

Annual Report 2008

Huffaz

Seamless Pipe Industries Limited

Commitment Towards Quality !





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Corporate Directory

Board of Directors:

Mr. Arshad Ahmed
Chairman

Hafiz Abdul Majid
Managing Director

Hafiz Abdul Haseeb
Executive Director

Directors:

Hafiz Abdul Waheed

Mrs. Farida Majid

Hafiz Abdul Sami

Hafiz Abdul Aleem

Mr. Muhammad Hafiz

Mr. Aamir Amin (Nominee NIT)

Company Secretary:

Mr. Abdul Hafeez Khan, FCMA

Chief Financial Officer:

Syed Zakir Ali, FCA, FCMA

Audit Committee:

Mr. Arshad Ahmed – Chairman

Mr. Hafiz Abdul Sami – Member

Mr. Aamir Amin – Member

External Auditors:

M/s. S.M. Suhail & Co., Chartered Accountants,
1014, Uni Centre, I.I. Chundrigar Road,
Karachi.

Bankers:

Meezan Bank Limited

Saudi Pak Commercial Bank Limited

MCB Bank Limited

Sonari Bank Limited

Citibank Limited

NIB Bank Limited

Registered Office:

207-210, Second Floor, Mashriq Centre,
Block -14, Gulshan-e-Iqbal, Karachi.

Factory:

90 KM Super Highway,
Nooriabad Industrial Estate,
District Dadu, Sind.

Website:

www.huffaz.com.pk





MISSION & VISION

MISSION

To emerge as a leader among the responsible corporate citizens, benefiting all its stakeholders through innovation in its products and services.

VISION

To maintain its position as leader in providing seamless pipes and tubes and engineering goods and services in local market.

To explore export market and get benefit of competitive advantage of its internationally recognized products.

To introduce and adopt best practices within the company to achieve its objectives.

To maintain high standard and quality of its products while bringing cost effectiveness.

To provide adequate return to its investors.

To maintain congenial relationship with all of its stakeholders particularly employees, customers and suppliers.

To establish and maintain safe, healthy and environment-friendly systems.





Financial Summary

Financial Summary

2008
Rs. In '000

Gross Sales	1,184,837
Net Sales	1,024,185
Profit Before Taxation	154,194
Taxation	57,344
Profit after Taxation	96,850
Shareholders' Equity	451,358
Total Assets	1,773,516
Capital Expenditures	83,100
Earning per share (Rs. Per share)	4.62
Number of Employees (Nos.)	233
Production Volume (M.Tons)	
Seamless Tubular Products	13,100
Machinery and its Components	480





Company's Profile

Company's Profile

Huffaz Seamless Pipe Industries (HSPI) manufacture seamless steel carbon and low alloy steel pipes/tubes from high quality, aluminum-killed vacuum degassed billets/round bars. This project is jointly sponsored by a reputed Middle Eastern group and local sponsor directors on equity basis. Innovation in products, processes and systems, have helped HSPI in establishing a leading name in the manufacturing of seamless Steel Pipes/Tubes.

All the activities of the Company are based on rich experience, technical knowledge, competence, trust and quality. the foremost objective of HSPI is to supply products according to quality and lead-time desired by customers.

We have total quality focused approach which is reflected in our certifications i.e. ISO 9001 : 2000, ISO 14001 : 2004, OHSAS 18001 : 1999, API Q1, API 5L, API 5CT, and INVESTOR IN PEOPLE (IIP).

Beside fulfilling the entire demand of domestic market including major oil and gas organizations, we are exporting our products to

USA, Australia, the Middle East, Iran and Bangladesh.

Product Range

Boiler Tubes

Heat Exchanger Tubes

High/Low Temperature Services Pipes/Tubes

Mechanical Tubes

Line Pipes

Structural Pipes/Tubes

Costing & Tubing

Line Pipes with 3 layer Polythene/Polyprpylene & Fusion Bonded Epoxy coating Pipes/Tubes for Couplings and Casing.

Size Range

- Outer Diameter : 6mm - 273 mm
- Wall Thickness : 0.75 mm - 25 mm
- Length : 1 - 19 Meter
- Production Capacity : 62,500 MT per annum





Company's Profile

Production Standard:

ATM 53, ATSM A106, ASTM A210, ASTM, ASTM A213 ASTM, ASTM A333, ASTM A334, ASTM A213, ASTM, ASTM A333, ASTM A334, ASTM 3335, ASTM A519API 5L, API 5Lm API 5CT DIN 2391, DIN 2440, DIN 2441, DIN 2448, DIN 17175 A/2448 LIS G346m, JIS G3444 BS1387, BS 3059/1, BS 3059/2, BS 1775, BS6323, NFA49-112, NFA49, NFA 49-211 UNI 8863.

Any other standard as per requirement of the customers.

Delivery Conditions:

Plain and (squares cut or beloved), Threaded and Coupled.

Test Performed:

Destructive Test: Tensile, Flatening, Flaring, Bending N.D.T: Hydrostatic Test, Eddy Current Test, Chemical Analysis.

Other are required by the standard or customer.

Mill Test Certificate:

Pipes/tubes are delivered with certificates as per required standard.

Marketing:

On Pipes surface (Die Stamp or Paint Stencil)

On bundles (Metal Label or Plastic Labels)

Surface Protection:

Outside protective coating (Paint, Oil Varnish) Hot Dip Galvanizing

Other coating as per requirements of the customer.

Packaging:

In bundles special packing upon request.

Quality Assurance:

At **HSPI** we believe in strict Quality Control at every stage from sourcing of our raw material to our finished products. Our commitment to Quality, Health, Safety and Environment is reflected in our compliance with International Quality Standards.

HSPI aims to provide customers with products which give full satisfaction.





Company's Profile

Huffaz Engineering Works

Huffaz Engineering Works (HEW) has long been a key component in diverse expansion activities of HSPI. Due to its versatile manufacturing capabilities the works has managed to emerge as one of the key engineering product and service suppliers in the country. Equipped with facilities such as:

Machine Shop	Fabrication
Forging	Hard Chrome
Foundry	(Ferrous Treatment & Non-Ferrous)

We have managed to infiltrate key areas of engineering products market.

Following the foot steps of its parent company, HEW has maintained its resolve the deliver products and services at the right cost, time and quality. We believe the continuous and relentless efforts to ensure complete satisfaction of all our customers and other stakeholders.

Product & Services:

Pipe Flanges and Fittings for Pipe Lines, Boilers & Heat Exchanges.

Chain Sprocket, Gear and Worm Wheels.

Hi-tech Precision Mechanical Components.

Dies & Moulds.

Tube Bending & Intricate Fabrication.

Machinery Components for Various Application

Product Design & Development

HEW is equipped with most modern testing facilities including Spectrometers, Tensile Testing Machine various kinds of Hardness testers, Metallographic equipment and Non-Destructive Testing.

We test and certify carbon, alloy stainless steel rolled cast forged products for various industries across the country while providing invaluable service to our internal customer.





Environment, Health & Safety

Huffaz Seamless Pipe Industries Ltd. (HSPI) is committed to the preservation of the environment, safety and health of its personnel, customers, suppliers, the communities and all stakeholders with which it interacts.

In our process, products and services we adopt designs and technologies that are the most appropriate and eco-efficient available at a reasonable cost in order to preserve health and minimize the risk of accidents and environmental impacts.

We continuously review our operations to maximize the efficiency in the use of energy and material resources, the recycling of products-both at our own facilities and those of third parties and the minimization of waste, emissions and effluents.

Environment:

Huffaz Seamless Pipe Industries Ltd's (HSPI) environmental policy is based upon the principle of sustainable development.

Following the introduction of our Health, Safety and Environment (HSE) Policy we have been working on the implementation of an integrated Health, Safety and Environment management system. The management system is a set of processes and practices that help HSPI in constantly improving its environmental performance.

This management system follows the guidelines of international standards such as ISO 14000, applying eco-efficiency and integral safety concepts throughout the system, from product design and industrial investment up to operations and logistics.

HSPI adheres to worldwide sustainability principles and guidelines developed for the seamless pipe industry such as:

Investment in New Process and Products: Innovation is crucial for longer term industrial projects, therefore HSPI has established a plan to revamp all its mills and improve its processes and products.

Material Efficiency and Energy Intensity: HSPI continually reviews its operations to minimize the efficiency of energy resources, the re-use of bi-products and the appropriate treatment and disposal of waste, emissions and effluents.

Waste Recycling: Waste can be recycled, but more importantly its properties can be saved and re-used.

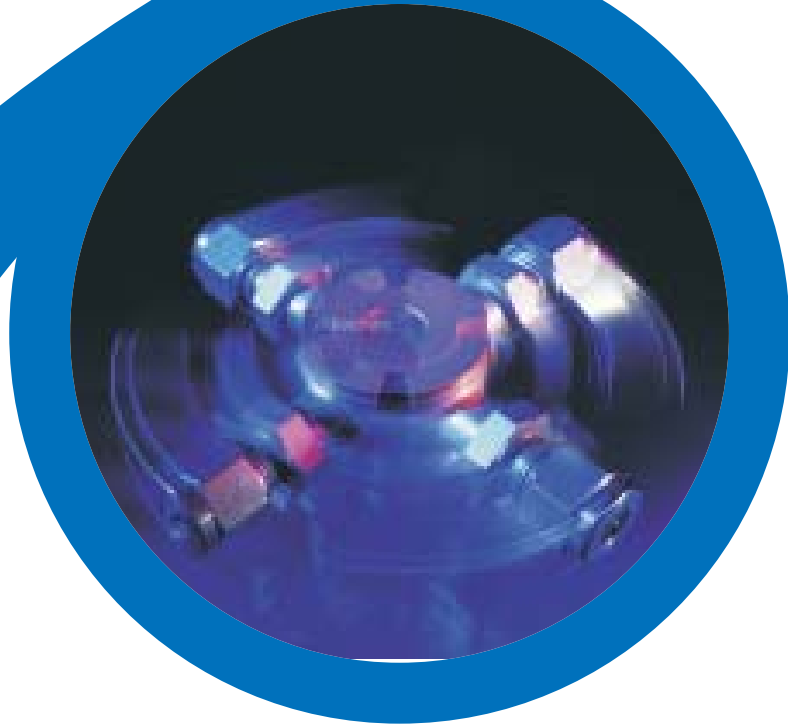
Employee Training: HSPI continuously offers training to all employees. Education is a fundamental tool for achieving improvements in sustainability in the long term.

Health and Safety:

Huffaz Seamless Pipe Industries Ltd's (HSPI) believes all accidents can and must be prevented. We focus on education to stimulates better attitudes and behaviours; and on the use of state-of-the-art technology to create a safe working environment. Our processes are continuously analyzed to find the best practices to reduce risks in our operations.

As part of our Health, Safety and Environment (HSE) Policy we have been working on the implementation of an integrated Health, Safety and Environment management system. The management system includes a set of processes and procedures that help HSPI to constantly improve its Safety and Health programs, and is an essential element for securing the motivation and well being of its employees.





Research & Development

Research & Development

Research & Development is an essential part of our activities as we provide our customers with products and services that not only meet the challenges of usage under extreme pressure and temperatures and highly corrosive environments, but also serve high performance mechanical and structural applications.

Our Research & Development team develops in-house scientific advances in the field of metallurgy, alloy design, corrosion resistant materials, computational mechanics, fracture mechanics, surface and coating chemistry, as well as technology for automotive components and mechanical pipe applications and full-scale testing of premium connection, line pipe and OCTG.


Code of Conduct

Huffaz Seamless Pipe Industries Ltd's (HSPI) has a Code of Conduct incorporating guidelines and standards on integrity and transparency applicable to all its employees and its directors.

This Code of Conduct establishes the ethical principles that form the basis for relations between the company, its employee and third parties and provides means and instruments to give transparency to issues and problems that may have a bearing on the management of the Company.



International Certification



ISO 9001 : 2000, ISO 14001 : 2004,
OHSAS 18001 : 1999, API-5L-0375,
API 5CT-0586 AND INVESTOR IN PEOPLE (IIP).
certification are proof of HSP's superior
quality standards and commitment to quality.
Due to our superior quality standards and
customer satisfaction the company was
awarded the "Industrial Affairs Award 95"
and "Pakistan Economic Excellency
Award 1996-97"





Business Ethics & Practices

Huffaz Seamless Pipe Industries Limited (HSPI) as a manufacturer of high quality seamless tubular products and special precision shafting, recognizing the importance of codifying the ethical principles, which guide the Directors, Executives, Managers and other employees of the Company providing the information of services. HSPI Code of Ethics states the values to which we are committed, and embodies the ethical responsibilities of the plant operations in this changing information environment.

