Annual Report 2013

Huffaz

Seamless Pipe Industries Limited

Commitment Towards Quality!

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Corporate Directory

Chairman:

Mr. Yousuf Mohamed Y. Najibi

Chief Executive:

Hafiz Abdul Majid

Executive Director:

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
Syed Arsalan Sadiq, FCA – Independent Director

CFO & Company Secretary:

Mr. Usama Ahmed, FCMA

Head of Internal Audit:

Masood Anwer, ACMA

Audit Committee:

Syed Arsalan Sadiq	Chairman / Member
Mr.Muhammad Hafiz (UK)	Member
Mr. Hafiz Abdul Sami	Member

Human Resource & Remuneration Committee:

Mr. Muhammad Hafiz	Chairman / Member
Mr. Arshad Ahmed	Member
Hafiz Abdul Aleem	Member
Hafiz Abdul Majid	Member
Hafiz Abdul Haseeb	Member

Auditors:

M/s. KPMG Taseer Hadi & Co.

Legal Advisor:

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

Registrar:

THK Associates (Pvt) Limited,
Ground Floor, State Life Building No .3,
Dr. Zia Uddin Ahmed Road, Karachi-75530.
P.O. Box No. 8533, UAN: 111-000-322
Email: secretariat@thk.com.pk, Web: www.thk.com.pk

Bankers:

Allied Bank	Habib Metropolitan Bank
Askari Bank	Saudi Pak
Bank Alflah	Sindh Bank
Barclays Bank	Standard Chartered
Faysal Bank	NIB Bank
Habib Bank	Dubai Islamic Bank
MCB Bank	Bank of Punjab
Meezan Bank	KASB Bank
National Bank of Pakistan	UBL Bank
Soneri Bank	

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

	2013 Rs. in '000	2012 Rs. in '000
Gross Sales	**2,511,543**	2,317,795
Net Sales	**2,182,211**	2,052,162
Loss befor tax	**(101,361)**	(201,768)
Taxation	**66,286**	69,268
Loss after tax	**(35,075)**	(132,500)
Shareholders' Equity	**1,169,757**	963,475
Total Assets	**7,290,269**	8,010,965
Capital Expenditures	**87,049**	108,135
Loss per share	**(0.63)**	(2.39)
Number of Employees (Numbers)	**305**	245
Production volume (M.tones)		
Seamless Tubular Products	**13,826**	13,958
Machinery and its components	**455**	764
Coating of Seamless Tubular Products	**5,197**	1,617

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. API Q1, API 5L, API 5CT, ISO 9001:2008, OHSAS 18001:2007, ISO 14001:2004 & PED.

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

3 layers Polyethylene/Polypropylene & Fusion Bonded Epoxy coating.

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.

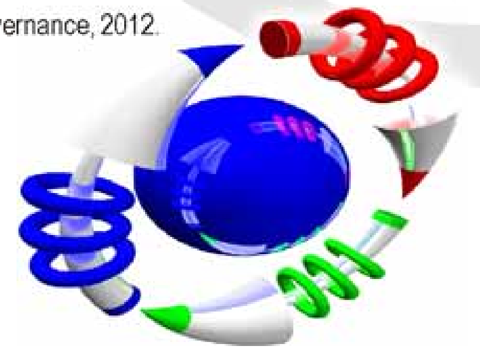
Our Research & Development team develops in-house scientific advances in the field of metallurgy, alloy design, corrosion resistant materials, computational mechanics, fracture mechanics, surface and coating chemistry, as well as technology for automotive components and mechanical pipe applications and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

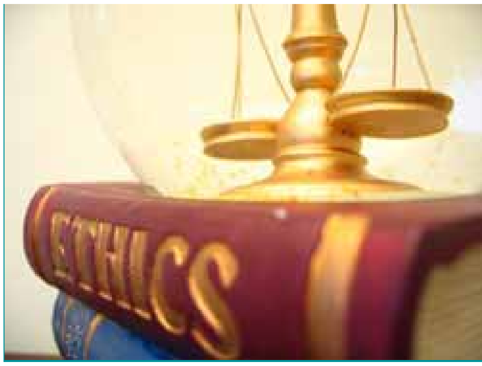
This Code of Conduct establishes the ethical principles that form the basis for relations between the company, its employee and third parties and provides means and instruments to give transparency to issues and problems that may have a bearing on the management of the Company.

Complete employee code of conduct is placed on Company's official website as per the requirements of Code of Corporate Governance, 2012.



International Certifications

API Q1, API 5L, API 5CT, ISO 9001 : 2008, OHSAS 18001 : 2007, ISO 14001 : 2004 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 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 30th Annual General Meeting of Company will be held on Saturday, January 25, 2014 at 04:00 p.m. at CIVIC LAWN Opposite, Mashriq Centre, Block-17, Gulshan-e-Iqbal, Karachi-75300 to transact the following business:-

01. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2013 and the Reports of the Directors' and Auditors' thereon.

02. To appoint Auditors for the year ending 30th June 2014 and fix their remuneration. M/s Deloitte M. Yousuf Adil Saleem & Co., Chartered Accountants have consented to act as auditor for the year ending 30th June 2014. The present auditor M/s KPMG Taseer Hadi & Co., Chartered Accountants are retired.

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

By order of the Board

Karachi
January 4, 2014

(Usama Ahmed)
Company Secretary

NOTE:

01. The share transfer books of the company will remain closed from 18 January, 2014 to January 25, 2014 (both days inclusive).

02. 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.

03. 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.

04. 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.

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

Directors' Report to the Members

Dear shareholders,

The Board of Directors of Huffaz Seamless Pipe Industries Limited take pleasure in presenting the 30th Annual Report of the Company together with the annual audited financial statements and Auditors' Report thereon for the year ended 30th June 2013.

Overview of Economy

Pakistan's economy continued to face challenges like energy shortages, floods and rains, poor law and order situation, weak currency, high circular debts and a host of other structural impediments that have held back investment and growth in the country. Real GDP growth for 2013-14 has been estimated at 3.6 percent as compared to 4.4 percent in the previous fiscal year 2012-13 after rebasing the National Accounts at constant prices of 2005-06. Total investment has declined from 18.79 percent of GDP in 2006-07 to 14.22 percent of GDP in 2012-13.

Some believe raising electricity tariffs and thereby reducing subsidies, hiking sales tax, and announcing the privatization of 31 state enterprises are measures in the right direction. This is simplistic and superficial view. Although the new Government is trying hard to attract large scale private sector foreign investment, it is unlikely in the near future due to precarious security situation and a weak state with dysfunctional institutions that are often at odds with each other.

The Chinese steel industry now produces 45% of the world's steel i.e. 1.8 billion tones which was just 0.8 billion tones just a decade ago. As the Chinese steel industry is comprised largely of State Owned Enterprises, no steel business in the world can insulate itself from the challenge of its surplus capacity.

Operating Performance

Despite adverse economic factors and hostile business environment, the company registered a reasonable growth in its sales and profitability as shown below:

	30 June 2013	30 June 2012	Difference In Rupees	Difference In percentage
	Rs in 000			
Net sales	**2,182,211**	2,052,162	130,049	6%
Cost of sales	**(2,129,008)**	(2,031,700)	(97,308)	5%
Gross Profit	**53,203**	20,462		
Selling and distribution cost	**(20,709)**	(22,421)	1,712	-8%
Administrative expenses	**(49,261)**	(47,570)	(1,691)	4%
	(69,970)	(69,991)		
	(16,767)	(49,529)		
Other operating charges	**(27,065)**	(80,326)	53,261	-66%
Other operating income	**902**	4,577	(3,675)	-80%
	(42,930)	(125,278)		
Finance cost	**(58,431)**	(76,490)	18,059	-24%
Loss before taxation	**(101,361)**	(201,768)		
Taxation	**66,286**	69,268	(2,982)	-4%
Loss after taxation	**(35,075)**	(132,500)	97,425	-74%

The Company achieved sales of Rs 2.182 billion which is 6% higher than the last year's sales of from Rs. 2.052 billion. 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. Selling, Distribution and Other operating charges have been reduced significantly for which the company's management should be credited.

Reduction in Finance cost is not only due to fall in KIBOR, but due to repayment of Long term and Short term financing by the Company which is now appearing at nil on the face of the balance sheet.

The notional loss appearing on the face of the Profit & Loss account is merely due to incremental depreciation charged during the year. Had there been no revaluation the results would have been the following:

	30 June 2013		
	With Revaluation	Without Revaluation	Difference
	Rs in 000		
Net sales	**2,182,211**	2,182,211	—
Cost of sales	**(2,129,008)**	(1,757,690)	(371,318)
Gross Profit	**53,203**	424,521	
Selling and distribution cost	**(20,709)**	(20,709)	—
Administrative expenses	**(49,261)**	(49,261)	—
	(69,970)	(69,970)	
	(16,767)	354,551	
Other operating charges	**(27,065)**	(27,065)	—
Other operating income	**902**	902	—
	(42,930)	328,388	
Finance cost	**(58,431)**	(58,431)	—
(Loss) / profit before taxation	**(101,361)**	269,957	
Taxation	**66,286**	(63,657)	129,961
(Loss) / Profit after taxation	**(35,075)**	206,282	241,357
(Loss) / Earning per share	**(0.63)**	3.72	(4.35)

Let's analyse the results with another view as given below:

Production

The production of seamless tubular products during the year was 13,826 Metric Tons as compared to 13,958 Metric Tons in the last year, which depicts a slight decrease of 2 % over last year. On the other hand our newly born Revenue segment Coating Plant which produced 172,070 meters as compared to 32,950 meters last year. In future, its production is expected to be increased by leaps and bounds which will serve as an independent Cash Generating Segment for the company.

Earnings per share

Due to our continuous efforts we have managed to reduce our loss per share considerably i.e. from Rs 2.39 per share in last year to Rs. 0.63 in current year. We hope reason for the loss per share is fully justified from the explanation given above in Operating performance review. The EBITDA (Earnings before Interest, Tax, Depreciation and Amortization) of Rs. 417.836 million disclosed on the face of the Profit and Loss Accounts is quite helpful for the users of the Financial Statement to appreciate that the results are not adverse and the loss is notional.

Remuneration to the directors

Executive Directors were paid remuneration as approved by the board of the directors and the details of remuneration are available in note 34 to the accounts.

Capital investment:

During the year the Company incurred Rs. 87.049 million (2012: Rs 108.135 million) as Capital Expenditures. This includes import of auxiliary equipments and construction of different parts of Factory building. The company is also carrying out renovation of head office building.

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. For this purpose a contract has been given to Sidat Hyder Morshed Associates who are well known for the implementation of ERP and have a portfolio of over 400 corporate clients. Two of the modules (i.e. General Ledger, and Payroll) have already been installed and operative while Fixed Asset and Supply Chain Module are under implementation phase.

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 BOD has setup an effective internal audit function and the persons engaged therein are the suitably qualified and experienced for the purpose and are well-conversant with the company's policies and procedures.

The system of internal control is designed to manage the risk of failure to achieve the company'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 followed 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. 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, API Q1, API 5L, API 5CT, ISO 9001:2008, OHSAS 18001:2007, ISO 14001:2004 & PED Germany 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.

Further, an employee code of conduct has been finalized and disceminated throughout the organisation and has also been placed on the Company's official web-site as per the requirement of Code of Corporate Governance 2012.

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. Further, we have constructed staff residence, a hospital and a school within our factory premises. We have also established a permanent mosque and a plant for the pure drinking water over there to facilitate not only our staff but the poor people of Nooriabad.

