

# Annual Report 2011

Huffaz
Seamless Pipe Industries Limited

*Commitment Towards Quality!*

Annual Report 2011

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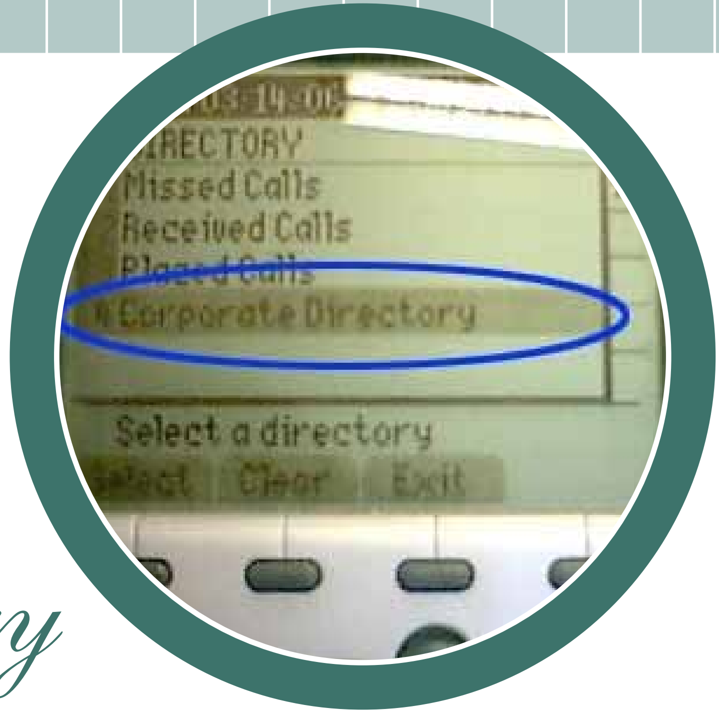
# Corporate Directory




### Chairman:
Mr. Yousuf Mohamed Y. Najibi

### Chief Executive:
Mr. Hafiz Abdul Majid

### Executive Director:
Mr. Hafiz Abdul Haseeb

### Board of Directors:
Mr. Yousuf Mohamed Y.Najibi (UAE)
Mr. Nabil Abdul Rahman Ahmad Arif (UAE)
Mr. Abdul Aziz Eshaq A.Rahman (UAE)
Mr. Muhammad Hafiz (UK)
Mr. Arshad Ahmed (UK)
Mr. Hafiz Abdul Waheed
Mr. Hafiz Abdul Sami
Mr. Hafiz Abdul Aleem
Mr. Hafiz Abdul Majid
Mr. Hafiz Abdul Haseeb

### CFO & Company Secretary:
Mr. Syed Zakir Ali, FCA., FCMA

### Audit Committee:
Mr. Arshad Ahmed (UK)
Mr. Muhammad Hafiz (UK)
Mr. Hafiz Abdul Sami
Mr. Hafiz Abdul Haseeb

### Auditors:
M/s. S. M. Suhail & Co.
M/s. KPMG Taseer Hadi & Co.

### Legal Advisor:
M/s. Arfin & Co., Advocate,
907 Saima Trade Center - A,
I.I. Chundrigar Road, Karachi.

### Registrar:
M/s. Gangjees Registrar Services (Pvt) Limited,
516 Clifton Centre, Khayaban-e-Romi,
Block 5, Karachi.

### Bankers:
Allied Bank Ltd.
Askari Bank Ltd.
Bank Alflah Ltd.
Barclay Bank Ltd.
Faisal Bank Ltd.
Habib Bank Ltd.
MCB Bank Ltd.
Meezan Bank Ltd.
National Bank of Pakistan
Soneri Bank Ltd.

### Registered Office:
207-210 Second Floor, Mashriq Centre,
Block 14, Gulshan-e-Iqbal, Karachi.
Tel: (92-21) 34146241-3

### Factory:
90 KM Super High Way, 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.

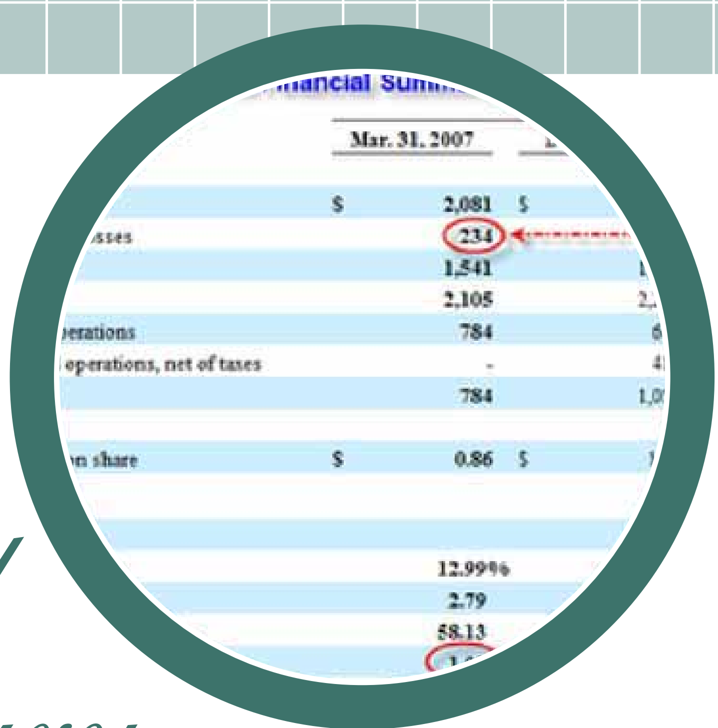
To introduce and adopt best practices within the company to achieve its objectives.

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

| | 2011<br>Rs. in '000 | 2010<br>Rs. in '000<br>(Restated) |
|---|---|---|
| Gross Sales | **1,666,192** | 1,482,041 |
| Net Sales | **1,455,071** | 1,285,301 |
| (Loss)/Profit Before Taxation | **(38,466)** | 211,153 |
| Taxation | **19,966** | (81,877) |
| (Loss)/Profit after Taxation | **(18,500)** | 129,276 |
| Shareholders' Equity | **989,705** | 888,218 |
| Total Assets | **6,193,234** | 6,209,014 |
| Capital Expenditures | **324,038** | 334,222 |
| (Loss)/Earning Per Share (Rupees) | **(0.33)** | 2.33 |
| Number of Employees (Nos.) | **245** | 232 |
| Production Volume (M.Tons) | | |
| Seamless Tubular Products | **13,456** | 11,288 |
| Machinery and its Components | **463** | 513 |

# 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, PED 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

Casing & Tubing

Line Pipes with 3 layer Polythene/Polypropylene & Fusion Bonded Epoxy coated 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 per annum in M.Tons**

- Seamless Tubular Products : 32,000
- Machinery & Machinery components : 3,500
- Coating of Seamless Tubular Products : 50,000

# 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 end (squares cut or bevelled), Threaded and Coupled.

## Test Performed:

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

Other as required by the standard or customer.

## Mill Test Certificate:

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

## Marking:

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:

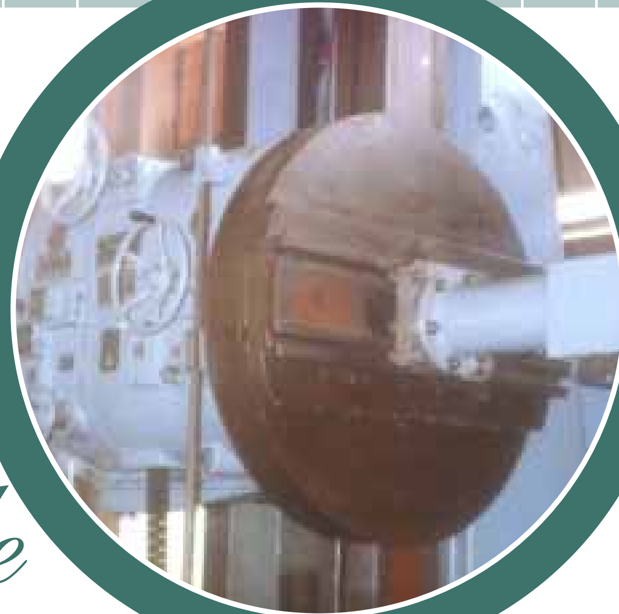
In bundles, special packing upon request.

## 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, the 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 Spocket, 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 Certifications

ISO 9001 : 2000, ISO 14001 : 2004,
OHSAS 18001 : 1999, API-5L-0375,
API 5CT-0586, PED AND INVESTOR IN PEOPLE (IIP).
certifications 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 Industries Limited (HSPI)** as a manufacturer of high quality seamless tubular products and special precision shafting, recognize the importance of codifying the ethical principles, which guide the Directors, Executives, Managers and other employees of the Company. HSPI Code of Ethics states the values to which we are committed and embodies the ethical responsibilities of the plant operations in this changing environment. HSPI team's humility, honesty, transparency and flexibility coupled with their attention to details and obsession with quality and growth will assure Company's ascendancy to the enviable rank of the large and most trusted seamless tubular products manufacturer in the region.

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.

### Law and Regulation

HSPI complies with all laws and regulations. All directors and 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 and directors expected to seek advice. The Company believes in fair competition and supports appropriate competition laws.

### Politics

HSPI does not support any political party nor contributes to the funds of groups whose activities promote party interests.

### Quality Services

HSPI 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 organization, 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 based upon merit and excellence oriented. It recruits people who share HSPI's vision and values and develop them to reach their highest potential through continuous training, skills development and empowerment. It believes in providing its employees 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 or gain. Any conflict of interests should be avoided and if 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 organization effectiveness for the achievement of the Company goals.
- Encourage and support compliance with legal and industry requirement.
- Support collective decision at board meetings and general body meetings.

**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 initiative 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 practice in daily activities
- Strive for excellence and quality as a way of life.

# Notice of Annual General Meeting

Notice is hereby given to the Members that the 28th Annual General Meeting of Company will be held on Monday, October 31, 2011 at 04:30 p.m. at CIVIC LAWN A, Opposite. Mashriq Centre, Block-17, Gulsan-e-Iqbal, Karachi-75300 to transact the following business:-

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2011 and the Reports of the Directors' and Auditors' thereon.

2. To appoint Auditors for the year ending June 30, 2012 and fix their remuneration.

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

By order of the Board

Karachi
October 09, 2011

**(Syed Zakir Ali)**
***Company Secretary***

## NOTE:

(i) The share transfer books of the company will remain closed from October 21, 2011 to October 31, 2011 (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 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 submit declaration for Zakat on the required format and to advise change in address, if any.

(vi) Members are requested not to bring children along-with them, as children will not be allowed in the meeting.

# Directors' Report to the Members

***Assalam-O-Alaikum Wa Rahmatullah Wa Barakatahu***

The Board of Directors of Huffaz Seamless Pipe Industries Limited take pleasure in presenting the 28th Annual Report of the Company together with the annual audited financial statements and Auditors' Report thereon for the year ended 30th June, 2011.

**Overview of Economy**

As a whole, 2011 was one of the worst years in economic history of Pakistan. The poor performance of the economy in year 2011 was caused by floods in summer and relatively poor economic and financial management. The recent floods also played havoc with infrastructure and agriculture. Pakistan needs billions of rupees for the rehabilitation of affected people and for the reconstruction of infrastructure but government is handicapped owing to the shortage of funding.

Corporate earnings however have remained good in this year and the outlook for the future will remain optimistic as long as the main objective of government policies is to raise the standard of living and improve the socioeconomic conditions of the people and thus reduce the incidence of poverty, to control inflation, reduce the level of unemployment, sustain high level of GDP, and ensure a higher level of transparency through good governance.

**Sales, Marketing**

Even though the entire world is facing adverse economic condition, the turnover of the Company increased from Rs. 1.285 billion to Rs. 1.455 billion. This is an increase of 13.23% over the turnover of last year. This is no doubt an achievement in adverse global economy. It is trust of our customers which is due to our quality of products and customer services which we are continuously trying to improve.

During the year the Company made exports of Rs. 253.322 million. In last year it was only Rs. 33.173 million. This is around seven times higher than the export made last year. The exports were made to United States, Canada, Afghanistan and Middle East.

**Production**

The production of seamless tubular products during the year was 13,456 Metric Tons as compared to 11,288 Metric Tons in last year, which is an increase of 19.20% over last year.

**Review of Operating Results**

The International Accounting Standard 16 (Property, Plant and Equipment) requires an enterprise to carry out a review of residual values of assets, useful lives and depreciation method at the end of each financial year. Accordingly the management of the Company has carried out a review of the residual values of operating fixed assets during the year and has decided to revise its estimates in respect of residual values of Plant and Machinery. The installed Plant and Machinery was physically inspected and valued by M/s. Harvester Services (Pvt) Limited, approved valuation consultants of State Bank of Pakistan. The resulting surplus on revaluation has been incorporated in the books of accounts.

This revaluation was also the requirement of our bankers and other market forces interested to finance our new projects, that factual position should be reflected in the books of accounts.

Due to change in the carrying amount of the assets due to valuation, the cost of depreciation increased from Rs. 72.951 million to Rs. 391.478 million, resulting in additional expense of Rs 312.635 million. Even then, the company's financial results were profitable enough to absorb this gigantic hit and the net loss remains restricted to merely Rs 18.5 million. However the cash profit as per cash flow of the Company is Rs. 436.031 million as compared to Rs. 238.921 million in last year, which is an increase of 82.50%.

**Earning per share**

The loss per share for the year was Rs. 0.33 per share. In the year 2010, the earning per share was Rs. 2.33 per share.

**Remuneration to the directors**

Non-executive directors were paid the meeting fees as permitted in article of association of the Company. Executive Directors were paid as approved by the board of the directors and the detail of remuneration is available in notes to the accounts.

**Capital investment:**

During the year the Company incurred Rs. 324.159 million as Capital Expenditures. This includes import of auxiliary equipments and construction of buildings for Coating Plant. On our numerous requests and confirmation of security of the Chinese engineers, the supplier of Coating Plant sent Technical team by end of March, 2011 to commission the Coating Plant. Now the Coating Plant is completely installed and it is trial run by the Chinese in the month of June, 2011.

**Issuance of cash dividend**

Directors of the Company observed that issuance of bonus shares were diluting the value of the shares in the market. Hence 15% cash dividend was declared on close of half yearly accounts. Although due to international financial problems, Company is also facing financial difficulties, even though the directors decided to issue cash dividend instead of bonus shares.

**Accounting standards**

The Company 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. Alhamdolillah the management tries its best to meet all the cash-flow out of operational in flows and therefore, the Company have not availed any funding facility except for Coating Plant Equipment and Pre-engineered steel structure for Coating Plant acquired through Diminishing Musharikah Financing and Lease Financing respectively.

**Technology Advancements**

The management appreciates the impact of information technology resources on the business management. The Company is in the process of implementing an ERP Solution to bring its systems and processes up to the standard of the international level of integration and efficiency.

New Board of Directors is keen for the maximum participation of its members in the business of the Company and suggested for arrangement of Video Conferencing. The Company hired the services of M/s. Universal Communication System (Pvt) Limited and they installed the Video Conferencing Equipments at Karachi and

Dubai. The installation of equipments at London and Lahore is in progress. All the Board meetings during the period were held through Video Conferencing.