The principles of this code are expressed in broad statements to guide the ethical decision-making.

Our policy reflects by the following:

Honesty and integrity

HSPI's policy is to conduct business with honesty and integrity and be ethical in all its designs, showing respect for the interest of those with whom it has relationship.

Laws and Regulations

HSPI's complies with all laws and regulations. All employees are expected to familiarize themselves with laws and regulations governing their individual areas of responsibility, and not to transgress them. If in doubt, employees are expected to seek advice. The Company believes in fair competition, and support appropriate competition laws.

Politics

HSPI's does not support any political party nor

contributes to the funds of groups whose activities promote party interests.

Quality Services

HSPI's is committed to provide services, which consistently offer value in terms of price and quality and satisfy customer needs and expectations.

Social and Community Commitments

HSPI is committed to run its business in an environment that is sound and sustainable. As a good corporate citizen, the company recognizes its social responsibilities and will endeavor to contribute to community activities, for betterment of society as a whole.

Reliable and Transparent Financial Records

HSPI believes in and fully adheres to the principles of reliability and credibility in its financial reporting and in transparency of business transactions.

Human Resource Development

HSPI is an equal opportunity employer. Its employee recruitment and promotional policies are unbiased and upon merit and excellence oriented. It believes in providing its employees and healthy conditions, and in maintaining good channels of communications. The Company expects its employees to abide by the code of ethics, whereby company information and assets are not used for any personal advantage and gain. Any conflict of interests should be avoided, where it exists it should be disclosed, and guidance sought.





Business Ethics & Practices

Our Commitment is reflected by the following:

As Shareholders and Directors

- ✦ Commit the necessary and appropriate resources.
- ✦ Foster a conducive environment through responsive policy.
- ✦ Maintain organizational effectiveness for the achievement of the Company goals.
- ✦ Encourage and support compliance with legal and industry requirements.

As Executives and Managers

- ✦ Ensure the profitability of operation while upholding social responsibilities; provide the direction and leadership for the organization.
- ✦ Ensure total customer satisfaction through excellent product and service.
- ✦ Protect the interest and assets of the Company.
- ✦ Promote a culture of excellence, conservation and continual improvement.
- ✦ Cultivate work ethics and harmony among colleagues and associates.
- ✦ Encourage initiatives and self-realization in employees through meaningful empowerment.
- ✦ Ensure and equitable way of working and reward system.
- ✦ Institute commitment to environmental, health and safety performance.

As Employees and Staff

- ✦ Devote productive time and effort.
- ✦ Observe Company policy and regulations.
- ✦ Promote and protect the interest of the Company.
- ✦ Exercise prudence in using Company resources.
- ✦ Observe cost-effective practices in daily activities.
- ✦ Strive for excellence and quality as way of life.





Notice of Annual General Meeting

Notice is hereby given that the 25th Annual General Meeting of HUFFAZ SEMALESS PIPE INDUSTRIES LIMITED will be held on Friday, October 17, 2008 at 1630 hours at JUNAGARH LAWN Opp. Mashriq Centre, Block-17, Gulsan-e-Iqbal, Karachi-75300 to transact the following business:-

Ordinary Business:

1. To confirm the minutes of 24th Annual General Meeting held on October 27, 2007.
2. To receive, consider and adopt audited financial statements for the year ended Jun 30, 2008 together with directors' and auditor's report thereon.
3. To appoint auditors for the year ending June 30, 2009 and fix their remuneration. The present auditors M/s. S.M. Suhail & Co., Chartered Accountants, retire and being eligible for reappointment.

SPECIAL BUSINESS:

4. To approve the issue of bonus shares in the proportion of 3 shares for every 10 shares held i.e. 30% as recommended by the Board of Directors and, if thought fit, to pass the following resolutions:

"Resolved that a sum of Rs. 78.794 million out of the free reserve of the company be capitalized and be applied for the issue of 7.879 million ordinary shares of Rs. 10 each and allotted as fully paid-up bonus shares to the members of the company who are registered in the book of the company as at October 07, 2008, in the proportion of 03 shares for every 10 shares held and that such new shares shall rank pari-passu with the existing shares of the company."

"Further resolved that in the event of any member holding shares which are not an exact multiple of ten, the Directors be and are hereby authorised to consolidate all such fractions of bonus shares and sell in the stock market and to pay the proceeds of sale when realized to the concerned shareholders."

"Further resolved that for the purpose of giving effect to the above, the Directors be and are hereby authorized to take all necessary actions and to settle any question or difficulty that may arise with regard to the distribution of the said bonus shares or in the payment of sale proceeds of the fractional entitlements as they deem fit."

5. To consider any other business with the permission of the Chair.

By order of the Board

Karachi
Dated: August 27, 2008

(Abdul Hafeez Khan)
Company Secretary



**Note:**

- (i) The share transfer books of the company will remain closed from October 08, 2008 to October 17, 2008 (both days inclusive).
- (ii) A member entitled to attend and vote at the meeting is entitled to appoint another member as his/her proxy to attend and vote instead of him/her. No person shall act as a proxy who is not a member of the company. Proxies in order to be effective must be received at the registered office of the Company not less than 48 hours before the meeting and must be duly stamped, signed and witnessed.
- (iii) A member who has deposited his/her shares into Central Depository Company of Pakistan Limited, must bring his/her participant ID number and account/sub-account number along-with Computerised National Identity Card (CNIC) or original passport at the time of attending the meeting.
- (iv) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of meeting.
- (v) The members are requested to promptly notify the Company of any change in their addresses.
- (vi) Members are requested not bring children along-with them, as children will not be allowed in the meeting.

Statement under Section 160 of the Companies Ordinance, 1984

This statement sets out the material facts concerning the special business to be transacted at the Annual General Meeting of shareholders of Huffaz Seamless Pipe Industries Limited to be held at 1630 hours on October 17, 2008 at Junagarh Lawn 'B' opp. Mushriq Centre, Block-17, Gulshan-e-Iqbal, Karachi.

Issuance of bonus shares:

The Directors have recommended capitalization of Rs. 78.7949 million from the un-appropriated profit of the company to enable issue of bonus shares in the ratio of 03 shares for every 10 shares held. The Directors are interested in the business to the extent of their entitlement to bonus shares as shareholder.





Directors' Report



As Salam O Alaikum Wa Rahmatullah Wa Baraktouh

On behalf of the Board of Directors, I am delighted to present the 25th Annual Report of Huffaz Seamless Pipe Industries Limited along with the audited financial statements and the Auditors' Report thereon for the year ended June 30, 2008.

An Overview of the Economy

The overall economic growth during the year, which had surged to around 7% in the past five years, reduced to 5.8%. While this growth is much lower than the target and the past performance, it nevertheless should be considered a good performance, especially considering the adverse internal and external environment that has prevailed during most of this year. At a time when the global economy was plagued with financial, fuel and food crises and in a year of massive uncertainty owing to elections, judicial crises, imposition of emergency, the assassination of the leader of the largest party in the country, most adverse law & order situation and lack of any governance during major part of the year, achieving a growth close to 6% clearly points to the strength and resilience of Pakistan's Economy.

Engineering and Seamless Pipe Industry

Large-scale manufacturing registered a growth of 4.8% in 2007-08 against the target of 10.9% and last year's achievement of 8.6%, exhibiting signs of moderation on account of saturation in capacity utilization, power shortages and the questions about competitiveness of our industry.

The demand of Seamless pipe remained strong throughout the year; however, the industry has faced a lot of challenges, which include increase in the cost of raw materials especially those which are sourced internationally such as steel billets and chemicals. In addition to the increasing prices of raw materials their scarce availability was a major impediment.





During the year staff and workers remunerations were increased according to market situation, which in any case was our moral obligation, resulting in increased cost of production.

The industry during the year was unable to successfully shift the burden of increased input costs to its customers. Imported pipes from some countries like China were available at lower rates in Pakistan due to dumping practices, etc. The above-mentioned facts had an overall negative impact on the industry.

Sales and Marketing

The Sales value during the year showed an increase of 20% as compared to last year decrease of 18%. Despite dumping of pipes from foreign countries, we were able to achieve the above result by the grace of Allah.

Although there were number of constraints, the Company continued to hold its position as a major local player in the country for the supply of seamless pipes and tubes. The continuing trust of customers is due to our better product and customer services which we are continuously trying to improve.

We are also strengthening our Marketing department by inducting experienced personnel to explore new avenues and export market.

Issuance of Right Shares

The Company issued right shares in the ratio of 2 shares for 10 shares held at Rs. 35 each inclusive of premium of Rs. 25 per share. These shares were fully subscribed.

Operating Results

Gross sale of the Company, for the year under review amounted to Rs. 1024.185 million as compared to Rs. 855.660 million last year. Gross profit, Profit before Tax and Profit after Tax for the year amounted

to Rs. 212.618 million, 154.194 million and 96.850 million respectively which are higher than last year. The increase in the raw material prices both local and imported and in the cost of short supplies pose great challenge to the company through out the year and also added to this problem is the factor of high inflation prevailing in the country, during the year all other cost components also increased.

Financial Highlights

Rupees in thousand

Profit before tax	154,194
Provision for taxation	(57,344)
Profit after tax	96,850
Un-appropriated profit brought forward	156,790
Profit available for appropriation	253,640
Appropriations:	
– Issue of bonus share	(36,479)
– Cash Dividend	(27,359)
– incremental depreciation charged to surplus account	2,683
Unappropriated profit carried forward	192,485
Earning per share Rs.	4.62

Corporate Governance

- The company has implemented the requirements of the Code of Corporate Governance (the Code) relevant for the year ended June 30, 2008. A prescribed statement by the management along with the auditors' review report thereon forms part of this Annual Report.
- Statement under clause xix of the Code:
 - ✦ The financial statements prepared by the management of the company present fairly





the state of affairs, the results of its operations, cash flows and changes in equity.

- ✦ Proper books of account of the Company have been maintained
- ✦ Appropriate accounting policies have consistently been applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- ✦ IFRS / International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements without any material departure.
- ✦ The system of internal control is sound in design and has been effectively implemented and monitored.
- ✦ There are no doubts about the companies ability to continue as a going concern
- ✦ There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.
- ✦ Summarised key operating and financial data of the last six years is tabulated on the initial pages of this Annual Report.
- ✦ The details of Board Meetings held and attended by the directors' forms part of this Annual Report.
- ✦ The prescribed pattern of shareholding is given as part of this Annual Report.

Statement of Internal Controls

Management of HSPI is fully responsible for establishing and maintaining adequate controls and procedures.

The company's management fully recognizes this responsibility and appreciates its value and significance. Accordingly, policies and procedures encompassing various functional and administrative areas have been under development and will be circulated across all pertinent levels of the organization. These policies and procedures would be approved by the senior management and ratified by the Board of Directors as and when developed. The company's Internal Audit function is under development which will monitor the compliance with these policies and procedures and regularly appraises the Board on the same through the Audit Committee. Similarly, financial performance would be kept under regular review.

The Management feels confident that through adoption of above measures, the company's Internal Control environment would be maintained at a satisfactory level.

Accounting standards

Our accounting policies fully reflect the requirements of the Companies Ordinance, 1984 and such approved International Accounting Standards and International Financial Reporting Standards as notified under this Ordinance and directives issued from time to time by the Securities and Exchange Commission of Pakistan

Treasury management

The purpose of treasury function is to ensure that adequate cost-effective funding is available to the Company at all times and that exposure to financial risk is minimised. Alhamdulillah the management tries its best to meet all the cash-flow out of operational in flows and therefore, we have not availed any funding facility except Assel Mill acquired on lease and coating plant arranged through diminishing Musharika funds.





Management information system

The management appreciates the impact of information technology resources on the business management. Accordingly the Company has undertaken to implement an ERP Solution to bring its systems and processes up to the standard of the international level of integration and efficiency.

Safety, Health, Environment and Quality

The Company management is committed to safety, health and quality and sustaining its position as an environmentally friendly company. It takes great care of the community in which it operates. Environmental improvement and conservation of natural resources are part of Company policies and operations. In this regard the Company continues to hold certifications of ISO 9001:2000, ISO 14001, API SL-0375, API 5CT-0586, OHSAS and IIP (Investment in People, UK) from the international certification agencies, which is a proof of its commitment to safety, health, environment and quality.