Auditors

The present external auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants, have retired. However, the Audit Committee has recommended the appointment of M/s Deloitte M. Yousuf Adil Saleem & Co., Chartered Accountants due to internal policy of the Company to change auditors after every three years.

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:

- o 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.
- o Proper books of accounts have been maintained by the Company.
- o Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- o 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.
- o 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.
- o There are no doubts upon the Company's ability to continue as a going concern.
- o There has been no material departure from the best practices of corporate governance, as detailed in Listing Regulations.
- o Taxes as disclosed in note no. 19 to the financial statements is outstanding due to inadvertent submission of erroneous sales tax return and was substantially settled subsequent to the date of financial statements.
- o Due to threat from Chinese steel industry discussed above, the directors are focused towards business growth and have accordingly decided not to issue cash dividend. Further, Directors of the company also observed that issuance of bonus shares will dilute the value of shares in the market
- p The summary of key operating and financial data of the Company for the last ten years is annexed to this report.
- o The value of non funded staff gratuity at close of the year was Rs. 1.635 million.
- o During the year under review five meetings of the Board of Directors were held. Attendance by each director was as follows:

Board / Sub Committee	Board Meeting	Audit Committee	Human Resources & Remuneration Committee
	Total number of meetings held during the year		
	5	4	2
Mr. Yousuf Mohamed Y.Najibi (UAE)	1	—	—
Mr. Nabil Abdul Rahman Ahmad Arif (UAE)	1	—	—
Mr. Abdul Aziz Eshaq A.Rahman (UAE)	1	—	—
Mr. Muhammad Hafiz (UK)	5	4	2
Mr. Arshad Ahmed (UK)	4	1	2
Hafiz Abdul Waheed	5	—	—
Hafiz Abdul Sami	5	4	—
Hafiz Abdul Aleem	5	—	2
Hafiz Abdul Majid	5	—	1
Hafiz Abdul Haseeb	5	2	2
Syed Arsalan Sadiq (Independent Director)	2	2	—

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

Pattern of Shareholding

A statement of the pattern of shareholding of certain classes of shareholders as at 30 June 2013, 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 2014 because:

- o Government's intention to increase gas supply whether through TAPI gas pipe line from Central Asia to Pakistan and India or through Thar coal will certainly increase the demand of our seamless pipes.
- o A new operating segment, Coating Plant has now become operative and will act as an independent CGU (Cash Generating Unit)
- o The newly elected Government is expected to offer tax incentives, protection policies and infra-structure development for the local industry.

However, being an import oriented industry; we may face challenges of deteriorating security situation in the country and rapidly rising rate of dollar. While China threat has already been explained above.

The Company's management is making all 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 efforts to acquire the material at competitive price and reduce the cost of doing business.

Training program attended by the directors

The Board has been provided with detailed in-house briefings and information package to acquaint them with the Code of Corporate Governance, applicable laws, their duties and responsibilities to enable them to effectively manage the affairs of the Company, for and on behalf of the shareholders. One of our Directors is certified from PICG while another has got the certification from ICMAP this year. In future, arrangements will also be made for other Directors for acquiring certification under the directors training program.

Definition of Executive:

As per the requirement of Clause xvi (l) of the Code of Corporate Governance 2012, from the subsequent year the BOD has set a threshold of Rs 1.2 million (i.e. Gross salary not less than one lac per month) for the definition of Executive. Now, for our company Executive means CEO, CFO, Company Secretary and other employees of the company whose gross salary exceed Rs 1,200,000 per annum.

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.

