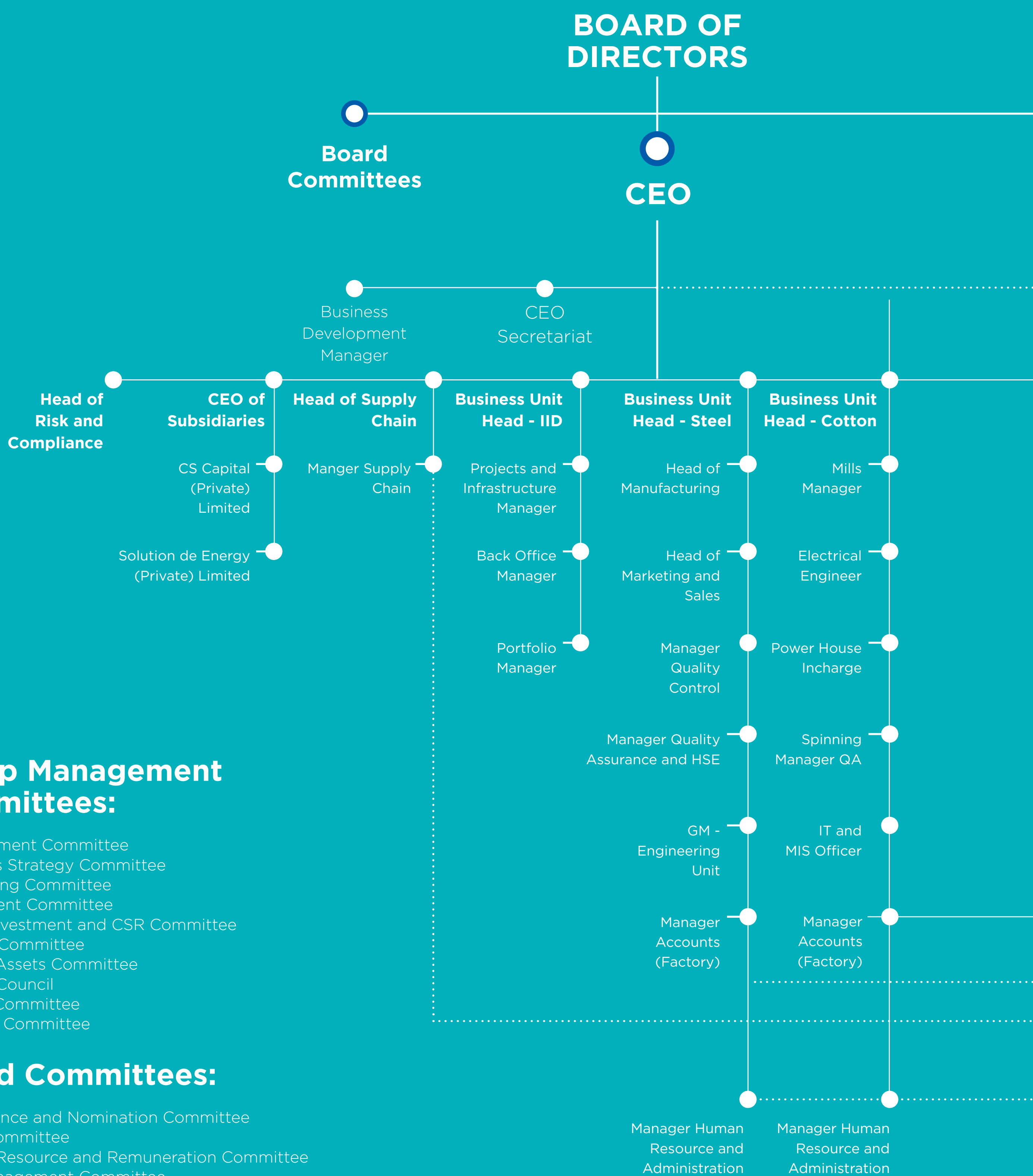
SUBSIDIARIES

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

BUSINESS UNITS

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

MANAGEMENT STRUCTURE OF THE COMPANY

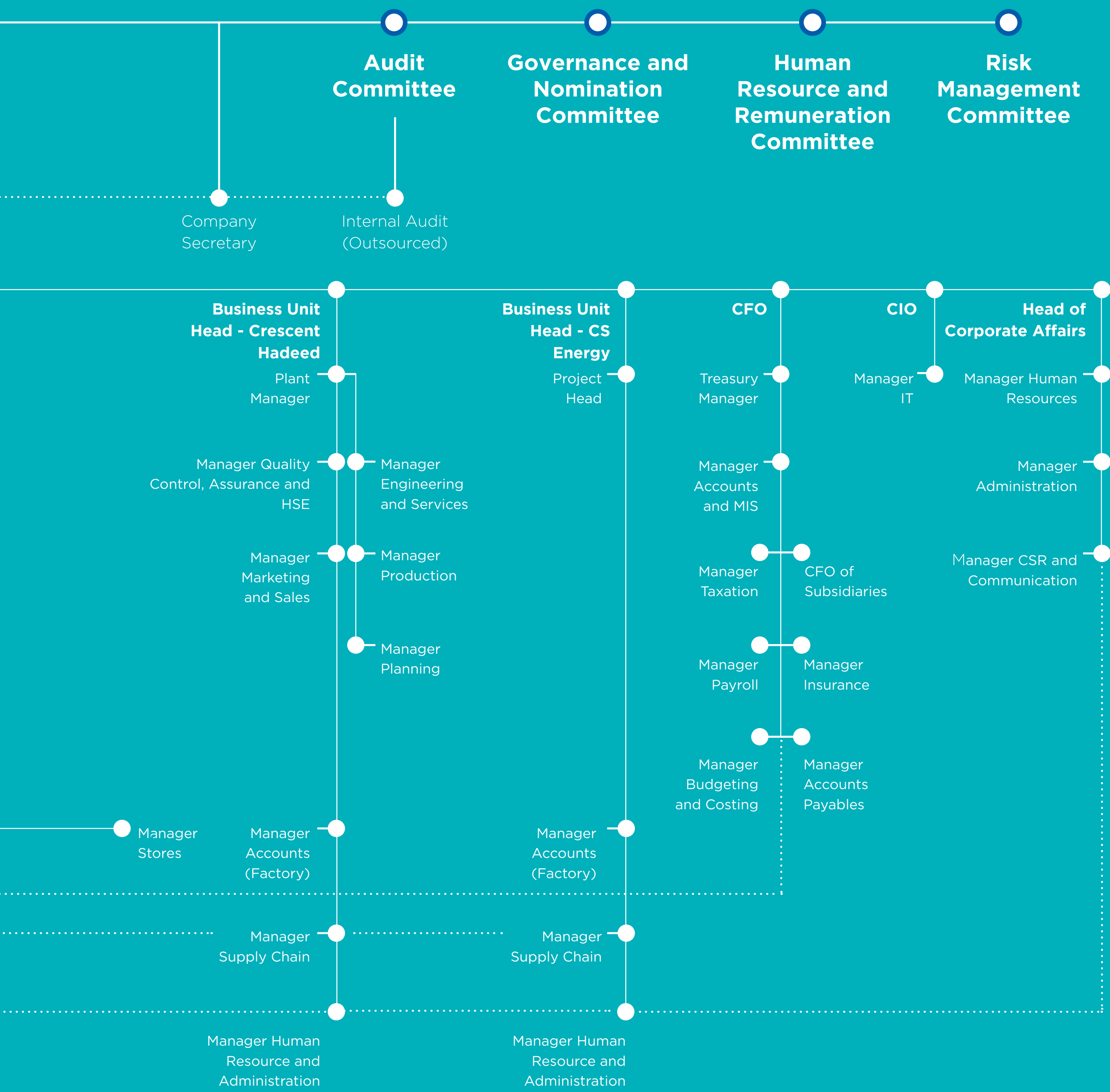


Group Management Committees:

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

Board Committees:

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


Audit Committee
Governance and Nomination Committee
Human Resource and Remuneration Committee
Risk Management Committee
Company Secretary
Internal Audit (Outsourced)
Business Unit Head - Crescent Hadeed
Plant Manager
Manager Quality Control, Assurance and HSE
Manager Engineering and Services
Manager Marketing and Sales
Manager Production
Manager Planning
Manager Stores
Manager Accounts (Factory)
Manager Supply Chain
Manager Human Resource and Administration
Business Unit Head - CS Energy
Project Head
Manager Accounts (Factory)
Manager Supply Chain
Manager Human Resource and Administration
CFO
Treasury Manager
Manager Accounts and MIS
Manager Taxation
CFO of Subsidiaries
Manager Payroll
Manager Insurance
Manager Budgeting and Costing
Manager Accounts Payables
CIO
Manager IT
Head of Corporate Affairs
Manager Human Resources
Manager Administration
Manager CSR and Communication

BOARD OF DIRECTORS

AHMAD WAQAR, 71

Joined Board: 30 January 2012

Chairman (Non-Executive, Independent)

Masters in English Literature, MBA (Finance)

Other current engagements:
Member Policy Board, Department of Auditor General of Pakistan

Past engagements:
Secretary:
Revenue Division / Chairman FBR,
Investment Division / Board of Investment,
Finance Division,
Ministry of Petroleum and Natural Resources,
Privatization Commission / Additional Secretary In-charge Privatization Commission

Chairman:
Saindak Metals (Private) Limited,
Pakistan Mineral Development Corporation,
Pangea Growth (Private) Limited (PanGro),
Government Holdings (Private) Limited

Director/Member:
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,
Reform Coordination Group,
Ufone

Deputy Auditor General:
Government of Pakistan

Member Finance:
Capital Development Authority, Islamabad

Chief Accounts Officer:
Pakistan Telecommunication Company Limited

Deputy Secretary:
Cabinet Division

Controller / Joint Controller / Deputy Controller / Assistant Controller:
Military Accounts

Principal Advisor / Consultant:
Petroleum Exploration (Private) Limited

AHSAN M. SALEEM, 67

Joined Board: 01 August 1983

Chief Executive Officer and Managing Director

(Masters in Economics)

Other current engagements:
Director:
The Citizens Foundation,
Pakistan Centre for Philanthropy
Chairman, Board of Governors, Indus Valley School of Arts and Architecture.

Trustee:
Commecs Educational Trust

Past engagements:
Chief Executive:
Shakarganj Limited

Chairman:
Commecs Institute of Business and Emerging Sciences

Director / Member:
Central Depository Company of Pakistan Limited (CDC),
CDC Trustee Company Limited

FARAH AYUB TARIN, 65

Joined Board: 23 December 2019

Director (Non-Executive, Independent)

MSC, MBA, M.A English Literature

Past Engagements:
Controller General of Accounts
Project Director PIFRA,
Accountant General of Accounts,
Deputy Controller General of Accounts,
Director General, HRM Auditor General of Pakistan,
Deputy Secretary, Economic Affairs Division, Pak Secretariat, Islamabad

FARRUKH V. JUNAIDY, 61

Joined Board: 29 January 2015

Director (Non-Executive, Independent)

FCA

Other Current Engagements:
Senior Partner:
Junaidy Shoaib 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:
Ghandhara Leasing Company Limited

Vice President:
Institute of Chartered Accountant of Pakistan

NADEEM MAQBOOL, 60

Joined Board: 25 March 2020

Director (Non-Executive, Independent)

A.B Eco.

Other Current Engagements:
Chief Executive Officer:
Suraj Cotton Mills Limited

Director:
Suraj Cotton Mills Limited
Premier Insurance Limited,
Premier Financial Services (Private) Limited
Crescent Fiber Limited

Past Engagements
Director/ Chairman:
Karachi Cotton Association

Chairman:
All Pakistan Textile Mills Association - APTMA

Chairman:
National Textile Foundation

Trustee:
Old Grammarian Society

NASIR SHAFI, 71

Joined Board: 01 August 1983

Director (Non-Executive)

MBA

Other Current engagements:
Chief Executive Officer:
Crescent Bahuman Limited

Past engagements:
Director:
The Crescent Textile Mills Limited

S.M. EHTISHAMULLAH, 81

Joined Board: 30 January 2000

Director (Non-Executive)

FCA

Past engagements:
Director:
Agriauto Industries Limited,
Al-Ghazi Tractors Limited,
Crescent Leasing Corporation Limited,
Hinopak Motors Limited

SYED ZAHID HUSSAIN

(Resigned on: 30 September 2019)

ZAHID BASHIR

(Deceased on: 1 January 2020)

BOARD OF DIRECTORS AND ITS COMMITTEES

THE BOARD

The Company has a unitary board structure consisting of seven directors of which four are independent. The Chief Executive Officer is the only executive director on the Board. 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 an Independent Director as Chairman.

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 system-wide, 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 (after Mr. Zahid Bashir's demise), 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 Audit 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 three Non-Executive Directors (after Mr. Zahid Hussain's resignation) and one Executive Director of the Board, including an Independent Director as Chairman. 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 the 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 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 (after demise of Mr. Zahid Bashir) and Executive Director 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.

It is responsible for 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		HR and Remunation		Governance and Nomination		Risk Managemnet	
	Required	Attended	Required	Attended	Required	Attended	Required	Attended	Required	Attended
Non- Executive Directors										
Mr. Ahmad Waqar	5	5	-	-	1	1	2	2	-	-
Mrs. Farah Ayub Tarin	3	3	-	-	-	-	-	-	-	-
Mr. Farrukh V. Junaidy	5	5	4	4	-	-	-	-	1	1
Mr. Nadeem Maqbool	2	2	-	-	-	-	-	-	-	-
Mr. Nasir Shafi	5	5	4	4	1	1	-	-	-	-
Mr. S.M. Ehtishamullah	5	5	4	4	-	-	-	-	1	1
Mr. Zahid Hussain (Resigned on: 30 September 2019)	1	1	1	1	-	-	-	-	-	-
Mr. Zahid Bashir (Deceased on: 1 January 2020)	2	1	-	-	-	-	1	1	-	-
Executive Directors										
Mr. Ahsan M. Saleem	5	5	-	-	1	1	2	2	1	1

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 for providing the best returns to shareholders by optimally allocating existing resources. The Committee is also responsible for reviewing the Company's operations on 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 and 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 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 of 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 which will be qualitative and quantitative for different segments of the Company,
- Reviews 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 of the competitors' business and prepare an updated SWOT analysis of the Company, to be submitted to 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 CSAPL stays current with the evolving new technologies and Information System Processes. The Committee prepares long-term IT plan including fostering an IT Culture at all levels. Terms of reference of the committee include the following:

- To guide the IS 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 CSAPL 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 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 to maintain 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 condition,
- Assess and monitor the risk associated to the portfolio, and
- Review the performance of the investment and take decision 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
- Engage and measure social investments for 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 2020, and reports that:

- Four meetings of the Committee were held during the financial year ended 30 June 2020 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 2020, 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 review the risks and control processes operated by 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 2020-21.

EXTERNAL AUDIT

- The statutory Auditors of the Company, KPMG Taseer Hadi and 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 2020.
- 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 2019 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.

In light of previous discussions in the Committee that it is the best practice to change external auditors every five years. This will enhance the quality of audit, bringing in fresh insights and perspectives and would improve the overall financial reporting of the Company. Therefore, the Committee has recommended to the Board appointment of A. F. Ferguson & Co., Chartered Accountants, as statutory auditors for the year 2020-21 at the forthcoming Annual General Meeting.

By order of the Audit Committee

Farrukh V. Junaidy
Chairman, Audit Committee

26 August 2020

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

CRESCENT STEEL AND ALLIED PRODUCTS LIMITED YEAR ENDED 30 JUNE 2020

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 7 as per the following:

a.	Male:	6
b.	Female:	1

2. The composition of the Board is as follows:

i.	Independent directors	4
ii.	Non-executive directors	6
iii.	Executive directors	1
iv.	Female directors	1

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;

4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;

6. All the 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 these Regulations;

7. The meetings of the Board were presided over by the Chairman. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;

8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;

9. 4 Directors of the Company have a minimum of 14 years of education and 15 years of experience as director of a listed company. One Director is specifically exempted by SECP from the requirements of Director's Training Program because of his other experience. One director of the Company has completed certification under Directors' training program conducted by Pakistan Institute of Corporate Governance. Company may arrange this training for one director if considered necessary.

10. The Board has approved appointment of 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;

11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board;

12. The Board has formed committees comprising of members given below:

a) Audit Committee

Mr. Farrukh Viqaruddin Junaidy (Chairman)
Mr. Nasir Shafi
Mr. Nadeem Maqbool
Mr. S.M. Ehtishamullah

b) HR and Remuneration Committee

Mr. Ahmad Waqar (Chairman)
Mr. Ahsan M. Saleem
Mrs. Farah Ayub Tarin
Mr. Nasir Shafi

c) Governance & Nomination Committee

Mr. Ahmad Waqar (Chairman)
Mr. Ahsan M. Saleem
Mrs. Farah Ayub Tarin

d) Risk Management Committee

Mr. S.M. Ehtishamullah (Chairman)
Mr. Farrukh Viqaruddin Junaidy
Mr. Nadeem Maqbool

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

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

a) Audit Committee

The meetings of the Audit Committee were held four time 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

The meeting of the HR and Remuneration Committee was held once during the year as required by the Code.

c) Nomination Committee

The meetings of the Governance and Nomination Committee were held twice during the year.

d) Risk Management Committee

The meeting of the Risk management Committee was held once during the year.

15. The Board has outsourced the internal audit function to BDO Ebrahim & Co. Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are 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 and registered with Audit Oversight Board of Pakistan, that 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 that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement 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

28 August 2020

PEOPLE

Crescent Steel and Allied Products Limited is a people-oriented Company. Our people are our most valuable asset, and our Company's success depends on the positive attitude, skills and, abilities of our people. Our people are critical to Crescent Steel's success. We employed 778 people at the end of FY20, 98% per cent were males and 2% per cent were females.

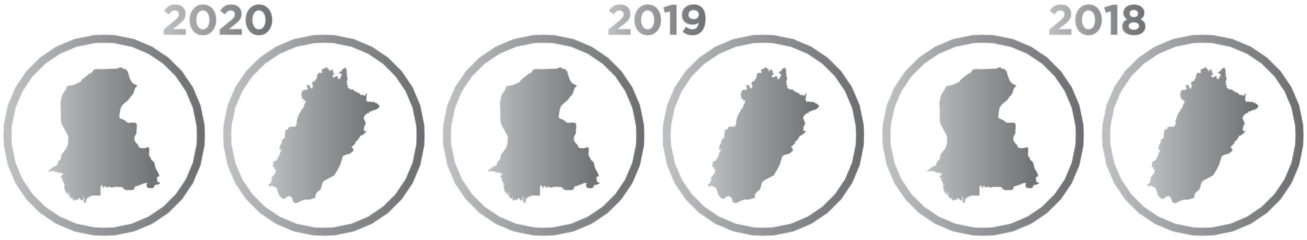
They contribute towards the growth and development and play a significant role in the functioning of the Company. We make sure our employees know how valued and important they are to the Company's success – in actions as well as in words. Our management is well aware that nurturing our talent is critical to drive growth today, and in the future.

We strive to recruit for attitude and train for skill. We understand that positive attitude, enthusiasm, passion, and the willingness to learn will lead to the development of strong skill set.

Organizational performance and productivity of our people is essential to meeting our strategic goals. We focus on aligning company goals with personal goals, leading to a performance-oriented 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 June 30, 2019 we employed 778 people, compared with 759 as on June 30, 2019, and 866 as on June 30, 2018.

During the year, we employed an [1]average of 769 people, shown by geographical region in the table below.



2020		2019		2018	
Sindh	Punjab	Sindh	Punjab	Sindh	Punjab
Number of Employees		Number of Employees		Number of Employees	
231	547	248	511	256	610

DIVERSITY AND INCLUSION

Diversity and inclusion is not only the right thing to do for your business today but also the right thing to do for humanity, especially in a country like Pakistan where religious minorities, women, specially abled individuals, people of other gender and color are deprived of their basic rights. We prioritize diversity and inclusion initiatives and invest resources into making sure our teams are set up for success.

Diversity forms the fabric of modern society. We recognize that diversity can enhance performance and drive innovation and see it as one of our organizational strengths. We value everyone's differences and provide equality of opportunity without any biases towards any race, gender, ethnicity, personality, age or background.

As on June 30, 2020, 19% or 15 of our employees across our corporate offices were females. 20% or 2 members of the Executive Management Team, 15% or 2 management roles were filled by women. 3% or 23 employees from our workforce consisted of minorities and for the Head Office minorities constitute 8% or 6 employees. 1% or 9 employees from our workforce comprised of differently abled persons.

We have developed 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 these are being adopted by our people.

[1](Opening number of employees + Closing number of employees)/2

We welcome all forms of diversity and go beyond in our efforts towards a diverse workforce to include geographical diversity. Over the last year 89% of new entrants represent rural communities and 85% of our total workforce is from rural Pakistan.

COMMUNICATION AND ENGAGEMENT

Employee engagement impacts many aspects of the job, including productivity, creativity, customer service, retention, workplace attitudes, and overall job satisfaction. It also has a major impact on the quality of work produced. We recognize that employee engagement is one of the biggest influences when it comes to overall business success.

We listen to our employees and in turn empower them to feel valuable, which elevates productivity as well as boosts their self-esteem. 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 ensure that our employees understand the big picture and the part they play in the success of the organization. We strongly believe that effective communication leads everyone to be on the same page, moving in the same direction towards the same goal.

This year, the Coronavirus pandemic caused unprecedented challenges for us, especially after we resumed work as most people had to be trained on social distancing and hygiene measures. Regular and timely formal and informal communication played an important role in ensuring our employees feel safe, valued and informed.

Remote working arrangements were put into place and worked effectively. An employee survey indicates that most people were able to reasonably focus on work while on work from home arrangements, but most felt disengaged with the organisation in the absence of physical interaction with colleagues and missed being in the office. We regularly checked-in on our employees to see how they are dealing with the new working arrangement and resolved any issues faced by them. Standard operating procedures were developed beyond the official recommendations and our employees were routinely engaged on workplace and home protocols with regards to self and community care during the pandemic.

Our management regularly engages with our employees through several formal and informal channels, including, team meetings, suggestion boxes, face-to-face gatherings, employee satisfaction and other feedback surveys, CEO Open House sessions, daily lunch where everyone eats together and eats the same meals, electronic publications through our internal communication channel and employee suggestion and helpdesk channels on our intranet.

The annual Crescent Employee Opinion Survey provides insights into employees' views and is used to measure employee engagement, motivation, affiliation and commitment to the Company. We also hold Open House sessions with the CEO at 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 addition to these channels, the electronic suggestion box enables our people to report potential breaches of our Governing Principles and Code of Conduct, confidentially and anonymously.

During the year we also conducted a breast cancer awareness session and an investor awareness session, for employees. In addition, we continue to engage staff in various citizenship activities that run alongside our philanthropic CSR initiatives.

WHISTLE BLOWING

At Crescent Steel employees are strongly encouraged to blow the whistle if they witness an ethical, moral or legal concern. In line with this commitment, and our commitment to open communication, a whistle blowing policy is in place for employees to raise issues without the concern of being dismissed or victimized. All allegations of breaches are investigated and followed up on by the Head of Internal Audit.

The whistle blowing framework covers the following:

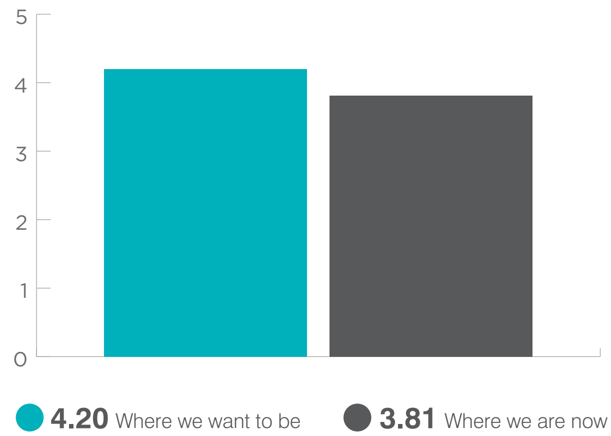
- Inaccurate financial reporting;
- Unlawful activity;
- Activities that are not in line with Company's policies, including the Code of Conduct; or
- Activities, which otherwise amount to serious improper conduct.

VOICE OF EMPLOYEES: EMPLOYEE OPINION SURVEY

Crescent Steel provides employees the space to voice any concerns they face. Our annual Employee Opinion Survey (EOS) gives employees an opportunity to anonymously share their opinions regarding the workplace. It provides us insights on what matters to our people. By addressing employee concerns raised through the EOS, we can create a happy workplace.

In 2020, our overall employee satisfaction index increased to 3.81/5 as compared to 3.67/5 in 2019. Our work environment, culture, management, strategy and values were identified as the core areas of strength.

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 and plan to conduct a targeted focus group to gain better insights regarding key areas of concern.



We provide a combination of formal training (in-house and external), on the job experiences, and incorporate regular feedback from managers where required. This year 147 employees were trained for a total of 726 hours. We have successfully conducted 28 internal and external trainings this year.

TRAINING, DEVELOPMENT AND SUSTAINABILITY

Bringing out the best means fostering the individual's personal and professional growth. Investment in skills and accelerating employees' professional and personal development are essential to the functioning of our Company.

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 leaders and ensure successful leadership transition.

Through the annual training needs assessment exercise, we empower employees to contribute to our business success by tailoring their training and development to their individual needs. Trainings are planned in relation to an employee's job requirement, career development and succession planning. Our approach on talent multipliers rests on four core principles: to lead, coach, drive and inspire.

DEVELOPING EMPLOYEES FROM TRAINEE TO MANAGER

Crescent Steel invests in employee development for the purpose of continuing growth, productivity and ability to retain valuable employees. It is our key priority to equip our employees with the necessary knowledge, skills and abilities. We are not only focused on developing skills that are needed for the current role but also develop our employees for future roles.

We continue to provide developmental opportunities to our employees at all levels – starting from career training through to further development of top management. We aim at enhancing their leadership, management and soft skills, 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.

TALENT MANAGEMENT

We believe that to deliver world class solutions it is imperative that we attract and retain high-quality employees, develop their skills, and continuously motivate them to enhance their performance. The way to grow as a business is to ensure the growth of our people, enable personal development and ambitious business results.

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 to step up and fill a key role within the Company when the time arises.

REWARDS AND BENEFITS

Crescent Steel has a fair and equitable system to reward employees for their contribution and hard work. 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 his/her family, scholarships for employees and their children, recognition for employees' contributions, subsidized meals, adequate time off, retirement benefits and much more.

In addition to basic remuneration, we offer variable performance-based incentives to employees depending on the performance, with which each employee contributes to the Company's success and the performance of the business.

FIVE VALUES AS BASIS FOR CORPORATE CULTURE

Our culture is based on a strongly held and widely shared set of values. Our values not just define our corporate culture, they also support our vision and are the essence of our identity, principles and beliefs. 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 are important for the long-term growth of our business. 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 Group Sustainability Report 2020.

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 affecting 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 endemic which necessitated almost the entire office based workforce to seamlessly work from home.

Our information systems are well integrated and captures near to 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 IT 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 IT within the entire organization.

Our Primary Server has integrated SAN storage, networking and I/O in a single chassis with inbuilt redundancy for each component. For reasons of high availability, the Server is housed at a Tier-3 Data Centre and secured and protected with a Next Generation Firewall. Backing up of all data is a regimented practice with a copy of the backup stored safely at an offsite location as well 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 has delivered a Mobile Application for use by the Top Management which provides real time production and sales figures to the top management around the clock.

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.

CHAIRMAN'S REVIEW

I am pleased to present this report to the shareholders of Crescent Steel and Allied Products Limited on the overall performance of the Board and effectiveness of the role played by the Board in achieving the Company's objectives.

Crescent Steel has instituted a strong governance framework which supports the effective and prudent management of the business and assists to drive the long-term success of the Company.

During the year, the Board committees have continued to work effectively. The Board has strived to ensure that the management remains agile towards changing environment which is of particular current relevance and importance due to unprecedented economic challenges posed by COVID-19. The Audit Committee has focused in particular on improvements in internal controls environment and strengthening the financial reporting processes. At the same time, the Human Resource and Remuneration Committee has ensured that the HR policies regarding performance management, HR staffing, compensation and benefits are market driven and are properly aligned with the Company's performance, shareholders' interests and the long-term success of the Company. The Governance Committee has continued to assess the mix of the skills and experience on the Board along with evaluating the Company's corporate governance policies and recommend to the Board such changes as the Committee deemed appropriate keeping in view the emerging corporate governance trends and best practices in the area. Risk Management Committee also met during the year to discuss strategies for identification and mitigation of the key risks throughout the organization.

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.

The Board carries out a review of its effectiveness and performance each year after closure of the Fiscal year, on a self-assessment basis. The last such review was carried out in 2019 for the Fiscal year 2019. Overall effectiveness of the Board was assessed as highly satisfactory (86.88%). Areas which required improvements were duly noted and action plans were framed. The next review is scheduled in 2020.

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

1. VISION, MISSION AND VALUES

The Board members are familiar with the current vision, mission and values and supported them and found them appropriate for the organization.

2. ENGAGEMENT IN STRATEGIC PLANNING

The Board has a clear understanding of the stakeholders whom the organization is meant to serve including shareholders, customers, employees, vendors and the society in general.

The Board has also the strategic vision of how the organization should be evolving over the next three to five years and has identified key indicators for tracking its progress.

3. FORMULATION OF POLICIES

The Board has established policies that cover all essential areas of board responsibility and operations of the company.

4. MONITOR THE ORGANIZATION'S BUSINESS ACTIVITIES

The Board is knowledgeable about the organization's current business activities including strengths and weaknesses of each major activity and has an effective process for tracking activity/ area wise performance.

5. ADEQUACY OF FINANCIAL RESOURCES MANAGEMENT

The Board is knowledgeable about key aspects relating to managing the financial resources of the Company and provides appropriate direction and oversight on a timely basis.

6. PROVIDE EFFECTIVE FISCAL OVERSIGHT

The Board ensures that the budget reflects the priorities established in the annual strategic plan and it complies with regulations governing the audit or independent examination of accounts and considers appropriately all recommendations made in the independent auditor's report and management letter.

7. ACT AS A RESPONSIBLE EMPLOYER

The Board has created necessary policies in order to ensure that the organization behaves in an equitable and legal manner towards staff, contractors, vendors and any other individual working on its behalf.

8. RELATIONSHIP BETWEEN BOARD AND STAFF

Roles and Responsibilities of the Board and management staff are clearly defined and understood and a climate of mutual trust and respect exists between the Board and the Management.

9. ORGANIZATION'S PUBLIC IMAGE

The Board members promote positive image of the organization in the community.

10. REVIEW OF THE CEO'S PERFORMANCE

The Board assesses the performance of the CEO in a fair and systematic manner and ensures that CEO's pay is properly aligned with the Company's performance, shareholders' interests and the long term success of the Company.

11. BOARD STRUCTURE AND DYNAMICS

Size and composition of the Board is adequate to govern the Board procedures and the members are actively engaged in the work of the Board and meet frequently enough to discharge its responsibilities adequately.

On an overall basis, I believe that the strategic direction of the Company for the next year is appropriate and responsive to the threats posed by COVID-19 and I am confident that our management will be able to successfully steer our businesses despite the challenges in the year ahead.

Ahmad Waqar
Chairman

28 August 2020

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

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 2020.

DEAR INVESTORS, CUSTOMERS, PARTNERS, AND EMPLOYEES:

The financial year under review has been an extremely challenging one, compounding the effects of difficulties faced due to a policy induced slowdown that has continued for the most part; businesses operated by us across sectors faced severe pressures due to the uncertain conditions and a complete halt in activity seen in response to the COVID-19 pandemic during the latter half of the fiscal year while the first half was marred with a slowdown in demand across industries, specifically steel and engineering, as well as staggering input costs.

The Government responded to the pandemic induced crisis with stimulus spending of hundreds of billions to mitigate the damages from ensuing lockdowns and supply chain disruptions. Measures included slashing the policy rate by 625 basis points to 7% over a period of 3 months, as well as various debt schemes to cushion cash flow pressures on businesses and to minimize potential unemployment. The Government announced a PKR 1.2 trillion package, to support the textile and construction sectors, along with PKR 75 billion relief package for labour.

Crescent Steel closed the year with a loss after tax of Rs. 17 million (FY19: Profit after tax of Rs. 143 million) and a contribution to the exchequer and economy aggregating Rs. 1,793 million. On a consolidated basis, the Group posted a loss of Rs. 20 million (FY 19: Rs. 419 million). Consequently, Crescent Steel did not pay out any dividend this year.

The Company posted sales of Rs. 3,822 million (FY19: Rs. 4,067 million), down 6.0% YoY on account of idling due to a steep fall in demand. Gross profit margins fell to 1.3% (FY19: 5.4%), operating profit margin also fell, however was protected by investment income of Rs. 389 million (FY19: Rs. 192 million), constituting primarily of dividend income from strategic investments.

Our trading portfolio recorded a negative ROI of 0.50% on weighted average investments of Rs. 134 million, the benchmark KSE-100 index decreased by 1.54%. Dividend income from strategic investments enabled an ROI of 15.9% on the entire portfolio.

EBIT decreased to Rs. 191 million (FY19: Rs. 269 million), representing a margin on net sales of 5.0% (FY19: 6.6%) while underlying EBITDA totaled Rs. 417 million (FY19: Rs. 385 million) at a margin of 10.9%. RoCE declined to 2.3% (FY19: 3.6%).

Consequently, Loss per share (LPS) for FY20 stood at Rs. 0.22 as against EPS of Rs. 1.85 in FY19 and LPS of Rs. 0.26 and Rs. 5.40 on a consolidated basis in FY20 and FY19, respectively.

The Group bottom line before consolidation adjustments stood at Rs. 4 million (FY19: negative Rs. 225 million), profits from investments were entirely eroded by losses from Steel Division. Accounting standards require exclusion of dividend income and inclusion of share of profit from associates resulting in a bottom-line loss of Rs. 20 million after consolidation adjustments. On a group basis underlying EBIT increased 68.2% to negative Rs. 141 million (FY19: Negative Rs. 444 million) representing a loss on net sales of 3.7%. EBITDA totaled Rs. 369 million representing a margin of 9.7%. This translated into a loss per share of Rs. 0.26 (FY19 LPS: Rs. 5.40). Segment wise performance is covered separately in this report for business units and subsidiaries.

In addition to record low revenues and idling costs, the bottom-line impacts include exchange losses of PKR 25 million, an income reversal against ijara financing (lease) that had been deferred to 2021 of Rs. 20 million and a net charge of Rs. 34 million in respect of retirement benefit funds as compared to income of Rs. 5 million recorded in FY19.

Our balance remains strong at Rs. 9,661 million (FY19: Rs. 8,287 million) and continues to support our business through a difficult operating environment. This had particularly been helpful in the amalgamation of underperforming units Hadeed and CS Energy 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 7.2% since 1987 from Rs. 7.11 to Rs. 70.2 as on 30 June 2020. The share price as on June 30th stood at Rs. 45.5 per share.

To buffer liquidity impacts of the pandemic induced crisis, we availed the Central Bank led facility to finance wages to the tune of Rs. 51 million at concessional rates and were able to defer long term loans of Rs. 195 million by a period of 12 months. This significantly eased up cash flow pressures during these uncertain times.

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

In addition to rapidly deteriorating economic indicators, falling demand, a falling Rupee and rising input costs, businesses across the globe saw massive disruptions to supply chains and operations in the face of the COVID-19 pandemic that saw entire economies come to a complete halt.

For us performance depends heavily on the progress of energy and water infrastructure development projects and, on domestic growth. Falling demand, the mismatch between revenues and deficits, Rupee depreciation and COVID-19 related shutdowns caused operating and supply chain costs to go up, hurting business. As a result, all our operations were negatively affected by worsening conditions.

In this environment the immediate need was to contain the damages and move to business as usual operations as soon as possible. I am happy to share that our IT infrastructure was robust and ready to quickly enable work from home arrangements and most of our people were on remote working protocols on an immediate basis. As a result, we managed to operate, often with very thin staff and successfully deployed business continuity and incident management plans to cope with this crisis. Nevertheless, these were unprecedented conditions and as with most businesses, we faced a temporary shutdown of our manufacturing facilities during the last quarter of the fiscal year.

Energy infrastructure development projects that use pipes have been the single most important contributor to growth and hiring for us in the past. Periods of inactivity were usually buffered by strong capital markets performance; however, the past year has seen a slow down across all our business lines. We managed to produce and supply 7,675 tons of steel line pipe during the year as against 12,068 tons in FY19.

Steel Division revenue stood at Rs. 1,291 million (FY19: Rs. 2,381 million) and generated gross profit of Rs. 34 million i.e. 2.6% (FY19: GP of Rs. 115 million i.e. 4.8%) due to low order intakes and its consequent idling cost during 1HYFY20. Bottom line loss before tax for the year was Rs. 392.2 million (FY19: LBT Rs. 197.8 million).

The Cotton Division too continued to face challenges, with respect to competing at this scale of operations, faced with rising input costs, tariff anomalies with regional competitors and lockdown of almost two months due to COVID-19. The unit produced 7,190,635 Kgs (on basis of 20/1 count). The division posted sales of Rs. 1,346 against Rs. 1,685 million in FY19 at a gross margin of 1.9% amounted to Rs. 26 million (FY19: 106 million i.e. 6.3%) whereas, loss before tax of Rs. 27 million (FY19 PBT: Rs. 70 million).

Our capital markets segment provided working capital and cash flow support to our core business. The KSE 100 index fell by 37.78% from 43,000 points on 14 January 2020 to a low of 27,046 points on 26 March 2020, albeit recovering by 7,375 points to close at 34,422 points, on 30 June 2020. The local bourse, however, remained under pressure due to the pandemic induced crisis, foreign selling of USD 205 million, liquidity pressures, uncertain and weak macro-economic fundamentals and weaker corporate sector performance. The division posted a PBT of Rs. 363 million which includes dividend income of Rs. 353 million, realized loss of Rs. 4 million and unrealized gains of Rs. 38 million. Of this, Rs. 343 million constitutes dividend from strategic investments. The steel long products business posted a loss before tax of Rs. 35 million and performance of the power plant also in the red zone with a loss before tax of Rs. 27 million. Sale of power is directly linked to the operations of the steel melt shop and billet manufacturing unit which operated at a capacity utilization of 12.8% during the year on account of cash flow constraints as well as market dynamics where input costs were on the rise but selling prices of billets did not go up proportionally.

2020 has been an exceptionally challenging year for Crescent Steel, especially when looked at alongside the challenges to business in 2019. I am extremely proud of my team for riding out these tough times with the Company where the senior management has taken no raise in pay for a second year in a row, 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 revenues.

We expect market conditions to remain challenging and for demand to remain sluggish over the next fiscal year, before things begin to improve. We are already seeing some recovery in sentiment in the performance of capital markets, but we do not expect much progress in public sector development projects in the short term and so demand for line pipes is not expected to pick up. Operations in our billet manufacturing unit, on the back of improving conditions in the construction segment, especially the government's housing scheme may see improvements in the short term.

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

Pakistan faces significant economic, governance and security challenges to achieve durable development outcomes. The lack of reliable energy and water infrastructure, a largely uneducated workforce, persistence of conflict in the border areas and security challenges throughout the country affect all aspects of life in Pakistan and impedes development and economic growth.

Inflationary pressures and devaluation continue to strain the manufacturing segment, in general. Coupled with these issues, a steep cut in PSDP is a threat to industries like us who are directly affected by lower spending on infrastructure projects.

Stepping into FY21, economic activity should be gaining some momentum, aided primarily by government stimulus spending to mitigate the pandemic induced crisis. A major blessing in disguise from the pandemic induced crisis has been the reduction in policy rates, substantially easing the cost of funds for business, making it easier to operate.

With stabilization policies in place and the economy moving along the reforms agenda, the country's macroeconomic indicators are expected to slowly revert to a stable trajectory. In this process, however, the real GDP growth is likely to remain contained. In particular, adjustment on the fiscal side has yet to get underway. Related to this, the revenue measures announced in FY21 Federal Budget are likely to keep disposable incomes and domestic demand under check. Amid such conditions, the industrial growth is not expected to rebound notably next year.

Low interest rates enabled improved liquidity as investors shifted from high yielding fixed income investments to a largely discounted stock market and were more willing to take on CAPEX which is important for growth. During the month of July 2020, the market gained 4,836.44 points or 12.32% percent to close at 39,258.44 points. The KSE-100 is currently trading at a forward PE of 7.3x times and an average dividend yield of 6%.

Multiple projects triggering demand for line pipes are on the cards however, none are likely to materialize in the short term. There is some momentum in the Oil and Gas segment, specifically with regards to pipeline capacity augmentation to transport import LNG that may partially come through in the coming year. Additionally, the Supreme Court decision mandating GIDC collections be spent on gas infrastructure development may trigger demand for line pipes. Other than planned Oil and Gas sector projects, we expect some serious initiative for Karachi Bulk Water Supply project for Karachi and some demand for pipes in the construction segment.

We expect to see improving demand and pricing equilibrium for rebars and billets on the back of the relief package announced for construction industries as well as ongoing CPEC projects. Consequently, we are expecting better performance on sales and profit margins from our steel melt-shop.

Given these conditions, corporate sector earnings and growth will take a hit as input costs rise exacerbated by regulations, devaluation results in lower capex and reinvestment restricting growth, and contained demand hurting turnover. It is unlikely that the local bourse will post any substantial gains during FY21 and is likely to remain range bound.

We have faced some extraordinary challenges across our business segments; however, as a Group we stayed true to our mission and guiding principles. We put in place the building blocks to ensure we emerged from these challenges a stronger and more focused business, able to respond to the changing dynamics of the markets and world we operate in. It has put into perspective the importance of flexibility and resilience in the face of unprecedented events and Acts of God.

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 a very 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

28 August 2020

DIRECTORS' REPORT

The Directors of the Company have pleasure in submitting their report together with audited financial statements of the Company for the year ended 30 June 2020.

OPERATING RESULTS

The financial results of the Company are summarized below:

(Rupees in '000)	**2020**	2019
(Loss) / profit for the year before taxation	(117,773)	24,895
Taxation income	100,649	118,581
(Loss) / profit after taxation	(17,124)	143,476
Total other comprehensive income / (loss) for the year	71,774	(258,262)
Transfer upon amalgamation	-	(1,249,039)
Unappropriated (loss) / profit brought forward	(50,988)	1,277,160
Adjustment of initial application of IFRS 9	-	113,309
Profit available for appropriation	3,662	26,644
Appropriations:		
- Final dividend 2018 - @ 10%	-	(77,632)
	-	(77,632)
Unappropriated profit / (loss) carried forward	3,662	(50,988)
Basic and diluted (loss) / earnings per share	Rs. (0.22)	Rs. 1.85

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 control 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 will continue as an ongoing process with the objective to further strengthen the controls and bring improvements in the system.
- There are no significant doubts upon 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 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 2020 were 778 (2019: 755).
- Value of Investment of following funds based on the audited accounts are as follows:

Provident Fund

Value of Investment	Period of latest audited accounts
Rs. 273.81 million	31 December 2017

Gratuity Fund

Value of Investment	Period of latest audited accounts
Rs. 264.45 million	31 December 2017

Pension Fund

Value of Investment	Period of latest audited accounts
Rs. 784.28 million	31 December 2016

CCP Provident Fund

Value of Investment	Period of latest audited accounts
Rs. 7.119 million	30 June 2018

- During the year, five meetings of Board of Directors and four meetings of Audit Committee were held, whereas two meetings of Governance and Nomination Committee (previously Governance and Evaluation Committee), and one meeting each of Human Resource and Remuneration Committee and Risk Management Committee were convened. Attendance by 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 purchased shares of the company thereby taking their cumulative shareholding to 10.44%, these transactions have been reported to the Pakistan Stock Exchange and Securities and Exchange Commission of Pakistan as per applicable requirements.

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

DIRECTORS

The present Board including the Chief Executive Officer will hold office till 29 January 2021. Two casual vacancies on the Board occurred during the current year. Mrs. Farah Ayub Tarin and Mr. Nadeem Maqbool have been appointed as independent non-executive directors to fill the casual vacancies. They shall hold office until next election of directors.

Further, for the purposes of various clauses of the PSX Rule Book, the Board had set the threshold that Functional Heads of all the Departments of the Company shall be considered as "Executive". The Board has reviewed the threshold and found it satisfactory keeping in view the management structure of the company.

PERFORMANCE EVALUATION OF BOARD OF DIRECTORS AND ITS COMMITTEES

Governance and Nomination Committee has assessed the performance of Board of Directors and its committees based on the established mechanism of self-assessment by the individual Board or committee members, respectively. This was approved by the Board on the recommendation of Governance and Nomination Committee.

CEO'S PERFORMANCE EVALUATION

During the year, the Human Resource and Remuneration Committee of the Board carried out the performance evaluation of the CEO for approval 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

Chairman of the Board of Directors is entitled to an honorarium along with fee for attending meetings of the Board. Other Non-Executive Directors are only entitled to fee for attending meetings of the Board and Committees. The remunerations to be paid to directors are determined by the Board as per the Articles of Association of the Company.

Details in respect of remuneration paid to Chairman, Chief Executive and non-executive directors including independent directors are disclosed in notes to the 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 acts as 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 under the powers vested by the law and the Board, and recommends and implements the business plans, and is responsible for overall control, operations and perpetuation of the enterprise.

UNCONSOLIDATED FINANCIAL STATEMENTS

As required under clause 5.6.4(a) of PSX Rule Book, 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 and the Board, after consideration and approval, authorized the signing of unconsolidated 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. KPMG Taseer Hadi & Co., Chartered Accountants, are due to retire in the forthcoming AGM of the Company and being eligible, have offered themselves for reappointment. Considering that the existing auditors have been associated with the company since 2004, the Audit Committee and the Board, recognizing the good practice of audit firm's rotation at regular intervals, have recommended M/s. A. F. Ferguson & Co. for appointment as external auditors for shareholders consideration and approval at the forthcoming annual general meeting.

OUTLOOK

The fiscal year under review was full of challenges. Second half of FY20 remained challenging in view of COVID-19 and consequent lockdowns, in addition to the long prevailing politico-economic uncertainty, dollar-rupee exchange rates hike etc. making the business environment persistently unfavourable for the local manufacturers. However, some recent measures by the Government for ease of doing business, like reduction in interest rates, decrease in duties on raw material imports etc. may bring a turnaround for the manufacturing sector.

Segment wise outlook for each of our business streams is as follows:

STEEL PIPES DIVISION

Fresh order intake of about Rs. 2 billion will continue to keep the plant generally operational in 1HYFY21. In addition further business is expected in view of the urgency of White Oil Pipeline and K4 water project as well as the North-South Pipeline which the Supreme Court has directed to commence within six months in the GIDC case.

INVESTMENT AND INFRASTRUCTURE DEVELOPMENT DIVISION

The KSE-100 is trading at a forward PE of 7.3x times and an average dividend yield of 6%. Those with reserves for opportunistic buying will be the ultimate winners as markets start to recover, interest rates remain low and liquidity in capital markets is strong. Having said that, the effects of the COVID-19 pandemic are likely to last well until the end of 2020.

HADEED DIVISION

Further, owing to the relief package announced for construction industries and ongoing CPEC projects, it is expected that the demand of the prices of Re-Bars and billets will improve and consequently impact positively on sales and margin.

COTTON DIVISION

Cotton Division will continue to contribute towards our revenues and net earnings through marginal cash profits.

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	**Nadeem Maqbool**
Chief Executive Officer	Director

28 August 2020

کاٹن ڈویژن:

کاٹن ڈویژن فروخت کے حجم میں اپنا حصہ ڈالتا رہے گا اور اس کے نقد منافع سے کمپنی کی آمدن پر قدرے مثبت اثرات مرتب ہو نگے۔

میں اپنی جانب سے تمام شراکت داروں کا بے حد مشکور ہوں کہ اُن کی رہنمائی اور حمایت ہر حال میں ہمارے شامل حال رہی۔

برائے ومنجانب بورڈ آف ڈائریکٹرز

احسان ایم سلیم
چیف ایگزیکیٹو آفیسر
28 اگست 2020

ندیم مقبول
ڈائریکٹر

چیئر مین اور چیف ایگزیکیٹو آفیسر کا کردار

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

کمپنی کے چیف ایگزیکیٹو آفیسر قانون کے تحت اور بورڈ کی جانب سے دی گئی ذمہ داریاں نبھاتے ہیں اور کاروباری منصوبوں کی سفارش کرنے کے ساتھ ساتھ انہیں نافذ بھی کرتے ہیں۔ کمپنی کے مجموعی انتظام، افعال اور کمپنی کو ہمیشگی کی بنیاد پر چلانے کی ذمہ داری بھی انہی پر عائد ہوتی ہے۔

غیر مربوط مالیاتی دستاویزات

پاکستان اسٹاک ایکسچینج کی رول بک کی شق 5.6.4(a) کے تحت چیف ایگزیکیٹو 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 تا کہ بورڈ کی جانب سے اس کی منظوری حاصل کی جا سکے، غور کئے جانے اور منظوری دیئے جانے کے بعد بورڈ کی جانب سے غیر مربوط مالیاتی دستاویزات کو صحیح قرار دیا گیا اور ان کے اجراء اور تقسیم کی منظوری دی گئی۔

زیرنظر مالی سال کے اختتام سے ڈائریکٹر رپورٹ کے اجراء کی تاریخ تک کمپنی کی 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 کے پی ایم جی تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کمپنی کے اگلے عام سالانہ اجلاس تک ریٹائر ہو رہے ہیں اور ان کی جانب سے ایک مرتبہ پھر اپنی خدمات پیش کی گئی ہیں۔ اس بات کو مدنظر رکھتے ہوئے کہ موجودہ آڈیٹرز 2004 سے کمپنی کے ساتھ منسلک ہیں لحاظہ کمپنی کی جانب سے نئی کمپنی کو آڈٹ کیلئے دعوت دینے کی اور اس احسن روایت کی پاسداری کرتے ہوئے کمپنی کے بورڈ آف ڈائریکٹرز اور بورڈ کی آڈٹ کمیٹی کی جانب سے میسرز اے ایف فرگوسن اینڈ کمپنی کی بطور بیرونی آڈیٹرز تعیناتی کی سفارش کی گئی ہے تا کہ اگلے عام سالانہ اجلاس میں حصص داران سے اس کی منظوری حاصل کی جا سکے۔

مستقبل پر نظر

زیرنظر مالی سال مسائل سے بھرپور تھا۔ مالی سال 2020 کا دوسرا نصف COVID-19 اور اس کے نتیجے میں لگائے جانے والے لاک ڈاؤن کی وجہ سے مسائل ساتھ لے کر آیا۔ اس کے ساتھ ساتھ وطن عزیز میں طویل معاشی وسیاسی بحران کے ساتھ ساتھ ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں واضح کمی کی وجہ سے مقامی سطح پر صنعت کاروں کیلئے کاروباری حالات مسلسل ناموافق رہے۔ تاہم حکومت کی جانب سے کاروبار کرنے کیلئے آسانیاں پیدا کرنے کے سلسلے میں اٹھائے جانے والے حالیہ اقدامات جیسا کہ شرح سود میں کمی، خام مال کی درآمد میں ڈیوٹی پر کمی وغیرہ کی وجہ سے صنعت کے شعبے میں بہتری آنے کی امید پیدا ہوئی ہے۔

مختلف شعبوں کی کارکردگی کے لحاظ سے حالات کو ذیل میں پیش کیا جا رہا ہے:

اسٹیل پائپس ڈویژن:

دو(2) بلین روپے کے نئے آرڈر کی وجہ سے مالی سال 2021 کی پہلے نصف میں پلانٹ فعال رہے گا۔ علاوہ ازیں وائٹ آئل پائپ لائن اور پانی کے K4 پروجیکٹ کو مدنظر رکھتے ہوئے مزید کاروبار چلنے کی توقع بھی ہے۔ اس کے علاوہ GIDC کے مقدمے میں سپریم کورٹ آف پاکستان کی جانب سے شمال جنوبی پائپ لائن منصوبے کو بھی چھ ماہ کے اندر شروع کرنے کی ہدایت کی گئی ہے۔

سرمایہ کاری وڈھانچہ سازی ڈویژن:

کے ایس ای-100 فارورڈ پی ای 7.3x ٹائمنر پر کام کر رہی ہے اور ڈیویڈنڈ کی مد میں منافع اوسطاً 6% تک ہے۔ جن کے پاس خریداری کیلئے اس موقع سے فائدہ اٹھانے کی غرض سے ذخائر موجود ہیں جیت انہی کی ہوگی کیونکہ مارکیٹ اپنے پیروں پر دوبارہ کھڑی ہو رہی ہے، شرح سود میں کمی کا رجحان برقرار رہا اور کیپٹل مارکیٹ میں لیکویڈیٹی کی صورتحال بھی کافی حوصلہ افزا رہی۔ ان تمام باتوں کے بعد اس جانب بھی توجہ دلانا ضروری ہے کہ COVID-19 کی وبائی صورتحال کا اور اس کے اثرات 2020 کے آخر تک رہنے کا خدشہ ہے۔

حدید ڈویژن:

مزید برآں، تعمیراتی صنعت کیلئے ریلیف پیکج کے اعلان اور سی پیک کے جاری پروجیکٹس کی وجہ سے امید پیدا ہوئی ہے کہ ریبارز اور بلٹس کی طلب اور قیمت فروخت میں اضافہ ہوگا اور اس کے مثبت اثرات یقینی طور پر فروخت کے حجم اور منافع پر پڑیں گے۔

- فنڈز کی سرمایہ کاری کی مالیت درج ذیل ہے، جو کہ فنڈز کے آڈٹ شدہ دستاویزات سے لی گئی ہے۔

فنڈ کا نام	سرمایہ کاری کی قدر	آڈٹ شدہ اکاؤنٹس کا قریب ترین عرصہ
پروویڈنٹ فنڈ	Rs. 273.81 million	31دسمبر2017
گریجویٹی فنڈ	Rs. 264.45 million	31دسمبر2017
پینشن فنڈ	Rs. 784.28 million	31دسمبر2016
سی سی پی پروویڈنٹ فنڈ	Rs. 7.119 million	30جون2018

- دوران سال بورڈ آف ڈائریکٹرز اور آڈٹ کمیٹی کے پانچ اجلاس منعقد کئے گئے اور آڈٹ کمیٹی کے چار اجلاس منعقد کئے گئے۔، جبکہ گورننس اینڈ نومینیشن کمیٹی (سابقہ گورننس اینڈ ایویلیویشن کمیٹی) کے دو اجلاس اور انسانی وسائل اور ادائیگیوں کی کمیٹی، اور رسک مینجمنٹ کمیٹی کا ایک ایک اجلاس منعقد کیا گیا۔تمام ڈائریکٹروں کی حاضری فرداً فرداً منسلک کردی گئی ہے۔

ترتیب حصص داری اور حصص کی خرید وفروخت

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

دوران سال میسرز پاک قطر فیملی تکافل لمیٹڈ نے کمپنی کے حصص خریدے اور اس طرح مجموعی طور پر ان کے حصص 10.44% ہو چکے ہیں۔ضوابط کے عین مطابق پاکستان اسٹاک ایکسچینج اوا ور سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کو بھی اس خرید وفروخت سے متعلق معلومات فراہم کی جا چکی ہیں۔

اس کے علاوہ کسی بھی ڈائریکٹر، چیف ایگزیکیٹیو آفیسر، چیف فنانشل آفیسر، کمپنی سیکرٹری، ایگزیکیٹیوز اور ان کے ازواج یا نابالغ بچوں کی جانب سے اس عرصے کے دوران کمپنی حصص کی کوئی خرید وفروخت نہیں کی گئی۔

ڈائریکٹرز

موجودہ بورڈ بشمول چیف ایگزیکیٹیو آفیسر 29 جنوری 2021 تک اپنی ذمہ داریاں نبھاتے رہیں گے۔رواں مالی سال کے دوران بورڈ میں اتفاقی طور پر دو اسامیاں خالی ہوئیں۔ان اسامیوں کو پر کرنے کیلئے محترمہ فرح ایوب ترین اور جناب ندیم مقبول کو بطور غیر جانبدار غیر انتظامی ڈائریکٹر کے تعینات کیا گیا ہے۔ڈائریکٹروں کے انتخاب کیلئے منعقد کئے جانے والے اگلے انتخابات تک یہ لوگ اپنے عہدوں پر کام کرتے رہیں گے۔

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

بورڈ آف ڈائریکٹرز اور اس کی کمیٹیوں کی کارکردگی کی جانچ

گورننس اینڈ نومینیشن کمیٹی کی جانب سے بورڈ آف ڈائریکٹرز اور ان کی کمیٹیوں کی کارکردگی کا جائزہ، اس سلسلے میں نافذ خود احتسابی کے مربوط نظام کے تحت، بورڈ اور کمیٹی کے ممبران کی رائے کو مدنظر رکھتے ہوئے لیا گیا ہے گورننس اینڈ نومینیشن کمیٹی کی جانب سے سفارش کئے جانے کے بعد بورڈ کی جانب سے اس کی منظوری دی جا چکی ہے۔

چیف ایگزیکیٹیو آفیسر کی کارکردگی کا جائزہ

دوران سال بورڈ کی انسانی وسائل اور ادائیگیوں کی کمیٹی کی جانب سے چیف ایگزیکیٹیو آفیسر کی کاردگی کا جائزہ لیا گیا، جس کی بورڈ کی جانب سے باقاعدہ منظوری حاصل کی جا چکی ہے۔

کاردگی کی جانچ درج ذیل پیمانوں کے تحت کی گئی:

- رہنمائی
- پالیسی وحکمت عملی
- انتظامی امور برائے انسانی وسائل
- کاروباری امور/مہارتیں
- گورننس اور اصولوں کی پاسداری
- مالیاتی کارکردگی
- معاشرے پر اثرات

ڈائریکٹروں کا مشاہرہ

بورڈ آف ڈائریکٹرز کے چیئرمین بورڈ کے اجلاسوں میں شرکت کرنے کیلئے فیس حاصل کرنے کے ساتھ ساتھ اعزازیہ وصول کرنے کا استحقاق بھی رکھتے ہیں۔دیگر ڈائریکٹرز کو بورڈ اور اس کی کمیٹیوں کے اجلاسوں میں شرکت کیلئے صرف فیس حاصل کرنے کا حق حاصل ہوتا ہے۔ڈائریکٹروں کو ادا کئے جانے والے مشاہرے سے متعلق تفصیلات کو کمپنی کے آرٹیکلز آف ایسوسی ایشن کے مطابق بورڈ میں طے کیا جاتا ہے۔

چیئرمین، چیف ایگزیکیٹیو اور غیر انتظامی ڈائریکٹروں بشمول غیر جانبدار ڈائریکٹروں کو ادا کئے جانے والے مشاہرے کی تفصیلات کو مالیاتی دستاویزات کے نوٹس میں واضح کر دیا گیا ہے۔

ڈائریکٹر صاحبان کی رپورٹ

انتہائی مسرت کے ساتھ ڈائریکٹروں کی جانب سے مالی سال اختتامیہ 30 جون 2020 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:

(روپے "000" میں)	2020	2019
(نقصان)/منافع برائے سال قبل از ٹیکس	(117,773)	24,895
ٹیکس آمدن	100,649	118,581
(نقصان)/منافع بعد از ٹیکس	(17,124)	143,476
برائے سال دیگر جامع آمدن/نقصان	71,774	(258,262)
ادغام کے بعد منتقلیاں	-	(1,249,039)
غیر منقسم شدہ (نقصان)/منافع کا میزانیہ	(50,988)	1,277,160
IFRS 9 کے اطلاق کے بعد ایڈجسٹمنٹ	-	113,309
تقسیم کیلئے دستیاب منافع	3,662	26,644
منافع کی تقسیم		
حتمی ڈیویڈنڈ @ 10% - 2018	-	(77,632)
	-	(77,632)
غیر منقسم شدہ منافع/(نقصان) کا میزانیہ	3,662	(50,988)
آمدن/(نقصان) فی حصص بنیادی و تحلیلی	(0.22) روپے	1.85 روپے

کارپوریٹ اور فنانشل رپورٹنگ کا دائرہ کار

- کمپنی کی انتظامیہ کی جانب سے تیار شدہ بوط غیر مربوط مالیاتی گوشوارے کمپنی کے تمام امور، آپریشنز کے نتائج، ترسیل نقد رقوم اور حصص میں ردوبدل سے متعلق معاملات کی 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۔
- اندرونی طور پر کنٹرول کا نظام انتہائی منظم اور جامع ہے اور اسے موثر انداز سے نافذ کیا گیا ہے اور اس پر مکمل نظر رکھی جاتی ہے۔ اندرونی کنٹرول کی کڑی نگرانی کا عمل ہمیشگی کی بنیاد پر جاری رہے گا جس کا بنیادی مقصد یہی ہے کہ کمپنی کے اندرکنٹرول کے نظام کو مزید موثر بنایا جائے۔
- ایسی کوئی وجہ نظر نہیں آتی جس کی بنیاد پر کمپنی سے متعلق کوئی سوال پیدا ہوتا ہو کہ کمپنی اپنا وجود برقرار رکھ پائے۔
- کارپوریٹ گورننس کی بہترین روایات پر عمل پیرا ہونے میں کسی بھی قسم کی کوئی قابل ذکر روگردانی نہیں کی گئی جیسا کہ کوڈ آف کارپوریٹ گورننس 2019 کے ضوابط میں درج ہیں۔
- 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 لئے کیے گئے اہم فیصلوں اور قابل ذکر منصوبوں سے متعلق تفصیلات کو چیف ایگزیکیٹو کے جائزے میں شامل کیا گیا ہے اور اس کی بورڈ آف ڈائریکٹرز سے منظوری حاصل کی جاچکی ہے۔
- کمپنی کے کاروباری افعال اور مالیاتی نتائج کے بارے میں گزشتہ چھ سالوں سے متعلق اہم ترین جھلکیوں کو رپورٹ ہذا کے ساتھ منسلک کیا گیا ہے۔
- ٹیکسوں اور لیویز سے متعلق معلومات کو بھی مالیاتی دستاویزات کے نوٹس میں شامل کیا گیا ہے۔
- بتاریخ 30 جون 2020 تک ملازمین کی تعداد 778 تھی (2019 میں یہ تعداد 755 تھی)۔

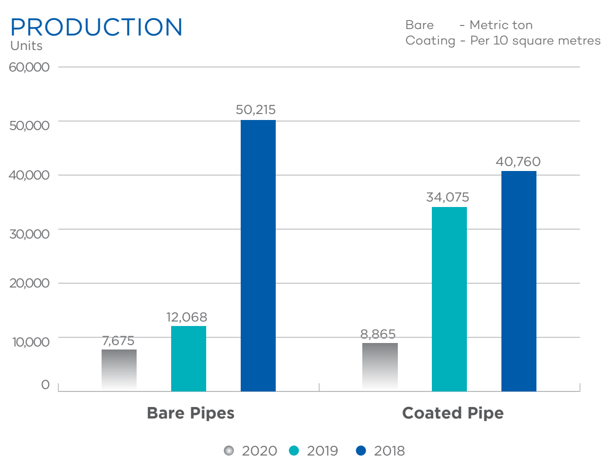
FINANCIAL AND OPERATIONAL PERFORMANCE

BUSINESS SEGMENTS

STEEL DIVISION

Steel Division revenue for FY20 was down 46% YoY at Rs. 1,291.2 million (FY19: Rs. 2,381.4 million). Current year sales mainly relate to 16" and 12" bare pipe orders. During Q4FY20 pipe plant remain productive in execution of 24" and 16" bare pipes order aggregating 113 k.m. Gross profit margins were substantially lower this year at 2.6% (FY19: 4.8%). Lower gross profit margin in FY20 was due to low order intakes and its consequent idling cost. However, orders executed during the year amounted to Rs 1,118.4 million earned gross profit of Rs. 172.5 million i.e. 15.4%. Bottom line loss before tax (LBT) for the period stood at Rs. 392.2 million (FY19: LBT Rs. 198.83 million).