**Statement of Internal Controls**

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievements of the Company's policies, aims and objectives to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. Management assumes the responsibility of establishing and maintaining adequate Internal Controls and Procedures while the Board of Directors is ultimately responsible for the internal control system. In this connection the Company has documented procedures and manuals, which incorporates the internal controls applicable while conducting any transactions. These procedures are revised and updated as and when required.

The Board of Directors appointed M/s. Mustafa Ahmed & Company, Chartered Accountants, having vast experience of audit and consultancy, to enrich the functions of internal control and confirm their independence.

The system of internal control is designed to manage (rather than to eliminate) the risk of failure to achieve the organization's policies, aims and objectives. It can, therefore, only provide reasonable and no absolute assurance against material misstatements or loss. The system of internal controls being following by the Company is considered adequate and sound in design and is being effectively implemented and monitored.

**Risk Management Framework**

All Company activities involve combination of risks. The most important risk categories that the Company is exposed to are liquidity risk, market risk and operation risk. A well established risk governance for the effective management of risk at all levels has been developed. It is the responsibility of all Company officers to identify, assess, mitigate and manage risk within the scope of their assigned responsibilities.

**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 the Company's 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, PED Germany 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 focussed 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.

**Corporate Social Responsibility**

The 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 external auditors M/s. S.M. Suhail & Co., Chartered Accountants and M/s. KPMG Taseer Hadi & Co., Chartered Accountants, have retired and offered themselves for reappointment.

**Corporate and Financial Reporting Framework**

Management of the Company is committed to good corporate governance and complying with the requirements of the best practices of the Code of Corporate Governance as required by Securities and Exchange Commission of Pakistan (SECP). The Board acknowledges its responsibility in respect of the Corporate and Financial Reporting framework and thus states that:

- The financial statements prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design. The process of monitoring internal controls will continue as an ongoing process with the objective to further strengthen the controls and bring improvements in the system.
- There are no doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in Listing Regulations.
- The summary of key operating and financial data of the Company for the last ten years is annexed to this report.
- Information about taxes and levies is given in the notes to the accounts.
- The value of non funded staff gratuity at close of the year was Rs. 60.316 million.
- During the year under review five meetings of the Board of Directors were held. Attendance by each director was as follows:

| Name of Directors | Meetings held | Meetings attended |
|---|---|---|
| Mr. Yousuf Mohamed Y.Najibi (UAE) | 05 | 03 |
| Mr. Nabil Abdul Rahman Ahmad Arif (UAE) | 05 | 02 |
| Mr. Abdul Aziz Eshaq A.Rahman (UAE) | 05 | 02 |
| Mr. Muhammad Hafiz (UK) | 05 | 03 |
| Mr. Arshad Ahmed (UK) | 05 | 03 |
| Hafiz Abdul Waheed | 05 | 04 |
| Hafiz Abdul Sami | 05 | 04 |
| Hafiz Abdul Aleem | 05 | 03 |
| Hafiz Abdul Majid | 05 | 05 |
| Hafiz Abdul Haseeb | 05 | 05 |

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

# Directors' Report to the Members

**Pattern of Shareholding**

A statement of the pattern of shareholding of certain classes of shareholders as at June 30, 2011, 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, except as disclosed in the pattern of shareholding.

**Future Outlook and Challenges**

We have an optimistic outlook for the financial year ending June 2012. 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's management is making all out efforts to improve the capacity utilization of its existing operations. We are also laying emphasis on our internal operational efficiencies by rationalization of the processes for improved quality, making all out efforts to acquire the material at competitive price and reduce the cost of doing business.

**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 base for the Company. On behalf of the Directors we are pleased to record our appreciation.

On behalf of the Board of Directors

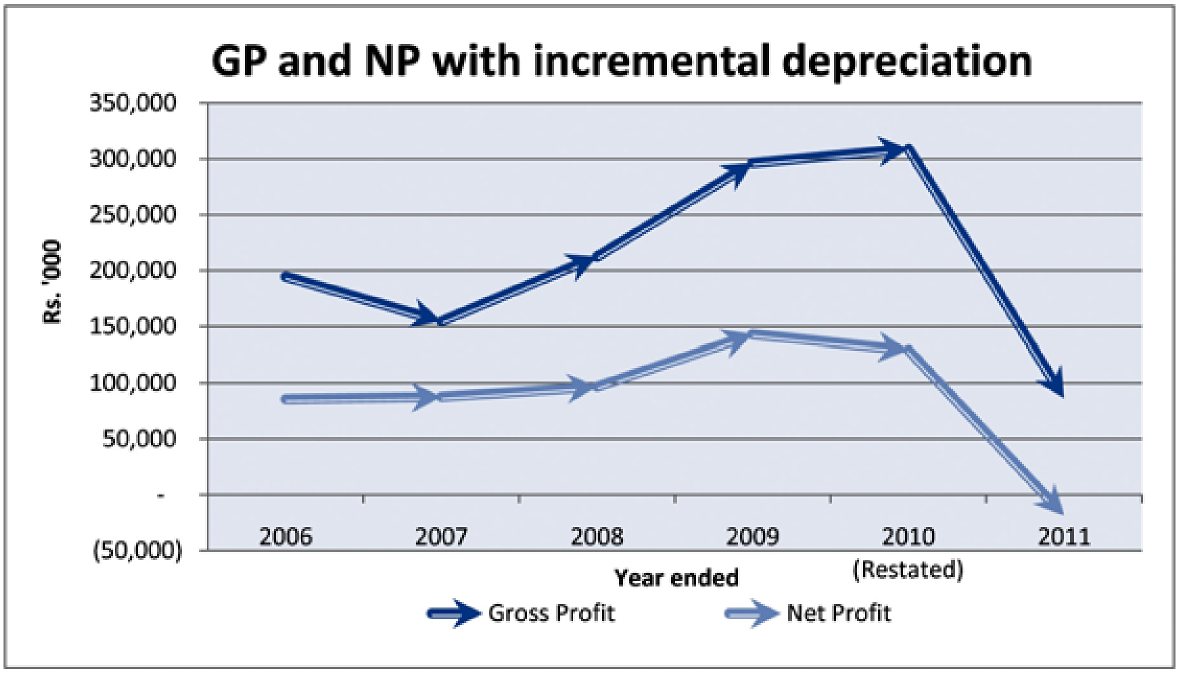
**Hafiz Abdul Majid**
Chief Executive

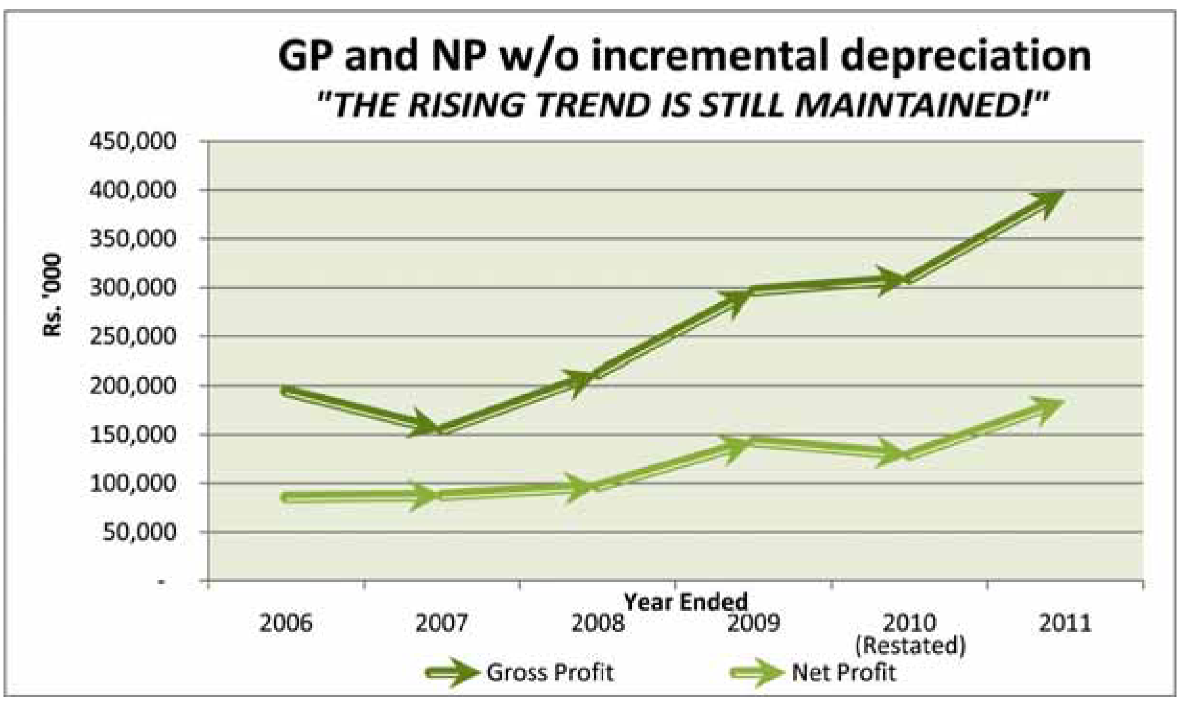
Karachi, October 09, 2011

# Decade at a Glance

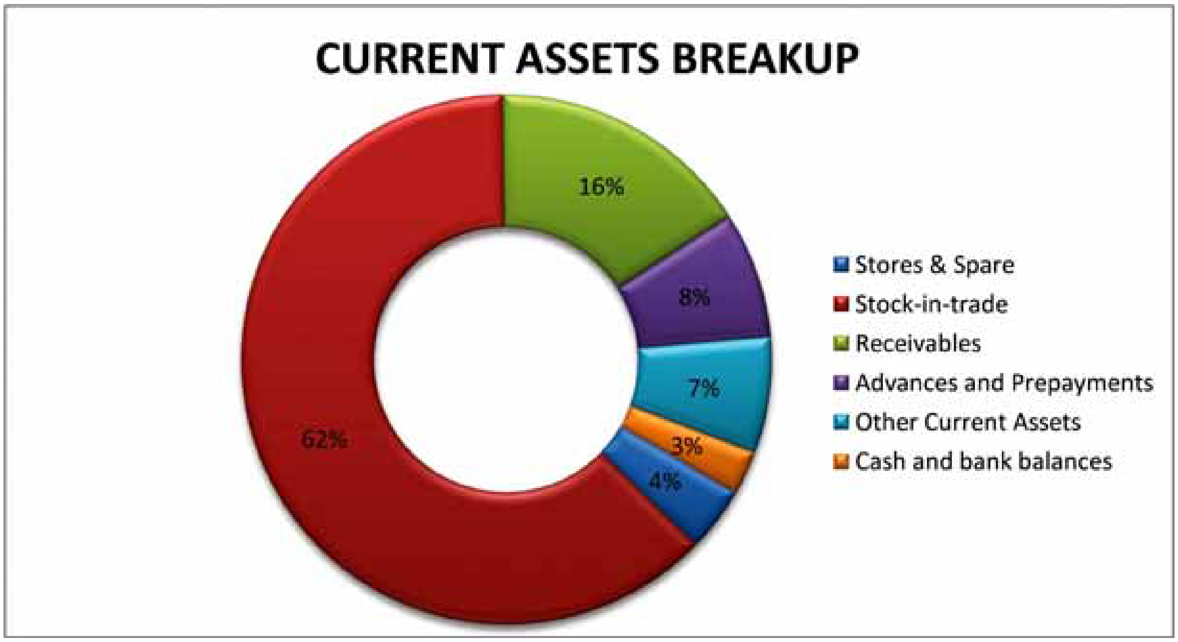
| | Product: Seamless Steel Pipes and Tubes<br>Location of H/O: Karachi<br>Location of Plant Nooriabad<br>CEO: Hafiz Abdul Majid | Year Ended<br>June 30, 2011 | June 30, 2010 Restated | June 30, 2009 Restated | June 30, 2008 | June 30, 2007 | June 30, 2006 | June 30, 2005 | June 30, 2004 | June 30, 2003 | June 30, 2002 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | ......Rs. '000'...... | | | | | | | | | |
| Balance sheet data | Cash | 31,601 | 31,797 | 12,231 | 61,660 | 18,860 | 47,199 | 5,796 | 6,956 | 10,834 | 15,029 |
| | Receivables | 191,980 | 96,457 | 128,827 | 100,585 | 63,710 | 83,698 | 51,303 | 33,824 | 51,571 | 39,070 |
| | Stores & spares | 47,686 | 55,481 | 51,500 | 39,789 | 38,116 | 32,443 | 30,586 | 18,079 | 10,729 | 7,142 |
| | Inventory | 746,597 | 832,643 | 779,263 | 172,381 | 344,924 | 366,928 | 305,460 | 150,430 | 156,972 | 202,345 |
| | Other current assets | 176,758 | 118,015 | 88,476 | 136,203 | 78,401 | 82,665 | 61,653 | 64,055 | 53,557 | 62,258 |
| | Non-current assets | 4,998,612 | 5,074,621 | 1,743,351 | 1,262,898 | 1,233,027 | 414,119 | 330,954 | 273,908 | 268,450 | 278,061 |
| | **Total assets** | **6,193,234** | **6,209,014** | **2,803,648** | **1,773,516** | **1,777,038** | **1,027,052** | **785,752** | **547,252** | **552,113** | **603,905** |
| | Account payables | 973,660 | 790,747 | 751,134 | 389,479 | 487,387 | 476,435 | 353,107 | 211,360 | 102,195 | 105,476 |
| | Other current liabilities | 116,637 | 118,336 | 47,868 | 52,124 | 22,848 | — | — | 8,831 | 45,679 | 153,978 |
| | Long term liability | 1,413,146 | 1,508,415 | 334,309 | 135,101 | 144,493 | 129,914 | 97,503 | 38,218 | 141,622 | 148,112 |
| | Surplus on revaluation of land and building | 2,700,086 | 2,903,298 | 915,629 | 685,194 | 689,322 | — | — | — | — | — |
| | Sponsors loan | — | — | — | 60,260 | 72,144 | 101,944 | 101,944 | 117,437 | 108,676 | 108,676 |
| | Paid-up capital | 554,844 | 554,844 | 341,442 | 218,873 | 182,394 | 140,303 | 122,003 | 122,003 | 122,003 | 122,003 |
| | Share Premium | 109,437 | 109,437 | 109,437 | — | — | — | — | — | — | — |
| | Retained earning/ (loss) | 285,424 | 183,937 | 263,829 | 192,485 | 138,450 | 138,456 | 71,196 | 49,403 | 31,938 | (34,340) |
| | Reserves | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 | — | — | — |
| | **Total equity & liabilities** | **6,193,234** | **6,209,014** | **2,803,648** | **1,773,516** | **1,777,038** | **1,027,052** | **785,752** | **547,252** | **552,113** | **603,905** |
| Income statement data | Net Sale | 1,455,071 | 1,285,301 | 1,323,255 | 1,024,185 | 855,660 | 1,013,609 | 621,602 | 413,175 | 386,600 | 292,374 |
| | Cost of goods sold | 1,368,619 | 976,326 | 1,026,796 | 811,567 | 701,040 | 819,069 | 511,652 | 355,038 | 353,765 | 261,128 |
| | Gross profit | 86,452 | 308,975 | 296,459 | 212,618 | 154,620 | 194,540 | 109,950 | 58,137 | 32,835 | 31,246 |
| | Administration, selling and Other expenses | 68,556 | 46,107 | 57,040 | 47,556 | 31,054 | 38,398 | 26,900 | 16,270 | 13,602 | 12,802 |
| | Financial charges | 74,805 | 38,830 | 17,489 | 10,868 | 15,292 | 8,996 | 6,304 | 3,495 | 3,110 | 2,914 |
| | Taxation | (19,966) | 81,877 | 78,804 | 57,345 | 16,656 | 72,294 | 14,461 | 18,145 | (6) | 1,462 |
| | Net profit | (18,500) | 129,276 | 143,126 | 96,850 | 87,484 | 85,563 | 61,790 | 29,665 | 66,278 | 18,563 |
| | Depreciation | 395,416 | 77,262 | 58,379 | 53,062 | 37,688 | 36,719 | 25,689 | 22,419 | 24,058 | 26,352 |
| Liquidity | Cash flow from operation | 436,031 | 238,921 | 41,651 | 219,293 | 262,964 | 160,869 | 69,609 | 165,013 | 96,959 | 24,272 |
| | Net working capital | 104,325 | 225,310 | 261,295 | 69,015 | 33,776 | 136,498 | 101,691 | 53,153 | 135,789 | 66,390 |
| | Current ratio | 1.10 | 1.25 | 1.33 | 1.16 | 1.07 | 1.29 | 1.29 | 1.24 | 1.92 | 1.26 |
| | Quick ratio | 0.37 | 0.27 | 0.29 | 0.68 | 0.32 | 0.45 | 0.34 | 0.48 | 0.78 | 0.45 |
| | Payable/receivable | 2.96 | 4.24 | 3.68 | 1.86 | 3.59 | 2.86 | 3.13 | 2.25 | 1.41 | 2.56 |
| | Cash flow/ total debt | 28.50% | 14.69% | 10.90% | 88.61% | 109.80% | 69.38% | 34.90% | 100.32% | 32.76% | 5.91% |
| Activity | Inventory age (days) | 199 | 311 | 277 | 78 | 180 | 164 | 218 | 155 | 162 | 283 |
| | Collection period (days) | 48 | 27 | 36 | 36 | 27 | 30 | 30 | 30 | 49 | 49 |
| | Operating assets turnover | 0.29 | 0.25 | 0.76 | 0.81 | 0.69 | 2.45 | 1.88 | 1.51 | 1.44 | 1.05 |
| Profitability | Gross profit margin | 6% | 24% | 22% | 21% | 18% | 19% | 18% | 14% | 8% | 11% |
| | Net profit margin | -1% | 10% | 11% | 9% | 10% | 8% | 10% | 7% | 17% | 6% |
| | Return on capital | -0.8% | 5% | 14% | 16% | 16% | 17% | 16% | 9% | 16% | 5% |
| | Return on operating assets | -0.4% | 3% | 8% | 8% | 7% | 21% | 19% | 11% | 25% | 7% |
| | Return on equity | -2% | 17% | 24% | 24% | 27% | 31% | 32% | 17% | 43% | 21% |
| Per share data | Revenue per share | 26 | 23 | 39 | 47 | 47 | 72 | 51 | 34 | 32 | 24 |
| | Earning per share (Rs) | (0.33) | 2.33 | 4.23 | 4.62 | 4.80 | 6.10 | 5.06 | 2.43 | 5.43 | 1.52 |
| | Face value of share | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| | Break-up value per share | 18 | 16 | 22 | 21 | 18 | 20 | 16 | 14 | 13 | 7 |
| | Earning per break-up value of share | (0.19) | 1.46 | 1.90 | 2.15 | 2.73 | 3.07 | 3.20 | 1.73 | 4.31 | 2.12 |
| | Earning per share % of face value | -3% | 23% | 42% | 46% | 48% | 61% | 51% | 24% | 54% | 15% |
| | Earning per share % of break-up value | -2% | 15% | 19% | 22% | 27% | 31% | 32% | 17% | 43% | 21% |
| Share trend | High stock price-at end | 12.20 | 40.80 | 51.30 | 70.00 | 90.00 | 52.20 | 34.90 | 15.40 | 9.95 | 3.25 |
| | Low stock price-at end | 11.81 | 14.2 | 25.75 | 67.63 | 88.00 | 52.20 | 34.90 | 15.40 | 9.65 | 3.25 |
| | Average stock price-at end | 12 | 27.50 | 38.53 | 68.82 | 89.00 | 52.20 | 34.90 | 15.40 | 9.80 | 3.25 |
| | Growth since last year (Rs) | (15) | (11.03) | (30.29) | (20.19) | 36.80 | 17.30 | 19.50 | 5.60 | 6.55 | (1.75) |
| | Growth since last Year % | -56% | -29% | -44% | -23% | 70% | 50% | 127% | 57% | 202% | -35% |
| | Price earning ratio- at average price | (36.38) | 11.80 | 9.11 | 14.90 | 18.56 | 8.56 | 6.89 | 6.33 | 1.80 | 2.14 |
| Plant capacity (M.Tons) | Seamless Tubular | | | | | | | | | | |
| | Installed Capacity | 32,000 | 32,000 | 32,000 | 32,000 | 32,000 | 32,000 | 32,000 | 32,000 | 32,000 | 32,000 |
| | Utilized Capacity | 13,456 | 11,288 | 13,446 | 13,100 | 14,529 | 16,285 | 8,986 | 8,374 | 8,986 | 8,518 |
| | Coating of pipes and tubes | | | | | | | | | | |
| | Installed Capacity | 50,000 | 50,000 | 50,000 | — | — | — | — | — | — | — |
| | 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 | 463 | 513 | 453 | 480 | 436 | 523 | 1,020 | 526 | — | — |