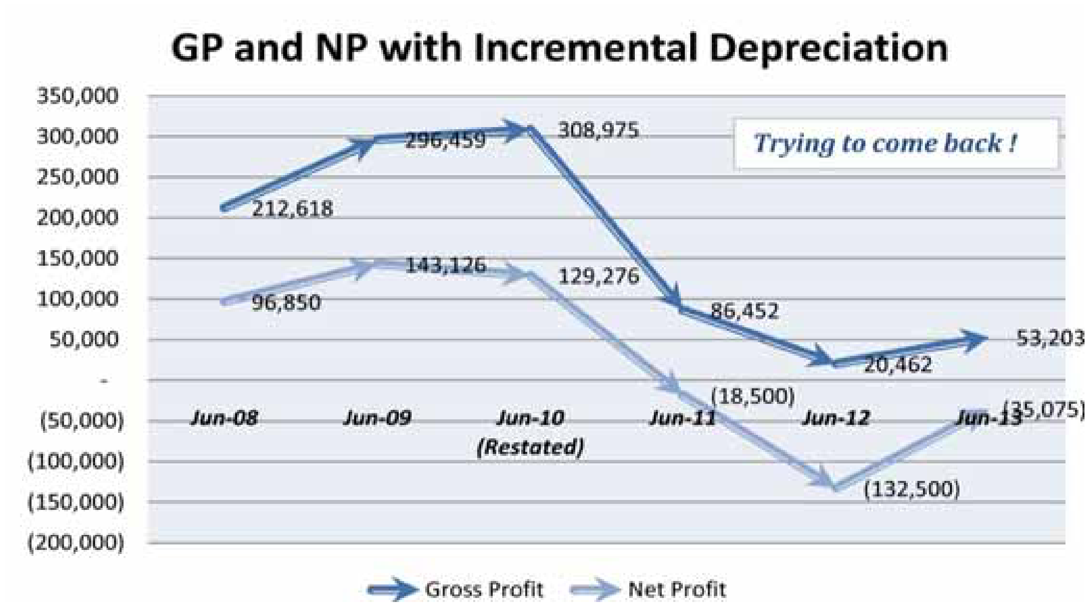
Hafiz Abdul Majid
Chief Executive

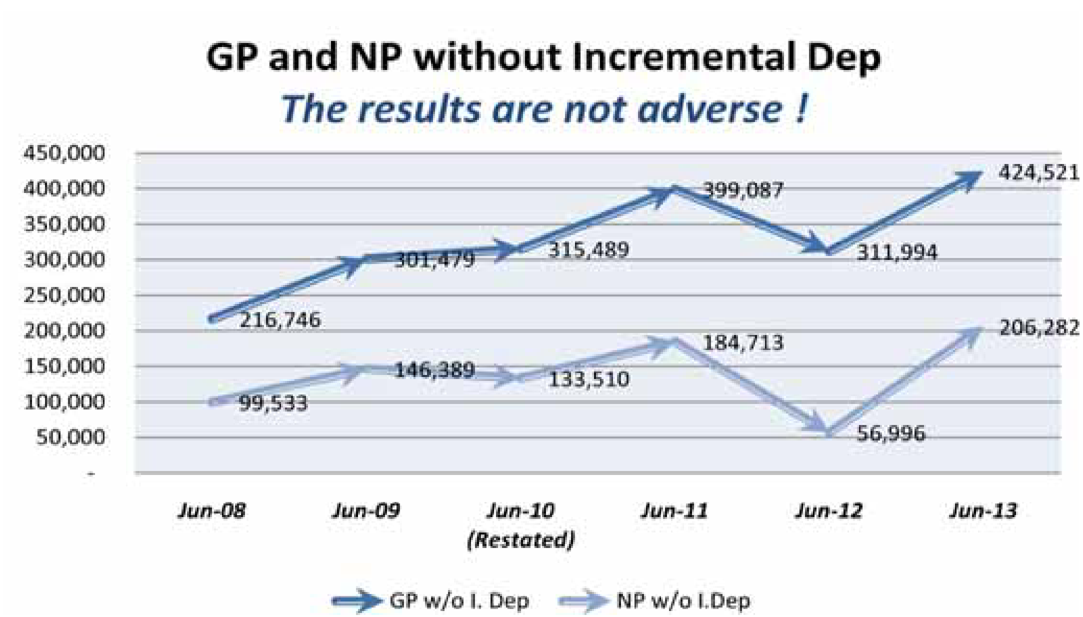
Karachi, 31 December 2013

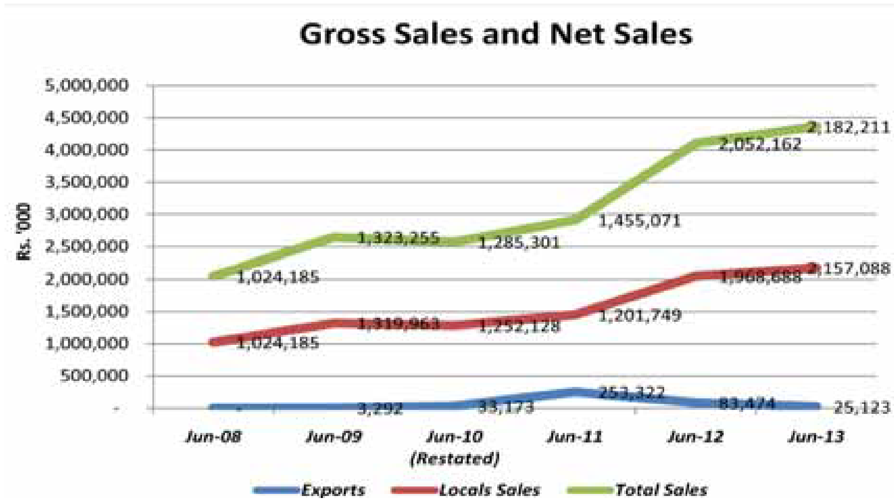
Decade at a Glance

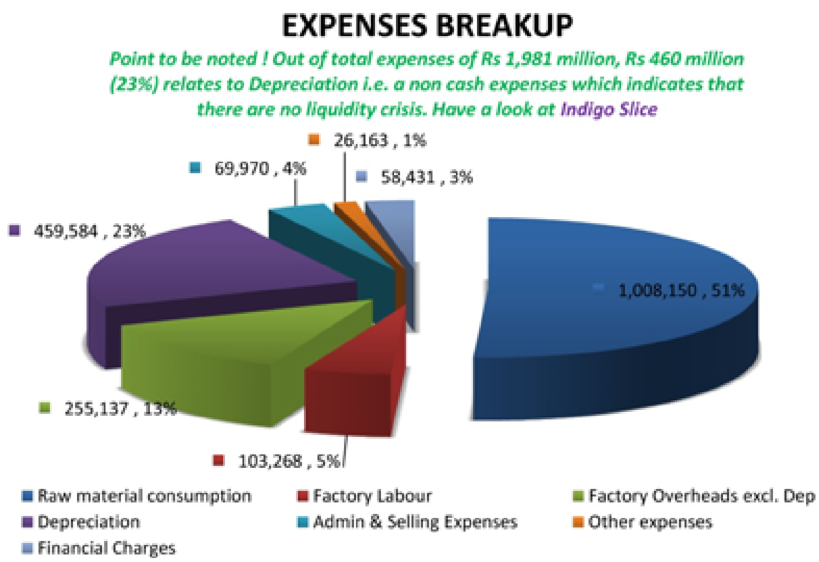
Product: Seamless Steel Pipes and Tubes Location of H/O: Karachi Location of Plant Nooriabad CEO: Hafiz Abdul Majid		Year Ended 30 June 2013	30 June 2012	30 June 2011	30 June 2010 Restated	30 June 2009 Restated	30 June 2008	30 June 2007	30 June 2006	30 June 2005	30 June 2004
		Rs. '000'									
Balance sheet data	Cash	215,216	29,190	31,601	31,797	12,231	61,660	18,860	47,199	5,796	6,956
	Receivables	179,542	127,693	191,980	96,457	128,827	100,585	63,710	83,698	51,303	33,824
	Stores & spares	83,546	69,809	47,686	55,481	51,500	39,789	38,116	32,443	30,586	18,079
	Inventory	489,369	1,152,216	746,597	832,643	779,263	172,381	344,924	366,928	305,460	150,430
	Other current assets	163,789	99,473	176,758	118,015	88,476	136,203	78,401	82,665	61,653	64,055
	Non-current assets	6,158,807	6,532,584	4,998,612	5,074,621	1,743,351	1,262,898	1,233,027	414,119	330,954	273,908
	Total assets	**7,290,269**	**8,010,965**	**6,193,234**	**6,209,014**	**2,803,648**	**1,773,516**	**1,777,038**	**1,027,052**	**785,752**	**547,252**
	Account payables	845,441	1,193,299	971,110	790,747	751,134	389,479	487,387	476,435	353,107	211,360
	Other current liabilities	88,512	261,090	119,187	118,336	47,868	52,124	22,848	—	—	8,831
	Long term liability	1,747,893	1,913,078	1,413,146	1,508,415	334,309	135,101	144,493	129,914	97,503	38,218
	Surplus on revaluation of land and building	3,438,666	3,680,023	2,700,086	2,903,298	915,629	685,194	689,322	—	—	—
	Sponsors loan	—	—	—	—	—	60,260	72,144	101,944	101,944	117,437
	Paid-up capital	554,844	554,844	554,844	554,844	341,442	218,873	182,394	140,303	122,003	122,003
	Share Premium	109,437	109,437	109,437	109,437	109,437	—	—	—	—	—
	Retained earning/ (loss)	465,476	259,194	285,424	183,937	263,829	192,485	138,450	138,456	71,196	49,403
	Reserves	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	—
	Total equity & liabilities	**7,290,269**	**8,010,965**	**6,193,234**	**6,209,014**	**2,803,648**	**1,773,516**	**1,777,038**	**1,027,052**	**785,752**	**547,252**
Income statement data	Net Sale	2,182,211	2,052,162	1,455,071	1,285,301	1,323,255	1,024,185	855,660	1,013,609	621,602	413,175
	Cost of goods sold	2,129,008	2,031,700	1,368,619	976,326	1,026,796	811,567	701,040	819,069	511,652	355,038
	Gross profit	53,203	20,462	86,452	308,975	296,459	212,618	154,620	194,540	109,950	58,137
	Administration, selling and Other expenses	96,133	145,740	50,113	46,107	57,040	47,556	31,054	38,398	26,900	16,270
	Operating Profit or Loss (EBIT)	(42,930)	(125,278)	36,339	262,868	239,419	165,062	123,566	156,142	83,050	41,867
	Financial charges	58,431	76,490	74,805	38,830	17,489	10,868	15,292	8,996	6,304	3,495
	EBT	(101,361)	(201,768)	(38,466)	224,038	221,930	154,194	108,274	147,146	76,746	38,372
	Taxation	(66,286)	(69,268)	(19,966)	81,877	78,804	57,345	16,656	72,294	14,461	18,145
	Net profit (PAT)	(35,075)	(132,500)	(18,500)	129,276	143,126	96,850	87,484	85,563	61,790	29,665
	Depreciation	460,766	386,882	395,416	77,262	58,379	53,062	37,688	36,719	25,689	22,419
Liquidity	Cash flow from operation	537,075	62,828	436,031	238,921	41,651	219,293	262,964	160,869	69,609	165,013
	Net working capital	197,509	23,992	104,325	225,310	261,295	69,015	33,776	136,498	101,691	53,153
	Current ratio	1.21	1.02	1.10	1.25	1.33	1.16	1.07	1.29	1.29	1.24
	Quick ratio	0.60	0.18	0.37	0.27	0.29	0.68	0.32	0.45	0.34	0.48
	Payable/receivable	2.72	6.40	2.96	4.24	3.68	1.86	3.59	2.86	3.13	2.25
	Cash flow/ total debt	20.03%	1.87%	17.42%	9.88%	3.68%	34.43%	36.18%	22.71%	12.60%	43.90%
Activity	Inventory age (days)	84	207	199	311	277	78	180	164	218	155
	Collection period (days)	30	23	48	27	36	36	27	30	30	30
	Operating assets turnover	0.35	0.31	0.29	0.25	0.76	0.81	0.69	2.45	1.88	1.51
Profitability	Gross profit margin	2%	1%	6%	24%	22%	21%	18%	19%	18%	14%
	Net profit margin	-2%	-6%	-1%	10%	11%	9%	10%	8%	10%	7%
	Return on capital	-1.2%	-4.7%	-0.8%	5%	14%	16%	16%	17%	16%	9%
	Return on operating assets	-0.6%	-2.0%	-0.4%	3%	8%	8%	7%	21%	19%	11%
	Return on equity	-3%	-14%	-2%	15%	19%	21%	24%	27%	26%	17%
Per share data	Revenue per share	39	37	26	23	39	47	47	72	51	34
	Earning per share (Rs)	(0.63)	(2.39)	(0.33)	2.33	4.19	4.42	4.80	6.10	5.06	2.43
	Face value of share	10	10	10	10	10	10	10	10	10	10
	Break-up value per share	21	17	18	16	22	21	20	23	19	14
	Earning per break-up value of share	(0.30)	(1.38)	(0.19)	1.46	1.90	2.15	2.42	2.68	2.65	1.73
	Earning per share % of face value	-6%	-24%	-3%	23%	42%	44%	48%	61%	51%	24%
	Earning per share % of break-up value	-3%	-14%	-2%	15%	19%	21%	24%	27%	26%	17%
Share trend	High stock price-at end	22.29	23.49	12.20	40.80	51.30	70.00	90.00	52.20	34.90	15.40
	Low stock price-at end	22.20	23.00	11.81	14.2	25.75	67.63	88.00	52.20	34.90	15.40
	Average stock price-at end	22	23	12	27.50	38.53	68.82	89.00	52.20	34.90	15.40
	Growth since last year (Rs)	(1)	11	(15)	(11.03)	(30.29)	(20.19)	36.80	17.30	19.50	5.60
	Growth since last Year %	-4%	93%	-56%	-29%	-44%	-23%	70%	50%	127%	57%
	Price earning ratio- at average price	(35.26)	(9.69)	(36.00)	11.80	9.19	15.55	18.56	8.56	6.89	6.33
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	13,826	13,958	13,456	11,288	13,446	13,100	14,529	16,285	8,986	8,374
	Coating of pipes and tubes										
	Installed Capacity	50,000	50,000	50,000	50,000	50,000	—	—	—	—	—
	Utilized Capacity	5,197	1,617	—	—	—	—	—	—	—	—
	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	455	764	463	513	453	480	436	523	1,020	526

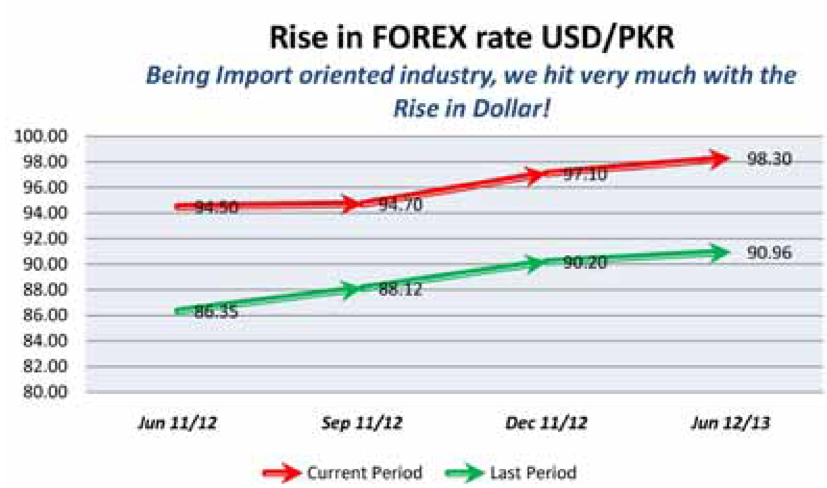
Diagrammatical Performance Review

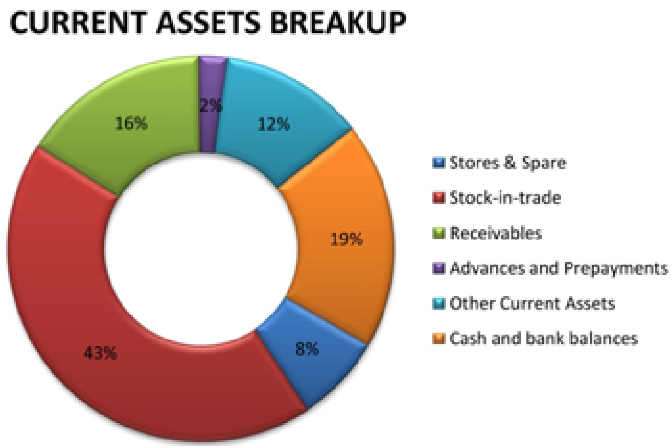





Gross Sales and Net Sales
Rs. '000
5,000,000
4,500,000
4,000,000
3,500,000
3,000,000
2,500,000
2,000,000
1,500,000
1,000,000
500,000
-
2,182,211
2,052,162
1,455,071
1,323,255
1,285,301
1,024,185
2,157,088
1,968,688
1,201,749
1,319,963
1,252,128
1,024,185
253,322
3,292
33,173
83,474
25,123
Jun-08
Jun-09
Jun-10 (Restated)
Jun-11
Jun-12
Jun-13
Exports
Locals Sales
Total Sales


EXPENSES BREAKUP
Point to be noted ! Out of total expenses of Rs 1,981 million, Rs 460 million (23%) relates to Depreciation i.e. a non cash expenses which indicates that there are no liquidity crisis. Have a look at Indigo Slice
26,163 , 1%
69,970 , 4%
58,431 , 3%
459,584 , 23%
1,008,150 , 51%
255,137 , 13%
103,268 , 5%
Raw material consumption
Factory Labour
Factory Overheads excl. Dep
Depreciation
Admin & Selling Expenses
Other expenses
Financial Charges

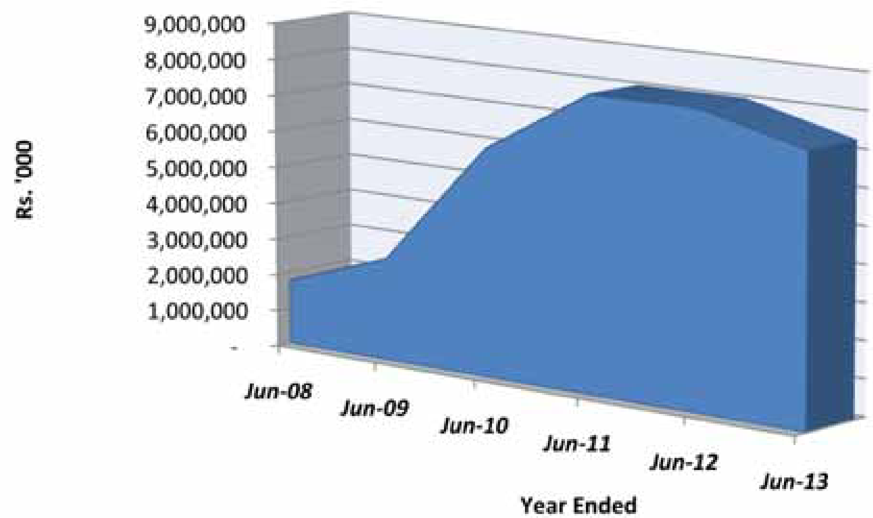

Rise in FOREX rate USD/PKR
Being Import oriented industry, we hit very much with the Rise in Dollar!
100.00
98.00
96.00
94.00
92.00
90.00
88.00
86.00
84.00
82.00
80.00
94.50
94.70
97.10
98.30
86.35
88.12
90.20
90.96
Jun 11/12
Sep 11/12
Dec 11/12
Jun 12/13
Current Period
Last Period