Human resource

Our people remain our most valued asset. The Management encourages teamwork and realization of maximum potential to promote performance focused culture. Focus of our Human Resource strategy is therefore, to develop and align intellectual capital to achieve our business goals.

Our hiring system stresses diversity, skills and innovative approach. We encourage continuous improvement at all levels and facilitate opportunities for growth to employees without discrimination.

Coating Plant and other projects

The physical work on New Seamless Pipes Production Line and Coating Plant has already commenced. The Coating Plant is expected to be received at factory by end of this year. The coating of pipes was long outstanding demand of our customers.

Corporate Social Responsibility

Company management strongly believes that every business entity needs to contribute to the Well-being of its surrounding communities for a better and prospering nation. In this connection we try to induct employees from surrounding rural and underdeveloped communities.

Auditors

The present auditors M/s. S.M. Suhail & Co., Chartered Accountants, retire and offer themselves for reappointment. The Audit Committee and the Board of Directors of the Company have endorsed their appointment for shareholders' consideration at the forthcoming Annual General Meeting. The external auditors have been given satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan.

Pattern of Shareholding

A statement of the pattern of shareholding of certain classes of shareholders as at June 30, 2008, whose disclosure is required under the reporting framework, is included in the report.

The Directors, CEO, CFO, Company Secretary and their spouses or minor children did not carry out any trade in the shares of the Company during the year.

Future Outlook and Challenges

We have an optimistic outlook for the year 2008-09 despite the fact that inflation has increased many folds and GDP targets are not achieved.

The Government of Pakistan has been making concerted efforts to achieve and sustain macro economic stability through market driven monetary and fiscal policies. Sustained growth in national economy will impact very positively on pipe manufacturing industry in the next year.





Consumption of pipes and tubes in the country will continue to increase in consistence with overall economic development. The company is fully geared up to meet the growing demand of quality product.

The Company management is making all out efforts to improve the capacity utilization of its existing operation. We are also laying emphasis on our internal operational efficiencies by rationalization of the processes for improved quality, making all out efforts to reduce the cost of doing business.

Pakistan being a signatory to WTO is continuously reducing protections to local industry in one way or the other. Keeping this in view the Company has planned its strategies and these will Inshallah enable the Company to meet both national and international challenges successfully.

Stakeholders

Customer satisfaction is vital for us to meet our long term objectives. We would like to express our thanks to our customers for their support and look forward to seeking their continuous patronage.

Our thanks also go to the financial institutions and shareholders for their continued support which is a key to success of the Company.

Our employees have contributed significantly to delivering a good result and continue to remain committed. Our long term growth has been possible as a result of their continuous commitment which has ensured a sound base for the Company. On behalf of the Directors we are pleased to record our appreciation.

Meeting of Directors

During the year under review five (5) meetings of the

Board of Directors were held. Attendance by each director was as follows:

Mrs. Fareeda Majid	01
Hafiz Abdul Waheed	03
Mr. Arshad Ahmed (U.K.)	02
Hafiz Abdul Haseeb	05
Hafiz Abdul Sami	05
Hafiz Abdul Majid	05
Hafiz Abdul Aleem	02
Mr. Aamir Amin	04
Mr. Muhammad Hafiz (U.K.)	03

Leave of absence was granted to Directors who could not attend some of the board meetings.

Declaration of bonus shares and cash dividend

Our investors/ share holders are the real owners of the company and management is responsible to adequately compensate their investment. Last year company declared bonus issue @ 20% i.e. in the proportion of two bonus shares for every ten shares amount to Rs.36, 479 and cash dividend @ 15% amounting to Rs. 27,359.

Acknowledgement

On behalf of the Board and the management, I express thank our employees, customers and strategic partners for their hard work and commitment towards helping us to achieve new heights of success and commendable results. Board also thanks and appreciates the continued interest and support of the esteemed shareholders and regulatory bodies.

On behalf of the Board of Directors

Hafiz Abdul Majid
Chief Executive
Karachi, August 27, 2008



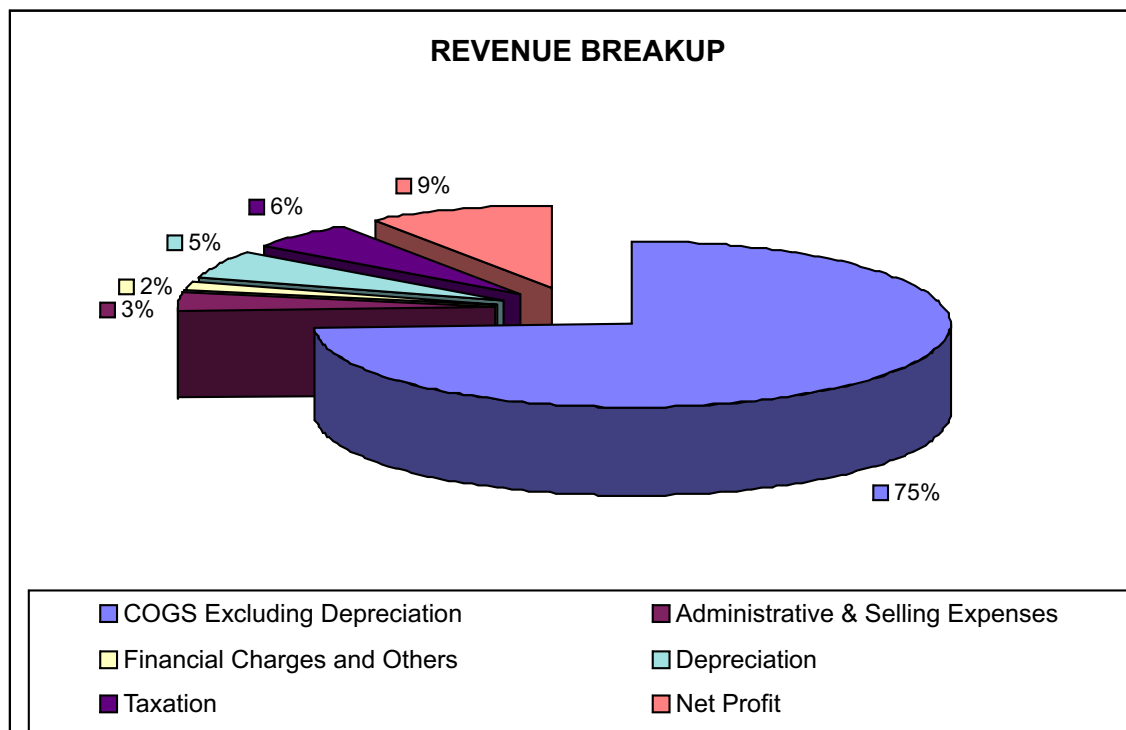
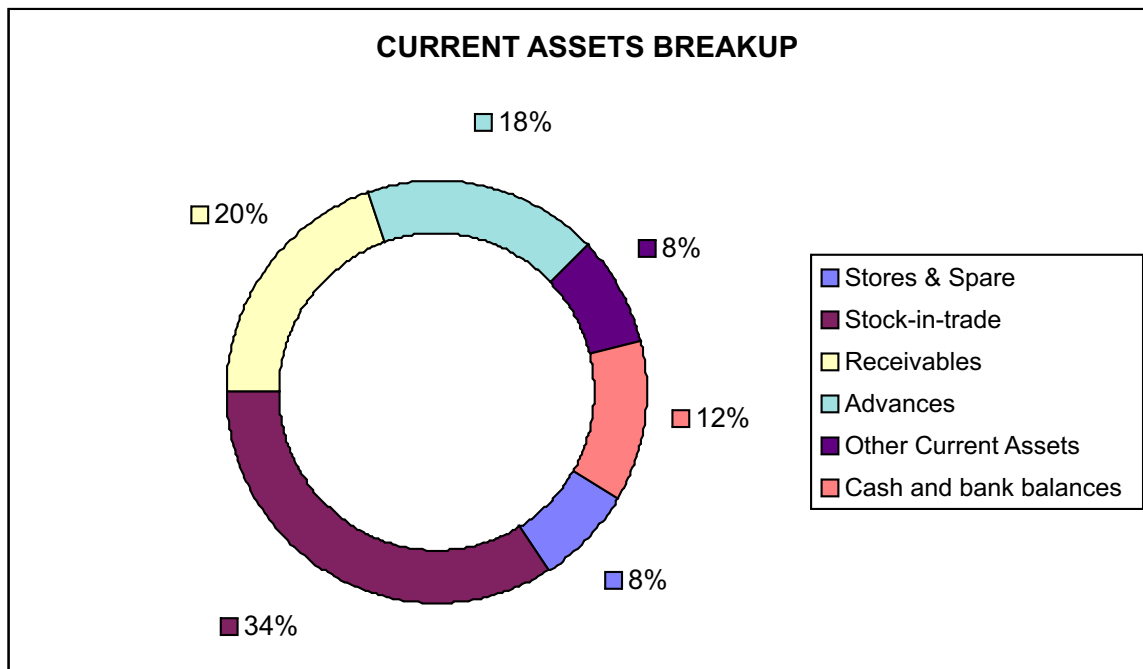


Decade at a Glance

Product: Seamless Steel Pipes and Tubes Location of H/O: Karachi Location of Plant Nooriabad CEO: Hafiz Abdul Majid		Year Ended									
		June 30, 2008	June 30, 2007	June 30, 2006	June 30, 2005	June 30, 2004	June 30, 2003	June 30, 2002	June 30, 2001	June 30, 2000	June 30, 1999
		Rs. '000'									
Balance sheet data	Cash	61,660	18,860	47,199	5,796	6,956	10,834	15,029	2,304	6,360	1,969
	Receivables	100,585	63,710	83,698	51,303	33,824	51,571	39,070	35,439	39,303	35,582
	Stores & spares	39,789	38,116	32,443	30,586	18,079	10,729	7,142	8,940	5,878	5,831
	Inventory	172,381	344,924	366,928	305,460	150,430	156,972	202,345	176,859	189,782	247,104
	Other current assets	136,203	78,401	82,665	61,653	64,055	53,557	62,258	60,609	50,189	47,077
	Non-current assets	1,262,898	1,233,027	414,119	330,954	273,908	268,450	278,061	307,086	298,955	305,132
	Total assets	1,773,516	1,777,038	1,027,052	785,752	547,252	552,113	603,905	591,237	590,467	642,695
	Account payables	389,479	487,387	476,435	353,107	211,360	102,195	105,476	102,929	82,866	76,335
	Other current liabilities	52,124	22,848	—	—	8,831	45,679	153,978	211,800	250,604	287,025
	Long term liability	135,101	144,493	129,914	97,503	38,218	141,622	148,112	151,441	157,551	167,981
	Surplus on revaluation of land and building	685,194	689,322	—	—	—	—	—	—	—	—
	Sponsors loan	60,260	72,144	101,944	101,944	117,437	108,676	108,676	55,967	11,156	11,156
	Paid-up capital	218,873	182,394	140,303	122,003	122,003	122,003	122,003	122,003	122,003	122,003
Retained earning/ (loss)	192,485	138,450	138,456	71,196	49,403	31,938	(34,340)	(52,903)	(33,713)	(21,805)	
Reserves	40,000	40,000	40,000	40,000	—	—	—	—	—	—	
Total equity & liabilities	1,773,516	1,777,038	1,027,052	785,752	547,252	552,113	603,905	591,237	590,467	642,695	
Income statement data	Revenue	1,024,185	855,660	1,013,609	621,602	413,175	386,600	292,374	202,532	230,754	228,559
	Cost of goods sold	811,567	701,040	819,069	511,652	355,038	353,765	261,128	199,246	205,714	189,932
	Gross profit	212,618	154,620	194,540	109,950	58,137	32,835	31,246	3,286	25,040	38,627
	Administration & selling expenses	36,836	31,054	38,398	26,900	16,270	13,602	12,802	16,809	17,215	14,826
	Financial charges	10,868	15,292	8,996	6,304	3,495	3,110	2,914	5,308	19,260	52,035
	Taxation	57,345	16,656	72,294	14,461	18,145	(6)	1,462	1,013	1,154	1,137
	Net profit	96,850	87,484	85,563	61,790	29,665	66,278	18,563	(19,190)	(11,908)	(29,121)
	Depreciation	53,062	37,688	36,719	25,689	22,419	24,058	26,352	16,966	18,446	19,890
	Cash flow from operation	219,293	262,964	160,869	69,609	165,013	96,959	24,272	23,444	68,737	159,119
Net working capital	69,015	33,776	136,498	101,691	53,153	135,789	66,390	(30,578)	(41,958)	(25,797)	
Current ratio	1.16	1.07	1.29	1.29	1.24	1.92	1.26	0.90	0.87	0.93	
Quick ratio	0.76	0.84	1.04	1.03	0.87	1.48	0.99	0.68	0.71	0.78	
Payable/recivable	1.86	3.59	2.86	3.13	2.25	1.41	2.56	3.28	3.73	4.40	
Cash flow/ total debt	88.61%	109.80%	69.38%	34.90%	100.32%	32.76%	5.91%	5.59%	16.39%	34.13%	
Activity	Inventory age (days)	78	180	164	218	155	162	283	324	337	475
	Collection period (days)	36	27	30	30	30	49	49	64	62	57
	Operating assets turnover	0.81	0.69	2.45	1.88	1.51	1.44	1.05	0.66	0.77	0.75
Profitability	Gross profit margin	21%	18%	19%	18%	14%	8%	11%	2%	11%	17%
	Net profit margin	9%	10%	8%	10%	7%	17%	6%	-9%	-5%	-13%
	Return on capital	16%	16%	17%	16%	9%	16%	5%	-7%	-5%	-10%
	Return on operating assets	8%	7%	21%	19%	11%	25%	7%	-6%	-4%	-10%
	Return on equity	24%	27%	31%	32%	17%	43%	21%	-28%	-13%	-29%
Per share data	Revenue per share	47	47	72	51	34	32	24	17	19	19
	Earning per share (Rs)	4.42	4.80	6.10	5.06	2.43	5.43	1.52	(1.57)	(0.98)	(2.39)
	Face value of share	10	10	10	10	10	10	10	10	10	10
	Break-up value per share	19	18	20	16	14	13	7	6	7	8
	Earning per break-up value of share	2.35	2.73	3.07	3.20	1.73	4.31	2.12	(2.78)	(1.35)	(2.91)
	Earning per share % of face value	44%	48%	61%	51%	24%	54%	15%	-16%	-10%	-24%
	Earning per share % of break-up value	24%	27%	31%	32%	17%	43%	21%	-28%	-13%	-29%
Share trend	High stock price-at end	70	90	52.20	34.90	15.40	9.95	3.25	5.00	3.00	2.25
	Low stock price-at end	67.63	88	52.20	34.90	15.40	9.65	3.25	5.00	3.00	2.25
	Average stock price-at end	68.82	89.00	52.20	34.90	15.40	9.80	3.25	5.00	3.00	2.25
	Growth since last year (Rs)	(20.19)	36.80	17.30	19.50	5.60	6.55	(1.75)	2.00	0.75	(1.75)
	Growth since last Year %	-23%	70%	50%	127%	57%	202%	-35%	67%	33%	-44%
Price earning ratio- at average price	15.55	18.56	8.56	6.89	6.33	1.80	2.14	(3.18)	(3.07)	(0.94)	
Plant capacity (M.Tons)	Seamless Tubular										
	Installed Capacity	62,000	62,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000
	Utilized Capacity	13,100	14,529	—	8,986	8,374	8,986	8,518	4,614	5,052	5,629
	Special Precision Shafting										
	Installed Capacity	—	—	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
	Utilized Capacity	—	—	—	—	—	—	—	—	—	—
Machinery and components											
Installed Capacity	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	
Utilized Capacity	480	436	—	1,020	526	—	—	412	1,240	572	