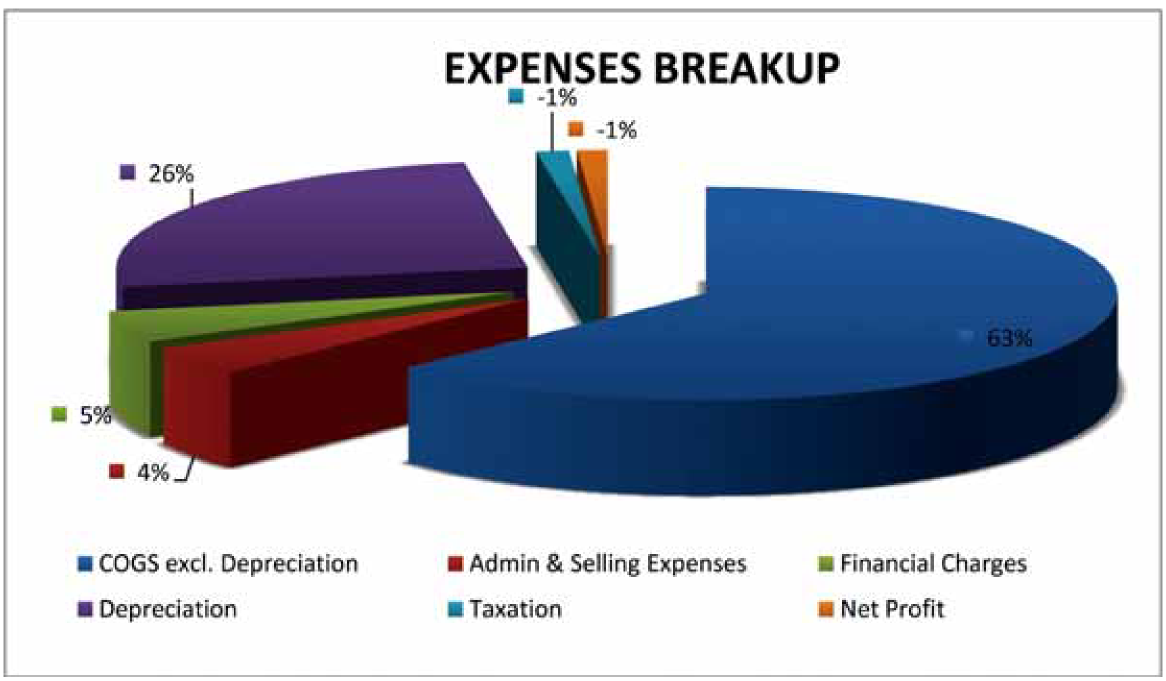
# Diagrammatical Performance Review

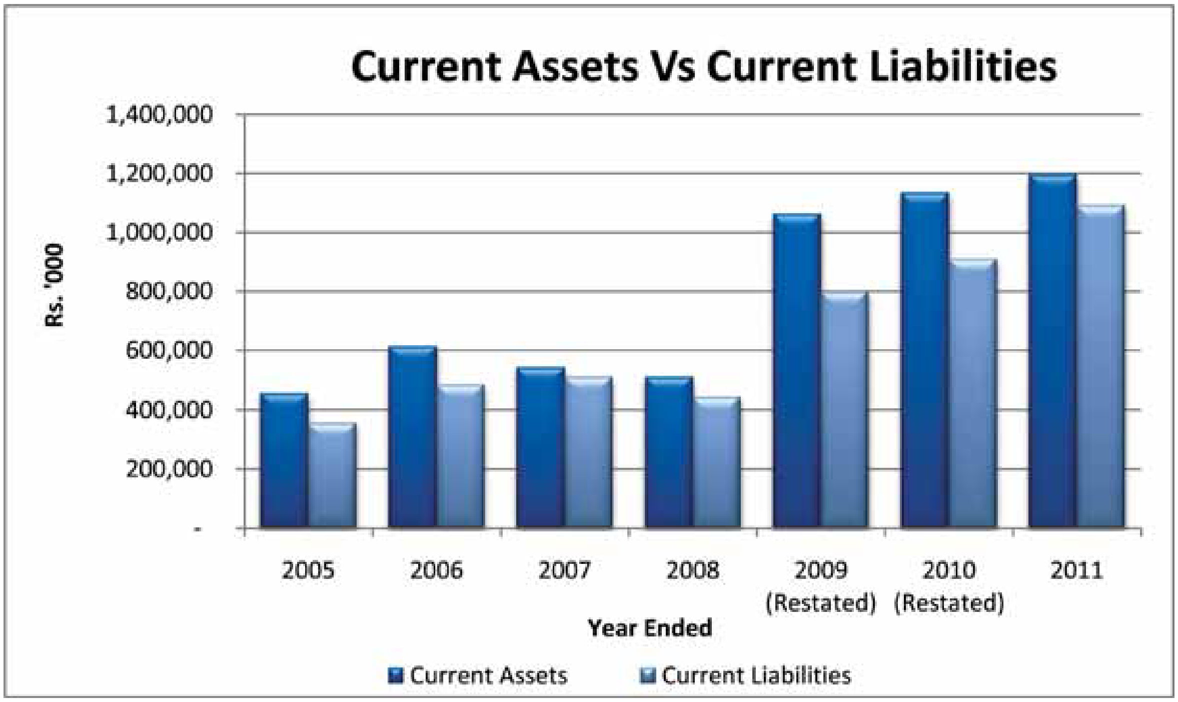


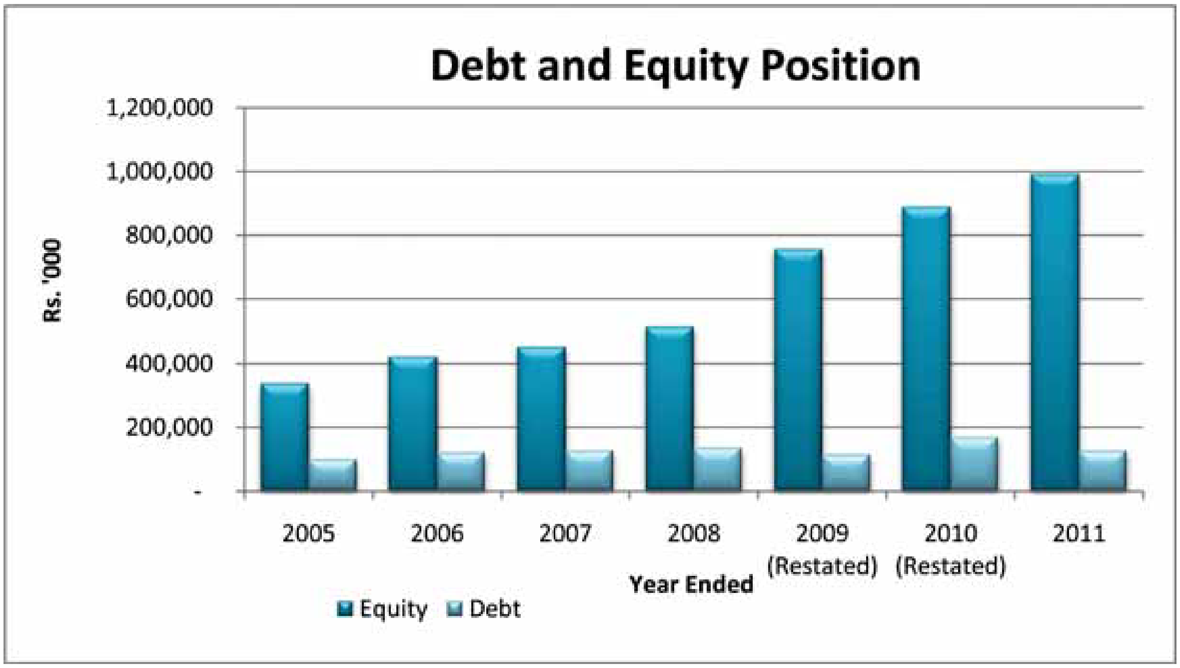



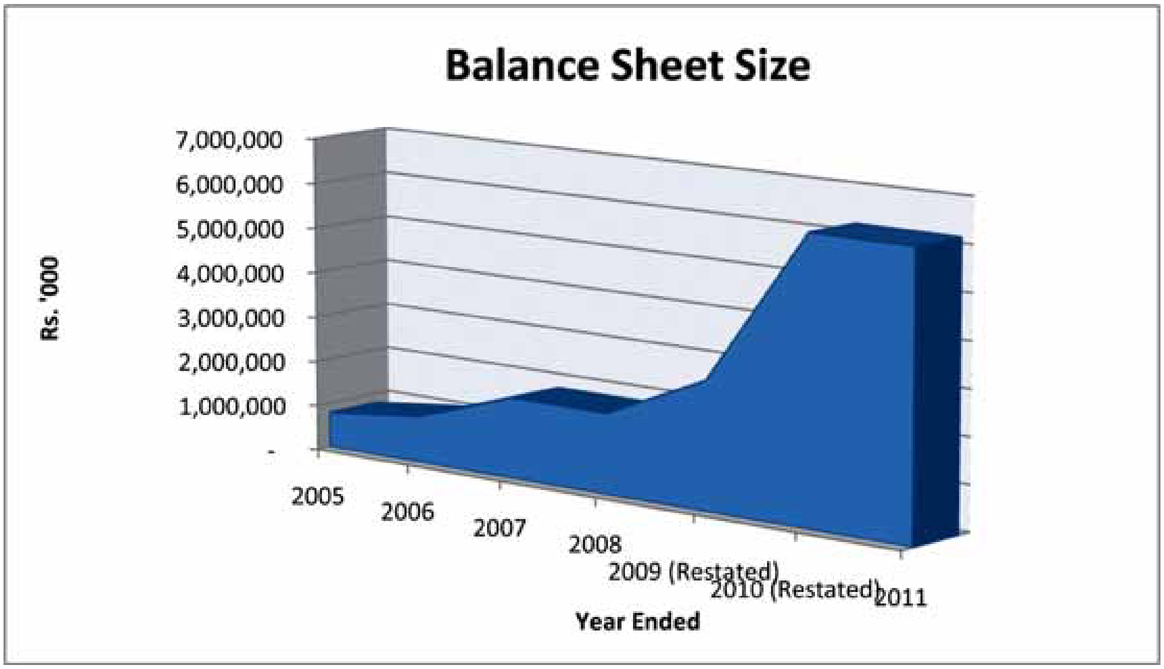
# Diagrammatical Performance Review

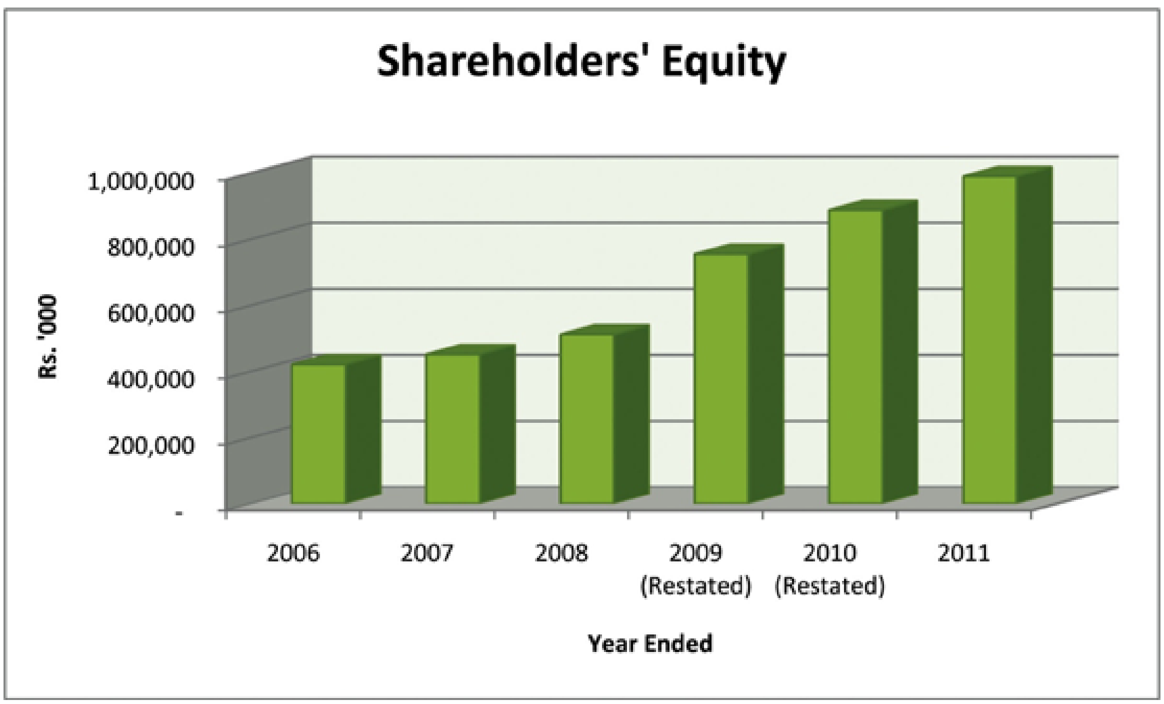



Current Assets Vs Current Liabilities
1,400,000
1,200,000
1,000,000
800,000
600,000
400,000
200,000
-
Rs. '000
2005
2006
2007
2008
2009 (Restated)
2010 (Restated)
2011
Year Ended
Current Assets
Current Liabilities


Debt and Equity Position
1,200,000
1,000,000
800,000
600,000
400,000
200,000
-
Rs. '000
2005
2006
2007
2008
2009 (Restated)
2010 (Restated)
2011
Year Ended
Equity
Debt


Balance Sheet Size
Rs. '000
7,000,000
6,000,000
5,000,000
4,000,000
3,000,000
2,000,000
1,000,000
-
2005
2006
2007
2008
2009 (Restated)
2010 (Restated)
2011
Year Ended


Shareholders' Equity
Rs. '000
1,000,000
800,000
600,000
400,000
200,000
-
2006
2007
2008
2009 (Restated)
2010 (Restated)
2011
Year Ended

# Statement of Compliance

## With the Best Practices of Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance as contained in Regulation No. 35 (Chapter XI) of Listing Regulations of Karachi and Lahore Stock Exchanges respectively for the purpose of 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 ten directors, including the CEO. The Company encourages representation of independent non-executive directors on its Board including those representing minority interests. At present the Board includes 8 non-executive directors.
2. All the directors have given declaration that they were aware of their duties and powers under the relevant laws and the Company's Memorandum and Articles of Association and the listing regulations of the stock exchanges of Pakistan.
3. The directors and CEO have confirmed that none of them is serving as a director or CEO in more than ten listed companies, including this Company.
4. 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 NBFI. None of the directors is a member of any stock exchange of Pakistan.
5. None of the directors or their spouses are engaged in business of stock brokerage.
6. All the directors were elected for a period of three years with effect from 01 January, 2010.
7. No casual vacancy occurred in the Board during the current year.
8. The Company has adopted and circulated a “Statement of Ethics and Business Practices”, which has been signed by all the directors and employees of the Company.
9. 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.
10. All powers of the Board have been duly exercised and decision on material transactions, including appointment, determination of remuneration and terms and conditions of employment of the CEO and other executive directors; have been taken by the Board.
11. The roles and responsibilities of the Chairman and the Chief Executive Officer are clearly defined.
12. The meetings of the Board were presided over by the Chairman and in his absence by a director elected by the Board for this purpose.
13. The Board meets at least once in every quarter.
14. Written notices of the Board Meetings, along with agenda and working papers, were circulated at least seven days before the meetings.
15. The Minutes of the Board Meetings were appropriately recorded, signed by the Chairman and circulated within prescribed time limit.
16. The directors have been provided with copies of the Listing Regulations of Stock Exchange, Company's Memorandum and Articles of Association and the Code of Corporate Governance and they are well conversant with their duties and responsibilities. All the directors of the Company, being professionals and directors of other local companies have adequate exposure of corporate matters and are already

aware of their duties and responsibilities. Orientation courses were conducted in preceding years. One of the director attended the course conducted by Pakistan Institute of Corporate Governance.

17. All material information as required under the relevant rules has been provided to the stock exchanges and to the Securities & Exchange Commission of Pakistan within the prescribed time limit.

18. The Board has approved appointment of Company Secretary, CFO and Internal Auditor including their remuneration, terms and condition, as determined by the CEO.

19. 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.

20. The Directors, CEO, Company Secretary, CFO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

21. The directors' report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

22. The Company has complied with all the corporate and financial reporting requirements of the Code.

23. The Board has formed an Audit Committee. It comprises four members, majority of which are non-executive directors including the chairman of the committee.

24. 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.

25. The Board has outsourced the internal audit function to M/s Mustafa Ahmed and Co., Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and their representatives are involved in the internal audit function on a full time basis.

26. 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.

27. 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.

28. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors along with pricing methods for such transactions.

29. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Karachi
October 09, 2011

**Hafiz Abdul Sami**
Director

**Hafiz Abdul Majid**
Chief Executive

**KPMG Taseer Hadi & Co.**
Chartered Accountants
First Floor
Sheikh Sultan Trust Building N0.2
Beaumont Road
Karachi.

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

## 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 Regulations of the Karachi and Lahore Stock Exchanges 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 provisions 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Listing Regulations of the Stock Exchanges where the Company is listed, require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirements to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price or not.

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 30 June 2011.

**KPMG Taseer Hadi & Co.**
Chartered Accountants
Mazhar Saleem

**S.M. Suhail & Co.**
Chartered Accountants

Date: 09 October 2011
Karachi

**KPMG Taseer Hadi & Co.**
Chartered Accountants
First Floor
Sheikh Sultan Trust Building N0.2
Beaumont Road
Karachi.

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

# Auditors' Report to the Members

We have audited the annexed balance sheet of **HUFFAZ SEAMLESS PIPE INDUSTRIES LIMITED** ("the Company") as at 30 June 2011 and the related profit and loss account, statement of comprehensive income, 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, statement of comprehensive income, 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 30 June 2011 and of the loss, 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.