CURRENT ASSETS BREAKUP
2%
12%
16%
19%
43%
8%
Stores & Spare
Stock-in-trade
Receivables
Advances and Prepayments
Other Current Assets
Cash and bank balances


Current Assets Vs Current Liabilities
1,600,000
1,400,000
1,200,000
1,000,000
800,000
600,000
400,000
200,000
-
Rs. '000
Jun-08
Jun-09
Jun-10
Jun-11
Jun-12
Jun-13
Year Ended
Current Assets
Current Liabilities

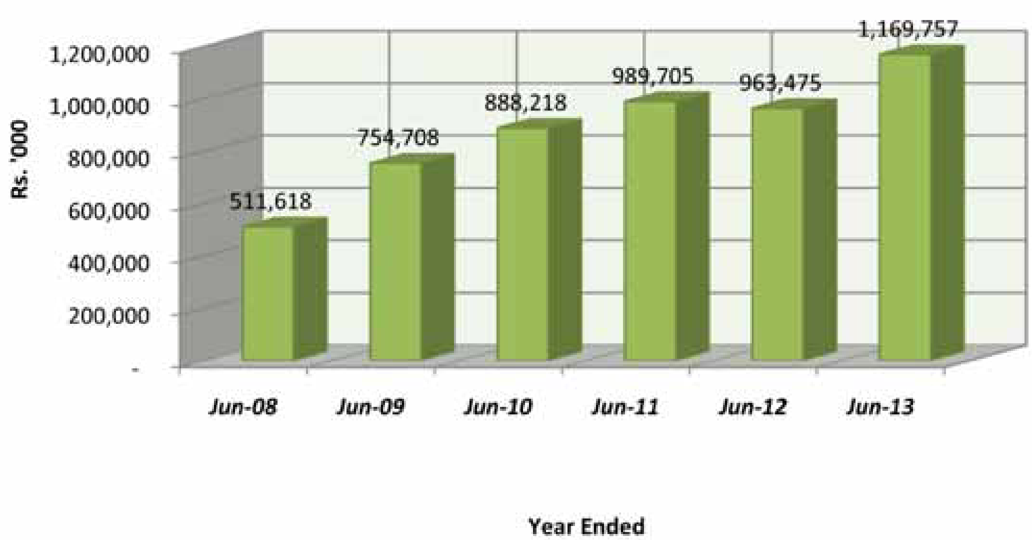

DEBT AND EQUITY POSITION
Running a listed company with such a low leverage is our hallmark
1,400,000
1,200,000
1,000,000
800,000
600,000
400,000
200,000
-
Rs. '000
511,618
135,100
754,708
113,514
888,218
168,144
989,705
124,950
963,475
78,397
1,169,757
28,795
Jun-08
Jun-09
Jun-10
Jun-11
Jun-12
Jun-13
Year Ended
Equity
Debt

Balance Sheet Size



Shareholders' Equity

Crux of the financial review ! Equity is not being eroded despite losses on the face of the Accounts.



Statement of Compliance

With the Code of Corporate Governance

Name of Company: **Huffaz Seamless Pipe Industries Limited**

Year ending: 30 June 2013

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a frame work 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 Company encourages representation of independent non-executive Directors and Directors representing minority interests on its Board of Directors. The Board of Directors (the Board) comprises eleven directors, including the Chief Executive Officer (CEO). At present, the Board includes:

Category		Names
Executive Directors	1	Hafiz Abdul Majid (CEO)
	2	Hafiz Abdul Haseeb
Non-Executive Directors	3	Mr. Yousuf Mohamed Y. Najibi
	4	Mr. Nabeel Abdul Rehman Ahmad Arif
	5	Mr. Abdul Aziz Eshaq A. Rehman
	6	Mr. Muhammad Hafiz
	7	Mr. Arshad Ahmed
	8	Hafiz Abdul Waheed
	9	Hafiz Abdul Sami
	10	Hafiz Abdul Aleem
Independent Director	11	Syed Arsalan Sadiq - FCA

The Independent Director meets the criteria of independence under clause 1(b) of the Code.

2. The Directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.

3. All the Resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred in the Board during the year ended 30 June 2013.

5. The Company has prepared a 'Code of Conduct' which has been signed by all the Directors and employees of the Company and the same has been placed on the Company's website.

6. The Board has developed a vision / mission statement, overall Corporate Strategy and significant policies of the Company. A complete record of particulars of significant policies has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive and non-executive Directors have been taken by the Board.

8. 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 and the Board met at least once in every quarter, except that the meeting of the Board required to be held in the first quarter was instead held in the second quarter of the financial year 2012-13. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The training of the directors is an ongoing process and the directors, on a regular basis, are provided with and are presented and updated on relevant laws, Code and guidelines on best practices of corporate governance. The Company arranged training for another Director under Directors' Training Program while One Director had completed training from the Pakistan Institute of Corporate Governance (PICG) last year and now has become its member. In future, arrangements will also be made for other Directors for acquiring certification under the directors training program within the required time period.

10. There has been no new appointment of Head of Internal Audit after the Revised Code became effective. The Board has appointed the Company Secretary (CS) and Chief Financial Officer (CFO) during the year to fill in the vacant

positions and the remuneration and terms and conditions of their employment have been duly approved. The qualification and experience of the CFO & CS is in accordance with the requirements of clause xiii of the Code.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The Financial statements of the Company were duly endorsed by the CEO and the CFO, before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the Corporate and Financial Reporting Requirements of the Code.
15. The Board has formed an Audit Committee. It comprises 3 members, all of whom are non-executive directors. The Chairman of the Committee is an Independent Director who is a Chartered Accountant by profession and possesses relevant expertise and experience as required by the Code.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code, except that the meeting of the Audit Committee required to be held in the first quarter was instead held in the second quarter for the year ending 30 June 2013. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed a Human Resources and Remuneration (HR&R) Committee. It comprises of five members, three of whom are non-executive Directors including Chairman of the Committee.
18. The Board has formed an internal audit function and the personnel engaged therein are suitably qualified and experienced persons who are conversant with the company's policies and procedures. They are involved in the internal audit function on full time basis.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), 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 ICAP.
20. 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.
21. The 'closed period' prior to the announcement of interim/ final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all other material principles contained in the Code, including requirement related to related party transactions have been complied with.

HAFIZ ABDUL MAJID
Chief Executive Officer

Karachi:
Dated: 31 December 2013

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

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Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

Review report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance ("Statement of Compliance") prepared by the Board of Directors of **Huffaz Seamless Pipe Industries Limited** ("the Company") to comply with the Listing Regulations of the respective 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 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, sub-regulation (x) of Listing Regulations 35 notified by The Karachi Stock Exchange (Guarantee) Limited requires the Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevailed in arm's length transactions and transaction 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 requirement 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 undertaken at arm's length price or not.

We draw attention to paragraphs 8 and 16 which explain that meeting of Board of Directors and Audit Committee were held twice in the second quarter and no meeting of the Board of Directors and Audit committee was held in the first quarter.

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 2013.

KPMG Taseer Hadi & Co.

Date: 31 December 2013

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

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Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

Auditors' Report to the Members

We have audited the annexed balance sheet of **Huffaz Seamless Pipe Industries Limited** ("the Company") as at 30 June 2013 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 account have been kept by the Company as required by the Companies Ordinance, 1984;

b) In our opinion:

   i) The balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   ii) The expenditure incurred during the year was for the 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 2013 and of the loss, cash flows and changes in equity for the year then ended;

d) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

KPMG Taseer Hadi & Co.

Date: 31 December 2013

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

Balance Sheet
As at 30 June 2013

	Note	30 June 2013	30 June 2012
		(Rupees in '000)	
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	**6,143,804**	6,517,521
Long term deposits	5	**15,003**	15,063
		6,158,807	6,532,584
Current Assets			
Stores and spares	6	**83,546**	69,809
Stock-in-trade	7	**489,369**	1,152,216
Trade debts	8	**179,542**	127,693
Loan and advances	9	**26,545**	19,404
Trade deposits	10	**1,300**	1,144
Other receivables	11	**123,893**	56,202
Advance tax - net of provision	12	**12,051**	22,723
Cash and bank balances	13	**215,216**	29,190
		1,131,462	1,478,381
TOTAL ASSETS		**7,290,269**	**8,010,965**
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Share capital	14	**554,844**	554,844
Share premium		**109,437**	109,437
General reserves		**40,000**	40,000
Unappropriated profit		**465,476**	259,194
Total equity		**1,169,757**	963,475
Surplus on revaluation of property, plant and equipment	15	**3,438,666**	3,680,023
Non-Current Liabilities			
Long term financing	16	—	28,378
Liabilities against assets subject to finance lease	17	**28,795**	50,019
Deferred liabilities	18	**1,719,098**	1,834,681
		1,747,893	1,913,078
Current Liabilities			
Trade and other payables	19	**845,441**	1,193,299
Short term sponsors' advances	20	**23,581**	54,231
Short term borrowings	21	—	134,519
Current portion of non-current liabilities	22	**50,964**	54,844
Accrued mark-up		**13,967**	17,496
		933,953	1,454,389
TOTAL EQUITY AND LIABILITIES		**7,290,269**	**8,010,965**
Contingencies and commitments	23		

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 2013

	Note	30 June 2013	30 June 2012
		(Rupees in '000)	
Net sales	24	**2,182,211**	2,052,162
Cost of sales	25	**(2,129,008)**	(2,031,700)
Gross profit		**53,203**	20,462
Selling and distribution cost	26	**(20,709)**	(22,421)
Administrative expenses	27	**(49,261)**	(47,570)
		(69,970)	(69,991)
		(16,767)	(49,529)
Other operating charges	28	**(27,065)**	(80,326)
Other operating income	29	**902**	4,577
		(42,930)	(125,278)
Finance cost	30	**(58,431)**	(76,490)
Loss before taxation		**(101,361)**	(201,768)
Taxation	31	**66,286**	69,268
Loss after taxation		**(35,075)**	**(132,500)**
		.... (Rupees)	....
Loss per share - basic and diluted	33	**(0.63)**	**(2.39)**
		..............(Rupees in '000)	....
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)		**417,836**	**261,604**

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 2013

	30 June 2013	30 June 2012
	(Rupees in '000)	
Loss after taxation	**(35,075)**	(132,500)
Other comprehensive income	—	—
Total comprehensive income for the year	**(35,075)**	**(132,500)**