The exchange loss amounting to Rs. 26 million was recorded during the year out of which Rs. 24.7 million was suffered solely in the month of June 2020 due to a sudden decrease in the rupee value when our imported raw material consignment landed at port. Also deferred income amounting to Rs 19.7 million on security deposit was unable to be recognized in the current year due to deferment of lease for one year adding up more loss to the Division. Further, Division operations were impacted during lock down and production was lower than planned due to staffing and supply chain challenges as a result of COVID-19 resulting in idling cost. Above mentioned are some reasons for the loss suffered in the division. Moreover, the retirement benefit charge also impacted the Division the reasons of which has been explained in detail in Message from the Chief Executive Officer.



Distribution and selling expenses fell in line with sales and closed the year at Rs. 9.5 million. As a percentage of sales these were at 0.7% (FY19: 0.5%).

Bare pipe production, in different diameters, was 36.4% lower at 7,675 tons (FY19: 12,068 tons). Line-pipe coating of 88,647 square meters was recorded during FY20 as compared to 340,745 square meters during the FY19.

IID DIVISION

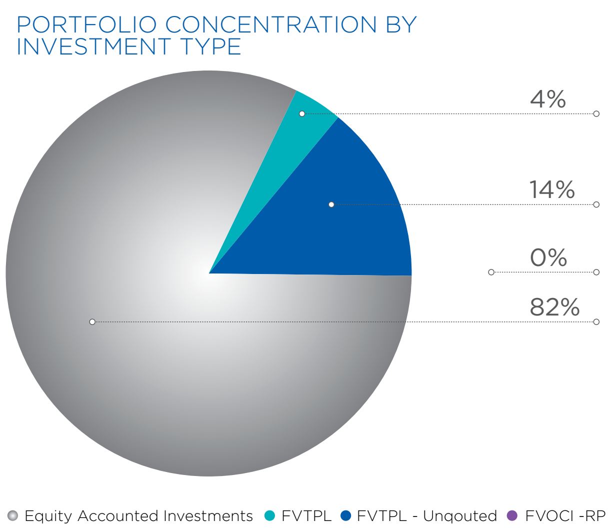
During the year under review, the division recorded investment income of Rs. 389.3 million (FY19: Rs. 191.6 million), constituting primarily of dividends received from associated undertakings, aggregating to Rs. 342.8 million.

The trading portfolio yielded a loss on investments of Rs. 0.93 million, at a negative ROI of 0.5% on weighted average investments of Rs. 133.84 million, on account of unrealized gain of Rs. 37.7 million. The trading portfolio dividend yield for the year stood at 4.8% at Rs. 5.04 million compared to KSE-100 yields of 6%.

On an overall basis, the equity portfolio, excluding unquoted strategic investments, posted a negative ROI of 3.86% on weighted average investments of Rs. 3,446.4 million. The segment also owns rental properties, the property has been rented out and yielded returns of 8.6% on cost.

Consequently, the Division posted a PBT of Rs. 363.2 million contributing Rs. 4.68 or 2,127% to Company's EPS.

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



THE EQUITIES MARKET – KSE 100 INDEX

The Pakistan Stock Exchange performed marginally better in the year ended 30 June 2020, gaining 520 points (~1.5%) Y-o-Y; closing at 34,421 points. Significant market disruptions throughout the year are attributed to GOP policies geared to increase revenues through taxation measures and a contracting economy, in the face of severe challenges.

Investors remained risk averse, with low activity on the local bourse (averaging 194.07 million shares per day in 9MFY20 and an average of 204.52 million shares per day, at the end of FY20).

The stability and recovery was short lived as the severity of pandemic led global markets to a near collapse; activity was dampened with similar sentiments on the local bourse.

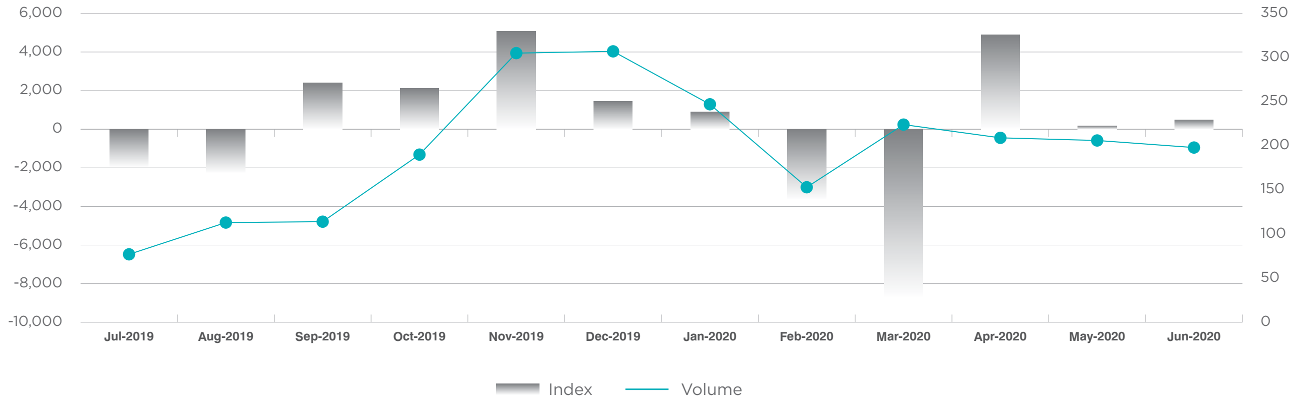
The KSE 100 index fell by 37.78% from 43,000 points on January 14, 2020 to a low of 27,046 points on 26 March 2020, albeit recovering by 7,375 points to close at 34,422 points, on 30 June 2020.

Average volumes increased by over 26% YoY to 196.53 million shares per day in FY20; average daily trade values increased by over 13% YoY to PKR 7.21 billion.

Foreigners remained net sellers in FY20, with net sales of USD 275.24 million, (0.69% of total market capitalization) as on 30 June 2020.

Local investors remained net buyers, led by individual investors leading at USD 204.82 million, and insurance companies at USD 121.55 million, absorbing most of the foreign selling. Banks and Mutual Funds stood at net selling positions of USD 51.30 million and USD 46.94 million, respectively.

THE MARKET PERFORMANCE FOR FY20



COTTON SEGMENT PERFORMANCE

The division recorded revenues of Rs. 1,346 million (FY19: Rs. 1,685.1 million) and posted a Gross Profit of Rs. 25.8 million (FY19: Gross Profit Rs. 105.7 million).

Operating and Administrative expenses were recorded at Rs. 40.6 million (FY19: Rs. 32.1 million). As a percentage of sales these were upper at 0.6% (FY19: 1.9%).

The year ended with a LBT of Rs. 26.7 million (FY19: Profit before tax Rs. 70.2 million) due to unit remained closed for 57 days because of lockdown and increase in finance cost of Rs. 18.3 million (increase in other income FY19: Rs. 9.4 million) which mainly constitutes increase in borrowings due to working capital requirements. The operations from Cotton Division constituted a cash profit of Rs. 18.2 million. If there was no COVID-19, idle cost approximately amounting to Rs. 38.2 million would have been covered and eventually would have shown positive bottom line figure.

HADEED (BILLET) DIVISION

Hadeed Division recorded sales amounted to Rs. 971.7 million. The production was recorded as 10,894 M.Ton billets by consuming 11,474.82 M.Ton Scrap at an average yield of 94.94%. Gross profit for the year stood at Rs. 11.06 million i.e. 1.14% of sales. Plant was only operational in sugar season for 3 months. LBT for the year was recorded at Rs. 35.4 million.

CS ENERGY DIVISION

The Division reported a loss of Rs. 26.7 million. Loss was incurred mainly due to Hadeed plant was only operational in sugar season for 3 months whereas remained non-operational during off season as bagasse prices were high. During FY20, 16,341 MW of electricity was generated and sold. Revenue for the year stood at Rs. 279.5 million.

CS CAPITAL (PRIVATE) LIMITED

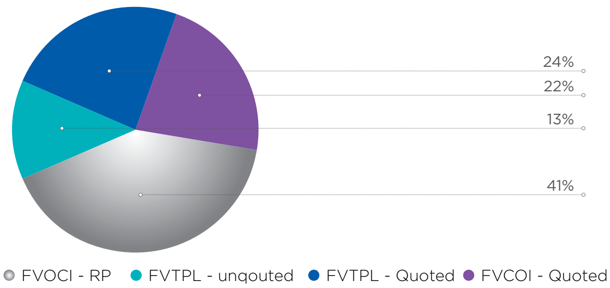
During the year under review, the Subsidiary Company recorded investment income of Rs. 34.2 million (FY19: investment loss of Rs. 58.7 million), portfolio performed well as compare to last year primarily due to receipt of dividend from associated companies amounting to Rs. 18.7 million.

The trading portfolio yielded a loss on investments of Rs. 0.39 million, at a negative ROI of 0.2% on weighted average investments of Rs. 227.5 million, on account of unrealized losses of Rs. 11.42 million. The trading portfolio dividend yield for the year stood at 5.5% at Rs. 10.86 million compared to KSE-100 yields of 6%.

On an overall basis, the equity portfolio, excluding unquoted strategic investments, posted an ROI of 1.1 % on weighted average investments of Rs. 822.9 million. Total unrealized loss stood at Rs. 26.87 million (FY19: Rs. 340.6 million) and total dividends at Rs. 33.08 million. Consequently the Company posted a PBT of Rs. 23.4 million.

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

SEGMENT WISE CONCENTRATION



QUALITY

Crescent Steel is committed to consistently provide products and services conforming to customer and applicable statutory and regulatory requirements, based on application of modern technology.

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.

As part of continuous improvement, it is ensured that measurable and verifiable quality objectives, consistent with the quality policy, are established at relevant functions and levels, including objectives needed to meet product and customer requirements.

The Company retains its authorization to use the API monogram of the American Petroleum Institute, since its inception in 1987. API signifies the highest international standard accredited for quality of 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 & European machinery and variety in quality Cotton / Synthetic products ensures our production with zero sales return.

CHALLENGES AND INITIATIVES

CHALLENGES

GLOBAL HEALTH CRISIS

As COVID-19 started to spread all across the globe by early 2020, countries across the world were on a complete lockdown, causing huge disruptions to supply chain networks. The crisis forced companies to shift focus to keeping employees safe and in working with communities to combat the effects of the pandemic. In this environment facilities like ours, working to develop reliable supply chain partners on the basis of both cost and quality, as well as maintaining minimum inventory levels has come into question. In particular for Pakistan where most raw materials are sourced from other countries and where a robust local supply chain is absent; building local supply chain resilience has become a key ask.

The pandemic induced crisis and ensuing lockdowns globally caused liquidity issues as cash generation from operations came to a halt and buffers built into business were all adversely affected given the scale of the crisis. To manage liquidity, we availed concessional financing made available through the central bank window so we could retain and continue to run our payroll. In addition to this we had some long-term loans deferred for a year to manage cashflow pressures as plants remained idle.

The crisis has also 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, enabling us to rapidly transition 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.

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

TARIFF ANOMALIES AND TARIFF STRUCTURE CERTAINTY

The prevailing tariff structure in Pakistan does not reflect the fundamental 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 prices local line pipe manufacturers out of market. Therefore a 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.

Similarly the tariff structure on critical raw material for the steel construction sector, steel scrap remains high; in an already depressed market, high import tariffs hurt profitability as demand in the domestic market remained weak. Furthermore, anomalies relating to the Import Trade Price (ITP) of Steel Scrap, which was significantly higher than the market rate of imported scrap, have been addressed in the the Federal Budget FY20-21; however, this should be removed altogether, considering the volatile nature of the Steel Recycling industry. Local production of steel scrap is negligible and of undesirable quality – most steel scrap consumed in Pakistan is imported. These factors have made steel construction products such as billets and deformed bars significantly more expensive than manufacturers in countries in our region and has limited potential export opportunities.

Additionally, the uncertainty around tariff structures and the absence of an import substitution policy or effective cascading tariff structures, makes it difficult for business owners to bring in new 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.

We remain connected with relevant stakeholders, including the Engineering Development Board (EDB), the Ministry of Petroleum and the Tariff anomaly committee to share our views and pain points about tariff and duty structures, the certainty of these levies as well as 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 are able to beat local prices on the back of export rebates and depressed input costs. Local manufacturers on the other hand face rising input costs in varying forms and degrees in addition to tariff anomalies mentioned above. Consequently, local manufacturers face difficulties in beating foreign prices 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 on 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

The business continuity of upstream suppliers and downstream distributors has become more dependent on their ability to provide safe working environments for their staff, operate efficiently and ethically and think sustainability in everything they do.

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.

In the current landscape with significant restrictions placed on remittances, we are faced with inordinate delays in procuring small value, yet critical items. The devaluation of the Pak Rupee has caused a dramatic increase in costs of procurement and logistics and global challenges have led to rising freight rates and input costs for suppliers, further increasing procurement costs This is further compounded by the nature of our businesses, which are 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. This is compounded by the additional advantage available to regional counterparts in the form of export rebates and other incentives. The recently mandated sales tax registration is resulting in a massive decline in demand as most people in the segment are not sales tax registered. While this is a necessary step, the immediate blanket implementation is causing a slowdown in business. Additionally, as sales tax refunds are not issued in cash and need to be adjusted, this is an additional working capital constraint for business. Furthermore, 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

Cyclicality 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 domestics 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 material and spare items. Transactions are carried out in USD and CNY. Rupee depreciated by 5% and Fiscal indicators have continued to deteriorate. In order to protect ourselves from this volatility we are working with our suppliers, who are mostly based in China to establish trade in Yuan. This move will allow us to book forward covers and protect us from adverse FX movement.

INITIATIVES

Innovation, machinery optimization and process improvement initiatives are of great value to us at Crescent Steel. We remain persistent in our quest for enhancing yield through persistent enhancements in our procedures and framework. We trust that focused change activities lead to increased productivity, enhanced uptime, better quality products, good service, and environmental conservation.

STEEL DIVISION

In order to meet customer demand for large diameter heavy wall thickness pipes, we have been constantly upgrading our manufacturing facility with latest technology and giving extra emphasis on employee training, to meet the product quality requirements as defined by the customer and American Petroleum Institute.

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. A number of new applications like MS Teams, Work from Home initiative, Time Office Management for Cotton Division and License module of IT Asset Management have been implemented to facilitate business processes and bring about efficiency across the enterprise. Retention of skilled IT resources continues to be a challenge and we expect this to persist. Mitigation of this threat is being managed through induction of new resources and continuous training programs.

OPPORTUNITY AND RISK REPORT

Opportunities and risks are inherent to entrepreneurial activity. We have put systems and processes in place to identify risks at an early stage and to counteract them by taking appropriate action.

The Company conducts business in a complex and challenging environment and is therefore exposed to 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 rewarding 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:

- 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 loss should it occur.
- To ensure the ongoing unimpeded capacity of the Company to fulfil its mission, perform its key functions, meet its objectives and serve its customers.
- 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.

OPPORTUNITY AND RISK MANAGEMENT

Opportunity and risk 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.

OPPORTUNITY AND RISK 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.

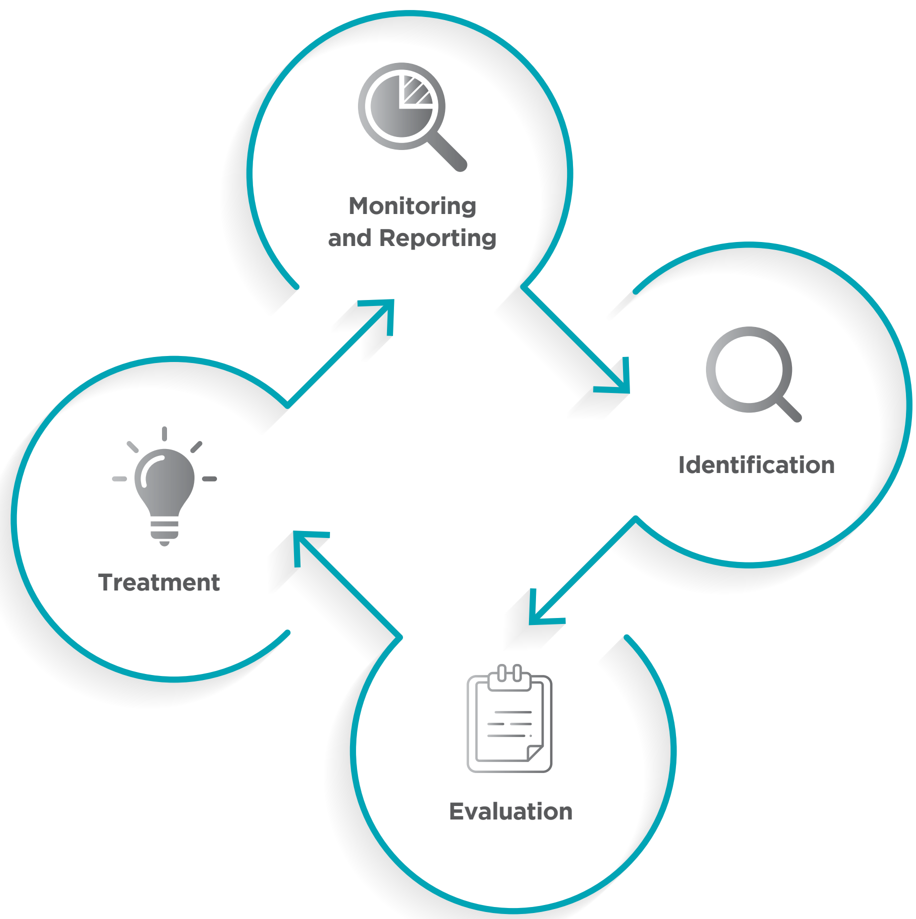
Operational risk identification, management and reporting are achieved via a bottom-up approach. Risks are then managed strategically in a top-down approach emanating from the board. Risk Management Committee comprising of Board members is tasked to govern the risk framework of the Company. Internal 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 into 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.

Risk management Committee of the Board has carried a robust assessment of the principal risks facing the Company, including those that would threaten the business model, future performance, solvency and liquidity. Major risks and their mitigations are covered separately in this report.

Risk Management Policy & Methodology/ Support



MAJOR BUSINESS RISKS AND THEIR MITIGATION

MAJOR BUSINESS RISKS	MITIGATING FACTORS / ACTIONS IN PLACE	SOURCE OF RISK	SENSITIVITY
MACRO-ECONOMIC SITUATION AND POLITICAL INSTABILITY			
Our major sales over the last few years have been generated through the Steel Division, primarily constituting sale of line pipes two the state-owned gas utilities. These companies award business through a tendering process and instability in government and fiscal constraints that may slow down progress on 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 FY19 and FY20 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	High
RAW MATERIAL SOURCING / PRICING			
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 robust local availability 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 materials requirement 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	Medium – High
DEPENDENCE ON SUPPLIERS / CUSTOMERS			
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	Medium

MAJOR BUSINESS RISKS	MITIGATING FACTORS / ACTIONS IN PLACE	SOURCE OF RISK	SENSITIVITY
INVESTMENT RISK			
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	High
CURRENCY RISK			
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	High
INTEREST RATE RISKS			
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	Medium
CREDIT RISK			
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	Low
SAFETY AND SECURITY OF ASSET			
There is a risk that operational assets of the Company may be lost, damaged or made redundant due to theft, fire or any other unforeseen events that will adversely affect the operations of the Company.	The Company has designed and implemented high quality standards for safety and security of all the operational assets and compliance with such standards is strictly ensured and monitored. Apart from safety and security policies and procedures, the Company has fully insured all the assets of the Company to safeguard them from any unforeseen adverse event and to reduce the resulting financial and operational loss to minimum level.	Internal	Low

MAJOR BUSINESS RISKS	MITIGATING FACTORS / ACTIONS IN PLACE	SOURCE OF RISK	SENSITIVITY
HEALTH, SAFETY AND ENVIRONMENT			
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 and may cause reputational damage and business disruption.	Our business operations are run in compliance with international Quality, Health, Safety and Environmental standards. Moreover, we consistently do efforts to minimize our environmental impact by energy conservation and other measures with community partners. 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	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 is 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 finance including from 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	Medium
INTERNAL CONTROLS			
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	Low
REGULATORY COMPLIANCE			
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	Medium

MAJOR BUSINESS RISKS	MITIGATING FACTORS / ACTIONS IN PLACE	SOURCE OF RISK	SENSITIVITY
INCREASE IN COMPETITION THROUGH LEVERAGING OF TECHNOLOGICAL CHANGES			
Competitors may be able to identify and implement a major technological step, resulting in product substitution, improvement in their production efficiencies and lower costs. The Company's inability to implement similar steps may make it uncompetitive	Through corporate agility and strong market sensing, the Company remains abreast with 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.	External	Low
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	Low

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 and also have the highest production capacity as well. 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 space in which we operate, calling on our people to put health, and safety and environment at the heart of what they do.

The management at Crescent Steel is committed to continuously improve our practices with respect to HSE. HSE objectives are set regularly to meet more and more stringent targets.

The HSE management system at Crescent Steel is developed against international standards, ISO 14001:2015 and OHSAS 18001:2007. The Company is in the process of migrating from OHSAS 18001:2007 to ISO 45001:2018 to further strengthen and improve the HSE management system.

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 and reduce OH&S risks, protection of 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 Health, Safety and Environmental (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.

CULTURAL CHANGE THROUGH COMMUNICATION

Communication is critical to creating the conditions to meet our objectives on Safety at the workplace. We have one-on-one HSE orientations for all new starters 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 os lost wordays 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 risk, prevent incidents, and ensure all employees are engaged. At all our operations, 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 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 comprihensive healthcare benefits for staff.

CORPORATE SOCIAL RESPONSIBILTY

Corporate Social Responsibility (CSR) is deeply embedded in the culture of our Company since its inception. The focus towards CSR originates from the management's objective to play a meaningful role for the betterment of society. Our vision and values are designed to incorporate the essence of giving in our employees.

Crescent Steel believes in sustainable development in order to meet the needs of today, without compromising the needs of tomorrow. Our Corporate Strategy incorporates commitment to sustainable development that involves balancing short and long-term interests, and integrating economic, environmental and social aspects into our business decisions. We actively seek to infuse sustainability into our operations and processes.

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.

Discretionary giving for us is a function of the Company's profitability – as Company profits decline so does discretionary giving. To sustain giving in periods of low business, we operate an independent foundation to enable contributions during challenging times.

However, since the Foundation received its approval of a non-profit organization from the tax authorities, business conditions did not merit any incremental funding to the Foundation. The current fund balance stands at Rs. 7.8 million approx. Including endowed funds of Rs. 7.65 million to support philanthropic causes in periods of low income. We are working to gradually move our discretionary giving through the foundation in the future.

As a result of challenging business conditions and cashflow constraints our giving remained restricted again this year. Crescent Steel posted a loss before tax of Rs. 117.77 million and working with selected community partners the Company made social investments of Rs. 1.62 million (FY19: Rs. 2.5 million; FY18: Rs. 45.9 million) this year.

Our people volunteered 909 hours (FY19: 1,484 hours) to structured community programs throughout the year.

Detailed information and analysis on our 2020 environmental and social performance will be published in the Crescent Steel Corporate Social Responsibility Report 2020 while selected partnerships are also captured below.

COMMITMENT TO EDUCATION

Pakistan faced serious challenges in this academic year as schools were forced to close down due to the Coronavirus pandemic. The underprivileged are suffering the most as education of 40 million students has been disrupted and over 300,000 schools have been closed down since March 2020. Over 50 million students now risk falling behind due to technological inequities.

The federal government has made out-of-school children a national priority. While enrollment and retention rates are constantly improving, but progress has been slow to improve education indicators in the country due to the vast gap which exists between the knowledge imparted by public and private sector schools.

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.

We currently support 5 students in universities in Pakistan, US and Germany including 3 children of employees through our scholarship program. 21 students have been supported in full or in part for tertiary programs.

EDUCATION NON-PROFIT PARTNER

THE CITIZENS FOUNDATION

Investing towards an educated Pakistan is our top priority as it is a major driver of social progress. 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 3,814 children have graduated from primary schools supported by us. Combined enrolment in these schools today is 3,683 students, the majority of whom reside in some of the most impoverished communities of the country; 46% of these students are female.

This year, TCF organized an Ilmathon, a walk-for-a-cause that aims to bring together people of all ages and backgrounds to band together to support TCF and its mission. Crescent Steel supported TCF by sponsoring one child's education for one academic year and one child's education for their entire eleven years of education at a TCF School.

COMMITMENT TO HEALTH

Pakistan is attributed to declining quality and quantity of public healthcare, low healthcare budgetary expenditures, extreme poverty and lack of health infrastructure and personnel. Access to quality healthcare and emergency medical services remain an area of concern. Government expenditure on healthcare was only 1.1% of GDP in FY19, far below the WHO recommendation of 5%.

In an effort to make basic healthcare accessible to all, Crescent Steel continues to support healthcare initiatives through donations and volunteering time for selected partners in the Health Sector.

HEALTH NON-PROFIT PARTNERS

THE HEALTH FOUNDATION

The Health Foundation aims to promote healthy practices for management of diseases and focuses on the eradication of Hepatitis B and C.

In 2016, The Health Foundation (THF) had initiated a project; "The Rashidabad Hepatitis Free Community Model." The aim of the project is to establish a state of the art community based Hepatitis Free Community Model, linked to a Hepatitis center in Rashidabad, where people have access to advice and treatment regarding Hepatitis B and C, along with awareness sessions and facility for immunization against Hepatitis B.

We had pledged our support for this project which is due to complete in 2021. To date, a total of 8,445 people have been sensitized regarding Hepatitis B and C protection and prevention through 239 targeted community awareness sessions, 1,781 Hepatitis C patients have completed treatment and 83 Hepatitis B patients are currently under treatment.

THE INDUS HOSPITAL BLOOD CENTRE

Indus Hospital established the first centralized blood bank of Pakistan in 2013 with a vision to collect and provide blood to patients through voluntary donations. 30 employees from our Head Office and Nooriabad facility donated 15,000 ml of blood through the Indus Hospital Blood Drive held during the year.

COMMITMENT TO COMMUNITY AND THE ENVIRONMENT

Pakistan's Climate Risk Index (CRI) in 2018 stood at 87.83, the fifth most affected country in the world to climate change. Pakistan lost 9,989 lives, suffered economic losses worth $3.8 billion and witnessed 152 extreme weather events from 1999 to 2018. Pakistan's vulnerability to climate change is increasing due to increasing carbon emissions, population, and deforestation.

Our business strategies take full account of potential environmental impact of our operating decisions to ensure environment protection. We also take part in different initiatives during the year in an effort to protect the environment.

EARTH HOUR 2020

Individuals, businesses and cities in 190 countries and territories worldwide took part digitally and at home to show solidarity with our planet – our home. We, at Crescent Steel celebrated Earth Hour by switching off all unnecessary lights across all our campuses.

ENVIRONMENT NON-PROFIT PARTNER

WWF – PAKISTAN

Marine Conservation: Mangrove Plantation

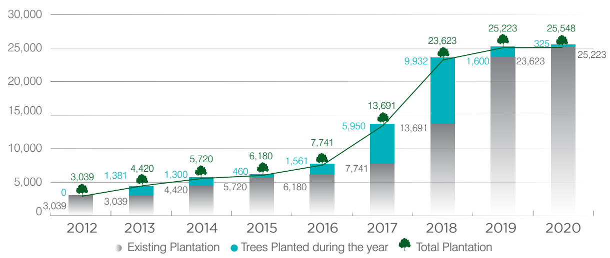
Crescent Steel has been an active supporter of WWF in their effort to conserve the marine life by planting mangroves. To date, we have planted 1,700 mangroves, which we continue to maintain through monetary contributions that ensure that for every mangrove that doesn't survive, WWF will plant another sapling. These 1,700 mangroves have reduced our carbon footprint by 31.32 tons.

We plan to plant more mangroves in the upcoming years to preserve our ecosystem.

TREE PLANTATION ACTIVITIES AT OUR CAMPUSES

During the year, we planted 325 trees. Over the years our plantation size has increased to over 25,548 trees. These trees will help reduce our carbon footprint by 1.92 tons annually.

TREE PLANTATIONS



COMMITMENT TO SOCIETY

Pakistan faces a number of social issues that impact the community and the society at large. Alongside targeted investments in the education, healthcare and environmental segments, Crescent Steel also focuses on different community development programs.

SOCIETY NON-PROFIT PARTNER

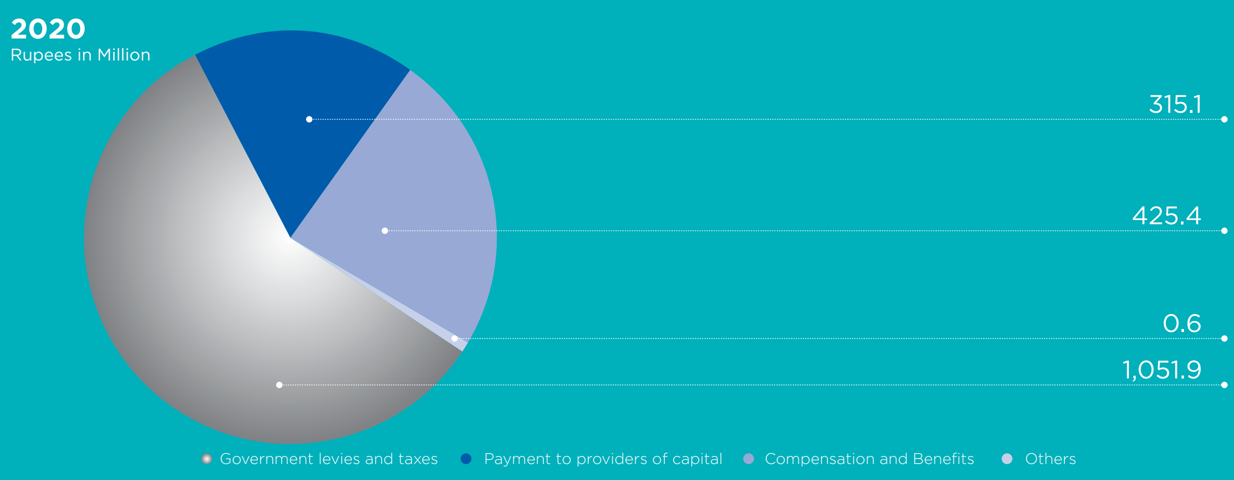
MAKE-A-WISH FOUNDATION

Make-A-Wish Foundation is dedicated to granting life changing wishes of terminally ill children. With the help of donors and volunteers around the world, Make-A-Wish Foundation has collectively granted more than 500,000 wishes worldwide. This year, our employees volunteered to grant wishes of 21 children.

CONTRIBUTION TO NATIONAL EXCHEQUER AND ECONOMY

CONTRIBUTION TO THE NATIONAL EXCHEQUER AND THE ECONOMY AGGREGATES TO RS. 1,793.1 MILLION (FY19: RS. 1,415.8 MILLION).

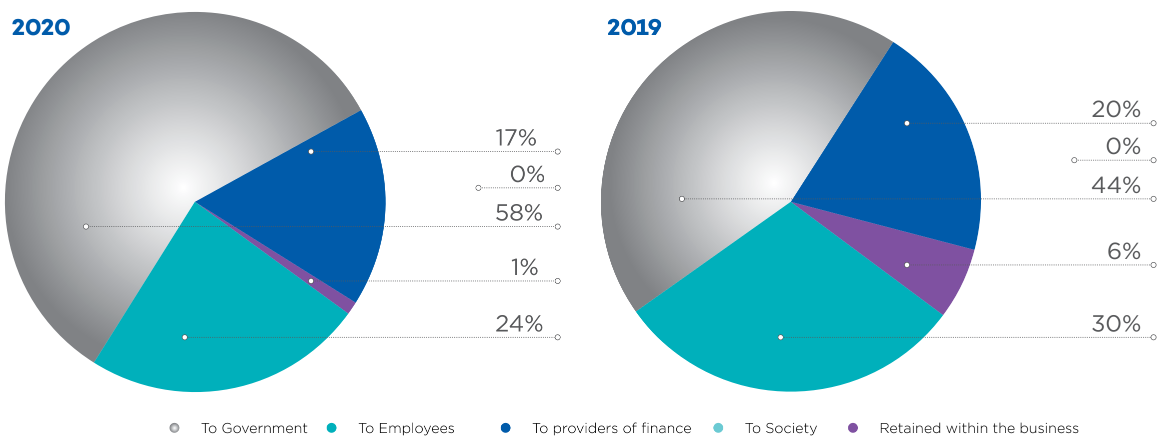
The Group contributed Rs. 1,051.9 million (FY19: Rs. 645.7 million) towards the national exchequer on account of Government levies and taxes. Contribution to the Economy included Rs. 315.1 million (FY19: Rs. 317.8 million) on account of payments to providers of capital and Rs. Nil (FY19: Rs. Nil) in the shape of shareholders' returns through cash dividends. On a Group level the Company provided employment to 778 (FY19: 760) full and part-time employees with compensation and benefits of Rs. 425.4 million (FY19: Rs. 449.5 million).



STATEMENT OF VALUE ADDITION

	2020 Rupees in '000	%	2019 Rupees in '000	%
WEALTH GENERATED				
Total revenue	4,897,788	100%	4,754,162	100%
Bought-in-material and services	(3,100,120)	63%	(3,544,760)	75%
	1,797,668	37%	1,209,402	25%
WEALTH DISTRIBUTED				
To Employees				
Salaries, wages and other benefits	424,118	24%	362,817	30%
To Government				
Income tax, sales tax, custom duties, WWF and WPPF	1,047,729	58%	527,185	44%
To Shareholders				
Dividend	-	0%	-	0%
To providers of finance				
Finance costs	308,939	17%	244,282	20%
To Society				
Donation towards education, health and environment	618	0%	2,836	0%
Retained within the business for future growth				
Depreciation, amortization and retained earnings	16,264	1%	72,282	6%
	1,797,668	100%	1,209,402	100%

DISTRIBUTION OF WEALTH



EVA AND FCF

ECONOMIC VALUE ADDED (EVA)

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

Rupees in '000	**2020**	2019
Profit before interest and tax	191,166	269,177
Taxes	100,649	118,581
Net operating profit after tax (NOPAT)	291,815	387,758
Total capital employed	8,474,615	7,413,101
Cost of capital (%)	12.54%	16.53%
Cost of capital (COC) (Rs.)	1,062,717	1,225,386
	(770,902)	(837,628)

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	**2020**	2019
Cash flow from operating activities	(1,385,637)	(228,364)
Capital expenditure	9,154	130,698
Free cash flow	(1,394,791)	(359,062)

FCF - it indicated how deficient an organization is at generating cash.

SUMMARY DATA AND PERFORMANCE INDICATORS

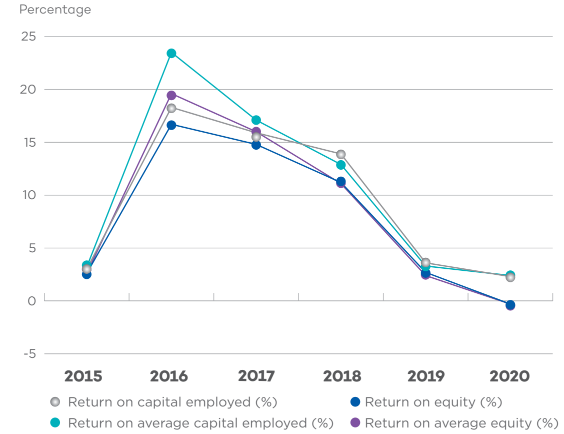
For The Current And Past Six Financial Years

Performance Indicators	**2020**	2019	2018	2017	2016	2015	2014
A - Profitability Ratios							
Earnings before interest, taxation, depreciation and amortization (EBITDA) (Rs. in millions)	416.9	384.6	1,308.4	1,682.0	1,675.5	254.9	562.9
Profit before taxation and depreciation (Rs. in millions)	107.9	140.1	1,076.3	1,492.2	1,424.8	167.2	473.5
Gross profit ratio (%)	1.3	5.4	11.5	18.2	28.9	1.5	5.7
Operating profit margin to sales (net) (%)	5.0	6.6	17.1	15.5	21.0	6.8	11.5
Net (loss) / profit margin to sales (net) (%)	(0.4)	3.5	10.7	9.9	13.0	5.1	8.9
EBITDA margin to sales (net) (%)	10.9	9.5	18.6	16.5	22.6	12.1	14.0
Operating leverage ratio	4.83	1.84	0.77	0.03	3.90	1.41	3.08
Return on equity (%)	(0.3)	2.7	11.2	14.8	16.7	2.6	9.0
Return on average equity (%)	(0.3)	2.4	11.1	16.0	19.6	2.6	9.0
Return on capital employed (RoCE) (%)	2.3	3.6	13.9	15.9	18.3	3.0	10.7
Return on average capital employed (%)	2.4	3.3	12.9	17.1	23.5	3.2	10.5
Return on average assets (%)	(0.2)	1.6	6.8	9.3	13.0	2.1	7.5
B - Liquidity Ratios							
Current ratio	1.1 : 1	1.2 : 1	1.4 : 1	1.4 : 1	1.4 : 1	1.4 : 1	2.3 : 1
Quick / Acid-test ratio	0.6 : 1	0.9 : 1	0.9 : 1	0.9 : 1	0.7 : 1	1 : 1	1.6 : 1
Cash to current liabilities (%)	(14.2)	(32.7)	(5.8)	(4.7)	(3.7)	(24.6)	(18.6)
Cash flows from operations to sales (%)	(36.3)	(5.6)	22.7	1.7	(24.6)	7.7	14.0
Working capital (Net current assets)	448.2	475.7	1,248.1	2,096.1	1,399.5	423.3	830.6
Working capital turnover (times)	8.3	4.7	4.2	5.8	8.1	3.4	3.9
C - Activity / Turnover Ratios							
Debtors turnover ratio (times)	23.7	40.0	18.3	20.7	36.1	23.7	28.2
No. of days in receivables / Average collection period (days)	15	9	20	18	10	15	13
Inventory turnover ratio (times)	2.6	3.3	2.9	3.4	3.9	4.8	7.1
No. of days in inventory (days)	143	112	124	108	94	76	51
Creditors turnover ratio (times)	15.9	7.8	5.7	11.5	23.2	9.0	38.1
No. of days in creditors / Average payment period (days)	23	47	64	32	16	40	10
Property, plant and equipment turnover (times)	1.7	1.6	6.8	10.9	9.0	2.7	5.1
Total assets turnover (times)	0.4	0.5	0.7	0.8	0.8	0.4	0.9
Operating cycle (days)	136	74	80	94	89	51	55
D - Investment / Market Ratios							
Basic and diluted (loss) / earnings per share (Rs.)	(0.22)	1.85	9.68	13.05	12.97	1.53	5.16
Price earnings ratio (times)	-	20.4	9.4	18.3	8.8	34.0	8.4
Price to book ratio	0.6	0.5	1.1	2.7	1.5	0.8	0.7
Dividend yield (%) *	-	-	2.2	2.2	4.4	1.3	5.7
Dividend payout ratio (%) *	-	-	20.7	40.3	40.1	40.8	43.1
Dividend cover ratio (times) *	-	-	4.8	2.4	2.6	2.2	2.1
Cash dividend (Rs. in millions) *	-	-	155.3	407.6	388.2	43.5	155.3
Cash dividend per share (Rs.) *	-	-	2.0	5.3	5.0	0.7	2.5
Market value per share (at the end of the year) (Rs.)	45.5	37.8	91.2	238.6	114.6	51.9	43.5
- Lowest during the year (Rs.)	27.8	27.4	89.8	116.0	54.6	34.9	43.5
- Highest during the year (Rs.)	58.7	101.9	229.4	283.1	134.8	62.4	74.8
Break-up value per share (Rs.)	70.2	69.5	86.6	87.8	74.8	65.2	64.5
Break-up value per share including RP investment at MV (Rs.)	90.1	95.5	124.5	143.6	94.4	84.7	75.9
E - Capital Structure Ratios							
Financial leverage ratio (%)	55.5	37.4	29.1	45.2	46.9	17.0	8.3
Long term debt to equity ratio (%) - Book value	4.7	5.2	5.3	5.7	8.1	7.0	1.5
Long term debt to equity ratio (%) - Market value	7.2	9.6	5.0	2.1	5.3	8.8	2.3
Cost of debt (%)	12.2	12.3	8.0	8.4	8.4	10.9	13.7
Long term debt : Equity ratio	4 : 96	5 : 95	6 : 95	6 : 95	8 : 92	7 : 93	2 : 98
Total liabilities to total assets (%)	43.5	34.8	33.2	43.9	38.7	24.9	15.3
Gearing ratio (%)	35.5	27.0	21.3	31.0	31.4	13.8	5.3
Interest coverage (times)	0.6	1.1	5.2	8.4	6.4	1.8	5.5

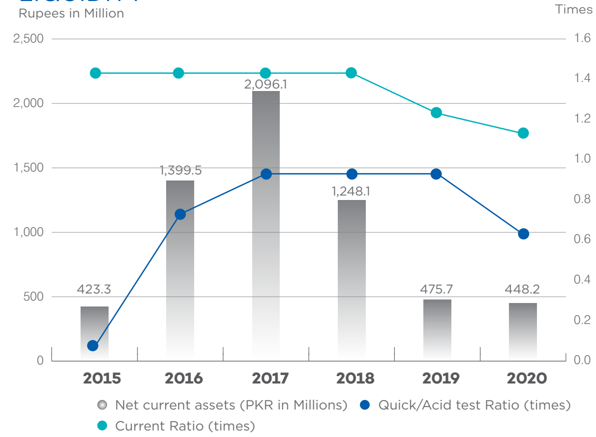
Notes:

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

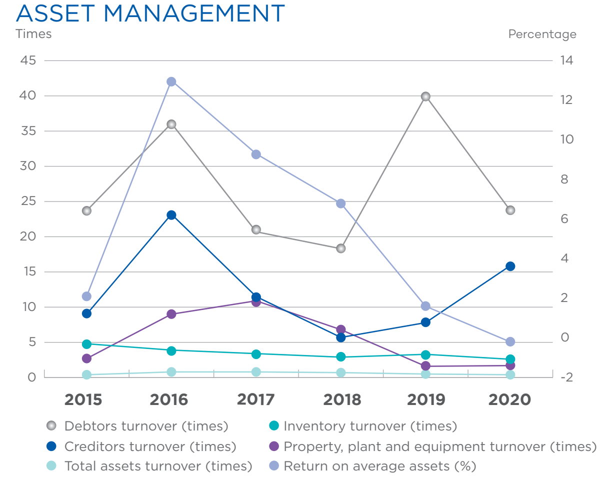
RETURN ON CAPITAL AND EQUITY



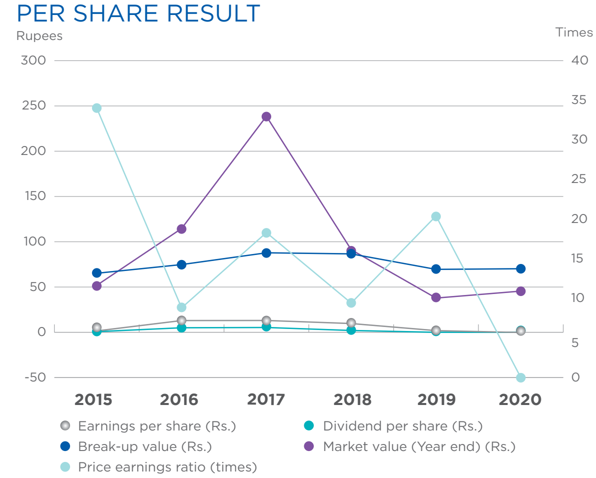
LIQUIDITY



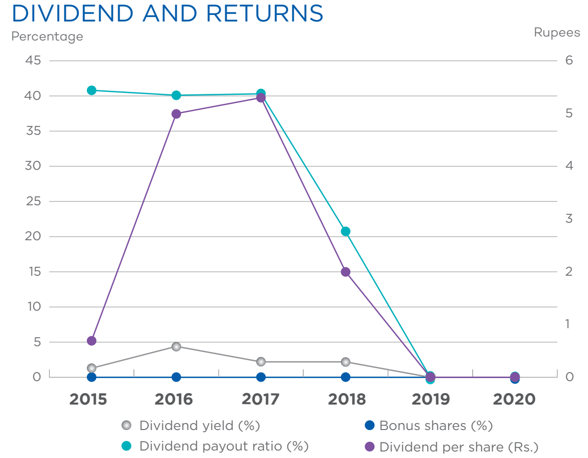
ASSET MANAGEMENT



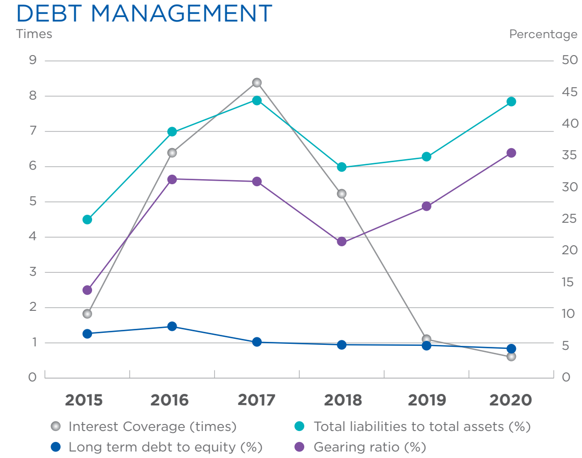
PER SHARE RESULT



DIVIDEND AND RETURNS



DEBT MANAGEMENT



VERTICAL ANALYSIS

For The Last Six Financial Years

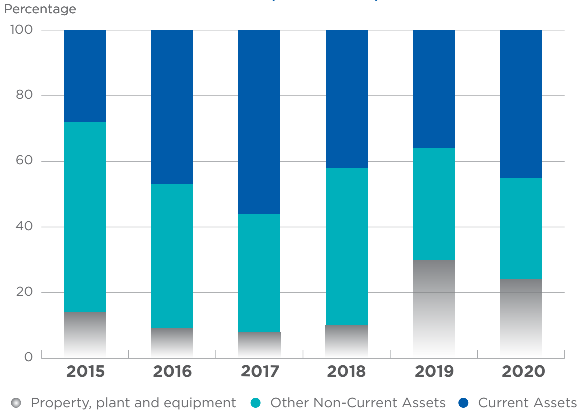
Rupees in million	2020	%	2019	%	2018	%	2017	%	2016	%	2015	%
Statement of Financial Position												
Property, plant and equipment	2,275	23.5	2,494	30.1	1,039	10.3	941	7.7	823	8.7	781	14.5
Intangible assets	1	-	1	-	-	-	1	-	3	-	10	0.2
Investment properties	20	0.2	21	0.3	13	0.1	15	0.1	19	0.2	23	0.4
Long term investments	2,304	23.8	2,265	27.3	4,538	45.0	4,204	34.5	3,935	41.5	3,038	56.5
Long term deposits	224	2.3	233	2.8	217	2.2	189	1.6	177	1.9	24	0.4
Deferred taxation	463	4.8	292	3.5	30	0.3	-	-	-	-	38	0.7
Stores, spares and loose tools	169	1.7	186	2.2	169	1.7	163	1.3	112	1.2	67	1.2
Stock-in-trade	2,131	22.1	821	9.9	1,543	15.3	2,687	22.1	2,267	23.9	453	8.4
Trade debts	226	2.3	96	1.2	107	1.1	664	5.5	323	3.4	88	1.6
Loan and advances	145	1.5	123	1.5	275	2.7	378	3.1	40	0.4	18	0.3
Trade deposits and short term prepayments	62	0.6	50	0.6	26	0.3	15	0.1	16	0.2	11	0.2
Investments	125	1.3	167	2.0	448	4.4	515	4.2	392	4.1	388	7.2
Mark-up accrued	-	-	-	-	27	0.3	1	-	-	-	-	-
Other receivables	220	2.3	249	3.0	553	5.5	1,745	14.3	785	8.3	200	3.7
Taxation - net	1,273	13.2	1,261	15.2	961	9.5	633	5.3	529	5.5	211	3.9
Cash and bank balances	23	0.2	28	0.2	133	1.3	28	0.2	63	0.7	43	0.8
TOTAL ASSETS	**9,661**	**100**	8,287	100	10,079	100	12,179	100	9,484	100	5,393	100
Issued, subscribed and paid-up capital	776	8.0	776	9.4	776	7.7	776	6.4	776	8.2	621	11.5
Capital reserves	1,021	10.6	1,021	12.3	1,029	10.2	1,034	8.5	1,026	10.8	299	5.5
Revenue reserves	3,651	37.8	3,597	43.4	4,919	48.8	5,010	41.1	4,006	42.2	3,131	58.1
SHAREHOLDERS' EQUITY	**5,448**	**56.4**	5,394	65.1	6,724	66.7	6,820	56.0	5,808	61.2	4,051	75.1
Long term loan	190	2.0	177	2.1	227	2.3	322	2.6	394	4.2	239	4.4
Lease liabilities	65	0.7	103	1.2	127	1.3	64	0.5	77	0.8	46	0.9
Deferred income	7	0.1	7	0.1	8	0.1	7	0.1	9	0.1	1	-
Deferred taxation	-	-	-	-	-	-	233	1.9	68	0.7	-	-
Deferred liability - staff retirement benefits	24	0.2	101	1.2	-	-	-	-	-	-	-	
Trade and other payables	1,069	11.1	692	8.4	1,349	13.4	1,864	15.3	711	7.5	626	11.7
Unpaid dividend	-	-	-	-	-	-	116	1.0	116	1.2	-	-
Unclaimed dividend	26	0.3	27	0.3	22	0.2	21	0.2	23	0.2	12	0.2
Mark-up accrued	54	0.6	42	0.5	16	0.2	28	0.2	21	0.2	12	0.2
Short term borrowings	2,676	27.7	1,577	19.1	1,458	14.3	2,517	20.7	2,084	22.1	302	5.6
Current portion of long term loan	49	0.5	110	1.3	97	1.0	141	1.2	109	1.1	55	1.0
Current portion of lease liabilities	47	0.5	51	0.6	46	0.5	42	0.3	59	0.6	47	0.9
Current portion of deferred income	6	0.1	6	0.1	5	-	4	-	5	0.1	2	-
TOTAL EQUITY AND LIABILITIES	**9,661**	**100**	8,287	100	10,079	100	12,179	100	9,484	100	5,393	100
Profit or loss												
Sales - net	3,822	100.0	4,066	100.0	7,043	100.0	10,209	100.0	7,412	100.0	2,101	100.0
Cost of sales	3,771	98.7	3,846	94.6	6,232	88.5	8,350	81.8	5,269	71.1	2,069	98.5
GROSS PROFIT	**51**	**1.3**	220	5.4	811	11.5	1,859	18.2	2,143	28.9	32	1.5
Income from investments - net	389	10.2	192	4.7	496	7.0	247	2.4	42	0.6	309	14.7
Distribution and selling expenses	13	0.3	15	0.4	18	0.3	31	0.3	16	0.2	27	1.3
Administrative expenses	245	6.4	188	4.6	173	2.5	287	2.8	283	3.8	167	7.9
Other operating expenses	26	0.7	29	0.7	85	1.2	411	4.0	421	5.7	29	1.4
Other income	35	0.9	89	2.2	172	2.4	202	2.0	94	1.3	25	1.2
OPERATING PROFIT BEFORE FINANCE COSTS	**191**	**5.0**	269	6.6	1,203	16.9	1,579	15.5	1,559	21.1	143	6.8
Finance costs	309	8.1	244	6.0	231	3.3	187	1.8	244	3.3	81	3.9
(LOSS) / PROFIT BEFORE TAXATION	**(118)**	**(3.1)**	25	0.6	972	13.6	1,392	13.7	1,315	17.8	62	2.9
Taxation	(101)	(2.6)	(118)	(2.9)	220	3.1	379	3.7	348	4.7	(44)	(2.1)
(LOSS) / PROFIT AFTER TAXATION	**(17)**	**(0.5)**	143	3.5	752	10.5	1,013	10.0	967	13.1	106	5.0