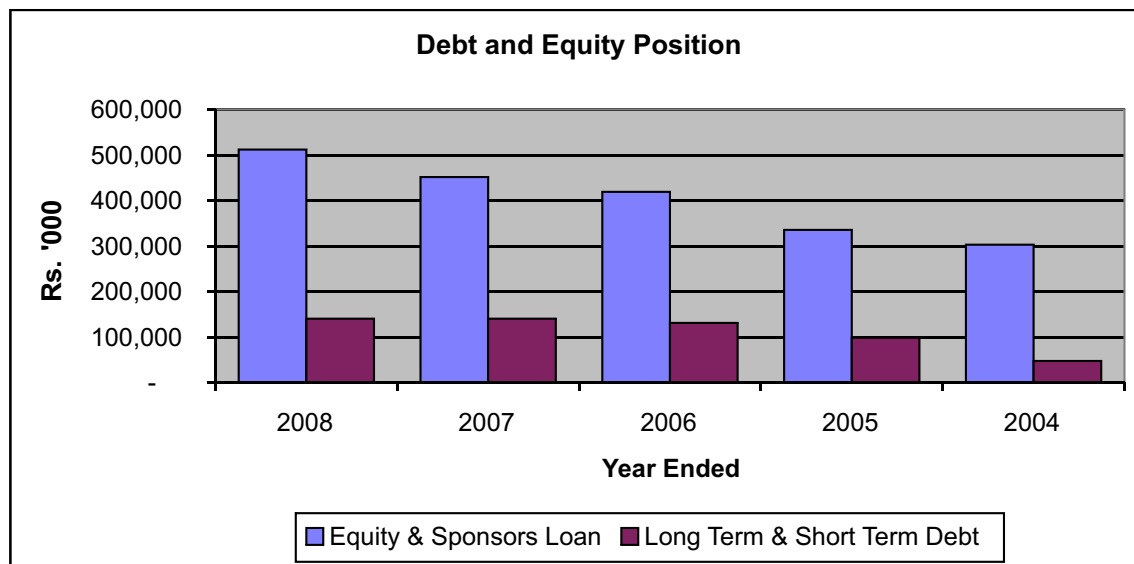
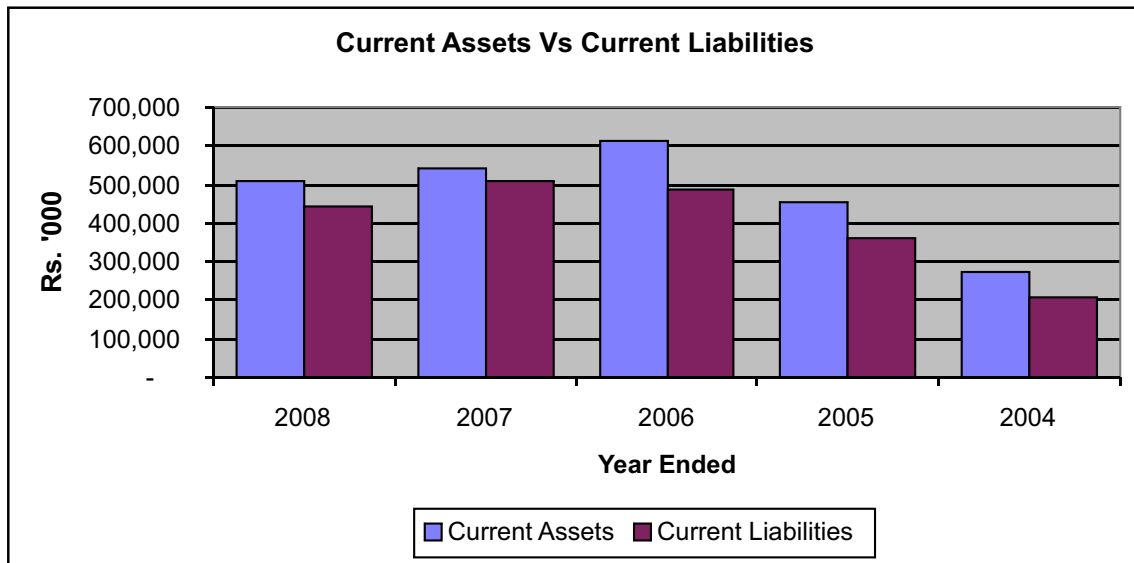


Diagrammatic Performance Review



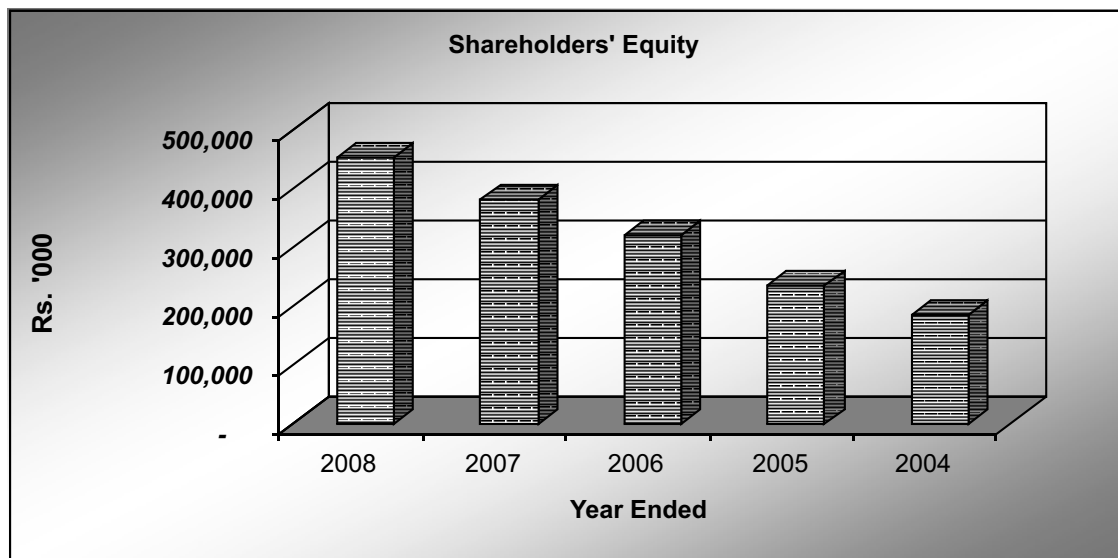
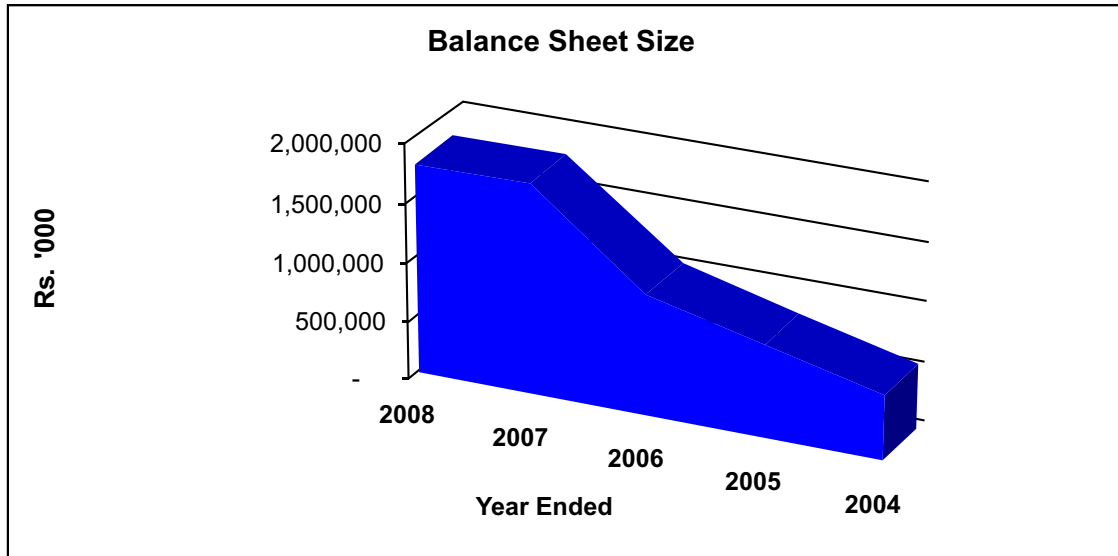


Diagrammatic Performance Review





Diagrammatic Performance Review





Statement of Compliance With the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation 37 and 40 of listing regulations of Karachi and Lahore Stock Exchanges respectively for establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Board comprises of nine directors, including the CEO. The Company encourages representatives of independent non-executive directors on its Board including those representing minority interests. At present the Board includes seven non-executive directors including one director representing the National Investment Trust Limited (NIT).
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs. None of the directors is a member of a stock exchange.
4. Four casual vacancies arosed during the year, which were filled by the director.
5. The Company has prepared a "Statement of Ethics and Business Practices", which is under circulation for its acknowledgement by directors and employees of the Company.
6. The Board has developed vision and mission statements, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors; have been taken by the Board.
8. The meetings of the Board were presided by the Chairman elected by the Board for this purpose and the Board meet at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of meetings were appropriately recorded and circulated.
9. The Board arranged one orientation course for its directors during the year to apprise them of their duties and responsibilities.
10. The Board has approved appointment of CFO and Internal Auditor, including their remuneration and terms and condition of employment, as determined by the CEO. The Company Secretary and General Manager Finance was appointed before enactment of the Code, therefore, his appointment does not require approval again.
11. The director's report has been prepared in compliance with the requirement of the Code and fully describes the salient matters required to be disclosed.