The financial statements of the Company for the year ended 30 June 2010 were audited by S.M. Suhail & Co., Chartered Accountants whose report dated 3 October 2010, expressed an unqualified opinion thereon.

**KPMG Taseer Hadi & Co.**
Chartered Accountants
Mazhar Saleem

**S.M. Suhail & Co.**
Chartered Accountants

Date: 09 October 2011
Karachi

# Balance Sheet as at 30 June 2011

| | Note | 2011 | 2010 (Restated) | 2009 (Restated) |
|---|---|---|---|---|
| **ASSETS** | | ......................... Rs in '000 | | .............................. |
| **Non-Current Assets** | | | | |
| Property, plant and equipment | 5 | **4,982,832** | 5,058,962 | 1,737,536 |
| Long term deposits | 6 | **15,780** | 15,659 | 5,815 |
| | | **4,998,612** | 5,074,621 | 1,743,351 |
| **Current Assets** | | | | |
| Stores and spares | 7 | **47,686** | 53,481 | 51,500 |
| Stock-in-trade | 8 | **746,597** | 832,643 | 779,263 |
| Trade debts | 9 | **191,980** | 96,457 | 128,827 |
| Loan and advances | 10 | **92,309** | 44,750 | 26,348 |
| Trade deposits and prepayments | 11 | **8,017** | 11,580 | 7,269 |
| Other receivables | 12 | **37,873** | 19,098 | 26,907 |
| Advance tax - net of provision | 13 | **38,559** | 44,587 | 27,952 |
| Cash and bank balances | 14 | **31,601** | 31,797 | 12,231 |
| | | **1,194,622** | 1,134,393 | 1,060,297 |
| **TOTAL ASSETS** | | **6,193,234** | 6,209,014 | 2,803,648 |
| **EQUITY AND LIABILITIES** | | | | |
| **Share Capital and Reserves** | | | | |
| Share Capital | 15 | **554,844** | 554,844 | 341,442 |
| Share premium | | **109,437** | 109,437 | 109,437 |
| General reserves | | **40,000** | 40,000 | 40,000 |
| Un-appropriated profit | | **285,424** | 183,937 | 263,829 |
| Total equity | | **989,705** | 888,218 | 754,708 |
| Surplus on revaluation of property, plant and equipment | 16 | **2,700,086** | 2,903,298 | 915,629 |
| **Non-Current Liabilities** | | | | |
| Long Term Financing | 17 | **56,757** | 85,136 | 113,514 |
| Liabilities against assets subject to finance lease | 18 | **68,193** | 83,008 | — |
| Deferred liabilities | 19 | **1,288,196** | 1,340,271 | 220,795 |
| | | **1,413,146** | 1,508,415 | 334,309 |
| **Current Liabilities** | | | | |
| Trade and other payables | 20 | **973,660** | 790,747 | 751,134 |
| Short term sponsors' advances | 21 | **57,954** | 21,610 | 33,679 |
| Short term borrowings | 22 | **8,195** | 59,356 | — |
| Current portion of non-current liabilities | 23 | **50,488** | 37,370 | 14,189 |
| | | **1,090,297** | 909,083 | 799,002 |
| **TOTAL EQUITY AND LIABILITIES** | | **6,193,234** | 6,209,014 | 2,803,648 |

Contingencies and commitments 24

The annexed notes from 1 to 39 form an integral part of these financial statements.

**Hafiz Abdul Majid**
Chief Executive

**Hafiz Abdul Sami**
Director

# Profit and Loss Account
## For the year ended 30 June 2011

| | Note | 2011 | 2010 (Restated) |
|---|---|---|---|
| | | Rs '000 | |
| Net sales | 25 | **1,455,071** | 1,285,301 |
| Cost of sales | 26 | **(1,368,619)** | (976,326) |
| Gross Profit | | **86,452** | 308,975 |
| Selling and distribution cost | 27 | **(16,159)** | (4,062) |
| Administrative expenses | 28 | **(52,397)** | (42,045) |
| | | **(68,556)** | (46,107) |
| | | **17,896** | 262,868 |
| Other operating charges | 30 | **(6,274)** | (14,551) |
| Other operating income | 31 | **24,717** | 1,666 |
| | | **36,339** | 249,983 |
| Finance cost | 29 | **(74,805)** | (38,830) |
| (Loss) / profit before taxation | | **(38,466)** | 211,153 |
| Taxation | 32 | **19,966** | (81,877) |
| (Loss) / Profit after taxation | | **(18,500)** | **129,276** |
| | | (Rupees) | |
| (Loss) / earning per share - basic and diluted | 33 | **(0.33)** | **2.33** |

The annexed notes from 1 to 39 form an integral part of these financial statements.

**Hafiz Abdul Majid**
Chief Executive

**Hafiz Abdul Sami**
Director

# Statement of Comprehensive Income
## For the year ended 30 June 2011

| | Note | 2011 | 2010 (Restated) |
|---|---|---|---|
| | | ................... Rs '000 | ................... |
| Net (loss) / profit for the year | | **(18,500)** | 129,276 |
| Other comprehensive income | | — | — |
| **Total Comprehensive Income for the Year** | | **(18,500)** | **129,276** |

The annexed notes from 1 to 39 form an integral part of these financial statements.

**Hafiz Abdul Majid**
Chief Executive

**Hafiz Abdul Sami**
Director

# Cash Flow Statement

## For the year ended 30 June 2011

| | Note | 2011 | 2010 |
|---|---|---|---|
| | | Rs '000 | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| (Loss) / Profit before taxation | | **(38,466)** | 211,153 |
| **Adjustments for:** | | | |
| Depreciation | | **395,416** | 77,262 |
| Finance costs | | **74,805** | 38,830 |
| Workers' profit participation fund | | **—** | 11,243 |
| Staff gratuity | | **10,741** | 9,126 |
| Total adjustments | | **480,963** | 136,461 |
| Operating profit before working capital changes | | **442,496** | 347,614 |
| **Changes in working capital** | | | |
| **(Increase) in current assets** | | | |
| Stores and spare parts | | **5,795** | (1,981) |
| Stock in trade | | **86,046** | (53,380) |
| Trade debts | | **(95,523)** | 32,370 |
| Advances, trade deposits, prepayments and other receivables | | **(62,771)** | (14,904) |
| Total (increase) in current assets | | **(66,453)** | (37,895) |
| **Increase in current liabilities** | | | |
| Trade and other payables | | **145,107** | 14,159 |
| Cash generated from operations | | **521,150** | 323,878 |
| Finance costs paid | | **(48,297)** | (22,733) |
| Gratuity paid | | **(2,582)** | (1,707) |
| Taxes paid | | **(34,240)** | (59,017) |
| Workers' profit participation fund payment | | **—** | (1,500) |
| Total | | **(85,119)** | (84,957) |
| Net cash generated from operating activities | | **436,031** | 238,921 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Addition to property, plant and equipment | | **(324,038)** | (334,222) |
| Long term deposits | | **(121)** | (9,844) |
| Net cash (used) from investing activities | | **(324,159)** | (344,066) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Payment made for assets subject to finance lease | | **(8,792)** | — |
| Musharka facility availed | | **(21,284)** | (14,189) |
| Lease facility obtained | | **—** | 92,000 |
| Short term borrowings | | **(51,161)** | 59,356 |
| Short term Sponsors' advances received | | **36,344** | (12,069) |
| Dividend paid | | **(67,175)** | (387) |
| Net cash generated from financing activities | | **(112,068)** | 124,711 |
| Net increase / (decrease) in cash & cash equivalent | | **(196)** | 19,566 |
| Cash and cash equivalents at beginning of the year | | **31,797** | 12,231 |
| **Cash and cash equivalent at end of the year** | | **31,601** | 31,797 |

The annexed notes from 1 to 39 form an integral part of these financial statements.