HORIZONTAL ANALYSIS

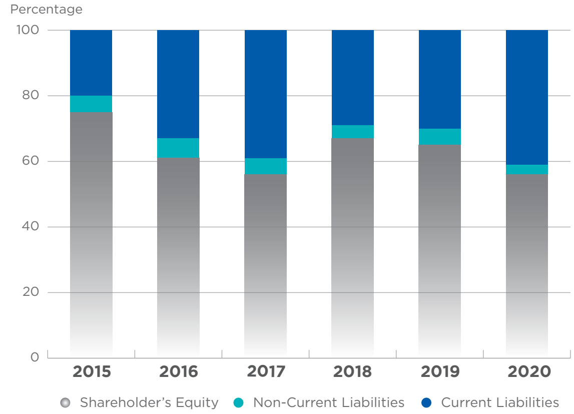
For The Last Six Financial Years

Rupees in million	2020	%	2019	%	2018	%	2017	%	2016	%	2015	%
Statement of Financial Position												
Property, plant and equipment	2,275	(8.8)	2,494	140.0	1,039	10.4	941	14.3	823	5.4	781	(1.8)
Intangible assets	1	-	1	100.0	-	(100.0)	1	(66.7)	3	(70.0)	10	(28.6)
Investment properties	20	(4.8)	21	61.5	13	(13.3)	15	(21.1)	19	(17.4)	23	(14.8)
Long term investments	2,304	1.7	2,265	(50.1)	4,538	7.9	4,204	6.8	3,935	29.5	3,038	27.2
Long term loans and deposits	224	(3.9)	233	7.4	217	14.8	189	6.8	177	637.5	24	(7.7)
Deferred taxation	463	58.6	292	873.3	30	100.0	-	-	-	(100.0)	38	100.0
Stores, spares and loose tools	169	(9.1)	186	10.1	169	3.7	163	45.5	112	67.2	67	(6.9)
Stock-in-trade	2,131	159.6	821	(46.8)	1,543	(42.6)	2,687	18.5	2,267	400.4	453	11.3
Trade debts	226	135.4	96	(10.3)	107	(83.9)	664	105.6	323	267.0	88	(1.1)
Loan and advances	145	17.9	123	(55.3)	275	(27.2)	378	845.0	40	122.2	18	(63.3)
Trade deposits and short term prepayments	62	24.0	50	92.3	26	73.3	15	(6.3)	16	45.5	11	57.1
Investments	125	(25.1)	167	(62.7)	448	(13.0)	515	31.4	392	1.0	388	(14.9)
Mark-up accrued	-	-	-	(100.0)	27	2,600.0	1	100.0	-	-	-	-
Other receivables	220	(11.6)	249	(55.0)	553	(68.3)	1,745	122.3	785	292.5	200	47.1
Taxation - net	1,273	1.0	1,261	31.2	961	51.8	633	19.7	529	150.7	211	32.7
Cash and bank balances	23	(17.9)	28	(78.9)	133	375.0	28	(55.6)	63	46.5	43	(59.8)
TOTAL ASSETS	**9,661**	**16.6**	8,287	(17.8)	10,079	(17.2)	12,179	28.4	9,484	75.9	5,393	14.0
	-											
Issued, subscribed and paid-up capital	776	-	776	-	776	-	776	-	776	25.0	621	-
Capital reserves	1,021	-	1,021	(0.8)	1,029	(0.5)	1,034	0.8	1,026	243.1	299	-
Revenue reserves	3,651	1.5	3,597	(26.9)	4,919	(1.8)	5,010	25.1	4,006	27.9	3,131	1.4
SHAREHOLDERS' EQUITY	**5,448**	**1.0**	5,394	(19.8)	6,724	(1.4)	6,820	17.4	5,808	43.4	4,051	1.1
Long term loan	190	7.3	177	(22.0)	227	(29.5)	322	(18.3)	394	64.9	239	100.0
Lease liabilities	65	(36.9)	103	(18.9)	127	98.4	64	(16.9)	77	67.4	46	(25.8)
Deferred income	7	-	7	(12.5)	8	14.3	7	(22.2)	9	800.0	1	(50.0)
Deferred taxation	-	-	-	-	-	(100.0)	233	242.6	68	100.0	-	(100.0)
Deferred liability - staff retirement benefits	24	(76.2)	101	100.0	-	-	-	-	-	-	-	-
Trade and other payables	1,069	54.5	692	(48.7)	1,349	(27.6)	1,864	162.2	711	13.6	626	98.7
Unpaid dividend	-	-	-	-	-	(100.0)	116	-	116	100.0	-	-
Unclaimed dividend	26	(3.7)	27	22.7	22	4.8	21	(8.7)	23	91.7	12	(78.9)
Mark-up accrued	54	28.6	42	162.5	16	(42.9)	28	33.3	21	75.0	12	50.0
Short term borrowings	2,676	69.7	1,577	8.2	1,458	(42.1)	2,517	20.8	2,084	590.1	302	32.5
Current portion of long term loan	49	(55.5)	110	13.4	97	(31.2)	141	29.4	109	98.2	55	100.0
Current portion of lease liabilities	47	(7.8)	51	10.9	46	9.5	42	(28.8)	59	25.5	47	14.6
Current portion of deferred income	6	-	6	20.0	5	25.0	4	(20.0)	5	150.0	2	-
TOTAL EQUITY AND LIABILITIES	**9,661**	**16.6**	8,287	(17.8)	10,079	(17.2)	12,179	28.4	9,484	75.9	5,393	14.0
Profit or Loss												
Sales - net	3,822	(6.0)	4,066	(42.3)	7,043	(31.0)	10,209	37.7	7,412	252.8	2,101	(47.9)
Cost of sales	3,771	(2.0)	3,846	(38.3)	6,232	(25.4)	8,350	58.5	5,269	154.7	2,069	(45.6)
GROSS PROFIT	**51**	**(76.8)**	220	(72.9)	811	(56.4)	1,859	(13.3)	2,143	6,596.9	32	(86.1)
Income from investments - net	389	102.6	192	(61.3)	496	100.8	247	488.1	42	(86.4)	309	(29.8)
Distribution and selling expenses	13	(13.3)	15	(16.7)	18	(41.9)	31	93.8	16	(40.7)	27	(48.1)
Administrative expenses	245	30.3	188	8.7	173	(39.7)	287	1.4	283	69.5	167	1.2
Other operating expenses	26	(10.3)	29	(65.9)	85	(79.3)	411	(2.4)	421	1,351.7	29	(58.0)
Other income	35	(60.7)	89	(48.3)	172	(14.9)	202	114.9	94	276.0	25	(68.4)
OPERATING PROFIT BEFORE FINANCE COSTS	**191**	**(29.0)**	269	(77.6)	1,203	(23.8)	1,579	1.3	1,559	990.2	143	(69.2)
Finance costs	309	26.6	244	5.6	231	23.5	187	(23.4)	244	201.2	81	(3.6)
(LOSS) / PROFIT BEFORE TAXATION	**(118)**	**(572.0)**	25	(97.4)	972	(30.2)	1,392	5.9	1,315	2,021.0	62	(83.7)
Taxation	(101)	14.4	(118)	(153.6)	220	(42.0)	379	8.9	348	890.9	(44)	(331.6)
(LOSS) / PROFIT AFTER TAXATION	**(17)**	**(111.9)**	143	(81.0)	752	(25.8)	1,013	4.8	967	812.3	106	(70.6)

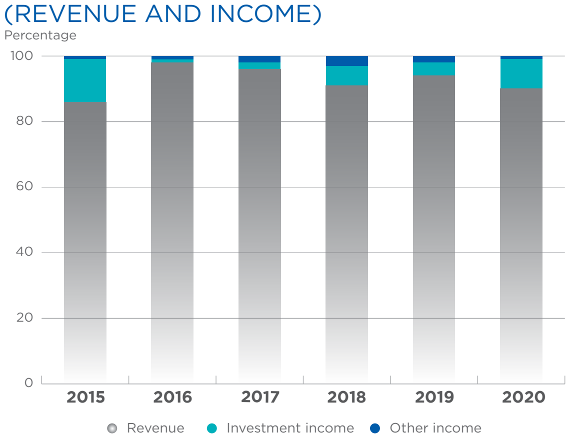
STATEMENT OF FINANCIAL POSITION ANALYSIS (ASSETS)



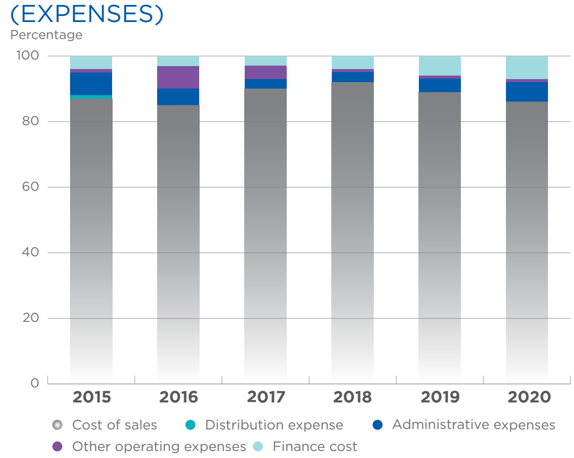
STATEMENT OF FINANCIAL POSITION ANALYSIS (EQUITY AND LIABILITIES)



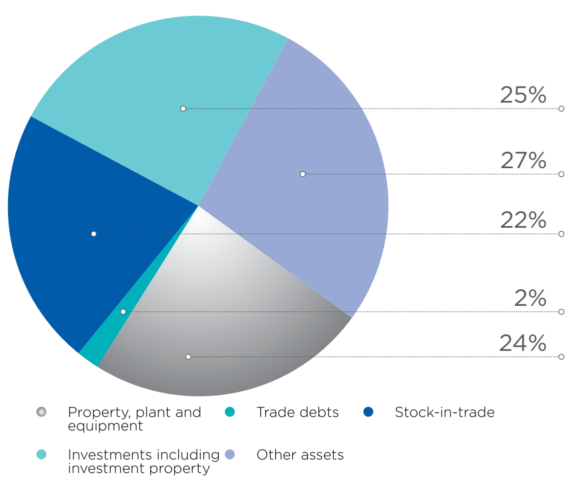
PROFIT OR LOSS ANALYSIS (REVENUE AND INCOME)



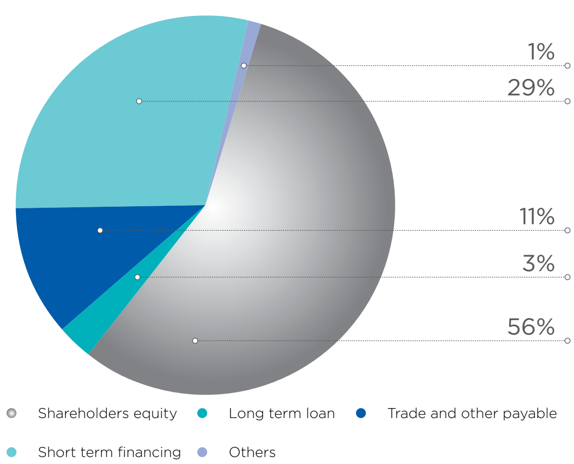
PROFIT OR LOSS ANALYSIS (EXPENSES)



TOTAL ASSETS AS OF 30 JUNE 2020



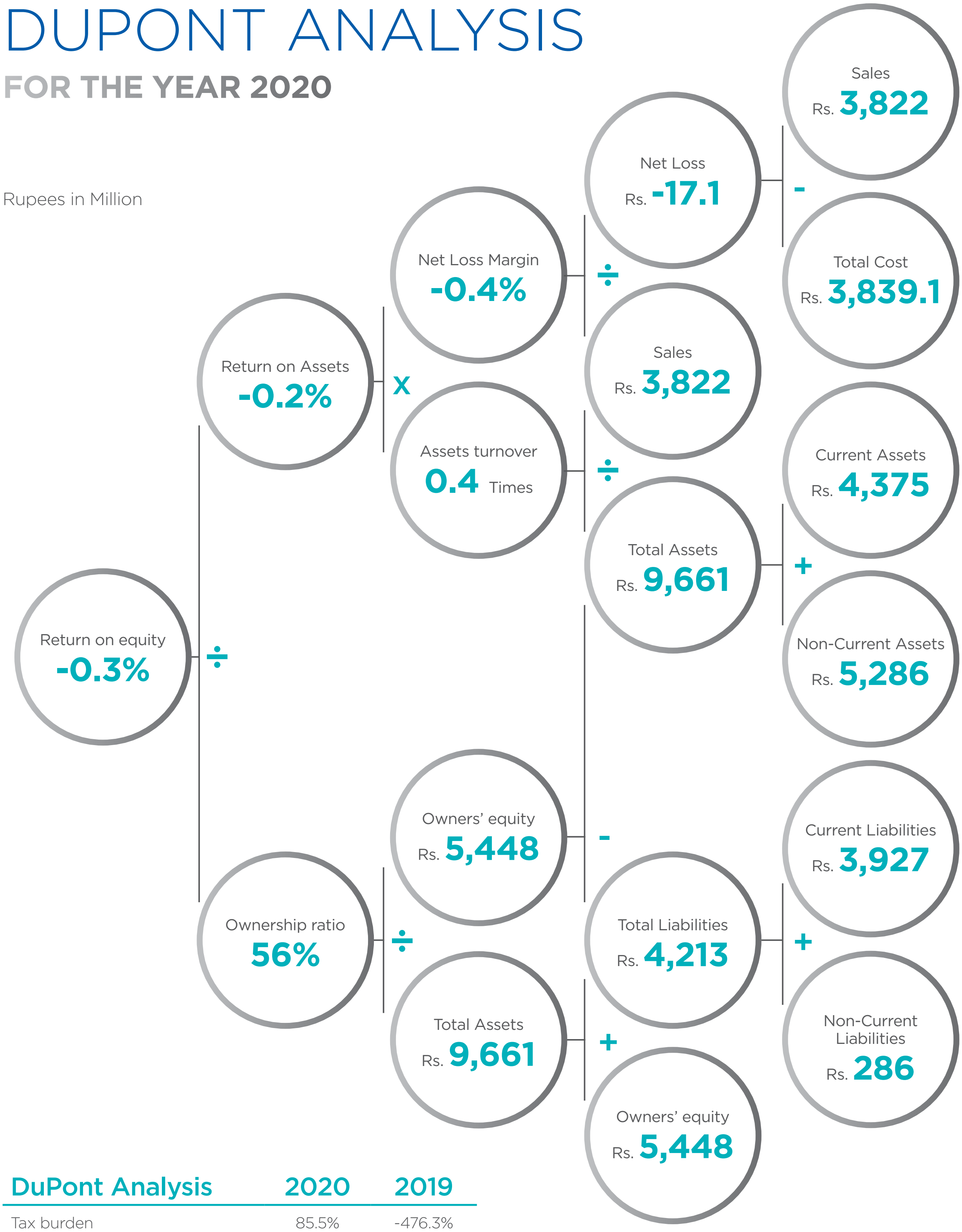
TOTAL EQUITY AND LIABILITIES AS OF 30 JUNE 2020



DUPONT ANALYSIS

FOR THE YEAR 2020

Rupees in Million



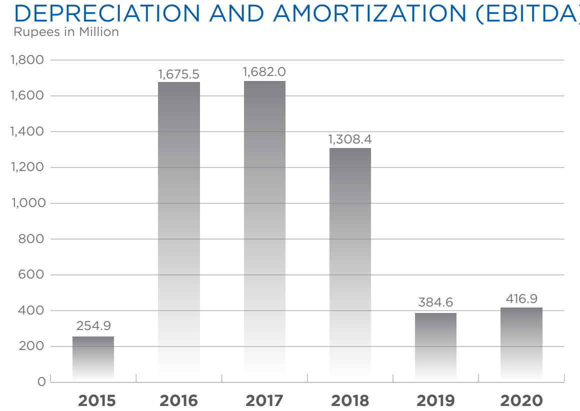
DuPont Analysis	2020	2019
Tax burden	85.5%	-476.3%
Interest burden	-262.3%	981.2%
EBIT margin	5.0%	6.6%
Asset Turnover (times)	0.4	0.5
Leverage	55.5%	37.4%
Return on equity	-0.3%	2.7%

KEY OPERATING AND FINANCIAL DATA

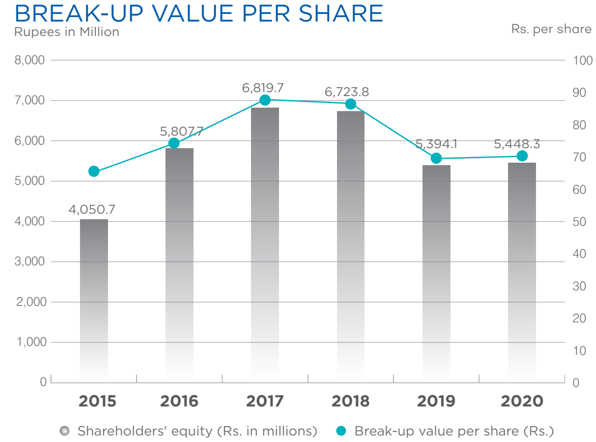
For The Current And Past Six Financial Years

Rupees in millions	2020	2019	2018	2017	2016	2015	2014
A - Summary of Profit or Loss							
Sales - net	3,822.2	4,066.5	7,043.8	10,208.6	7,412.0	2,101.6	4,031.6
Cost of sales	3,771.3	3,846.1	6,232.5	8,349.8	5,269.1	2,069.1	3,801.3
Gross profit	**50.9**	220.4	811.3	1,858.8	2,142.9	32.5	230.3
Income from investments - net	389.3	191.5	495.5	246.9	42.6	308.7	440.1
Distribution, selling and administrative expenses	258.6	203.1	190.9	317.8	298.6	194.0	217.2
Other operating expenses	25.9	28.6	84.9	410.8	421.3	29.3	68.7
Other income	35.4	89.0	171.7	201.8	93.7	25.6	78.6
Operating profit before finance costs	**191.1**	269.2	1,202.7	1,578.9	1,559.3	143.5	463.1
Finance costs	308.8	244.3	231.3	187.3	243.8	80.7	84.1
(Loss) / profit before taxation	**(117.7)**	24.9	971.4	1,391.6	1,315.5	62.8	379.0
Taxation	(100.6)	(118.6)	219.7	379	348	(43.7)	19
Net (loss) / income	**(17.1)**	143.5	751.7	1,012.3	967.1	106.5	360.2
B - Summary of Statement of Financial Position							
Current assets	4,374.7	2,981.1	4,241.1	6,829.6	4,527.1	1,478.7	1,482.4
Stock-in-trade	2,130.7	821.4	1,542.7	2,686.7	2,266.8	453.1	407.2
Trade debts	225.8	96.4	106.9	663.7	322.9	87.9	89.5
Current liabilities	3,926.5	2,505.4	2,993.0	4,733.5	3,127.6	1,055.4	651.8
Trade and other payables	1,068.5	691.9	1,349.1	1,863.8	711.0	626.0	315.0
Property, plant and equipment	2,274.3	2,493.7	1,039.0	940.6	822.6	780.7	795.1
Total assets	9,660.8	8,287.0	10,079.0	12,179.6	9,484.2	5,392.7	4,733.0
Long term financing (excluding current maturity)	255.2	280.2	354.2	386.1	471.4	285.2	62.0
Deferred income (including current maturity)	13.3	13.4	13.5	11.6	13.8	3.2	4.1
Deferred liabilities	23.7	100.5	-	232.8	68.3	-	9.7
Short term financing (including current maturity of long-term financing)	2,771.2	1,738.8	1,600.7	2,699.5	2,251.9	404.2	269.4
Reserves	4,672.0	4,617.7	5,947.4	6,043.4	5,031.4	3,429.7	3,386.1
Shareholders' equity	5,448.3	5,394.1	6,723.8	6,819.7	5,807.7	4,050.7	4,007.2
C - Summary of Statement of Cash Flows							
Cash and cash equivalents at the beginning of the year	(818.6)	(172.1)	(219.4)	(117.0)	(259.3)	(121.1)	(220.7)
Net cash (used in) / generated from operating activities	(1,385.6)	(228.4)	1,599.5	172.0	(1,820.1)	162.2	565.2
Net cash generated from / (used in) investing activities	384.2	1,421.6	168.3	(144.6)	(816.3)	(399.2)	(132.5)
Net cash generated from / (used in) financing activities	1,261.1	(590.7)	(1,720.5)	(129.8)	2,778.7	98.8	(333.1)
Net increase / (decrease) in cash and cash equivalents	259.7	602.5	47.3	(102.4)	142.3	(138.2)	99.6
Transfer upon amalgamation	-	(1,249.0)	-	-	-	-	-
Cash and cash equivalents at the end of the year	(558.9)	(818.6)	(172.1)	(219.4)	(117.0)	(259.3)	(121.1)
D- Other Data							
Depreciation and amortization	225.8	115.4	105.7	103.0	116.1	111.4	99.8
Capital expenditure	9.1	130.7	204.2	215.2	141.5	95.7	131.8
No. of ordinary shares (no. of shares in millions)	77.6	77.6	77.6	77.6	77.6	62.1	62.1
Payments to National Exchequer	1,047.7	527.2	1,868.9	2,574.3	2,250.0	157.2	358.0

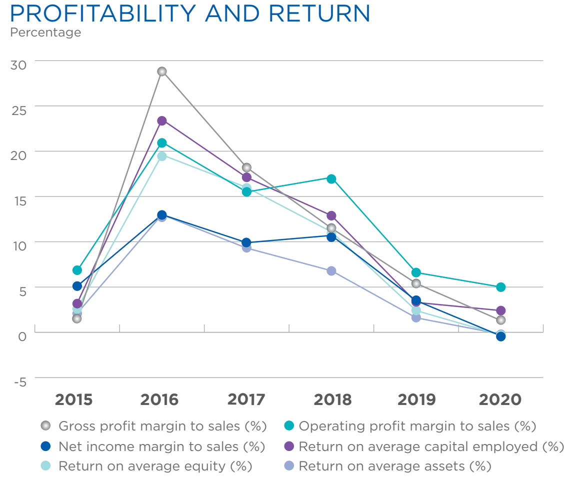
EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION AND AMORTIZATION (EBITDA)



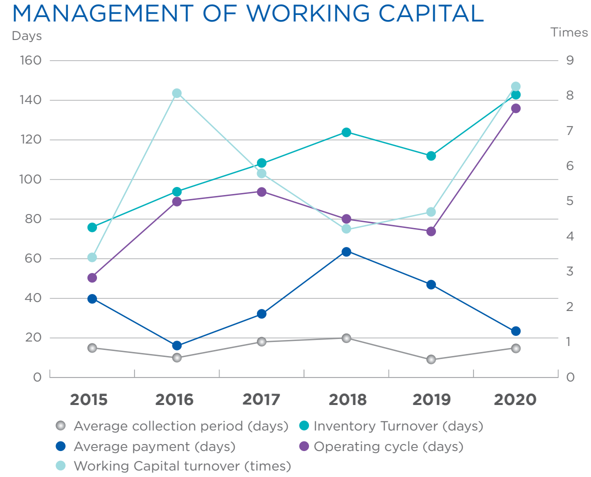
SHAREHOLDERS' EQUITY AND BREAK-UP VALUE PER SHARE



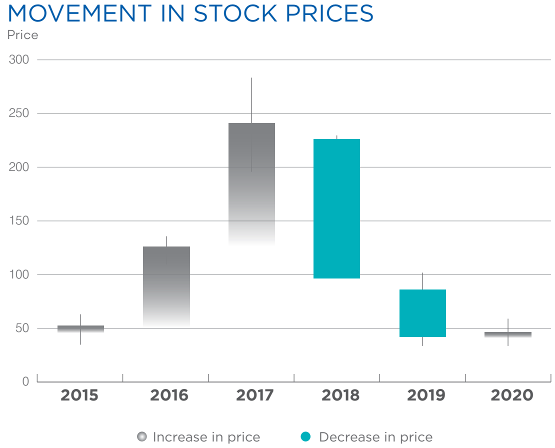
PROFITABILITY AND RETURN



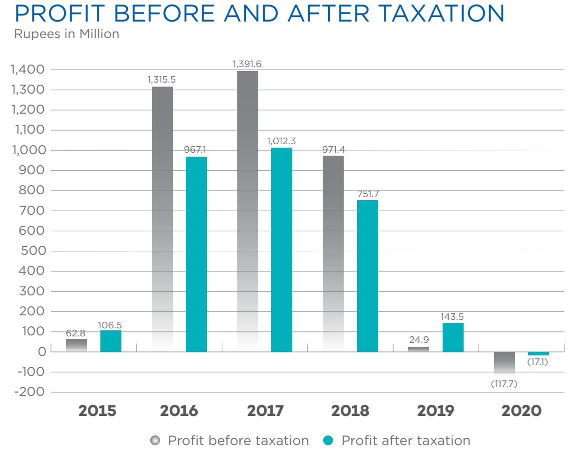
MANAGEMENT OF WORKING CAPITAL



MOVEMENT IN STOCK PRICES



PROFIT BEFORE AND AFTER TAXATION



QUARTERLY ANALYSIS

SALES

Sales were less in first half as compared to second half due to operation of CS Energy and Hadeed (Billet) segment and start of operation of steel segment orders. Second half posted 61.7% or Rs. 2,353 million to annual revenue as against H1FY20: Rs. 1,469.2 million. As explained in detail in the operating performance reviews, the Steel line pipe segment remained the main contributor to sales on the back of pipe distribution projects initiated by the gas utilities.

INCOME FROM INVESTMENTS

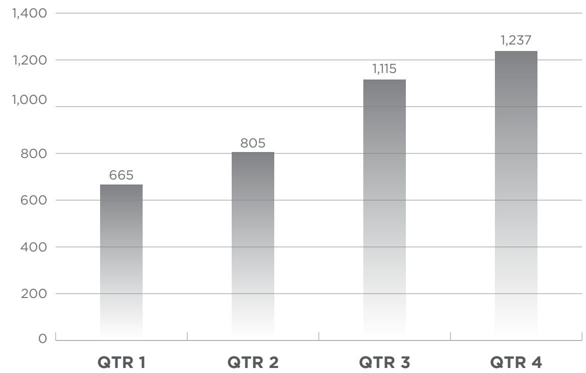
During the first quarter, the IID Division recorded a net loss of Rs. 29.2 million. The second and third quarter showed positive results and the IID division contributed Rs. 344.1 million to profits during the fiscal year. The year closed with the fourth quarter contributing profit of Rs. 48.3 million with unrealized gain on fair value through profit or loss investments of Rs 50.7 million.

Income from investments, inclusive of dividend income of Rs. 353.4 million and unrealized gain of Rs. 37.7 million, stood at Rs. 389.3 million mainly from an associate company.

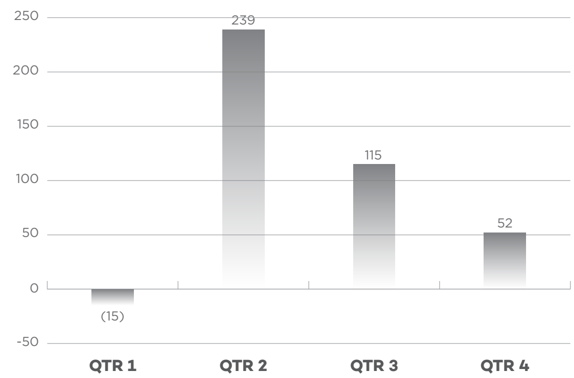
PROFIT / LOSS AFTER TAXATION

Loss after taxation for the first quarter stood at Rs. 146.9 million primarily constituting losses from the Steel Division. Second and third quarters added Rs. 115.6 million to the bottom line and showed profit from the Cotton and IID Division. After dip in third quarter, the fourth quarter posted profit after tax of Rs. 14.1 million.

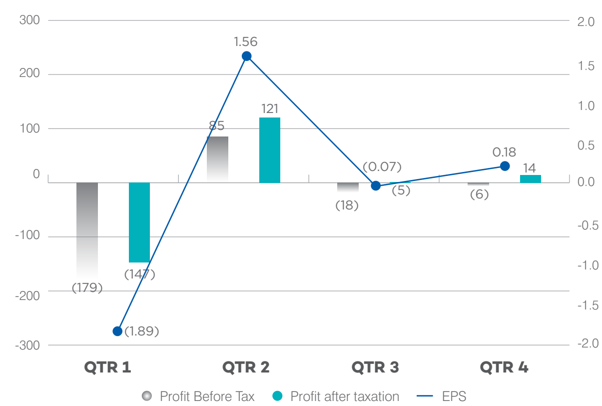
SALES
Rupees in Million



INVESTMENT INCOME
Rupees in Million



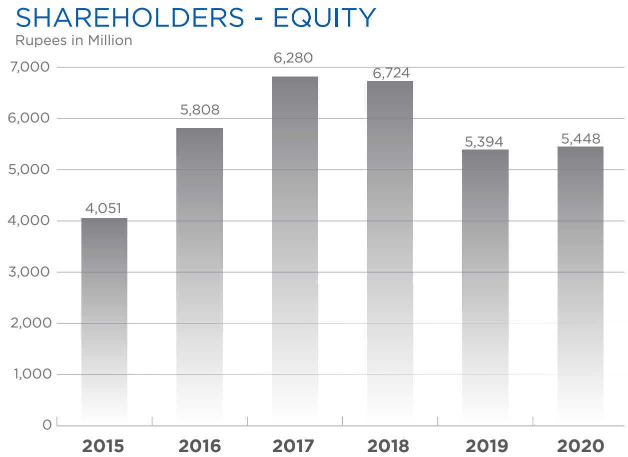
PROFIT BEFORE TAX, PROFIT AFTER TAX AND EPS
Rupees in Million
Rupees per share



COMMENTS ON SIX-YEAR STATEMENT OF FINANCIAL POSITION

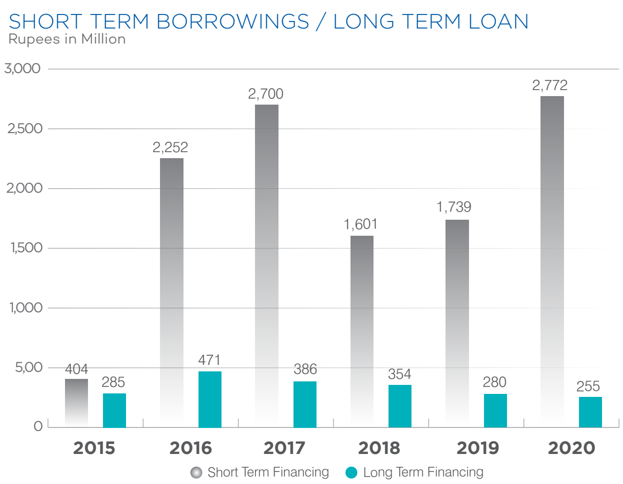
EQUITY

Over the last six years equity has increased 1.3 times. Increase in equity is attributable to profitable results of the Company over the last six year and issue of rights shares amounting to Rs. 900.5 million in FY16 (including premiums).



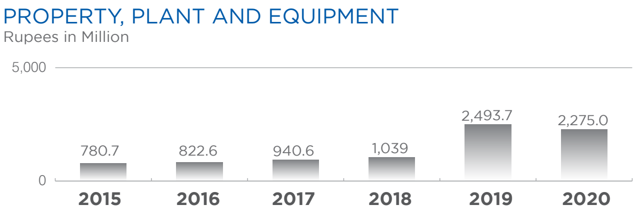
SHORT TERM BORROWINGS / LONG TERM LOAN

Short term borrowings increased from Rs. 404 million in 2015 to Rs. 2,772 million in 2020. Upward movement is in line due to increase in working capital requirement to meet operating requirement during the year. During the financial year 2020, long term loan decreased on account of repayments made during the year.



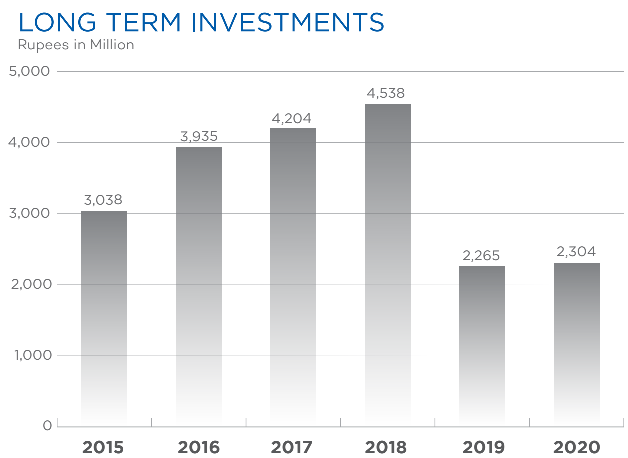
PROPERTY, PLANT AND EQUIPMENT

Increase in net book value of property, plant and equipment was mainly due to amalgamation of wholly owned subsidiaries in year 2019 as compared to year 2018. However, decrease in net book value of property, plant and equipment from last year was mainly due to depreciation charged during the year.



LONG TERM INVESTMENTS

Long term investments has decreased over the years from Rs. 3,038 million in 2015 to Rs. 2,304 million in 2020. The main reason for decrease in investments over the years is divestment of interest in subsidiaries due to amalgamation.

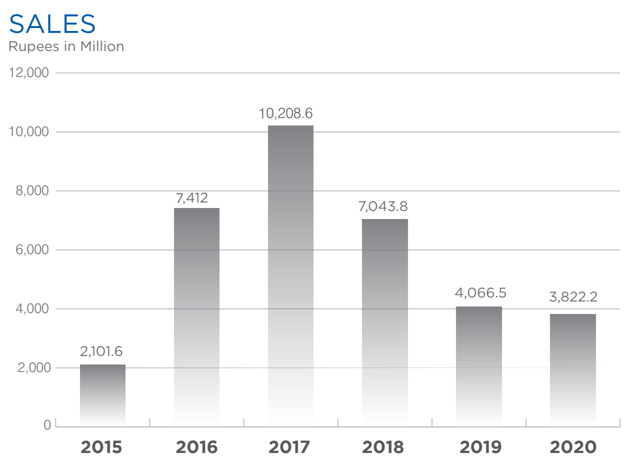


COMMENTS ON SIX-YEAR PROFIT OR LOSS

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 lying of gas pipelines for transmission of RLNG. During the month of March 2020, the Company secured a contract of Rs. 1.688 billion from Sui Northern Gas Pipeline Company Limited for the supply of 24" and 16" pipe. Production and delivery of pipe is expected to commence from first quarter of next fiscal year.

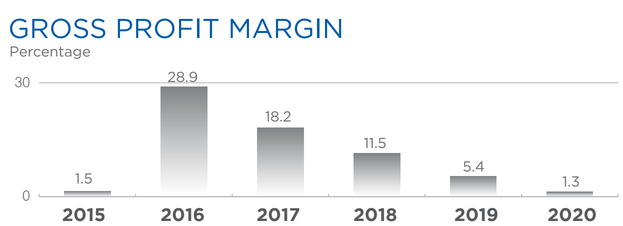
SALES

The sales stood at Rs. 3,822.2 million in FY20. This was due to lack of order intake and its consequent idling cost and overall impact of COVID-19 on economy. Sales revenue in 2015 amounting to Rs. 2,101.6 million was lowest in past six years, which was primarily due to a low order intake in the Steel Division and a decline in revenues from the cotton spinning segment on account of adverse market conditions and low order intake hampering export sales.



GROSS PROFIT

In FY20 gross profit margin decreased to 1.3% as compared to 5.4% in the previous year. The decrease in margin is due to upward movement in HR Coil prices and idling of the Plant, thus significantly effecting gross profit margin. Gross Profit margin of 1.3% in 2020 was the lowest during the six-year period.



OPERATING EXPENSE

In FY20 Distribution and selling expenses showed downward movement, achieving lowest level in comparative period in past six years. This decrease was due to the drop in sales and not incurring liquidated damages during the year.

In FY17 and FY16 major component to other operating expenses were charges for liquidated damages – this charge is directly linked to delivery of orders. Other component comprise of provision for Workers' Welfare Fund and Workers' Profit Participation Fund, which were directly related to profits of the Company.

FINANCE COST

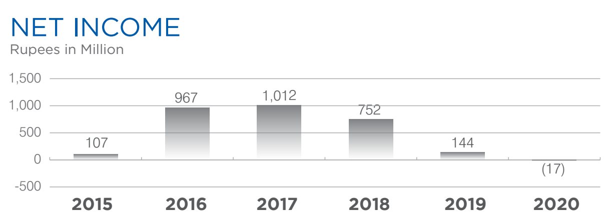
During FY20, finance costs were higher, due to inventory build-up and mark-up incurred on availing short term loans, long term loans and running finance facilities to finance increased working capital requirements of the Company/Subsidiaries. Increasing trend was observed in finance cost during 2017 (Rs. 187 million) to 2020 (Rs. 309 million), mainly due to high policy rate of 13.25 percent which was subsequently in fourth quarter FY20 was 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. Loss in 2020 was driven through from all operations except IID Division.

Significant decline in sales and relatively higher cost of sales resulted in loss after tax in 2020. The Company was not able to maintain its profitability on net basis due to overall economic condition of the country impacted by the pandemic.



CASH FLOWS

Cash used in operations was recorded at Rs. 988.8 million. Unfavourable movement was observed in working capital changes with net decrease of Rs. 1,025.6 million in year 2020 as compared to net increase of Rs. 269.2 million in year 2019. This was mainly due to stock in trade (related to raw material for fulfilment of order in hand) and trade debts showed cash outflow of Rs. 1,309.4 million and Rs. 129.4 million, respectively.

Net cash flow used in operating activities stood at Rs. 1,385.6 million as compared to net cash flow used in operating activities amounting to Rs. 288.4 million in FY19, which was mainly due to change of cash flow from operations as explained above. Investment in capacity expansion is the only cash outflow from investing activities while net investment and dividend & interest income received were the main cash inflows from investing activities.

Whereas borrowing of short term loan was the main factor for increase in net cash inflow from financing activities for the current year. Cash and cash equivalents as at 30 June 2020 were recorded at negative Rs. 558.9 million in comparison with negative Rs. 818.6 million for 2019.

RATIO ANALYSIS

PROFITABILITY RATIOS

For the year FY20 gross profit margins stood at 1.3% which were lower than comparative year. Moreover, net margin also decreased to negative 0.5%. Lack of order, plant idling and impact of COVID-19 forced the gross margins for FY20 downwards. Consequently, return on equity and capital employed moved from 2.7% and 3.6% to negative 0.3% and 2.3%, respectively in comparison with last year.

Profitability ratios of the Company remained in concurrence with overall performance during the last 6 years except in FY15 and FY20. Over the last five years current ratio slightly decreased to 1.1 times. Trade creditors and short term borrowings were offset by decrease in stock-in-trade, trade debtors, advances and trade deposits.

ACTIVITY / TURNOVER RATIOS

Inventory turnover days stood at 143 days, while debtors turnover in days increased in comparison with last year from 9 days to 15 days. Number of days in creditors decreased to 23 days. In FY20 total asset slightly decreased to 0.4 times as compared to 0.5 times from last year, this was in line with the historical six year average of the Company.

INVESTMENT / MARKET RATIOS

With a decrease in profitability, the Company's loss per share was recorded at Rs. 0.22 per share. Price to earnings ratio stood to Nil as compared to 20.4 times in 2019 because of no profit. The market price of Company's share increased from Rs. 37.8 per share at the close of 2019 to Rs. 45.5 per share at close of FY20. Dividend payout ratio for 2020 was recorded at Nil against an average of 30.8% for the last 6 years.

CAPITAL STRUCTURE RATIOS

Financial leverage ratio increased to 55.5% in 2020 from 37.4% in 2019 due to increase in long term and short term financing availed mainly for working capital requirements. Long term Debt to equity ratio slightly decreased to 4.7% as compared to last year. Company's interest cover ratio slightly decreased to 0.6 times in comparison with 1.1 times in 2019 as a result of decrease in profitability.

STAKEHOLDER ENGAGEMENT APPROACH

Our objective is to run our business efficiently and profitably to enhance shareholders' value but we do it with responsibility to all stakeholders. Profitability is essential in creating and enhancing shareholders' value and the corporate resources are primarily deployed in the achievement of this end. However, the Company does not operate in isolation with its environment and accordingly feels responsible to all stakeholders which are:

OUR SHAREHOLDERS

To protect shareholders' investments and provide maximum return to them.

OUR CUSTOMERS

To win and maintain customers by developing and providing products and services, which offer value in terms of price, quality, safety and environmental impact supported by requisite technological expertise.

OUR PEOPLE

To respect the human and legal rights of employees with good and safe conditions of work, competitive terms of service and development of their skills through planned and extensive training.

OUR BUSINESS PARTNERS

To seek mutually beneficial relationships with contractors and suppliers of goods and services to the Company.

OUR SOCIETY

To conduct business as a responsible member of society, to observe laws, express support for basic human rights and give proper regard to health, safety and environment not only at our various campuses but also beyond, extending it to society at large.

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 2020, there were 2,883 shareholders on record of the Company's ordinary shares.

ANNUAL GENERAL MEETING

The annual shareholders meeting will be held on Wednesday, 28 October 2020 at 12:00 noon at registered office, Lahore, through video-link. Shareholders as of 21 October 2020 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 22 October 2020 to 28 October 2020 (both days inclusive). Transfers received in order at Share Registrar's Office, CorpTec Associates (Private) Limited, by the close of business on 21 October 2020, 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 2020 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 35th Annual General Meeting of the Company held on 28 October 2019, 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 GREIVANCE 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 ANNOUNCED DURING FY 2020

RESULTS

1st Quarter ending 30 September 2019	Approved and announced on	**28** October 2019
2nd Quarter ending 31 December 2019	Approved and announced on	**06** February 2020
3rd Quarter ending 31 March 2020	Approved and announced on	**30** April 2020
Year ended 30 June 2020	Approved and announced on	**28** August 2020

EXPECTED MEETING CALENDAR FY 2021

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:

Annual General Meeting	**28** October 2020
1st Quarter ending 30 September 2020	**28** October 2020*
2nd Quarter ending 31 December 2020	**28** January 2021*
3rd Quarter ending 31 March 2021	**29** April 2021*
Year ended 30 June 2021	**29** July 2021*

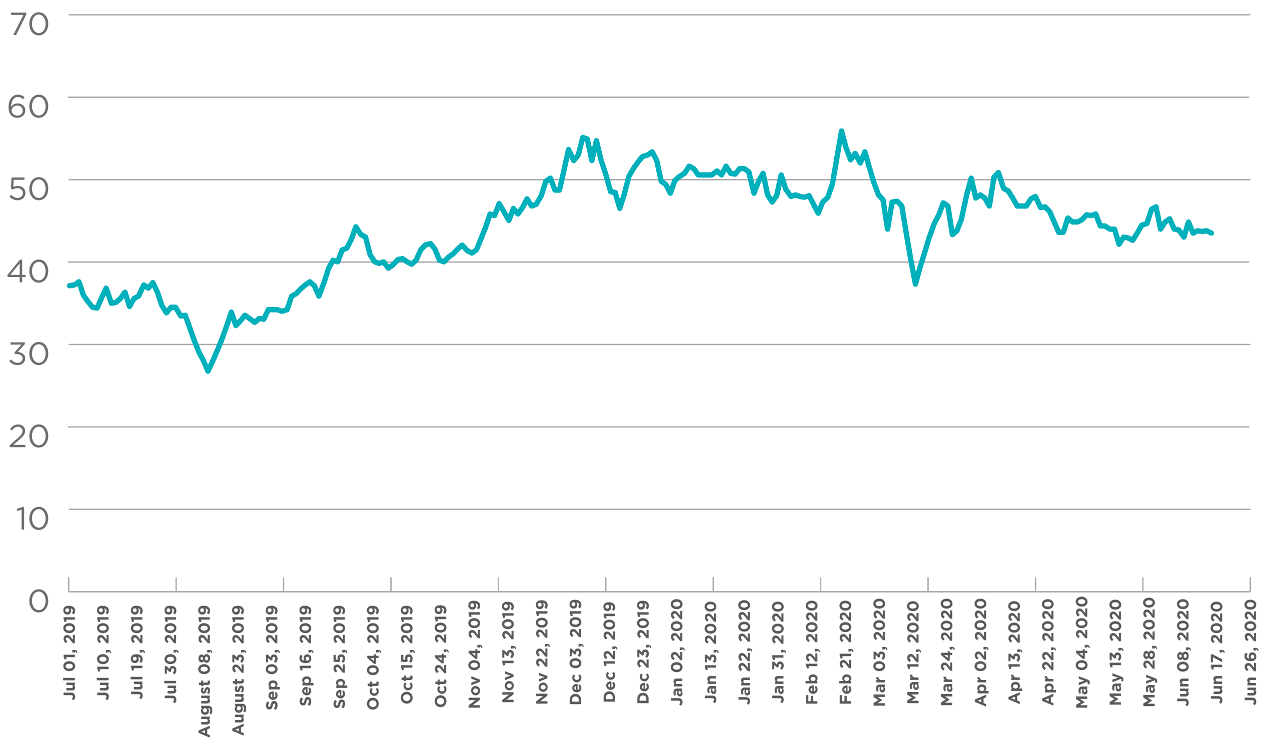
* Dates are tentative and the Company reserves the right to change.

SHARE PRICE SENSITIVITY ANALYSIS

CSAP opened FY20 at Rs. 37.78, recovering to Rs 45.50 (gaining 20.43% over the year) on the back of improving market conditions as well as due to positive outlook of the cyclical sectors in the last quarter of fiscal year. The scrip traded between Rs. 58.31 and Rs. 27.25 during the first half of fiscal year 2020. The weakening of economy due to the outbreak of pandemic lead the market to fluctuate and eventually fall during the second half of the fiscal year only to recover later after bottoming at 27,046 resulting in shares being traded between Rs. 61.50 and Rs. 36.5.

COMPANY SHARE PRICE

Rupees per Share



PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS

as at :June 30, 2020

No. of Shareholders	Shareholding		Total Shares held
	From	To	
593	1	100	24,409
769	101	500	251,369
435	501	1,000	360,565
611	1,001	5,000	1,568,821
162	5,001	10,000	1,252,576
59	10,001	15,000	753,751
49	15,001	20,000	895,864
40	20,001	25,000	905,990
17	25,001	30,000	466,510
10	30,001	35,000	320,999
12	35,001	40,000	457,998
10	40,001	45,000	424,898
8	45,001	50,000	385,465
6	50,001	55,000	310,720
3	55,001	60,000	173,491
4	60,001	65,000	245,344
4	65,001	70,000	267,005
6	70,001	75,000	448,500
4	75,001	80,000	311,300
3	80,001	85,000	246,750
1	85,001	90,000	87,500
6	95,001	100,000	600,000
1	100,001	105,000	105,000
2	105,001	110,000	212,612
1	110,001	115,000	112,000
2	120,001	125,000	247,615
2	135,001	140,000	275,365
2	140,001	145,000	281,700
2	145,001	150,000	293,600
1	150,001	155,000	153,215
2	155,001	160,000	318,050
1	160,001	165,000	165,000
2	165,001	170,000	334,500
1	170,001	175,000	171,000
1	175,001	180,000	180,000
2	180,001	185,000	367,540
3	185,001	190,000	562,891
1	195,001	200,000	200,000
2	205,001	210,000	420,000
2	210,001	215,000	430,000

No. of Shareholders	Shareholding From	Shareholding To	Total Shares held
1	215,001	220,000	218,894
1	265,001	270,000	268,750
1	270,001	275,000	275,000
1	275,001	280,000	276,500
1	290,001	295,000	293,500
1	325,001	330,000	327,000
1	335,001	340,000	337,500
1	340,001	345,000	341,000
1	380,001	385,000	383,452
1	390,001	395,000	390,646
1	405,001	410,000	407,690
1	415,001	420,000	415,460
1	420,001	425,000	423,000
1	425,001	430,000	427,500
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	1,690,001	1,695,000	1,691,200
1	1,735,001	1,740,000	1,736,100
1	1,805,001	1,810,000	1,805,736
1	1,915,001	1,920,000	1,917,700
1	1,920,001	1,925,000	1,921,333
1	2,065,001	2,070,000	2,066,300
1	2,105,001	2,110,000	2,108,200
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	4,020,001	4,025,000	4,024,980
1	4,250,001	4,255,000	4,252,000
1	4,265,001	4,270,000	4,267,200
1	4,740,001	4,745,000	4,743,956
1	8,535,001	8,540,000	8,538,303
2,883			77,632,491

CATEGORIES OF SHAREHOLDING

As at 30 June 2020

Categories of Shareholder	Total	% age
Directors, Chief Executive Officer, Their Spouses and Minor Childern		
CEO		
Ahsan Muhammad Saleem	497,083	0.64%
Directors		
Ahmad Waqar	27	0.00%
Farah Ayub Tarin	1	0.00%
Farrukh Viqaruddin Junaidy	1	0.00%
Nadeem Maqbool	58,310	0.08%
Nasir Shafi	101	0.00%
Syed Mahmood Ehtishamullah	19,495	0.03%
Director's Spouse		
Shahnaz A. Saleem	650,600	0.84%
Associated Companies, Undertakings & Related Parties		
M/s. Muhammad Amin Muhammad Bashir Limited	848	0.00%
CSAP Staff Benevolent Fund	36,178	0.05%
Premier Insurance Limited	141,500	0.18%
Crescent Steel & Allied Products Limited Gratuity Fund	1,921,832	2.48%
Crescent Steel & Allied Products Limited Pension Fund	4,027,480	5.19%
Crescent Steel & Allied Products Staff Provident Fund	124,200	0.16%
Crescent Cotton Products Staff Provident Fund	74,800	0.10%
The Crescent Textile Mills Ltd	8,538,303	11.00%
Shakarganj Limited	180,000	0.23%
Mutual Funds and Modarabas		
M/s. Unicap Modaraba	190	0.00%
M/s. First UDL Modaraba	4,000	0.01%
First Alnoor Modaraba	5,200	0.01%
B.R.R. Guardian Modaraba	47,500	0.06%
NIT-Equity Market Opportunity Fund	383,452	0.49%
M/s. First Elite Capital Modaraba	1,000	0.00%
NITIPF Equity Sub-Fund	21,000	0.03%
NITPF Equity Sub-Fund	13,000	0.02%
AKD Islamic Stock Fund	20,000	0.03%

Categories of Shareholder	Total	% age
National Investment (Unit) Trust	1,805,736	2.33%
Banks, DFIs, NBFCs	10,484,432	13.51%
Insurance Companies	2,775,695	3.58%
Other Companies (Local and Foreign)	15,069,642	19.41%
Public		
Local	30,721,285	39.57%
Foreign	9,600	0.01%
Shareholders More Than 10.00%		
The Crescent Textile Mills Ltd	8,538,303	11.00%
Pak Qatar Family Takaful Limited	8,111,500	10.45%

NOTICE OF 36TH ANNUAL GENERAL MEETING

Notice is hereby given that the 36th Annual General Meeting ("AGM") of the shareholders of Crescent Steel and Allied Products Limited (the "Company") will be held on Wednesday, 28 October 2020 at 12:00 noon, at registered office, Lahore, through video-link 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 for the year ended 30 June 2020.
2. To appoint Company's auditors and to fix their remuneration. The Board Audit Committee and the Board of Directors have recommended the name of M/s. A. F. Ferguson & Co. Chartered Accountants as auditors for appointment by the Company's members in annual general meeting in place of retiring auditors M/s KPMG Taseer Hadi & Co. Chartered Accountants.

BY ORDER OF THE BOARD

Iesha Fazal
Company Secretary

Lahore: 07 October 2020

NOTES:

1. In view of the SECP instructions due to Coronavirus Pandemic, the AGM will be conducted virtually via video link for safety and well-being of the shareholders of the Company and general public. 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 or whatsapp number: 0321-9436216 by 26 October 2020.

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

2. The members who are registered after the 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 will remain open 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 or WhatsApp at 0321-9436216. 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 22 October 2020 to 28 October 2020 (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 21 October 2020, will be treated in time for the entitlement to attend 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 intend 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.

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 or pending shares, if any.

Video Conferencing Facility:

11. Pursuant to the provisions of the Companies Act, 2017, the shareholders residing in a city and holding at least 10% of the total paid up share capital may demand the Company to provide the facility of video-link for participating in the AGM. The demand for video-link facility shall be received by the Share Registrar at the address given hereinabove at least seven (7) days prior to the date of the meeting on the Standard Form provided in the annual report and also available on the company's website.