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 2013

	Note	30 June 2013	30 June 2012
CASH FLOWS FROM OPERATING ACTIVITIES		(Rupees in '000)	
Loss before taxation		**(101,361)**	(201,768)
Adjustments for:			
Depreciation		**460,766**	386,882
Finance costs		**58,431**	76,490
Workers' Welfare Fund		**5,171**	1,552
Provision of staff gratuity and leave encashment		**14,870**	15,700
Total adjustments		**539,238**	480,624
Operating profit before working capital changes		**437,877**	278,856
Changes in working capital			
Decrease / (increase) in current assets			
Stores and spare parts		**(13,737)**	(22,123)
Stock in trade		**662,847**	(405,619)
Trade debts		**(51,849)**	64,287
Advances, trade deposits, prepayments and other receivables		**(74,988)**	61,449
Total decrease / (increase) in current assets		**522,273**	(302,006)
(Decrease) / increase in current liabilities			
Trade and other payables		**(306,463)**	175,703
Cash generated from operations		**653,687**	152,553
Finance costs paid		**(61,960)**	(61,544)
Leave encashment paid		**(192)**	(598)
Gratuity paid		**(1,985)**	(4,364)
Workers' Welfare Fund		**(1,552)**	(2,333)
Taxes paid		**(50,922)**	(20,886)
Total		**(116,611)**	(89,725)
Net cash generated from operating activities		**537,076**	62,828
CASH FLOWS FROM INVESTING ACTIVITIES			
Addition to property, plant and equipment		**(87,049)**	(108,135)
Long term deposits		**60**	717
Net cash used in investing activities		**(86,989)**	(107,418)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment made for assets subject to finance lease		**(17,997)**	(13,818)
Musharka facility paid		**(35,485)**	(28,379)
Short term borrowings - net		**(80,385)**	72,190
Short term Sponsors' advances paid		**(30,650)**	(3,723)
Dividend paid		**(45,410)**	(38,225)
Net cash used in financing activities		**(209,927)**	(11,955)
Net increase / (decrease) in cash and cash equivalent		**240,160**	(56,545)
Cash and cash equivalents at beginning of the year		**(24,944)**	31,601
Cash and cash equivalent at end of the year		**215,216**	**(24,944)**
Cash and bank balances	*13*	**215,216**	29,190
Bank overdraft	*21*	**—**	(54,134)
		215,216	**(24,944)**

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 2013

Particulars	Issued, Subscribed and paid up capital	Share Premium	General Reserve	Unappropriated Profit	Total
	Rs. '000'				
Balance as at 1 July 2011	554,844	109,437	40,000	285,424	989,705
Total comprehensive income for the year ended 30 June 2012					
Loss after taxation	—	—	—	(132,500)	(132,500)
Transactions with owners					
Interim cash dividend @ 15% (i.e.: Rs. 1.5 per share) for the six months period ended 31 December 2011	—	—	—	(83,226)	(83,226)
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	—	—	—	189,496	189,496
Balance as at 30 June 2012	554,844	109,437	40,000	259,194	963,475
Total comprehensive income for the year ended 30 June 2013					
Loss after taxation	—	—	—	(35,075)	(35,075)
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	—	—	—	241,357	241,357
Balance as at 30 June 2013	**554,844**	**109,437**	**40,000**	**465,476**	**1,169,757**

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

Hafiz Abdul Majid
Chief Executive

Hafiz Abdul Sami
Director

Notes to the Financial Statements

For the year ended 30 June 2013

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 Company also has a coating facility capable of applying three layer high density polyethylene coating, polypropylene coating and tape coating on steel pipes. 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 and Islamic Financial Accounting Standards (IFAS) issued by The Institute of Chartered Accountants of Pakistan (ICAP) 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 which are measured at present value and the factory land, building and plant and machinery which are stated at revalued amount.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. 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 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.

2.4.2 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 amortization charge and impairment. Net realizable value is determined with respect to estimated selling price less estimated expenditure to make the sale.

2.4.3 **Trade debts and other receivables**

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 **Staff retirement benefits**

Certain actuarial assumptions have been adopted as disclosed in these financial statements for actuarial valuation of unfunded gratuity schemes (note 18.1) and compensated absences. Changes in these assumptions may effect the liability under the scheme in current and future years.

2.4.5 **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.

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

During the year certain amendments to Standards or 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 new standards, amendments to existing standards and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2013:

— IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The Company's policy is to account for actuarial gains and losses using the corridor method and with the change, unrecognized actuarial gains amounting to Rs. 4.130 million at 30 June 2013 will be recognized in other comprehensive income.

— IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12-Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for 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.

— Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) - (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of „currently has a legally enforceable right of set-off; and that some gross settlement systems may be considered equivalent to net settlement.

— Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) — (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

— Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations:

— IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period - which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the „third statement of financial position, when required, is only required if the effect of restatement is material to statement of financial position.

— IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of "property, plant and equipment" in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for as consumable spares under IAS 2 - Inventories. The amendment in IAS 16 would result in reclassification of certain plant specific spares as property, plant and equipment when the amended standard becomes applicable. As at 30 June 2013 the Company has initiated the exercise of identifying capital stores and consumable spares. Hence the impact cannot be quantified.

— IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

— IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating segments IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

— IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

— IFRIC 21- Levies "an Interpretation on the accounting for levies imposed by governments" (effective for annual periods beginning on or after 1 January 2014). The amendment has no impact on financial statements of the Company.

— IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The amendment has no impact on financial statements of the company.

— Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). The amendment has 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

3.1.1 Owned assets

Initial recognition

The cost of an item of property, plant and equipment is recognized as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of such item can be measured reliably. Recognition of the cost in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by the Management.

Measurement

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 impairment losses, if any, while land is stated at revalued amount less impairment loss, if any.

Capital work-in-progress is stated at cost accumulated to the balance sheet date less impairment 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, plant and machinery and coating sheds 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.

3.1.2 Leased Assets

Initial recognition

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of leased assets or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments, the discount factor is the effective interest rate.

Measurement

Assets subject to finance lease are stated at revalued amounts less accumulated depreciation and impairment losses, if any. 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.

Surplus on revaluation of leased assets 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.

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

Leased assets obtained under Ijarah agreement are not recognised in the company's balance sheet and are treated as operating lease based on Islamic Financial Accounting Standard (IFAS) 2 issued by the Institute of Chartered Accountants of Pakistan (ICAP) and notified by Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 43(1)/2007 dated 22 May 2007. Payments made under operating lease are charged to profit and loss account on a straight line basis over the lease term.

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 unfunded gratuity scheme 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 2013 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 available if any.

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 Companys 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 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting structure. Management monitors the operating result of its products (i.e. Production of seamless pipes and Coating) separately for the purpose of making decisions regarding resource allocation and performance assessment.

3.19 Dividend distribution

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

		30 June 2013	30 June 2012
4. PROPERTY, PLANT AND EQUIPMENT		(Rupees in '000)	
Operating fixed assets	*4.1*	**6,122,982**	6,507,797
Capital work-in-progress	*4.7*	**20,822**	9,724
		6,143,804	**6,517,521**

4.1 Operating fixed assets

2 0 1 3

Particulars	Cost / Revaluation					Depreciation				Book	R
	As at 01 July 2012	Addition / Transfer	Adjustment	Surplus on Revaluation	As at 30 June 2013	As at 01 July 2012	Charge for the Year	On Surplus Writen Back	As at 30 June 2013	Value as at 30 June 2013	ATE %
	(Rupees in '000)										
Owned Assets											
Land - lease hold	**819,375**	—	—	—	**819,375**	—	—	—	—	**819,375**	**0**
Building - factory	**1,930,561**	**15,162**	—	—	**1,945,723**	**8,044**	**96,482**	—	**104,526**	**1,841,197**	**5**
Office premises	**3,233**	—	—	—	**3,233**	**2,740**	**49**	—	**2,789**	**444**	**10**
Plant and machinery	**3,677,983**	**70,594**	—	—	**3,748,577**	**30,650**	**367,231**	—	**397,881**	**3,350,696**	**10**
Furniture and fixtures	**3,067**	**172**	—	—	**3,239**	**1,347**	**175**	—	**1,522**	**1,717**	**10**
Office equipment	**4,801**	**448**	—	—	**5,249**	**2,324**	**261**	—	**2,585**	**2,664**	**10**
Electric and gas appliances	**12,237**	**648**	—	—	**12,885**	**6,517**	**615**	—	**7,132**	**5,753**	**10**
Air conditioners	**1,565**	—	—	—	**1,565**	**787**	**77**	—	**864**	**701**	**10**
Drawings and survey equipment	**363**	—	—	—	**363**	**343**	**2**	—	**345**	**18**	**10**
Motor vehicles	**37,220**	—	—	—	**37,220**	**27,324**	**1,979**	—	**29,303**	**7,917**	**20**
Computer and allied equipment	**8,418**	**296**	—	—	**8,714**	**5,190**	**671**	—	**5,861**	**2,853**	**20**
Security weapons	**1,026**	**152**	—	—	**1,178**	**393**	**65**	—	**458**	**720**	**10**
Leased Assets											
Coating Sheds	**93,999**	—	—	—	**93,999**	**392**	**4,680**	—	**5,072**	**88,927**	**5**
	6,593,848	**87,472**	—	—	**6,681,320**	**86,051**	**472,287**	—	**558,338**	**6,122,982**	

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Particulars	Cost / Revaluation					Depreciation				Book	R
	As at 01 July 2011	Addition / Transfer	Adjustment	Surplus on Revaluation	As at 30 June 2012	As at 30 July 2012	Charge for the Year	On Surplus Writen Back	As at 30 June 2012	Value as at 30 June 2012	ATE %
	(Rupees in '000)										
Owned Assets											
Land - lease hold	838,743	7,200	—	(26,568)	819,375	—	—	—	—	819,375	0
Building - factory	672,931	48,806	(95,085)	1,303,909	1,930,561	65,805	37,324	(95,085)	8,044	1,922,517	5
Office premises	3,233	—	—	—	3,233	2,685	55	—	2,740	493	10
Plant and machinery	3,815,996	49,634	(712,091)	524,444	3,677,983	398,292	344,449	(712,091)	30,650	3,647,333	10
Furniture and fixtures	2,405	662	—	—	3,067	1,173	174	—	1,347	1,720	10
Office equipment	4,616	185	—	—	4,801	2,058	266	—	2,324	2,477	10
Electric and gas appliances	12,090	147	—	—	12,237	5,887	630	—	6,517	5,720	10
Air conditioners	1,565	—	—	—	1,565	702	85	—	787	778	10
Drawings and survey equipment	363	—	—	—	363	341	2	—	343	20	10
Motor vehicles	37,177	43	—	—	37,220	24,855	2,469	—	27,324	9,896	20
Computer and allied equipment	7,830	588	—	—	8,418	4,484	706	—	5,190	3,228	20
Security weapons	1,026	—	—	—	1,026	323	70	—	393	633	10
Leased Assets											
Coating Sheds	92,000	—	(9,649)	11,648	93,999	5,693	4,348	(9,649)	392	93,607	5
	5,489,975	107,265	(816,825)	1,813,433	6,593,848	512,298	390,578	(816,825)	86,051	6,507,797	

		30 June 2013	30 June 2012
		(Rupees in '000)	
4.2 Allocation of depreciation			
Cost of sales	*25.1*	**459,584**	385,597
Administrative expenses	27	**1,182**	1,285
Capital work in progress		**11,521**	3,696
		472,287	**390,578**

4.3 Revaluations of leasehold land and factory building of the Company were carried out in June 2007 and January 2009 by M/s. Iqbal A Nanjee & Co., an independent professional valuator, on the basis of present market values. Repeat revaluation was carried out in June 2012 by M/s. Harvester Services (Private) Limited on the basis of present market values which resulted in a deficit of Rs. 26.568 million and surplus of Rs. 1,303.909 million on leasehold land and factory building, respectively. Out of the revaluation surplus, an amount of Rs. 804.378 million, Rs. 1,339.667 million remains undepreciated on leasehold land and factory building respectively as on 30 June 2013.