**Hafiz Abdul Majid**
Chief Executive

**Hafiz Abdul Sami**
Director

# Statement of Changes in Equity
## For the year ended 30 June 2011

| Particulars | Issued, Subscribed and paid up capital | Share Premium | General Reserve | Unappropriated Profit | Total |
|---|---|---|---|---|---|
| | Rs. '000' | | | | |
| Balance as at 01 July 2009 | 341,442 | 109,437 | 40,000 | 260,080 | 750,959 |
| Correction of error (note 4) | — | — | — | 3,749 | 3,749 |
| Balance as at 01 July 2009 as restated | 341,442 | 109,437 | 40,000 | 263,829 | 754,708 |
| Transactions with owners recorded directly in equity | | | | | |
| Bonus shares issued @ 30% for the year ended 30 June 2009 | 102,433 | — | — | (102,433) | — |
| Bonus shares issued @ 25% for the period ended 30 September 2009 | 110,969 | — | — | (110,969) | — |
| | 213,402 | — | — | (213,402) | — |
| Total comprehensive income for the year ended 30 June 2010 (Restated) | — | — | — | 129,276 | 129,276 |
| Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax | — | — | — | 4,234 | 4,234 |
| Balance as at 30 June 2010 as restated | 554,844 | 109,437 | 40,000 | 183,937 | 888,218 |
| Total comprehensive income for the year ended 30 June 2011 | — | — | — | (18,500) | (18,500) |
| Transactions with owners recorded directly in equity - Interim cash dividend for the period ended 31 December 2010 | — | — | — | (83,226) | (83,226) |
| Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax | — | — | — | 203,213 | 203,213 |
| **Balance as at 30 June 2011** | **554,844** | **109,437** | **40,000** | **285,424** | **989,705** |

The annexed notes from 1 to 39 form an integral part of these financial statements.

**Hafiz Abdul Majid**
Chief Executive

**Hafiz Abdul Sami**
Director

## 1. STATUS AND NATURE OF BUSINESS

Huffaz Seamless Pipe Industries Limited ("the Company") was incorporated in Pakistan on 9 October 1983 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 manufacturing and selling of 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 the Factory 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. 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 Ordinance, 1984 shall prevail.

### 2.2 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, building and plant and machinery are stated at revalued amount.

### 2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is the Company's functional currency. All financial information presented in Pakistan Rupees have been rounded to nearest thousand.

### 2.4 Use of estimates and judgements

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the future years are as follows:

#### 2.4.1 Income taxes

In making the estimates for income taxes currently payable by the Company, the management considers the current income tax law and the decisions of appellate authorities on certain issues in the past.

#### 2.4.2 Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in these financial statements for actuarial valuation of unfunded gratuity schemes (note 19.1) and compensated absences. Changes in these assumptions may effect the liability under the scheme in current and future years.

#### 2.4.3 Trade and other debts

Impairment loss against doubtful trade and other debts is made on judgemental basis, for which provision may differ in the future years based on the actual experience. The difference in provision if any, would be recognised in the future years.

### 2.4.4 Property, plant and equipment

The Company's management determines the estimated useful lives and related depreciation charge for its plant and equipment. The estimates for revalued amounts of different classes of property, plant and equipment are based on a valuation carried out by external professional valuer of the Company. The Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipments with a corresponding effect on the depreciation charge and impairment.

### 2.4.5 Stock in trade and stores and spares

The Company reviews the net realizable value of stock in trade and stores and spares to assess any diminution in the respective carrying values. Any change in the estimates in future years might affect the carrying amounts of stock in trade and stores and spares with a corresponding effect on the profit and loss account of those future years.

## 2.5 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

During the year certain amendments to Standards and new interpretations became effective however they did not have any material effect on the financial statements of the Company.

**New / revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective**

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2011:

IAS 24 Related Party Disclosures (revised 2009) – (effective for annual periods beginning on or after 1 January 2011). The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.

Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Company.

Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment has no impact on Company's financial statements.

Improvements to IFRSs 2010 – In May 2010 the IASB issued improvements to IFRSs 2010 which comprise of 11 amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard by standard basis. The majority of amendments are effective for annual periods beginning on or after 1 January 2011. The amendments include list of events or transactions that require disclosure in the interim financial statements, add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments and fair value of award credits under the customer loyalty programmes to take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. Certain of these amendments will result in increased disclosures in the financial statements.

IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.

Disclosures – Transfers of Financial Assets (Amendments to IFRS 7) - (effective for annual periods beginning on or after 1 July 2011). The amendments introduce new disclosure requirements about transfers of financial assets, including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. The amendments have no impact on financial statements of the Company.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all the periods presented in these financial statements.

### 3.1 Property, Plant and Equipment

***Owned***

Property, plant and equipments are stated at cost less accumulated depreciation and impairment losses, if any, except that factory building and plant machinery are stated at revalued amount less accumulated depreciation and impairement losses, if any, while land is stated at revalued amount less impairement loss, if any.

Capital work-in-progress is stated at cost accumulated to the balance sheet date less impairement losses, if any.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and its cost can be reliably measured. Cost incurred to replace a component of an item of property, plant and equipment is capitalized and the asset so replaced is derecognised. Normal repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

Depreciation is charged on reducing balance method. Depreciation on addition is charged from the month wherein the assets is available for use, while in case of disposal, it is charged upto the month of disposal.

Depreciation methods, useful lives and residual values of each part of property, plant and equipment that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each balance sheet date.

Surplus on revaluation of land, factory buildings and plant and machinery is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. 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 retained earnings / unappropriated profit.

Gain and loss on disposal of assets, if any, are included in income currently. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

***Leased***

Assets subject to finance lease are stated at the lower of present value of minimum lease payments 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 the owned assets.

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

**3.2 Intangible assets**

Intangible assets (comprising of computer softwares) are stated at cost less accumulated amortization and impairment losses, if any. Intangible assets are amortised in three years on straight line basis.

Cost that are directly associated with identifiable software products and have probable economic benefit beyond one year are recognised as intangible assets.

Cost associated with maintaining computer software products are recognised as an expense when incurred.

In respect of additions and deletions of intangible assets during the year, amortization is charged from the month of acquisition and up to the month preceding the deletion, respectively.

**3.3 Stores and spares**

Stores and spares are stated at lower of weighted average cost and net realisable value, less provision for impairment, if any. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

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

Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated costs necessary to be incurred to make the sale.

**3.4 Stock-in-trade**

These are valued at lower of cost and net realizable value. Cost is determined under the weighted average basis. Cost of work-in-process and finished goods consists of direct materials, labour and applicable production overheads. Net realizable value signifies the estimated selling price in the ordinary course of the business less estimated cost of completion and selling expenses.

Items in-transit are valued at cost comprising invoice value plus other charges paid thereon up to the balance sheet date.

Scrap is valued at estimated realizable value.

**3.5 Trade debts and other receivables**

Trade debts and other receivables are recognized initially at fair value and subsequently measured at amortized cost less provision for impairment, if any. A provision for impairment is established when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

**3.6 Staff retirement benefits**

***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 2011 by using the 'Projected Unit Credit Method'. Gains and losses on actuarial valuation, if any, are included in income currently.

***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.

**3.7 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.

**3.8 Revenue recognition**

Revenue from sale of goods is measured at fair value of the consideration received or receivable. The Company records revenue from sale of goods on dispatch of goods to its customers.

**3.9 Taxation**

***Current***

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account the available tax credits and tax rebates.

***Deferred***

Deferred tax is recognised using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and their tax base. This is recognised on the basis of the expected manner of the realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realised. The Company also recognises deferred tax liability on surplus on revaluation of fixed assets which is adjusted and the related surplus in accordance with the requirements of International Accounting Standard 12 'Income Taxes'.

**3.10 Cash and cash equivalents**

Cash and cash equivalents comprise cash and bank balances. Short term running finances that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

**3.11 Foreign currency translations**

Transactions in foreign currencies are initially accounted for in Pakistan Rupees at the foreign exchange rates prevailing on the dates of transactions. Monetary assets and liabilities in foreign currencies are translated into Pakistan 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.

**3.12 Financial instruments**

All financial assets and liabilities are recognized at the time when the 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 derecognition of the financial assets or liabilities is taken to profit and loss account.

**3.13 Provisions**

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past event, 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.

**3.14 Borrowing costs**

Borrowing costs are recognised as an expense in the period in which these are incurred, except that those which are directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset.

**3.15 Finance cost**

Finance cost are recognized using the effective interest rate method and comprise foreign currency losses and interest expense on borrowings.

**3.16 Offsetting 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**

***Financial assets***

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

***Non-financial assets***

The carrying amount of the assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated in order to determine the extent of impairment loss, if any. Impairment losses are recognised as expense in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

**3.18 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.

**4. RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS**

**4.1** The following errors were inadvertently committed in the financial statements for the year ended 30 June 2009 and 30 June 2010:

- During the prior years, the revaluation of building amounting to Rs. 14.330 million was recorded as surplus on revaluation of land.
- Deferred tax asset amounting to Rs. 2.352 million was not recorded as at 30 June 2009 relating to provision for compensated absences.
- Deferred tax liability amounting to Rs. 45.599 million in respect of revaluation of building carried out in 2009 was not recorded as at 30 June 2009.
- Deferred tax liability amounting to Rs. 1,072.563 million in respect of plant and machinery carried out on 30 June 2010 was not recorded.

Had the said errors not committed, the effect on the financial statements would have been as follows:

**30 June 2009**

Surplus on revaluation of property, plant and equipment as at 30 June 2009 would have been lower by Rs. 46.996 million and deferred tax liability and retained earnings as at 30 June 2009 would have been higher by Rs. 43.247 million and Rs. 3.749 million respectively.

**30 June 2010**

Surplus on revaluation of property, plant and equipment as 30 June 2010 would have been lower by Rs. 1,117.926 million and deferred tax liability and retained earnings as at 30 June 2010 would have been higher by 1,113.548 million and 4.378 million respectively.

The above errors have been corrected retrospectively in these financial statements in accordance with International Accounting Standard – 8 'Accounting Policies, Changes in Accounting Estimates and Errors'(IAS – 8).

The correction of above mentioned errors has resulted in following adjustments and restatements in these financial statements :

| | Amounts previously | Correction amounts | Corrected reported |
|---|---|---|---|
| **Balance Sheet item** | ..................... | (Rupees in '000) | ........................ |
| **As at 30 June 2009** | | | |
| Surplus on revaluation of property, plant and equipment - net of tax | 962,625 | (46,996) | 915,629 |
| Deferred Taxation | 132,810 | 43,247 | 176,057 |
| Retained Earnings | 260,080 | 3,749 | 263,829 |
| **As at 30 June 2010** | | | |
| Surplus on revaluation of property, plant and equipment - net of tax | 4,021,224 | (1,117,926) | 2,903,298 |
| Deferred Taxation | 174,566 | 1,113,548 | 1,288,114 |
| Retained Earnings | 179,560 | 4,377 | 183,937 |
| **Profit and Loss Account** | | | |
| For the year ended 30 June 2010 | | | |
| Taxation - deferred | 39,703 | (208) | 39,495 |

**4.2** Short term sponsors' advances amounting to Rs. 21.61 million was erroneously classified as long term sponsors' advances.

The correction of above mentioned error has resulted in following reclassification in these financial statements

| | From | To | Rupees in '000 |
|---|---|---|---|
| Balance Sheet | Long Term Sponsor's Advances | Short term Sponsor's Advances | 21,610 |

## 5. PROPERTY, PLANT AND EQUIPMENT

| | Note | 2011 | 2010 |
|---|---|---|---|
| | | Rs '000 | |
| Operating fixed assets | 5.1 | **4,977,677** | 5,055,037 |
| Capital work-in-progress | 5.6 | **5,155** | 3,925 |
| | | **4,982,832** | **5,058,962** |

### 5.1 Operating Fixed Assets

**2011**

| Particulars | Cost / Revaluation: As at July 01, 2010 | Cost / Revaluation: Addition / Transfer | Cost / Revaluation: Adjustment | Cost / Revaluation: Surplus on Revaluation | Cost / Revaluation: As at June 30, 2011 | Depreciation: As at July 01, 2010 | Depreciation: Charge for the Year | Depreciation: On Surplus Writen Back | Depreciation: As at June 30, 2011 | Book Value as at June 30, 2011 | RATE % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | (Rupees in '000) | | | | | | | | | | |
| **Owned Assets** | | | | | | | | | | | |
| Land - lease hold | 838,743 | — | — | — | 838,743 | — | — | — | — | 838,743 | 0 |
| Building - factory | 550,880 | 122,051 | — | — | 672,931 | 38,057 | 27,748 | — | 65,805 | 607,126 | 5 |
| Building - head office | 3,233 | — | — | — | 3,233 | 2,624 | 61 | — | 2,685 | 548 | 10 |
| Plant and machinery | 3,379,080 | 106,892 | — | — | 3,485,972 | 33,852 | 338,273 | — | 372,125 | 3,113,847 | 10 |
| Electric system installation | 109,678 | 21,300 | — | — | 130,978 | 226 | 11,143 | — | 11,369 | 119,609 | 10 |
| Furniture and fixtures | 1,882 | 523 | — | — | 2,405 | 1,076 | 97 | — | 1,173 | 1,232 | 10 |
| Office equipment | 4,472 | 144 | — | — | 4,616 | 1,785 | 273 | — | 2,058 | 2,558 | 10 |
| Electric and gas appliances | 12,090 | — | — | — | 12,090 | 5,197 | 690 | — | 5,887 | 6,203 | 10 |
| Air conditioners | 1,117 | 448 | — | — | 1,565 | 655 | 47 | — | 702 | 863 | 10 |
| Drawings and survey equipment | 363 | — | — | — | 363 | 338 | 3 | — | 341 | 22 | 10 |
| Workshop machines | 37,500 | — | — | — | 37,500 | — | 3,750 | — | 3,750 | 33,750 | 10 |
| Fabrication plant | 1,500 | — | — | — | 1,500 | — | 150 | — | 150 | 1,350 | 10 |
| Factory equipment | 90,010 | 70,036 | — | — | 160,046 | 1,259 | 9,639 | — | 10,898 | 149,148 | 10 |
| Motor vehicles | 37,004 | 173 | — | — | 37,177 | 21,807 | 3,048 | — | 24,855 | 12,322 | 20 |
| Computer and allied equipment | 6,589 | 1,241 | — | — | 7,830 | 3,859 | 625 | — | 4,484 | 3,346 | 20 |
| Security weapons | 1,026 | — | — | — | 1,026 | 245 | 78 | — | 323 | 703 | 10 |
| **Leased Assets** | | | | | | | | | | | |
| Coating Sheds | 92,000 | — | — | — | 92,000 | 1,150 | 4,543 | — | 5,693 | 86,307 | 5 |
| | **5,167,167** | **322,808** | **—** | **—** | **5,489,975** | **112,130** | **400,168** | **—** | **512,298** | **4,977,677** | |