Placement of Financial Statements:

12. The Company has placed a copy of the Notice of AGM, Annual Separate and Consolidated Financial Statements for the year ended 30 June 2020 along with Auditors and Directors Reports thereon and Chairman's Review on the website of the Company: www.crescent.com.pk

www.crescent.com.pk

6 پراکسی مقرر کرنے کیلئے جمع کروائے جانے والی دستاویز اور زیر دستخطی پاور آف اٹارنی یا پاور آف اٹارنی کی نوٹری سے مصدقہ نقل اجلاس شروع ہونے سے کم از کم 48 گھنٹے قبل کمپنی کے رجسٹرار دفتر کو موصول ہونا لازم ہے۔ اردو اور انگریزی زبانوں میں پراکسی فارم نوٹس برائے سالانہ مالیاتی دستاویزات کے ساتھ ارسال کیا جاچکا ہے۔

ڈیویڈنڈ کی الیکٹرانک ادائیگی

7 کمپنیز ایکٹ 2017 کے سیکشن 242 کے مطابق لسٹڈ 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 اُن 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 کردی جائیں تاکہ یہ معلومات کمپنی تک پہنچ جائیں اور ان کی تجدید بھی کرلی جائے۔ بصورت دیگر مستقبل میں ملنے والے تمام ڈیویڈنڈ روک لئے جائیں گے۔

زکوۃ سے متعلق حلف نامہ

8 ممبران سے درخواست کی جاتی ہے کہ زکوۃ وعشر آرڈیننس 1980 کے قواعد کے مطابق اپنی زکوۃ کی ادائیگی سے متعلق حلف نامہ جمع کروادیں۔

مالیاتی دستاویزات کی فراہمی

9 ایسے حصص داران جو کہ مذکورہ بالا دستاویزات کو کاغذی صورت میں حاصل کرنے کے خواہش مند ہیں اپنی درخواست ایک مختص کردہ 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 کردیئے جائیں گے۔ ایسے حصص داران جو کہ سالانہ رپورٹ اور اجلاس کا نوٹس بذریعہ ای میل حاصل کرنے کے خواہش مند ہیں کو چاہیئے کہ مختص کردہ درخواست فارم پر اپنی مرضی سے آگاہ کردیں، متعلقہ فارم سالانہ رپورٹ کے ساتھ منسلک ہے اور فارم کمپنی کی ویب سائٹ www.crescent.com.pk سے بھی ڈاؤن لوڈ کیا جاسکتا ہے۔

غیر دعوہ شدہ ڈیویڈنڈ / حصص

10 حصص داران جو کہ کسی بھی وجہ سے اپنے ڈیویڈنڈ کا دعوہ نہ کرسکے یا اپنے بونس حصص یا کاغذی صورت میں اپنے حصص اب تک موصول نہیں کر پائے ان سے گزارش ہے کہ اپنے غیر دعوہ شدہ ڈیویڈنڈ یا زیر التواء حصص کے حصول کیلئے ہمارے حصص رجسٹرار میسرز کارپ ٹیک ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، 503-E، جوہر ٹاؤن، لاہور سے رابطہ کریں۔

ویڈیو کانفرسنگ کی سہولت

11 کمپنیز ایکٹ 2017 کے قواعد کی رو سے کسی بھی شہر میں کمپنی کے کل ادا شدہ حصص کے کم از کم 10% کے حاملین حصص داران کمپنی سے یہ مطالبہ کرسکتے ہیں کہ انھیں سالانہ اجلاس عام میں شرکت کیلئے ویڈیو لنک کی سہولت فراہم کی جائے۔ ویڈیو لنک فراہم کرنے کیلئے مختص کردہ درخواست فارم پر اجلاس شروع ہونے سے کم از کم سات (7) دن پہلے کمپنی کے حصص رجسٹرار کو درخواست موصول ہونا لازم ہے، درخواست فارم سالانہ رپورٹ کے ساتھ منسلک ہے اور فارم کو کمپنی کی ویب سائٹ سے بھی ڈاؤن لوڈ کیا جاسکتا ہے۔

مالیاتی دستاویزات کی فراہمی

12 کمپنی کی جانب سے نوٹس برائے سالانہ اجلاس عام، سالانہ جداگانہ اور مخلوط مالیاتی دستاویزات برائے مالی سال اختتامیہ 30 جون 2020 اور ان سے متعلق ڈائریکٹروں اور آڈیٹروں کی رپورٹس اور چیئرمین کی جائزہ رپورٹ کو کمپنی کی ویب سائٹ www.crescent.com.pk پر فراہم کردیا گیا ہے۔

36ویں سالانہ اجلاس عام کا نوٹس

بذریعہ ہذا نوٹس ممبران کو مطلع کیا جاتا ہے کہ کریسنٹ اسٹیل اینڈ الائیڈ پروڈکٹس لمیٹڈ (کمپنی) کے حصص داران کا 36واں سالانہ اجلاس عام بروز بدھ 28 اکتوبر 2020 دوپہر 12:00 بجے بمقام لاہور بذریعہ ویڈیو لنک منعقد کیا جارہا ہے جس میں درج ذیل عمومی امورزیر بحث لائے جائیں گے:

1۔ مالی سال اختتامیہ 30 جون 2020 سے متعلق چیئر مین کی جائزہ رپورٹ، ڈائریکٹروں اور آڈیٹروں کی رپورٹس بمعہ کمپنی کی جداگانہ اور مربوط آڈٹ شدہ مالیاتی دستاویزات کو موصول کرنا، انھیں زیر غور لانا اور انھیں منظور کرنا۔

2۔ کمپنی کے آڈیٹروں کی تعیناتی کرنا اوران کے مشاہرے کا تعین کرنا۔ بورڈ کی آڈٹ کمیٹی اور بورڈ کی جانب سے سفارش کی گئی ہے کہ میسرز اے ایف فرگوسن اینڈ کو چارٹرڈ اکاؤنٹنٹس کو کمپنی کے سالانہ اجلاس عام میں کمپنی کے آڈیٹر کے طور پر تعینات کیا جائے جو کہ ریٹائر ہونے والے آڈیٹرز میسرز کے پی ایم جی تاسیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کی جگہ اپنی خدمات فراہم کریں گے۔

بحکم بورڈ

اشاعِ فضل
کمپنی سیکرٹری

لاہور: 07 اکتوبر، 2020

نوٹس:

1 کورونا وائرس سے پیدا ہونے والی عالمی وبائی صورتحال کے پیش نظر، ایس ای سی پی کی ہدایات کی روشنی میں کمپنی کے حصص داران اور عوام الناس کی صحت وفلاح کو مدنظر رکھتے ہوئے سالانہ اجلاس عام ویڈیو لنک کے ذریعے منعقد کیا جا رہا ہے۔ سالانہ اجلاس عام میں بذریعہ اسمارٹ 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 کروالیں 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 و دستاویزات 26 اکتوبر 2020 تک واٹس ایپ نمبر 0321-9436216 یا ای میل company.secretary@crescent.com.pk پر بھیجی جاسکتی ہیں۔

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

2 معلومات کی ضروری توثیق کے بعد رجسٹرڈ ہونے والے ممبران کو کمپنی کی جانب سے ان کے فراہم کردہ ای میل پتے 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۔

3 ایسے حصص داران جو کہ سالانہ اجلاس عام کے ایجنڈے کے بارے میں اپنی آراء اور مشوروں سے آگاہ کرنا چاہتے ہیں وہ دوران اجلاس واٹس ایپ نمبر 0321-9436216 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 کاروائی کی شقوں میں شامل کیا جائے۔

کھاتوں کی بندش اور پراکسی

4 کمپنی کے حصص منتقلی کے کھاتے 22 اکتوبر 2020 تا 28 اکتوبر 2020 (بشمول ایام مذکورہ) بند رہیں گے۔ ہمارے شیئر رجسٹرار میسرز کارپ ٹیک ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، 503-E، جوہر ٹاؤن لاہور کو دفتری ایام کار کے دوران 21 اکتوبر 2020 تک موصول ہونے والی شیئر زکی منتقلی کی صحیح درخواستوں کو تسلیم کیا جائے گا اور وہ ممبران سالانہ اجلاس عام میں شرکت کیلئے اہل ہونگے۔

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

Crescent Steel and Allied Products Limited

UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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 ("the Company") for the year ended 30 June 2020 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 2020.

KPMG Taseer Hadi & Co.

Date: 28 August 2020
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

KPMG

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

Opinion

We have audited the annexed unconsolidated financial statements of Crescent Steel and Allied Products Limited (the Company), which comprise the statement of financial position as at 30 June 2020, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the 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 statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 2020 and of the loss 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 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 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 financial statements of the current period. These matters were addressed in the context of our audit of the 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.	**Revenue Recognition**	
	Refer notes 6.19 and 31 to the financial statements. Revenue from sale of goods is recognized when the Company satisfies the performance obligation as specified in contracts with customers (which includes liquidated damages in case of delay in supply) and when it transfers control over the goods to customers.	Our audit procedures to assess the recognition of revenue, amongst others, included the following: • obtaining an understanding of and testing the design and operating effectiveness of controls designed to ensure that revenue is recognized in the appropriate accounting period;

S. No.	Key audit matters	How the matter was addressed in our audit
	We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not be recognized in the appropriate period.	• inspecting significant contracts to obtain an understanding of contract terms particularly relating to timing and customer's acceptance of the products including charge of liquidated damages and assessing the Company's accounting policies for the recognition of revenue with reference to the requirements of the applicable accounting standards; • comparing, on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation, including the relevant sales contracts, the customer's acknowledgement of acceptance, to assess whether revenue and charge for liquidated damages had been recognized in the appropriate accounting period; and • inspecting credit notes issued to record sales returns subsequent to year end, if any.
2.	**Valuation of Trade Debts**	
	Refer notes 6.11 and 24 to the financial statements. The Company has a significant balance of trade debts. Provision against doubtful trade debts is based on loss allowance for Expected Credit Loss (ECLs). We identified recoverability of trade debts as a key audit matter as it involves significant judgement in determining the recoverable amount of trade debts.	Our audit procedures to assess the valuation of trade debts, amongst others, included the following: • obtaining an understanding of management's basis for the determination of the provision required at the year end and the receivables collection process; • assessing the method used by the company for the recognition of the impact of the provision for doubtful debts as allowable under IFRS 9 and assessing the reasonableness of assumptions of ECL; and • testing the accuracy of the data on a sample basis extracted from the Company's accounting system which has been used to calculate the provision required including subsequent recoveries.
3.	**Valuation of Stock-in-Trade**	
	Refer notes 6.10 and 23 to the financial statements. As at 30 June 2020, the Company's stock-in-trade amounted to Rs. 2,130.74 million. This significantly comprised of bare pipes, pre coated pipes, pipe coating, hot rolled steel coils and raw cotton.	Our audit procedures in respect of the valuation of stock-in-trade, amongst others, included the following: • obtaining an understanding of internal controls over purchases and valuation of stock in trade and testing, on a sample basis, their design, implementation and operating effectiveness;

S. No.	Key audit matters	How the matter was addressed in our audit
	We identified the valuation of stock in trade as key audit matter as it directly affects the profitability of the Company.	• comparing on a sample basis specific purchases with underlying supporting documents / agreements; • comparing calculations of the allocation of directly attributable costs with the underlying supporting documents; • obtaining an understanding of management's determination of net realizable value (NRV) and the key estimates adopted, including future selling prices, future costs to complete work-in-process and costs necessary to make the sales and their basis; and • comparing the NRV, on a sample basis, to the cost of finished goods to assess whether any adjustments are required to value inventory in accordance with applicable accounting and reporting standards.
4.	**Classification and Valuation of Investments**	
	Refer notes 6.5, 19 and 27 to the financial statements. The Company's investments as at 30 June 2020 amounted to Rs. 2,428.39 million. These comprised investments in listed and unlisted equity securities as well as investments in subsidiaries and associates. The Company classifies investments in listed and unlisted equity securities as at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). Investments in subsidiaries and associates are stated at cost. Management's judgment is involved in classification of investments as at FVTPL and FVOCI. Further, the fair value of financial instruments which are not measured by quoted prices in an active market are determined through the application of valuation techniques which often involve the exercise of judgment by management and the use of assumptions and estimates.	Our audit procedures to assess the classification and valuation of financial instruments, amongst others, included the following: • obtaining an understanding of and testing the design and operating effectiveness of controls designed by management for classification and valuation of investments and determination of provision for impairment against respective investments; • assessing, on a sample basis, whether investments were recorded within the appropriate classification at the time of purchase by comparing individual items in the portfolio with underlying documentation; • comparing, on a sample basis, the fair valuation of quoted investments with external quoted market prices;

INDEPENDENT AUDITOR'S REPORT

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

S. No.	Key audit matters	How the matter was addressed in our audit
	In assessing whether there was any impairment in the carrying value of investments in subsidiaries and associates management determines the recoverable amounts based on higher of its value in use and its fair value less costs to sell. We identified the classification and valuation of investments as a key audit matter because of its significance, management's judgment and estimation uncertainty.	• involving our internal valuation specialists to assist in evaluating the valuation techniques, assumptions and methodologies used by management for valuation of unquoted investments, in particular, relating to cash flow projections, growth rates, terminal values and discount rates including marketability discount and sensitivity of the valuation; and • evaluating management's assessment of the indicators and impairment testing and comparing the recoverable amount of underlying investments with their cost to ensure Company's policy for impairment is consistently applied and appropriately recognized.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Company's Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Financial Statements

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the 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 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 statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Moneeza Usman Butt.

KPMG Taseer Hadi & Co.

Date: 28 August 2020
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

Rupees in '000	Note	2020	2019
EQUITY AND LIABILITIES			
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 reserves	8	1,020,908	1,020,908
Revenue reserves		3,651,055	3,596,830
		5,448,288	5,394,063
Non-current liabilities			
Long term loans	9	190,335	177,152
Lease liabilities	10	64,820	103,042
Deferred income	11	7,053	6,866
Deferred liability - staff retirement benefits	44	23,713	100,546
		285,921	387,606
Current liabilities			
Trade and other payables	12	1,068,500	691,923
Unclaimed dividend		26,443	26,525
Mark-up accrued	13	54,214	41,617
Short term borrowings	14	2,675,360	1,577,196
Current portion of long term loans	9	49,345	110,394
Current portion of lease liabilities	10	46,467	51,254
Current portion of deferred income	11	6,215	6,454
		3,926,544	2,505,363
Contingencies and commitments	15		
Total equity and liabilities		9,660,753	8,287,032

Rupees in '000	Note	2020	2019
ASSETS			
Non-current assets			
Property, plant and equipment	16	2,105,672	2,493,745
Right-of-use assets	16	168,600	–
Intangible assets	17	888	484
Investment properties	18	19,700	21,482
Long term investments	19	2,303,777	2,264,834
Long term deposits	20	224,748	233,267
Deferred taxation	21	462,662	292,131
		5,286,047	5,305,943
Current assets			
Stores, spares and loose tools	22	169,232	185,784
Stock-in-trade	23	2,130,741	821,369
Trade debts	24	225,799	96,432
Loans and advances	25	145,225	122,685
Trade deposits and short term prepayments	26	63,057	50,292
Investments	27	124,611	166,735
Other receivables	28	219,512	249,456
Taxation - net	29	1,273,141	1,260,531
Cash and bank balances	30	23,388	27,805
		4,374,706	2,981,089
Total assets		9,660,753	8,287,032

The annexed notes from 1 to 52 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 2020

Rupees in '000	Note	2020	2019
Sales	31	4,473,010	4,473,618
Less: Sales tax		650,808	407,103
		3,822,202	4,066,515
Cost of sales	32	3,771,306	3,846,126
Gross profit		50,896	220,389
Income from investments - net	33	389,338	191,563
		440,234	411,952
Distribution and selling expenses	34	13,324	14,785
Administrative expenses	35	245,226	188,325
Other operating expenses	36	25,958	28,646
		284,508	231,756
		155,726	180,196
Other income	37	35,440	88,981
Operating profit before finance costs		191,166	269,177
Finance costs	38	308,939	244,282
(Loss) / profit before taxation		(117,773)	24,895
Taxation	39	100,649	118,581
(Loss) / profit for the year		(17,124)	143,476
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Changes in the fair value of equity investments at fair value through other comprehensive income (FVOCI)		(425)	(1,556)
Gain / (loss) on remeasurement of staff retirement benefit plans - net of tax		71,774	(258,262)
Other comprehensive income / (loss) for the year		71,349	(259,818)
Total comprehensive income / (loss) for the year		54,225	(116,342)
		(Rupees)	
Basic and diluted (loss) / earnings per share	40	(0.22)	1.85

The annexed notes from 1 to 52 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 2020

Rupees in '000	Note	2020	2019
Cash flows from operating activities			
Cash (used in) / generated from operations	41	(988,776)	399,464
Taxes paid		(101,871)	(376,703)
Finance costs paid		(279,315)	(201,853)
Contribution to gratuity and pension funds		(22,976)	(23,765)
Contribution to Workers' Profit Participation Fund		(3,633)	(27,191)
Long term deposits - net		10,934	1,684
Net cash used in operating activities		(1,385,637)	(228,364)
Cash flows from investing activities			
Capital expenditure		(8,539)	(130,698)
Transfer of capital expenditure upon amalgamation		–	(1,445,935)
Acquisition of intangible assets		(615)	(580)
Proceeds from disposal of operating fixed assets		5,313	16,735
Proceeds from disposal of operating fixed assets under sale and leaseback arrangement		–	26,292
Investments - net		33,871	158,934
Amalgamation of wholly owned subsidiaries		–	2,518,142
Dividend income received		353,378	210,005
Interest income received		859	68,681
Net cash generated from investing activities		384,267	1,421,576
Cash flows from financing activities			
Repayment of long term loans - net		(41,454)	(35,744)
Payments against finance lease obligations		(59,675)	(60,453)
Proceeds from / (repayment of) short term loans obtained - net		1,362,292	(421,896)
Dividends paid		(82)	(72,627)
Net cash generated from / (used in) financing activities	41.1	1,261,081	(590,720)
Net increase in cash and cash equivalents		259,711	602,492
Cash and cash equivalents at beginning of the year		(818,640)	(172,096)
Transfer upon amalgamation		–	(1,249,036)
Cash and cash equivalents at end of the year	42	(558,929)	(818,640)

The annexed notes from 1 to 52 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 2020

Rupees in '000		Capital reserves	Revenue reserves			
	Issued, subscribed and paid-up capital	Share premium	Fair value reserve	General reserve	Unappropriated profit	Total
Balance as at 30 June 2018	776,325	1,020,908	7,374	3,642,000	1,390,469	6,837,076
Total comprehensive loss for the year ended 30 June 2019						
Profit for the year	-	-	-	-	143,476	143,476
Transfer upon amalgamation	-	-	-	-	(1,249,039)	(1,249,039)
Other comprehensive income						
Total other comprehensive loss for the year	-	-	(1,556)	-	(258,262)	(259,818)
Total comprehensive loss for the year	-	-	(1,556)	-	(1,363,825)	(1,365,381)
Transaction with owners of the Company - distributions						
Dividend:						
- Final @ 10% (i.e. Re. 1 per share) for the year ended 30 June 2018	-	-	-	-	(77,632)	(77,632)
Balance as at 30 June 2019	776,325	1,020,908	5,818	3,642,000	(50,988)	5,394,063
Total comprehensive income for the year ended 30 June 2020						
Loss for the year	-	-	-	-	(17,124)	(17,124)
Other comprehensive income						
Total other comprehensive income for the year	-	-	(425)	-	71,774	71,349
Total comprehensive income for the year	-	-	(425)	-	54,650	54,225
Balance as at 30 June 2020	776,325	1,020,908	5,393	3,642,000	3,662	5,448,288

The annexed notes from 1 to 52 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 2020

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. The Company is Shariah Compliant Company.

1.2 The Company's steel segment is one of the downstream industries of Pakistan Steel Mills, 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 from the principal office of the Company.

1.5 In consequence to the scheme of amalgamation as disclosed in note 1.7 to these unconsolidated financial statements, Hadeed (Billet), is reported as a segment. The Company's Hadeed (Billet) Segment is to cater to the growing demand of steel products and is in line with the Group'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.

1.6 In consequence to the scheme of amalgamation as disclosed in note 1.7 to these unconsolidated financial statements, Energy, is reported as a segment. 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 PEPCO / DISCOS under an agreement with the Government of Pakistan or to any other consumer as permitted. The Generation Plants use bagasse in the combustion process to produce power and processed steam. The plant of the Company is located at Bhone, District Jhang, Punjab.

1.7 Last year, the Board of Directors of the Company passed a resolution approving a Scheme of Amalgamation under Section 284 (1) of the Companies Act, 2017, to amalgamate its wholly owned subsidiaries, Crescent Hadeed (Private) Limited (CHL) and CS Energy (Private) Limited (CSEL) with and into the Company. The same Scheme of Amalgamation was also approved by the Board of Directors of CHL and CSEL in their respective board meetings held on 3 June 2019. Consequently, as of the completion date of 30 June 2019, the entire undertaking of both CHL and CSEL stand merged with and into the Company with the result as on 30 June 2019, the entire business of CHL and CSEL including its properties, assets, liabilities and rights and obligations vested into the Company. Since CHL and CSEL were group companies under common control, the merger had been accounted for as a common control transaction and predecessor accounting had been applied. Under predecessor accounting, the acquired net assets of CHL and CSEL are included in the financial statements of the Company at the same carrying values as recorded in CHL's and CSEL's separate financial statements as at 30 June 2019. The net loss on amalgamation of net assets of CHL and CSEL at the date of transaction is included in unappropriated profit. The statement of financial position of CHL and CSEL are consolidated prospectively from the date of amalgamation.

2 SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS DURING THE YEAR

The Company's net sales stood at Rs. 3.822 billion (2019: Rs. 4.066 billion), out of which 33.8 percent was generated from Steel division, 35.2 percent from Cotton division and rest 31.0 percent i.e. Rs. 1.185 billion were from amalgamated subsidiaries. For the first half of the year, the Steel division recorded revenue of Rs. 356.9 million only, owing to lower sales order booked by Steel division due to delay in infrastructure projects. During the month of March 2020, the Company secured a contract of Rs. 1.688 billion from Sui Northern Gas Pipeline Company Limited for the supply of 24" and 16" pipe. Production and delivery of coated pipe is expected to commence from first quarter of next fiscal year.

Income from investments in equity shares of Rs. 349.069 million (mainly dividends) were generated during the year. The KSE-100 index showed a slightly upward trend during the year which led to upward side of the bench mark by 1.3 percent, after taking a huge decline during COVID-19 lockdown period. KSE 100 index opened at 33,996 points at start of fiscal year 2019-20, touched down to 27,047 and closed at 34,422 points.

Further, a novel strain of coronavirus (COVID-19) that surfaced from China took a form of pandemic as declared by the World Health Organization on 11 March 2020, impacting countries globally including Pakistan. Government of Pakistan has taken certain measures to reduce the spread of the COVID-19 including lockdown of businesses, suspension of flight operations, intercity movements lockdown, cancellation of major events, etc. These measures have resulted in an overall economic slowdown, disruptions to various business and significant volatility in the Pakistan Stock Exchange (PSX). Cotton division was impacted more as compared to other divisions as its factory was closed down for 57 days and consequently sales declined by 20% from last year. However, the factory reopened after necessary permissions to produce orders for essential services. The Company remained up to date in all its financial commitments. Management believes that the going concern assumption of the Company remains valid. Accordingly, there is no significant accounting impact of the effect of COVID-19 in these unconsolidated financial statements.

3 BASIS OF PREPARATION

3.1 Unconsolidated financial statements

These are the unconsolidated financial statements (therein after referred 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) and Islamic Financial Accounting Standards (IFASs) issued by Institute of Chartered Accountants of Pakistan 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 for investments which are classified as fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI), derivatives which are stated at fair value and obligations in respect of gratuity and pension schemes which are measured at present value of defined benefit obligation less fair value of plan assets.

3.4 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the Company's functional currency and has been rounded to the nearest thousand.

4 USE OF ESTIMATES AND JUDGEMENTS

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 estimating 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 property (refer note 6.4)
- Investments (refer note 6.5)
- Stores, spares and loose tools and stock-in-trade (refer notes 6.9 and 6.10)
- Employee benefits (refer note 6.13)
- Leases (refer note 6.15)
- Taxation (refer note 6.18)
- Provisions (refer note 6.22)
- Impairment (refer notes 6.2, 6.3, 6.4, 6.5 and 6.23)

5 NEW OR AMENDMENTS / INTERPRETATIONS TO EXISTING STANDARDS, INTERPRETATION AND FORTHCOMING REQUIREMENTS

5.1 Standards, interpretations and amendments to be published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2020:

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A Company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform.

- Amendments to IFRS 16 - IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

  - the change in lease payments results in revised consideration for the lease that is substantially the same 'as, or less than, the consideration for the lease immediately preceding the change;

  - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

  - there is no substantive change to the other terms and conditions of the lease.

- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

– Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

– Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognised in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The above amendments are not likely to affect the financial statements of the Company.

– Annual Improvements to IFRS standards 2018-2020:

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

  – IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

  – IFRS 16 – The amendment partially amends illustrative example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

  – IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described in note 6.1, the significant accounting policies applied in the preparation of these financial statements are the same as those applied in earlier periods presented.

6.1 Change in accounting policy

Explained below is the impact of the adoption of IFRS 16 "Leases" on the Company's financial statements, and also discloses the new accounting policy that has been applied from 1 July 2019, where it is different to that applied in prior periods.

The Company adopted IFRS 16 "Leases" on 1 July 2019 as notified by the Securities and Exchange Commission of Pakistan vide its SRO 434 (I)/2018 dated 09 April 2018. The standard replaces the existing guidance on leases, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

IFRS 16 introduced a single lease accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise right-of-use (RoU) assets representing its rights to use the underlying assets and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 "Leases". Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases differently.

At inception of a contract, the Company is required to assess whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company is required to apply judgments to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term which significantly affects the amount of lease liabilities and RoU assets recognised.

Generally, RoU asset would be equal to the lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to transaction etc. need to be added to the RoU asset value.

The Company is required to determine the lease term as the non-cancellable period of a lease, together with both:

- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In determining the lease term and assessing the length of the non-cancellable period of a lease, the Company applies the definition of a contract and determined the period for which the contract is enforceable. A lease is no longer enforceable when the lessee and the lessor each has the right to terminate the lease without permission from the other party with no more than an insignificant penalty.

In applying IFRS 16 for the first time, the Company has used the practical expedients permitted by the standard by electing not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Company relied on its arrangements made applying IAS 17 and interpretation for determining whether an arrangement contains a lease. The Company has applied the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings as at 1 July 2019.

The Company did not have any property leases arrangement therefore, adoption of IFRS 16 at 1 July 2019 did not have any effect on the financial statements of the Company except the reclassification of leased assets as Right-of-use assets (refer note 16).

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 capitalised borrowing costs, if any.

Subsequent expenditure

The cost of replacing part of an item of property, plant and equipment is recognised 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 derecognised. The costs relating to day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

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 capitalised 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 recognised as an income or expense in the profit or loss.

Leased 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 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 asset's 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 recognised in profit or loss 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 capitalised intangible assets is capitalised 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 capitalised 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 recognised in profit or loss if the carrying amount exceeds its estimated recoverable amount.

6.4 Investment property

Investment property, principally comprising of land and buildings, is held for long term rental yields / capital appreciation. The investment property of the Company 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 capitalised borrowing costs, if any.

Depreciation

Depreciation is charged to the profit or loss on the straight line method at the rates specified in note 18 to these financial statements 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 capitalised 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 Company 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 recognised 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 recognised, 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 recognised as income or expense in the profit or loss.

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 asset

Classification

On initial recognition, a financial asset is classified and 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 derecognition, 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 recognised 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 derecognition, 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 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 unrealised gain or loss from marking to market the derivative using prevailing market rates. Derivatives with positive market values (unrealised gains) are included in other receivables and derivatives with negative market values (unrealised 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 recognised in profit or loss. No derivative is designated as hedging instrument by the Company.

6.5.3 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.

6.6 Investments in subsidiaries

Investments in subsidiaries are stated at cost less accumulated impairment, if any.

6.7 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.

6.8 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.

6.9 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.

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.

6.10 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.

6.11 Trade debts and other receivables

These are initially stated at fair value and subsequently measured at amortized cost less provisions for any uncollectible amounts. Refer note 6.5.2 for a description of the Company's impairment policies.

6.12 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.

6.13 Employee benefits

6.13.1 Compensated absences

The Company accounts for all accumulated compensated absences when employees render services that increase their entitlement to future compensated absences.

6.13.2 Post retirement benefits

6.13.2.1 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 recognised 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%.

6.13.2.2 Defined benefit plans

Pension and gratuity fund schemes

The Company provides gratuity benefits to all its permanent 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 recognised 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 recognised 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.

6.14 Mark-up bearing borrowings

Mark-up bearing borrowings are recognised 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 recognised in the profit or loss over the period of the borrowings on an effective interest basis.

6.15 Leases

Accounting policy applicable after 1 July 2019

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 RoU asset has to be initially measured at cost, and subsequently at cost less any accumulated depreciation and accumulated impairment losses, and adjusted for certain re-measurements of the lease liability.

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.

Accounting policy applicable before 1 July 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Company. All other leases are classified as operating leases.

Assets held under finance leases along with corresponding lease liabilities are initially recognised at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognised in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised as more fully explained in note 6.21 below.

Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

In the context of sale and leaseback transactions, where a sale and leaseback transaction is classified as a finance lease, any excess of the sale proceeds over the carrying values is deferred and recognised in profit or loss over the lease term. Any loss representing the excess of the carrying values over the sale proceeds is recognised immediately in profit or loss.

6.16 Assets 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 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.

6.17 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.

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 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.

6.18 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 recognised for all taxable temporary differences. A deferred tax asset is recognised 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 realised.

6.19 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 recognised 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 good or service 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 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 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 delays in 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 recognised 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 liquidated damages (penalties) and excludes amounts collected on behalf of third parties. A receivable is recognised when the goods are delivered.

6.20 Investment and other income

Interest income is recognised using the effective interest method.

Dividend income is recognised 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 recognised on a straight line basis over the lease term.

6.21 Borrowing costs

Borrowing costs incurred on long term finances directly attributable for the construction / acquisition of qualifying assets are capitalised up to the date the respective assets are available for intended use. All other mark-up, interest and other related charges are taken to profit or loss.

6.22 Provisions

A provision is recognised 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.

6.23 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 recognised 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 recognised in profit or loss.

6.24 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 recognised in the profit or loss.

6.25 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.

6.26 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.

6.27 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.

7 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2020	2019		2020	2019
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:

	2020		2019	
	Percentage of holding	Number of shares	Percentage of holding	Number of shares
Crescent Steel and Allied Products Limited - Gratuity Fund	2.47%	1,921,333	2.47%	1,921,333
Crescent Steel and Allied Products Limited - Pension Fund	5.18%	4,024,980	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
CSAPL - Staff Benevolent Fund	0.05%	36,178	0.05%	36,178
Muhammad Amin Muhammad Bashir Limited	–	–	0.00%	848
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
Pak-Qatar Family Takaful Limited	10.45%	8,111,500	–	–
Shakarganj Limited	0.23%	180,000	0.23%	180,000

7.2 There is no shareholder agreement for voting rights, board selection, rights of first refusal and block voting.

8 CAPITAL RESERVES

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 Company;
- to write off expenses of, or the commission paid or discount allowed on, any issue of shares of the Company; and
- in providing for the premium payable on the redemption of any redeemable preference shares of the Company.

The Company may also use the share premium account to issue bonus shares to its members.

Rupees in '000	Note	**2020**	2019

9 LONG TERM LOANS

Secured - Under non-shariah arrangement			
Allied Bank Limited	9.1	195,240	287,546
Habib Metropolitan Bank Limited - government grant	9.2	44,440	-
		239,680	287,546
Less: Current portion shown under current liabilities		49,345	110,394
		190,335	177,152

9.1 The Company had a long term loan arrangement with Allied Bank Limited for an amount of Rs. 312 million (2019: Rs. 312 million). The term of the loan was 5 years from the date of disbursement with a grace period of one year, repayable in 16 equal quarterly installments started from December 2015. During the year, the Company has made last repayment of Rs. 19.5 million (2019: Rs. 78 million) on September 2019. Mark-up was payable at the rate of 3 months KIBOR plus 1.5% per annum.

During the year ended 30 June 2017, 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 date. 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 (2019: 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, Company entered into 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 date. 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 year more grace period, repayable in 12 equal quarterly installments starting after twelve months from date of disbursement. 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 12.69% to 14.99% (2019: 7.91% to 14.42%) 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, Company entered into 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 has 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.

10 LEASE LIABILITIES

Rupees in '000	Minimum lease payments 2020	Minimum lease payments 2019	Future finance costs 2020	Future finance costs 2019	Present value of minimum lease payments 2020	Present value of minimum lease payments 2019
Not later than one year	54,707	65,432	8,240	14,178	46,467	51,254
Later than one year and not later than five years	70,035	116,939	5,215	13,897	64,820	103,042
	124,742	182,371	13,455	28,075	111,287	154,296
Less: Current portion shown under current liabilities					46,467	51,254
					64,820	103,042

10.1 The Company has entered into finance 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 (2019: three to five years) and the liability is payable by the month ranging from six to sixty months (2019: six to sixty months). The periodic lease payments include built-in rates of mark-up ranging between 7.24% to 18.42% (2019: 10.61% to 17.60%) per annum. Included in the gross present value of minimum lease payments, is a sum aggregating Rs. 86.083 million (2019: Rs. 133.019 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	2020	2019
11 DEFERRED INCOME			
Opening balance		13,320	13,531
Addition during the year:			
- related to sale and lease back		–	5,623
- related to government grant (concessional rate loan)	9.2	6,773	–
Income recognized during the year		(6,825)	(5,834)
		13,268	13,320
Less: Current portion shown under current liabilities		(6,215)	(6,454)
Closing balance		7,053	6,866

Rupees in '000	Note	**2020**	2019

12 TRADE AND OTHER PAYABLES

	Note	2020	2019
Trade creditors		237,342	104,155
Bills payable		42,647	–
Commission payable		1,925	1,466
Accrued liabilities	12.1	394,528	275,722
Advances from customers	12.2	95,674	24,110
Provisions	12.3	237,414	220,317
Due to related parties	12.4	4,016	–
Payable to provident fund		2,067	2,134
Payable to staff retirement benefit funds		2,257	1,979
Retention money		10,471	10,764
Sales Tax payable		12,297	1,295
Withholding tax payable		1,504	2,959
Workers' Profit Participation Fund	12.5	2,061	5,885
Workers' Welfare Fund		4,114	4,114
Others		20,183	37,023
		1,068,500	691,923

12.1 Accrued liabilities

	Note	2020	2019
Salaries, wages and other benefits		16,682	15,897
Accrual for 10-C bonus		436	2,639
Compensated absences		11,224	15,032
Liquidated damages		153,695	153,695
Others	12.1.1	212,491	88,459
		394,528	275,722

12.1.1 This includes liability against Gas Infrastructure Development Cess of Rs. 17.004 million (2019: Rs. 17.004 million).

12.2 This includes advance received from Shakarganj Limited amounting to Rs. 15.906 million (2019: Nil) for delivery of goods.

12.3 Movement in provisions

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 2019	171,654	3,242	45,421	220,317
Provision for the year	17,097	–	–	17,097
Closing balance as at 30 June 2020	188,751	3,242	45,421	237,414

12.3.1 This provision has been recognized against infrastructure fee levied by the Government of Sindh through Sindh Finance (Amendment) Ordinance, 2001 (the Ordinance) and through Sindh Development and Maintenance of Infrastructure Cess Act, 2017 (the Act). The Act validates fees levied through the Ordinance and continues the levy.

The Company has contested this issue in the High Court. The Company filed an appeal in the Supreme Court against the judgement of the High Court dated 15 September 2008 partly accepting the appeal by declaring that the levy and collection of infrastructure fee prior to 28 December 2006 was illegal and ultra vires and after that it is legal. Additionally, the Government of Sindh also filed appeal against the part of judgement 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 came into existence which was not subject matter in the appeal. Therefore, the decision thereon be first obtained from the High Court before approaching the Supreme Court with the right to appeal. The petition was filed in the High Court 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 for consignment released subsequent to 28 December 2006 while payment was made against the balance amount. Similar arrangement continued for the consignments released during the current year.

After promulgation of new law, the Company has instituted legal proceedings against the levy in the Sindh High Court, where interim stay has been granted on similar terms of payment of 50% of the amount of cess to the Government and furnishing of bank guarantees for remaining 50%.

Under the arrangement if the Company succeeds in the petition, Government of Sindh will refund the amount subject to their right to appeal before Honourable Supreme Court. To date the Company has provided bank guarantees amounting to Rs. 156.039 million (2019: Rs. 105.539 million) in favour of Excise and Taxation Department. Based on the legal advice, the management believes that the chances of success in the petition are in the Company's favour. Current year charge 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. However, on a prudent basis full provision has been recognized.

12.3.2 These have been made against sales tax claims long outstanding with the sales tax department.

12.3.3 The provision has been recognized on account of liquidated damages claimed by customers on delayed supply of goods. The Company is in the process of negotiating this matter and expects that this may be resolved. However, on a prudent basis full provision has been recognized.

12.4 This represents balances due to Shakarganj Limited amounting to Rs. 3.783 million (2019: Nil) and Premier Insurance Company amounting to Rs. 0.232 million (2019: Nil).

Rupees in '000	Note	**2020**	2019
12.5 Workers' Profit Participation Fund			
Opening balance		5,885	29,443
Allocation for the year	36	–	3,633
		5,885	33,076
Amount paid to the trustees of the fund		(3,824)	(27,191)
Closing balance		2,061	5,885

Rupees in '000	Note	**2020**	2019
13 MARK-UP ACCRUED			
Mark-up accrued on :			
- Finance lease obligations		312	503
- Long term loans		4,118	6,812
- Running finance and short term loans	13.1	49,784	34,302
		54,214	41,617

13.1 This includes mark-up accrued amounting to Rs. 26.344 million (2019: Rs. 13.588 million) on shariah arrangement.

Rupees in '000	Note	**2020**	2019
14 SHORT TERM BORROWINGS			
Secured from banking companies			
Running finances under mark-up arrangements	14.1	582,317	846,445
Short term loans	14.2	2,093,043	730,751
		2,675,360	1,577,196

14.1 Short term running finance / money market available from conventional side of various commercial banks under mark-up arrangements amounted to Rs. 1,100.8 million (2019: Rs. 1,350 million) out of which Rs. 300 million (2019: Rs. 400 million), Rs. 150 million (2019: Rs. 150 million) and Rs. 450 million (2019: Rs. 450 million) are interchangeable with letter of credit, letter of guarantee facility and short term loan, respectively. During the year, mark-up on such arrangements ranged between 10.33% to 15.85% (2019: 7.68% to 14.81%) per annum.

14.2 This includes an amount of Rs. 697.11 million (2019: Rs. 617.059 million) outstanding against Islamic mode of financing. Short term loans available from various commercial banks under mark-up arrangements amounted to Rs. 4,600 million (2019: Rs. 4,800 million) out of which Rs. 3,400 million (2019: Rs. 3,800 million), Rs. 255 million (2019: Rs. 50 million) and Rs. 350 million (2019: Rs. 335 million) are interchangeable with letters of credit, letter of guarantee and short term running finance facility respectively. During the year, mark-up on such arrangements ranged between 9.79% to 16.18% (2019: 8.78% to 14.86%) per annum.

14.3 The facilities for opening letters of credit amounted to Rs. 4,600 million (2019: Rs. 6,510 million) out of which Rs. 300 million (2019: Rs. 375 million), Rs. 3,650 million (2019: Rs. 5,450 million) and Rs. 255 million (2019: Rs. 260 million) are interchangeable with short term running finance, short term loans and letter of guarantee respectively as mentioned in notes 14.1 and 14.2 above. The facility for letters of guarantee as at 30 June 2020 amounted to Rs. 1,794.1 million (2019: Rs. 2,096 million). Amounts unutilized for letters of credit and guarantees as at 30 June 2020 were Rs. 4,458.24 million and Rs. 69.923 million (2019: Rs. 6,355 million and Rs. 846 million) respectively.

14.4 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 includes letter of credit, bank guarantee, Wakala, Morabaha, Istisna and Ijarah financing.

14.5 The above facilities are expiring on various dates with maturity period upto 23 November 2020. 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 and cotton / cotton yarn; and lien over import / export document (refer note 27.2). Further, above facilities (refer note 14.1 to 14.3) are also secured against mortgage of land and building, hypothecation of plant and machinery and pledge of shares owned by subsidiary companies.

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 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 has 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 Appellate Tribunal (Customs) against the order. 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 2015-2016, a show cause notice was received from Sindh Revenue Board 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 Sindh High Court against the Sindh Revenue Board and Government of Sindh in which Honorable Sindh High Court granted interim relief to the Company.

Afterwards, the writ was decided in light of Supreme Court's orders in similar writs where Supreme Court 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 Sindh High Court in a civil suit as well as at the Appellate forums of the tax authority. Currently, the appeal is pending with the Commissioner (Appeals) for adjudication.

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 litigation in relation to the said matter.

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 Sindh High Court. The High Court 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.

15.2 Commitments

15.2.1 During 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 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. As at 30 June 2020, amount of lease rental outstanding under the agreement are Rs. 121.692 million (2019: Rs. 183.184 million), which is payable in quarterly instalments of Rs. 22.898 million (2019: Rs. 22.898 million) each.

The total of future Ijarah payment under arrangement are as follows:

Rupees in '000	2020	2019
Not later than one year	33,707	91,592
Later than one year and not later than five years	327,985	331,592
	361,692	423,184
Security deposit under arrangement	(240,000)	(240,000)
	121,692	183,184

15.2.2 Aggregate amount of guarantees issued on behalf of the Company against various contracts aggregated Rs. 1,624 million (2019: Rs. 1,251 million). This includes guarantee issued by Islamic banks amounting to Rs. 259 million (2019: Rs. 153.59 million)

15.2.3 Commitments in respect of capital expenditure contracted for as at 30 June 2020 amounted to Rs. 8.455 million (2019: Rs. 42.038 million).

15.2.4 Commitments under letters of credit (L/C) as at 30 June 2020 amounted to Rs. 228.486 million (2019: Nil).

Rupees in '000	Note	2020	2019
16 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	16.1	2,014,201	2,404,168
Capital work-in-progress	16.4	91,471	89,577
		2,105,672	2,493,745
Right-of-use-assets	16.1	168,600	–
		2,274,272	2,493,745

16.1 Operating fixed assets

Description Rupees in '000	Note	Land: Freehold	Land: Freehold including improvements	Buildings: On freehold land	Buildings: On leasehold land	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: Plant and machinery	Right-of-use assets: Motor vehicles	Right-of-use assets: Total	Total
Net carrying value as at 1 July 2019																
Opening net book value (NBV)		307,723	37,626	437,587	24,871	6,225	1,316,595	20,503	12,336	2,630	33,916	2,200,012	168,850	35,306	204,156	2,404,168
Additions / transfers		-	-	-	-	-	1,832	848	-	378	3,587	6,645	-	-	-	6,645
Disposals (at NBV)	16.5	-	-	-	-	-	-	-	-	(8)	(1,452)	(1,460)	(2,377)	(375)	(2,752)	(4,212)
Depreciation charge	16.1.2	-	(1,686)	(10,656)	(17,481)	(919)	(139,679)	(7,586)	(1,718)	(2,013)	(9,258)	(190,996)	(21,708)	(11,096)	(32,804)	(223,800)
Balance as at 30 June 2020 (NBV)		307,723	35,940	426,931	7,390	5,306	1,178,748	13,765	10,618	987	26,793	2,014,201	144,765	23,835	168,600	2,182,801
Gross carrying value as at 30 June 2020																
Cost	16.2	307,723	43,066	663,289	96,545	27,481	2,808,564	74,153	32,100	58,546	69,599	4,181,066	214,605	58,983	273,588	4,454,654
Accumulated depreciation		-	(7,126)	(236,358)	(89,155)	(22,175)	(1,629,816)	(60,388)	(21,482)	(57,559)	(42,806)	(2,166,865)	(69,840)	(35,148)	(104,988)	(2,271,853)
Net book value		307,723	35,940	426,931	7,390	5,306	1,178,748	13,765	10,618	987	26,793	2,014,201	144,765	23,835	168,600	2,182,801
Depreciation rate (% per annum)		-	1	5 & 10	5 & 10	10	5 - 20	5 - 20	10	33.33	20		10	20		

Description Rupees in '000	Note	Land: Freehold	Land: Freehold including improvements	Buildings: on freehold land	Buildings: on leasehold land	Office premises	Plant and machinery: Owned	Plant and machinery: Lease	Electrical/ Office equipment and installation	Furniture and fittings	Computers	Motor vehicles: Owned	Motor vehicles: Leased	Total
Net carrying value as at 1 July 2018														
Opening net book value (NBV)		265,900	10,049	140,464	849	7,125	207,212	191,198	19,821	8,383	5,008	53,822	17,214	927,045
Additions / transfers		-	-	34,619	13,677	-	75,017	-	1,897	3,096	596	14,420	26,444	169,766
Disposals (at NBV)		-	-	-	-	-	(1,897)	-	(35)	-	(85)	(21,945)	(770)	(24,732)
Transfer upon amalgamation		41,823	27,695	271,614	10,861	-	1,085,428	-	5,332	2,117	217	848	-	1,445,935
Depreciation charge		-	(118)	(9,110)	(516)	(900)	(49,165)	(22,348)	(6,512)	(1,260)	(3,106)	(13,229)	(7,582)	(113,846)
Balance as at 30 June 2019 (NBV)		307,723	37,626	437,587	24,871	6,225	1,316,595	168,850	20,503	12,336	2,630	33,916	35,306	2,404,168
Gross carrying value as at 30 June 2019														
Cost	16.2	265,900	11,714	342,705	83,704	27,481	1,391,184	218,546	63,819	29,110	58,547	68,424	60,007	2,621,141
Transfer upon amalgamation		41,823	31,352	320,584	12,841	-	1,415,003	-	9,486	2,990	2,058	2,961	-	1,839,098
		307,723	43,066	663,289	96,545	27,481	2,806,187	218,546	73,305	32,100	60,605	71,385	60,007	4,460,239
Accumulated depreciation		-	(1,783)	(176,732)	(69,694)	(21,256)	(1,160,017)	(49,696)	(48,648)	(18,891)	(56,134)	(35,356)	(24,701)	(1,662,908)
Transfer upon amalgamation		-	(3,657)	(48,970)	(1,980)	-	(329,575)	-	(4,154)	(873)	(1,841)	(2,113)	-	(393,163)
		-	(5,440)	(225,702)	(71,674)	(21,256)	(1,489,592)	(49,696)	(52,802)	(19,764)	(57,975)	(37,469)	(24,701)	(2,056,071)
Net book value		307,723	37,626	437,587	24,871	6,225	1,316,595	168,850	20,503	12,336	2,630	33,916	35,306	2,404,168
Depreciation rate (% per annum)		-	1	5 & 10	5 & 10	10	5 - 20	10	5 - 20	10	33.33	20	20	

* Net book value of plant and machinery (owned) includes an aggregate amount of Rs. 0.582 million (2019: Rs. 1.704 million) representing net book value of capitalized spares.

16.1.1 During the year, an asset having net book value Rs. 2.753 million (2019: Nil) was transferred from lease assets to own assets due to maturity of lease term.

Rupees in '000		Note	**2020**	2019
16.1.2	The depreciation charge for the year has been allocated as follows:			
	Cost of sales	32.1	200,570	90,348
	Distribution and selling expenses	34	1,108	963
	Administrative expenses	35	22,122	22,535
			223,800	113,846

16.2 Property, plant and equipment as at 30 June 2020 include items having an aggregate cost of Rs. 1,310.585 million (2019: Rs. 1,258.367 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	
Building			
Office premises	Saddar, Karachi	14,504	Sq. feet
Building	Nooriabad, District Jamshoro	261,257	Sq. feet
Building	Jaranwala, District Faisalabad	340,455	Sq. feet
Building	Dalowal, District Faisalabad	30,484	Sq. feet
Building	Bhone, District Jhang	78,098	Sq. feet
Building	Bhone, District Jhang	7,515	Sq. feet
Land			
Lease hold	Nooriabad, District Jamshoro	30.0	Acre
Freehold land	Ferozpur, Lahore	5.1	Acre
Freehold land	Dalowal, District Faisalabad	13.9	Acre
Freehold land	Jaranwala, District Faisalabad	35.5	Acre
Freehold land	Bhone, District Jhang	19.11	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	**2020**	2019
16.4	Capital work-in-progress			
	Advance to supplier		40,000	40,000
	Civil work	16.4.1 & 16.4.2	50,925	49,577
	Others		546	-
			91,471	89,577

16.4.1 This includes an amount of Rs. 26.4 million (2019: Rs. 26.4 million) paid by the Company to Pakistan Steel Mills Limited (PSML) against allotment of plot measuring 24,200 square yards. However, third party has filed a case in Honourable High Court of Sindh for declaration and injunction against said property. The Company has filed a suit in Honourable High Court of Sindh 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 Honourable High Court of Sindh 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.

16.4.2 The Company has recognized a provision in previous year for an amount of Rs. 20.619 million (2019: 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 Rupees in '000	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particular of buyers
Plant and machinery	3,396	1,019	2,377	2,377	-	Transfer to own assets	Various leasing companies
Others	10,130	8,295	1,835	2,936	1,101	Various	Various
2020	13,526	9,314	4,212	5,313	1,101		
2019	73,712	48,980	24,732	37,406	12,674		

17 INTANGIBLE ASSETS

Rupees in '000	Note	2020	2019
Net book value as at 1 July		484	151
Additions		615	580
Amortization	17.1	(211)	(247)
Net book value as at 30 June	17.2	888	484
Gross carrying value as at 30 June			
Cost		78,614	69,803
Transfer upon amalgamation		–	8,196
		78,614	77,999
Accumulated amortization		(75,086)	(66,679)
Transfer upon amalgamation		–	(8,196)
		(75,086)	(74,875)
Accumulated impairment		(2,640)	(2,640)
Net book value		888	484
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 2020 include items having an aggregate cost of Rs. 74.778 million (2019: Rs. 74.778 million) that have been fully amortized and are still in use of the Company.

18 INVESTMENT PROPERTIES

Description Rupees in '000	Note	Freehold land	Leasehold land and improvements	Buildings on leasehold land	Office premises	Total
Net carrying value as at 1 July 2019						
Opening net book value (NBV)		1,740	605	19,132	5	21,482
Depreciation charge	18.1	–	(207)	(1,570)	(5)	(1,782)
Balance as at 30 June 2020 (NBV)		1,740	398	17,562	–	19,700
Gross carrying value as at 30 June 2020						
Cost	18.2	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
Net carrying value as at 1 July 2018						
Opening net book value (NBV)		1,740	843	10,452	41	13,076
Additions		–	–	9,801	–	9,801
Depreciation charge		–	(238)	(1,121)	(36)	(1,395)
Balance as at 30 June 2019 (NBV)		1,740	605	19,132	5	21,482
Gross carrying value as at 30 June 2019						
Cost		1,740	2,869	31,409	29,830	65,848
Accumulated depreciation		–	(2,264)	(12,277)	(29,825)	(44,366)
Net book value		1,740	605	19,132	5	21,482
Depreciation rate (% per annum)		–	1 & 10	5	10 - 20	

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 2020 is Rs. 215 million (2019: Rs. 145 million), which is determined by independent valuer on the basis of market value.

Particulars of Company's immovable operating fixed assets are as follows:

Particulars	Location	Area	
Building			
Ware house	Port Qasim, Karachi	40,000	Sq. feet
Office premises	Saddar, Karachi	4,854	Sq. feet
Land			
Lease hold	Port Qasim, Karachi	2	Acre
Freehold land	Gawadar	3	Acre

Rupees in '000	Note	**2020**	2019
19 LONG TERM INVESTMENTS			
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	492,375	453,432
		2,303,777	2,264,834

19.1 Subsidiary companies - at cost

2020	2019		Note	**2020**	2019
Number of shares				Rupees in '000	
		Unquoted			
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
				525,001	525,001

19.1.1 This represents the Company's investment in 100% ordinary shares of CS Capital (Private) Limited. The Company has 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 operations 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.

19.2 Associated companies - at cost

2020	2019		Note	**2020**	2019
Number of shares				Rupees in '000	
		Quoted			
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% (2019: 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% (2019: 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	**2020**	2019
19.2.3 Market value of investments in associates is as follows:		
Altern Energy Limited	1,471,097	2,022,530
Shakarganj Limited	1,356,749	1,284,115
	2,827,846	3,306,645

Percentage of holding	**2020**	2019
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 2020 are not presently available. The following is summarized financial information of associated companies as at 31 March 2020 and for the twelve months period ended 31 March 2020 based on their respective unaudited condensed interim financial information prepared in accordance with the accounting and reporting standards as applicable in Pakistan:

Rupees in '000	Note	Non current assets	Current assets	Non current liabilities	Current liabilities	Revenues	Profit/ (loss) after tax	Other comprehen- sive income/ (loss)	Total comprehen- sive income/ (loss)
		(As at 31 March)				(For the twelve months period ended 31 March)			
2020									
Altern Energy Limited	19.2.5.1	16,505,644	15,657,244	1,018,035	3,698,707	16,307,981	3,740,753	1,442	3,742,195
Shakaganj Limited		11,902,705	2,361,935	1,223,295	5,562,530	6,753,207	(1,063,914)	76,546	(987,368)
2019									
Altern Energy Limited		18,113,134	17,482,746	972,157	7,624,671	21,324,849	2,859,051	(104)	2,858,947
Shakaganj Limited		12,615,881	1,975,261	1,410,654	4,591,010	7,200,975	(121,741)	2,754,574	2,632,833

19.2.5.1 These figures are based on the latest available unaudited condensed interim consolidated financial information as at 31 March 2020 including its subsidiary Company Rousch (Pakistan) Power Limited being managed by Power Management Company holding 59.98% shares.

Rupees in '000	Note	2020	2019
19.3 Other long term investments			
Fair value through other comprehensive income (FVOCI)	19.3.1	9,419	9,844
Fair value through profit or loss (FVTPL)	19.3.2	482,956	443,588
		492,375	453,432

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 Company.

2020	2019	Name of investee company	Note	2020	2019
Number of shares				Rupees in '000	
		Quoted			
452,379	452,379	The Crescent Textile Mills Limited	19.3.1.1	9,419	9,844

19.3.1.1 The Company has irrevocably designated 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.

19.3.1.2 The Company has recognized impairment loss in previous years amounting to Rs. 4.537 million (2019: Rs. 4.537 million) against the investment.

19.3.2 Fair value through profit or loss (FVTPL)

2020	2019		Note	2020	2019
Number of shares				Rupees in '000	
		Unquoted			
14,110,817	14,110,817	Shakarganj Food Products Limited	19.3.2.1	346,844	319,187
5,565,000	4,189,999	Central Depository Company of Pakistan Limited (CDC)	19.3.2.1	136,112	124,401
2,403,725	2,403,725	Crescent Bahuman Limited - Related party	19.3.2.2	24,037	24,037
1,047,000	1,047,000	Crescent Industrial Chemicals Limited	19.3.2.3	10,470	10,470
				517,463	478,095
		Less: Provision for impairment		(34,507)	(34,507)
				482,956	443,588

19.3.2.1 On initial application of IFRS 9, these have been classified as FVTPL and measured at fair value.

19.3.2.2 The chief executive of Crescent Bahuman Limited is Mr. Nasir Shafi. The break-up value of shares of the investee Company is Rs. 13.21 per share (2019: Rs. 9.79 per share), calculated on the basis of audited annual financial statements for the year ended 30 June 2019. This investment had been fully charged to profit or loss in earlier periods.

19.3.2.3 This investment had been fully charged to profit or loss in earlier periods.

Rupees in '000	Note	2020	2019
20 LONG TERM DEPOSITS			
Security deposits			
-leasing companies		14,176	22,711
-Ijarah financing arrangement		199,694	199,694
-others		10,878	10,862
		224,748	233,267
21 DEFERRED TAXATION - NET			
Deferred tax credits / (debits) arising in respect of:			
Taxable temporary differences			
Accelerated tax depreciation / amortization		198,471	206,978
Finance lease obligations		16,463	14,470
Fair value adjustment in unquoted investment through reserves		30,119	30,119
Unrealized gain on fair value through profit or loss investments		22,828	14,775
		267,881	266,342
Deductible temporary differences			
Employee benefits - Defined benefit plan		(46,631)	(67,592)
Provision for slow moving stores, spares and loose tools		(21,307)	(25,763)
Provisions for doubtful trade debts, doubtful advances and others		(76,981)	(70,950)
Discounting on long term deposit		(13,565)	(14,265)
Deferred income		(1,943)	(3,863)
Provisions for impairment of fixed assets		(5,980)	(5,980)
Provision of Gas Infrastructure Development Cess		(3,477)	(3,477)
Excess of minimum tax over normal tax		(107,224)	(50,831)
Tax losses		(445,930)	(308,247)
Provision for diminution in the value of investments		(7,505)	(7,505)
		(730,543)	(558,473)
		(462,662)	(292,131)
21.1 Break up of deferred tax (reversal) / charge is as follows:			
Profit or loss		(192,405)	(186,682)
Other comprehensive income		20,961	(105,487)
Set-off of temporary differences with the Subsidiary Company		913	–
Opening retained earnings		–	30,119
		(170,531)	(262,050)
22 STORES, SPARES AND LOOSE TOOLS			
Stores		26,999	51,045
Spare parts		211,417	219,329
Loose tools		4,288	4,248
		242,704	274,622
Less: Provision for slow moving items	22.1	73,472	88,838
		169,232	185,784

Rupees in '000	Note	2020	2019
22.1 Movement in provision for slow moving items			
Opening balance		88,838	60,477
Provision (reversed) / made during the year - net		(15,366)	17,502
Transfer upon amalgamation		–	10,859
Closing balance		73,472	88,838

23 STOCK-IN-TRADE

Rupees in '000	Note	2020	2019
Raw materials			
Hot rolled steel coils (HR Coils)		1,470,714	323,884
Coating materials		39,315	84,462
Steel scrap		56,030	4,320
Others		117,476	112,930
Raw cotton		118,521	130,230
Stock-in-transit		58,535	–
		1,860,591	655,826
Provision for obsolescence and slow-moving raw materials		(2,039)	–
		1,858,552	655,826
Work-in-process	23.2 & 32.1	46,508	24,996
Finished goods - net	23.2 & 32.1	214,215	131,598
Scrap / cotton waste		11,466	8,949
		272,189	165,543
		2,130,741	821,369

23.1 Stock as at 30 June 2020 amounting to Rs. 0.108 million (2019: Nil) is held by third party.

23.2 Stock-in-trade as at 30 June 2020 includes items valued at net realisable value (NRV). Reversal in respect of stock written back to NRV was amounting to Rs. 6.906 million (2019: Reversal of Rs. 26.083 million) has been recognized in cost of goods sold.