4.4 Revaluation of plant and machinery of the Company was carried out in June 2010 by M/s. Harvester Services (Private) Limited, an independent professional valuator, on the basis of present market values. Repeat revaluation was carried out in June 2012 by the same valuator on the basis of present market values resulting in a surplus of Rs. 524.444 million. Out of the revaluation surplus, an amount of Rs. 2,702.063 million remains undepreciated as on 30 June 2013.

4.5 Revaluation of coating sheds was carried out in June 2012 by M/s. Harvester Services (Private) Limited, an independent professional valuator, on the basis of present market values resulting in a surplus of Rs. 11.648 million. Out of the revaluation surplus, an amount of Rs. 11.019 million remains undepreciated as on 30 June 2013.

4.6 Had there been no revaluation, the related figures of land, buildings and plant & machinery as at 30 June 2013 and 30 June 2012 would have been as follows:

	30 June 2013	30 June 2012
	(Rupees in '000)	
Land - lease hold	**14,997**	**14,997**
Building - factory	**501,529**	**512,341**
Plant and machinery	**648,633**	**645,041**
Coating sheds	**77,908**	**82,008**

4.7 Capital work-in-progress

	Cost			
	As at 01 July 2012	Additions	(Transfers)	As at 30 June 2013
	(Rupees in '000)			
Building - Head Office and Factory	290	27,236	(14,362)	**13,164**
Plant and Machinery	9,434	37,457	(39,233)	**7,658**
	9,724	64,693	(53,595)	**20,822**

		30 June 2013	30 June 2012
5. LONG TERM DEPOSITS		(Rupees in '000)	
Long term deposits	*5.1*	**15,003**	**15,063**

5.1 This includes amount of Rs. 9.2 million (30 June 2012: Rs. 9.2 million) against finance lease.

6. STORES AND SPARES

	30 June 2013	30 June 2012
Stores	**81,829**	67,509
Spare parts and loose tools	**1,717**	2,300
	83,546	**69,809**

			30 June 2013	30 June 2012
			(Rupees in '000)	
7.	**STOCK-IN-TRADE**			
	Raw material		**34,565**	394,543
	Work-in-process		**91,687**	310,895
	Finished goods	*7.1*	**297,467**	375,312
	Rejection / scrap material		**65,650**	71,466
			489,369	**1,152,216**

7.1 During the year, the Company recognised a write-down of Rs. 5.080 million (30 June 2012: Rs. 64.527 million) against certain finished goods to adjust their carrying values to their net realisable values.

8.	**TRADE DEBTS - unsecured**			
	Considered good	*8.1*	**179,542**	**127,693**

8.1 This includes Rs 0.258 million (30 June 2012: Rs. 5.253 million) due from related parties.

8.1.1 The above balances are mark-up free and unsecured. The aging of above related party balances at the balance sheet date is as follows:

	Not past due		**258**	**5,253**
9.	**LOANS AND ADVANCES - considered good**			
	Advances to suppliers - unsecured		**21,612**	16,080
	Advances to employees for expenses		**2,281**	905
	Loans and advances to employees	*9.1*	**2,652**	2,419
			26,545	**19,404**

9.1 This includes interest free medical loan provided to employees.

10.	**TRADE DEPOSITS**			
	Trade deposits - considered good		**1,300**	**1,144**
11.	**OTHER RECEIVABLES**			
	Advance sales tax		**449**	85
	Federal excise duty - refundable		—	116
	Letter of credit		**89,521**	25,504
	Margin against guarantee		**33,923**	30,497
			123,893	**56,202**
12.	**ADVANCE TAX - NET OF PROVISION**			
	Tax receivable as at 1 July		**22,723**	38,559
	Tax payments		**50,922**	23,219
			73,645	61,778
	Provision for taxation		**(61,594)**	(39,055)
			12,051	**22,723**
13.	**CASH AND BANK BALANCES**			
	Cash in hand		**88**	51
	With banks in current accounts		**215,057**	29,065
	With a bank in foreign currency current accounts		**71**	74
			215,216	**29,190**

14. SHARE CAPITAL

30 June 2013	30 June 2012		30 June 2013	30 June 2012
(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

14.1 The above includes shares having face value of Rs. 101.213 million (30 June 2012: Rs. 101.213 million) held by the foreign sponsors of the Company.

15. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

	30 June 2013	30 June 2012
	(Rupees in '000)	
Leasehold land		
Opening balance	**804,378**	830,946
Less: Revaluation deficit during the year	—	(26,568)
	804,378	804,378
Factory building and plant and machinery		
Opening balance	**4,424,069**	2,875,600
Surplus on revaluation of plant and machinery carried out during the year	—	524,444
Surplus on revaluation of Factory Building carried out during the year	—	1,303,909
Surplus on revaluation of Leased Coating sheds carried out during the year	—	11,648
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	**(241,357)**	(189,496)
Related deferred tax liability on incremental depreciation charged during the year	**(129,961)**	(102,036)
	4,052,751	4,424,069
Related deferred tax liability at beginning of the year	**(1,548,424)**	(1,006,460)
Related to revaluation made during the year	—	(644,000)
Related to incremental depreciation charged during the year	**129,961**	102,036
	(1,418,463)	(1,548,424)
	3,438,666	**3,680,023**

	Note	30 June 2013	30 June 2012
		(Rupees in '000)	
16. LONG TERM FINANCING			
Secured			
Musharaka facility		**28,366**	63,851
Current portion shown under current liabilities	22	**(28,366)**	(35,473)
		—	**28,378**

16.1 This represents long term financing of Rs. 127.703 million obtained under the diminishing musharaka basis to finance imported plant and machinery. Principal is repayable in eighteen quarterly instalments from 5 March 2010. Mark-up is payable quarterly at 6 months KIBOR plus 1.5% determined semi-annually. The facility is secured against exclusive charge of Rs. 170 million over the Coating Plant.

	Note	30 June 2013	30 June 2012
		(Rupees in '000)	
17. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Balance as at 1 July		**69,390**	83,208
Repayments during the year		**(17,997)**	(13,818)
		51,393	69,390
Payable within one year shown under current liabilities	22	**(22,598)**	(19,371)
		28,795	**50,019**

17.1 Lease payments due are as under :

	2013			2012		
	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	**22,598**	**4,367**	**26,965**	19,371	8,365	27,736
Later than one year but not later five years	**28,795**	**1,148**	**29,943**	50,019	6,118	56,137
	51,393	**5,515**	**56,908**	69,390	14,483	83,873

This represents lease arrangements for coating sheds 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	30 June 2013	30 June 2012
		(Rupees in '000)	
18. DEFERRED LIABILITIES			
Staff gratuity	*18.1*	**83,418**	71,121
Deferred taxation - net	*18.2*	**1,635,680**	1,763,560
		1,719,098	**1,834,681**

18.1 Staff retirement benefits - defined benefit plans

The details of the actuarial valuation under the projected unit credit method as at 30 June 2013 for unfunded gratuity scheme is as follows:

	30 June 2013	30 June 2012
Discount rate	**10.50%**	13%
Expected rate of salary increase	**10.50%**	13%
Average expected remaining working life time of employees	**15 years**	13 years

	30 June 2013	30 June 2012
	(Rupees in '000)	
Reconciliation of payable to defined benefit obligations		
Present value of defined benefit obligations	**79,000**	62,947
Unrecognised actuarial gain	**4,130**	8,174
Benefits due but not paid	**288**	—
	83,418	**71,121**
Changes in present value of defined benefit obligations		
Obligation as at 1 July	**62,947**	61,898
Interest cost	**8,183**	8,666
Current service cost	**6,243**	6,503
Benefits paid	**(1,985)**	(4,364)
Actuarial loss / (gain)	**3,900**	(9,756)
Benefits due but not paid	**(288)**	—
Obligation as at 30 June	**79,000**	**62,947**
Amount recognized in profit and loss account		
Current service cost	**6,243**	6,503
Interest cost	**8,183**	8,666
Net actuarial gain	**(144)**	—
	14,282	**15,169**
Recognised liability		
Balance as on 1 July	**(71,121)**	(60,316)
Expense recognised	**(14,282)**	(15,169)
Payments during the year	**1,985**	4,364
Company's liability at 30 June	**(83,418)**	**(71,121)**
Changes in Actuarial Gains		
Unrecognised actuarial gains / (losses)	**8,174**	(1,582)
Actuarial (losses) / gains arising during the year	**(3,900)**	9,756
Actuarial gains charged during the year	**(144)**	—
	4,130	**8,174**

Historical information	**2013**	2012	2011	2010	2009
	.... (Rupees in '000)				
Present value of the defined benefit obligation	**79,000**	62,947	61,898	46,671	42,015
Experience adjustment arising on plan liabilities losses / (gains)	**3,900**	(9,756)	7,010	(2,764)	(2,663)

The estimated profit and loss charge for the year ended 30 June 2014 has been calculated according to revised IAS-19, the charge is of Rs 16.061 million, in respect of both current service cost and interest cost.

			30 June 2013	30 June 2012
			(Rupees in '000)	
18.2	**Deferred taxation - net**			
	Taxable temporary difference arising in respect of:			
	Accelerated tax depreciation		**251,741**	243,997
	Surplus on revaluation of property, plant and equipment		**1,418,463**	1,548,425
	Finance lease arrangement		**9,280**	4,536
			1,679,484	1,796,958
	Deductible temporary differences arising in respect of:			
	Defined benefit plan's obligation		**(29,196)**	(24,892)
	Provision for compensated absences		**(3,096)**	(2,957)
	Others		**(11,512)**	(5,549)
			(43,804)	(33,398)
			1,635,680	**1,763,560**
19.	**TRADE AND OTHER PAYABLES**			
	Trade creditors		**21,434**	19,747
	Accrued liabilities		**17,722**	36,003
	Sales tax payable	*19.1*	**88,012**	7,716
	Tax deducted at source		**8,972**	8,363
	Workers' profit participation fund	*19.2*	**195,676**	174,322
	Workers' welfare fund		**5,171**	1,552
	Unclaimed dividend		**18,249**	63,659
	Bills payable		**235,626**	597,650
	Advance from customers		**245,313**	273,976
	Provision for compensated absences		**8,845**	8,449
	Others		**421**	1,862
			845,441	**1,193,299**

19.1 This includes default surcharge of Rs. 4.278 million determined in accordance with section 34 (1) (a) of Sales Tax Act, 1990.

			30 June 2013	30 June 2012
19.2	**Workers' Profit Participation Fund**		(Rupees in '000)	
	Balance as at 1 July		**174,322**	151,716
	Interest on funds utilized in the Company's business		**21,354**	22,606
	Balance at the end of the year		**195,676**	**174,322**
20.	**SHORT TERM SPONSORS' ADVANCES - Unsecured**			
	This represents unsecured and interest free advance from sponsors repayable on demand.			
21.	**SHORT TERM BORROWINGS**			
	Financing against import of material	*21.1*	**—**	80,385
	Bank overdraft	*21.2*	**—**	54,134
			—	**134,519**

21.1 The Company has a financing facility of Rs. 150 million (2012: Rs. 150 million) which includes Finance against import of material of Rs. 100 million and Murabaha facility of Rs. 50 million, respectively. This arrangement is secured against pledge of imported stock and by way of joint hypothecation over fixed assets of the Company. The rate of mark-up ranges from 3 months KIBOR plus 2% - 2.5% (2012: 3 months KIBOR plus 2% - 2.5%) per annum . The facilities are available for various periods expiring upto 04 July 2014.