**2010**

| Particulars | Cost / Revaluation: As at July 01, 2009 | Cost / Revaluation: Addition / Transfer | Cost / Revaluation: Adjustment | Cost / Revaluation: Surplus on Revaluation | Cost / Revaluation: As at June 30, 2010 | Depreciation: As at July 01, 2009 | Depreciation: Charge for the Year | Depreciation: On Surplus Writen Back | Depreciation: As at June 30, 2010 | Book Value as at June 30, 2010 | RATE % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | (Rupees in '000) | | | | | | | | | | |
| **Owned Assets** | | | | | | | | | | | |
| Land - lease hold | 838,743 | — | — | — | 838,743 | — | — | — | — | 838,743 | 0 |
| Building - factory | 385,736 | 165,144 | — | — | 550,880 | 18,889 | 19,168 | — | 38,057 | 512,823 | 5 |
| Building - head office | 3,233 | — | — | — | 3,233 | 2,556 | 68 | — | 2,624 | 609 | 10 |
| Plant and machinery | 763,447 | 1,350 | (324,104) | 2,938,387 | 3,379,080 | 312,851 | 45,105 | (324,104) | 33,852 | 3,345,228 | 10 |
| Electric system installation | 11,923 | 27,179 | (8,677) | 79,254 | 109,678 | 8,316 | 587 | (8,677) | 226 | 109,452 | 10 |
| Furniture and fixtures | 1,724 | 158 | — | — | 1,882 | 999 | 77 | — | 1,076 | 806 | 10 |
| Office equipment | 3,162 | 1,310 | — | — | 4,472 | 1,612 | 173 | — | 1,785 | 2,687 | 10 |
| Electric and gas appliances | 11,667 | 423 | — | — | 12,090 | 4,474 | 723 | — | 5,197 | 6,893 | 10 |
| Air conditioners | 1,117 | — | — | — | 1,117 | 604 | 51 | — | 655 | 462 | 10 |
| Drawings and survey equipment | 363 | — | — | — | 363 | 335 | 3 | — | 338 | 25 | 10 |
| Workshop machines | 5,612 | — | (4,660) | 36,548 | 37,500 | 4,554 | 106 | (4,660) | — | 37,500 | 10 |
| Fabrication plant | 919 | — | (750) | 1,331 | 1,500 | 731 | 19 | (750) | — | 1,500 | 10 |
| Factory equipment | 57,255 | 41,010 | (17,203) | 8,948 | 90,010 | 12,752 | 5,710 | (17,203) | 1,259 | 88,751 | 10 |
| Motor vehicles | 36,841 | 163 | — | — | 37,004 | 18,038 | 3,769 | — | 21,807 | 15,197 | 20 |
| Computer and allied equipment | 5,383 | 1,206 | — | — | 6,589 | 3,385 | 474 | — | 3,859 | 2,730 | 20 |
| Security weapons | 394 | 632 | — | — | 1,026 | 166 | 79 | — | 245 | 781 | 10 |
| **Leased Assets** | | | | | | | | | | | |
| Coating Sheds | — | 92,000 | — | — | 92,000 | — | 1,150 | — | 1,150 | 90,850 | 5 |
| | 2,127,519 | 330,575 | (355,394) | 3,064,467 | 5,167,167 | 390,262 | 77,262 | (355,394) | 112,130 | 5,055,037 | |

| | | 2011 | 2010 |
|---|---|---|---|
| | | Rs '000 | |
| **5.2 Allocation of depreciation** | | | |
| Cost of sales | 26.1 | **391,478** | 72,951 |
| Administrative expenses | 28 | **3,938** | 4,311 |
| Capital work in progress | | **4,752** | — |
| | | **400,168** | **77,262** |

**5.3** Revaluation of leasehold land and factory building of the Company were carried out on June 2007 by M/s. Iqbal A Nanjee & Co., an independent professional valuator, on the basis of present market values. Repeat revaluation of leasehold land and factory building of the Company were carried out on January 2009 by the same Valuer. The revaluation had resulted in a surplus of Rs. 961.228 million (before tax). Out of the revaluation surplus, an amount of Rs. 948.525 million remains undepreciated as on 30 June 2011.

**5.4** Revaluation of plant and machinery of the Company were carried out on June 2010 by M/s. Harvester Services (Private) Limited, an independent professional valuators, on the basis of present market values. The revaluation had resulted in a surplus by Rs. 3,064.467 million (before tax). Out of the revaluation surplus, an amount of Rs. 2,758.020 million remains undepreciated as on 30 June 2011.

**5.5** Had there been no revaluation, the related figures of land, buildings and plant & machinery as at 30 June 2011 would have been as follows:

| | 2011 | 2010 (Restated) |
|---|---|---|
| | Rs '000 | |
| Land - lease hold | **7,797** | **7,797** |
| Building - factory | **17,754** | **19,391** |
| Plant and machinery | **269,267** | **299,185** |

| | 2011 | 2010 |
|---|---|---|
| | Rs '000 | |
| **5.6 Capital work-in-progress** | | |
| Plant and machinery | **5,155** | **3,925** |

The amount of Rs. 305.207 million has been transferred to the operating property, plant and equipment during the year.

## 6 LONG TERM DEPOSITS

| | | 2011 | 2010 |
|---|---|---|---|
| Long term deposits | 6.1 | **15,780** | **15,659** |

**6.1** This includes amount of Rs. 9.2 million (2010: Rs. 9.2 million) representing amount deposited against finance lease.

## 7 STORES AND SPARES

| | 2011 | 2010 |
|---|---|---|
| Stores | **45,215** | 50,357 |
| Spare parts and loose tools | **2,471** | 3,124 |
| | **47,686** | **53,481** |

| | | 2011 | 2010 |
|---|---|---|---|
| | | Rs '000 | |
| **8.** | **STOCK-IN-TRADE** | | |
| | Raw material | **129,121** | 415,974 |
| | Work-in-process | **211,626** | 228,951 |
| | Finished goods | **319,665** | 174,474 |
| | Rejection / scrap material | **86,185** | 13,244 |
| | | **746,597** | **832,643** |
| **9.** | **TRADE DEBTS – unsecured** | | |
| | Considered good | **191,980** | **96,457** |
| **10.** | **LOANS AND ADVANCES** - considered good | | |
| | Advances to suppliers - unsecured | **22,850** | 19,056 |
| | Advances to employees for expenses | **979** | 2,505 |
| | Letter of credit | **66,955** | 21,789 |
| | Loans to employees | **1,125** | 682 |
| | Advances to employees | **400** | 718 |
| | | **92,309** | **44,750** |
| **11.** | **TRADE DEPOSITS AND PREPAYMENTS** | | |
| | Trade deposits - considered good | **7,339** | 11,417 |
| | Prepayments | **678** | 163 |
| | | **8,017** | **11,580** |
| **12.** | **OTHER RECEIVABLES** | | |
| | Sales tax - refundable | **3,244** | 1,273 |
| | Advance sales tax | — | 6,173 |
| | Federal excise duty - refundable | — | 49 |
| | Margin against guarantee | **34,629** | 11,603 |
| | | **37,873** | **19,098** |
| **13.** | **ADVANCE TAX - NET OF PROVISION** | | |
| | Tax receivable as at 1 July | **44,587** | 27,952 |
| | Tax payments / adjustments during the year | **34,240** | 62,284 |
| | | **78,827** | 90,236 |
| | Provision for taxation | **(40,268)** | (45,649) |
| | | **38,559** | **44,587** |
| **14.** | **CASH AND BANK BALANCES** | | |
| | Cash in hand | **89** | — |
| | With banks in current accounts | **31,443** | 31,726 |
| | With bank in foreign currency accounts | **69** | 71 |
| | | **31,601** | **31,797** |

## 15. SHARE CAPITAL

| 2011 | 2010 | | 2011 | 2010 |
|---|---|---|---|---|
| (Number of shares) | | | (Rupees in '000) | |
| **Authorised** | | | | |
| 70,000,000 | 70,000,000 | Ordinary Shares of Rs. 10 each | **700,000** | 700,000 |
| **Issued, subscribed and paid up** | | | | |
| 12,200,278 | 12,200,278 | Ordinary Shares of Rs. 10 each fully paid in cash | **122,003** | 122,003 |
| 38,906,565 | 38,906,565 | Ordinary Shares of Rs. 10 each issued as bonus shares | **389,066** | 389,066 |
| 4,377,460 | 4,377,460 | Issued right shares fully paid in cash | **43,775** | 43,775 |
| 55,484,303 | 55,484,303 | | **554,844** | 554,844 |

15.1 The above includes shares of a face value of Rs. 169.250 million (2010: Rs. 169.250 million) held by the foreign sponsors of the Company.

## 16. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

**16.1** This represent surplus arising on revaluation of leasehold land, factory building and plant & machinery net of deferred tax thereon.

| | 2011 | 2010 (Restated) |
|---|---|---|
| | Rs '000 | |
| **Land** | | |
| Balance as at 1 July | **830,946** | 830,946 |
| **Factory building and plant and machinery** | | |
| Revaluation surplus on written down value as at 1 July | **3,188,235** | 130,282 |
| Surplus on revaluation of plant and machinary carried out during the year | — | 3,064,467 |
| Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax | **(203,213)** | (4,234) |
| Related deferred tax liability of incremental depreciation charged during the year | **(109,422)** | (2,280) |
| | **2,875,600** | 3,188,235 |
| Related deferred tax liability at beginning of the year | **(1,115,882)** | (45,599) |
| Related to revaluation made during the year | — | (1,072,563) |
| Less: Related to incremental depreciation charged during the year | **109,422** | 2,280 |
| | **(1,006,460)** | (1,115,882) |
| | **2,700,086** | **2,903,298** |

| | Note | 2011 | 2010 |
|---|---|---|---|
| | | ............ Rs '000 ............ | |
| **17. LONG TERM FINANCING** | | | |
| Musharaka facility | | **92,230** | 113,514 |
| Current portion shown under current liabilities | 23 | **(35,473)** | (28,378) |
| | | **56,757** | **85,136** |

**17.1** This represents long term financing of Rs. 127 million (2010: Rs. 170 million) obtained under the diminishing musharaka basis to finance imported plant and machineries. Principal Amount is repayable in eighteen quarterly installments from 5 March 2010. Mark-up is payable quarterly at 6 months KIBOR plus 1.5% at the date of disbursement and will subsequently be revised semi annually. The facility is secured against exclusive charge of Rs. 170 million over the Coating Plant.

| | Note | 2011 | 2010 |
|---|---|---|---|
| | | ............ Rs '000 ............ | |
| **18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE** | | | |
| Balance as at 1 July | | **92,000** | — |
| Facility obtained during the year | | **—** | 92,000 |
| Repayments during the year | | **(8,792)** | — |
| | | **83,208** | 92,000 |
| Payable within one year shown under current liabilities | 23 | **(15,015)** | (8,992) |
| | | **68,193** | **83,008** |

**18.1** Lease payments due are as under :

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | **Principal** | **Finance Charges Allocated to future** | **Total Lease Rental** | Principal | Finance Charges Allocated to future | Total Lease Rental |
| | ............ (Rupees in '000) ............ | | | | | |
| Not later than one year | **15,015** | **11,278** | **26,293** | 8,992 | 12,863 | 21,855 |
| Later than one year but not later five years | **68,193** | **15,505** | **83,698** | 83,008 | 26,783 | 109,791 |
| | **83,208** | **26,783** | **109,991** | 92,000 | 39,646 | 131,646 |

This represents lease arrangements for eqipment/machinery repayable latest by 9 April 2015. Financing rate at 6 months KIBOR plus 3% per annum have been used as discounting factor. Registration charges, license fee, rent, rates, taxes, insurance costs and any other levies by the Federal or Provincial governments are to be borne by the lessee.

| | Note | 2011 | 2010 (Restated) |
|---|---|---|---|
| | | ............ Rs '000 ............ | |
| **19. DEFERRED LIABILITIES** | | | |
| Staff gratuity | 19.1 | **60,316** | 52,157 |
| Deferred taxation - net | 19.2 | **1,227,880** | 1,288,114 |
| | | **1,288,196** | **1,340,271** |

**19.1 STAFF RETIREMENT BENEFITS - defined benefit plans**

The details of the actuarial valuation under the projected unit credit method as at 30 June 2011 for unfunded gratuity schemes are as follows:

| | 2011 | 2010 |
|---|---|---|
| Discount rate | **14%** | 12% |
| Expected rate of salary increase | **14%** | 12% |
| Average expected remaining working life time of employees | **13 years** | 14 years |

| | 2011 | 2010 |
|---|---|---|
| | Rs '000 | |
| Present value of defined benefit obligations | **61,898** | 46,671 |
| Unrecognised actuarial (loss) / gain | **(1,582)** | 5,486 |
| Net liability | **60,316** | 52,157 |
| **Changes in present value of defined benefit obligation** | | |
| Obligation as at 1 July | **46,671** | 42,015 |
| Interest cost | **5,600** | 5,042 |
| Current service cost | **5,199** | 4,084 |
| Benefits paid | **(2,582)** | (1,706) |
| Actuarial loss / (gain) | **7,010** | (2,764) |
| Obligation as at 30 June | **61,898** | 46,671 |
| **Amounts recognised in the profit and loss account** | | |
| Current service cost | **5,199** | 4,084 |
| Interest cost | **5,600** | 5,042 |
| Net actuarial loss / (gain) | **(59)** | — |
| | **(10,740)** | 9,126 |
| **Recognised (liability) / asset** | | |
| Balance as on 1 July | **(52,157)** | (44,737) |
| Expense recognised | **(10,741)** | (9,126) |
| Payments during the year | **2,582** | 1,706 |
| Company's (liability) / asset at 30 June | **(60,316)** | (52,157) |

| **Historical information** | **2011** | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| | (Rupees in '000) | | | | |
| Present value of the defined benefit obligation | **61,898** | 46,671 | 42,015 | 36,656 | 30,562 |

| | 2011 | 2010 (Restated) |
|---|---|---|
| **19.2 Deferred taxation - net** | Rs '000 | |
| ***Taxable temporary difference arising in respect of:*** | | |
| Accelerated tax depreciation | **239,180** | 193,224 |
| Surplus on revaluation of property, plant and equipment | **1,006,460** | 1,115,882 |
| Assets subject to finance lease | **6,332** | — |
| | **1,251,972** | 1,309,106 |
| ***Deductible temporary differences arising in repsect of:*** | | |
| Assets subject to finance lease | **—** | (403) |
| Defined benefit plan's obligation | **(21,111)** | (18,255) |
| Provision for compensated absences | **(2,981)** | (2,334) |
| | **(24,092)** | (20,992) |
| | **1,227,880** | 1,288,114 |

| | | | 2011 | 2010 |
|---|---|---|---|---|
| | | | ............... Rs '000 ............... | |
| **20.** | **TRADE AND OTHER PAYABLES** | | | |
| | Trade creditors | | **117,547** | 149,992 |
| | Accrued liabilities | | **26,837** | 19,159 |
| | Tax deducted at source | | **534** | 1,625 |
| | Workers' profit participation fund | 20.1 | **151,716** | 129,961 |
| | Workers' welfare fund | | **2,333** | 3,180 |
| | Unclaimed dividend | | **18,658** | 2,607 |
| | Bills payable | | **274,310** | 298,333 |
| | Accrued custom duty | | **—** | 11,873 |
| | Advance from customers | | **368,650** | 161,862 |
| | Provision for compensated absences | | **8,516** | 6,871 |
| | Others | | **4,559** | 5,284 |
| | | | **973,660** | **790,747** |
| | **20.1 Workers' Profit Participation Fund** | | | |
| | Balance as at 1 July | | **129,961** | 104,121 |
| | Allocation for the year | | **—** | 11,243 |
| | Interest on funds utilized in the Company's business | 29 | **21,755** | 16,097 |
| | | | **151,716** | 131,461 |
| | Payments made during the year | | **—** | (1,500) |
| | Balance at the end of the year | | **151,716** | **129,961** |