Statement of Compliance With the Code of Corporate Governance

12. The financial statements of the Company were duly endorsed by CEO and CFO and were reviewed by the Audit Committee before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises three members who are non-executive directors including the chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms and reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function that are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

For and on Behalf of the Board

Hafiz Abdul Majid
Chief Executive

Karachi
August 27, 2008





S.M. SUHAIL & CO.
Chartered Accountants

1014, Uni Centre,
I. I. Chundrigar Road,
Karachi, Pakistan.

Phone : 021-2414057

: 021-2414163

Fax : 021-2416288

E-mail : mfsandco
@cyber.net.pk

Review Report to the Members on Statement of Compliance With Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Huffaz Seamless Pipe Industries Limited** ("the Company") to comply with the Listing Regulation No. 37(Chapter XI) of the Karachi Stock Exchange (Guarantee) Limited, and No. 43 (Chapter XIII) of Lahore Stock Exchange (Guarantee) Limited, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provision of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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 best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2008.

S. M. Suhail & Co.

S.M. Suhail & Co.
Chartered Accountants

Karachi: August 27, 2008





Auditors' Report to the Members

We have audited the annexed balance sheet of **Huffaz Seamless Pipe Industries Limited** as at June 30, 2008 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2008 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

S. M. Suhail & Co.

S.M. Suhail & Co.
Chartered Accountants

Karachi: August 27, 2008





Balance Sheet As At June 30, 2008

	Note	2008	2007
..... Rs in '000			
ASSETS			
Non - Current Assets			
Property, plant & equipment	4	1,243,886	1,213,848
Intangible assets	5	166	333
Long term deposits	6	18,846	18,846
Total Non - Current Assets		1,262,898	1,233,027
Current Assets			
Stores and spare parts	7	39,789	38,116
Stock-in-trade	8	172,381	344,924
Trade debts - considered good	9	100,585	63,710
Advances	10	92,626	40,192
Trade deposits and prepayments	11	7,718	6,538
Other receivables	12	35,859	31,671
Cash and bank balances	13	61,660	18,860
Total Current Assets		510,618	544,011
TOTAL ASSETS		1,773,516	1,777,038
EQUITY AND LIABILITIES			
Equity			
SHARE CAPITAL AND RESERVES			
Authorized capital	14	500,000	500,000
Issued, subscribed and paid-up capital	14.1	218,873	182,394
General reserves	14.2	40,000	40,000
Un-appropriated profit		192,485	156,790
Surplus on revaluation of property, plant & equipment	15	685,194	689,322
Total Equity		1,136,552	1,068,506
Non Current Liabilities			
Long term sponsors' advances	16	60,260	72,144
Liabilities against assets subject to finance lease	17	13,031	17,110
Deferred liabilities	18	122,069	109,043
Total Non Current Liabilities		195,360	198,297
Current Liabilities			
Trade and other payables	19	389,481	487,387
Current portion of liabilities against assets subject to finance lease		4,079	11,155
Provision for taxation		48,044	11,693
Total Current Liabilities		441,604	510,235
CONTINGENCIES AND COMMITMENTS	20	—	—
TOTAL EQUITY AND LIABILITIES		1,773,516	1,777,038

The annexed accounting policies and explanatory notes from 1 to 37 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR





Profit and Loss Account

For the year ended June 30, 2008

	Note	2008	2007
		Rs '000	
Turnover - net	21	1,024,185	855,660
Cost of sales	22	(811,567)	(701,040)
Gross profit		212,618	154,620
Operating Expenses			
Distribution cost	23	(3,366)	(2,763)
Administrative expenses	24	(33,471)	(28,291)
Total operating expenses		(36,837)	(31,054)
		175,781	123,566
Other operating income	25	1,198	2,505
Other operating charges	26	(11,917)	(6,639)
Total operating profit		165,062	119,432
Finance cost	27	(10,868)	(15,292)
Profit before taxation		154,194	104,140
Taxation	28	(57,344)	(16,656)
Profit after taxation		96,850	87,484
Basic earnings per share	29	4.62	4.17

The annexed accounting policies and explanatory notes from 1 to 37 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR





Cash Flow Statement

For the year ended June 30, 2008

Note	2008	2007
	..... Rs '000	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	154,194	104,140
Adjustment for:		
Depreciation	53,062	37,688
Amortization of intangible assets	167	167
Finance cost	10,868	15,292
Workers' profit participation fund	8,263	5,517
Staff Gratuity	7,865	15,292
Total adjustment	80,225	73,956
Operating profit before working capital changes	234,419	178,096
Changes in working capital		
Increase / (decrease) in current assets		
Stores and spare parts	(1,673)	(5,673)
Stock in trade	172,543	22,002
Trade debts	(36,875)	19,988
Advances, trade deposits, prepayments & other receivables	(35,925)	22,401
Total Increase / (decrease) in current assets	98,070	58,718
Increase / (decrease) in current liabilities		
Trade and other payables	(113,196)	25,900
Cash generated from operations	219,293	262,714
Finance cost paid	(2,061)	(8,244)
Gratuity paid	(1,747)	(308)
Taxes paid	(37,406)	(54,275)
Total	(41,214)	(62,827)
Net cash used from operating activities	178,079	199,888
CASH FLOW FROM INVESTING ACTIVITIES		
Addition to property, plant & equipment	(83,100)	(165,396)
Intangible assets	—	(250)
Net cash used in investing activities	(83,100)	(165,646)
CASH FLOW FROM FINANCING ACTIVITIES		
Payment made for assets subject to finance lease	(11,155)	(9,692)
Sponsors' advances - unsecured	(11,884)	(29,800)
Dividend paid	(29,140)	(23,089)
Net cash used in financing activities	(52,179)	(62,581)
Net increase / (decrease) in cash and cash equivalents	42,800	(28,339)
Cash and cash equivalents at beginning of the year	18,860	47,199
Cash and cash equivalent at end of the year	61,660	18,860

The annexed accounting policies and explanatory notes from 1 to 37 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR





Statement of Changes in Equity

For the year ended June 30, 2008

Particulars	Issued, Subscribed and Paid-up Capital	General Reserve	Accumulated profit / (Loss)	Total
	..... Rs. '000'.....			
Balance as at July 01, 2006	140,303	40,000	138,454	318,757
Bonus shares issued (Note: 14.2)	42,091	—	(42,091)	—
Cash dividend @ Rs. 2/- per share	—	—	(28,061)	(28,061)
Net profit for the year	—	—	87,484	87,484
Transfer from surplus on revaluation of property, plant & equipment-net of tax (Note:15)	—	—	1,004	1,004
Balance as at June 30, 2007	182,394	40,000	156,790	379,184
Bonus shares issued (Note: 14.2)	36,479	—	(36,479)	—
Cash dividend @ Rs. 1/50 per share	—	—	(27,359)	(27,359)
Net profit for the year	—	—	96,850	96,850
Transfer from surplus on revaluation of property, plant & equipment-net of tax (Note:15)	—	—	2,683	2,683
Balance as at June 30, 2008	218,873	40,000	192,485	451,358

The annexed accounting policies and explanatory notes from 1 to 37 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR





Notes to the Accounts

For the year ended June 30, 2008

1. LEGAL STATUS AND NATURE OF BUSINESS

The Company was incorporated in Pakistan as a public company limited by shares. The shares of the Company are quoted on the Karachi and Lahore Stock Exchanges. The principal object and business of the Company is to manufacture and sell seamless steel pipes and tubes (tubular products). The Registered Office of the Company is situated at 207-210, Mashriq Center, Block 14, Gulshan-e-Iqbal, Karachi and Plant of the Company is located at Nooriabad, District Dadu, Sindh.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984; provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of, or directives issued under the Companies Ordinances, 1984 shall prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards those are not yet effective

The following revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards or interpretations.

Standards or interpretations	Effective date (accounting periods beginning on or after)
● IAS-1 (Revised) Presentation of Financial Statements;	January 01, 2009
● IAS-23 (Revised) Borrowing Costs;	January 01, 2009
● IFRS-7 Financial Instruments: (Disclosures)	July 01, 2008

The Company expects that the adoption of the above standards and interpretations will have no material impact on the Company's financial statements in the period of initial application other than certain changes and enhancements in presentation and disclosures.

The other standards, amendments and interpretations effective from the accounting periods beginning on or after July 1, 2008 are not stated here as these are considered not to be relevant or to have any significant effect on the Company's operations.

2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention except that the obligation under employees' benefits are measured at present value and the factory land and building are stated at revalued amount.

2.4 Functional and presentation currency

These financial statements are presented in Pakistani Rupees, which is the Company's functional currency.

2.5 Significant accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards required the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods effected.





Notes to the Accounts

For the year ended June 30, 2008

In the process of applying the accounting policies, management has made the following estimates and judgments, which are significant to the financial statements:

- a) recognition of taxation and deferred taxation. (3.10)
- b) determination of the residual values and useful lives of property, plant and equipment. (3.1)
- c) amortization of intangible assets. (3.3)
- d) adjustment of inventories to their Net Realizable Value. (3.5)
- e) estimation of liability in respect of staff retirement benefits. (3.7)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 PROPERTY, PLANT AND EQUIPMENT AND ITS DEPRECIATION

3.1.1 SELF OWNED

All operating assets are stated at cost or revalued amount less accumulated depreciation except freehold land.

The depreciation has been charged on reducing balance method. Depreciation is charged from the month the assets is available for use, while in case of disposal it is charged upto the month of disposal.

Any surplus arising on revaluation of property, plant and equipment is credited to the surplus on revaluation account. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of property, plant and equipment (net of deferred taxation) is transferred directly to the retained earning (un-appropriated profit).

Maintenance and normal repairs are charged to income as and when incurred. Major renewals, renovations and improvements are capitalized and the assets so replaced, if any, are retired.

Gain and loss on disposal of assets, if any, are included in income currently.

3.1.2 FINANCE LEASE

Assets subject to finance lease are stated at the lower of present value of minimum lease payment under the lease agreements and the fair value of the assets. The related obligations of the lease are accounted for as liabilities. Assets acquired under finance lease are depreciated over the useful life of the assets commencing from the year in which the leased assets are put into operation. Depreciation policy is the same as for owned assets.

3.1.3 OPERATING LEASE

In respect of tangible fixed assets held under operating lease, the annual rentals are charged to income of the year.

3.2 CAPITAL WORK-IN-PROGRESS

Capital work-in-progress is stated at cost less any impairment loss recognized during the year.

3.3 INTANGIBLE ASSETS

Intangible asset is stated at cost and is amortized during its useful period of life.

3.4 STORES AND SPARE PARTS

These are principally valued at moving average cost. Item in transit and in bonded warehouse are valued at cost comprising invoice value and related cost to balance sheet date. Loose tools are charged-off as and when purchased.

3.5 STOCK-IN-TRADE

Stock-in-trade is valued at lower of cost and net realizable value. Cost signifies in relation to:





Notes to the Accounts

For the year ended June 30, 2008

Raw material and components	-	Weighted average cost
Work-in-process		Estimated Cost
Finished goods	-	Lower of cost and NRV
Scrap	-	Estimated cost
Stock-in-transit	-	Invoice value plus other charges thereon

The cost of work-in-process and finished goods comprises direct material, direct labor and applicable production overheads. Cost is determined on weighed average method.

Net realizable value signifies the estimated selling price in the ordinary course of business less cost necessary to make the sale.

3.6 TRADE DEBTS

Known bad debts are written off and provision is made against debts considered doubtful.

3.7 STAFF RETIREMENT BENEFITS

3.7.1 Defined Benefit Plan

The Company operates an unapproved and unfunded gratuity scheme (the plan) covering all its permanent employees. The benefits under the gratuity scheme are payable on retirement or earlier cessation of service in lump sum. The benefit is equal to one month's last salary drawn for each year of eligible service or part thereof, subject to a minimum of one year of service. The actuarial valuation was carried out during the year 2008 by using the 'Projected Unit Credit Method'. Gains and losses on actuarial valuation, if any, are included in income currently.

3.7.2 Compensated Absences

The liability for accumulated compensated absences of employees is recognized in the period in which employees render services that increases their entitlement to future compensated absences.