21.2 This represents temporary bank overdraft availed from a bank and was immediately repaid subsequent to the year end.

21.3 The facility for opening letters of credit and guarantees as at 30 June 2013 amounted to Rs. 900 million (2012: Rs. 1,295 million) of which the amount remaining unutilised as at that date was Rs. 279.178 million (2012: Rs. 930.57 million).

		Note	30 June 2013	30 June 2012
			(Rupees in '000)	
22.	**CURRENT PORTION OF NON-CURRENT LIABILITIES**			
	Current portion of long term financing	16	**28,366**	35,473
	Current portion of liabilities against assets subject to finance lease	17	**22,598**	19,371
			50,964	**54,844**

23. CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

23.1.1 Guarantees as at 30 June 2013 amounting to Rs. 62.048 million (30 June 2012: Rs. 122.671 million) have been furnished in favour of various customers. Guarantee amounting to Rs 17.073 million (30 June 2012: Rs. 12.458 million) had expired. However these have not been released till 30 June 2013.

23.2 Commitments

23.2.1 Commitments under letters of credit as at 30 June 2013 amounted to Rs. 202.712 million (30 June 2012: Rs. 241.76 million).

23.2.2 Aggregate commitments for rentals under Ijarah agreements as at 30 June 2013 are as follows:

	2013	2012
Not later than one year	**744**	744
Over one year to five year	**718**	1,462
	1,462	**2,205**

		Note	2013	2012
24	**Net Sales**			
	Sales - local		**2,486,420**	2,234,321
	- export		**25,123**	83,474
			2,511,543	2,317,795
	Less: Sales tax		**(329,332)**	(265,633)
			2,182,211	**2,052,162**
25.	**COST OF SALES**			
	Opening stock of finished goods		**375,312**	319,665
	Cost of goods manufactured	25.1	**2,051,163**	2,087,347
			2,426,475	2,407,012
	Closing stock of finished goods		**(297,467)**	(375,312)
			2,129,008	**2,031,700**
25.1	**Cost of goods manufactured**			
	Raw material consumed	25.1.1	**1,008,150**	1,400,627
	Store and spare parts consumed		**89,083**	94,133
	Gas consumed		**75,001**	87,852
	Processing expense (outside factory)		—	16,845
	Power, fuel and water		**58,596**	55,777
	Salaries, wages, and other benefits	25.1.2	**103,268**	109,818
	Rent, rates and taxes		**2,528**	425
	Insurance		**768**	1,842
	Repairs and maintenance		**2,455**	2,858
	Carriage and cartage		**1,212**	2,525
	Depreciation	4.2	**459,584**	385,597
	Others		**25,494**	13,598
			1,826,139	2,171,897
	Rejection / scrap material			
	Opening		**71,466**	86,185
	Closing		**(65,650)**	(71,466)
			5,816	14,719
	Work in process			
	Opening		**310,895**	211,626
	Closing		**(91,687)**	(310,895)
			219,208	(99,269)
			2,051,163	**2,087,347**

		30 June 2013	30 June 2012
		(Rupees in '000)	
25.1.1 Raw material consumed			
Opening stock		**394,543**	129,121
Purchases		**648,172**	1,666,049
		1,042,715	1,795,170
Closing stock		**(34,565)**	(394,543)
		1,008,150	**1,400,627**

25.1.2 Salaries, wages and other benefits include Rs. 9.032 million (2012: Rs. 10.192 million) in respect of staff retirement benefits.

26. SELLING AND DISTRIBUTION COST			
Salaries, wages and other benefits	*26.1*	**3,960**	4,019
Sales promotion and other expenses		**61**	—
Travelling and conveyance		**442**	424
Bad debts written off		**12,889**	8,987
Insurance		**257**	21
Carriage outward		**1,130**	3,864
Other expenses		**1,970**	5,106
		20,709	**22,421**

26.1 Salaries, wages and other benefits include Rs. 0.652 million (2012: Rs. 0.557 million) in respect of staff retirement benefits.

27. ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits	*27.1*	**27,018**	26,741
Travelling and conveyance		**6,126**	4,219
Legal and professional charges		**822**	3,863
Fees and subscription		**1,168**	2,491
Telephone, telex and postage		**1,334**	2,102
Vehicle running and maintenance		**1,987**	2,087
Auditors' remuneration	*27.2*	**1,154**	1,269
Printing and stationary		**970**	1,056
Depreciation	*4.2*	**1,182**	1,285
Utilities		**917**	659
Rent, rates and taxes		**586**	646
Repairs and maintenance		**363**	381
Advertisement		**109**	89
Entertainment		**59**	12
Default surcharge on sales tax	*19.1*	**4,278**	—
Others		**1,188**	670
		49,261	**47,570**

27.1 Salaries and other benefits includes Rs. 4.598 million (2012: Rs. 4.419 million) in respect of staff retirement benefits.

27.2 Auditors' remuneration		
Annual audit fee	**660**	660
Half yearly review	**240**	240
Other services including certifications	**180**	204
Out of pocket expenses	**74**	165
	1,154	**1,269**

	Note	30 June 2013	30 June 2012
		(Rupees in '000)	
28. OTHER OPERATING CHARGES			
Workers' Welfare Fund		**5,171**	1,552
Exchange loss		**21,894**	78,774
		27,065	**80,326**
29. OTHER OPERATING INCOME			
Scrap sales		**446**	378
Others		**456**	4,199
		902	**4,577**
30. FINANCE COST			
Lease financial charges		**6,707**	10,575
Musharka rent		**5,523**	10,389
Interest on workers' profit participation fund	*19.2*	**21,354**	22,606
Mark-up on Short term borrowings		**21,170**	28,195
Bank charges		**3,677**	4,725
		58,431	**76,490**
31. TAXATION			
Current			
– for the year		**55,575**	27,446
– for prior years		**6,019**	11,609
		61,594	39,055
Deferred		**(127,880)**	(108,323)
		(66,286)	**(69,268)**

31.1 The return of income have been filed up to and including tax year 2012 (corresponding to financial year ended 30 June 2012), while income tax assessments have been finalized up to and including tax year 2012.

31.2 Relationship between tax expenses and accounting profit

	30 June 2013	30 June 2012
Loss before taxation	**(101,361)**	**(201,768)**
Tax at the applicable rate of 35% (2012: 35%)	**(35,476)**	(70,619)
Rebates Under Sec 65A and 65 B of Income Tax Ordinance 2001	**(34,087)**	-
Tax effect of expenses that are not allowable in determining taxable income	—	349
Net tax effect of export sales charged at a different rate	**(829)**	(10,607)
Effect of prior year charges	**6,019**	11,609
Others	**(1,913)**	-
	(66,286)	**(69,268)**

32. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated companies, directors of the Company, companies in which directors also hold directorship, related group companies, key management personnel and staff retirement benefit funds.

Transactions with related parties are as follows:

Name	Nature of relationship	Nature of transaction	30 June 2013	30 June 2012
			(Rupees in '000)	
Hafiz Abdul Waheed and Brothers	Associated company	Sale of goods	201,018	165,438
		Receipts in respect of sale of goods	200,760	165,424
Huffaz Corporation	Associated company	Sale of goods	62,229	108,900
		Receipts in respect of sale of goods	67,482	114,853
Directors	Related party	Sponsors' advances received	1,050	31,194
		Sponsors' advances repaid	31,700	34,916

Balance as at 30 June in relation to transactions with parties are as follows:

Name	Nature of relationship	Nature of transaction	30 June 2013	30 June 2012
Hafiz Abdul Waheed and Brothers	Associated company	Balance as at the date of balance sheet	258	—
Huffaz Corporation	Associated company	Balance as at the date of balance sheet	—	5,253
Directors	Related party	Balance as at the date of balance sheet	23,581	54,231

33. LOSS PER SHARE - basic and diluted

	2013	2012
Loss after taxation for the year	(35,075)	(132,500)
	(Number in '000)	
Weighted average number of Ordinary Shares	55,484	55,484
	(Rupees)	
Loss per share - basic and diluted	(0.63)	(2.39)

34. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
Particulars	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
	....	....	....	Rupees in '000	....	....
Managerial remuneration	5,019	5,019	1,719	1,068	4,459	3,646
House rent	2,259	2,259	773	480	2,007	1,641
Utilities	—	—	172	106	446	365
Gratuity	606	606	250	138	576	471
	7,884	7,884	2,914	1,792	7,488	6,123
Number of persons	1	1	1	1	5	6

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

34.2 During the year Rs nil (2012: Rs 80,000) was paid to Directors for attending the Board of Directors' meeting.

35. CAPACITY AND PRODUCTION

Particulars	2013 Capacity	2013 Production	2012 Capacity	2012 Production
	......Metric Ton......			
Seamless Tubular Products	**32,000**	**13,826**	32,000	13,958
Machinery & Machinery Components	**3,500**	**455**	3,500	764
Coating of Seamless Tubular Products	**50,000**	**5,197**	50,000	1,617

The above represents name plate capacities. The production capacity of the plant varies as this depends on the relative proportions of the various types of seamless pipes and tubes produces.

36. NUMBER OF EMPLOYEES

The total number of employees as at year end were 305 and average number of employees were 320.

37. SEGMENT REPORTING

37.1 Reportable Segments:

The company's reportable segment under IFRS 8 are as follows:

– Seamless Segment.
– Coating Segment.

Performance is measured based on respective segment results. Information regarding the Company's reportable segment is presented below:

37.2 Segment revenue and results

Following is an analysis of the company's revenue and results by reportable segment:

	Seamless Segment	Coating Segment	Total
For the year ended 30 June 2013	...... Rs '000		
Sales	**1,986,876**	**195,335**	**2,182,211**
Cost of sales	**(1,976,834)**	**(152,174)**	**(2,129,008)**
Gross profit	**10,042**	**43,161**	**53,203**
For the year ended 30 June 2012			
Sales	1,991,418	60,744	2,052,162
Cost of sales	(1,906,414)	(125,286)	(2,031,700)
Gross profit / (loss)	85,004	(64,542)	20,462

Reconciliation of segment results with profit after tax is as follows:

	30 June 2013	30 June 2012
	(Rupees in '000)	
Total results for reportable segments	**53,203**	20,462
Selling, distribution and administrative expenses	**(69,970)**	(69,991)
Other operating expenses	**(27,065)**	(80,326)
Other operating income	**902**	4,577
Financial charges	**(58,431)**	(76,490)
Taxation	**66,286**	69,268
Loss for the year	**(35,075)**	(132,500)

37.3 Segment assets and liabilities

	Seamless Segment	Coating Segment	Total
As at 30 June 2013		Rs '000	
Segment assets	**5,247,158**	**1,380,196**	**6,627,354**
Segment liabilities	**881,875**	**80,873**	**962,748**
As at 30 June 2012			
Segment assets	6,420,522	1,376,908	7,797,430
Segment liabilities	1,399,545	133,241	1,532,786

Reconciliation of segment assets and segment liabilities with total assets and liabilities in the balance sheet is as follows:

	30 June 2013	30 June 2012
	(Rupees in '000)	
Total for reportable segment assets	**6,627,354**	7,797,430
Unallocated assets	**662,915**	213,535
Total assets as per balance sheet	**7,290,269**	**8,010,965**
Total for reportable segment liabilities	**962,748**	1,532,786
Unallocated liabilities	**1,719,098**	1,834,681
Total liabilities as per balance sheet	**2,681,846**	**3,367,467**

37.4 Segment revenue reported above are revenue generated from external customers. There were no inter-segment sales during the year, (June 2012 : nil).