**21. SHORT TERM SPONSOR ADVANCES -** Unsecured

This represents unsecured and interest free advance from sponsors.

| | | | 2011 | 2010 |
|---|---|---|---|---|
| **22.** | **SHORT TERM BORROWINGS** | | | |
| | Financing against import of material | | **8,195** | **59,356** |

The Company has a financing facility of Rs. 150 million (2010: Rs. 150 million) which includes Finance Against Imported Material of Rs. 100 million and Murabaha Facility of Rs. 50 million from banks . The above arrangements are secured by way of joint hypothecation over fixed assets, stocks, stores and spares and present and future trade debts of the Company. The rate of markup ranges from 3 months KIBOR plus 2% - 2.5% (2010: 3 months KIBOR plus 1.75% - 3%) per annum . The facilities are available for various periods expiring upto 31 March 2012..

The facility for opening letters of credit and guarantees as at 30 June 2011 amounted to Rs. 1,770 million (2010: Rs. 1,050 million) of which the amount remaining unutilised as at that date was Rs. 1,125 million (2010: Rs. 441 million).

| | | | 2011 | 2010 |
|---|---|---|---|---|
| **23.** | **CURRENT PORTION OF NON-CURRENT LIABILITIES** | | | |
| | Current portion of long term financing | 17 | **35,473** | 28,378 |
| | Current portion of liabilities against assets subject to finance lease | 18 | **15,015** | 8,992 |
| | | | **50,488** | **37,370** |

**24 CONTINGENCIES AND COMMITMENTS CONTINGENCIES**

Guarantees amounting to Rs. 187.014 million (2010: Rs. 47.468 million) have been furnished in favour of various customers. Guarantee amounting to Rs. 11.540 million had expired however these have not been released till 30 June 2011.

**COMMITMENTS**

Commitments under letters of credit as at 30 June, 2011 amount to Rs. 459.768 million (2010: Rs. 561.164 million).

| | | | 2011 | 2010 |
|---|---|---|---|---|
| | | | ........ Rs '000 | ........ |
| **25** | **SALES -net** | | | |
| | Sales – Local | | **1,412,870** | 1,448,868 |
| | – Export | | **253,322** | 33,173 |
| | | | **1,666,192** | 1,482,041 |
| | Less – Sales Tax | | **(192,617)** | (185,514) |
| | – Special excise duty | | **(18,504)** | (11,226) |
| | | | **(211,121)** | (196,740) |
| | | | **1,455,071** | **1,285,301** |
| **26.** | **COST OF SALES** | | | |
| | Opening stock of finished goods | | **174,474** | 373,594 |
| | Cost of goods manufactured | 26.1 | **1,513,810** | 777,206 |
| | | | **1,688,284** | 1,150,800 |
| | Closing stock of finished goods | | **(319,665)** | (174,474) |
| | | | **1,368,619** | **976,326** |
| | **26.1 Cost of goods manufactured** | | | |
| | Raw material consumed | 26.1.1 | **890,467** | 601,487 |
| | Store and spare parts consumed | | **64,973** | 14,149 |
| | Gas consumed | | **56,879** | 95,107 |
| | Processing expense (outside factory) | | **25,698** | 15,726 |
| | Power, fuel and water | | **39,970** | 34,072 |
| | Salaries, wages, and other benefits | 26.1.2 | **81,197** | 62,129 |
| | Rent, rates and taxes | | **489** | 206 |
| | Insurance | | **1,234** | 562 |
| | Repairs and maintenance | | **3,826** | 5,723 |
| | Carriage and cartage | | **1,853** | 795 |
| | Depreciation | 5.2 | **391,478** | 72,951 |
| | Others | | **11,362** | 17,987 |
| | | | **1,569,426** | 920,894 |
| | Rejection / scrap material | | | |
| | Opening | | **13,244** | 15,546 |
| | Closing | | **(86,185)** | (13,244) |
| | | | **(72,941)** | 2,302 |
| | Work in process | | | |
| | Opening | | **228,951** | 82,961 |
| | Closing | | **(211,626)** | 228,951 |
| | | | **17,325** | (145,990) |
| | | | **1,513,810** | **777,206** |

| | | Note | 2011 | 2010 |
|---|---|---|---|---|
| | | | Rs '000 | |
| **26.1.1** | **Raw material consumed** | | | |
| | Opening stock | | **415,974** | 307,162 |
| | Purchases | | **603,614** | 710,299 |
| | | | **1019588** | 1,017,461 |
| | Closing stock | | **(129,121)** | (415,974) |
| | | | **890,467** | **601,487** |

**26.1.2** Salaries, wages and other benefits include Rs. 7.258 million (2010: Rs. 7.301 million) in respect of staff retirement benefits.

**27. SELLING AND DISTRIBUTION COST**

| | Note | 2011 | 2010 |
|---|---|---|---|
| Salaries, wages and other benefits | 27.1 | **3,282** | 2,568 |
| Sales promotion and other expenses | | **—** | 150 |
| Vehicle running expenses | | **624** | 230 |
| Telecommunication and postage | | **3** | 12 |
| Travelling and conveyance | | **—** | 272 |
| Miscellaneous | | **12,250** | 830 |
| | | **16,159** | **4,062** |

**27.1** Salaries, wages and other benefits include Rs. 0.465 million (2010: Rs. 0.365 million) in respect of staff retirement benefits.

**28. ADMINISTRATIVE EXPENSES**

| | Note | 2011 | 2010 |
|---|---|---|---|
| Salaries, wages and other benefits | 28.1 | **22,951** | 18,651 |
| Rent, rates and taxes | | **883** | 1,522 |
| Vehicle running and maintenance | | **1,801** | 1,668 |
| Printing and stationary | | **951** | 957 |
| Telephone, telex and postage | | **8,598** | 1,579 |
| Repairs and maintenance | | **333** | 370 |
| Entertainment | | **15** | 45 |
| Travelling and conveyance | | **4,640** | 4,497 |
| Utilities | | **743** | 642 |
| Fees and subscription | | **783** | 2,515 |
| Legal and professional charges | | **3,112** | 4,053 |
| Advertisement | | **114** | 202 |
| Depreciation | 5.2 | **3,938** | 4,311 |
| Others | | **3,535** | 1,033 |
| | | **52,397** | **42,045** |

**28.1** Salaries and other benefits includes Rs. 3.018 million (2010: Rs. 1.460 million) in respect of staff retirement benefits.

| | | | 2011 | 2010 |
|---|---|---|---|---|
| **29.** | **FINANCE COST** | | Rs '000 | |
| | Lease financial charges | | **13,586** | 2,125 |
| | Musharka rent | | **15,860** | 18,589 |
| | Interest on workers' profit participation fund | 20.1 | **21,755** | 16,097 |
| | Mark-up on Short term borrowings | | **4,753** | — |
| | Bank charges | | **18,851** | 2,019 |
| | | | **74,805** | **38,830** |
| **30.** | **OTHER OPERATING CHARGES** | | | |
| | Auditors' remuneration | 30.1 | **2,089** | 837 |
| | Workers' Profit Participation Fund | | — | 11,243 |
| | Workers' Welfare Fund | | **3,376** | 2,471 |
| | Exchange loss | | **809** | — |
| | | | **6,274** | **14,551** |
| | **30.1 Auditors' remuneration** | | | |
| | Annual audit fee | | **1,100** | 550 |
| | Half yearly review | | **433** | 175 |
| | Other services including certifications | | **480** | 102 |
| | Out of pocket expenses | | **76** | 10 |
| | | | **2,089** | **837** |
| **31** | **OTHER OPERATING INCOME** | | | |
| | Exchange gain | | **—** | 20 |
| | Scrap sales | | **365** | 1,153 |
| | Reversal of long oustanding liabilities | | **17,464** | — |
| | Others | | **6,888** | 493 |
| | | | **24,717** | **1,666** |

| | | 2011 | 2010 (Restated) |
|---|---|---|---|
| **32** | **TAXATION** | Rs '000 | |
| | Current year | **31,715** | 42,382 |
| | Prior year | **8,553** | — |
| | | **40,268** | 42,382 |
| | Deferred | **(60,234)** | 39,495 |
| | | **(19,966)** | 81,877 |

The income tax assessments of the Company have been finalised upto and including the financial year ended 30 June 2010. 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.

| | 2011 | 2010 |
|---|---|---|
| **32.1 Relationship between tax expenses and accounting profit** | Rs '000 | |
| (Loss) / profit before taxation | **(38,466)** | 211,153 |
| Tax at the applicable rate of 35% (2010: 35%) | **(13,463)** | 73,904 |
| Tax effect of expenses that are not allowable in determining taxable income | **798** | — |
| Tax effect of surcharge included in tax charge | **1,329** | — |
| Net tax effect of export sales taxed at different rate | **(5,519)** | — |
| Net Tax effect due to export sales | **(11,051)** | — |
| Effect of prior year charges | **7,940** | — |
| Tax effect of expenses that are admissible in determining taxable profits | — | (31,522) |
| Tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes | — | 39,495 |
| | **(19,966)** | 81,877 |

| | 2011 | 2010 |
|---|---|---|
| | ............... Rs '000 ............... | |
| **33 (LOSS) / EARNING PER SHARE - basic and diluted** | | |
| (Loss) / Profit after taxation for the year | **(18,500)** | **129,276** |
| | (Number in '000) | |
| Weighted average number of Ordinary Shares | **55,484** | **55,484** |
| | (Rupees) | |
| (Loss) / Earning per share - basic and diluted | **(0.33)** | **2.33** |

## 34 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

| Particulars | Chief Executive 2011 | Chief Executive 2010 | Directors 2011 | Directors 2010 | Executives 2011 | Executives 2010 |
|---|---|---|---|---|---|---|
| | ...Rupees in '000... | | | | | |
| Managerial remuneration | **5,019** | 4,364 | **929** | 813 | **9,194** | 5,880 |
| House rent | **2,259** | 1,964 | **418** | 366 | **4,137** | 2,646 |
| Utilities | **—** | — | **93** | 81 | **919** | 588 |
| Gratuity | **606** | 527 | **120** | 120 | **1,133** | 760 |
| Bonus | **—** | — | **77** | 77 | **731** | 490 |
| | **7,884** | 6,855 | **1,637** | 1,457 | **16,114** | 10,364 |
| Number of persons | **1** | 1 | **1** | 1 | **12** | 10 |

**34.1** In addition to the above Chief Executive, Directors, Executives and certain other employees are provided with free use of Company maintained vehicles in accordance with the Company's policy.

**34.2** The amount paid to Directors in respect of attending the Board of Directors' meeting during the year was Rs. 110,000 (2010: Rs. 145,000).

## 35 CAPACITY AND PRODUCTION

| Particulars | 2011 Capacity | 2011 Production | 2010 Capacity | 2010 Production |
|---|---|---|---|---|
| | ...Metric Ton... | | | |
| Seamless Tubular Products | **32,000** | **13,456** | 32,000 | 11,288 |
| Machinery & Machinery Components | **3,500** | **463** | 3,500 | 513 |
| Coating of Seamless Tubular Products | **50,000** | **—** | 50,000 | — |

The name-plate capacities of the plants are determined based on a certain product mix. The actual production mix is different.

The coating plant was completed by end of the year and has put into operation subsequent to balance sheet date.

## 36 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertaking i.e. Hafiz Abdul Waheed and Brothers (Private) Limited, directors of the Company, key management employees and staff retirement fund. Contribution to defined contribution plan (provident fund) are made as per the terms of employment and contribution to the defined benefit plan (pension scheme) are in accordance with the actuarial advice. Remuneration of key management personnel are in accordance with their terms of employment. Other transactions are at agreed terms. Transaction with related parties during the year other than those disclosed elsewhere in the financial statements are as follow:

| | 2011 | 2010 |
|---|---|---|
| **Associated Company** | ................. Rs '000 | .................. |
| Sale of goods | **103,892** | 77,991 |
| Receipts | **103,822** | 111,035 |
| Balance as at 30 June 2011 | **(13,525)** | (84) |
| **Directors** | | |
| Sponsors'Advance received | **49,225** | 8,203 |
| Sponsors'Advance paid | **(12,882)** | (19,268) |
| **Staff Retirement Fund** | | |
| Net charge in respect of staff retirement benefit plans | **8,159** | 7,419 |

## 37. OPERATING SEGMENTS

These financial statements have been prepared on the basis of single reportable segment.

**37.1** Revenue from sale of seamless pipes represent 100% (2010 : 100%) of the total revenue of the company.

**37.2** 85% (2010: 98%) gross sales of the Company relates to customers in Pakistan.

**37.3** All non-current assets of the Company at 30 June 2011 are located in Pakistan.

**37.4** The Company has one customer having sales of more than 10% of total sales during the year ended 30 June 2011 (2010 : Nil).

## 38. FINANCIAL INSTRUMENTS

### Financial risk management

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

### 38.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same party, or when counter parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions.

Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk the Company has developed a policy of obtaining advance payments from its customers. Except for customers relating to the Government and certain small and medium sized enterprises, the management strictly adheres to this policy. For any balances receivable from such small and medium sized enterprises, the management continuously monitors the credit exposure towards them and makes provisions against those balances considered doubtful of recovery. Cash is held only with banks with high quality credit worthiness.