3.8 TRADE AND OTHER PAYABLES

Liabilities for trade and other payables are recognized and carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

3.9 REVENUE RECOGNITION

Revenue from sale of finished goods is recognized upon passing of title to the customer, which generally coincides with physical delivery and acceptance.

3.10 TAXATION

3.10.1 Current

Provision for current taxation is based on taxable income at the current rates of taxation or based on turnover at the specific rates, whichever is applicable.

3.10.2 Deferred

Deferred tax is recognized using the balance sheet liability method on all major temporary difference between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.





Notes to the Accounts

For the year ended June 30, 2008

The Company also recognizes deferred tax asset / liability on deficit / surplus on revaluation of operating fixed assets which is adjusted against the related deficit / surplus in accordance with the requirements of the International Accounting Standards 12, 'Income Taxes'.

3.11 CASH AND CASH EQUIVALENT

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand, cheques in hand and deposits in banks.

3.12 FOREIGN CURRENCY TRANSLATIONS

Transactions in foreign currencies are initially accounted in Pak Rupees at the foreign exchange rates prevailing on the dates of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing on the balance sheet date except for the liabilities covered under forward exchange contracts, if any, which are translated at contracted rates. Exchange rate differences are taken to the profit or loss account.

3.13 FINANCIAL INSTRUMENTS

All financial assets and liabilities are recognized at the time when Company becomes a party to the contractual provision of the instruments. A financial asset is de-recognized when the Company loses control of its contractual rights that comprise the financial assets. A financial liability is de-recognized when it is extinguished. Any gain or loss on de-recognition of the financial assets or liabilities is taken to profit and loss account currently.

3.14 PROVISIONS

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of past event and it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and reliable estimate can be made to the amount of obligation.

3.15 BORROWING COST

Borrowing costs are charged off to the year in which they are incurred.

3.16 OFF SETTING OF FINANCIAL ASSETS AND LIABILITIES

A financial asset and a financial liability is off set and the net amount is reported in the balance sheet if the company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.17 IMPAIRMENT AND UNCOLLECTIBILITY OF FINANCIAL ASSETS

An assessment is made at each balance sheet date to determine whether there is evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognized for the difference between recoverable amount and the carrying amount.

3.18 RELATED PARTY TRANSACTIONS

All transactions between company and related party are accounted for at arm's length prices determined using 'Comparable Uncontrolled Price Method'.

3.19 DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognized as a liability in the year in which it is approved by the shareholders in the General Meeting.





Notes to the Accounts

For the year ended June 30, 2008

4 PROPERTY, PLANT AND EQUIPMENT

Particulars	C o s t / R e v a l u a t i o n				D e p r e c i a t i o n				Book Value as at June 30, 08	R A T E %
	as at July 01, 07	Addition / (Deletion)	Surplus on revaluation	as at June 30, 08	Accumulated as at July 01, 07	charge for the year	On surplus Written back	Accumulated as at June 30, 08		
.....Rupees in '000.....										
Owned Assets										
Land - lease hold	600,225	—	—	600,225	—	—	—	—	600,225	0
Building - factory	230,922	53,702	—	284,624	1,992	11,779	—	13,771	270,853	5
Building - head office	3,233	—	—	3,233	2,397	84	—	2,481	752	10
Plant & machinery	528,632	59	—	528,691	245,794	28,284	—	274,078	254,613	10
Electric system installation	11,578	345	—	11,923	7,505	410	—	7,915	4,008	10
Furniture & fixtures	1,142	174	—	1,316	919	25	—	944	372	10
Office equipment	2,118	964	—	3,082	1,282	164	—	1,446	1,636	10
Electric & gas appliances	8,753	—	—	8,753	3,261	549	—	3,810	4,943	10
Air conditioners	1,004	—	—	1,004	498	51	—	549	455	10
Drawings & survey equipment	363	—	—	363	329	3	—	332	31	10
Workshops machines	5,612	—	—	5,612	4,305	131	—	4,436	1,176	10
Fabrication plant	919	—	—	919	687	23	—	710	209	10
Factory equipment	22,338	24,640	—	46,978	6,414	2,072	—	8,486	38,492	10
Motor vehicles	28,758	2,320	—	31,078	10,202	3,866	—	14,068	17,010	20
Computer and allied equipment	3,959	896	—	4,855	2,554	378	—	2,932	1,923	20
Security weapons	184	—	—	184	153	3	—	156	28	10
	1,449,740	83,100	—	1,532,840	288,292	47,822	—	336,114	1,196,726	
Leased Assets										
Plant & machinery	53,744	—	—	53,744	1,344	5,240	—	6,584	47,160	10
June 30, 2008	1,503,484	83,100	—	1,586,584	289,636	53,062	—	342,698	1,243,886	
June 30, 2007	607,791	219,156	676,537	1,503,484	266,278	37,688	(14,330)	289,636	1,213,848	

4.1 Depreciation charged

Cost of Sales (Note: 22)
Administrative Expenses (Note: 24)

	2008	2007
	..... Rs '000	
	48,735	35,261
	4,327	2,427
	53,062	37,688

4.2 Revaluation of leasehold land and Factory Building of the company were carried out on June 2007 by M/s. Iqbal A Nanjee & Co., independent professional valuers, on the basis of present market values. The revaluation had resulted in surplus by Rs. 690.867

4.3 Additions during the year includes amount transferred from C.W.I.P - Rs. 68.787 million.

4.4 Had there been no revaluation, the related figures of land and buildings as at June 30, 2008 would have been as follows:

	2008	2007
	..... Rs. in '000	
Land - lease hold	7,797	7,797
Building - factory	178,494	131,709





Notes to the Accounts

For the year ended June 30, 2008

	2008	2007
	..... Rs. in '000	
5 INTANGIBLE ASSETS		
Computer Software	333	500
Less: Amortized during the year	167	167
Closing Balance	<u>166</u>	<u>333</u>
<p>The Company had entered into an agreement with the M/s. Business Concepts (Private) Limited for the development and implementation of comprehensive Enterprise Resource Planning (ERP) software. The cost of the software shall be amortized in three years on the straight line basis upto the year 2009.</p>		
6 LONG TERM DEPOSITS		
Security deposits leasing	13,031	13,031
Security deposits others	5,815	5,815
Total Long Term Deposits	<u>18,846</u>	<u>18,846</u>
7 STORES AND SPARE PARTS		
Stores	37,156	35,802
Spare parts and loose parts	2,633	2,314
Total Stores And Spare Parts	<u>39,789</u>	<u>38,116</u>
8 STOCK-IN-TRADE		
Raw material - in hand	16,201	133,054
Rejection / scrap material	34,049	35,203
Work in process	18,563	58,898
Finished goods	103,568	117,769
Total Stock-In-Trade	<u>172,381</u>	<u>344,924</u>
9 TRADE DEBTS		
Unsecured - Considered good	100,585	63,710
Total Trade Debts	<u>100,585</u>	<u>63,710</u>
9.1	These include an amount of Rs. 31.765 million (2007: Rs. 17.548 million) in respect of receivable from related party.	
9.2	The maximum amount receivable from related party at the end of any month was Rs. 32.205 million (2007: Rs. 20.848 Million).	
10 ADVANCES		
For purchases - considered good		
To suppliers	11,252	3,393
For expenses	2,143	2,188
For letter of credit	32,059	9,142
Income tax	46,482	24,605
Advances to employees	640	864
Advances to others	50	—
Total Advances	<u>92,626</u>	<u>40,192</u>





Notes to the Accounts

For the year ended June 30, 2008

	2008	2007	
	Rs '000		
11 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Deposits	7,226	6,315	
Prepayments	492	223	
Total Trade Deposits and Short Term Prepayments	<u>7,718</u>	<u>6,538</u>	
12 OTHER RECEIVABLES			
Sales tax - refundable	20,761	21,331	
Advance sales tax	6,173	6,173	
Excise duty - refundable	1,437	—	
Margin against guarantee	7,488	4,167	
Total Other Receivables	<u>35,859</u>	<u>31,671</u>	
13 CASH AND BANK BALANCES			
At banks - in current account	61,171	18,456	
At bank - in foreign currency account	489	404	
Total Cash and Bank Balances	<u>61,660</u>	<u>18,860</u>	
14 SHARE CAPITAL			
	(Number of shares)		
	2008	2007	
14.1 AUTHORIZED CAPITAL			
<u>50,000,000</u> <u>50,000,000</u> Ordinary shares of Rs. 10/- each	<u>500,000</u>	<u>500,000</u>	
14.2 ISSUED, SUBSCRIBED AND PAID-UP-CAPITAL			
12,200,278 12,200,278 Ordinary Shares @ Rs. 10/- each	122,003	122,003	
9,687,020 6,039,137 Ordinary Shares @ Rs. 10/- each issued as bonus shares	96,870	60,391	
<u>21,887,298</u> <u>18,239,415</u>	<u>218,873</u>	<u>182,394</u>	

14.3 The above includes shares of a face value of Rs. 69.147 million (2007: Rs. 57.623 million) held by the foreign sponsors of the Company.





Notes to the Accounts

For the year ended June 30, 2008

	2008	2007
	..... Rs '000	
15 SURPLUS ON REVALUATION OF PROPERTY, PLANT & EQUIPMENT		
This represent surplus arising on revaluation of leasehold land and factory building, net of deferred tax thereon.		
Surplus on revaluation of property, plant & equipment	689,322	690,867
Transferred to unappropriated profit:		
– Surplus relating to incremental depreciation charged during the year - net of deferred tax	(2,683)	(1,004)
– Related deferred tax liability	(1,445)	(541)
	(4,128)	(1,545)
	<u>685,194</u>	<u>689,322</u>
16 LONG TERM SPONSERS' ADVANCES - UNSECURED		
Advances from Directors - unsecured	<u>60,260</u>	<u>72,144</u>
This represents unsecured and interest free advance from sponsors for a period exceeding one year.		
17 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Opening balance	28,265	37,957
Repayments during the year	(11,155)	(9,692)
	17,110	28,265
Payable within one year shown under current liabilities	(4,079)	(11,155)
	<u>13,031</u>	<u>17,110</u>
This represents finance lease obtained from financial institution and carry markup of Kibor plus 4%, it ranges from @14.00% to @ 14.38% per anum during the year to finance the assets which are included in the property, plant and equipment. It is secured against 25% deposit amounting to Rs. 13.031 million.		
The amount of future minimum lease payments, together with the present value of the minimum lease payments, and the periods during which they fall due are as follows:		
Not later than one year	4,221	12,596
Later than one year and not later than five years	13,031	17,229
	17,252	29,825
Less: Financial charges allocated to future periods	(142)	(1,560)
Present value of minimum lease payments	17,110	28,265
Less: Current maturity	(4,079)	(11,155)
Total Liabilities Against Assets Subject o Finance Lease	<u>13,031</u>	<u>17,110</u>





Notes to the Accounts

For the year ended June 30, 2008

	2008	2007
	..... Rs '000	
18 DEFERRED LIABILITIES		
Staff gratuity (Note: 18.1)	36,716	30,598
Deferred taxation (Note: 18.2)	85,353	78,445
Total Deferred Liabilities	<u>122,069</u>	<u>109,043</u>
18.1 STAFF GRATUITY		
Defined benefit liability		
Present value of defined benefit obligation	36,656	30,562
Actuarial gain recognized in later periods	60	36
Unrecognized transactional liability (Note: 18.1.1)	—	—
Total Staff Gratuity	<u>36,716</u>	<u>30,598</u>

18.1.1 There are no plan assets as the company operates un - funded gratuity scheme.

Principle Actuarial assumptions

The main assumptions used for actuarial valuation were as follows:

Discount Rate	12%	10%
Salary Inflation Rate	12%	10%
Total expenses recognized		
Current service cost	4,809	2,918
Interest cost	3,056	1,465
Transitional cost	—	10,286
Liability due to IAS 19	—	623
Total Total Expenses Recognized	<u>7,865</u>	<u>15,292</u>

Movement in payable due to defined benefit plan are as follows:

Opening balance	30,598	15,614
Charge for the year	7,865	15,292
Payments made during the year	(1,747)	(307)
Closing balance	<u>36,716</u>	<u>30,598</u>





Notes to the Accounts

For the year ended June 30, 2008

	2008	2007
	..... Rs '000	
18.2 DEFERRED TAXATION		
Deferred tax liability arising due to;		
– accelerated tax depreciation	87,629	80,591
– intangible assets	58	117
– assets subject to finance lease	10,517	8,447
– defined benefit plan's obligation	(12,851)	(10,710)
Total Deferred Taxation	<u>85,353</u>	<u>78,445</u>
19 TRADE AND OTHER PAYABLES		
Creditors	119,554	122,345
Accrued liabilities	10,560	8,613
Tax deducted at source	965	853
Workers' profit participation fund (Note 19.1)	79,980	62,910
Workers' welfare fund	3,474	677
Unclaimed dividend	5,586	7,367
Bills payable	—	129,210
Accrued custom duty	7,049	10,047
Advance from directors	222	10,222
Advance from customers	155,703	130,409
Provision for compensated absences	4,461	3,389
Other liabilities	1,927	1,345
Total Trade and Other Payables	<u>389,481</u>	<u>487,387</u>
19.1 Workers' profit participation fund		
Opening balance	62,910	50,345
Interest on funds utilized in the company's business (Note: 27)	8,807	7,048
	<u>71,717</u>	<u>57,393</u>
Allocation for the year	8,263	5,517
Total Total Trade and Other Payables	<u>79,980</u>	<u>62,910</u>

Payment for prior years' allocation was deferred due to the liquidity problem of the Company. Mark-up is provided as prescribed by Worker's Profit Participation Fund Act 1968. In previous years at the time of payment, workers requested to defer the payment to earn more (riba free) mark-up on their balances.