37.5 Segment assets reported above comprise of property, plant and equipment, long term deposits and stock in trade.

37.6 98.8% (2012: 96%) gross sales of the Company relates to customers in Pakistan.

37.7 All non-current assets of the Company as at 30 June 2013 are located in Pakistan.

37.8 Revenue from major customer of seamless segment represents an aggregate amount of Rs 449 million (2012: Rs nil) of total seamless segment revenue of Rs 1,986.876 million (2012: 1,991.418 million). Further, revenue from major customer of coating segment represents an aggregate amount of Rs 80.78 million (2012 Rs: nil) out of total coating segment revenue of Rs 195.335 million (2012: Rs 60.744 million).

37.9 The accounting policies of the reportable segment are the same as the company's accounting policies described in note 3 to the financial statements.

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:

	2013		2012	
	Balance sheet	Maximum exposure	Balance sheet	Maximum exposure
	(Rupees in '000)			
Trade debts	**179,542**	**179,542**	127,693	127,693
Deposits and Margin against letter of credit	**50,226**	**50,226**	16,207	16,207
Bank balances	**215,216**	**215,128**	29,190	29,139
	444,984	**444,896**	173,090	173,039

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

	30 June 2013	30 June 2012
	(Rupees in '000)	
Dealers and distributors	**81,100**	68,951
End-user customers	**98,442**	58,742
	179,542	**127,693**

As at the year end the Company's most significant customers included a distributor from whom Rs. 26.068 million was due (2012: Rs. 28.680 million) and an end-user from whom Rs. 54.790 million was due (2012: Rs. nil).

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

	2013		2012	
	Gross	Impairment	Gross	Impairment
	(Rupees in '000)			
Less than 90 days	**156,337**	—	106,213	—
91 to 180 days old	**1,894**	—	15,047	—
181 to 365 days old	**21,311**	—	5,514	—
More than one year	—	—	919	—
	179,542	—	127,693	—

Based on the past experience, consideration of financial position, past track records and recoveries, the Company believes 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 than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Companys approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following are the contractual maturities of financial liabilities, including interest payments:

Non-Derivative Financial liabilities	2013 Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	....	....	(Rupees in '000)	....	....	....
Long term financing and markup payable	**28,690**	**(30,419)**	**(15,622)**	**(14,797)**	**—**	**—**
Liabilities against assets subject to finance lease	**52,183**	**(56,907)**	**(14,520)**	**(12,446)**	**(29,943)**	**—**
Short term sponsors advances	**23,581**	**(23,581)**	**—**	**(23,581)**	**—**	**—**
Trade and other payables	**302,297**	**(302,297)**	**(302,297)**	**—**	**—**	**—**
Short-term borrowings and mark up payable	**12,853**	**(12,853)**	**(12,853)**	**—**	**—**	**—**
	419,604	**(426,056)**	**(149,615)**	**(246,500)**	**(29,943)**	**—**

Non-Derivative Financial liabilities	2012 Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	....	....	(Rupees in '000)	....	....	....
Long term financing and markup payable	66,564	(74,647)	(27,056)	(16,815)	(30,776)	—
Liabilities against assets subject to finance lease	70,656	(74,674)	(14,935)	(12,801)	(46,938)	—
Short term sponsors advances	54,231	(54,231)	—	(54,231)	—	—
Trade and other payables	727,370	(727,370)	(727,370)	—	—	—
Short-term borrowings and mark up payable	148,036	(148,036)	(13,517)	(134,519)	—	—
	1,066,857	(1,078,958)	(587,202)	(414,042)	(77,714)	—

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 16, 17 and 21 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, import bills payable, foreign currency bank accounts and sales that are denominated in a foreign currency (primarily U.S. Dollar). The Companys exposure to foreign currency risk is as follows:

	2013		2012	
	Rupees in '000	US Dollars in '000	Rupees in '000	US Dollars in '000
Foreign currency bank accounts	**71**	**0.723**	74	0.788
Import bills payable	**(235,626)**	**(2,387)**	(597,650)	(6,318)
Gross balance sheet exposure	**(235,555)**	**(2,386)**	(597,576)	(6,318)
Outstanding letter of credit	**(87,171)**	**(882)**	(241,760)	(2,620)
Net exposure	**(322,726)**	**(3,268)**	(839,336)	(8,938)

Following are the significant exchange rates applied during the year:

	Average rates		Balance sheet date rate	
	2013	**2012**	**2013**	**2012**
	..................(Rupees)..................		..................(Rupees)..................	
US Dollars	**97.57**	92.27	**98.80**	94.48

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.7.655 million (2012: Rs. 29.121 million). This analysis assumes that all other variables, in particular interest rates, remaining constant. The analysis is performed on the same basis for 2012.

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.

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 of changes in market interest rates. Majority of the interest rate exposure arises from short and long term borrowings from banks. At the balance sheet date the interest rate profile of the Companys interest-bearing financial instrument was as follows:

	Carrying amount	
	2013	2012
Variable rate instruments	**(Rupees in '000)**	
Financial liabilities	**79,759**	**865,410**

All borrowings bear variable interest rate and are indexed to KIBOR. Borrowing is generally determined on the basis of 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 2013 by Rs. 0.518 million (2012: Rs. 1.123 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

38.3.3 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.

38.3.4 Capital risk management

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital 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 the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the 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 31 December 2013 by the Board of Directors of Company.

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

Pattern of Shareholding

As on 30 June 2013

No. of Shareholders	Having Shares From	To	Shares Held	Percentage
342	1	100	8943	0.0161
425	101	500	130793	0.2357
208	501	1000	159688	0.2878
336	1001	5000	845717	1.5242
79	5001	10000	596880	1.0758
35	10001	15000	433219	0.7808
29	15001	20000	517300	0.9323
12	20001	25000	273975	0.4938
13	25001	30000	365125	0.6581
3	30001	35000	99818	0.1799
15	35001	40000	567453	1.0227
4	40001	45000	165484	0.2983
3	45001	50000	140257	0.2528
3	50001	55000	153283	0.2763
2	55001	60000	114728	0.2068
2	60001	65000	126305	0.2276
1	65001	70000	69052	0.1245
1	70001	75000	74750	0.1347
3	75001	80000	231307	0.4169
3	80001	85000	250210	0.4510
3	85001	90000	263748	0.4754
1	90001	95000	90703	0.1635
2	100001	105000	206139	0.3715
2	105001	110000	215731	0.3888
2	110001	115000	227386	0.4098
1	115001	120000	119993	0.2163
2	120001	125000	248265	0.4475
2	140001	145000	287940	0.5190
1	145001	150000	148722	0.2680
1	155001	160000	159171	0.2869
2	165001	170000	334047	0.6021
2	170001	175000	344143	0.6203
1	180001	185000	183076	0.3300
3	185001	190000	568278	1.0242
2	190001	195000	385274	0.6944
3	200001	205000	604239	1.0890
1	225001	230000	227388	0.4098
1	240001	245000	243301	0.4385
1	260001	265000	261492	0.4713
3	270001	275000	812910	1.4651
1	275001	280000	276675	0.4987
2	285001	290000	575480	1.0372
1	310001	315000	311256	0.5610
5	345001	350000	1726446	3.1116
1	375001	380000	379190	0.6834
1	385001	390000	389426	0.7019
3	400001	405000	1208520	2.1781
1	420001	425000	423800	0.7638
1	425001	430000	428745	0.7727
2	435001	440000	877716	1.5819
1	485001	490000	487500	0.8786
1	565001	570000	568258	1.0242
1	570001	575000	574040	1.0346
1	605001	610000	606371	1.0929
1	625001	630000	627212	1.1304
1	745001	750000	747350	1.3470
1	785001	790000	788782	1.4216
1	830001	835000	833761	1.5027
1	860001	865000	862258	1.5541
1	925001	930000	929447	1.6752
1	1060001	1065000	1060359	1.9111
1	1065001	1070000	1067213	1.9234
1	1085001	1090000	1088021	1.9610
1	1360001	1365000	1362396	2.4555
1	1380001	1385000	1381175	2.4893
1	1775001	1780000	1775453	3.1999
1	1820001	1825000	1822612	3.2849
1	2215001	2220000	2216551	3.9949
1	2755001	2760000	2756992	4.9690
1	3020001	3025000	3021317	5.4454
1	3525001	3530000	3525755	6.3545
1	4635001	4640000	4636615	8.3566
1	4890001	4895000	4891378	8.8158
1,596		**Company Total**	**55,484,303**	**100.0000**

Categories of Shareholders

As at 30 June 2013

{as per the requirements of Clause xvi(j) of Code of Corporate Governance-2012}

		No of Shares	Percentageof Shareholding
1	**Associated companies, undertakings and related parties (name wise detail)**	—	—
2	**Mutual funds (name wise detail)**		
	2.1 M/S First Crescent Modaraba	375	0.0007
	2.2 Golden Arrow Selected Stocks Fund Limited	428,745	0.7727
	2.3 CDC - Trustee AKD Opportunity Fund	276,675	0.4987
		705,795	**1.2721**
3	**Directors their spouces and minor children (name wise detail)**		
	3.1 Hafiz Abdul Majid	4,636,615	8.3566
	Mrs. Fareeda Majid W/o Hafiz Abdul Majid	1,822,612	3.2849
	3.2 Hafiz Abdul Haseeb	2,224,768	4.0098
	Hafsa Haseeb W/o Hafiz Abdul Haseeb	24,691	0.0445
	3.3 Hafiz Abdul Waheed	5,820,825	10.4910
	Mrs. Najma Waheed W/o Hafiz Abdul Waheed	3,363,363	6.0618
	3.4 Yusuf Mohamed Yusuf Najibi	3,525,755	6.3545
	Mrs. Bilquees Ahmed W/o Arshad Ahmed	879,485	1.5851
	3.5 Mr. Arshad Ahmad	2,262,953	4.0785
	3.6 Mr. Mohammad Hafiz	574,040	1.0346
	3.7 Mr. A. Aziz Eshaq A. Rehman	3,021,317	5.4454
	3.8 Mr. Nabeel Abdul Rehman Arif	345,287	0.6223
	3.9 Hafiz Abdul Sami	938,468	1.6914
	3.10 Hafiz Abdul Aleem	896,072	1.6150
	3.11 Syed Arsalan Sadiq - Independent Director	2,058	0.0000
		30,338,309	**54.6754**
4	**Executives**	—	—
5	**Public sector companies and corporations**		
	5.1 National Bank of Pakistan-Trustee Department NI(U)T Fund	1,362,396	2.4555
	5.2 National Investment Trust Limited	35,085	0.0632
		1,397,481	**2.5187**
6	**Banks, Development financial institutions, Non-banking finance companies, insurance companies, takaful, modarabas and pension funds**		
	6.1 IDBP (ICP Unit)	7,230	0.0130
	6.2 National Bank of Pakistan	1,033	0.0019
		8,263	**0.0149**
7	**Sharehoders holding five percent or more voting rights (name wise detail)**	—	—
8	**Others**	**23,034,455**	**41.5190**
	TOTAL	**55,484,303**	**100.0000**

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

Proxy Form

30th 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 30th Annual General Meeting of Company will be held on Saturday, January 25, 2014 at 04:00 p.m. at Civic Lawn opposite, Mashriq Centre, Block-17, Gulshan-e-Iqbal, Karachi-75300and 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 Computerised 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.

AFFIX
CORRECT
POSTAGE

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