The maximum exposure to credit risk at the reporting date is as follows:

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | Balance sheet | Maximum exposure | Balance sheet | Maximum exposure |
| | (Rupees in '000) | | | |
| Trade debts | **191,980** | **191,980** | 96,457 | 96,457 |
| Loans, advances, deposits and accrued mark-up and other receivables | **153,301** | **153,301** | 90,924 | 90,924 |
| Cash and bank balances | **31,601** | **31,512** | 31,797 | 31,797 |
| | **376,882** | **376,793** | 219,178 | 219,178 |

**38.1.1** The maximum exposure to credit risk for trade debts at the balance sheet date by type of customer is as follows:

| | | |
|---|---|---|
| Dealers and distributors | **31,546** | 56,162 |
| End-user customers | **160,434** | 40,295 |
| | **191,980** | 96,457 |

**38.1.2** As at the year end the Company's most significant customers included a distributor from whom Rs. 23.069 million was due (2010: Rs. 28.680 million) and an end-user from whom Rs. 127.281 million was due (2010: Rs. 0.97 million).

**38.1.3 Impairment losses and past due balances**

The aging of trade debt balances at the balance sheet date was as follows:

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | Gross | Impairment | Gross | Impairment |
| | (Rupees in '000) | | | |
| Less than 60 Days Old | **158,168** | **—** | 10,820 | — |
| 61 to 180 Days Old | **15,559** | **—** | 48,243 | — |
| 181 to 365 Days Old | **1,883** | — | 21,024 | — |
| More than one year | **16,370** | **—** | 16,370 | — |
| | **191,980** | **—** | 96,457 | — |

**38.1.4** Based on the past experience, consideration of financial position, past track records and recoveries, the Companybelieves that trade debts do not require any impairment. None of the other financial assets are past due or impaired.

**38.2 Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier thanexpected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. TheCompany's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidityto meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses orrisking damage to the Company's reputation. The following are the contractual maturities of financial liabilities,including interest payments:

| | 2011 | | | | | |
|---|---|---|---|---|---|---|
| | **Carrying Amount** | **Contractual cash flows** | **Six months or less** | **Six to twelve months** | **Two to five years** | **More than five years** |
| **Non-Derivative Financial liabilities** | ......................(Rupees in '000)...................... | | | | | |
| Long Term Financing and Markup Payable | **93,156** | **(116,897)** | **(31,040)** | **(19,348)** | **(66,510)** | **—** |
| Liabilities Against Assets Subject to Finance Lease | **83,208** | **(100,791)** | **(13,147)** | **(13,147)** | **(74,497)** | **—** |
| Short Term Sponsors Advances | **57,954** | **(57,954)** | **—** | **(957,594)** | **—** | **—** |
| Trade and Other Payables | **970,401** | **(970,401)** | **—** | **—** | **—** | **—** |
| Short-term Borrowings and Mark up Payable | **8,195** | **(8,195)** | **—** | **—** | **—** | **—** |
| | **121,2914** | **(1,254,238)** | **(44,187)** | **(90,089)** | **(141,007)** | **—** |

| | 2010 | | | | | |
|---|---|---|---|---|---|---|
| | **Carrying Amount** | **Contractual cash flows** | **Six months or less** | **Six to twelve months** | **Two to five years** | **More than five years** |
| **Non-Derivative Financial liabilities** | ......................(Rupees in '000)...................... | | | | | |
| Long Term Financing and Markup Payable | 122,506 | (148,040) | (22,074) | (21,016) | (104,950) | — |
| Liabilities Against Assets Subject to Finance Lease | 92,000 | (122,446) | (8,592) | (13,064) | (100,790) | — |
| Short Term Sponsors Advances | 21,610 | (21,610) | — | — | (21,610) | — |
| Trade and Other Payables | 787,567 | (787,567) | (787,567) | — | — | — |
| Short-term Borrowings and Mark up Payable | 59,356 | (59,356) | (59,356) | — | — | — |
| | 1,083,039 | (1,139,019) | (877,589) | (34,080) | (227,350) | — |

**38.2.1** The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at 30 June (and includes both principal and interest payable thereon). The rates of mark-up have been disclosed in notes 17, 18 and 22 to these financial statements.

### 38.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of currency risk, interest rate risk and other price risk. The Company is exposed to currency risk and interest rate risk only.

### 38.3.1 Currency risk

Foreign currency risk is the risk that the value of a financial asset or liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies.

The Company is exposed to currency risk on trade debts, borrowings and sales that are denominated in a foreign currency (primarily U.S. Dollar). The Company's exposure to foreign currency risk is as follows:

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | **Rupees in '000** | **US Dollars in '000** | **Rupees in '000** | **US Dollars in '000** |
| Trade debts | **215** | **3** | — | — |
| Trade payables | **(274,310)** | **(3,188)** | (298,333) | (3,485) |
| **Gross balance sheet exposure** | **(274,095)** | **(3,185)** | (298,333) | (3,485) |
| Estimated forecast sales | **301,175** | **3,500** | 253,050 | 3,000 |
| Estimated forecast purchases | **1,204,700** | **14,000** | 593,878 | 7,000 |
| | **1,505,875** | **17,500** | 846,928 | 10,000 |
| **Gross exposure** | **1,231,780** | **14,315** | 548,595 | 6,515 |

The following significant exchange rates applied during the year:

Above exposure is payable by the Company in Rupees at the rate on which these are settled by the Company. Currently, the Company does not obtain forward cover against the net exposure due to existing restrictions by the State Bank of Pakistan on obtaining cover against borrowing in Us Dollars under FE 25.

Following are the significant exchange rates applied during the year:

| | Average rates | | Balance sheet date rate | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | ................(Rupees)............. | | ..............(Rupees).............. | |
| US Dollars | **85.85** | 84.35 | **86.05** | 85.6 |

**Sensitivity analysis**

A five percent change in Rupee against US Dollar at 30 June would have increased / (decreased) equity and(decreased)/ increased loss by Rs. 19.457 million (2010: Rs. 42.629 million). This analysis assumes that all othervariables, in particular interest rates, remaining constant. The analysis is performed on the same basis for 2010.

**38.3.2 Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because ofchanges in market interest rates. Majority of the interest rate exposure arises from short and long term borrowingsfrom banks. At the balance sheet date the interest rate profile of the Company's interest-bearing financial instrumentwas as follows:

| | Carrying amount | |
|---|---|---|
| | 2011 | 2010 |
| **Variable rate instruments** | ........... (Rupees in '000) ........... | |
| Financial liabilities | **457,943** | **565,213** |

All borrowings bear variable interest rate and are indexed to KIBOR. Borrowing is generally determined on the basisof business needs.

**Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) the equity and(decreased) / increased loss as of 30 June 2011 by Rs. 1.136 million (2010: Rs. 1.274 million). This analysis assumesthat all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the samebasis for 2010.

**38.4 Fair value of financial assets and liabilities**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently differences can arise between carrying values and the fair value estimates.

The carrying amounts of all financial assets and liabilities reflected in the financial statements approximate their fair values.

**38.5 Capital risk management**

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so thatit can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strongcapital base to support the sustained development of its businesses.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in thelight of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjustthe amount of dividend to the shareholders or issue bonus / new shares.

The Company is not subject to externally imposed capital requirements.

**39. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements have been authorized for issue on **9-Oct-2011** by the Board of Directors of Company.

| | |
|---|---|
| **Hafiz Abdul Majid** | **Hafiz Abdul Sami** |
| Chief Executive | Director |

# Pattern of Shareholding
## As at 30 June 2011

| No. of Shareholder | Having Shares From | | To | Shares Held |
|---|---|---|---|---|
| 305 | 1 | - | 100 | 10,192 |
| 484 | 101 | - | 500 | 149,554 |
| 267 | 501 | - | 1000 | 209,554 |
| 512 | 1001 | - | 5000 | 1,316,119 |
| 118 | 5001 | - | 10000 | 889,002 |
| 42 | 1001 | - | 15000 | 524,399 |
| 33 | 15001 | - | 20000 | 588,643 |
| 20 | 20001 | - | 25000 | 440,588 |
| 15 | 25001 | - | 30000 | 420,443 |
| 8 | 30001 | - | 35000 | 267,259 |
| 15 | 35001 | - | 40000 | 565,658 |
| 6 | 40001 | - | 45000 | 250,875 |
| 4 | 45001 | - | 50000 | 185,887 |
| 1 | 50001 | - | 55000 | 52,178 |
| 2 | 55001 | - | 60000 | 114,728 |
| 3 | 60001 | - | 65000 | 189,898 |
| 5 | 65001 | - | 70000 | 340,358 |
| 1 | 70001 | - | 75000 | 74,750 |
| 3 | 75001 | - | 80000 | 231,307 |
| 4 | 80001 | - | 85000 | 331,460 |
| 2 | 85001 | - | 90000 | 173,748 |
| 2 | 90001 | - | 95000 | 185,448 |
| 2 | 100001 | - | 105000 | 206,139 |
| 3 | 105001 | - | 110000 | 322,299 |
| 2 | 110001 | - | 115000 | 227,386 |
| 2 | 115001 | - | 120000 | 236,949 |
| 1 | 125001 | - | 130000 | 129,691 |
| 2 | 140001 | - | 145000 | 287,940 |
| 1 | 145001 | - | 150000 | 148,722 |
| 1 | 155,001 | - | 160000 | 159,171 |
| 2 | 165001 | - | 170000 | 334,047 |
| 1 | 170001 | - | 175000 | 172,643 |
| 1 | 180001 | - | 185000 | 183,076 |
| 3 | 185001 | - | 190000 | 568,278 |
| 2 | 190001 | - | 195000 | 385,274 |
| 1 | 195001 | - | 200000 | 199,500 |
| 3 | 200001 | - | 205000 | 604,239 |
| 1 | 220001 | - | 225000 | 220,137 |
| 2 | 225001 | - | 230000 | 454,791 |
| 2 | 240001 | - | 245000 | 484,977 |
| 1 | 245001 | - | 250000 | 251,141 |
| 1 | 260001 | - | 265000 | 261,492 |
| 3 | 270001 | - | 275000 | 812,910 |
| 2 | 285001 | - | 290000 | 575,480 |
| 1 | 290001 | - | 295000 | 291,523 |
| 1 | 310001 | - | 315000 | 311,256 |
| 5 | 345001 | - | 350000 | 1,726,446 |
| 1 | 375001 | - | 380000 | 379,190 |
| 1 | 380001 | - | 390000 | 389,426 |
| 3 | 400001 | - | 405000 | 1,208,520 |
| 1 | 420001 | - | 425000 | 423,800 |
| 2 | 435001 | - | 444000 | 877,716 |
| 1 | 565001 | - | 570000 | 568,258 |
| 1 | 570001 | - | 575000 | 574,040 |
| 1 | 605001 | - | 610000 | 606,371 |
| 1 | 625001 | - | 630000 | 627,212 |
| 1 | 690001 | - | 695000 | 694,269 |
| 1 | 745001 | - | 750000 | 747,350 |
| 1 | 785001 | - | 790000 | 788,782 |
| 1 | 830001 | - | 835000 | 833,761 |
| 1 | 860001 | - | 865000 | 862,258 |
| 1 | 895001 | - | 900000 | 896,342 |
| 1 | 1065001 | - | 1070000 | 1,067,213 |
| 1 | 1085001 | - | 1900000 | 1,088,021 |
| 1 | 1360001 | - | 1365000 | 1,362,396 |
| 1 | 1380001 | - | 1385000 | 1,381,175 |
| 1 | 1775001 | - | 1780000 | 1,775,453 |
| 1 | 1820001 | - | 1825000 | 1,822,612 |
| 1 | 1940001 | - | 1945000 | 1,944,992 |
| 1 | 2215001 | - | 2220000 | 2,216,551 |
| 1 | 3020001 | - | 3025000 | 3,021,317 |
| 1 | 3525001 | - | 3530000 | 3,525,755 |
| 1 | 4200001 | - | 4205000 | 4,203,921 |
| 1 | 4530001 | - | 4535000 | 4,530,047 |
| **1,928** | | | | **55,484,303** |

# Categories of Shareholders
## As at 30 June 2011

| | | No of Shares | % of Shareholding |
|---|---|---|---|
| **Directors, CEO and their Spouses and Minor Children** | | | |
| 1 | Mr. Yousuf Mohamed Y. Najibi | 3,525,755 | 6.355 |
| 2 | Mr. Abdul Aziz Eshaq A. Rahman | 3,021,317 | 5.445 |
| 3 | Mr. Nabil A. Rahman Ahmed Arif | 345,287 | 0.620 |
| 4 | Hafiz Abdul Majid & His Spouse | 6,352,659 | 11.451 |
| 5 | Hafiz Abdul Waheed & his Spouse | 7,651,626 | 13.792 |
| 6 | Hafiz Abdul Sami | 938,468 | 1.692 |
| 7 | Hafiz Abdul Haseeb & His Spouse | 1,189,100 | 2.143 |
| 8 | Hafiz Abdul Aleem | 896,072 | 1.615 |
| 9 | Mr. Muhammad Hafiz | 574,040 | 1.035 |
| 10 | Mr. Arshad Ahmed & his Spouse | 2,654,938 | 4.785 |
| **Executives** | | — | — |
| **Associated Companies** | | — | — |
| | | **27,149,262** | **48.933** |
| **Financial Institutions** | | | |
| Faysal Bank limited | | 220,137 | 0.396 |
| The Bank Of Punjab | | 291,523 | 0.525 |
| Al Baraka Bank (Pakistan) Limited | | 227,403 | 0.410 |
| National Bank of Pakistan | | 2,186,356 | 3.940 |
| **General Public & Directors Relatives** | | 25,409,622 | 45.796 |
| **Total Paid up Capital (in Shares)** | | **55,484,303** | **100.000** |

**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. Except the following.

Mr. Yousuf Mohamad Yousuf Najibi — Acquisition of 101,597 Shares

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

# Proxy Form

## 28th Annual General Meeting

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 my / our Proxy to attend and vote for me / us and on my / our behalf at 28th Annual General Meeting of the Company to be held on Monday, October 31, 2011 at 04:30 p.m. at CIVIC LAWN A, Opposite. Mashriq Centre, Block-17, Gulsan-e-Iqbal, Karachi-75300 and any adjournment thereof.

Signature of Proxy .....................................

| |
|---|
| Please affix Revenue Stamp of Rs. 5/- |

Proxy's:

Folio Number ..........................................................................

CDC Participant ID No. ..........................................................

Sub-Account Number .............................................................

CNIC Number .........................................................................

Passport Number ..................................................................

(in case of foreigner)

Signature.............................................

of Shareholder

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

1) Witenss
Signature ....................................................
Name: ........................................................
CNIC No. ...................................................
Passport No. ................................................
(in case of foreigner)
Address ......................................................

2) Witness:
Signature ..........................................................
Name: .............................................................
CNIC No. .........................................................
Passport No. ......................................................
(in case of foreigner)
Address .............................................................

**NOTE:**

(1) A member entitled to attend and vote at the Meeting is entitled to appoint another member as his/herproxy 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 Annual General Meeting in order to facilitate identification of the respective shareholders.

4) The instrument appointing a proxy, togther 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 Proxy of Attorney from a member, same 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.

## 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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