Notes to the Accounts

For the year ended June 30, 2008

20 CONTINGENCIES AND COMMITMENTS

- a) Guarantees amounting to Rs. 44.156 million (2007: 17.292 million) have been furnished in favor of various parties. Out of which some certain guarantees amounting to Rs. 23.036 million expired and not released till 30 June 2008.
- b) Commitments under letters of credit as at 30 June 2008 amounting to Rs. 280.236 million (2007: 44.167 million).
- c) Rs. 0.612 million (2007 Rs. 0.612 million) representing octroi duty, Rs. 0.720 million (2007 Rs. 0.720 million) representing disputed office rent and Rs. 5.172 million (2007 Rs. 5.172 million) representing sales tax have not been acknowledged by the company as cases are pending in various courts and the management is confident of favorable decisions.
- d) Director of Social Security Institution has raised a demand of Rs. 0.430 million (2007: Rs. 0.430 million) on account of short contribution and penalty thereof. The company has filed an appeal before the Honorable High Court of Sindh pleading against the levy. The matter is pending before the court. A favorable outcome is expected in this regard.
- e) Hyderabad Electricity Supply Company has raised a demand of Rs. 1.140 million (2007: Rs. 1.140 million) as electricity arrears. The company has filed a case before the Honorable High Court of Sindh, Karachi and the management is hopeful for a favorable decision.
- f) Some unrecognized claims on piece of land were filed before the District Court Kotri. These parts of land are in the name and possession of the Company. The management is expecting favorable outcome.
- g) A suit in the High Court was filed by the Company against Securities and Exchange Commission of Pakistan against a Show Cause Notice issued on complaint of a shareholder. The issue is pending and financial impact thereof can not be ascertained.
- h) The Company has entered into a contract for supply of a coating plant. Financing for the plant will be arranged through diminishing Musharikhah Facility of Rs. 200.00 million from Askari Bank Limited.
- i) The management signed an indicative terms and conditions sheet with the Bank Islami Pakistan Limited to avail Musharikhah facility of Rs. 700.00 million to finance the expansion of the Project.
- j) The Company announced 20% right issue of total paid up capital at a premium of Rs. 25/- per share in Board meeting held on February 29, 2008. Last date of subscription of right shares application was decided as July 10, 2008.





Notes to the Accounts

For the year ended June 30, 2008

	2008	2007
	..... Rs '000	
21 TURNOVER - NET		
Local	1,184,837	945,449
Export	—	1,317
	<u>1,184,837</u>	<u>946,766</u>
Less: Sales Tax	(150,410)	(91,106)
Special federal excise duty	(10,242)	—
Total Turnover - Net	<u>1,024,185</u>	<u>855,660</u>
22 COST OF SALES		
Opening stock finished goods	117,769	61,505
Cost of goods manufactured (Note: 22.1)	<u>797,366</u>	<u>757,304</u>
	915,135	818,809
Closing stock finished goods	(103,568)	(117,769)
Total Cost Of Sales	<u>811,567</u>	<u>701,040</u>
22.1 Cost of goods manufactured		
Raw material consumed (Note: 22.1.1)	499,324	491,836
Store and spare parts consumed	18,813	19,163
Furnace oil and chemical consumed	75,040	69,047
Processing expense (outside factory)	41,073	18,181
Power, fuel and water	22,374	21,083
Salaries, wages, allowances and benefits (Note: 22.1.2)	42,883	61,892
Rent, rates and taxes	195	332
Insurance	512	691
Repair and maintenance	1,820	4,996
Carriage and cartage	552	173
Depreciation (Note: 4.1)	48,735	35,261
Others	<u>4,556</u>	<u>7,649</u>
	755,877	730,304
Rejection / scrap material		
Opening	35,203	29,666
Closing	(34,049)	(35,203)
	1,154	(5,537)
Work in process		
Opening	58,898	91,435
Closing	(18,563)	(58,898)
	40,335	32,537
Total Cost of Goods Manufactured	<u>797,366</u>	<u>757,304</u>





Notes to the Accounts

For the year ended June 30, 2008

	2008	2007
	..... Rs '000	
22.1.1 Raw material consumed		
Opening stock	133,054	184,320
Purchases	382,471	440,570
	<u>515,525</u>	<u>624,890</u>
Closing stock	(16,201)	(133,054)
Total Raw Material Consumed	<u>499,324</u>	<u>491,836</u>

22.1.2 Salaries, wages and other benefits include Rs. 6.213 million(2007: Rs. 12.020 million) in respect of staff retirement benefits.

23 DISTRIBUTION COST

Salaries and other benefits (Note: 23.1)	1,823	1,602
Sales promotion and other expenses	352	156
Vehicle running expenses	175	128
Miscellaneous	72	33
Telecommunication and postage	22	16
Traveling and conveyance	360	90
Brokerage & Commission	562	738
Total Distribution Cost	<u>3,366</u>	<u>2,763</u>

23.1 Salaries and other benefits include Rs. 0.157 million (2007: Rs. 0.351 million) in respect of staff retirement benefits.





Notes to the Accounts

For the year ended June 30, 2008

	2008	2007
	..... Rs '000	
24 ADMINISTRATIVE EXPENSES		
Directors' remuneration	6,183	3,426
Salaries and other benefits (Note: 24.1)	8,999	9,656
Rent, rates & taxes	289	331
Vehicle running and maintenance	940	1,112
Printing and stationary	1,028	565
Telephone, telex and postage	1,520	1,429
Repairs and maintenance	127	166
Entertainment	49	8
Travelling and conveyance	3,094	3,494
Utilities	494	525
Fees and subscription	1,355	1,426
Legal and professional	3,794	3,073
Advertisement	126	268
Depreciation on tangible assets (Note: 4.1)	4,327	2,427
Amortization on intangible assets (Note: 5)	167	167
Miscellaneous	979	218
Total Administrative Expenses	33,471	28,291
24.1 Salaries and other benefits includes Rs. 1.494 million (2007: Rs. 2.921 million) in respect of staff retirement benefits.		
25 OTHER OPERATING INCOME		
Exchange gain / (loss)	56	(206)
Scrap sales	1,072	454
Miscellaneous	70	2,257
Total Other Operating Income	1,198	2,505
26 OTHER OPERATING CHARGES		
Auditors' remuneration (Note: 26.1)	857	445
Workers' Profit Participation Fund	8,263	5,517
Workers' Welfare Fund	2,797	677
Total Other Operating Charges	11,917	6,639





Notes to the Accounts

For the year ended June 30, 2008

	2008	2007
	..... Rs '000	
26.1 Auditors' remuneration		
Fee for annual audit	500	175
Half yearly review	85	85
Tax and other services	272	185
Total Auditors' Remuneration	<u>857</u>	<u>445</u>
27 FINANCE COST		
Lease financial charges	1,443	2,903
Interest on Workers' profit participation fund (Note: 19.1)	8,807	7,048
Bank charges	618	5,341
Total Finance Cost	<u>10,868</u>	<u>15,292</u>
28 TAXATION		
Current year	47,961	11,610
Prior year	3,919	3,485
Deferred	5,464	1,561
Total Taxation	<u>57,344</u>	<u>16,656</u>

The Company income tax assessments have been finalized upto assessment year 2007. Provision for the current year has been made in these financial statements on the basis of current year's profits computed under the Income Tax Ordinance 2001, after having comparison with the minimum tax liability on turnover basis.





Notes to the Accounts

For the year ended June 30, 2008

	2008	2007
	..... Rs '000	
28.1 RELATIONSHIP BETWEEN TAX EXPENSES AND ACCOUNTING PROFIT		
Accounting profit before tax	<u>154,194</u>	<u>104,140</u>
Tax rate	35%	35%
Tax on accounting profit	53,968	36,449
Tax effect of the expenses that are admissible in determining taxable profits	<u>(6,007)</u>	<u>(24,839)</u>
	47,961	11,610
Tax effects of prior year	3,919	3,485
Tax effects of temporary differences	<u>5,464</u>	<u>1,561</u>
Total Relationship Between Tax Expenses	<u><u>57,344</u></u>	<u><u>16,656</u></u>

29 BASIC EARNINGS PER SHARE

There is no dilutive effect on the basic earning per share on the Company, which is based on :

Profit after taxation for the year	96,850	87,484
Weighted average number of Ordinary Shares in '000'	20,975	20,975
Basic earnings per share (Note: 29.1)	<u><u>4.62</u></u>	<u><u>4.17</u></u>

29.1 Basic earnings per share (restated for the year ended June 30, 2007).

30 REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVE

	Chief Executive		Director		Executive	
	2008	2007	2008	2007	2008	2007
	.....Rupees in '000.....					
Fees	—	—	135	77	—	—
Managerial remuneration	2,964	1,608	465	155	648	534
House rent	1,334	724	209	105	291	240
Utilities	296	161	46	23	65	53
Gratuity	458	275	60	39	85	69
Bonus	177	—	39	—	55	45
Tax liability borne by the company	—	259	—	—	—	—
	<u>5,229</u>	<u>3,027</u>	<u>954</u>	<u>399</u>	<u>1,144</u>	<u>941</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>





Notes to the Accounts

For the year ended June 30, 2008

- 30.1** In addition to the above, the Chief Executive, Director, Executive, and certain other employees are provided with free use of company maintained vehicles in accordance with the company's policy.
- 30.2** The amount paid to directors in respect of attending the Board of Directors' meetings during the year was Rs.135,000 (2007: 77,000).

31 CAPACITY AND PRODUCTION

	2008		2007	
	Capacity	Production	Capacity	Production
Seamless Tubular Products	32,000	13,100	32,000	14,529
Special precision shafting	30,000	—	30,000	—
Machinery & Machinery components	3,500	480	3,500	436

The production of special precision shafting was discontinued due to limited market and losses which was diluting the profitability of seamless tubular products.

The reason for low production is supply of pipe of small diameter which requires more time to produce rather than bigger diameter pipes.

The company is in process of enhancing the range of its product and producing pipe of the bigger diameters.

To achieve the required range of products, Company is making considerable investments in plant and machinery and allied assets.

The capacity of seamless tubular products and special precision is interchangeable but a separate capacity has been reflected above.

32 TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties and associated undertakings, other than remuneration and benefits to key management personnel under the terms of their employment are as under:

	2008	2007
	Rs '000	
Sale-net of finished goods during the year	121,243	95,750
Repayment of Sponsor's Advance	13,284	29,800

The Company continues to have a policy whereby all transactions with related parties and associated undertakings are entered into at commercial term and conditions.