Rupees in '000	Cost	NRV
Raw material	1,860,591	1,858,552
Work-in-process	46,508	46,508
Finished goods	262,450	214,215
	2,169,549	2,119,275

24 TRADE DEBTS

Rupees in '000	Note	2020	2019
Secured			
Considered good		158,208	76,918
Unsecured			
Considered good		67,591	19,514
Considered doubtful		30,706	30,706
		98,297	50,220
Impairment loss on trade debts	24.1	(30,706)	(30,706)
		225,799	96,432

Rupees in '000	Note	**2020**	2019
24.1 Movement in impairment loss on trade debts			
Opening balance		30,706	16,626
Impairment loss during the year		–	956
Reversal of impairment loss during the year		–	(1,500)
Transfer upon amalgamation		–	14,624
Closing balance		30,706	30,706

25 LOANS AND ADVANCES

Rupees in '000	Note	**2020**	2019
Unsecured			
Loan to related party - considered good			
Loan to subsidiary	25.1	91,208	88,208
Advances - considered good			
Staff		893	908
Suppliers for goods and services		52,731	33,504
Advances to others		393	65
Advances - considered doubtful			
Suppliers for goods and services		47	47
Provision for doubtful advances		(47)	(47)
		–	–
		145,225	122,685

25.1 The Company has provided short term interest free loan to the 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 are Rs. 91.208 million (2019: Rs. 88.208 million). The loan is repayable on demand.

26 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Rupees in '000	Note	**2020**	2019
Security deposits - leasing companies		19,776	9,367
Security deposits - others	26.1	33,922	30,207
Prepayments		9,359	10,718
		63,057	50,292

26.1 This includes Rs. 28.625 million (2019: Rs. 28.625 million) in respect of cost of interconnectivity of 11 KV feeder paid to 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 (10), half yearly equal instalments, without mark-up, commencing after one month from commercial operation date.

27 INVESTMENTS

Fair value through profit or loss (FVTPL)

The Company holds investment in ordinary shares of Rs. 10 each in the following investee Company.

2020	2019		Note	2020	2019
Number of shares		Name of investee company		Rupees in '000	
4,054,163	5,501,543	Quoted - Investments	27.1	124,611	166,735
		Unquoted			
1,996	1,996	Innovative Investment Bank Limited		2,777	2,777
		Less: Provision for impairment		(2,777)	(2,777)
				-	-
			27.3	124,611	166,735

27.1 Quoted - Investments

The Company holds investments in ordinary shares of listed companies and certificates of close end mutual funds. The face value of the shares is Rs. 10 per share unless otherwise stated. Details are as follows.

2020	2019	Name of investee company	2020	2019
(Number of share / certificates)			Rupees in '000	
-	6,300	Attock Cement Pakistan Limited	-	450
-	5,750	Cherat Cement Company Limited	-	464
237,500	315,000	D.G. Khan Cement Company Limited	20,267	17,810
200,000	295,000	Engro Fertilizer Limited	12,056	18,871
55,000	55,000	Fauji Fertilizer Company Limited	6,049	4,796
1,705,000	1,705,000	HBL Growth Fund - Class A	12,788	17,613
500,673	500,673	HBL Investment Fund - Class A	1,342	2,028
68,500	68,500	Hi-Tech Lubricants Limited	2,074	1,895
139,700	127,000	International Industries Limited	3,254	9,788
63,000	63,000	International Steels Limited	12,815	2,502
450,000	1,500,000	K-Electric Limited*	1,355	6,585
-	41,080	Kohat Cement Limited	-	2,158
-	1,650	Mari Petroleum Company Limited	-	1,665
5,000	5,500	Meezan Bank Limited	344	479
-	2,000	Millat Tractors Limited	-	1,725
-	65,400	Nishat Mills Limited	-	6,104
100,000	186,000	Nishat Power Limited	2,265	5,122
72,700	72,700	Oil and Gas Development Company Limited	7,924	9,559
-	500	Pakistan Oilfields Limited	-	203
155,800	200,000	Pakistan Petroleum Limited	13,520	28,886
100,800	84,000	Pakistan State Oil Company Limited	15,943	14,250
174,000	175,000	The Hub Power Company Limited	12,615	13,782
26,490	26,490	Jubilee Spinning and Weaving Mills Limited	90	90
			124,701	166,825
		Less: Provision for impairment	(90)	(90)
4,054,163	5,501,543		124,611	166,735

* The face value of these ordinary shares is Rs. 3.5 per share.

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	2020	2019
Name of investee company		
Altern Energy Limited (Long term investment)	1,396,073	1,828,532
Attock Cement Pakistan Limited	–	450
Cherat Cement Company Limited	–	464
D.G. Khan Cement Company Limited	20,267	17,810
Engro Fertilizer Limited	12,056	18,871
Fauji Fertilizer Company Limited	4,400	4,796
HBL Investment Fund - Class A	1,340	2,025
HBL Growth Fund - Class A	6,394	–
Hi-Tech Lubricants Limited	2,074	1,895
International Industries Limited	12,815	9,788
International Steels Limited	3,254	2,502
K-Electric Limited*	1,355	6,585
Kohat Cement Limited	–	2,158
Mari Petroleum Company Limited	–	1,665
Meezan Bank Limited	344	436
Millat Tractors Limited	–	1,725
Nishat Mills Limited	–	6,104
Nishat Power Limited	2,265	5,122
Oil and Gas Development Company Limited	1,929	9,559
Pakistan Petroleum Limited	6,075	28,886
Pakistan State Oil Company Limited	15,943	14,249
The Crescent Textile Mills Limited	9,419	9,844
The Hub Power Company Limited	5,075	13,781
	1,501,078	1,987,247

* 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 certificates 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 2019: 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	2020	2019
28 OTHER RECEIVABLES			
Dividend receivable		886	885
Provision there against		(886)	(885)
		-	-
Receivable against rent from investment property		305	305
Claim receivable		989	-
Due from related parties	28.1	13,469	19,559
Sales tax refundable	28.2	154,859	187,870
Margin on guarantees		15,359	15,359
Receivable from staff retirement benefits funds	44	24,995	20,329
Mark-up accrued		29	29
Others		9,507	6,005
		219,512	249,456
28.1 Due from related parties			
Shakarganj Limited		1,102	5,627
CS Capital (Private) Limited		580	2,216
Solution de Energy (Private) Limited		11,787	11,663
Crescent Steel and Allied Products Limited - Pension Fund		-	53
		13,469	19,559

28.1.1 Maximum aggregate amount outstanding at any time during the year calculated by reference to month-end balance is as follows:

Rupees in '000	2020	2019
Shakarganj Limited	1,102	5,627
CS Capital (Private) Limited	2,214	2,216
Solution de Energy (Private) Limited	11,787	11,663
Crescent Steel and Allied Products Limited - Pension Fund	53	53
	15,156	19,559

28.1.2 The aging of amount due from related parties:

	2020	2019
Not yet due	1,354	1,295
Past due 1 - 30 days	7	128
Past due 30 - 180 days	626	2,087
Past due 180 days	11,482	16,049
	13,469	19,559

28.2 Sales tax refundable

28.2.1 This includes payment made to Punjab Revenue Authority (PRA) against order received for non withholding of Punjab sales tax on services and its deposit with PRA. 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, 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 to Hadeed (Billet) Division (previously before scheme of amalgamation, it was Crescent Hadeed (Private) Limited). Appeal has been preferred with the Commissioner Appeals which is pending adjudication.

28.2.3 In the previous years, the Company has adopted fixed regime of sales tax for Hadeed (Billet) division, whereby sales tax liability is discharged on the basis of units of electricity consumed at Rs. 13 per unit instead of ad valorem basis. FBR did not agree to the Company's stance owing to which Company filed writ petition no. 243530/2018 in Lahore High Court. The writ was allowed but later on, the department filed ICA No. 23517/2019 before High Court which is sub judice. No proceedings have been held since but management is confident of favourable outcome in light of the tax opinion which advices that the Company has a good case.

Rupees in '000	**2020**	2019
29 TAXATION - NET		
Advance taxation	3,821,133	3,719,262
Provision for taxation	(2,547,992)	(2,458,731)
	1,273,141	1,260,531

29.1 The Income Tax assessments of the Company have been finalized up to and including tax year 2019, 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:

Income tax assessments of the Company for the tax years 2013 and 2016 have been amended by the Commissioner Inland Revenue 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.

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 Company's favour in 2009 and case was remanded back to the assessing officer for 2011. Company filed appeal with the Appellate Tribunal for 2009 which is pending adjudication where as for 2011, set aside proceedings have been initiated which have been duly responded to.

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. 8.691 million (inclusive of default surcharge) has been raised in respect of tax year 2014 and Rs. 5.794 million in respect of tax year 2010. Majority of the matters have decided in favour of the Company at the Commissioner (Appeals) level, whereas appeals have been preferred in Appellate Tribunal Inland Revenue for remaining issues.

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.

Income tax assessment for the year 2006 was proposed to be amended where case was decided in the Company's favour by the Appellate Tribunal Inland Revenue. Department has now filed case in the Lahore High Court challenging the tribunal's decision, which is pending to be heard.

Order under section 161/205 of the Income Tax Ordinance, 2001, was issued by the Assistant Commissioner Inland Revenue, whereby demand aggregating to Rs. 46.78 million was raised in respect of tax year 2017 in relation to Hadeed (Billet) Division (previously before scheme of amalgamation, it was Crescent Hadeed (Private) Limited). Appeal was preferred to the Commissioner (Appeals) who remanded the case back to officer, where the remand back proceedings were concluded and demand raised of Rs. 1.8 million was settled by the Company out of available refunds. Associated expense has been recognised accordingly in these financial statements.

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 and 2018 where demands of Rs. 0.6 million and Rs. 1.56 million were raised, respectively. These amounts were settled by the Company out of available refunds. Associated expense has been recognised accordingly in these financial statements.

Orders under section 161/205 of the Income Tax Ordinance, 2001, were issued by the Assistant Commissioner Inland Revenue in respect of Tax Years 2014 and 2015 where demands of Rs. 0.025 million and Rs. 0.318 million were raised, respectively for CS Energy Division (previously before scheme of amalgamation, it was CS Energy (Private) Limited). Associated expense has been recognised accordingly in these financial statements.

Assessment for the year 2016 was amended and demand of Rs. 0.07 million was raised for CS Energy Division (previously before scheme of amalgamation, it was CS Energy (Private) Limited). Associated expense has been recognised accordingly in these financial statements.

No provision has been made in these unconsolidated financial statements in respect of tax years 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	**2020**	2019

30 CASH AND BANK BALANCES

With banks			
- in saving account	30.1	731	6,322
- in current accounts		21,829	20,881
	30.2	22,560	27,203
Cash in hand		828	602
		23,388	27,805

30.1 Mark-up rate on saving account is 6.5% to 11.3% (2019: 2.40% to 6.26%) per annum.

30.2 This includes balances amounting to Rs. 1.765 million (2019: Rs. 3.287 million) with Shariah compliant banks.

Rupees in '000	**2020**	2019

31 SALES - NET

Local sales		
Bare pipes	1,017,793	319,247
Steel billets	983,209	–
Pipe coating	86,604	233,976
Pre coated pipes	298,513	1,996,516
Cotton yarn / raw cotton	1,567,180	1,667,951
Electricity sales	136,026	–
Steam sales	113,507	–
Others	56,149	91,865
Scrap / waste	214,029	167,325
Sales returns	–	(3,262)
	4,473,010	4,473,618
Sales tax	(650,808)	(407,103)
	3,822,202	4,066,515

31.1 Revenue is disaggregated by major products and also by geographical market. Additionally revenue by major customer is disclosed in note 43 to these financial statements.

Rupees in '000	Note	**2020**	2019

32 COST OF SALES

Steel segment	32.1	1,257,531	2,266,675
Cotton segment	32.1	1,320,153	1,579,451
Energy segment	32.1	299,194	–
Hadeed (Billet) segment	32.1	894,428	–
		3,771,306	3,846,126

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

Rupees in '000	Note	Steel segment 2020	Steel segment 2019	Cotton segment 2020	Cotton segment 2019	Energy segment 2020	Energy segment 2019	Hadeed (Billet) segment 2020	Hadeed (Billet) segment 2019	Total 2020	Total 2019
32.1 Cost of sales											
Raw materials consumed		934,627	1,659,667	944,862	1,173,444	227,662	-	652,086	-	2,759,237	2,833,111
Packing materials consumed		-	-	13,372	16,835	-	-	-	-	13,372	16,835
Store and spares consumed		33,435	60,063	17,379	18,600	4,746	-	21,554	-	77,114	78,663
Fuel, power and electricity		33,944	48,013	206,026	204,407	77	-	1,242	-	241,289	252,420
Salaries, wages and other benefits	32.2	120,005	139,238	132,488	125,505	5,529	-	22,216	-	280,238	264,743
Insurance		3,944	4,705	2,874	2,583	644	-	1,023	-	8,485	7,288
Commission		-	-	4,394	4,713	-	-	-	-	4,394	4,713
Repairs and maintenance		2,824	6,051	2,218	2,474	135	-	569	-	5,746	8,525
Depreciation	16.1.2	60,831	61,098	27,897	29,250	60,391	-	51,451	-	200,570	90,348
Rental under Ijarah financing		68,200	91,592	-	-	-	-	-	-	68,200	91,592
Other expenses		72,493	147,593	-	6,937	10	-	144,287	-	216,790	154,530
		1,330,303	2,218,020	1,351,510	1,584,748	299,194	-	894,428	-	3,875,435	3,802,768
Opening stock of work-in-process		15,854	10,288	9,142	9,425	-	-	-	-	24,996	19,713
Closing stock of work-in-process	23	(39,329)	(15,854)	(7,179)	(9,142)	-	-	-	-	(46,508)	(24,996)
		(23,475)	(5,566)	1,963	283	-	-	-	-	(21,512)	(5,283)
Cost of goods manufactured		1,306,828	2,212,454	1,353,473	1,585,031	299,194	-	894,428	-	3,853,923	3,797,485
Opening stock of finished goods		120,524	174,745	11,074	5,494	-	-	-	-	131,598	180,239
Closing stock of finished goods - net	23	(169,821)	(120,524)	(44,394)	(11,074)	-	-	-	-	(214,215)	(131,598)
		(49,297)	54,221	(33,320)	(5,580)	-	-	-	-	(82,617)	48,641
		1,257,531	2,266,675	1,320,153	1,579,451	299,194	-	894,428	-	3,771,306	3,846,126
32.2 Detail of salaries, wages and other benefits											
Salaries, wages and other benefits	32.2.1	106,629	137,150	130,412	123,939	5,515	-	21,915	-	264,471	261,089
Pension fund	32.2.2	8,920	205	-	-	-	-	-	-	8,920	205
Gratuity fund	32.2.2	660	(1,632)	-	-	-	-	-	-	660	(1,632)
Provident fund contributions		3,796	3,515	2,076	1,566	14	-	301	-	6,187	5,081
		120,005	139,238	132,488	125,505	5,529	-	22,216	-	280,238	264,743

32.2.1 This includes contribution amounting to Nil (2019: Rs. 0.06 million) 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.

Rupees in '000	2020 Pension	2020 Gratuity	2019 Pension	2019 Gratuity
32.2.2 Staff retirement benefits				
Current service costs	5,174	1,616	4,283	1,564
Interest costs	19,829	4,184	11,564	2,964
Return on plan assets, excluding interest income	(16,083)	(5,140)	(15,642)	(6,160)
	8,920	660	205	(1,632)

Rupees in '000	Note	2020	2019

33 INCOME FROM INVESTMENTS - NET

	Note	2020	2019
Dividend income	33.1	353,378	208,944
Loss on sale of FVTPL investments - net	33.1	(4,309)	(16,077)
Unrealized gain / (loss) on FVTPL investments - net	33.1	37,706	(3,867)
Rent from investment properties	33.2	2,563	2,563
		389,338	191,563

33.1 Break up of dividend income, realised loss and unrealised gain is as follows:

Rupees in '000

Name of investee company	Note	Dividend income	Realised loss	Unrealised gain
Shariah compliant investee companies		4,610	(3,766)	3,085
Non-Shariah compliant investee companies	33.1.2	348,768	(543)	34,621
		353,378	(4,309)	37,706

33.1.1 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.

33.1.2 This includes Rs. 342.75 million related to dividend received form Altern Energy Limited (AEL) for which status of compliant or non-compliant is not ascertained due to non-disclosure of information by AEL.

33.2 Direct operating expenses incurred against rental income from investment properties amounted to Rs. 0.873 million (2019: Rs. 0.518 million). Further Rs. 2.258 million (2019: Rs. 2.179 million) were incurred against the non rented out area.

34 DISTRIBUTION AND SELLING EXPENSES

		Steel segment		Cotton segment		Hadeed (Billet) segment		Total	
Rupees in '000	Note	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Salaries, wages and other benefits	34.1	3,046	3,640	1,917	1,599	70	-	5,033	5,239
Travelling, conveyance and entertainment		1,207	450	49	69	43	-	1,299	519
Depreciation	16.1.2	909	963	-	-	199	-	1,108	963
Insurance		22	118	-	-	20	-	42	118
Postage, telephone and telegram		48	43	42	51	17	-	107	94
Advertisement		31	1,644	-	-	-	-	31	1,644
Bid bond expenses		450	747	-	-	-	-	450	747
Legal and professional charges		1,362	3,518	-	-	-	-	1,362	3,518
Others		2,429	743	1,183	1,200	280	-	3,892	1,943
		9,504	11,866	3,191	2,919	629	-	13,324	14,785

34.1 Detail of salaries, wages and other benefits

		Steel segment		Cotton segment		Hadeed (Billet) segment		Total	
Rupees in '000	Note	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Salaries, wages and other benefits		2,188	3,449	1,917	1,599	70	-	4,175	5,048
Pension fund	34.1.1	637	52	-	-	-	-	637	52
Gratuity fund	34.1.1	47	(388)	-	-	-	-	47	(388)
Provident fund contributions		174	527	-	-	-	-	174	527
		3,046	3,640	1,917	1,599	70	-	5,033	5,239

	2020		2019	
Rupees in '000	Pension	Gratuity	Pension	Gratuity
34.1.1 Staff retirement benefits				
Current service costs	370	115	1,095	372
Interest costs	1,416	299	2,956	704
Return on plan assets, excluding interest income	(1,149)	(367)	(3,999)	(1,464)
	637	47	52	(388)

35 ADMINISTRATIVE EXPENSES

Rupees in '000	Note	Steel segment 2020	Steel segment 2019	Cotton segment 2020	Cotton segment 2019	Energy segment 2020	Energy segment 2019	Hadeed (Billet) segment 2020	Hadeed (Billet) segment 2019	IID segment 2020	IID segment 2019	Total 2020	Total 2019
Salaries, wages and other benefits	35.1	98,859	70,994	21,135	15,861	2,887	-	8,000	-	7,966	5,980	138,847	92,835
Rents, rates and taxes		1,926	1,380	371	323	65	-	268	-	621	582	3,251	2,285
Travelling, conveyance and entertainment		3,931	4,963	779	953	134	-	313	-	263	289	5,420	6,205
Fuel and power		7,795	8,396	1,214	1,222	259	-	2,145	-	427	468	11,840	10,086
Postage, telephone and telegram		1,663	1,873	392	403	43	-	115	-	103	106	2,316	2,382
Insurance		1,942	1,316	302	280	284	-	60	-	176	117	2,764	1,713
Repairs and maintenance		5,569	9,947	414	463	50	-	147	-	994	1,256	7,174	11,666
Auditors' remuneration	35.2	2,138	2,318	583	618	83	-	157	-	251	247	3,212	3,183
Legal, professional and corporate service charges		23,226	13,124	5,944	2,696	1,008	-	2,006	-	2,854	2,214	35,038	18,034
Advertisement		367	1,735	10	13	6	-	10	-	20	91	413	1,839
Donations	35.3	480	2,694	-	-	5	-	7	-	26	142	518	2,836
Depreciation	16.1.2 & 18.1	15,482	18,208	3,033	3,368	321	-	2,378	-	2,690	2,354	23,904	23,930
Amortization of intangible assets	17	164	198	31	39	4	-	4	-	8	10	211	247
Printing, stationery and office supplies		1,436	2,137	355	512	11	-	25	-	145	211	1,972	2,860
Newspapers, subscriptions and periodicals		287	330	360	494	517	-	13	-	26	25	1,203	849
Others		5,072	5,941	1,059	1,137	134	-	571	-	307	297	7,143	7,375
		170,337	145,554	35,982	28,382	5,811	-	16,219	-	16,877	14,389	245,226	188,325
35.1 Detail of salaries, wages and other benefits													
Salaries, wages and other benefits		71,548	69,019	20,411	15,382	2,768	-	7,770	-	7,655	5,980	110,152	90,381
Pension fund	35.1.1	22,300	546	-	-	-	-	-	-	-	-	22,300	546
Gratuity fund	35.1.1	1,650	(3,463)	-	-	-	-	-	-	-	-	1,650	(3,463)
Provident fund contributions		3,361	4,892	724	479	119	-	230	-	311	-	4,745	5,371
		98,859	70,994	21,135	15,861	2,887	-	8,000	-	7,966	5,980	138,847	92,835

Rupees in '000	2020 Pension	2020 Gratuity	2019 Pension	2019 Gratuity
35.1.1 Staff retirement benefits				
Current service costs	12,934	4,040	11,384	3,319
Interest costs	49,573	10,460	30,733	6,289
Return on plan assets, excluding interest income	(40,207)	(12,850)	(41,571)	(13,071)
	22,300	1,650	546	(3,463)

Rupees in '000	Note	**2020**	2019
35.2 Auditors' remuneration			
Audit fee	35.2.1	2,250	2,013
Certifications and other assurance services		480	727
Out of pocket expenses		244	205
Sales tax		238	238
		3,212	3,183

35.2.1 Audit fee includes services for audit of annual unconsolidated and consolidated financial statements, 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 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 **2020**	Amount donated 2019
			Rupees in '000	
Mr. Ahsan M. Saleem	Director	The Citizens Foundation Plot No. 20, Sector - 14, New Brookes Chowrangi, Korangi Industrial Area, Karachi	269	1,076

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.

35.3.2 Donations include the following in which directors are not interested:

Name of the donee	Amount donated **2020**	Amount donated 2019
	Rupees in '000	
Crescent Model Higher Secondary School	–	1,500
Others	249	260
	249	1,760

Rupees in '000	**2020**	2019
36 OTHER OPERATING EXPENSES		
Exchange loss	25,958	2,288
Impairment loss on trade debts	–	956
Provision for:		
- Workers' Profit Participation Fund	–	3,633
- Workers' Welfare Fund	–	474
- Slow moving stores, spares and loose tools - net	–	17,502
Liquidated damages	–	3,727
Others	–	66
	25,958	28,646

Rupees in '000	2020	2019
37 OTHER INCOME		
Income from financial assets		
Mark-up on short term loan to subsidiary companies	–	41,727
Return on deposits - from conventional banking	859	477
Unwinding of discount on long term deposit	2,415	19,798
	3,274	62,002
Income from non-financial assets		
Exchange gain	–	395
Gain on disposal of operating fixed assets	1,101	12,674
Deferred income amortized	6,825	5,834
Insurance commission	1,318	306
Liabilities written-back	1,029	1,285
Reversal of impairment of trade debts	–	1,500
Reversal of provision for slow moving stores, spares and loose tools	15,366	–
Rent income	5,010	4,279
Others	1,517	706
	32,166	26,979
	35,440	88,981

38 FINANCE COSTS

Mark-up on short term loans - Shariah arrangement	55,064	52,859
Interest on Non-Shariah arrangement		
- finance lease obligations	16,475	14,954
- long term loans	32,086	35,953
- running finances	144,828	90,155
- short term loans	50,494	42,071
Discounting of long term deposit	–	2,080
Bank charges	9,992	6,210
	308,939	244,282

39 TAXATION

Current		
- for the year	89,849	66,067
- for prior years	1,907	2,034
	91,756	68,101
Deferred	(192,405)	(186,682)
	(100,649)	(118,581)

39.1 Relationship between taxation expense and accounting profit

Profit before taxation	(117,773)	24,895
Tax at the applicable rate of 29% (2019: 29%)	(34,154)	7,220
Tax effect of inadmissible expenses / losses	(779)	151,952
Tax effect of income taxed at a lower rate	(67,623)	(12,142)
Prior year tax effect	1,907	2,034
Tax losses of subsidiaries	–	(267,645)
	(100,649)	(118,581)

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 provision and assessment including return filed and deemed assessed for last three years are as follows:

Rupees in '000	2019	2018	2017
Tax provision including effects of prior years	63,513	222,849	362,447
Tax assessed / return filed	63,513	222,849	362,447

Rupees in '000	2020	2019
40 BASIC AND DILUTED (LOSS) / EARNINGS PER SHARE		
(Loss) / profit for the year	(17,124)	143,476
	(Number of shares)	
Weighted average number of ordinary shares in issue during the year	77,632,491	77,632,491
	(Rupees)	
Basic and diluted (loss) / earnings per share	(0.22)	1.85

Rupees in '000	2020	2019
41 CASH (USED IN) / GENERATED FROM OPERATIONS		
(Loss) / profit before taxation	(117,773)	24,895
Adjustments for non cash charges and other items:		
Depreciation on operating fixed assets and investment properties	225,582	115,241
Amortization of intangible assets	211	247
Charge / (reversal) for the year on staff retirement benefit funds	34,214	(4,680)
Dividend income	(353,378)	(208,944)
Unrealized (gain) / loss on FVTPL investments - net	(37,706)	3,867
Loss on sale of FVTPL investments - net	4,309	16,077
(Reversal) / provision for slow moving stores, spares and loose tools	(15,366)	17,502
Reversal of impairment loss on trade debts - net	-	(544)
Provision for Workers' Welfare Fund	-	474
Provision for Workers' Profit Participation Fund	-	3,633
Return on loan to subsidiary Company	-	(41,727)
Return on deposits	(859)	(477)
Gain on disposal of operating fixed assets	(1,101)	(12,674)
Deferred income amortized	(6,825)	(5,834)
Discounting of long term deposit	-	2,080
Unwinding of discount on long term deposit	(2,415)	(19,798)
Liabilities written off	(1,029)	(1,285)
Finance costs	308,939	242,202
	36,803	130,255
Changes in:		
- Stores, spares and loose tools	31,918	(34,313)
- Stock-in-trade	(1,309,372)	721,281
- Trade debts	(129,367)	10,998
- Advances	(22,540)	152,028
- Trade deposits and short term prepayments	(12,765)	(24,713)
- Other receivables	35,117	68,200
- Trade and other payables	381,430	(624,272)
	(988,776)	399,464

41.1 Reconciliation of movements of liabilities to cash flows arising from financing activities

Rupees in '000	Note	Long term loans	Lease liabilities (Including mark-up accrued)	Short term borrowings	Dividend payable	Total
	Note	9	10 & 13	14		
Opening balance as at 1 July 2019		287,546	154,799	730,751	26,525	1,199,621
Proceeds from long term loans		50,852	-	-	-	50,852
Repayment of long term loans		(92,306)	-	-	-	(92,306)
Proceeds from short term borrowings		-	-	1,585,852	-	1,585,852
Repayment of short term borrowings		-	-	(223,560)	-	(223,560)
Dividend paid		-	-	-	(82)	(82)
Lease payments		-	(59,675)	-	-	(59,675)
		(41,454)	(59,675)	1,362,292	(82)	1,261,081
Interest accrued on lease obligation		-	16,475	-	-	16,475
Discounting effect		(6,412)	-	-	-	(6,412)
		(6,412)	16,475	-	-	10,063
Closing balance as at 30 June 2020		239,680	111,599	2,093,043	26,443	2,470,765

Rupees in '000	Note	2020	2019
42 CASH AND CASH EQUIVALENTS			
Running finances under mark-up arrangements	14	(582,317)	(846,445)
Cash and bank balances	30	23,388	27,805
		(558,929)	(818,640)

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 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 segment:

For the year ended 30 June 2020

Rupees in '000	Steel segment	Cotton segment	Energy segment	Hadeed (Billet) segment	IID segment	Inter-segments elimination / adjustments	Total
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	-	-	-	-	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
(Loss) / profit before taxation	(392,206)	(26,678)	(26,671)	(35,369)	363,151	-	(117,773)
Taxation							(100,649)
Loss for the year							(17,124)

For the year ended 30 June 2019

Rupees in '000	Steel segment	Cotton segment	Energy segment	Hadeed (Billet) segment	IID segment	Inter-segments elimination / adjustments	Total
Sales	2,381,405	1,685,110	-	-	-	-	4,066,515
Cost of sales	2,266,675	1,579,451	-	-	-	-	3,846,126
Gross profit	114,730	105,659	-	-	-	-	220,389
Income from investments - net	-	-	-	-	191,563	-	191,563
	114,730	105,659	-	-	191,563	-	411,952
Distribution and selling expenses	11,866	2,919	-	-	-	-	14,785
Administrative expenses	145,554	28,382	-	-	14,389	-	188,325
Other operating expenses	24,947	3,699	-	-	-	-	28,646
	182,367	35,000	-	-	14,389	-	231,756
	(67,637)	70,659	-	-	177,174	-	180,196
Other income	79,616	9,365	-	-	-	-	88,981
Operating profit before finance costs	11,979	80,024	-	-	177,174	-	269,177
Finance costs	210,363	9,797	-	-	24,122	-	244,282
(Loss) / profit before taxation	(198,384)	70,227	-	-	153,052	-	24,895
Taxation							(118,581)
Profit for the year							143,476

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. 66.237 million (2019: Nil).

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 financial statements.

43.4 Information about major customers

Revenue from major customers of Steel segment represents an aggregate amount of Rs. 1,057.732 million (2019: Rs. 2,611.986 million) of total Steel segment revenue of Rs. 1,291.206 million (2019: Rs. 2,381.405 million). Revenue from major customers of Cotton segment represents an aggregate amount of Rs. 322.4 million (2019: Rs. 610.493 million) of total Cotton segment revenue of Rs. 1,346 million (2019: Rs. 1,685.11 million). Revenue from major customers of Energy segment represents an aggregate amount of Rs. 116.261 million (2019: Nil) of total Energy segment revenue of Rs. 279.513 million (2019: Nil). Revenue from major customers of Hadeed (Billet) segment represents an aggregate amount of Rs. 688.167 million (2019: Nil) of total Hadeed (Billet) segment revenue of Rs. 971.72 million (2019: Nil).

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 2020 and 2019 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
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

Rupees in '000	Steel segment	Cotton segment	Energy segment	Hadeed (Billet) segment	IID segment	Total
As at 30 June 2019						
Segment assets for reportable segments	1,826,902	430,823	817,646	1,218,378	2,475,238	6,768,987
Unallocated corporate assets						1,518,045
Total assets as per unconsolidated statement of financial position						8,287,032
Segment liabilities for reportable segments	570,025	106,822	69,316	144,006	2,627	892,796
Unallocated corporate liabilities and deferred income						2,000,173
Total liabilities as per unconsolidated statement of financial position						2,892,969

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
For the year ended 30 June 2020						
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)
For the year ended 30 June 2019						
Capital expenditure	144,382	5,761	-	-	10,760	160,903
Depreciation and amortization	80,467	32,657	-	-	2,364	115,488
Non-cash items other than depreciation and amortization - net	152,691	5,172	-	-	(161,245)	(3,382)

44 STAFF RETIREMENT BENEFITS

44.1 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 2020. The projected unit credit method, using the following significant assumptions, has been used for the actuarial valuation:

	2020		2019	
	Pension	Gratuity	Pension	Gratuity
Financial assumptions				
- Discount rate used for interest cost in profit or loss charge	14.50%	14.50%	10.00%	10.00%
- Discount rate used for year end obligation	9.25%	8.50%	14.50%	14.50%
- Expected rate of increase in salaries	N/A	N/A	14.50%	14.50%
Demographic assumptions				
- 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:

		2020			2019		
Rupees in '000	Note	Pension	Gratuity	Total	Pension	Gratuity	Total
Present value of defined benefit obligations	44.1.4	477,700	107,085	584,785	494,294	104,884	599,178
Fair value of plan assets	44.1.5	(453,987)	(132,080)	(586,067)	(393,748)	(125,213)	(518,961)
Liability / (asset) recognized in unconsolidated statement of financial position		23,713	(24,995)	(1,282)	100,546	(20,329)	80,217

44.1.3 Movement in the net defined benefit liability / (asset)

	Note	Pension	Gratuity	Total	Pension	Gratuity	Total
Opening balance		100,546	(20,329)	80,217	(151,006)	(104,081)	(255,087)
Net benefit cost / (income) charged to profit or loss	44.1.7	31,857	2,357	34,214	804	(5,484)	(4,680)
Remeasurements recognized in other comprehensive income	44.1.8	(92,143)	(594)	(92,737)	267,915	95,834	363,749
Contributions by the Company	44.1.5	(16,547)	(6,429)	(22,976)	(17,167)	(6,598)	(23,765)
Closing balance		23,713	(24,995)	(1,282)	100,546	(20,329)	80,217

44.1.4 Movement in the present value of defined benefit obligations

	Pension	Gratuity	Total	Pension	Gratuity	Total
Present value of defined benefit obligations - 1 July	494,294	104,884	599,178	457,906	101,625	559,531
Current service cost	18,477	5,771	24,248	16,763	5,254	22,017
Interest cost	70,818	14,943	85,761	45,252	9,957	55,209
Benefits paid during the year	(11,794)	(3,661)	(15,455)	(10,760)	(4,116)	(14,876)
Remeasurement:						
Actuarial (gain) / loss from change in financial assumption	(21,521)	(93)	(21,614)	14,640	74	14,714
Experience adjustments	(72,574)	(14,759)	(87,333)	(29,507)	(7,910)	(37,417)
Present value of defined benefit obligations - 30 June	477,700	107,085	584,785	494,294	104,884	599,178

	2020			2019		
Rupees in '000	Pension	Gratuity	Total	Pension	Gratuity	Total
44.1.5 Movement in the fair value of plan assets						
Fair value of plan assets - 1 July	393,748	125,213	518,961	608,912	205,706	814,618
Contributions by the Company	16,547	6,429	22,976	17,167	6,598	23,765
Interest income on plan assets	57,438	18,357	75,795	61,211	20,695	81,906
Benefits paid during the year	(11,794)	(3,661)	(15,455)	(10,760)	(4,116)	(14,876)
Return on plan assets, excluding interest income	(1,952)	(14,258)	(16,210)	(282,782)	(103,670)	(386,452)
Fair value of plan assets - 30 June	453,987	132,080	586,067	393,748	125,213	518,961
44.1.6 Actual return on plan assets	55,486	4,099	59,585	(221,571)	(82,975)	(304,546)

44.1.7 Following amounts have been charged in the unconsolidated profit or loss in respect of these benefits.

	2020			2019		
Rupees in '000	Pension	Gratuity	Total	Pension	Gratuity	Total
Current service cost	18,477	5,771	24,248	16,763	5,254	22,017
Interest cost	70,818	14,943	85,761	45,252	9,957	55,209
Interest income on plan assets	(57,438)	(18,357)	(75,795)	(61,211)	(20,695)	(81,906)
Charge / (income) recognized in profit or loss	31,857	2,357	34,214	804	(5,484)	(4,680)

44.1.8 Following amounts of remeasurements have been charged in the other comprehensive income in respect of these benefits

	2020			2019		
Rupees in '000	Pension	Gratuity	Total	Pension	Gratuity	Total
Remeasurement:						
Actuarial losses from change in financial assumption	(21,521)	(93)	(21,614)	14,640	74	14,714
Experience adjustments	(72,574)	(14,759)	(87,333)	(29,507)	(7,910)	(37,417)
Return on plan assets, excluding interest income	1,952	14,258	16,210	282,782	103,670	386,452
Remeasurement (income) / loss recognised in the other comprehensive income	(92,143)	(594)	(92,737)	267,915	95,834	363,749

Rupees in '000	2020 Pension	2020 Gratuity	2020 Total	2019 Pension	2019 Gratuity	2019 Total
44.1.9 Total defined benefit cost recognized in profit or loss and other comprehensive income	(60,286)	1,763	(58,523)	268,719	90,350	359,069
Expected contributions to funds in the following year	-	-	-	-	-	-
Weighted average duration of the defined benefit obligation (years)	11	3		11	3	
Analysis of present value of defined benefit obligation						
Type of Members:						
Pensioners	32	-		30	-	
Beneficiaries	80	79		86	85	
Vested / Non-vested						
Vested benefits	453,355	90,909	544,264	468,640	84,014	552,654
Non-vested benefits	24,345	16,176	40,521	25,654	20,870	46,524
	477,700	107,085	584,785	494,294	104,884	599,178
Disaggregation of fair value of plan assets						
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	19,723	4,137	23,860	90,870	3,726	94,596
Debt instruments						
AA+	183,337	25,613	208,950	83,142	33,209	116,351
AA	230	-	230	230	-	230
	183,567	25,613	209,180	83,372	33,209	116,581
Equity instruments						
Automobile Parts and Accessories	74	-	74	149	-	149
Cement	7,396	-	7,396	4,560	-	4,560
Chemicals	212	-	212	449	-	449
Commercial Banks	269	-	269	-	-	-
Engineering	183,674	87,443	271,117	152,320	72,588	224,908
Fertilizer	6,129	325	6,454	6,203	258	6,461
Insurance	63	-	63	76	-	76
Oil and Gas Exploration Companies	8,098	2,622	10,720	10,501	3,125	13,626
Oil and Gas Marketing Companies	803	-	803	636	-	636
Paper and Board	5	-	5	177	-	177
Pharmaceuticals	147	-	147	-	-	-
Power Generation and Distribution	18,732	7,250	25,982	19,936	7,875	27,811
Sugar and Allied Industries	5,740	1,691	7,431	5,433	1,600	7,033
Textile Composite	2,584	-	2,584	2,673	-	2,673
	233,926	99,331	333,257	203,113	85,446	288,559
Mutual funds						
Income Fund	16,771	2,999	19,770	16,393	2,832	19,225
	453,987	132,080	586,067	393,748	125,213	518,961

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%	430,963	104,507
Discount rate -1%	534,342	110,084
Long term pension / salary increase +1%	486,529	110,072
Long term pension / salary decrease -1%	469,957	104,470
Long term pension increase +1%	529,731	–
Long term pension decrease -1%	433,145	–

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 2020 was Rs. 11.106 million (2019: Rs. 10.979 million). Reporting year end of Provident Fund financial statements is 31 December and 30 June for Steel & IID Division and Cotton & Hadeed Division, respectively.

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:

Rupees in '000	30 June 2020								
	Carrying amount					Fair Value			
	Fair value through profit or loss	Fair value through other compre-hensive income	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments									
Financial assets measured at fair value									
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
Financial assets not measured at fair value									
Deposits	-	-	278,446	-	278,446	-	-	-	-
Trade debts	-	-	225,799	-	225,799	-	-	-	-
Loan to subsidiary	-	-	91,208	-	91,208	-	-	-	-
Other receivables	-	-	39,658	-	39,658	-	-	-	-
Bank balances	-	-	22,560	-	22,560	-	-	-	-
	-	-	657,671	-	657,671	-	-	-	-
Financial liabilities not measured at fair value									
Long term loans	-	-	-	239,680	239,680	-	-	-	-
Lease liabilities	-	-	-	111,287	111,287	-	-	-	-
Trade and other payables	-	-	-	715,436	715,436	-	-	-	-
Mark-up accrued	-	-	-	54,214	54,214	-	-	-	-
Short term borrowings	-	-	-	2,675,360	2,675,360	-	-	-	-
Unclaimed dividend	-	-	-	26,443	26,443	-	-	-	-
	-	-	-	3,822,420	3,822,420	-	-	-	-

Rupees in '000	30 June 2019								
	Carrying amount					Fair Value			
	Fair value through profit or loss	Fair value through other compre-hensive income	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments									
Financial assets measured at fair value									
Investments									
- Listed equity securities	166,735	9,844	-	-	176,579	176,579	-	-	176,579
- Unlisted equity securities	443,588	-	-	-	443,588	-	-	443,588	443,588
	610,323	9,844	-	620,167	176,579	-	-	443,588	620,167
Financial assets not measured at fair value									
Deposits	-	-	272,841	-	272,841	-	-	-	-
Trade debts	-	-	96,432	-	96,432	-	-	-	-
Loan to subsidiary	-	-	88,208	-	88,208	-	-	-	-
Other receivables	-	-	41,257	-	41,257	-	-	-	-
Bank balances	-	-	27,203	-	27,203	-	-	-	-
	-	-	525,941	-	525,941	-	-	-	-
Financial liabilities not measured at fair value									
Long term loan	-	-	-	287,546	287,546	-	-	-	-
Lease liabilities	-	-	-	154,296	154,296	-	-	-	-
Trade and other payables	-	-	-	433,243	433,243	-	-	-	-
Mark-up accrued	-	-	-	41,617	41,617	-	-	-	-
Short term borrowings	-	-	-	1,577,196	1,577,196	-	-	-	-
Unclaimed dividend	-	-	-	26,525	26,525	-	-	-	-
	-	-	-	2,520,423	2,520,423	-	-	-	-

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.

The unquoted investments and investments in subsidiaries and associates are stated at cost.

Investment property fair value 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 in measuring Level 3 fair values at 30 June 2020 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 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 cash flows - Terminal growth rate - Weighted average cost of capital	The estimated fair value would increase / (decrease) if: - 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	- Net asset method: This valuation method considers net asset value divided by ordinary number of shares	- Net assets of the investee Company	The estimated fair value would increase / (decrease) if: - The net assets of the investee Company were higher / (lower).

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 1 July 2019	
- Shakarganj Food Products Limited	319,187
- Central Depository Company of Pakistan Limited	124,401
	443,588
Fair value recognized during the year	
- Shakarganj Food Products Limited	27,657
- Central Depository Company of Pakistan Limited	11,711
	39,368
Balance at 30 June 2020	
- Shakarganj Food Products Limited	346,844
- Central Depository Company of Pakistan Limited	136,112
	482,956

Sensitivity Analysis

For the fair value of unquoted equity investment, reasonably possible changes at 30 June 2020 to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

	Profit or loss	
Rupees in '000	Increase	Decrease
Shakarganj Food Products Limited		
- Expected cash flows (10% movement)	48,541	(48,400)
- Terminal growth rate (1% movement)	37,253	(31,608)
- Weighted Average Cost of Capital (1% movement)	(45,719)	54,186
Central Depository Company of Pakistan Limited		
- Net assets (10% movement)	13,611	(13,611)

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.

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	**2020**	2019
Deposits	278,446	272,841
Trade debts	225,799	96,432
Loan to subsidiary	91,208	88,208
Other receivables	39,658	41,257
Bank balances	22,560	27,203
	657,671	525,941

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	**2020**	2019
Steel segment	173,948	64,149
Cotton segment	2,691	4,949
Energy segment	4,637	16,493
Hadeed (Billet) segment	44,523	10,841
	225,799	96,432
The aging of trade debts at the balance sheet date is		
Not past due	54,034	9,400
Past due 1 - 30 days	135,038	55,578
Past due 30 - 180 days	23,109	18,936
Past due 180 days	44,324	43,224
	256,505	127,138
Less: Impaired	30,706	30,706
	225,799	96,432

The movement in the allowance for impairment in respect of trade debts and advances is given in note 24.1 and note 25 respectively.

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 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-1.

The credit quality of the Company's investment in units of mutual fund can be assessed with reference to external credit ratings as follows:

	Rating		Rating	**2020**	2019
	Short term	Long term	Agency	Rupee in '000	
Mutual Funds					
HBL Growth Fund (A)	-	AM2+	VIS	12,788	17,613
HBL Investment Fund (A)	-	AM2+	VIS	1,342	2,028
				14,130	19,641

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.

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:

Rupees in '000	2020						
	Carrying amount	On demand	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
Financial liabilities							
Long term loans	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	715,436	-	715,436	715,436	-	-	-
Unclaimed dividend	26,443	26,443	-	-	-	-	-
Mark-up accrued	54,214	-	54,214	54,214	-	-	-
Short term borrowings	2,675,360	2,675,360	-	-	-	-	-
	3,822,420	2,701,803	1,175,589	819,551	72,653	149,959	133,426

Rupees in '000	2019						
	Carrying amount	On demand	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
Financial liabilities							
Long term loan	287,546	-	333,274	79,052	56,562	105,909	91,751
Lease liabilities	154,296	-	182,371	32,087	33,305	48,987	67,992
Trade and other payables	433,243	-	433,243	433,243	-	-	-
Unclaimed dividend	26,525	26,525	-	-	-	-	-
Mark-up accrued	41,617	-	41,617	41,617	-	-	-
Short term borrowings	1,577,196	1,577,196	-	-	-	-	-
	2,520,423	1,603,721	990,505	585,999	89,867	154,896	159,743

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:

	2020	
Rupees in '000	USD	Euro
Foreign creditors	–	–
Outstanding letters of credit	1,305,452	19,250
Net exposure	1,305,452	19,250

	2019	
	USD	Euro
Foreign creditors	-	-
Outstanding letters of credit	-	-
Net exposure	-	-

The following significant exchange rate has been applied:

	Average rate		Reporting date rate	
	2020	2019	**2020**	2019
USD to PKR	158.78	136.27	168.05	160.05
Euro to PKR	175.66	155.34	188.61	182.32

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	**2020**	2019
USD	130,545	–
Euro	1,925	–
	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 profit for the year and assets / liabilities of the Company.

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:

	2020	2019	**2020**	2019
	Effective interest (Percentage)		Carrying amount (Rupees in '000)	
Financial liabilities				
Variable rate instruments:				
Long term loans	10.12 - 14.99	7.91 - 14.42	239,680	287,546
Lease liabilities	7.24 - 18.42	10.61 - 17.6	111,287	154,296
Short term borrowings	9.79 - 16.18	7.68 - 14.86	2,675,360	1,577,196

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 2019.

	Profit and loss 100 bp	
Rupees in '000	Increase	Decrease
As at 30 June 2020		
Cash flow sensitivity - Variable rate financial liabilities	(30,263)	30,263
As at 30 June 2019		
Cash flow sensitivity - Variable rate financial liabilities	(20,190)	20,190

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:

Rupees in '000	**2020**	2019
Effect on profit	12,461	16,674
Effect on equity	942	984
Effect on investments	13,403	17,658

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, DIRECTOR AND EXECUTIVES

	Chief Executive		Director		Executives		Total	
Rupees in '000	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Managerial remuneration	16,560	22,977	-	-	42,941	44,799	59,501	67,776
House rent	7,452	7,452	-	-	18,306	17,884	25,758	25,336
Utilities	1,656	1,656	-	-	3,687	3,577	5,343	5,233
Travelling expenses	1,068	2,581	-	-	49	-	1,117	2,581
Medical	1,196	1,736	-	-	2,027	2,088	3,223	3,824
Contributions to								
- Gratuity fund	1,379	1,379	-	-	2,352	2,367	3,731	3,746
- Pension fund	3,312	3,312	-	-	6,591	6,115	9,903	9,427
- Provident fund	1,656	1,656	-	-	3,184	2,899	4,840	4,555
Club subscription and expenses	647	1,131	-	-	270	217	917	1,348
Entertainment	-	390	-	-	90	90	90	480
Conveyance	-	-	-	-	-	970	-	970
Telephone	28	268	-	-	15	-	43	268
	34,954	44,538	-	-	79,512	81,006	114,466	125,544
Number of persons	1	1	-	-	16	15	17	16

47.1 The aggregate amount charged in respect of directors' fees paid to six (2019: six) directors is Rs. 3.6 million (2019: Rs. 2.380 million). Also, during the year remuneration paid to the non-executive Chairman of the Board of Directors amounted to Rs. 1.820 million (2019: Rs. 1.820 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				**2020**	2019
Name	Nature of relationship	Basis of relationship	Nature of transaction		
CS Capital (Private) Limited	Subsidiary Company	100% holding	Reimbursable expenses	1,324	1,371
Solution de Energy (Private) Limited	Subsidiary Company	100% holding	Reimbursable expenses	125	158
			Loan given	3,000	-
Altern Energy Limited	Associated Company	16.69% holding	Dividend received	342,750	190,498

Rupees in '000				2020	2019
Name	Nature of relationship	Basis of relationship	Nature of transaction		
Shakarganj Limited	Associated Company	21.93% holding	Dividend paid	-	180
			Payments received	18,300	-
			Payments made	263	-
			Sales of finished goods	214,385	1,537
			Purchase of raw material	227,662	-
			Services received	1,911	-
			Reimbursable expenses	10,908	2,967
The Crescent Textile Mills Limited	Related party	Major Shareholder	Dividend received	271	-
			Dividend paid	-	8,538
			Sale of Yarn	41,198	-
Premier Insurance Company	Related party	Common directorship	Insurance premium	8,006	10,948
			Dividend paid	-	142
The Citizens Foundation	Related party	Common directorship	Donation given	269	1,076
Crescent Cotton Products - Staff Provident Fund	Retirement benefit fund	Employees benefit fund	Contribution made		
			Dividend paid	-	75
Crescent Steel and Allied Products Limited - Gratuity Fund	Retirement benefit fund	Employees benefit fund	Contribution made	6,416	6,598
			Dividend paid	-	1,821
Crescent Steel and Allied Products Limited - Pension Fund	Retirement benefit fund	Employees benefit fund	Contribution made	16,549	17,167
			Dividend paid	-	3,925
Crescent Steel and Allied Products Limited - Staff Provident Fund	Retirement benefit fund	Employees benefit fund	Contribution made	17,288	17,905
			Dividend paid	-	124
Crescent Hadeed (Private) Limited - Staff Provident Fund	Retirement benefit fund	Employees benefit fund	Contribution made	843	-
CSAP - Staff Benevolent Fund	Staff welfare fund	Employees welfare fund	Dividend paid	-	36
Key management personnel	Related parties	Executives	Remuneration and benefits	94,053	61,501
			Dividend paid	-	108
Directors and their spouse	Related parties	Directors	Dividend paid	-	624

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 2020 and 2019 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 19.3.2), other receivables (note 28), administrative expenses (note 35) 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 previous year.

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 balance sheet plus net debt.

49.1 Gearing ratio

The gearing ratio at end of the year is calculated as follows:

Rupees in '000	Note	**2020**	2019
Total debt	49.1.1	3,026,327	2,019,038
Less: Cash and bank balances		23,388	27,805
Net debt		3,002,939	1,991,233
Total equity	49.1.2	5,448,288	5,394,063
Total capital		8,451,227	7,385,296
Gearing ratio		35.5%	27.0%

49.1.1 Total debt is defined as long term and short term borrowings (excluding derivatives), as described in notes 9, 10 and 14 to these 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 (2019: 66,667 tons) annually on the basis of notional pipe size (whereas 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 7,965 tons (2019: 12,287.5 tons) line pipes of varied sizes and thickness. Actual production is equivalent to 34,527 tons (2019: 21,310.9 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 externally shot blasting and coating of line pipes with 3 layer high density polyethylene coating at a rate of 250 square meters of surface area per hour on pipe sizes ranging from 114 mm to 1,524 mm outside dia and thickness ranging from 3 mm to 16 mm.

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 128,416 meters (2019: 434,494 meters) of different dia pipes 88,647 square meters surface area was achieved during the year (2019: 340,745 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 (85,000 mtons) of billets per annum, but the total production during FY19-20 was 10,894 mtons (2019: 29,162 mtons) of billets. Unit operated only for about four months on self-generated (Inter division) power supply that was only compatible during crushing season. Production was suspended for rest period of eight months because of no alternative power supply arrangements.

50.2 Cotton segment

Spinning unit 1

The plant capacity converted to 20s count polyester cotton yarn based on three shifts per day for 1,080 shifts is 9,197,007 kilogram (2019: 9,197,007 kilograms). Actual production converted into 20s count was 7,190,635 kilograms for 921 shifts (2019: 9,087,295 kilograms for 1,092 shifts).

50.3 Energy segment

The plant's installed production capacity was 118,856 MWh (2019: 118,856 MWh) and the actual production achieved during the year was 16,341 MWh (2019: 31,017 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).

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2020

51 GENERAL

51.1 Number of employees

The total number of employees including contractual employees of the Company as at 30 June 2020 were 778 (2019: 755) and weighted average number of employees were 769 (2019: 762).

The number of factory employees including contractual employees of the Company as at 30 June 2020 were 699 (2019: 678) and weighted average number of employees were 690 (2019: 682).

52 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue in the Board of Directors meeting held on 28 August 2020.

Chief Executive	Director	Chief Financial Officer

Crescent Steel and Allied Products Limited

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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 2020. 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 2020 has been presented separately.