Notes to the Accounts

For the year ended June 30, 2008

33 Financial Assets and Liabilities

	2008						
	Interest/mark-up bearing			Non-Interest/mark-up bearing			Total
	Maturity upto one year	Maturing after one year	Sub Total	Maturity upto one year	Maturing after one year	Sub Total	
	Rs. '000'						
Financial Assets							
Long term deposits	—	—	—	—	18,846	18,846	18,846
Trade debts - considered good	—	—	—	100,585	—	100,585	100,585
Trade deposits	—	—	—	7,226	—	7,226	7,226
Other receivables	—	—	—	7,488	—	7,488	7,488
Cash and bank balances	—	—	—	61,660	—	61,660	61,660
	—	—	—	176,959	18,846	195,805	195,805
Financial Liabilities							
Long term sponsors' advances	—	—	—	(60,260)	—	(60,260)	(60,260)
Liabilities against assets subject to finance lease	(4,079)	(13,031)	(17,110)	—	—	—	17,110
Trade and other payables	—	—	—	135,922	—	135,922	135,922
	4,079	13,031	17,110	196,182	—	196,182	213,292
On balance sheet gap	(4,079)	(13,031)	(17,110)	(19,223)	18,846	(377)	(17,487)
Off Balance Sheet Items							
Letter of credit	—	—	—	280,236	—	280,236	280,236
Letter of guarantee	—	—	—	33,412	—	33,412	33,412
Contracts for capital expenditure	—	—	—	—	900,000	900,000	900,000
Right Shares:							
63% of total amount of right shares application received with premium but maturity not made till June 30 2008.	—	—	—	96,590	—	96,590	96,590
37% of total amount of right shares application to be received with premium after June 30 2008.	—	—	—	56,621	—	56,621	56,621
Total right shares offered (20% of total paid up capital) in February 29, 2008 in Board Meeting.	—	—	—	153,211	—	153,211	153,211
	—	—	—	466,859	900,000	1,366,859	1,366,859





Notes to the Accounts

For the year ended June 30, 2008

	2007						
	Interest/mark-up bearing			Non-Interest/mark-up bearing			Total
	Maturity upto one year	Maturing after one year	Sub Total	Maturity upto one year	Maturing after one year	Sub Total	
	Rs. '000'						
Financial Assets							
Long term deposits	—	—	—	—	18,846	18,846	18,846
Trade debts - considered good	—	—	—	63,710	—	63,710	63,710
Trade deposits	—	—	—	6,315	—	6,315	6,315
Other receivables	—	—	—	4,167	—	4,167	4,167
Cash and bank balances	—	—	—	18,860	—	18,860	18,860
	—	—	—	93,052	18,846	111,898	111,898
Financial Liabilities							
Long term sponsors' advances	—	—	—	72,144	—	72,144	72,144
Liabilities against assets subject to finance lease	11,155	17,110	28,265	—	—	—	28,265
Trade and other payables	—	—	—	277,757	—	277,757	277,757
	11,155	17,110	28,265	349,901	—	349,901	378,166
On balance sheet gap	(11,155)	(17,110)	(28,265)	(256,849)	18,846	(238,003)	(266,268)
Off Balance Sheet Items							
Letter of credit	—	—	—	44,167	—	44,167	44,167
Letter of guarantee	—	—	—	17,292	—	17,292	17,292
	—	—	—	61,459	—	61,459	61,459

33.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will effect the value of financial instruments. The Company is not exposed to any interest rate risk. The rate of financing and their maturity period has been disclosed in the relevant notes.

33.2 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and caused the other party to incur financial loss without taking into account the fair value of any collateral. The Company attempts to control credit risks by monitoring credit exposures, limiting transactions with specific counter parties and continuously assessing the credit worthiness of counter parties.





Notes to the Accounts

For the year ended June 30, 2008

Out of the total financial assets of Rs. 195.805 million (2007: Rs. 111.898 million), the financial assets are subject to credit risk amounted to Rs. 134.145 million (2007: Rs. 93.038 million).

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 ability to meet contractual obligations to be similarly effected by changes in economic, political or other conditions. Concentration of credit risk indicate the relative sensitivity of the Company's performance for developments effecting a particular industry.

The Company is mainly exposed to credit risk on deposits, trade debtors, advances to suppliers and other receivables. The Company seeks to minimize the credit risk exposure through having exposure only to customers considered credit worthy and obtaining securities where applicable. There were no trade debtors constituting major credit risk that remained uncovered subsequently.

33.3 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with the financial instruments. To guard against the risk, the Company has diversified funding sources and the assets are managed with liquidity in mind. The maturity profiles is monitored to ensure that adequate liquidity is maintained.

33.4 Foreign exchange risk management

Foreign currency risk is the risk that the value of a financial asset or a liability will fluctuate due to change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered in foreign currencies. In appropriate cases, the management takes out forward foreign exchange contracts to mitigate the risk. Financial liabilities includes Rs. nil (2007: Rs. 129 million) which are subject to the foreign currency risk exposure.

33.5 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction.

As at June 30, 2008 the carrying value of all financial instruments reflected in the financial statements approximates their fair value.

33.6 Non-adjusting event after the balance sheet date

The Board of Directors of the Company in their meeting held on 27th August, 2008 has proposed bonus shares issue at 30% (2007: cash dividend Rs.1.5 per share and bonus shares issue at 20%). The financial statements for the year ended June 30, 2008 do not include the effect of this proposal which will be accounted for subsequent to the year end.





Notes to the Accounts

For the year ended June 30, 2008

34 NUMBER OF EMPLOYEES

Number of permanent employees as at June 30, 2008 was 233 (2007: 201)

35 DATE OF AUTHORIZATION FOR ISSUE

These financial statements has been authorized for issue on August 27, 2008 by the Board of Directors of Company.

36 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison are as follows:

- 36.1 EPS and weighted average number of shares for the prior year have been restated consequent to the issue of bonus shares during the current year.
- 36.2 The amount paid to directors in respect of attending the Board of Directors' meetings was included last year in managerial remuneration which is separately disclosed as fee in chief executive, directors and executive remuneration.
- 36.3 In contingencies and commitments regarding to Electricity Arrears of Hyderabad Electric Supply Company for the prior year have been restated consequent to the wrong figure taken in prior years amounting to Rs. 2.280 million instead of 1.140 million which is corrected in the current year.
- 36.4 In Current Assets, "the stores and spare parts"; that were erroneously grouped in prior year with the name of "Stores, spare parts and loose tools", are corrected in current year for better presentation.
- 36.5 During last year one bonus share was shown excess due to rounding off process in the printed accounts is restated during the year.

37 GENERAL

Figures have been rounded off to the nearest thousand of rupee unless otherwise stated.

CHIEF EXECUTIVE

DIRECTOR





Pattern of Shareholding

As at June 30, 2008

No. of Shareholder	Having Shares		Shares Held	Percentage (%)
	From	To		
276	1	100	12,739	0.058
467	101	500	108,333	0.495
156	501	1000	117,754	0.538
221	1001	5000	515,121	2.354
57	5001	10000	429,049	1.960
25	10001	15000	311,687	1.424
21	15001	20000	371,535	1.697
6	20001	25000	138,396	0.632
6	25001	30000	170,204	0.778
5	30001	35000	164,964	0.754
6	35001	40000	224,982	1.028
5	40001	45000	213,231	0.974
2	45001	50000	97,336	0.445
3	50001	55000	159,377	0.728
0	55001	60000	—	—
2	60001	65000	126,290	0.577
8	65001	70000	537,048	2.454
3	70001	75000	219,594	1.003
6	75001	80000	472,916	2.161
4	80001	85000	331,646	1.515
4	85001	90000	358,800	1.639
1	90001	100000	95,978	0.439
2	100001	105000	203,306	0.929
0	105001	125000	—	—
3	125001	130000	384,810	1.758
14	130001	140000	1,895,318	8.659
0	140001	145000	—	—
2	145001	150000	299,483	1.368
1	150001	155000	153,620	0.702
3	155001	160000	476,736	2.178
0	160001	165000	—	—
0	165001	170000	—	—
2	170001	175000	346,240	1.582
0	175001	185000	—	—
0	185001	190000	—	—
1	190001	210000	197,308	0.901
0	210001	215000	—	—
0	215001	225000	—	—
1	225001	230000	226,447	1.035
0	230001	245000	—	—
1	245001	250000	248,500	1.135
0	250001	260000	—	—
0	260001	265000	—	—
4	265001	300000	1,141,779	5.217
0	300001	310000	—	—
1	310001	315000	311,158	1.422
4	315001	390000	1,412,444	6.453
1	390001	395000	394,680	1.803
0	395001	400000	—	—
4	400001	485000	1,699,515	7.765
0	485001	490000	—	—
6	490001	760000	3,712,154	16.960
0	760001	765000	—	—
2	765001	1000000	1,819,818	8.314
1	1000001	2000000	1,787,002	8.165
1337			21,887,298	100.000





Categories of Shareholders

As at June 30, 2008

	No of Shares	Percent of Shareholding
Directors, CEO and their Spouses and Minor Children		
Hafiz Abdul Majid	1,787,002.00	8.165
Hafiz Abdul Waheed & his Spouse	1,392,261.00	6.361
Hafiz Abdul Sami	307,706.00	1.406
Mrs. Farida Majid	718,980.00	3.285
Hafiz Abdul Haseeb	459,091.00	2.098
Hafiz Abdul Aleem	324,714.00	1.484
Mr. Muhammad Hafiz	226,447.00	1.035
Mr. Arshad Ahmed & his Spouse	1,047,316.00	4.785
Mr. Aamir Amin (Representative of NIT)	—	—
Executives		
	—	—
Associated Companies		
	—	—
	6,263,517.00	28.617
Financial Institutions		
IDBP (ICP UNIT)	3,567.00	0.016
National Bank of Pakistan (Trustee NIT)	1,091,038.00	4.985
Insurance Companies		
Pakistan Reinsurance Company Limited	100,152.00	0.458
General Public	14,429,024.00	65.924
Total Paid up Capital (in Shares)	<u>21,887,298.00</u>	<u>100.000</u>

Trade in shares by Directors, CEO, Company Secretary, CFO and Their Spouses and minor children.

No trading of the Company's shares was carried out by its Directors, Chief Executive, Company Secretary, Chief Financial Officer and their spouses and minor children.





Proxy Form

25th Annual General Meeting

Folio No.
CDC ID No.
Sub A/C No.
Shares held
CNIC No.
Passport No. (in case of Foreigner)

I/We.....of
 (full address) being a member / members of Huffaz Seamless Pipe Industries Ltd., hereby appoint
 (Name).....
 of(full address) who is
 also a member of this Company as may / our Proxy to attend and vote for me / us and on my / our behalf at 25th Annual General Meeting of the Company to be held on Friday, October 17, 2008 at 1630 hours at JUNAGARH LAWN Opp. Mashriq Centre, Block-17, Gulsan-e-Iqbal, Karachi-75300 and any adjournment thereof.

Signature of Proxy

Proxy's:

Folio Number

CDC Participant ID No.

Sub-Account Number

CNIC Number

Passport Number

(in case of foreigner)

(Signature appended above should agree with the specimen signatures registered with the Company)

Please affix
Revenue Stamp
of Rs. 5/-

Signature.....

of Shareholder

1) Witness Signature

Name:

CNIC No.

Passport No.

(in case of foreigner)

Address

2) Witness: Signature

Name:

CNIC No.

Passport No.

Address

NOTE:

- (1) A member entitled to attend and vote at the Meeting is entitled to appoint another member as his/her proxy to attend and vote instead of him/her at the meeting.
- (2) The instrument appointing a proxy should be signed by the member(s) or, in case of corporate entity to attend attorney duly authorized in writing. If the member is a corporation, its common seal must be affixed on the instrument.
- (3) CDC Shareholders are requested to bring with them their Commuterised National Identity Cards along-with the participants' ID number and their accounts numbers at the time of attending the 25th Annual General Meeting in order to facilitate identification of the respective shareholders.
- (4) The instrument appointing a proxy, together with Power of Attorney, in case of corporate entity, if any, under which it is signed or notarially certified copy thereof, must be deposited at the Company's registered officer not later than 48 hours before the time of holding the meeting.
- (5) In case of Poser of Attorney from a member, same of should also meet and comply with all the conditions relating to proxy, including the deposit of the original Power of Attorney with the Company.
- (6) In the absence of CNIC, the receipt of CNIC application with NADRA alongwith old/expired NIC/CNIC, will also be acceptable wherever the CNIC is required.





**AFFIX
CORRECT
POSTAGE**

The Company Secretary,
Huffaz Seamless Pipe Industries Limited
207-210, Second Floor, Mashriq Centre,
Block-14, Gulshan-e-Iqbal, Karachi-75300.
www.huffaz.com.pk





Huffaz Seamless Pipe Industries Limited

Registered Office:

207-210, Second Floor, Mashriq Centre,
Block -14, Gulshan-e-Iqbal, Karachi.

Factory:

90 KM Super Highway,
Nooriabad Industrial Estate,
District Dadu, Sind.

Website: www.huffaz.com.pk