GROUP RESULTS

The consolidated financial results of the Group are summarized below:

Rupees in '000	**2020**	2019
Loss for the year before taxation	(282,430)	(364,677)
Taxation income / (charge)	262,563	(54,699)
Loss after taxation	(19,867)	(419,376)
Total other comprehensive income / (loss) for the year	71,774	(258,262)
Unappropriated profit brought forward	1,417,637	2,036,701
Adjustment of initial application of IFRS 9	–	136,206
Profit available for appropriation	1,469,544	1,495,269
Appropriations:		
- Final dividend 2018 - @ 10%	–	(77,632)
Unappropriated profit carried forward	1,469,544	1,417,637
Basic and diluted loss per share	Rs. (0.26)	Rs. (5.40)

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 2020, which contains the state of the Group's affairs, operational performance of CSAPL and its subsidiary companies, future prospects of profits and other requisite information. The contents of the said review shall be read along with this report 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	Nadeem Maqbool
Chief Executive Officer	Director
28 August 2020	

ڈائریکٹرز کی مربوط رپورٹ

کریسنٹ اسٹیل اور الائیڈ پروڈکٹس لمیٹڈ (CSAPL) کے ڈائریکٹر انتہائی مسرت کے ساتھ 30 جون 2020 کو ختم ہونے والے مالی سال سے متعلق گروپ کی رپورٹ بمعہ آڈٹ شدہ مالیاتی دستاویزات آپ کی خدمت میں پیش کررہے 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 کریسنٹ کانٹینینٹل گیس پائپ لائنز لمیٹڈ (سی سی جی پی ایل) پر مشتمل ہے۔ سی سی جی پی ایل کی جانب سے کاروباری افعال سرانجام نہیں دیئے جارہے ہیں اس لئے کسی بھی قسم کی مالیاتی دستاویزات بھی تیار نہیں کی گئیں۔

مالی سال اختتامیہ 30 جون 2020 کے دوران سی ایس اے پی ایل 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:

(روپے "000" میں)	2020	2019
زیر نظر سال کا نقصان قبل از ٹیکس	(282,430)	(364,677)
ٹیکس	262,563	(54,699)
نقصان بعد از ٹیکس	(19,867)	(419,376)
دوران سال دیگر جامع آمدن/(نقصان)	71,774	(258,262)
گزشتہ غیر منقسم شدہ منافع	1,417,637	2,036,701
IFRS 9 کے اطلاق کے بعد ایڈجسٹمنٹ	-	136,206
تقسیم کیلئے دستیاب، منافع	1,469,544	1,495,269
منافع کی تقسیم:		
حتمی ڈیویڈنڈ 2018 @ 10%	-	(77,632)
گزشتہ غیر منقسم شدہ منافع کا میزانیہ	1,469,544	1,417,637
بنیادی و تحلیلی (نقصان) فی حصص	(0.26) روپے	(5.40) روپے

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 کی تاریخ کے درمیان تک نا تو کوئی اہم تغیرات واقع ہوے ہیں اور نا ہی ایسے کوئی وعدے کئے گئے ہیں جن کا اثر گروپ کے مالیاتی نتائج پر پڑتا ہو۔

چیف ایگزیکیٹیو کا جائزہ

ڈائریکٹروں کی جانب سے مالی سال 30 جون 2020 کی چیف ایگزیکٹو رپورٹ میں شامل مواد کی توثیق کی جاتی ہے جس سے کمپنی کے معاملات، سی ایس اے پی ایل اور اس کی ذیلی کمپنیوں کی کاروباری کارکردگی، منافع سے متعلق پیشن گوئی اور دیگر اہم معلومات کا اظہار ہوتا ہے۔ مزکورہ جائزے کو رپورٹ ہذا کے ساتھ ملا کر پڑھا جائے جو کہ کمپنیز ایکٹ 2017 کے دفعہ 227، لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز اور پاکستان اسٹاک ایکسچینج (پی ایس ایکس) کی رول بک کے تقاضوں کے تحت ڈائریکٹرز رپورٹ کا لازمی حصہ ہے۔

بحکم بورڈ

احسان ایم سلیم
چیف ایگزیکیٹیو آفیسر
28 اگست 2020

ندیم مقبول
ڈائریکٹر

KEY PERFORMANCE INDICATORS

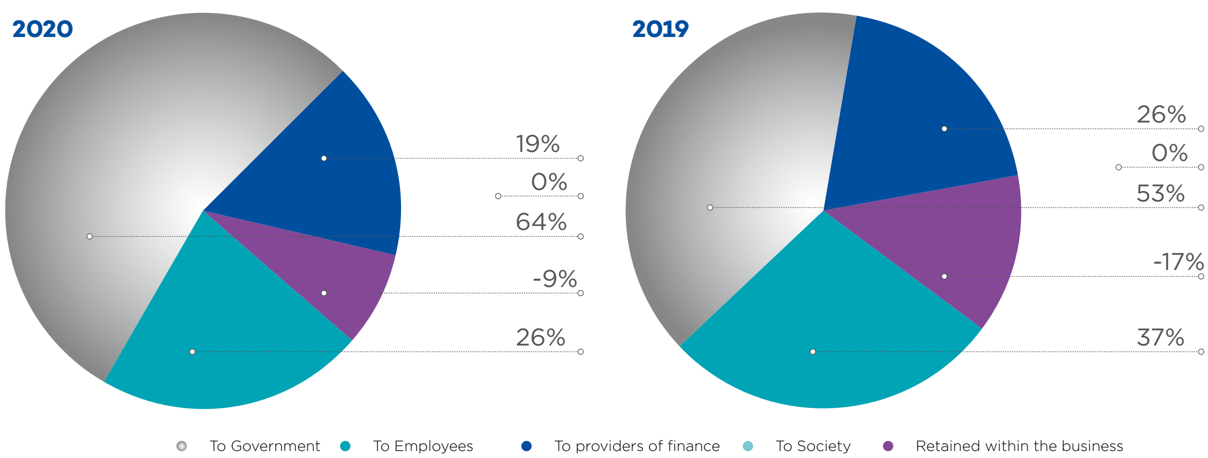
Based on results of the Company as presented in the Consolidated Financial Statements

Sales Revenue	3,822.2	(PKR in million)
Loss before Tax	282.4	(PKR in million)
Gross Profit ratio	1.3	Percentage
Net Loss margin	0.5	Percentage
EBITDA	260.9	(PKR in million)
Loss per Share (Basic and diluted)	0.26	(PKR per share)
Total Assets	11,296	(PKR in million)
Shareholders' Equity	7,008	(PKR in million)
Capital Expenditure	10.6	(PKR per share)
Break-up Value	90.3	(PKR per share)
Cash Dividend (Including final proposed)	-	(PKR per share)
Return on average Capital Employed	0.3	Percentage
Gearing ratio	30.2	Percentage
Current ratio	1.1:1	Ratio
Price Earnings ratio	-	Times
Share Price	45.5	(PKR per share)

STATEMENT OF VALUE ADDITION

	2020 Rupees in '000	2020 %	2019 Rupees in '000	2019 %
WEALTH GENERATED				
Total revenue	4,744,061	100%	7,662,017	100%
Bought-in-material and services	(3,101,110)	65%	(6,448,043)	84%
	1,642,951	35%	1,213,974	16%
WEALTH DISTRIBUTED				
To Employees				
Salaries, wages and other benefits	425,442	26%	449,486	37%
To Government				
Income tax, sales tax, custom duties, WWF and WPPF	1,051,944	64%	645,695	53%
To Shareholders				
Dividend *	–	0%	–	0%
To providers of finance				
Finance costs	315,109	19%	317,819	26%
To Society				
Donation towards education, health and environment	618	0%	2,836	0%
Retained within the business for future growth				
Depreciation, amortization and retained earnings	(150,162)	-9%	(201,862)	-17%
	1,642,951	100%	1,213,974	99%

DISTRIBUTION OF WEALTH



SUMMARY DATA AND PERFORMANCE INDICATORS

For The Current And Past Six Financial Years

Performance Indicators	**2020**	2019	2018	2017	2016	2015	2014
A - Profitability Ratios							
Earnings before interest, taxation, depreciation and amortization (EBITDA) (Rs. in millions)	260.9	189.0	635.7	2,008.4	1,914.4	389.4	902.5
(Loss) / profit before taxation and depreciation (Rs. in millions)	(54.4)	(131.5)	368.1	1,798.5	1,653.4	295.1	802.3
Gross profit / (loss) ratio (%)	1.3	(1.8)	5.4	13.7	26.6	0.9	5.7
Operating (loss) / profit margin to sales (net) (%)	(3.7)	(6.5)	3.3	10.0	18.6	2.2	11.5
Net (loss) / profit margin to sales (net) (%)	(0.5)	(6.1)	(0.6)	9.7	14.8	8.7	13.7
EBITDA margin to sales (net) (%)	6.8	2.8	6.4	16.3	25.3	16.9	22.4
Operating leverage ratio	3.8	3.6	4.0	0.0	2.6	1.6	1.8
Return on equity (%)	(0.3)	(6.0)	(0.8)	13.8	15.3	3.7	10.5
Return on average equity (%)	(0.3)	(5.8)	(0.8)	14.9	17.7	3.8	10.8
Return on capital employed (RoCE) (%)	0.3	(0.5)	4.1	14.9	17.1	4.2	14.4
Return on average capital employed (%)	0.3	(0.5)	3.7	16.1	21.5	4.4	14.6
Return on average assets (%)	(0.2)	(3.8)	(0.5)	9.0	12.3	3.1	9.8
B - Liquidity Ratios							
Current ratio	1.1 : 1	1.2 : 1	1.4 : 1	1.5 : 1	1.6 : 1	1.9 : 1	2.6 : 1
Quick / Acid-test ratio	0.6 : 1	0.9 : 1	0.9 : 1	0.9 : 1	0.9 : 1	1.4 : 1	2 : 1
Cash to current liabilities (%)	(14.6)	(33.6)	(6.6)	(5.8)	(6.8)	(18.9)	(11.8)
Cash flows from operations to sales (%)	(36.6)	(1.2)	15.2	(0.4)	(31.0)	4.1	4.3
Working capital (Net current assets)	487.3	499.4	1,753.8	2,949.6	2,095.1	929.3	1,123.6
Working capital turnover (times)	7.7	6.1	4.2	4.9	5.0	2.2	3.3
C - Activity / Turnover Ratios							
Debtors turnover ratio (times)	23.7	76.7	20.4	18.0	28.4	30.7	28.1
No. of days in receivables / Average collection period (days)	15	5	18	20	13	12	13
Inventory turnover ratio (times)	2.6	4.5	3.3	3.6	3.7	5.3	7.1
No. of days in inventory (days)	143	81	110	102	98	69	51
Creditors turnover ratio (times)	14.1	10.1	6.7	11.2	16.6	8.5	29.3
No. of days in creditors / Average payment period (days)	26	36	54	33	22	43	12
Property, plant and equipment turnover (times)	1.7	2.7	3.8	4.8	3.1	1.1	2.9
Total assets turnover (times)	0.3	0.7	0.8	0.8	0.7	0.3	0.7
Operating cycle (days)	132	50	74	89	89	38	52
D - Investment / Market Ratios							
Basic and diluted (loss) / earnings per share (Rs.)	(0.26)	(5.40)	(0.79)	15.29	15.05	2.87	7.93
Price earnings ratio (times)	-	-	-	15.6	7.6	18.1	5.5
Price to book ratio	0.5	0.4	0.9	2.2	1.2	0.6	0.5
Dividend yield (%) *	-	-	2.2	2.2	4.4	1.3	5.7
Dividend payout ratio (%) *	-	-	(252.5)	34.3	34.6	21.7	28.1
Dividend cover ratio (times) *	-	-	(0.4)	2.9	3.0	4.1	3.2
Cash dividend (Rs. in millions) *	-	-	155.3	407.6	388.2	43.5	155.3
Cash dividend per share (Rs.) *	-	-	2.0	5.3	5.0	0.7	2.5
Market value per share (at the end of the year) (Rs.)	45.5	37.8	91.2	238.6	114.6	51.9	43.5
- Lowest during the year (Rs.)	27.8	27.4	89.8	116.0	54.6	34.9	43.5
- Highest during the year (Rs.)	58.7	101.9	229.4	283.1	134.8	62.4	74.8
Break-up value per share (Rs.)	90.3	89.6	98.1	110.8	94.3	86.8	84.5
Break-up value per share including RP investment at MV (Rs.)	92.9	96.2	121.4	148.7	93.6	86.3	73.9
E - Capital Structure Ratios							
Financial leverage ratio (%)	43.6	29.9	32.2	40.4	39.9	12.8	6.3
Long term debt to equity ratio (%) - Book value	3.6	4.0	4.6	4.5	6.4	5.3	1.2
Long term debt to equity ratio (%) - Market value	7.2	9.6	5.0	2.1	5.3	8.8	2.3
Cost of debts (%)	12.2	12.3	8.0	8.4	8.4	10.9	13.7
Long term debt : Equity ratio	4 : 96	4 : 96	4 : 96	4 : 96	6 : 94	5 : 95	1 : 99
Total liabilities to total assets (%)	37.96	29.40	36.8	41.9	36.0	21.1	14.9
Gearing ratio (%)	30.2	22.8	22.8	28.3	28.0	9.8	3.4
Interest coverage (times)	0.1	(0.1)	1.6	8.8	6.9	2.9	8.5

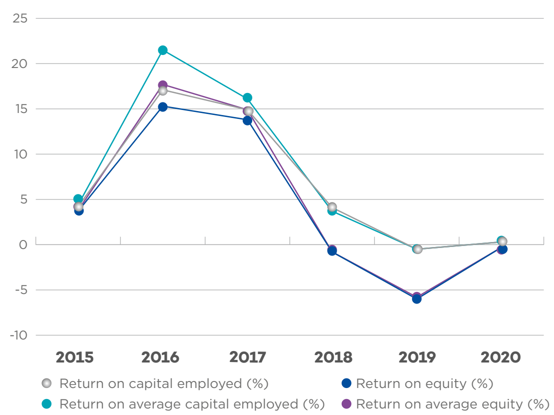
Notes:

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

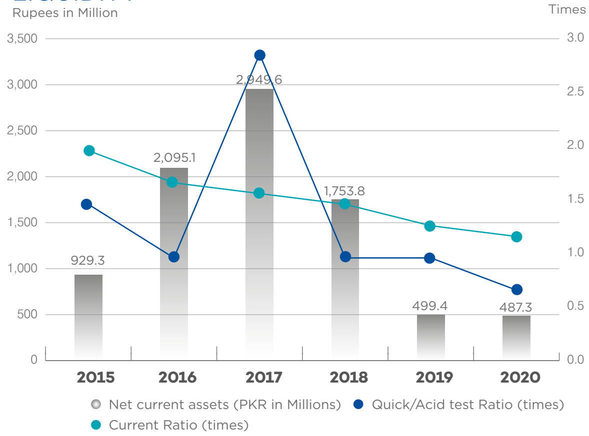
SUMMARY DATA AND PERFORMANCE INDICATORS

For The Current And Past Six Financial Years

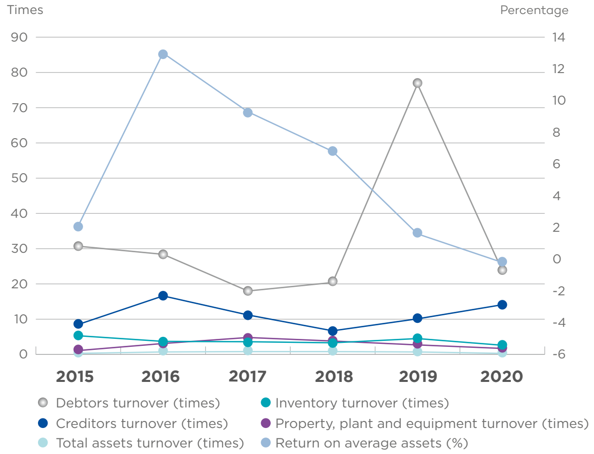
RETURN ON CAPITAL AND EQUITY



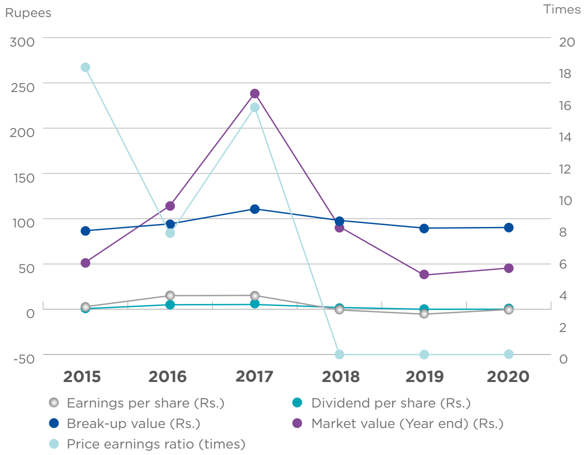
LIQUIDITY



ASSET MANAGEMENT

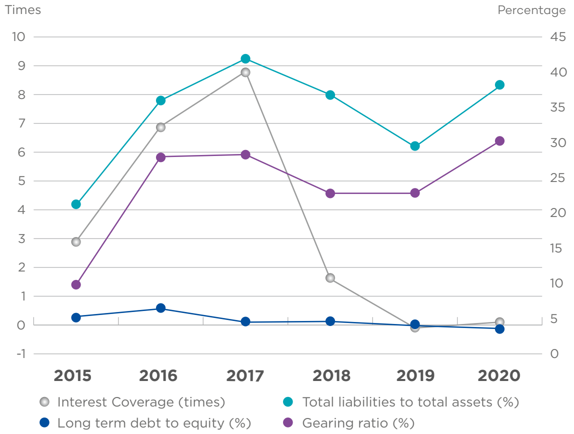


PER SHARE RESULT



DIVIDEND AND RETURNS

DEBT MANAGEMENT



VERTICAL ANALYSIS

For The Last Six Financial Years

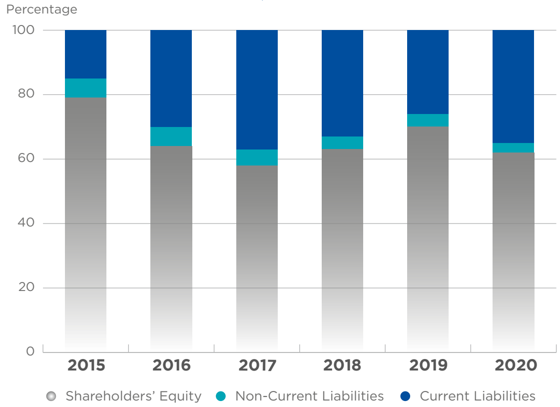
Rupees in million	2020	%	2019	%	2018	%	2017	%	2016	%	2015	%
Consolidated Statement of Financial Position												
Property, plant and equipment	2,276	20.0	2,495	24.9	2,596	21.5	2,565	17.3	2,468	21.5	2,019	29.5
Intangible assets	146	1.3	144	1.4	137	1.1	129	0.9	113	1.0	68	1.0
Investment properties	51	0.5	55	0.5	49	0.4	54	0.4	60	0.5	67	1.0
Investment in equity accounted investees	3,087	27.3	3,267	32.7	3,088	25.6	3,292	22.2	2,882	25.2	2,423	35.4
Other long term investments	731	6.5	689	6.9	263	2.2	221	1.5	221	1.9	221	3.2
Long term loans and deposits	225	2.0	236	2.4	217	1.8	194	1.3	189	1.6	48	0.7
Deferred taxation	291	2.6	-	-	-	-	-	-	-	-	-	-
Stores, spares and loose tools	169	1.5	186	1.9	212	1.8	191	1.3	130	1.1	67	1.0
Stock-in-trade	2,131	18.9	821	8.2	2,268	18.8	3,385	22.9	2,531	22.1	453	6.6
Trade debts	226	2.0	96	1.0	82	0.7	891	6.0	472	4.1	61	0.9
Advances	54	0.5	34	0.3	30	0.2	21	0.1	45	0.4	58	0.8
Trade deposits and short term prepayments	66	0.6	50	0.5	72	0.6	57	0.4	38	0.3	15	0.2
Investments	340	3.0	405	4.0	1,055	8.7	1,201	8.1	879	7.7	824	12.1
Other receivables	207	1.8	233	2.4	631	5.3	1,774	11.9	800	7.2	187	2.8
Taxation - net	1,272	11.3	1,260	12.6	1,165	9.7	749	5.1	555	4.8	225	3.3
Cash and bank balances	24	0.2	30	0.3	194	1.6	86	0.6	74	0.6	101	1.5
TOTAL ASSETS	**11,296**	**100.0**	10,001	100.0	12,059	100.0	14,810	100.0	11,457	100.0	6,837	100.0
Issued, subscribed and paid-up capital	776	6.9	776	7.8	776	6.4	776	5.2	776	6.8	621	9.1
Capital reserves	1,092	9.7	1,083	10.8	1,159	9.6	1,243	8.4	1,139	9.9	396	5.8
Revenue reserves	5,140	45.4	5,097	51.0	5,678	47.1	6,582	44.4	5,404	47.2	4,374	64.0
SHAREHOLDERS' EQUITY	**7,008**	**62.0**	6,956	69.6	7,613	63.1	8,601	58.0	7,319	63.9	5,391	78.9
Long term loans	190	1.7	177	1.8	227	1.9	322	2.2	394	3.4	239	3.5
Lease liabilities	65	0.6	103	1.0	127	1.1	64	0.4	77	0.7	46	0.7
Deferred income	7	0.1	7	0.1	8	0.1	7	-	9	0.1	1	-
Deferred taxation	-	-	42	0.4	129	1.1	410	2.8	229	2.0	98	1.4
Deferred liability	24	0.2	101	0.9	-	-	-	-	-	-	-	-
Trade and other payables	1,115	9.9	739	7.3	1,805	14.9	2,145	14.6	815	7.1	631	9.2
Unpaid dividend	-	-	-	-	-	-	116	0.8	116	1.0	-	-
Unclaimed dividend	26	0.2	27	0.3	22	0.2	22	0.1	23	0.2	12	0.2
Mark-up accrued	55	0.5	44	0.4	24	0.2	32	0.2	23	0.2	13	0.2
Short term borrowings	2,704	23.9	1,638	16.4	1,956	16.2	2,904	19.6	2,279	19.9	302	4.4
Current portion of long term loan	49	0.4	110	1.1	97	0.8	141	1.0	109	1.0	55	0.8
Current portion of lease liabilities	47	0.4	51	0.5	46	0.4	42	0.3	59	0.5	47	0.7
Current portion of deferred income	6	0.1	6	0.1	5	-	4	-	5	-	2	-
TOTAL EQUITY AND LIABILITIES	**11,296**	**100.0**	10,001	100.0	12,059	100.0	14,810	100.0	11,457	100.0	6,837	100.0
Consolidated Profit or Loss												
Sales - net	3,822	100.0	6,854	100	9,930	100	12,285	100	7,575	100	2,303	100
Cost of sales	3,771	98.7	6,978	101.8	9,390	94.6	10,598	86.3	5,559	73.4	2,282	99.1
GROSS PROFIT / (LOSS)	**51**	**1.3**	(124)	(1.8)	540	5.4	1,687	13.7	2,016	26.6	21	0.9
Income / (loss) from investments - net	62	1.6	(68)	(1.0)	(41)	(0.4)	205	1.7	102	1.3	219	9.5
Distribution and selling expenses	13	0.3	16	0.2	19	0.2	32	0.3	16	0.2	27	1.2
Administrative expenses	250	6.5	212	3.1	199	2.0	307	2.5	299	3.9	181	7.9
Other operating expenses	26	0.7	71	1.0	107	1.1	429	3.5	427	5.6	11	0.5
Other income	35	0.9	48	0.7	153	1.5	104	0.8	30	0.4	32	1.4
OPERATING (LOSS) / PROFIT BEFORE FINANCE COSTS	**(141)**	**(3.7)**	(443)	(6.4)	327	3.2	1,228	9.9	1,406	18.6	52	2.2
Finance costs	315	8.2	318	4.6	264	2.7	205	1.7	254	3.4	87	3.8
Share of profit in equity accounted investees - net of taxation	173	4.5	397	5.8	85	0.9	569	4.6	347	4.6	203	8.8
(LOSS) / PROFIT BEFORE TAXATION	**(283)**	**(7.4)**	(364)	(5.2)	148	1.4	1,592	12.8	1,499	19.8	168	7.3
Taxation	(263)	(6.9)	55	0.8	209	2.1	405	3.3	377	5.0	(32)	(1.4)
(LOSS) / PROFIT AFTER TAXATION	**(20)**	**(0.5)**	(419)	(6.0)	(61)	(0.7)	1,187	9.5	1,122	14.8	200	8.7

HORIZONTAL ANALYSIS

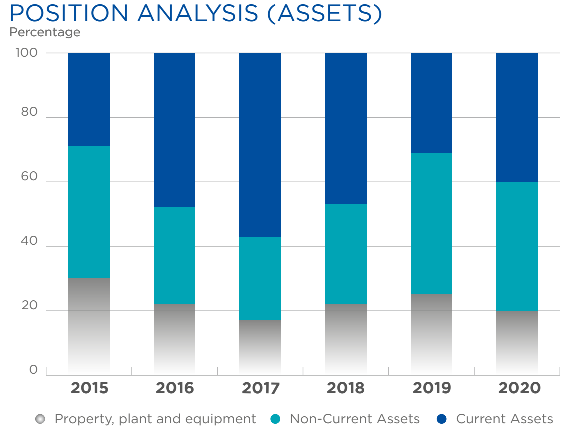
For The Last Six Financial Years

Rupees in million	2020	%	2019	%	2018	%	2017	%	2016	%	2015	%
Consolidated Statement of Financial Position												
Property, plant and equipment	2,276	(8.8)	2,495	(3.9)	2,596	1.2	2,565	3.9	2,468	22.2	2,019	43.8
Intangible assets	146	1.4	144	5.1	137	6.2	129	14.2	113	66.2	68	74.4
Investment properties	51	(7.3)	55	12.2	49	(9.3)	54	(10.0)	60	(10.4)	67	(8.2)
Investment in equity accounted investees	3,087	(5.5)	3,267	5.8	3,088	(6.2)	3,292	14.2	2,882	18.9	2,423	(4.6)
Other long term investments	731	6.1	689	162.0	263	19.0	221	-	221	-	221	-
Long term loans and deposits	225	(4.7)	236	8.8	217	11.9	194	2.6	189	293.8	48	(5.9)
Deferred taxation	291	100.0	-	-	-	-	-	-	-	-	-	-
Stores, spares and loose tools	169	(9.1)	186	(12.3)	212	11.0	191	46.9	130	94.0	67	(6.9)
Stock-in-trade	2,131	159.6	821	(63.8)	2,268	(33.0)	3,385	33.7	2,531	458.7	453	11.3
Trade debts	226	135.4	96	17.1	82	(90.8)	891	88.8	472	673.8	61	(31.5)
Advances	54	58.8	34	13.3	30	42.9	21	(53.3)	45	(22.4)	58	-
Trade deposits and short term prepayments	66	32.0	50	(30.6)	72	26.3	57	50.0	38	153.3	15	114.3
Investments	340	(16.0)	405	(61.6)	1,055	(12.2)	1,201	36.6	879	6.7	824	8.7
Other receivables	207	(11.2)	233	(63.1)	631	(64.4)	1,774	121.8	800	327.8	187	30.8
Taxation - net	1,272	1.0	1,260	8.2	1,165	55.5	749	35.0	555	146.7	225	41.5
Cash and bank balances	24	(20.0)	30	(84.5)	194	125.6	86	16.2	74	(26.7)	101	29.9
TOTAL ASSETS	**11,296**	**12.9**	10,001	(17.1)	12,059	(18.6)	14,810	29.3	11,457	67.6	6,837	10.9
Issued, subscribed and paid-up capital	776	-	776	-	776	-	776	-	776	25.0	621	-
Capital reserves	1,092	0.8	1,083	(6.6)	1,159	(6.8)	1,243	9.1	1,139	187.6	396	2.1
Revenue reserves	5,140	0.8	5,097	(10.2)	5,678	(13.7)	6,582	21.8	5,404	23.5	4,374	3.2
SHAREHOLDERS' EQUITY	**7,008**	**0.7**	6,956	(8.6)	7,613	(11.5)	8,601	17.5	7,319	35.8	5,391	2.8
Long term loans	190	7.3	177	(22.0)	227	(29.5)	322	(18.3)	394	64.9	239	100.0
Lease liabilities	65	(36.9)	103	(18.9)	127	98.4	64	(16.9)	77	67.4	46	(25.8)
Deferred income	7	-	7	(12.5)	8	14.3	7	(22.2)	9	800.0	1	(50.0)
Deferred taxation	-	(100.0)	42	(67.4)	129	(68.5)	410	79.0	229	133.7	98	(31.0)
Deferred liability	24	(76.2)	101	100.0	-	-	-	-	-	-	-	-
Trade and other payables	1,115	50.9	739	(59.1)	1,805	(15.9)	2,145	163.2	815	29.2	631	67.8
Unpaid dividend	-	-	-	-	-	(100.0)	116	-	116	100.0	-	-
Unclaimed dividend	26	(3.7)	27	22.7	22	-	22	(4.3)	23	91.7	12	(78.9)
Mark-up accrued	55	25.0	44	83.3	24	(25.0)	32	39.1	23	76.9	13	44.4
Short term borrowings	2,704	65.1	1,638	(16.3)	1,956	(32.6)	2,904	27.4	2,279	654.6	302	32.5
Current portion of long term loan	49	(55.5)	110	13.4	97	(31.2)	141	29.4	109	98.2	55	100.0
Current portion of lease liabilities	47	(7.8)	51	10.9	46	9.5	42	(28.8)	59	25.5	47	14.6
Current portion of deferred income	6	-	6	20.0	5	25.0	4	(20.0)	5	150.0	2	-
TOTAL EQUITY AND LIABILITIES	**11,296**	**12.9**	10,001	(17.1)	12,059	(18.6)	14,810	29.3	11,457	67.6	6,837	10.9
Consolidated Profit or Loss												
Sales - net	3,822	(44.2)	6,854	(31.0)	9,930	(19.2)	12,285	62.2	7,575	228.9	2,303	(42.9)
Cost of sales	3,771	(46.0)	6,978	(25.7)	9,390	(11.4)	10,598	90.6	5,559	143.6	2,282	(39.9)
GROSS PROFIT / (LOSS)	**51**	**141.1**	(124)	(123.0)	540	(68.0)	1,687	(16.3)	2,016	9,500.0	21	(90.9)
Income / (loss) from investments - net	62	191.2	(68)	(65.9)	(41)	(120.0)	205	101.0	102	(53.4)	219	(50.3)
Distribution and selling expenses	13	(18.8)	16	(15.8)	19	(40.6)	32	100.0	16	(41.4)	27	(47.5)
Administrative expenses	250	17.9	212	6.5	199	(35.2)	307	2.7	299	65.0	181	5.3
Other operating expenses	26	(63.4)	71	(33.6)	107	(75.1)	429	0.5	427	3,712.5	11	(66.1)
Other income	35	(27.1)	48	(68.6)	153	47.1	104	246.7	30	(6.3)	32	(31.9)
OPERATING (LOSS) / PROFIT BEFORE FINANCE COSTS	**(141)**	**68.2**	(443)	(235.5)	327	(73.4)	1,228	(12.7)	1,406	2,588.3	52	(88.7)
Finance costs	315	(0.9)	318	20.5	264	28.8	205	(19.3)	254	192.0	87	(8.4)
Share of profit in equity accounted investees - net of taxation	173	(56.4)	397	367.1	85	(85.1)	569	64.0	347	70.9	203	(40.5)
(LOSS) / PROFIT BEFORE TAXATION	**(283)**	**22.3**	(364)	(345.9)	148	(90.7)	1,592	6.2	1,499	790.7	168	(76.2)
Taxation	(263)	(578.2)	55	(73.7)	209	(48.4)	405	7.4	377	1,278.1	(32)	(120.8)
(LOSS) / PROFIT AFTER TAXATION	**(20)**	**95.2**	(419)	(586.9)	(61)	(105.1)	1,187	5.8	1,122	460.2	200	(63.7)

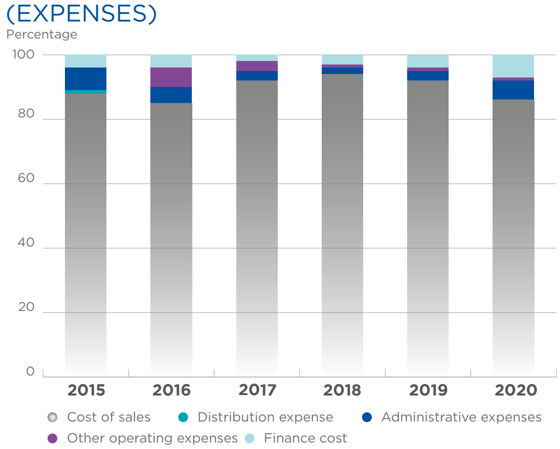
CONSOLIDATED STATEMENT OF FINANCIAL POSITION ANALYSIS (EQUITY AND LIABILITIES)



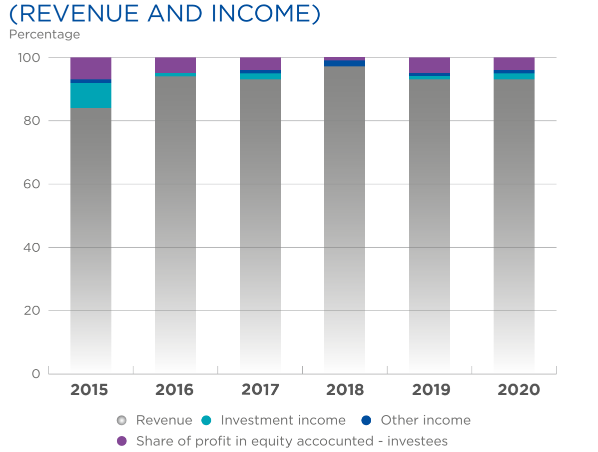
CONSOLIDATED STATEMENT OF FINANCIAL POSITION ANALYSIS (ASSETS)



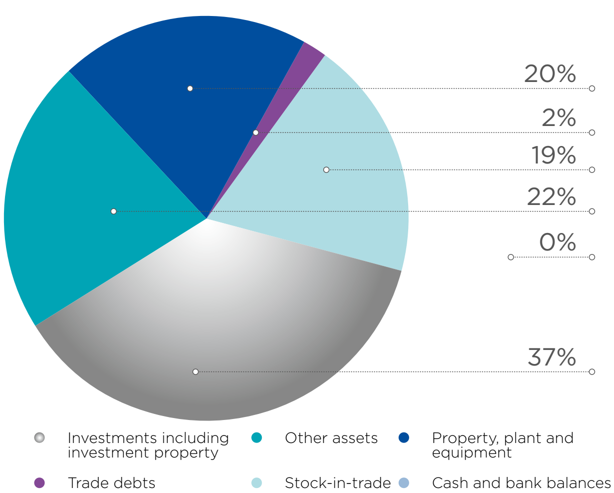
CONSOLIDATED PROFIT OR LOSS ANALYSIS (EXPENSES)



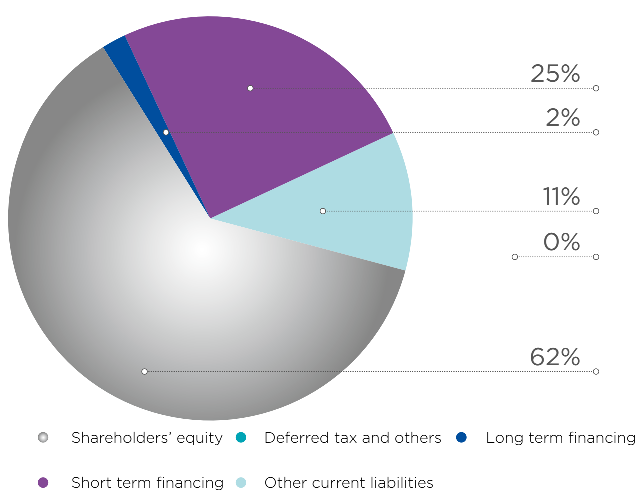
CONSOLIDATED PROFIT OR LOSS ANALYSIS (REVENUE AND INCOME)



TOTAL ASSETS AS OF 30 JUNE 2020



TOTAL EQUITY AND LIABILITIES AS OF 30 JUNE 2020



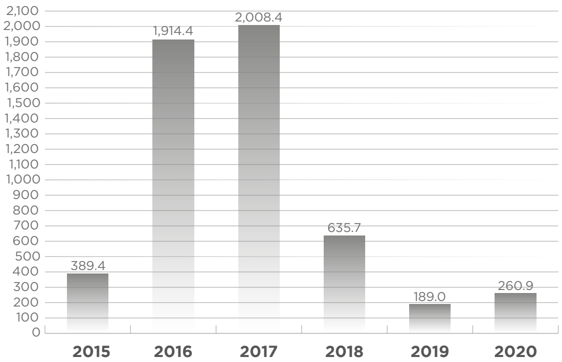
KEY OPERATING AND FINANCIAL DATA

For The Current And Past Six Financial Years

Rupees in millions	2020	2019	2018	2017	2016	2015	2014
A - Summary of Consolidated Profit or Loss Account							
Sales - net	3,822.2	6,853.6	9,929.8	12,285.5	7,575.4	2,302.5	4,030.2
Cost of sales	3,771.3	6,977.7	9,390.1	10,598.0	5,559.6	2,281.9	3,799.9
Gross profit / (loss)	**50.9**	(124.1)	539.7	1,687.5	2,015.8	20.6	230.3
Income / (loss) from investments - net	62.1	(68.0)	(41.1)	204.8	102.5	219.2	441.4
Distribution, selling and administrative expenses	263.3	228.2	218.2	339.5	315.2	208.7	223.7
Other operating expenses	25.9	71.2	107.3	429.3	426.8	11.3	33.4
Other income	35.4	48.0	153.3	103.7	29.8	31.8	47.3
Operating (loss) / profit before finance costs	**(140.8)**	(443.5)	326.4	1,227.2	1,406.1	51.6	461.9
Finance costs	315.1	317.8	264.0	204.6	253.9	87.3	94.9
Share of profit in equity accounted investees - net of taxation	173.5	396.8	85.0	569.3	347.1	203.3	340.5
(Loss) / profit before taxation	**(282.4)**	(364.5)	147.4	1,591.9	1,499.3	167.6	707.5
Taxation	(262.6)	54.7	208.9	404.9	377.1	(32.4)	154.2
Net (loss) / income	**(19.8)**	(419.2)	(61.5)	1,187.0	1,122.2	200.0	553.3
B - Summary of Consolidated Statement of Financial							
Current assets	4,489.1	3,115.0	5,708.2	8,354.7	5,524.1	1,991.0	1,836.8
Stock-in-trade	2,130.7	821.4	2,268.1	3,384.8	2,531.2	453.1	407.2
Trade debts	225.8	96.4	82.3	890.8	472.1	60.6	89.5
Current liabilities	4,001.8	2,615.6	3,954.4	5,405.1	3,429.0	1,061.7	713.2
Trade and other payables	1,115.3	739.1	1,805.2	2,144.8	815.0	631.0	376.0
Unpaid dividend	-	-	-	116.4	116.0	-	-
Unclaimed dividend	26.4	26.5	21.5	21.6	23.0	12.0	57.0
Property, plant and equipment	2,275.3	2,495.0	2,596.0	2,565.4	2,467.8	2,018.5	1,404.4
Total assets	11,296.0	10,000.9	12,059.0	14,810.2	11,457.3	6,836.7	6,165.2
Long term financing (excluding current maturity)	255.2	280.2	354.2	386.1	471.4	285.2	62.0
Deferred income (including current maturity)	13.3	13.3	13.5	11.6	13.3	3.1	4.0
Deferred liabilities	23.7	142.1	128.7	410.3	228.5	98.2	141.5
Short term financing (including current maturity of long-term financing)	2,798.7	1,799.7	2,098.7	3,086.4	2,446.9	404.2	269.4
Reserves	6,231.9	6,179.8	6,837.4	7,825.0	6,542.9	4,769.2	4,625.1
Shareholders' equity	7,008.3	6,956.1	7,613.7	8,601.4	7,319.2	5,390.2	5,246.2
C - Summary of Consolidated Cash Flow Statement							
Cash and cash equivalents at the beginning of the year	(877.6)	(260.3)	(313.0)	(233.4)	(200.4)	(84.1)	(206.3)
Net cash (used in) / generated from operating activities	(1,399.4)	(79.9)	1,505.1	(48.8)	(2,345.1)	94.1	169.2
Net cash inflows / (outflows) from investing activities	429.9	402.8	154.6	(69.4)	(534.1)	(309.2)	286.2
Net cash inflows / (outflows) from financing activities	1,261.1	(940.2)	(1,607.0)	38.6	2,846.2	98.8	(333.1)
Net increase / (decrease) in cash and cash equivalents	291.6	(617.3)	52.7	(79.6)	(33.0)	(116.4)	122.2
Cash and cash equivalents at the end of the year	(586.0)	(877.6)	(260.3)	(313.0)	(233.4)	(200.4)	(84.1)
D - Other Data							
Depreciation and amortization	228.2	235.7	224.3	211.8	161.2	134.5	100.2
Capital expenditure	10.6	136.2	249.8	298.3	557.1	745.3	253.9
No. of ordinary shares (no. of shares in millions)	77.6	77.6	77.6	77.6	77.6	62.1	62.1
Payments to National Exchequer	1,051.9	645.7	2,610.7	3,018.3	2,296.1	210.7	361.4

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

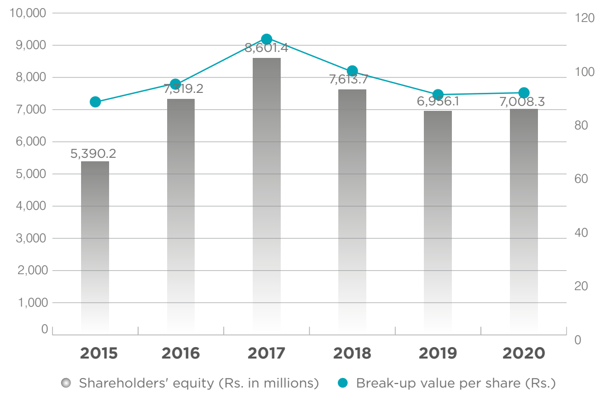
Rupees in Million



SHAREHOLDERS' EQUITY AND BREAK-UP VALUE PER SHARE

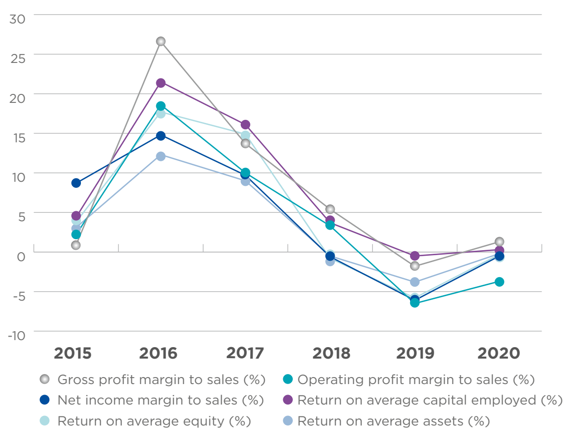
Rupees in Million

Rs. per share



PROFITABILITY AND RETURN

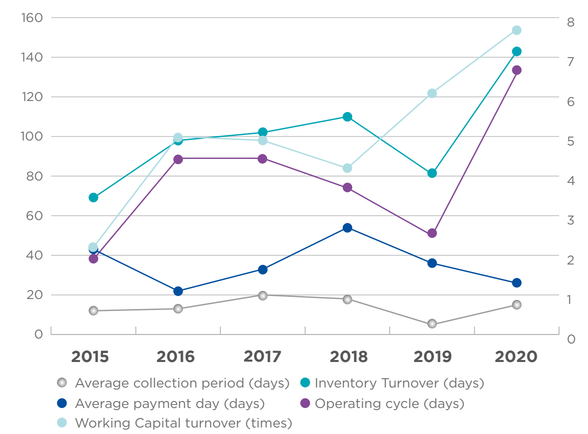
Percentage



MANAGEMENT OF WORKING CAPITAL

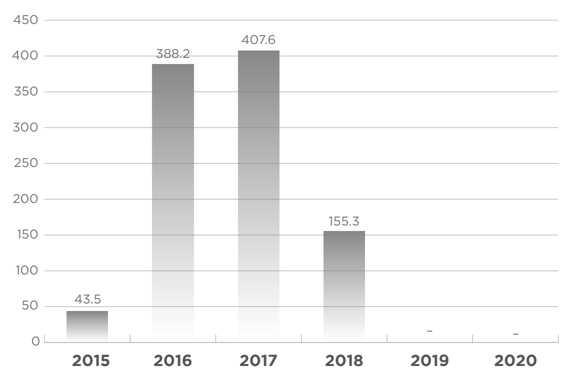
Days

Times



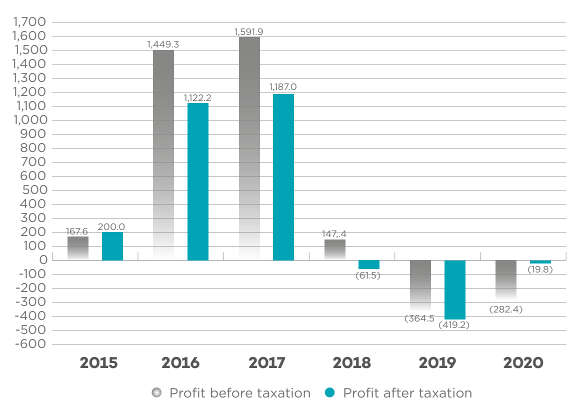
DIVIDEND (INCLUDING FINAL PROPOSED)

Rupees in Million



PROFIT BEFORE AND AFTER TAXATION

Rupees in Million



COMMENTS ON CONSOLIDATED ANALYSIS SIX YEARS

The Group comprise of CSAPL and wholly owned subsidiaries i.e. Solution de Energy (Private) Limited (SdeE) and CS Capital (Private) Limited (CSCL).

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 decreased from Rs. 203 million in 2015 to Rs. 173 million in 2020, whereas, gain on investment income amounted to Rs. 62 million in FY20 (2019: loss Rs. 68 million) out of which gain of Rs. 15.5 million was contributed by CSCL (2019: Rs. 69.1 million).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

With respect to statement of financial position, carrying amount of property plant and equipment (PPE) decreased by 8.8% from last year mainly due to depreciation.

Furthermore, investments in equity accounted investments increased by 27.4% from Rs. 2,423 million in 2015 to Rs. 3,087 million in 2020 mainly due to recognition of share of profits from Altern Energy Limited and Shakarganj Limited.

Total assets of the Group increased to Rs. 11,296 million in 2020 from Rs. 6,837 million in 2015.

INDEPENDENT AUDITOR'S REPORT

KPMG

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

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 2020, 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 2020, 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 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.	**Revenue Recognition**	
	Refer notes 6.20 and 32 to the Group's consolidated financial statements. Revenue from sale of goods is recognized when the Group satisfies the performance obligation as specified in the contract with customers (which includes liquidated damages in case of delay in supply) and when it transfers control over the goods to the customer. We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Group and because of the potential risk that revenue transactions may not be recognized in the appropriate period.	Our audit procedures to assess the recognition of revenue, amongst others, included the following: • obtaining an understanding of and testing the design and operating effectiveness of controls designed to ensure that revenue is recognized in the appropriate accounting period; • inspecting significant contracts to obtain an understanding of contract terms particularly relating to timing and customer's acceptance of the products including charge of liquidated damages and assessing the Group's accounting policies for the recognition of revenue with reference to the requirements of the applicable accounting standards;

S. No.	Key audit matters	How the matter was addressed in our audit
		• comparing, on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation, including the relevant sales contracts, the customer's acknowledgement of acceptance, to assess whether revenue and charge for liquidated damages had been recognized in the appropriate accounting period; and • inspecting credit notes issued to record sales returns subsequent to year end, if any.
2.	**Valuation of Trade Debts**	
	Refer notes 6.11 and 25 to the Group's consolidated financial statements. The Group has a significant balance of trade debts. Provision against doubtful trade debts is based on loss allowance for Expected Credit Loss (ECLs). We identified recoverability of trade debts as a key audit matter as it involves significant judgement in determining the recoverable amount of trade debts.	Our audit procedures to assess the valuation of trade debts, amongst others, included the following: • obtaining an understanding of management's basis for the determination of the provision required at the year end and the receivables collection process; • assessing the method used by the Group for the recognition of the impact of the provision for doubtful debts as allowable under IFRS 9 and assessing the reasonableness of assumptions of ECL; and • testing the accuracy of the data on a sample basis extracted from the Group's accounting system which has been used to calculate the provision required including subsequent recoveries.
3.	**Valuation of Stock-in-Trade**	
	Refer notes 6.10 and 24 to the Group's consolidated financial statements. As at 30 June 2020, the Group's stock-in-trade amounted to Rs. 2,130.74 million. This significantly comprised of bare pipes, pre coated pipes, pipe coating, hot rolled steel coils and raw cotton. We identified valuation of stock in trade as key audit matter as it directly affects the profitability of the Group.	Our audit procedures in respect of the valuation of stock-in-trade, amongst others, included the following: • obtaining an understanding of internal controls over purchases and valuation of stock in trade and testing, on a sample basis, their design, implementation and operating effectiveness; • comparing on a sample basis specific purchases with underlying supporting documents / agreements; • comparing calculations of the allocation of directly attributable costs with the underlying supporting documents;

S. No.	Key audit matters	How the matter was addressed in our audit
		• obtaining an understanding of management's determination of net realizable value (NRV) and the key estimates adopted, including future selling prices, future costs to complete work-in-process and costs necessary to make the sales and their basis; and • comparing the NRV, on a sample basis, to the cost of finished goods to assess whether any adjustments are required to value inventory in accordance with applicable accounting and reporting standards.
4.	**Classification, Valuation of Investments and Investment in Equity Accounted Investees**	
	Refer notes 6.6, 19, 20 and 28 to the Group's consolidated financial statements. The Group's investments as at 30 June 2020 amounted to Rs. 4,158.272 million. These comprised investments in listed and unlisted equity securities as well as investments in associates. The Group classifies investments in listed and unlisted equity securities as at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). Investment in associates are accounted for using equity method of accounting. Management's judgment is involved in classification of investments as at FVTPL and FVOCI. Further, the fair value of financial instruments which are not measured by quoted prices in an active market are determined through the application of valuation techniques which often involve the exercise of judgment by management and the use of assumptions and estimates. In assessing whether there was any impairment of the carrying value of investments in equity accounted associates management determines the recoverable amounts based on higher of its value in use and its fair value less costs to sell. We identified the classification and valuation of investments as a key audit matter because of its significance, management's judgment and estimation uncertainty.	Our audit procedures to assess the classification and valuation of financial instruments, amongst others, included the following: • obtaining an understanding of and testing the design and operating effectiveness of controls designed by management for classification and valuation of investments and determination of provision for impairment against respective investments; • assessing, on a sample basis, whether investments were recorded within the appropriate classification at the time of purchase by comparing individual items in the portfolio with underlying documentation; • comparing, on a sample basis, the fair valuation of quoted investments with external quoted market prices; • involving our internal valuation specialists to assist in evaluating the valuation techniques, assumptions and methodologies used by management for valuation of unquoted investments, in particular, relating to cash flow projections, growth rates, terminal values and discount rates including marketability discount and sensitivity of the valuation; and

INDEPENDENT AUDITOR'S REPORT

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

S. No.	Key audit matters	How the matter was addressed in our audit
		• evaluating management's assessment of the indicators and impairment testing and comparing the recoverable amount of underlying investments with their cost to ensure Group's policy for impairment is consistently applied and appropriately recognized.
5.	**Recoverability of Intangible Assets Under Project Development**	
	Refer notes 6.4 and 17 to the Group's consolidated financial statements. Intangible assets include project development cost of Rs. 144.84 million at 30 June 2020 pertaining to 100 MW solar project. These represent expenditure incurred on account of project related activities. We have identified recovery of intangible assets under development as a key audit matter because the recovery of these assets depends on a combination of factors such as achieving sufficient profitable business in future as well as the ability of potential buyers to pay amounts capitalized by management.	Our audit procedures in respect of recoverability of intangible assets under project development, amongst others, included the following: • inspected management contract with the Consultant to assess that amounts capitalized were in accordance with the contract; • inspected confirmation from Consultant that based on market research, recoverable amount of the 100 MW solar project in present condition is in excess of its carrying value; and • evaluating the nature of expenses incurred to ensure reasonableness of the amounts capitalized into intangible assets.

Information Other than the Consolidated Financial Statements and Auditor's Report 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 financial statements and our auditor's report 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 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.

The engagement partner on the audit resulting in this independent auditor’s report is Moneeza Usman Butt.

KPMG Taseer Hadi & Co.

Date: 28 August 2020
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

Rupees in '000	Note	2020	2019
EQUITY AND LIABILITIES			
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 reserves	8	1,091,622	1,083,450
Revenue reserves		5,140,316	5,096,307
		7,008,263	6,956,082
Non-current liabilities			
Long term loans	9	190,335	177,152
Lease liabilities	10	64,820	103,042
Deferred income	11	7,053	6,866
Deferred taxation	22	–	41,591
Deferred liability - staff retirement benefits	46	23,713	100,546
		285,921	429,197
Current liabilities			
Trade and other payables	12	1,115,336	739,050
Unclaimed dividend		26,443	26,525
Mark-up accrued	13	55,112	43,864
Short term borrowings	14	2,702,863	1,638,092
Current portion of long term loans	9	49,345	110,394
Current portion of lease liabilities	10	46,467	51,254
Current portion of deferred income	11	6,215	6,454
		4,001,781	2,615,633
Contingencies and commitments	15		
Total equity and liabilities		11,295,965	10,000,912

Rupees in '000	Note	**2020**	2019
ASSETS			
Non-current assets			
Property, plant and equipment	16	2,106,683	2,495,044
Right-of-use-assets	16	168,601	-
Intangible assets	17	145,728	143,535
Investment properties	18	51,061	55,290
Investment in equity accounted investees	19	3,087,141	3,266,906
Other long term investments	20	731,439	688,851
Long term deposits	21	224,748	236,312
Deferred taxation	22	291,489	-
		6,806,890	6,885,938
Current assets			
Stores, spares and loose tools	23	169,232	185,784
Stock-in-trade	24	2,130,741	821,369
Trade debts	25	225,799	96,432
Advances	26	54,017	34,477
Trade deposits and short term prepayments	27	66,102	50,292
Investments	28	339,692	404,787
Other receivables	29	207,404	232,673
Taxation - net	30	1,272,340	1,259,540
Cash and bank balances	31	23,748	29,620
		4,489,075	3,114,974
Total assets		11,295,965	10,000,912

The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.

Chief Executive

Director

Chief Financial Officer

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

Rupees in '000	Note	2020	2019
Sales	32	4,473,010	7,285,295
Less: Sales tax		650,808	431,727
		3,822,202	6,853,568
Cost of sales	33	3,771,306	6,977,733
Gross profit / (loss)		50,896	(124,165)
Income / (loss) from investments - net	34	62,132	(68,035)
		113,028	(192,200)
Distribution and selling expenses	35	13,324	15,888
Administrative expenses	36	249,986	212,340
Other operating expenses	37	25,958	71,187
		289,268	299,415
		(176,240)	(491,615)
Other income	38	35,440	47,996
Operating loss before finance costs		(140,800)	(443,619)
Finance costs	39	315,109	317,819
Share of profit in equity accounted investees			
- net of taxation	40	173,479	396,761
Loss before taxation		(282,430)	(364,677)
Taxation	41	262,563	(54,699)
Loss for the year		(19,867)	(419,376)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Proportionate share of other comprehensive income / (loss)			
of equity accounted investees		8,172	(16,590)
Items that will not be reclassified subsequently to profit or loss			
Changes in the fair value of equity investments at fair			
value through other comprehensive income (FVOCI)		(7,898)	(21,953)
Gain / (loss) on remeasurement of staff retirement			
benefit plans - net of tax		71,774	(258,262)
Other comprehensive income / (loss) for the year		72,048	(296,805)
Total comprehensive income / (loss) for the year		52,181	(716,181)
		(Rupees)	
Basic and diluted loss per share	42	(0.26)	(5.40)

The annexed notes from 1 to 54 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 2020

Rupees in '000	Note	2020	2019
Cash flows from operating activities			
Cash (used in) / generated from operations	43	(993,880)	428,242
Taxes paid		(106,022)	(175,296)
Finance costs paid		(286,834)	(280,568)
Contribution to gratuity and pension funds		(22,976)	(23,765)
Contribution to Workers' Profit Participation Fund		(3,633)	(27,191)
Long term deposits - net		13,979	(1,361)
Net cash used in operating activities		(1,399,366)	(79,939)
Cash flows from investing activities			
Capital expenditure		(8,538)	(136,204)
Acquisition of intangible assets		(2,114)	(9,228)
Proceeds from disposal of operating fixed assets		5,313	16,735
Proceeds from disposal of operating fixed assets under sale and leaseback arrangement		–	26,292
Investments - net		47,862	262,571
Dividend income received		386,552	241,288
Interest income received		859	1,307
Net cash generated from investing activities		429,934	402,761
Cash flows from financing activities			
Repayment of long term loans - net		(41,454)	(35,744)
Payments against lease liabilities		(59,675)	(60,453)
Repayment of short term loans obtained - net		1,362,292	(771,397)
Dividends paid		(82)	(72,627)
Net cash generated from / (used in) financing activities	43.1	1,261,081	(940,221)
Net increase / (decrease) in cash and cash equivalents		291,649	(617,399)
Cash and cash equivalents at beginning of the year		(877,721)	(260,322)
Cash and cash equivalents at end of the year	44	(586,072)	(877,721)

The annexed notes from 1 to 54 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 2020

Rupees in '000		Capital reserves		Revenue reserves			
	Issued, subscribed and paid-up capital	Share premium	Others*	Fair value reserve	General reserve	Unappropriated profit	Total
Balance as at 30 June 2018	776,325	1,020,908	79,132	58,623	3,642,000	2,172,907	7,749,895
Total comprehensive loss for the year ended 30 June 2019							
Loss for the year	-	-	-	-	-	(419,376)	(419,376)
Other comprehensive income							
Total other comprehensive loss for the year	-	-	(16,590)	(21,953)	-	(258,262)	(296,805)
Total comprehensive loss for the year	-	-	(16,590)	(21,953)	-	(677,638)	(716,181)
Transactions with owners of the Holding Company - distributions							
Dividend:							
- Final @ 10% (i.e. Re. 1 per share) for the year ended 30 June 2018	-	-	-	-	-	(77,633)	(77,633)
Balance as at 30 June 2019	776,325	1,020,908	62,542	36,670	3,642,000	1,417,637	6,956,082
Total comprehensive income for the year ended 30 June 2020							
Loss for the year	-	-	-	-	-	(19,867)	(19,867)
Other comprehensive income							
Total other comprehensive income for the year	-	-	8,172	(7,898)	-	71,774	72,048
Total comprehensive income for the year	-	-	8,172	(7,898)	-	51,907	52,181
Balance as at 30 June 2020	776,325	1,020,908	70,714	28,772	3,642,000	1,469,544	7,008,263

* This represents the Group's share of various reserves held by equity accounted investees.

The annexed notes from 1 to 54 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 2020

1 THE GROUP AND ITS OPERATIONS

1.1 The Group consists of Crescent Steel and Allied Products Limited ('the Holding Company') and its wholly owned subsidiary companies namely; CS Capital (Private) Limited, CS Energy (Private) Limited, Solution de Energy (Private) Limited, Crescent Hadeed (Private) Limited and Crescent Continental Gas Pipelines Limited. The Holding Company was incorporated on 1 August 1983 as a public limited company in Pakistan under the repealed 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. The Holding Company is Shariah compliant.

1.2 The Holding Company's steel segment is one of the down stream industries of Pakistan Steel Mills, 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 Bhone, District Jhang.

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.

1.4 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.

1.5 CS Capital (Private) Limited was incorporated on 5 November 2010 as a private limited company in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act 2017) 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.

1.6 CS Energy (Private) Limited was incorporated on 2 April 2008 as a private limited company in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) located at principal office of the Holding Company. The principal activity of the Subsidiary Company is to build, own, operate and maintain a power plant and to generate, accumulate, distribute, sell and supply electricity / power to PEPCO / DISCOS under an agreement with the Government of Pakistan or to any other consumer as permitted. The generation plants use bagasse in the combustion process to produce power and processed steam. The plant of the Subsidiary Company is located at Bhone, district Jhang, Punjab. In consequence to the scheme of amalgamation as disclosed in note 1.10 to these consolidated financial statements, Energy, is now being reported as a new segment of Holding Company.

1.7 Solution de Energy (Private) Limited was incorporated as a private limited company in Pakistan under the provisions of the repealed Companies Ordinance, 1984 (now Companies Act, 2017) as result of a Joint Venture (JV) agreement between the Holding Company and a partnership concern. 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 has been granted Letter of Interest (LOI) by the Punjab Power Development Board (PPDB) and currently the Subsidiary Company is in the phase of completing the requirements specified in LOI. Further, the Subsidiary Company has been allocated Land from PPDB. The interconnectivity study report was vetted and approved by National Transmission & Despatch Company (NTDC) in the year ended 30 June 2018. During the current year, the Subsidiary Company has been granted electricity generation license from National Electric Power Regulatory Authority (NEPRA) for its 100MW Solar Power Plant.

1.8 Crescent Hadeed (Private) Limited was incorporated on 15 May 2013 as a private limited company in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) located at principal office of the Holding Company. The objective of the Subsidiary Company is to cater the growing demand of steel products and is in line with the Group'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. In consequence to the scheme of amalgamation as disclosed in note 1.10 to these consolidated financial statements, Hadeed (Billet), is now being reported as a new segment of Holding Company.

1.9 Crescent Continental Gas Pipelines Limited having share capital of Rs. 90 is not carrying on any business operations.

1.10 Last year, the Board of Directors of the Holding Company passed a resolution approving a Scheme of Amalgamation under Section 284(1) of the Companies Act, 2017, to amalgamate its wholly owned subsidiaries, Crescent Hadeed (Private) Limited (CHL) and CS Energy (Private) Limited (CSEL) with and into the Holding Company. The same Scheme of Amalgamation was also approved by the Board of Directors of CHL and CSEL in their respective board meetings held on 3 June 2019. Consequently, as of the completion date of 30 June 2019, the entire undertaking of both CHL and CSEL stand merged with and into the Holding Company with the result as on 30 June 2019, the entire business of CHL and CSEL including its properties, assets, liabilities and rights and obligations vested into the Holding Company. Since CHL and CSEL were group companies under common control, the merger has been accounted for as a common control transaction and predecessor accounting has been applied. Under predecessor accounting, the acquired net assets of CHL and CSEL are included in the unconsolidated financial statements of the Holding Company at the same carrying values as recorded in CHL's and CSEL's separate financial statements as at 30 June 2019. The statement of financial position of CHL and CSEL are consolidated prospectively from the date of amalgamation.

2 SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS DURING THE YEAR

The Group's net sales stood at Rs. 3.822 billion (2019: Rs. 4.066 billion), out of which 33.8 percent was generated from Steel division, 35.2 percent from Cotton division and rest 31.0 percent i.e. Rs. 1.185 billion were from amalgamated subsidiaries. For the first half of the year, the Steel division recorded revenue of Rs. 356.9 million only, owing to lower sales order booked by Steel division due to delay in infrastructure projects. During the month of March 2020, the Group secured a contract of Rs. 1.688 billion from Sui Northern Gas Pipeline Company Limited for the supply of 24" and 16" pipe. Production and delivery of coated pipe is expected to commence from first quarter of next fiscal year.

Net income from investments in equity shares of Rs. 20.912 million (mainly dividends) were generated during the year. The KSE-100 index showed a slightly upward trend during the year which led to upward side of the bench mark by 1.3 percent, after taking a huge decline during COVID-19 lockdown period. KSE 100 index opened at 33,996 points at start of fiscal year 2019-20, touched down to 27,047 and closed at 34,422 points.

Further, a novel strain of coronavirus (COVID-19) that surfaced from China took a form of pandemic as declared by the World Health Organization on 11 March 2020, impacting countries globally including Pakistan. Government of Pakistan has taken certain measures to reduce the spread of the COVID-19 including lockdown of businesses, suspension of flight operations, intercity movements lockdown, cancellation of major events, etc. These measures have resulted in an overall economic slowdown, disruptions to various business and significant volatility in the Pakistan Stock Exchange (PSX). Cotton division was impacted more as compared to other divisions as its factory was closed down for 57 days and consequently sales declined by 20% from last year. However, the factory reopened after necessary permissions to produce orders for essential services. The Group remained up to date in all its financial commitments. Management believes that the going concern assumption of the Group remains valid. Accordingly, there is no significant accounting impact of the effect of COVID-19 in these consolidated financial statements.

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 2020. 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) and Islamic Financial Accounting Standards (IFASs) issued by Institute of Chartered Accountants of Pakistan 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 for investments which are classified as fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI), derivatives which are stated at fair value and obligations in respect of gratuity and pension schemes which are measured at present value of defined benefit obligation less fair value of plan assets.

3.4 Functional and presentation currency

These consolidated financial statements are presented in Pakistan Rupees which is also the Group's functional currency and has been rounded to the nearest thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

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 the 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 6.3)
- Intangible assets (refer note 6.4)
- Investment property (refer note 6.5)
- Investments (refer notes 6.6.2 and 6.7)
- Stores, spares and loose tools and stock-in-trade (refer notes 6.9 and 6.10)
- Employees benefits (refer note 6.13)
- Leases (refer note 6.15)
- Taxation (refer note 6.19)
- Impairment (refer notes 6.3, 6.4, 6.5, 6.6.2 and 6.24)
- Provisions (refer note 6.23)

5 NEW OR AMENDMENTS / INTERPRETATIONS TO EXISTING STANDARDS, INTERPRETATION AND FORTHCOMING REQUIREMENTS

5.1 Standards, interpretations and amendments to be published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2020:

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The Groups may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A Group shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform.

- Amendments to IFRS 16 - IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

  - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

  - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

  - there is no substantive change to the other terms and conditions of the lease.

- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

  The amendments are not likely to affect the financial statements of the Group.

- Annual Improvements to IFRS standards 2018-2020:

  The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

  - IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

  - IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

  - IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described in note 6.1, the significant accounting policies applied in the preparation of these financial statements are the same as those applied in earlier periods presented.

6.1 Change in accounting policy

Explained below is the impact of the adoption of IFRS 16 "Leases" on the Group's financial statements, and also discloses the new accounting policy that has been applied from 1 July 2019, where it is different to that applied in prior periods.

The Group adopted IFRS 16 "Leases" on 1 July 2019 as notified by the Securities and Exchange Commission of Pakistan vide its SRO 434 (I)/2018 dated 09 April 2018. The standard replaces the existing guidance on leases, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

IFRS 16 introduced a single lease accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise right-of-use (RoU) assets representing its rights to use the underlying assets and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 "Leases". Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases differently.

At inception of a contract, the Group is required to assess whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group has elected to adopt IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application has to be recognised in retained earnings as at 1 July 2019. The adoption of IFRS 16 did not have any impact on the retained earnings, the financial position and / or financial performance of the Group as the Group did not have any lease contracts at implementation of IFRS 16.

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.

The Group is required to apply judgments to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term which significantly affects the amount of lease liabilities and RoU assets recognised.

Generally, RoU asset would be equal to the lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to transaction etc. need to be added to the RoU asset value.

The Group is required to determine the lease term as the non-cancellable period of a lease, together with both:

- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and

- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In determining the lease term and assessing the length of the non-cancellable period of a lease, the Group applies the definition of a contract and determined the period for which the contract is enforceable. A lease is no longer enforceable when the lessee and the lessor each has the right to terminate the lease without permission from the other party with no more than an insignificant penalty.

In applying IFRS 16 for the first time, the Group has used the practical expedients permitted by the standard by electing not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its arrangements made applying IAS 17 and interpretation for determining whether an arrangement contains a lease. The Group has applied the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings as at 1 July 2019.

The Group did not have any property leases arrangement therefore, adoption of IFRS 16 at 1 July 2019 did not have any effect on the financial statements of the Group except the reclassification of leased assets as Right-of-use assets (refer note 16).

6.2 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. The 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.

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.

6.3 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.

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.

Leased 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.

6.4 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.

6.5 Investment property

Cost

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.

6.6 Financial instruments

6.6.1 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.

6.6.2 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 derecognition, 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 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 consolidated 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.

6.6.3 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 statement of 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.

6.7 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.

6.8 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.

6.9 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.

Provision for obsolete and slow moving stores, spares and loose tools is determined based on management's estimate regarding their future usability.

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.

6.10 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.

6.11 Trade debts and other receivables

These are initially stated at fair value and subsequently measured at amortized cost less provisions for any uncollectible amounts. Refer note 6.6.2 for description of Group's impairment policies.

6.12 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 cash flow statement.

6.13 Employee benefits

6.13.1 Compensated absences

The Group accounts for all accumulated compensated absences when employees render services that increase their entitlement to future compensated absences.

6.13.2 Post retirement benefits

6.13.2.1 Defined contribution plan - Provident fund

The Holding Company operates a provident fund scheme for its permanent employees. Equal monthly contributions are made by the Holding Company and its employees. Obligation for contributions to the fund are recognized as an expense in consolidated profit or loss account when they are due.

Cotton segment

Provision and collection from employees are made at the rate of 6.25% of basic pay plus Cost Of Living Allowance (COLA) 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 plus COLA for those employees who have served the Group for a period of less than five years and after completion of five years, contributions are made at the rate of 10%.

6.13.2.2 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 as per pension fund rules.

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 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.

6.14 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.

6.15 Leases

Accounting policy applicable after 1 July 2019

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 RoU asset has to be initially measured at cost, and subsequently at cost less any accumulated depreciation and accumulated impairment losses, and adjusted for certain re-measurements of the lease liability.

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.

Accounting policy applicable before 1 July 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases.

Assets held under finance leases along with corresponding lease liabilities are initially recognised at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognised in consolidated profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised as more fully explained in note 6.22 below.

Payments made under operating leases (net of any incentives received from the lessor) are charged to consolidated profit or loss on a straight-line basis over the period of the lease.

In the context of sale and leaseback transactions, where a sale and leaseback transaction is classified as a finance lease, any excess of the sale proceeds over the carrying values is deferred and recognised in consolidated profit or loss over the lease term. Any loss representing the excess of the carrying values over the sale proceeds is recognised immediately in consolidated profit or loss.

6.16 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 Group'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.

6.17 Trade and other payables

Trade and other amounts payable are recognized initially at fair value and subsequently carried at amortized cost.

6.18 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.

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.

6.19 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.

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.

6.20 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.

6.21 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.

6.22 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 currently.

6.23 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.

6.24 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.

6.25 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.

6.26 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.

6.27 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.

6.28 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.

7 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2020	2019		2020	2019
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:

	2020		2019	
	Percentage of holding	Number of shares	Percentage of holding	Number of shares
Crescent Steel and Allied Products Limited - Gratuity Fund	2.47%	1,921,333	2.47%	1,921,333
Crescent Steel and Allied Products Limited - Pension Fund	5.18%	4,024,980	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
CSAPL - Staff Benevolent Fund	0.05%	36,178	0.05%	36,178
Muhammad Amin Muhammad Bashir Limited	–	–	0.00%	848
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
Pak-Qatar Family Takaful Limited	10.45%	8,111,500	–	–
Shakarganj Limited	0.23%	180,000	0.23%	180,000

7.2 There is no shareholder agreement for voting rights, board selection, rights of first refusal, and block voting.

8 CAPITAL RESERVES

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; and
- in providing for the premium payable on the redemption of any redeemable preference shares of the Holding Company.

The Holding Company may also use the share premium account to issue bonus shares to its members.

Rupees in '000	Note	2020	2019
9 LONG TERM LOANS			
Secured - Under Non-Shariah arrangement			
Allied Bank Limited	9.1	195,240	287,546
Habib Metropolitan Bank Limited - government grant	9.2	44,440	–
		239,680	287,546
Less: Current portion shown under current liabilities		49,345	110,394
		190,335	177,152

9.1 The Holding Company had a long term loan arrangement with Allied Bank Limited for an amount of Rs. 312 million (2019: Rs. 312 million). 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 which started from December 2015. During the year, the Holding Company has made last repayment of Rs. 19.5 million (2019: Rs. 78 million) on September 2019. Mark-up is payable at the rate of 3 months KIBOR plus 1.5% per annum.

During the year ended 30 June 2017, 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 date. 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 (2019: 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 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 date. The term of the loan is 4 years from the date of disbursement with a grace period of one year; however, due to pandemic the bank allowed one year more grace period, repayable in 12 equal quarterly installments starting after twelve months from date of disbursement. 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 12.69% to 14.99% (2019: 7.91% to 14.42%) 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, the Holding Company entered into 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 has 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.

10 LEASE LIABILITIES

Rupees in '000	Minimum lease payments		Future finance costs		Present value of minimum lease payments	
	2020	2019	**2020**	2019	**2020**	2019
Not later than one year	54,707	65,432	8,240	14,178	46,467	51,254
Later than one year and not later than five years	70,035	116,939	5,215	13,897	64,820	103,042
	124,742	182,371	13,455	28,075	111,287	154,296
Less: Current portion shown under current liabilities					46,467	51,254
					64,820	103,042

10.1 The Holding Company has entered into finance lease arrangements with leasing companies for lease of plant and machinery and motor vehicles. The lease term of these arrangements is three to five years (2019: three to five years) and the liability is payable by the month ranging from six to sixty months (2019: six to sixty months). The periodic lease payments include built-in rates of mark-up ranging between 7.24% to 18.42% (2019: 10.61% to 17.60%) per annum. Included in the gross present value of minimum lease payments, is a sum aggregating Rs. 86.083 million (2019: Rs. 133.019 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.

11 DEFERRED INCOME

Rupees in '000	**2020**	2019
Opening balance	13,320	13,531
Addition during the year:		
- related to sale and lease back	–	5,623
- related to government grant (concessional rate loan)	6,773	–
Income recognized during the year	(6,825)	(5,834)
	13,268	13,320
Less: Current portion shown under current liabilities	(6,215)	(6,454)
Closing balance	7,053	6,866

Rupees in '000	Note	2020	2019
12 TRADE AND OTHER PAYABLES			
Trade creditors		263,949	108,569
Bills payable		42,647	–
Commission payable		1,925	1,466
Accrued liabilities	12.1	411,753	292,721
Advances from customers - unsecured	12.2	95,674	24,110
Provisions	12.3	237,414	220,317
Due to related parties	12.4	4,016	–
Payable to provident fund		2,067	2,134
Payable to staff retirement benefit funds		2,257	1,979
Retention money		10,471	10,764
Sales tax payable		12,297	1,295
Withholding tax payable		1,504	2,959
Advance income tax	12.5	–	38,166
Workers' Profit Participation Fund	12.6	2,061	5,885
Workers' Welfare Fund		4,114	4,114
Others		23,186	24,571
		1,115,335	739,050
12.1 Accrued liabilities			
Salaries, wages and other benefits		16,682	15,897
Accrual for 10-C bonus		436	2,639
Compensated absences		11,224	15,032
Liquidated damages		153,695	153,695
Others	12.1.1	229,716	105,458
		411,753	292,721

12.1.1 This includes liability against Gas Infrastructure Development Cess of Rs. 17.004 million (2019: Rs. 17.004 million).

12.2 This includes advance received from Shakarganj Limited amounting to Rs. 15.906 million (2019: Nil).

12.3 Movement in provisions

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 2019	171,654	3,242	45,421	220,317
Provision for the year	17,097	–	–	17,097
Closing balance as at 30 June 2020	188,751	3,242	45,421	237,414

12.3.1 This provision has been recognized against infrastructure fee levied by the Government of Sindh through Sindh Finance (Amendment) Ordinance, 2001 (the Ordinance) and through Sindh Development and Maintenance of Infrastructure Cess Act, 2017 (the Act). The Act validates fees levied through the Ordinance and continues the levy.

The Holding Company has contested this issue in the High Court. The Holding Company filed an appeal in the Supreme Court against the judgement of the High Court dated 15 September 2008 partly accepting the appeal by declaring that the levy and collection of infrastructure fee prior to 28 December 2006 was illegal and ultra vires and after that it is legal. Additionally, the Government of Sindh also filed appeal against the part of judgement 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 came into existence which was not subject matter in the appeal. Therefore, the decision thereon be first obtained from the High Court before approaching the Supreme Court with the right to appeal. The petition was filed in the High Court in respect of the above view. During the pendency of the appeal an interim arrangement was agreed whereby bank guarantee furnished for consignments cleared upto 27 December 2006 were returned. Bank guarantees were furnished for 50% of the levy for consignment released subsequent to 28 December 2006 while payment was made against the balance amount. Similar arrangement continued for the consignments released during the current year.

After promulgation of new law, the Holding Company has instituted legal proceedings against the levy in the Sindh High Court, where interim stay has been granted on similar terms of payment of 50% of the amount of cess to the Government and furnishing of bank guarantees for remaining 50%.

Under the arrangement if the Holding Company succeeds in the petition, Government of Sindh will refund the amount subject to their right to appeal before Honourable Supreme Court. To date the Holding Company has provided bank guarantees amounting to Rs. 156.039 million (2019: Rs. 131.039 million) in favour of Excise and Taxation Department. Based on the legal advice, the management believes that the chances of success in the petition are in the Holding Company's favour. Current year charge 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. However, on a prudent basis full provision has been recognized.

12.3.2 These have been made against sales tax claims long outstanding with the sales tax department.

12.3.3 The provision has been recognized on account of liquidated damages claimed by customers on delayed supply of goods. The Holding Company is in the process of negotiating this matter and expects that this may be resolved. However, on a prudent basis full provision has been recognized.

12.4 This represents balances due to Shakarganj Limited amounting to Rs. 3.783 million (2019: Nil) and Premier Insurance Company, amounting to Rs. 0.232 million (2019: Nil).

12.5 This amount represents advance income tax charged on the supply of electricity under section 235A of the Income Tax Ordinance, 2001, which is payable on collection of bills from customers.

Rupees in '000	Note	**2020**	2019
12.6 Workers' Profit Participation Fund			
Opening balance as at 1 July		5,885	29,443
Allocation for the year	37	–	3,633
		5,885	33,076
Amount paid to the trustees of the fund		(3,824)	(27,191)
Closing balance as at 30 June		2,061	5,885

Rupees in '000	Note	2020	2019
13 MARK-UP ACCRUED			
Mark-up accrued on :			
- Finance lease obligations		312	503
- Long term loans		4,118	6,812
- Running finance and short term loans	13.1	50,682	36,549
		55,112	43,864

13.1 This includes mark-up accrued amounting to Rs. 26.344 million (2019: Rs. 16.515 million) on shariah arrangement.

Rupees in '000	Note	2020	2019
14 SHORT TERM BORROWINGS			
Secured from banking companies			
Running finances under mark-up arrangements	14.1	609,820	907,341
Short term loans	14.2	2,093,043	730,751
		2,702,863	1,638,092

14.1 Short term running finance available from conventional side of various commercial banks under mark-up arrangements amounted to Rs. 1,310.8 million (2019: Rs. 1,550 million) out of which Rs. 300 million (2019: Rs. 400 million), Rs. 150 million (2019: Rs. 150 million) and Rs. 450 million (2019: Rs. 450 million) are interchangeable with letter of credit, letter of guarantee facility and short term loan respectively. During the year, mark-up on such arrangements ranged between 10.33% to 15.85% (2019: 7.68% to 14.81%) per annum.

14.2 This includes an amount of Rs. 697.11 million (2019: Rs. 617.059 million) outstanding against Islamic mode of financing. Short term loan financing available from various commercial banks under mark-up arrangements amounted to Rs. 4,600 million (2019: Rs. 4,800 million) out of which Rs. 3,400 million (2019: Rs. 3,800 million), Rs. 255 million (2019: Rs. 50 million) and Rs. 350 million (2019: Rs. 335 million) is interchangeable with letters of credit, running finance and letter of guarantee facility respectively. During the year, mark-up on such arrangements ranged between 9.79% to 16.18% (2019: 8.78% to 14.86%) per annum.

14.3 The facilities for opening letters of credit amounted to Rs. 4,600 million (2019: Rs. 6,510 million) out of which Rs. 300 million (2019: Rs. 375 million), Rs. 3,650 million (2019: Rs. 5,450 million) and Rs. 255 million (2019: Rs. 260 million) are interchangeable with short term running finance, short term loans and letter of guarantee facility respectively as mentioned in notes 14.1 and 14.2 above. The facility for letters of guarantee as at 30 June 2020 amounted to Rs. 1,826.1 million (2019: Rs. 2,096 million). Amounts unutilized for letters of credit and guarantees as at 30 June 2020 were Rs. 4,458.24 million and Rs. 71.423 million (2019: Rs. 6,355 million and Rs. 846 million), respectively.

14.4 The Group 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 includes letter of credit, bank guarantee, Wakala, Murabaha, Istisna and Ijarah financing.

14.5 The above facilities are expiring on various dates and are secured by way of hypothecation of plant and machinery, stock-in-trade, trade debts and other current assets, pledge of shares and cotton / cotton yarn; and lien over import / export document (refer note 28.2).

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 Authority. However, the collector customs has 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 Appellate Tribunal (Customs) against the order. 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 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 Sindh High Court against the Sindh Revenue Board and Government of Sindh in which Honorable Sindh High Court granted interim relief to the Holding Company.

Afterwards, the writ was decided in light of Supreme Court's orders in similar writs where Supreme Court 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 Sindh High Court in a civil suit as well as at the Appellate forums of the tax authority. Currently, the appeal is pending with the Commissioner (Appeals) for adjudication.

No provision has been recognized in the 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 litigation in relation to the said matter.

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 Sindh High Court. The High Court 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.

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 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. As at 30 June 2020, amount of lease rental outstanding under the agreement are Rs. 121.692 million (2019: Rs. 183.184 million), which is payable in quarterly instalments of Rs. 22.898 million (2019: Rs. 22.898 million) each.

The total of future Ijarah payment under arrangement are as follows:

Rupees in '000	**2020**	2019
Not later than one year	33,707	91,592
Later than one year and not later than five years	327,985	331,592
	361,692	423,184
Security deposit under arrangement	(240,000)	(240,000)
	121,692	183,184

15.2.2 Aggregate amount of guarantees issued by conventional side of banks on behalf of the Group against various contracts aggregated to Rs. 1,654 million (2019: Rs. 1,251 million). This includes guarantee issued by Islamic banks amounting to Rs. 153.591 million (2019: Rs. 153.591 million).

15.2.3 Commitments in respect of capital expenditure contracted for by the Group as at 30 June 2020 amounted to Rs. 8.455 million (2019: Rs. 42.038 million).

15.2.4 Commitments under letters of credit (L/C) as at 30 June 2020 amounted to Rs. 228.486 million (2019: Nil).

Rupees in '000	Note	**2020**	2019
16 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	16.1	2,015,212	2,405,467
Capital work-in-progress	16.5	91,471	89,577
		2,106,683	2,495,044
Right-of-use-assets	16.1	168,601	–
		2,275,284	2,495,044

16.1 Operating fixed assets

Description		Land		Buildings		Office	Plant	Electrical/	Furniture	Computers	Motor	Total	Right-of-use assets			Total
Rupees in '000	Note	Freehold	Freehold including improvements	On freehold land	On leasehold land	premises	and machinery owned*	office equipment and installation	and fittings		vehicles owned	operating fixed assets	Plant and machinery	Motor vehicles	Total	
Net carrying value as at 1 July 2019																
Opening net book value (NBV)		307,723	37,625	448,448	14,010	6,225	1,317,610	19,481	13,638	2,634	33,916	2,201,310	168,850	35,306	204,156	2,405,466
Additions / transfers		-	-	(10,861)	10,861	-	1,832	848	-	378	3,587	6,645	-	-	-	6,645
Disposals (at NBV)	16.6	-	-	-	-	-	-	-	-	(8)	(1,452)	(1,460)	(2,377)	(375)	(2,752)	(4,212)
Depreciation charge	16.1.2	-	(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)	(224,086)
Balance as at 30 June 2020 (NBV)		307,723	35,939	426,931	7,390	5,306	1,179,763	12,743	11,631	992	26,794	2,015,212	144,766	23,835	168,601	2,183,813
Gross carrying value as at 30 June 2020																
Cost	16.4	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	274,133	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)	(2,274,820)
Net book value		307,723	35,939	426,931	7,390	5,306	1,179,763	12,743	11,631	992	26,794	2,015,212	144,766	23,835	168,601	2,183,813
Depreciation rate (% per annum)		-	1	5 & 10	5 & 10	10	5 - 20	5 - 20	10	33	20		10	20		

Description		Land		Buildings		Office	Plant and machinery		Electrical/	Furniture	Computers	Motor vehicles		Total
Rupees in '000	Note	Freehold	Leasehold including improvements	on freehold land	on leasehold land	premises	Owned*	Lease	Office equipment and installation	and fittings		Owned	Leased	
Net carrying value as at 1 July 2018														
Opening net book value (NBV)		307,723	39,311	438,787	849	7,125	1,383,546	191,198	25,183	11,944	5,600	55,262	17,214	2,483,743
Additions / transfers		-	-	35,424	13,677	-	78,988	-	2,427	3,535	646	14,420	26,444	175,561
Disposals (at NBV)		-	-	-	-	-	(1,897)	-	(35)	-	(85)	(21,945)	(770)	(24,732)
Depreciation charge		-	(1,686)	(25,763)	(516)	(900)	(143,027)	(22,348)	(8,094)	(1,841)	(3,527)	(13,821)	(7,582)	(229,105)
Balance as at 30 June 2019 (NBV)		307,723	37,625	448,448	14,010	6,225	1,317,610	168,850	19,481	13,638	2,634	33,916	35,306	2,405,467
Gross carrying value as at 30 June 2019														
Cost		307,723	43,066	676,130	83,704	27,481	2,807,836	218,546	72,433	35,027	60,880	71,385	60,007	4,464,219
Accumulated depreciation		-	(5,441)	(227,682)	(69,694)	(21,256)	(1,490,226)	(49,696)	(52,952)	(21,389)	(58,246)	(37,469)	(24,701)	(2,058,752)
Net book value		307,723	37,625	448,448	14,010	6,225	1,317,610	168,850	19,481	13,638	2,634	33,916	35,306	2,405,467
Depreciation rate (% per annum)		-	1	5 & 10	5 & 10	10	5 - 20	10	5 - 20	10	33.33	20	20	

* Net book value of plant and machinery (owned) includes an aggregate amount of Rs. 0.582 million (2019: Rs. 1.704 million) representing net book value of capitalized spares.

16.1.1 During the year assets having net book value Rs. 2.753 million (2019: Nil) were transferred from lease assets to own assets due to maturity of lease term.

Rupees in '000	Note	**2020**	2019
16.1.2 The depreciation charge for the year has been allocated as follows:			
Cost of sales	33.1	200,570	203,079
Distribution and selling expenses	35	1,108	1,162
Administrative expenses	36	22,121	24,497
Intangible under development phase		287	367
		224,086	229,105

16.2 Property, plant and equipment as at 30 June 2020 include items having an aggregate cost of Rs. 1,310.585 million (2019: Rs. 1,258.367 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	
Building			
Office premises	Saddar, Karachi	14,504	Sq. feet
Building	Nooriabad, District Jamshoro	261,257	Sq. feet
Building	Jaranwala, District Faisalabad	340,455	Sq. feet
Building	Dalowal, District Faisalabad	30,484	Sq. feet
Building	Bhone, District Jhang	78,098	Sq. feet
Building	Bhone, District Jhang	7,515	Sq. feet
Land			
Lease hold	Nooriabad, District Jamshoro	30.0	Acre
Freehold land	Ferozpur Lahore	5.1	Acre
Freehold land	Dalowal, District Faisalabad	13.9	Acre
Freehold land	Jaranwala, District Faisalabad	35.5	Acre
Freehold land	Bhone, District Jhang	19.11	Acre

16.4 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	**2020**	2019
16.5 Capital work-in-progress			
Advances to suppliers		40,000	40,000
Civil work	16.5.1 & 16.5.2	50,925	49,577
Others		546	-
		91,471	89,577

16.5.1 This includes an amount of Rs. 26.4 million (2019: Rs. 26.4 million) paid by the Holding Company to Pakistan Steel Mills Limited (PSML) against allotment of plot measuring 24,200 square yards. However, third party has filed a case in Honourable High Court of Sindh for declaration and injunction against said property. The Holding Company has filed a suit in Honourable High Court of Sindh 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 Honourable High Court of Sindh 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 grounds in the case and expects a favorable outcome.

16.5.2 The Holding Company has recognized a provision for an amount of Rs. 20.619 million (2019: Rs. 20.619 million) against construction work at a site which has been halted.

16.6 The following assets were disposed off during the year

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Mode of disposal	Particular of buyers
Rupees in '000							
Plant and machinery	3,396	1,019	2,377	2,377	-	Transfer to own assets	Various leasing companies
Others	10,130	8,295	1,835	2,936	1,101	Various	Various
2020	13,526	9,314	4,212	5,313	1,101		
2019	73,712	48,980	24,732	37,406	12,674		

Rupees in '000	Note	**2020**	2019
17 INTANGIBLE ASSETS			
Intangible assets			
- Under use	17.1	888	484
- Under project development	17.2	144,840	143,051
		145,728	143,535
17.1 Intangible assets - under use			
Net carrying value as at 1 July			
Net book value as at 1 July		484	2,602
Additions		615	580
Amortization	17.1.1	(211)	(2,698)
Net book value as at 30 June	17.1.2	888	484
Gross carrying value as at 30 June			
Cost		78,614	77,999
Accumulated amortization		(75,086)	(74,875)
Accumulated impairment		(2,640)	(2,640)
Net book value		888	484
Amortization rate (% per annum)		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 2020 include items having an aggregate cost of Rs. 74.778 million (2019: 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 Rupees in '000	Note	Freehold land	Leasehold land and improvements	Buildings on leasehold land	Office premises	Total
Net carrying value as at 1 July 2019						
Opening net book value (NBV)		1,740	33,203	20,342	5	55,290
Depreciation charge	18.1	-	(2,576)	(1,648)	(5)	(4,229)
Balance as at 30 June 2020 (NBV)		1,740	30,627	18,694	-	51,061
Gross carrying value as at 30 June 2020						
Cost	18.2	1,740	47,705	33,167	29,830	112,442
Accumulated depreciation		-	(17,078)	(14,473)	(29,830)	(61,381)
Net book value		1,740	30,627	18,694	-	51,061
Net carrying value as at 1 July 2018						
Opening net book value (NBV)		1,740	35,809	11,768	41	49,358
Additions		-	-	9,801	-	9,801
Depreciation charge		-	(2,606)	(1,227)	(36)	(3,869)
Balance as at 30 June 2019 (NBV)		1,740	33,203	20,342	5	55,290
Gross carrying value as at 30 June 2019						
Cost		1,740	47,705	33,167	29,830	112,442
Accumulated depreciation		-	(14,502)	(12,825)	(29,825)	(57,152)
Net book value		1,740	33,203	20,342	5	55,290
Depreciation rate (% per annum)			1 & 10	5	10 - 20	

18.1 Depreciation charged for the year has been allocated to administrative expenses (Note 36).

18.2 Fair value of the investment property based on recent valuation as at 30 June 2020 is Rs. 310 million (2019: Rs. 265 million), which is determined by independent valuer on the basis of market value.

18.3 Particulars of Group's immovable investment property are as follows:

Particulars	Location	Area	
Building			
Ware house	Port Qasim, Karachi	40,000	Sq. feet
Building	Port Qasim, Karachi	416	Sq. feet
Office premises	Saddar, Karachi	4,854	Sq. feet
Land			
Lease hold	Port Qasim, Karachi	4	Acre
Freehold land	Gawadar	3	Acre

19 INVESTMENT IN EQUITY ACCOUNTED INVESTEES

2020	2019		Note	2020	2019
Number of shares				Rupees in '000	
		Quoted			
63,967,500	63,967,500	Altern Energy Limited	19.1	2,875,409	2,865,712
		(Chief Executive Officer -			
		Mr. Umer Shehzad Sheikh)			
35,011,347	35,011,347	Shakarganj Limited	19.1	211,732	401,194
		(Chief Executive Officer -			
		Mr. Anjum M. Saleem)			
		Unquoted			
3,430,000	3,430,000	Crescent Socks (Private) Limited	19.1	-	-
		(Chief Executive Officer -			
		Mr. Shahryar Mazhar)			
				3,087,141	3,266,906

19.1 Movement of investment in equity accounted investees is as follows:

		30 June 2020			
Rupees in '000	Note	Altern Energy Limited	Shakarganj Limited	Crescent Socks (Private) Limited	Total
Opening balance as at 1 July 2019		2,865,712	401,194	-	3,266,906
Share of profit / (loss)	19.1.1	370,961	(197,482)	-	173,479
Share of equity	19.1.1	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

	30 June 2019			
Rupees in '000	Altern Energy Limited	Shakarganj Limited	Crescent Socks (Private) Limited	Total
Opening balance as at 1 July 2018	2,777,125	311,108	-	3,088,233
Share of profit	290,096	106,665	-	396,761
Share of equity	(11)	(16,579)	-	(16,590)
Dividend received	(201,498)	-	-	(201,498)
Closing balance as at 30 June 2019	2,865,712	401,194	-	3,266,906

19.1.1 These figures are based on unaudited condensed interim financial information of these companies as at 31 March 2020. The latest financial statements / condensed interim financial information of these companies as at 30 June 2020 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 8.87% (2019: 12.50%). Based on valuation the recoverable amount exceeds the carrying amount and accordingly, no impairment was recorded.

Rupees in '000	2020	2019
19.2 Market value of investments in associates is as follows:		
Quoted		
Altern Energy Limited	1,551,212	2,132,676
Shakarganj Limited	1,733,062	1,640,282
	3,284,274	3,772,958

(Percentage of holding)	Note	2020	2019
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% (2019: 16.69% and 0.91%) respectively i.e. aggregate holding of 17.6% (2019: 17.6%) in the investee company 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.

19.4 The latest financial statements / condensed interim financial information of these companies as at 30 June 2020 are not presently available. The following is summarized financial information of material associated companies as at 31 March 2020 and for the twelve months period ended 31 March 2020 based on their respective unaudited condensed interim financial information prepared in accordance with the accounting and reporting standards as applicable in Pakistan, modified for fair value and other adjustments and differences in Group's accounting policies:

	Altern Energy Limited		Shakarganj Limited	
Rupees in '000	2020	2019	2020	2019
For the twelve months period ended 31 March				
Revenues	16,307,981	21,324,849	6,753,207	7,200,975
Profit / (loss) after tax	3,740,753	2,859,051	(1,063,914)	(121,741)
Other comprehensive income / (loss)	1,442	(104)	76,546	2,754,574
Total comprehensive income / (loss)	3,742,195	2,858,947	(987,368)	2,632,833
Attributable to non-controlling interests of associates	1,634,005	1,210,965	–	–
Attributable to owners of the parent	2,108,190	1,647,982	(987,368)	2,632,833
	3,742,195	2,858,947	(987,368)	2,632,833
As at 31 March				
Non current assets	16,505,644	18,113,134	11,902,705	12,615,881
Current assets	15,657,244	17,482,746	2,361,935	1,975,261
Non current liabilities	(1,018,035)	(972,157)	(1,223,295)	(1,410,654)
Current liabilities	(3,698,707)	(7,624,671)	(5,562,530)	(4,591,010)
Net assets	27,446,146	26,999,052	7,478,815	8,589,478

Rupees in '000	Altern Energy Limited 2020	2019	Shakarganj Limited 2020	2019
Attributable to non-controlling interests of associates	10,927,318	10,535,317	–	–
Attributable to owners of the parent	16,518,828	16,463,735	7,478,815	8,589,478
	27,446,146	26,999,052	7,478,815	8,589,478
Group's interest in net assets of investee at end of the year	2,907,314	2,897,617	2,094,749	2,405,835
Fair value and other adjustments	(31,905)	(31,905)	(8,832)	(8,832)
Effect of difference in Group's accounting policy	–	–	(1,874,185)	(1,995,809)
Carrying amount of interest in equity accounted investees at end of the year	2,875,409	2,865,712	211,732	401,194

19.4.1 These figures are based on the latest available condensed interim consolidated financial information as at 31 March 2020 including its subsidiary company Rousch (Pakistan) Power Limited being managed by Power Management Company holding 59.98% shares (2019: 59.98% shares).

Rupees in '000	Note	2019	2018

20 OTHER LONG TERM INVESTMENTS

	Note	2019	2018
Fair value through other comprehensive income (FVOCI)	20.1	132,868	138,867
Fair value through profit or loss (FVTPL)	20.2	598,571	549,984
		731,439	688,851

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 company.

2020 Number of shares	2019 Number of shares	Name of investee company	Note	2020 Rupees in '000	2019 Rupees in '000
		Quoted			
6,381,743	6,381,743	The Crescent Textile Mills Limited	20.1.1	132,868	138,867

20.1.1 The Group has irrevocably designated 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.

20.2 Fair value through profit or loss (FVTPL)

2020	2019		Note	2020	2019
Number of shares				Rupees in '000	
		Unquoted			
18,814,423	18,814,423	Shakarganj Food Products Limited	20.2.1	462,459	425,583
5,565,000	4,189,999	Central Depository Company of Pakistan Limited (CDC)	20.2.1	136,112	124,401
2,403,725	2,403,725	Crescent Bahuman Limited - Related party	20.2.2	24,037	24,037
1,047,000	1,047,000	Crescent Industrial Chemicals Limited	20.2.3	10,470	10,470
				633,078	584,491
		Less: Provision for impairment		(34,507)	(34,507)
				598,571	549,984

20.2.1 On initial application of IFRS 9, these have been classified as FVTPL and measured at fair value.

20.2.2 The chief executive of Crescent Bahuman Limited is Mr. Nasir Shafi. The break-up value of shares of the investee company is Rs. 13.21 per share (2019: Rs. 9.79 per share), calculated on the basis of audited annual financial statements for the year ended 30 June 2019. This investment had been fully charged to consolidated profit or loss in earlier periods.

20.2.3 This investment had been fully charged to consolidated profit or loss in earlier periods.

Rupees in '000	2020	2019
21 LONG TERM DEPOSITS		
Security deposits		
- leasing companies	14,176	22,711
- Ijarah financing arrangement	199,694	199,694
- others	10,878	13,907
	224,748	236,312

Rupees in '000	Note	2020	2019

22 DEFERRED TAXATION

Deferred tax credits / (debits) arising in respect of:			
Taxable temporary differences			
Accelerated tax depreciation / amortization		198,471	206,978
Finance lease obligations		16,463	14,470
Fair value adjustment in unquoted investment through reserves		36,206	36,206
Fair value adjustment in quoted investment through reserves		1,901	–
Unrealized gain on fair value through profit or loss investments		20,545	12,927
Share of profit from equity accounted investees		165,468	329,483
		439,054	600,064
Deductible temporary differences			
Employee benefits - Defined benefit plan		(46,631)	(67,592)
Provision for slow moving stores, spares and loose tools		(21,307)	(25,763)
Provisions for doubtful trade debts, doubtful advances and others		(76,981)	(70,950)
Discounting on long term deposit		(13,565)	(14,265)
Deferred income		(1,943)	(3,863)
Provisions for impairment of fixed assets		(5,980)	(5,980)
Provision of Gas Infrastructure Development Cess		(3,477)	(3,477)
Excess of minimum tax over normal tax		(107,224)	(50,831)
Tax loss		(445,930)	(308,247)
Provision for diminution in the value of investments		(7,505)	(7,505)
		(730,543)	(558,473)
		(291,489)	41,591

22.1 Break up of deferred tax reversal is as following:

Profit and loss		(358,534)	(17,791)
Other comprehensive income		22,862	(105,487)
Set-off of temporary differences with the Subsidiary Company		2,592	–
Opening retained earnings		–	36,206
		(333,080)	(87,072)

23 STORES, SPARES AND LOOSE TOOLS

Stores		26,999	51,045
Spare parts		211,417	219,329
Loose tools		4,288	4,248
		242,704	274,622
Less: Provision for slow moving items	23.1	73,472	88,838
		169,232	185,784

23.1 Movement in provision for slow moving items

Opening balance		88,838	65,651
Provision (reversed) / made during the year - net		(15,366)	23,187
Closing balance		73,472	88,838

Rupees in '000	Note	**2020**	2019
24 STOCK-IN-TRADE			
Raw materials - net			
Hot rolled steel coils (HR Coil)		1,470,714	323,884
Coating materials		39,315	84,462
Steel scrap		56,030	4,320
Others		117,476	112,930
Raw cotton		118,521	130,230
Stock-in-transit		58,535	–
		1,860,591	655,826
Provision for obsolescence and slow-moving raw materials		(2,039)	–
		1,858,552	655,826
Work-in-process	24.1 & 33.1	46,508	24,996
Finished goods - net	24.1 & 33.1	214,215	131,598
Scrap / cotton waste		11,466	8,949
		272,189	165,543
		2,130,741	821,369

24.1 Stock-in-trade as at 30 June 2020 includes items valued at net realisable value (NRV). Reversal in respect of stock written down to NRV was amounting to Rs. 6.906 million (2019: Reversal of Rs. 26.083 million) has been recognized in cost of goods sold.

Rupees in '000	Note	Cost	NRV
Raw material		1,860,591	1,858,552
Work-in-process		46,508	46,508
Finished goods		262,450	214,215
		2,169,549	2,119,275

Rupees in '000	Note	**2020**	2019
25 TRADE DEBTS			
Secured			
Considered good		158,208	76,918
Unsecured			
Considered good		(67,591)	(19,514)
Considered doubtful		(30,706)	(30,706)
		98,297	50,220
Impairment loss on trade debts	25.1	(30,706)	(30,706)
		225,799	96,432
25.1 Movement in impairment loss on trade debts			
Opening balance		30,706	21,263
Impairment loss during the year		–	10,943
Reversal of impairment loss during the year		–	(1,500)
Closing balance		30,706	30,706

Rupees in '000	Note	2020	2019

26 ADVANCES

Unsecured			
Advances - considered good			
Staff		893	908
Suppliers for goods and services		52,731	33,504
Advances to others		393	65
Advances - considered doubtful			
Suppliers for goods and services		47	47
Provision for doubtful advances		(47)	(47)
		–	–
		54,017	34,477

27 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Security deposits - leasing companies		19,776	9,367
Security deposits - others	27.1 & 27.2	36,967	30,207
Prepayments		9,359	10,718
		66,102	50,292

27.1 This includes cash margin on guarantee to Punjab Power Development Board - PPDB and container security deposit related to import of raw material scrap amounting to Rs. 3.675 million (2019: Nil).

27.2 This includes Rs. 28.625 million (2019: Rs. 28.625 million) in respect of cost of interconnectivity of 11 KV feeder paid to 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 Group. However, it is agreed that the cost so incurred will be paid back to the Group by FESCO in five years time through ten (10), half yearly equal instalments, without mark-up, commencing after one month from commercial operation date.

28 INVESTMENTS

Fair value through profit or loss (FVTPL)

The Group holds investments in ordinary shares of Rs. 10 each in the following listed investee company.

2020	2019		Note	2020	2019
Number of shares		Name of Investee Company		Rupees in '000	
8,189,950	9,625,793	Quoted - Investments	28.1	339,692	404,787
1,996	1,996	Innovative Investment Bank Limited		2,777	2,777
		Less: Provision for impairment		(2,777)	(2,777)
				–	–
			28.3	339,692	404,787

28.1 Quoted - Investments

The Group holds investments in ordinary shares of listed companies and certificates of close end mutual funds. The face value of the shares is Rs. 10 per share unless otherwise stated. Details are as follows.

2020	2019	Name of investee company	2020	2019
(Number of share / certificates)			Rupees in '000	
-	6,300	Attock Cement Pakistan Limited	-	450
-	40,000	Attock Petroleum Limited	-	2,856
158,400	140,000	Avanceon Limited	5,602	6,866
-	25,750	Cherat Cement Company Limited	-	1,083
390,500	530,000	D.G. Khan Cement Company Limited	33,322	29,966
215,000	295,000	Engro Fertilizer Limited	12,960	18,871
125,000	125,000	Fauji Cement Company Limited	2,110	1,966
143,000	145,000	Fauji Fertilizer Company Limited	15,728	12,644
2,405,000	2,405,000	HBL Growth Fund - Class A	18,038	24,844
764,673	764,673	HBL Investment Fund - Class A	2,050	3,097
68,500	68,500	Hi-Tech Lubricants Limited	2,074	1,895
206,680	178,800	International Industries Limited	9,398	13,780
69,250	71,250	Interloop Limited	3,041	3,154
313,000	313,000	International Steels Limited	25,728	12,430
750,000	1,800,000	K-Electric Limited *	2,258	7,902
25,000	66,080	Kohat Cement Limited	3,436	3,471
500,000	500,000	Kohinoor Energy Limited	17,490	18,000
280,000	300,000	Loads Limited	3,892	4,533
715	3,300	Mari Petroleum Company Limited	884	3,330
95,750	62,750	Meezan Bank Limited	6,592	5,469
4,500	10,000	Millat Tractors Limited	3,178	8,624
166,000	231,400	Nishat Mills Limited	12,950	21,598
205,000	291,000	Nishat Power Limited	4,643	8,014
275,700	272,700	Oil and Gas Development Company Limited	30,051	35,857
78,200	95,640	Pakistan Oilfields Limited	27,419	38,819
408,840	409,200	Pakistan Petroleum Limited	35,479	59,101
280,752	228,960	Pakistan State Oil Company Limited	44,404	38,840
234,000	220,000	The Hub Power Company Limited	16,965	17,327
26,490	26,490	Jubilee Spinning and Weaving Mills Limited	90	90
			339,782	404,877
		Less: Provision for impairment	(90)	(90)
8,189,950	9,625,793		339,692	404,787

* 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	**2020**	2019
Name of investee company		
Altern Energy Limited (Long term investment)	1,468,823	1,928,552
Attock Cement Pakistan Limited	–	450
Attock Petroleum Limited	–	2,856
Avanceon Limited	4,473	3,678
Cherat Cement Company Limited	–	1,083
D.G. Khan Cement Company Limited	20,267	29,966
Engro Fertilizer Limited	12,960	18,871
Fauji Cement Company Limited	2,110	1,966
Fauji Fertilizer Company Limited	14,079	12,644
HBL Growth Fund - Class A	2,048	2,025
HBL Investment Fund - Class A	6,394	1,069
Hi-Tech Lubricants Limited	2,074	1,895
International Industries Limited	18,959	13,780
International Steel Limited	16,167	12,430
K-Electric Limited *	2,258	7,902
Kohat Cement Limited	3,436	3,471
Loads Limited	3,892	4,533
Mari Petroleum Company	884	3,330
Meezan Bank Limited	6,592	4,576
Millat Tractors Limited	3,178	8,624
Nishat Mills Limited	12,950	21,598
Nishat Power Limited	4,643	8,014
Oil and Gas Development Company Limited	24,056	35,857
Pakistan Oilfields Limited	27,419	38,210
Pakistan Petroleum Limited	28,034	56,934
Pakistan State Oil Company Limited	44,404	37,990
The Crescent Textile Mills Limited	132,257	138,228
The Hub Power Company Limited	9,425	16,537
	1,871,782	2,417,069

* 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 certificates 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 (2019: 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	2020	2019
29 OTHER RECEIVABLES			
Dividend receivable		885	974
Provision there against		(885)	(885)
Dividend receivable		-	89
Receivable against investments	29.1	17,723	17,725
Provision there against		(17,723)	(17,722)
Receivable against sale of investments		-	3
Receivable against rent from investment property		305	320
Claim receivable		989	-
Due from related parties	29.2	1,102	2,669
Sales tax refundable	29.3	154,859	187,870
Margin on letter of credit and guarantee		15,359	15,359
Receivable from staff retirement benefits funds	46	24,995	20,329
Mark-up accrued		29	29
Others		9,766	6,005
		207,404	232,673

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.

29.2 This represents amount due from Crescent Steel and Allied Products Limited - Pension Fund and Shakarganj Limited amounting to Rs. Nil (2019: Rs. 0.053 million) and Rs. 1.102 million (2019: Rs. 2.616 million), respectively. Maximum aggregate amount outstanding at any time during the year calculated by reference to month-end balances is Rs. 0.053 million (2019: Rs. 0.053 million) and Rs. 1.102 million (2019: Rs. 5.627 million), respectively and amounts are 180 days past due (2019: 180 days past due).

29.3 Sales tax refundable

29.3.1 This includes payment made to Punjab Revenue Authority 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, 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 to Hadeed (Billet) Division (previously before scheme of amalgamation, it was Crescent Hadeed (Private) Limited). Appeal has been preferred with the Commissioner Appeals which is pending adjudication.

29.3.3 In the previous years, the Holding Company has adopted fixed regime of sales tax whereby sales tax liability is discharged on the basis of units of electricity consumed at Rs. 13 per unit instead of ad valorem basis. FBR did not agree to the Holding Company's stance owing to which the Holding Company filed writ petition no. 243530/2018 in Lahore High Court. The writ was allowed but later on, the department filed ICA No. 23517/2019 before High Court which is sub judice. No proceedings have been held since but management is confident of favourable outcome in light of the tax opinion which advices that the Holding Company has a good case.

Rupees in '000		2020	2019
30	**TAXATION - NET**		
	Advance taxation	3,856,291	3,750,269
	Provision for taxation	(2,583,951)	(2,490,729)
		1,272,340	1,259,540

30.1 The Income Tax assessments of the Holding Company have been finalized up to and including tax year 2017, 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:

Income tax assessments of the Holding Company for the tax years 2013 and 2016 have been amended by the Commissioner Inland Revenue 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 Holding 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.

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 Holding Company filed appeals with the Commissioner Inland Revenue (Appeals) in which majority of the issues were decided in the Holding Company's favour in 2009 and case was remanded back to the assessing officer for 2011. The Holding Company filed appeal with the Appellate Tribunal for 2009 which is pending adjudication where as for 2011, set aside proceedings have been initiated which have been duly responded to.

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. 8.691 million (inclusive of default surcharge) has been raised in respect of Tax Year 2014 and Rs. 5.794 million in respect of Tax Year 2010. Majority of the matters have 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.

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.

Income tax assessment for the year 2006 was proposed to be amended where case was decided in the Holding Company's favour by the Appellate Tribunal Inland Revenue. Department has now filed case in the Lahore High Court challenging the tribunal's decision, which is pending to be heard.

Order under section 161/205 of the Income Tax Ordinance, 2001, was issued by the Assistant Commissioner Inland Revenue, whereby demand aggregating to Rs. 46.78 million was raised in respect of Tax Year 2017 in relation to Hadeed (Billet) Division (previously before scheme of amalgamation, it was Crescent Hadeed (Private) Limited). Appeal was preferred to the Commissioner (Appeals) who remanded the case back to officer, where the remand back proceedings were concluded and demand raised of Rs. 1.8 million was settled by the Holding Company out of available refunds. Associated expense has been recognised accordingly in these consolidated financial statements.

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 and 2018 where demands of Rs. 0.6 million and Rs. 1.56 million were raised, respectively. These amounts were settled by the Holding Company out of available refunds. Associated expense has been recognised accordingly in these financial statements.

Orders under section 161/205 of the Income Tax Ordinance, 2001, were issued by the Assistant Commissioner Inland Revenue in respect of Tax Years 2014 and 2015 where demands of Rs. 0.025 million and Rs. 0.318 million were raised, respectively for CS Energy Division (previously before scheme of amalgamation, it was CS Energy (Private) Limited). Associated expense has been recognised accordingly in these consolidated financial statements.

Assessment for the year 2016 was amended and demand of Rs. 0.075 million was raised for CS Energy Division (previously before scheme of amalgamation, it was CS Energy (Private) Limited). Associated expense has been recognised accordingly in these consolidated financial statements.

No provision has been made in these consolidated financial statements in respect of tax years 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	2020	2019
31 CASH AND BANK BALANCES			
With banks			
- in saving accounts	31.1	731	6,322
- in current accounts		22,189	20,881
	31.2	22,920	27,203
Cash in hand		828	2,417
		23,748	29,620

31.1 Mark-up rate on saving account ranged between 6.5% to 11.3% (2019: 2.4% to 6.5%) per annum.

31.2 This includes balances amounting to Rs. 1.765 million (2019: Rs. 3.287 million) with Shariah compliant banks.

Rupees in '000	2020	2019
32 SALES - NET		
Local sales		
Bare pipes	1,017,793	319,247
Steel billets	983,209	2,642,203
Pipe coating	86,604	233,976
Pre coated pipes	298,513	1,996,516
Cotton yarn / raw cotton	1,567,180	1,667,951
Electricity sales	136,026	126,462
Steam sales	113,507	61,447
Others	56,149	73,430
Scrap / waste	214,029	167,325
Sales returns	–	(3,262)
	4,473,010	7,285,295
Sales tax	(650,808)	(431,727)
	3,822,202	6,853,568

32.1 Revenue is disaggregated by major products and also by geographical market. Additionally, revenue by major customer is disclosed in note 45 to these consolidated financial statements.

Rupees in '000	Note	2020	2019
33 COST OF SALES			
Steel segment	33.1	1,257,531	2,012,588
Cotton segment	33.1	1,320,153	1,579,451
Energy segment	33.1	299,194	476,031
Hadeed (Billet) segment	33.1	894,428	2,909,663
		3,771,306	6,977,733

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2020

		Steel segment		Cotton segment		Energy segment		Hadeed (Billet) segment		Total	
Rupees in '000	Note	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
33.1 Cost of sales											
Raw materials consumed		934,627	1,643,911	944,862	1,173,444	227,662	355,403	652,086	1,800,479	2,759,237	4,973,237
Packing materials consumed		-	-	13,372	16,835	-	-	-	-	13,372	16,835
Stores and spares consumed		33,435	60,063	17,379	18,600	4,746	12,398	21,554	72,775	77,114	163,836
Fuel, power and electricity		33,944	(190,029)	206,026	204,407	77	-	1,242	505,712	241,289	520,090
Salaries, wages and other benefits	33.2	120,005	139,238	132,488	125,505	5,529	26,898	22,216	51,676	280,238	343,317
Insurance		3,944	4,705	2,874	2,583	644	1,062	1,023	941	8,485	9,291
Commission		-	-	4,394	4,713	-	-	-	-	4,394	4,713
Repairs and maintenance		2,824	6,051	2,218	2,474	135	3,704	569	555	5,746	12,784
Depreciation	16.1.2	60,831	60,810	27,897	29,250	60,391	60,602	51,451	52,417	200,570	203,079
Rental under Ijarah financing		68,200	91,592	-	-	-	-	-	-	68,200	91,592
Other expenses		72,493	147,592	-	6,937	10	15,964	144,287	188,757	216,790	359,250
		1,330,303	1,963,933	1,351,510	1,584,748	299,194	476,031	894,428	2,673,312	3,875,435	6,698,024
Opening stock of work-in-process		15,854	10,288	9,142	9,425	-	-	-	-	24,996	19,713
Closing stock of work-in-process	24	(39,329)	(15,854)	(7,179)	(9,142)	-	-	-	-	(46,508)	(24,996)
		(23,475)	(5,566)	1,963	283	-	-	-	-	(21,512)	(5,283)
Cost of goods manufactured		1,306,828	1,958,367	1,353,473	1,585,031	299,194	476,031	894,428	2,673,312	3,853,923	6,692,741
Opening stock of finished goods		120,524	174,745	11,074	5,494	-	-	-	236,351	131,598	416,590
Closing stock of finished goods - net	24	(169,821)	(120,524)	(44,394)	(11,074)	-	-	-	-	(214,215)	(131,598)
		(49,297)	54,221	(33,320)	(5,580)	-	-	-	236,351	(82,617)	284,992
		1,257,531	2,012,588	1,320,153	1,579,451	299,194	476,031	894,428	2,909,663	3,771,306	6,977,733
33.2 Detail of salaries, wages and other benefits											
Salaries, wages and other benefits	33.2.1	106,629	137,150	130,412	123,939	5,515	26,898	21,915	50,789	264,471	338,776
Pension fund	33.2.2	8,920	205	-	-	-	-	-	-	8,920	205
Gratuity fund	33.2.2	660	(1,632)	-	-	-	-	-	-	660	(1,632)
Provident fund contributions		3,796	3,515	2,076	1,566	14	-	301	887	6,187	5,968
		120,005	139,238	132,488	125,505	5,529	26,898	22,216	51,676	280,238	343,317

33.2.1 This includes contribution amounting to Nil (2019: Rs. 0.06 million) 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 Holding Company. The Holding Company does not have any right in the residual interest of the Fund.

Rupees in '000	2020 Pension	2020 Gratuity	2019 Pension	2019 Gratuity
33.2.2 Staff retirement benefits				
Current service costs	5,174	1,616	4,283	1,564
Interest costs	19,829	4,184	11,564	2,964
Expected return on plan assets	(16,083)	(5,140)	(15,642)	(6,160)
	8,920	660	205	(1,632)

34 INCOME / (LOSS) FROM INVESTMENTS - NET

Rupees in '000	Note	2020	2019
Dividend income	34.1	25,047	37,502
Loss on sale of FVTPL investments - net	34.1	(4,135)	(28,820)
Loss on sale of investment in commodity		(7)	-
Unrealized gain / (loss) on FVTPL investments - net	34.1	35,496	(83,211)
Rent from investment properties	34.2	5,731	6,494
		62,132	(68,035)

34.1 Break up of dividend income, realised loss and unrealised gain is as follows:

Rupees in '000

Name of investee company	Dividend income	Realised loss	Unrealised gain
Shariah compliant investee companies	13,406	(3,477)	(5,956)
Non-Shariah compliant investee companies	11,641	(658)	41,452
	25,047	(4,135)	35,496

34.1.1 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. 3.583 million (2019: Rs. 3.246 million). Further, Rs. 2.258 million (2019: Rs. 2.179 million) were incurred against the non rented out area.

35 DISTRIBUTION AND SELLING EXPENSES

Rupees in '000	Note	Steel segment 2020	Steel segment 2019	Cotton segment 2020	Cotton segment 2019	Hadeed (Billet) segment 2020	Hadeed (Billet) segment 2019	Total 2020	Total 2019
Salaries, wages and other benefits	35.1	3,046	3,640	1,917	1,599	70	649	5,033	5,888
Travelling, conveyance and entertainment		1,207	450	49	69	43	192	1,299	711
Depreciation	16.1.2	909	963	-	-	199	199	1,108	1,162
Insurance		22	118	-	-	20	34	42	152
Postage, telephone and telegram		48	43	42	51	17	29	107	123
Advertisement		31	1,644	-	-	-	-	31	1,644
Bid bond expenses		450	747	-	-	-	-	450	747
Legal and professional charges		1,362	3,518	-	-	-	-	1,362	3,518
Others		2,429	743	1,183	1,200	280	-	3,892	1,943
		9,504	11,866	3,191	2,919	629	1,103	13,324	15,888

35.1 Detail of salaries, wages and other benefits

Rupees in '000	Note	Steel segment 2020	Steel segment 2019	Cotton segment 2020	Cotton segment 2019	Hadeed (Billet) segment 2020	Hadeed (Billet) segment 2019	Total 2020	Total 2019
Salaries, wages and other benefits		2,188	3,449	1,917	1,599	70	617	4,175	5,665
Pension fund	35.1.1	637	52	-	-	-	-	637	52
Gratuity fund	35.1.1	47	(388)	-	-	-	-	47	(388)
Provident fund contributions		174	527	-	-	-	32	174	559
		3,046	3,640	1,917	1,599	70	649	5,033	5,888

Rupees in '000	2020 Pension	2020 Gratuity	2019 Pension	2019 Gratuity
35.1.1 Staff retirement benefits				
Current service costs	370	115	1,095	372
Interest costs	1,416	299	2,956	704
Expected return on plan assets	(1,149)	(367)	(3,999)	(1,464)
	637	47	52	(388)

36 ADMINISTRATIVE EXPENSES

Rupees in '000	Note	Steel segment 2020	Steel segment 2019	Cotton segment 2020	Cotton segment 2019	Energy segment 2020	Energy segment 2019	Hadeed (Billet) segment 2020	Hadeed (Billet) segment 2019	IID segment 2020	IID segment 2019	Total 2020	Total 2019
Salaries, wages and other benefits	36.1	98,859	70,994	21,135	15,861	2,887	282	8,000	5,793	9,290	7,351	140,171	100,281
Rents, rates and taxes		1,926	1,380	371	323	65	-	268	890	884	582	3,514	3,175
Travelling, conveyance and entertainment		3,931	4,963	779	953	134	-	313	811	263	289	5,420	7,016
Fuel and power		7,795	8,396	1,214	1,222	259	-	2,145	-	427	468	11,840	10,086
Postage, telephone and telegram		1,663	1,873	392	403	43	-	115	110	103	106	2,316	2,492
Insurance		1,942	1,316	302	280	284	-	60	48	179	120	2,767	1,764
Repairs and maintenance		5,569	9,947	414	463	50	610	147	865	994	1,507	7,174	13,392
Auditors' remuneration	36.2	2,138	2,318	583	618	153	280	157	171	384	412	3,415	3,799
Legal, professional and corporate service charges		23,226	13,124	5,944	2,696	1,021	76	2,006	2,644	3,275	3,168	35,472	21,708
Advertisement		367	1,735	10	13	6	-	10	-	20	91	413	1,839
Donations	36.3	480	2,694	-	-	5	-	7	-	26	142	518	2,836
Depreciation	16.1.2 & 18.1	15,481	18,208	3,033	3,368	321	-	2,378	1,962	5,137	4,828	26,350	28,366
Amortization of intangible assets	17.1.1	164	198	31	39	4	577	4	1,874	8	10	211	2,698
Printing, stationery and office supplies		1,436	2,137	355	512	11	12	25	-	145	212	1,972	2,873
Newspapers, subscriptions and periodicals		287	330	360	494	517	-	13	-	26	25	1,203	849
Others		5,073	5,941	1,059	1,137	134	19	571	-	393	2,069	7,230	9,166
		170,337	145,554	35,982	28,382	5,894	1,856	16,219	15,168	21,554	21,380	249,986	212,340
36.1 Detail of salaries, wages and other benefits													
Salaries, wages and other benefits		71,548	69,019	20,411	15,382	2,768	282	7,770	5,714	8,979	7,351	111,476	97,748
Pension fund	36.1.1	22,300	546	-	-	-	-	-	-	-	-	22,300	546
Gratuity fund	36.1.1	1,650	(3,463)	-	-	-	-	-	-	-	-	1,650	(3,463)
Provident fund contributions		3,361	4,892	724	479	119	-	230	79	311	-	4,745	5,450
		98,859	70,994	21,135	15,861	2,887	282	8,000	5,793	9,290	7,351	140,171	100,281

Rupees in '000	2020 Pension	2020 Gratuity	2019 Pension	2019 Gratuity
36.1.1 Staff retirement benefits				
Current service costs	12,934	4,040	11,384	3,319
Interest costs	49,573	10,460	30,733	6,289
Expected return on plan assets	(40,207)	(12,850)	(41,571)	(13,071)
	22,300	1,650	546	(3,463)

Rupees in '000	Note	2020	2019
36.2 Auditors' remuneration			
Audit fee	36.2.1	2,415	2,478
Certifications and other assurance services		480	808
Out of pocket expenses		268	244
Sales tax		252	269
		3,415	3,799

36.2.1 Audit fee includes services for audit of annual unconsolidated and consolidated financial statements of the Holding Company and the individual financial statements of the subsidiary companies, limited review of unconsolidated condensed interim financial information for the six months period of the Holding Company, review report on statement of compliance with best practices of the Code of Corporate Governance and audit of reconciliation statement of nominee shareholding of Central Depository Company of Pakistan Limited.

36.3 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 2020	2019
			Rupees in '000	
Mr. Ahsan M. Saleem	Director	The Citizens Foundation Plot No. 20, Sector - 14, New Brookes Chowrangi, Korangi Industrial Area, Karachi	269	1,076

36.3.1 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.

36.3.2 Donations include the following in which directors are not interested:

Name of the donee	Amount donated 2020	2019
	Rupees in '000	
Crescent Model Higher Secondary School	–	1,500
Others	249	260
	249	1,760

Rupees in '000	2020	2019

37 OTHER OPERATING EXPENSES

Exchange loss	25,958	21,893
Impairment loss on trade debts	–	10,943
Provision for:		
- Workers' Profit Participation Fund	–	3,633
- Workers' Welfare Fund	–	474
- Slow moving stores, spares and loose tools - net	–	23,187
Liquidated damages	–	3,727
Others	–	7,330
	25,958	71,187

38 OTHER INCOME

Income from financial assets		
Return on deposits - from conventional banking	859	1,181
Unwinding of discount on long term deposit	2,415	19,798
	3,274	20,979
Income from non-financial assets		
Gain on disposal of operating fixed assets	1,101	12,674
Deferred income amortized	6,825	5,834
Exchange gain	–	395
Insurance commission	1,318	306
Liabilities written back	1,029	1,285
Reversal of impairment of trade debts	–	1,500
Reversal of provision for slow moving stores, spares and loose tools	15,366	–
Rent income	5,010	4,279
Others	1,517	744
	32,166	27,017
	35,440	47,996

39 FINANCE COSTS

Mark-up on short term loans - Shariah arrangement	55,064	83,554
Interest on Non-Shariah arrangement		
- finance lease obligations	16,475	14,954
- long term loans	32,086	35,953
- running finances	150,992	128,058
- short term loans	50,494	42,074
Discounting of long term deposit	–	2,080
Bank charges	9,998	11,146
	315,109	317,819

Rupees in '000	2020	2019
40 SHARE OF PROFIT IN EQUITY ACCOUNTED INVESTEES - NET OF TAXATION		
Altern Energy Limited	370,961	290,096
Shakarganj Limited	(197,482)	106,665
	173,479	396,761
41 TAXATION		
Current		
- for the year	94,064	70,456
- for prior years	1,907	2,034
	95,971	72,490
Deferred	(358,534)	(17,791)
	(262,563)	54,699
41.1 Relationship between taxation expense and accounting loss		
Loss before taxation	(282,429)	(364,677)
Tax at the applicable rate of 29% (2019: 29%)	(81,904)	(105,756)
Tax effect of inadmissible expenses / losses	56,710	242,399
Tax effect of income taxed at a lower rate	(239,276)	158,233
Prior year tax effect	1,907	2,034
Tax losses of subsidiaries	–	(267,646)
Tax effect of change in effective tax rate	–	25,435
	(262,563)	54,699

41.2 Sufficient provision for tax has been made in these consolidated 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 provision and assessment including return filed and deemed assessed for last three years are as follows:

Rupees in '000	2019	2018	2017
Tax provision including effects of prior years	63,513	230,506	370,834
Tax assessed / return filed	63,513	194,464	336,365

Rupees in '000	2020	2019

42 BASIC AND DILUTED LOSS PER SHARE

Loss for the year	(19,866)	(419,376)
	(Number of shares)	
Weighted average number of ordinary shares in issue during the year	77,632,491	77,632,491
	(Rupees)	
Basic and diluted loss per share	(0.26)	(5.40)

Rupees in '000	2020	2019

43 CASH (USED IN) / GENERATED FROM OPERATIONS

Loss before taxation	(282,430)	(364,677)
Adjustments for non cash charges and other items		
Depreciation on operating fixed assets and investment properties	228,028	232,974
Amortization of intangible assets	211	2,698
Charge / (reversal) for the year on staff retirement benefit funds	34,214	(4,680)
Dividend income	(25,047)	(37,502)
Unrealized (gain) / loss on FVTPL investments - net	(35,496)	83,211
Loss on sale of FVTPL investments - net	4,135	28,820
(Reversal) / provision for slow moving stores, spares and loose tools	(15,366)	23,187
Charge of impairment loss on trade debts - net	–	9,443
Provision for Workers' Welfare Fund	–	474
Provision for Workers' Profit Participation Fund	–	3,633
Return on deposits and investments	(859)	(1,181)
Gain on disposal of operating fixed assets	(1,101)	(12,674)
Deferred income	(6,825)	(5,834)
Discounting of long term deposit	-	2,080
Unwinding of discount on long term deposit	(2,415)	(19,798)
Liabilities written back	(1,029)	(1,285)
Finance costs	315,109	315,739
Share of profit from equity accounted investees - net of taxation	(173,479)	(396,761)
	37,650	(142,133)
Changes in:		
- Stores, spares and loose tools	31,918	2,542
- Stock-in-trade	(1,309,372)	1,446,739
- Trade debts	(129,367)	(23,555)
- Advances	(19,540)	(4,580)
- Trade deposits and short term prepayments	(15,810)	21,482
- Other receivables	29,502	160,960
- Trade and other payables	381,139	(1,033,213)
	(993,880)	428,242

43.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

Rupees in '000	Long term loans	Lease liabilities (Including mark-up accrued)	Short term borrowings	Dividend payable	Total
	9	10 & 13	14		
Opening balance as at 1 July 2019	287,546	154,799	730,751	26,525	1,199,621
Interest accrued on lease obligation	-	16,475	-	-	16,475
Discounting effect	(6,412)	-	-	-	(6,412)
	(6,412)	16,475	-	-	10,063
Proceeds from long term loans	50,852	-	-	-	50,852
Repayment of long term loans	(92,306)	-	-	-	(92,306)
Proceeds short term borrowings	-	-	1,585,852	-	1,585,852
Repayment of short term borrowings	-	-	(223,560)	-	(223,560)
Dividend paid	-	-	-	(82)	(82)
Lease payments	-	(59,675)	-	-	(59,675)
	(41,454)	(59,675)	1,362,292	(82)	1,261,081
Closing balance as at 30 June 2020	239,680	111,599	2,093,043	26,443	2,470,765

Rupees in '000	Note	2020	2019
44 CASH AND CASH EQUIVALENTS			
Running finances under mark-up arrangements	14	(609,820)	(907,341)
Cash and bank balances	31	23,748	29,620
		(586,072)	(877,721)

45 SEGMENT REPORTING

45.1 Reportable segments

The Group's reportable segments under 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 property (held for rentals as well as long term appreciation) (note 1.4).
- Energy segment - It comprises generation and supply of electricity (note 1.6).
- Hadeed (Billet) segment - It comprises of manufacturing billets (note 1.8).

Information regarding the Group's reportable segments is presented below.

45.2 Segment revenues and results

Following is an analysis of the Groups revenue and results by reportable segment:

For the year ended 30 June 2020

Rupees in '000	Steel segment	Cotton segment	Energy segment	Hadeed (Billet) segment	IID segment	Inter-segments elimination / adjustments	Total
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
Loss 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
(Loss) / profit before taxation	(392,206)	(26,678)	(26,757)	(35,369)	(162,835)	361,416	(282,429)
Taxation							(262,563)
Loss for the year							(19,866)

For the year ended 30 June 2019

Rupees in '000	Steel segment	Cotton segment	Energy segment	Hadeed (Billet) segment	IID segment	Inter-segments elimination / adjustments	Total
Sales	2,381,405	1,685,110	398,648	2,642,203	-	(253,798)	6,853,568
Cost of sales	2,266,675	1,579,451	483,105	2,909,663	-	(261,161)	6,977,733
Gross profit / (loss)	114,730	105,659	(84,457)	(267,460)	-	7,363	(124,165)
Income / (loss) from investments - net	-	-	593	-	132,870	(201,498)	(68,035)
	114,730	105,659	(83,864)	(267,460)	132,870	(194,135)	(192,200)
Distribution and selling expenses	11,866	2,919	-	1,103	-	-	15,888
Administrative expenses	145,554	28,382	1,856	15,168	21,380	-	212,340
Other operating expenses	24,947	3,699	-	42,541	-	-	71,187
	182,367	35,000	1,856	58,812	21,380	-	299,415
	(67,637)	70,659	(85,720)	(326,272)	111,490	(194,135)	(491,615)
Other income	79,616	9,365	378	364	-	(41,727)	47,996
Operating profit / (loss) before finance costs	11,979	80,024	(85,342)	(325,908)	111,490	(235,862)	(443,619)
Finance costs	210,363	9,797	12,500	90,230	36,656	(41,727)	317,819
Share of profit in equity accounted investees - net of taxation	-	-	-	-	396,761	-	396,761
(Loss) / profit before taxation	(198,384)	70,227	(97,842)	(416,138)	471,595	(194,135)	(364,677)
Taxation							54,699
Loss for the year							(419,376)

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. 66.237 million (2019: Nil).

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. 1,057.732 million (2019: Rs. 4,891.885 million) of total Steel segment revenue of Rs. 1,291.206 million (2019: Rs. 2,381.405 million). Revenue from major customers of Cotton segment represents an aggregate amount of Rs. 322.400 million (2019: Rs. 251.736 million) of total Cotton segment revenue of Rs. 1,346 million (2019: Rs. 1,685.110 million). Revenue from major customers of Energy segment represent an aggregate amount of Rs. 116.261 million (2019: Rs. 398.648 million) of total Energy segment revenue of Rs. 279.513 million (2019: Rs. 398.648 million). Revenue from major customers of Hadeed (Billet) segment represent an aggregate amount of Rs. 688.167 million (2019: 2,251.755 million) of total Hadeed (Billet) segment revenue of Rs. 971.720 million (2019: Rs. 2,642.203 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 2020 and 2019 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 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	756,225	269,746	118,597	57,488	30,470	1,232,526
Unallocated corporate liabilities and deferred income						3,055,175
Total liabilities as per consolidated statement of financial position						4,287,701

Rupees in '000	Steel segment	Cotton segment	Energy segment	Hadeed (Billet) segment	IID segment	Total
As at 30 June 2019						
Segment assets for reportable segments	1,826,902	430,823	878,184	1,218,378	1,169,324	5,523,611
Investment in equity accounted investees	-	-	278,027	-	2,988,879	3,266,906
Unallocated corporate assets						1,210,395
Total assets as per consolidated statement of financial position						10,000,912
Segment liabilities for reportable segments	570,025	106,822	118,522	140,995	66,702	1,003,066
Unallocated corporate liabilities and deferred income						2,041,764
Total liabilities as per consolidated statement of financial position						3,044,830

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
For the year ended 30 June 2020						
Capital expenditure	8,539	-	-	-	-	8,539
Depreciation and amortization	77,386	30,961	60,716	54,032	5,145	228,240
Non-cash items other than depreciation and amortization	258,812	13,721	1,182	32,536	(214,410)	91,841
For the year ended 30 June 2019						
Capital expenditure	144,094	5,761	3,348	2,446	10,760	166,409
Depreciation and amortization	80,179	32,657	61,546	56,452	4,838	235,672
Non-cash items other than depreciation and amortization	187,672	37,626	(335)	76,305	(314,397)	(13,129)

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 2020. The projected unit credit method, using the following significant assumptions, has been used for the actuarial valuation:

	2020		2019	
	Pension	Gratuity	Pension	Gratuity
Financial assumptions				
- Discount rate used for interest cost in profit or loss charge	14.50%	14.50%	10.00%	10.00%
- Discount rate used for year end obligation	9.25%	8.50%	14.50%	14.50%
- Expected rate of increase in salaries	N/A	N/A	14.50%	14.50%
Demographic assumptions				
- 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:

		2020			2019		
Rupees in '000	Note	Pension	Gratuity	Total	Pension	Gratuity	Total
Present value of defined benefit obligations	46.1.4	477,700	107,085	584,785	494,294	104,884	599,178
Fair value of plan assets	46.1.5	(453,987)	(132,080)	(586,067)	(393,748)	(125,213)	(518,961)
Liability / (asset) recognized in consolidated statement of financial position		23,713	(24,995)	(1,282)	100,546	(20,329)	80,217

46.1.3 Movement in the net defined benefit liability / (asset)

		2020			2019		
	Note	Pension	Gratuity	Total	Pension	Gratuity	Total
Opening balance		100,546	(20,329)	80,217	(151,006)	(104,081)	(255,087)
Net benefit cost / (income) charged to consolidated profit or loss	46.1.7	31,857	2,357	34,214	804	(5,484)	(4,680)
Remeasurements recognized in consolidated other comprehensive income	46.1.8	(92,143)	(594)	(92,737)	267,915	95,834	363,749
Contributions by the Holding Company	46.1.5	(16,547)	(6,429)	(22,976)	(17,167)	(6,598)	(23,765)
Closing balance		23,713	(24,995)	(1,282)	100,546	(20,329)	80,217

46.1.4 Movement in the present value of defined benefit obligations

	2020			2019		
	Pension	Gratuity	Total	Pension	Gratuity	Total
Present value of defined benefit obligations - 1 July	494,294	104,884	599,178	457,906	101,625	559,531
Current service costs	18,477	5,771	24,248	16,763	5,254	22,017
Interest costs	70,818	14,943	85,761	45,252	9,957	55,209
Benefits paid during the year	(11,794)	(3,661)	(15,455)	(10,760)	(4,116)	(14,876)
Remeasurement:						
Actuarial losses from changes in financial assumptions	(21,521)	(93)	(21,614)	14,640	74	14,714
Experience adjustments	(72,574)	(14,759)	(87,333)	(29,507)	(7,910)	(37,417)
Present value of defined benefit obligations - 30 June	477,700	107,085	584,785	494,294	104,884	599,178

Rupees in '000	2020 Pension	2020 Gratuity	2020 Total	2019 Pension	2019 Gratuity	2019 Total
46.1.5 Movement in the fair value of plan assets are as follows:						
Fair value of plan assets - 1 July	393,748	125,213	518,961	608,912	205,706	814,618
Contributions by the Holding Company	16,547	6,429	22,976	17,167	6,598	23,765
Interest income on plan assets	57,438	18,357	75,795	61,211	20,695	81,906
Benefits paid during the year	(11,794)	(3,661)	(15,455)	(10,760)	(4,116)	(14,876)
Return on plan assets, excluding interest income	(1,952)	(14,258)	(16,210)	(282,782)	(103,670)	(386,452)
Fair value of plan assets - 30 June	453,987	132,080	586,067	393,748	125,213	518,961
46.1.6 Actual return on plan assets	55,486	4,099	59,585	(221,571)	(82,975)	(304,546)

46.1.7 Following amounts have been charged in the consolidated profit or loss in respect of these benefits:

Rupees in '000	2020 Pension	2020 Gratuity	2020 Total	2019 Pension	2019 Gratuity	2019 Total
Current service costs	18,477	5,771	24,248	16,763	5,254	22,017
Interest costs	70,818	14,943	85,761	45,252	9,957	55,209
Expected return on plan assets	(57,438)	(18,357)	(75,795)	(61,211)	(20,695)	(81,906)
Charge / (income) recognized in consolidated profit or loss	31,857	2,357	34,214	804	(5,484)	(4,680)

46.1.8 Following amounts of remeasurements have been charged in consolidated other comprehensive income in respect of these benefits

Rupees in '000	2020 Pension	2020 Gratuity	2020 Total	2019 Pension	2019 Gratuity	2019 Total
Remeasurement:						
Actuarial losses from changes in financial assumptions	(21,521)	(93)	(21,614)	14,640	74	14,714
Experience adjustments	(72,574)	(14,759)	(87,333)	(29,507)	(7,910)	(37,417)
Return on plan assets, excluding interest income	1,952	14,258	16,210	282,782	103,670	386,452
Remeasurement (income) / loss recognised in the consolidated other comprehensive income	(92,143)	(594)	(92,737)	267,915	95,834	363,749

	2020			2019		
Rupees in '000	Pension	Gratuity	Total	Pension	Gratuity	Total
46.1.9 Total defined benefit cost recognized in consolidated profit or loss and other comprehensive income	(60,286)	1,763	(58,523)	268,719	90,350	359,069
Expected contributions to funds in the following year	-	-	-	-	-	-
Weighted average duration of the defined benefit obligation (years)	11	3		11	3	
Analysis of present value of defined benefit obligation						
Type of Members:						
Pensioners	32	-		30	-	
Beneficiaries	80	79		86	85	
Vested / Non-Vested						
Vested benefits	453,355	90,909	544,264	468,640	84,014	552,654
Non - vested benefits	24,345	16,176	40,521	25,654	20,870	46,524
	477,700	107,085	584,785	494,294	104,884	599,178
Disaggregation of fair value of plan assets						
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	19,723	4,137	23,860	90,870	3,726	94,596
Debt instruments						
AA+	183,337	25,613	208,950	83,142	33,209	116,351
AA / AA-	230	-	230	230	-	230
	183,567	25,613	209,180	83,372	33,209	116,581
Equity instruments						
Automobile Parts and Accessories	74	-	74	149	-	149
Cement	7,396	-	7,396	4,560	-	4,560
Chemicals	212	-	212	449	-	449
Commercial Banks	269	-	269	-	-	-
Engineering	183,674	87,443	271,117	152,320	72,588	224,908
Fertilizer	6,129	325	6,454	6,203	258	6,461
Insurance	63	-	63	76	-	76
Oil and Gas Exploration Companies	8,098	2,622	10,720	10,501	3,125	13,626
Oil and Gas Marketing Companies	803	-	803	636	-	636
Paper and Board	5	-	5	177	-	177
Pharmaceuticals	147	-	147	-	-	-
Power Generation and Distribution	18,732	7,250	25,982	19,936	7,875	27,811
Sugar and Allied Industries	5,740	1,691	7,431	5,433	1,600	7,033
Textile Composite	2,584	-	2,584	2,673	-	2,673
	233,926	99,331	333,257	203,113	85,446	288,559
Mutual funds						
Income Fund	16,771	2,999	19,770	16,393	2,832	19,225
	453,987	132,080	586,067	393,748	125,213	518,961

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%	430,963	104,507
Discount rate -1%	534,342	110,084
Long term pension / salary increase +1%	486,529	110,072
Long term pension / salary decrease -1%	469,957	104,470
Long term pension increase +1%	529,731	-
Long term pension decrease -1%	433,145	-

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 2020 was Rs. 11.106 million (2019: Rs. 11.977 million). Reporting year end of Provident Fund Financial Statements is 31 December and 30 June for Steel & IID Division, and Cotton & Hadeed Division, respectively.

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.

Level 1 : Fair value measurements using quoted (unadjusted) prices 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:

Rupees in '000	30 June 2020								
	Carrying amount					Fair Value			
	Fair value through profit or loss	Fair value through other compre-hensive income	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments									
Financial assets measured at fair value									
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
Financial assets not measured at fair value									
Deposits	-	-	281,491	-	281,491	-	-	-	-
Trade debts	-	-	225,799	-	225,799	-	-	-	-
Other receivables	-	-	27,550	-	27,550	-	-	-	-
Cash and bank balances	-	-	23,748	-	23,748	-	-	-	-
	-	-	558,588	-	558,588	-	-	-	-
Financial liabilities not measured at fair value									
Long term loans	-	-	-	239,680	239,680	-	-	-	-
Lease liabilities	-	-	-	111,287	111,287	-	-	-	-
Trade and other payables	-	-	-	762,271	762,271	-	-	-	-
Unclaimed dividend	-	-	-	26,443	26,443	-	-	-	-
Mark-up accrued	-	-	-	55,112	55,112	-	-	-	-
Short term borrowings	-	-	-	2,702,863	2,702,863	-	-	-	-
	-	-	-	3,897,656	3,897,656	-	-	-	-

Rupees in '000	30 June 2019								
	Carrying amount					Fair Value			
	Fair value through profit or loss	Fair value through other compre-hensive income	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments									
Financial assets measured at fair value									
Investments									
- Listed equity securities	404,787	138,867	-	-	543,654	543,654	-	-	543,654
- Unlisted equity securities	549,984	-	-	-	549,984	-	-	549,984	549,984
	954,771	138,867	-	-	1,093,638	543,654	-	549,984	1,093,638
Financial assets not measured at fair value									
Deposits	-	-	275,886	-	275,886	-	-	-	-
Trade debts	-	-	96,432	-	96,432	-	-	-	-
Other receivables	-	-	24,445	-	24,445	-	-	-	-
Cash and bank balances	-	-	29,620	-	29,620	-	-	-	-
	-	-	426,383	-	426,383	-	-	-	-
Financial liabilities not measured at fair value									
Long term loans	-	-	-	287,546	287,546	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	154,296	154,296	-	-	-	-
Trade and other payables	-	-	-	442,204	442,204	-	-	-	-
Unclaimed dividend	-	-	-	26,525	26,525	-	-	-	-
Mark-up accrued	-	-	-	43,864	43,864	-	-	-	-
Short term borrowings	-	-	-	1,638,092	1,638,092	-	-	-	-
	-	-	-	2,592,527	2,592,527	-	-	-	-

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 their fair values.

Investment properties' 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 in measuring Level 3 fair values at 30 June 2020 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 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 cash flows - Terminal growth rate - Weighted average cost of capital	The estimated fair value would increase / (decrease) if: - 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	- Net asset method: This valuation method considers net asset value divided by ordinary number of shares	- Net assets of the investee Company	The estimated fair value would increase / (decrease) if: - The net assets of the investee Company were higher / (lower).

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 2019	
- Shakarganj Food Products Limited	425,583
- Central Depository Company of Pakistan Limited	124,401
	549,984
Fair value recognized during the year	
- Shakarganj Food Products Limited	36,876
- Central Depository Company of Pakistan Limited	11,711
	48,587
Balance at 30 June 2020	
- Shakarganj Food Products Limited	462,459
- Central Depository Company of Pakistan Limited	136,112
	598,571

Sensitivity Analysis

For the fair value of unquoted equity investment, reasonably possible changes at 30 June 2020 to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

Rupees in '000	Profit or loss Increase	Profit or loss Decrease
Shakarganj Food Products Limited		
- Expected cash flows (10% movement)	51,833	(51,880)
- Terminal growth rate (1% movement)	33,866	(28,504)
- Weighted Average Cost of Capital (1% movement)	(43,462)	51,787
Central Depository Company of Pakistan Limited		
- Net assets (10% movement)	13,611	(13,611)

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.

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 represent the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is as follows:

Rupees in '000	**2020**	2019
Deposits	281,491	275,886
Trade debts	225,799	96,432
Other receivables	27,550	24,474
Bank balances	22,920	27,203
	557,760	423,995

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 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 division is as follows:

Rupees in '000	2020	2019
Steel segment	173,948	64,149
Cotton segment	2,691	4,949
Energy segment	4,637	16,493
Hadeed (Billet) segment	44,523	10,841
	225,799	96,432
The aging of trade debts at reporting date is:		
Not past due	54,034	9,400
Past due 1 - 30 days	135,038	55,578
Past due 30 - 180 days	23,109	18,936
Past due 180 days	44,324	43,224
	256,505	127,138
Less: Impaired	30,706	30,706
	225,799	96,432

The movement in the allowances for impairment in respect of trade debts and advances is given in note 25.1 and note 26 respectively.

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 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-.

The credit quality of the Group's bank balances and deposits and units of mutual fund can be assessed with reference to external credit ratings as follows:

	Rating		Rating	**2020**	2019
	Short term	Long term	Agency	Rupee in '000	
Mutual Funds					
HBL Growth Fund (A)	-	AM2+	VIS	18,038	24,844
HBL Investment Fund (A)	-	AM2+	VIS	2,050	3,097
				20,088	27,941

Deposits

The Group has provided security deposits as per the contractual terms with counterparties as security and does not expect material loss against those deposits.

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 counterparties 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:

Rupees in '000	2020						
	Carrying amount	On demand	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to six years
Financial liabilities							
Long term loans	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	762,271	-	762,271	762,271	-	-	-
Unclaimed dividend	26,443	26,443	-	-	-	-	-
Mark-up accrued	55,112	-	55,112	55,112	-	-	-
Short term borrowings	2,702,863	2,702,863	-	-	-	-	-
	3,897,656	2,729,306	1,223,322	867,284	72,653	149,959	133,426

Rupees in '000	2019						
	Carrying amount	On demand	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to six years
Financial liabilities							
Long term loan	287,546	-	333,274	79,052	56,562	105,909	91,751
Lease liabilities	154,296	-	182,371	32,087	33,305	48,987	67,992
Trade and other payables	442,204	-	442,204	442,204	-	-	-
Unclaimed dividend	26,525	26,525	-	-	-	-	-
Mark-up accrued	43,864	-	43,864	43,864	-	-	-
Short term borrowings	1,638,092	1,638,092	-	-	-	-	-
	2,592,527	1,664,617	1,001,713	597,207	89,867	154,896	159,743

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:

	2020	
Rupees in '000	USD	Euro
Foreign creditors	–	–
Outstanding letters of credit	1,305,452	19,250
Net exposure	1,305,452	19,250

	2019	
	USD	Euro
Foreign creditors	-	-
Outstanding letters of credit	-	-
Net exposure	-	-

The following significant exchange rate has been applied:

	Average rate		Reporting date rate	
	2020	2019	**2020**	2019
USD to PKR	158.78	136.27	168.05	160.05
Euro to PKR	175.66	155.34	188.61	182.32

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 currency bank account and foreign creditors.

Effect on consolidated profit or loss

Rupees in '000	**2020**	2019
USD	130,545	-
Euro	1,925	-
	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.

48.3.2 Interest rate risk

At the reporting date, the interest rate profile of the Group's significant interest bearing financial instruments were as follows:

	2020	2019	**2020**	2019
	Effective interest rate (Percentage)		Carrying amount (Rupees in '000)	
Financial liabilities				
Variable rate instruments:				
Long term loan	10.12 - 14.99	7.91 - 14.42	239,680	287,546
Lease liabilities	7.24 - 18.42	10.61 - 17.6	111,287	154,296
Short term borrowings	9.79 - 16.18	7.68 - 14.86	2,702,863	1,638,092

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 and loss. Therefore a change in interest rates at the reporting date would not affect consolidated 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 (increased) / decreased 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 2019.

Rupees in '000	Profit and loss 100 bp Increase	Profit and loss 100 bp Decrease
As at 30 June 2020		
Cash flow sensitivity - Variable rate financial liabilities	(30,538)	30,538
As at 30 June 2019		
Cash flow sensitivity - Variable rate financial liabilities	(20,799)	20,799

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 (held for trading investments) and increase / decrease surplus on re-measurement of investments in case of Fair value through other comprehensive income (available for sale) investments as follows:

Rupees in '000	**2020**	2019
Effect on profit	33,969	40,479
Effect on equity	13,287	13,887
Effect on investments	47,256	54,366

The sensitivity analysis prepared is not necessarily indicative of the effects on the consolidated profit / equity and assets of the Group.

49 REMUNERATION TO THE CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	Chief Executive		Director		Executives		Total	
Rupees in '000	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Managerial remuneration	16,560	22,977	-	-	42,941	44,799	59,501	67,776
House rent	7,452	7,452	-	-	18,306	17,884	25,758	25,336
Utilities	1,656	1,656	-	-	3,687	3,577	5,343	5,233
Travelling expenses	1,068	2,581	-	-	49	-	1,117	2,581
Medical	1,196	1,736	-	-	2,027	2,088	3,223	3,824
Contributions to								
- Gratuity fund	1,379	1,379	-	-	2,352	2,367	3,731	3,746
- Pension fund	3,312	3,312	-	-	6,591	6,115	9,903	9,427
- Provident fund	1,656	1,656	-	-	3,184	2,899	4,840	4,555
Club subscription and expenses	647	1,131	-	-	270	217	917	1,348
Entertainment	-	390	-	-	90	90	90	480
Conveyance	-	-	-	-	-	970	-	970
Telephone	28	268	-	-	15	-	43	268
	34,954	44,538	-	-	79,512	81,006	114,466	125,544
Number of persons	1	1	-	-	16	15	17	16

49.1 The aggregate amount charged in respect of directors' fee paid to six (2019: six) directors is Rs. 3.6 million (2019: Rs. 2.380 million). Also, during the year remuneration paid to the non-executive Chairman of the Board of Directors amounted to Rs. 1.820 million (2019: Rs. 1.820 million).

49.2 The chief executive and ten executives are provided with free use of 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 transactions 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.

Transactions with related parties other than those disclosed elsewhere are as follows:

Rupees in '000				**2020**	2019
Name	Nature of relationship	Basis of relationship	Nature of transaction		
Altern Energy Limited	Associated company	17.60% holding	Dividend received	361,416	201,498

Rupees in '000				2020	2019
Name	Nature of relationship	Basis of relationship	Nature of transaction		
Shakarganj Limited	Associated company	28.01% holding	Dividend paid	-	180
			Payments received	18,300	-
			Payments made	263	-
			Sales of finished goods	214,385	162,143
			Purchase of raw materials	227,662	162,547
			Services received	1,911	5,730
			Reimbursable expenses	10,908	2,967
			Rent expense	-	890
The Crescent Textile Mills Limited	Related party	Major Shareholder	Dividend received	271	8,538
Premier Insurance Limited	Related party	Common directorship	Insurance premium	8,006	10,948
			Dividend paid	-	142
The Citizens Foundation	Related party	Common directorship	Donation given	269	1,076
Crescent Cotton Products - Staff Provident Fund	Retirement benefit fund	Employees benefit fund	Contribution made	4,270	4,274
			Dividend paid	-	75
Crescent Steel and Allied Products Limited - Gratuity Fund	Retirement benefit fund	Employees benefit fund	Contribution made	6,416	6,598
			Dividend paid	-	1,821
Crescent Steel and Allied Products Limited - Pension Fund	Retirement benefit fund	Employees benefit fund	Contribution made	16,549	17,167
			Dividend paid	-	3,925
Crescent Steel and Allied Products Limited - Staff Provident Fund	Retirement benefit fund	Employees benefit fund	Contribution made	17,288	17,905
			Dividend paid	-	124
Crescent Hadeed (Private) Limited - Staff Provident Fund	Retirement benefit fund	Employees benefit fund	Contribution made	843	998
CSAP - Staff Benevolent Fund	Staff welfare fund	Employees welfare fund	Contribution made	-	-
			Dividend paid	-	36
Key management personnel	Related parties	Executives	Remuneration and benefits	94,053	61,501
			Dividend paid	-	108
Directors and their spouse	Related parties	Directors	Dividend paid	-	624

50.1 Sale of finished goods and raw materials, rendering of services and rental income 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 2020 and 2019 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), administrative expenses (note 36.3) and staff retirement benefits (note 46).

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 2019.

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 balance sheet plus net debt.

51.1 Gearing ratio

The gearing ratio at end of the year is calculated as follows:

Rupees in '000	Note	**2020**	2019
Total debt	51.1.1	3,053,830	2,079,934
Less: Cash and bank balances		23,748	29,620
Net debt		3,030,082	2,050,314
Total equity	51.1.2	7,008,264	6,956,082
Total capital		10,038,346	9,006,396
Gearing ratio		30%	23%

51.1.1 Total debt is defined as long term 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 all capital and reserves of the Holding Company that are managed as capital.

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 (2019: 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 7,965 tons (2019: 12,287.5 tons) line pipes of varied sizes and thickness. Actual production is equivalent to 34,527 tons (2019: 21,310.9 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 externally shot blasting and coating of line pipes with 3 layer high density polyethylene coating at a rate of 250 square meters of surface area per hour on pipe sizes ranging from 114 mm to 1,524 mm outside dia and thickness ranging from 3 mm to 16 mm.

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 128,416 meters (2019: 434,494 meters) of different dia pipes 88,647 square meters surface area (2019: 340,745 square meters surface area) was achieved during the year. Reason for underutilization was lack of coating work orders in hand.

Steel melting plant

The designed capacity of Plant is 85,000 mtons (85,000 mtons) of billets per annum, but the total production during FY19-20 was 10,894 mtons (2019: 29,162 mtons) of billets. Unit operated only for about four months on self-generated (Inter division) power supply that was only compatible during crushing season. Production was suspended for rest period of eight months because of no alternative power supply arrangements.

52.2 Cotton segment

Spinning unit 1

The plant capacity converted to 20s count polyester cotton yarn based on three shifts per day for 1,080 shifts is 9,197,007 kilogram (2019: 9,197,007 kilograms). Actual production converted into 20s count was 7,190,635 kilograms for 921 shifts (2019: 9,087,295 kilograms for 1,092 shifts).

52.3 Energy segment

The plant's installed production capacity was 118,856 MWh (2019: 118,856 MWh) and the actual production achieved during the year was 16,341 MWh (2019: 31,017 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 GENERAL

53.1 Number of employees

The total number of employees including contractual employees of the Group as at 30 June 2020 were 778 (2019: 760) and weighted average number of employees were 769 (2019: 877).

The number of factory employees including contractual employees of the Group as at 30 June 2020 were 699 (2019: 678) and weighted average number of employees were 690 (2019: 682).

54 DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue in the Board of Directors meeting held on 28 August 2020.

Chief Executive	Director	Chief Financial Officer

GLOSSARY - LIST OF ABBREVIATIONS

API	American Petroleum Institute
APTMA	All Pakistan Textile Mills Association
AEL	Altern Energy Limited
BCI	Better Cotton Initiative
Board	Board of Directors
BOI	Board of Investment
BMR	Balancing, Modernization and Replacement
BU	Business Unit
CCP	Crescent Cotton Products
CDC	Central Depository Company of Pakistan
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CHL	Crescent Hadeed (Private) Limited
CIO	Chief Information Officer
CPEC	China Pakistan Economic Corridor
CSAPL	Crescent Steel and Allied Products Limited
CSCL	CS Capital (Private) Limited
CSEL	CS Energy (Private) Limited
CSR	Corporate Social Responsibility
COVID-19	Coronavirus Disease of 2019
GDP	Gross Domestic Product
Dia	Diameter
DISCOS	Distribution Companies
DRP	Disaster Recovery Plan
DSC	Differential Scanning Calorimeter
EBIT	Earnings before Interest and Taxation
EBITDA	Earnings before Interest, Taxation Depreciation and Amortization
ECL	Expected Credit Loss
EDB	Engineering Development Board of Pakistan
EOBI	Employees' Old Age Benefit Institute
EPS	Earning Per Share
E&P	Exploration and Production
ERP	Enterprise Resource Planning
ERS	Expeditious Refund System
FBR	Federal Board of Revenue
FCF	Free Cash Flow
FCSS	Free Cash Flows to Firm Method
FDI	Foreign Direct Investment
FESCO	Faisalabad Electric Supply Company
FVOCI	Fair Value Through Other Comprehensive Income
FVTPL	Fair Value Through Profit or Loss
GIDC	Gross Infrastructure Development Cess
GoP	Government of Pakistan
HR&R	Human Resource and Remuneration
HR Coil	HR Coil Hot Rolled Coil
HR	Human Resource
HSE	Health, Safety and Environment
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICAP	Institute of Chartered Accountants of Pakistan
ICMAP	Institute of Cost and Management Accountants of Pakistan
IFAS	Islamic Financial Accounting Standards
IFRIC	International Financial Reporting Interpretation Committee
IFRS	International Financial Reporting Standards
IID	Investment and Infrastructure Development
ISO	International Organization for Standards
IT	Information Technology
KG	Kilo Gram
KIBOR	Karachi Interbank Offer Rate
Lbs	Pounds
LC	Letter of Credit
LED	Light Emitting Diode
LNG	Liquefied Natural Gas
LRQA	Lloyd`s Register Quality Assurance
LSM	Large Scale Manufacturing
MFI	Melt Flow Index
MT	Management Trainee
Mtons	Metric tons
MWh	Megawatt-Hour
NBV	Net Book Value
NRV	Net Realisable Value
OCI	Other Comprehensive Income
OHSAS	Occupational Health and Safety Advisory Services
OPS	Ounce Per Spindle
OSH&E	Occupational Safety, Health and Environment
PEPCO	Pakistan Electric Power Company
PICG	Pakistan Institute of Corporate Governance
PKR	Pakistani Rupee
PNAC	Pakistan National Accreditation Council
PPA	Power Purchase Agreement
PRA	Punjab Revenue Authority
PSDP	Public Sector Development Programme
PSML	Pakistan Steel Mills Limited
PSX	Pakistan Stock Exchange
QMS	Quality Management System
RoU	Right of Use Asset
SECP	Securities and Exchange Commission of Pakistan
SdeE	Solution de Energy (Private) Limited
SMEDA	Small and Medium Enterprise Development Authority
SP	Spiral Machine
TCF	The Citizens Foundation
TFC	Term Finance Certificate
THF	The Health Foundation
USD	United States Dollars
USDA	United States Department of Agriculture
WPPF	Workers' Profit Participation Fund
WWF	Workers' Welfare Fund
YoY	Year on Year

FORM OF PROXY
36th ANNUAL GENERAL MEETING

I/We ____, 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 #______________ do hereby appoint _______________________________________ of ______________________________ 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 Wednesday, 28 October 2020 at 12:00 noon, Lahore, through video-link.

At witness my/our hand this_______________day of __________________2020.

1. Name ________________________________
   CNIC ________________________________
   Address ________________________________
   ____

1. 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 a proxy.
2. The instrument appointing a Proxy together with the Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited at the Share Registrar Office 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 under mentioned guidelines as laid down in circular# 1 dated January 26, 2000 of the Securities & Exchange Commission of Pakistan for appointing Proxies:
   i) In case of individuals, the account holder or sub-account holder whose securities and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the requirements mentioned here in.
   ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
   iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
   iv) The members who are registered after necessary verification shall be provided a video link of the meeting by the Company on the same email address that they email the Company with.
   v) In case of a corporate entity, the Board of Directors' resolution/Power of attorney with specimen signatures of the proxy holder shall be submitted alongwith proxy form to the Company.

پراکسی فارم

36 واں سالانہ اجلاس عام

میں/ہم ________ کریسنٹ اسٹیل اینڈ الائیڈ پراڈکٹس لمیٹڈ کا/ کے ممبر (ممبرز) ہونے کی حیثیت سے ______ حصص کے ساتھ، فولیو نمبر ________/سی ڈی سی پارٹیسپیشن آئی ڈی# ________ اور سب اکاؤنٹ# ______/سی ڈی سی انویسٹرا کاؤنٹ آئی ڈی# _____ کے مطابق، بذریعہ ہذا ________ سے تعلق رکھنے والے ________ حامل فولیو نمبر ______ سی ڈی سی پارٹیسپیشن آئی ڈی# ________ اور سب اکاؤنٹ# _____/سی ڈی سی انویسٹرا کاؤنٹ آئی ڈی# ______ کو کریسنٹ اسٹیل اینڈ الائیڈ پراڈکٹس لمیٹڈ کے بدھ 28 اکتوبر 2020 کو 12:00 بجے وڈیولنک کے زریعے، لاہور میں ہونے والے سالانہ اجلاس عام یا اس کے کسی التوا میں شرکت، اظہارِ خیال اور میری/ ہماری طرف سے ووٹ دینے کے لئے اپنا پراکسی مقرر کرتا ہوں/کرتے ہیں۔

دن ______ مہینہ ________ 2020، درج ذیل گواہوں کی موجودگی میں دستخط کیے گئے۔

براہ کرم یہاں -/5 روپے کا ریونیو ٹکٹ چسپاں ہوگی

____

ممبر کے دستخط

نام ________________________

سی این آئی سی ________________________

پتہ ________________________

____

نام ________________________

سی این آئی سی ________________________

پتہ ________________________

____

نوٹس:

1۔ کمپنی کا کوئی ممبر جو اجلاس میں شرکت کرنے اور ووٹ دینے کا اہل ہے، اجلاس میں شریک ہونے اظہارِ خیال کرنے اور اپنی جانب سے ووٹ ڈالنے کیلئے کسی دوسرے ممبر کو اپنا/ اپنی پراکسی مقرر کر سکتا ہے۔

2۔ پراکسی مقرر کرنے کا انسٹرومنٹ بمع پاور آف اٹارنی (اگر کوئی ہو) جس کے تحت اس پر دستخط کئے گئے ہوں یا اس کی نوٹریالی تصدیق شدہ کاپی، اجلاس شروع ہونے کے وقت سے 48 گھنٹے قبل کمپنی کے شیئر رجسٹرار آفس، کارپ ٹیک ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، 503-E، جوہر ٹاؤن، لاہور میں جمع کرانی ہوگی۔

3۔ سی ڈی سی اکاؤنٹ ہولڈرز کو درج ذیل رہنما اصولوں پر بھی عمل کرنا ہوگا جیسا کہ سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی طرف سے جاری کردہ سرکلر نمبر 1 مورخہ 26 جنوری 2000ء میں پراکسی مقرر کے بابت طے کیا گیا ہے۔

i) افراد کی صورت میں، اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر، جس کی سکیورٹیز اور رجسٹریشن کی تفصیلات ضابطوں کے مطابق اپ لوڈ ہیں، یہاں ذکر کیے گئے تقاضے کے مطابق پراکسی فارم پیش کریں گے۔

ii) پراکسی فارم کی گواہی دو افراد دیں گے جن کے نام، پتے اور سی این آئی سی نمبرز فارم پر درج ہوں گے۔

iii) بنیفیشل اونرز اور پراکسی کے سی این آئی سی یا پاسپورٹ کی تصدیق شدہ کاپیاں پراکسی فارم کے ساتھ پیش کرنا ہوں گی۔

iv) تصدیق شدہ ممبران کو اُسی ای میل ایڈریس پر وڈیولنک فراہم کر دیا جائے گا جس ای میل ایڈریس سے انہوں نے کمپنی سے رابطہ کیا ہے۔

v) کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/ پاور آف اٹارنی بمعہ پراکسی ہولڈر کے نمونہ دستخط اجلاس میں شرکت کے وقت پراکسی فارم کے ساتھ کمپنی کو پیش کرنا ہوں گے۔

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 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 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@corptec.com.pk

عنوان: سالانہ رپورٹ اور اے جی ایم نوٹس کی الیکٹرانک ٹرانسمیشن کی اجازت کا فارم

جناب عالی،

میں/ہم، بذریعہ ہذا کریسنٹ اسٹیل اینڈ الائیڈ پراڈکٹس لمیٹڈ ("کمپنی") کا/کے شیئر ہولڈر (ہولڈرز) ہونے کے ناتے 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/دیتے ہیں اور اپنے ای میل ایڈریس میں کسی تبدیلی کی کمپنی کو فوری طور پر اطلاع دینے کا وعدہ کرتا ہوں/کرتے ہیں۔

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، 2017 کی مطلوبہ دفعات اور تقاضوں کی تکمیل ہوگی۔**

1. شیئر ہولڈر (ہولڈرز) کا نام: ____________________
2. والد/شوہر کا نام: ____________________
3. سی این آئی سی: ____________________
4. این ٹی این: ____________________
5. پارٹیسپینٹ آئی ڈی/فولیو نمبر: ____________________
6. ای میل ایڈریس: ____________________
7. فون نمبر: ____________________
8. میلنگ ایڈریس: ____________________

____
دستخط:
(کارپوریٹ شیئر ہولڈرز کی صورت میں،
مجاز دستخط کنندہ لازمی دستخط کرے)

تاریخ: ____________________

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, 2020 at my above mentioned registered address instead of CD/DVD/USB.

I 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

Chief Executive,
M/s Corptec Associates (Private) Limited
Independent Share Registrar of Crescent Steel and Allied Products Limited
503-E, Johar Town, Lahore
Email: 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.

کریسنٹ اسٹیل اینڈ الائیڈ پراڈکٹس لمیٹڈ

مختص کردہ درخواست فارم برائے سالانہ آڈٹ شدہ حسابات کی ہارڈ کاپیز

ممبر/ممبران کا نام: ____________________

سی این آئی سی نمبر/پاسپورٹ نمبر: ____________________

فولیو/سی ڈی سی پارٹیسپینٹ آئی ڈی/سب a/c انویسٹر a/c: ____________________

رجسٹرڈ ایڈریس: ____________________

میں/ہم، آپ سے درخواست کرتا ہوں/کرتے ہیں کہ مجھے/ہمیں کریسنٹ اسٹیل اینڈ الائیڈ پراڈکٹس لمیٹڈ کے 30 جون، 2020 کو ختم ہونے والے سال کی سالانہ رپورٹ کی ہارڈ کاپی، سی ڈی/ڈی وی ڈی/یو ایس بی، کے بجائے میرے/ہمارے مذکورہ بالا رجسٹرڈ پتے پر فراہم کی جائے۔

میں/ہم وعدہ کرتا ہوں کہ میں مذکورہ بالا معلومات میں کسی تبدیلی کی اطلاع نظرثانی شدہ معیاری درخواست فارم کے ذریعے دوں گا/دیں گے۔

تاریخ: ____________________

____
ممبر کے دستخط

نوٹ: یہ مختص کردہ 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 ایونیو سینٹر، 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 کریسنٹ 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 حسابات 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 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 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

Chief Executive,
M/s Corptec Associates (Private) Limited
Independent Share Registrar of Crescent Steel and Allied Products Limited
503-E, Johar Town, Lahore
Email: info@corptec.com.pk

کریسنٹ اسٹیل اینڈ الائیڈ پراڈکٹس لمیٹڈ

ای- ڈیویڈنڈ فارم (الیکٹرانک طریقے سے ڈیویڈنڈ کی ادائیگی)

دی کمپنی سیکرٹری / شیئر رجسٹرار،

میں، ____________ حامل سی این آئی سی نمبر ____________ فولیو نمبر ____________ کے تحت کمپنی کا رجسٹرڈ شیئر ہولڈر ہونے کی حیثیت سے بیان کرتا ہوں کہ لسٹیڈ کمپنیوں کی طرف سے ڈیویڈنڈ کی ادائیگیوں سے متعلق کمپنیز ایکٹ، 2017 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 لیے 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۔

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 پارٹیسپنٹ کے ذریعے سنٹرل ڈیپازٹری سسٹم میں اپنے بینک اکاؤنٹ کی مذکورہ بالا معلومات کو اپ ڈیٹ کروں گا۔

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 جا سکتا ہے۔

کمپنی سیکرٹری

کریسنٹ اسٹیل اینڈ الائیڈ پراڈکٹس لمیٹڈ

9th فلور، سڈکو ایونیو سینٹر، 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 کریسنٹ اسٹیل اینڈ الائیڈ پراڈکٹس لمیٹڈ

503-E، جوہر ٹاؤن، لاہور

ای میل: info@corptec.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 2020.

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
Independent Share Registrar of Crescent Steel and Allied Products Limited
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 فولیو نمبر (نمبرز) _________/ سی ڈی سی پارٹیسپینٹ ID نمبر _________

اور سب اکاونٹ نمبر _________ سی ڈی سی انویسٹر اکاونٹ ID نمبر _________ کے تحت کمپنی کے رجسٹرڈ شیئر ہولڈر (ہولڈرز) کی حیثیت سے 28 اکتوبر 2020 کو منعقد ہونے والے کمپنی کے

سالانہ اجلاس عام کے لیے _________ میں ویڈیو کانفرنس سہولت کی درخواست کرتا ہوں/ کرتے ہیں۔

تاریخ: _________

____
ممبر کے دستخط

نوٹ: یہ معیاری درخواست فارم کمپنی سیکرٹری یا کمپنی کے انڈیپینڈنٹ شیئر رجسٹرار، کسی کے بھی درج ذیل پتے پر بھیجا جاسکتا ہے۔

کمپنی سیکرٹری

کریسنٹ اسٹیل اینڈ الائیڈ پراڈکٹس لمیٹڈ

9th فلور، سڈکو ایونیو سینٹر، 264 آر اے لائنز کراچی

ای میل: company.secretary@crescent.com.pk

چیف ایگزیکٹو،

میسرز کارپ ٹیک ایسوسی ایٹس (پرائیویٹ) لمیٹڈ

انڈیپینڈنٹ شیئر رجسٹرار آف کریسنٹ اسٹیل اینڈ الائیڈ پراڈکٹس لمیٹڈ

E-503، جوہر ٹاؤن، لاہور

ای میل: info@corptec.com.pk

www.crescent.com.pk