

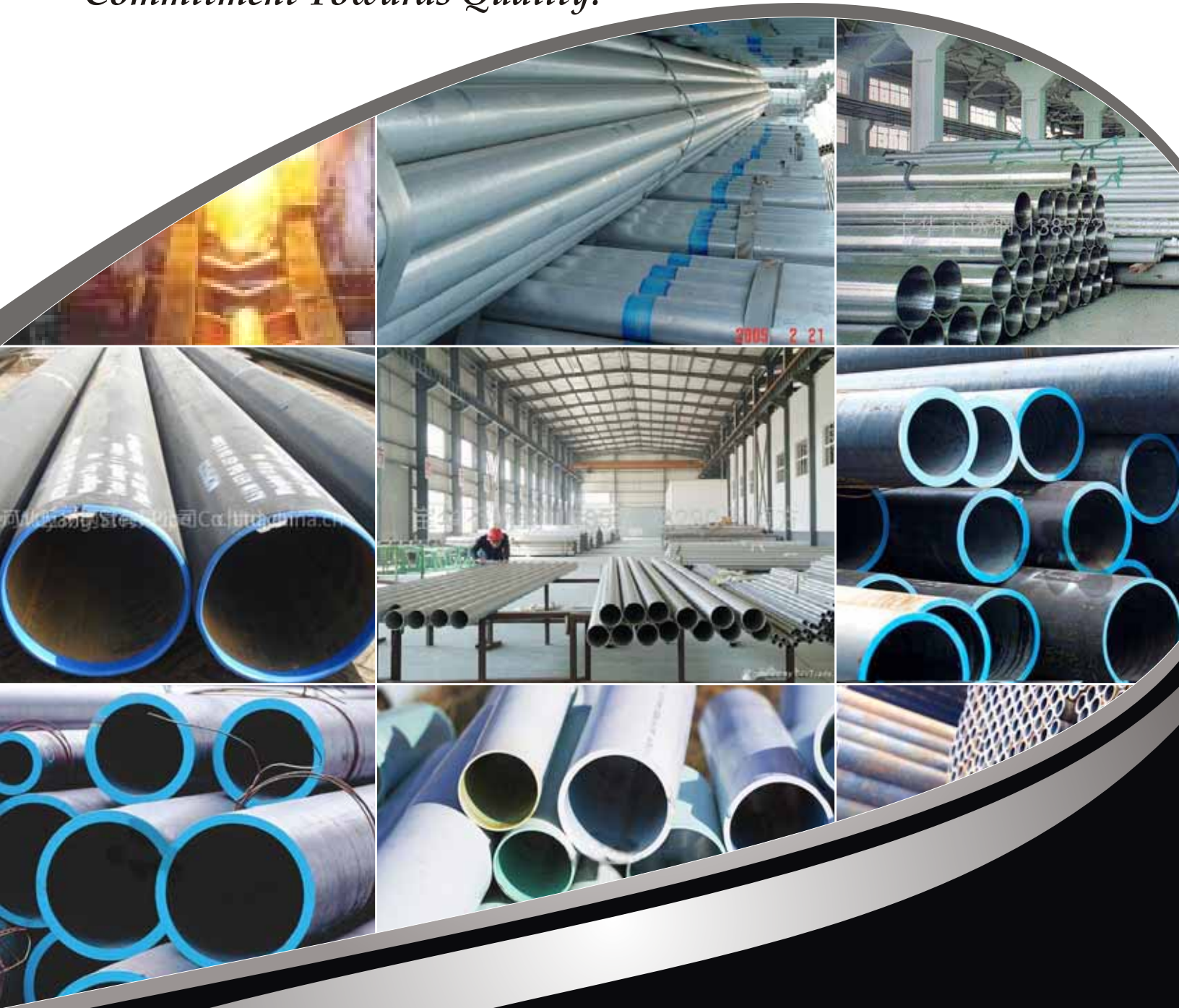


Huffaz

Seamless Pipe Industries Limited

Commitment Towards Quality!

Annual Report 2010





Corporate Directory.....	02
Vision / Mission	03
Financial Summary	04
Company Overview	
^a Company's Profile	05
^a Environment, Health & Safety	08
^a Research & Development.....	09
^a Code of Conduct.....	09
^a International Certification	10
Business Ethics and Practices	11
Notice of Annual General Meeting	13
Director's Report	14
Decade at a Glance	20
Diagrammatical Performance Review.....	21
Statement of Compliance Code of Corporate Governance	24
Review Report to the Members on Statement of Compliance With Best Practices of Code of Corporate Governance.....	26
Auditors' Report to the Members	27
Balance Sheet as at June 30, 2010	28
Profit and Loss Account for the year Ended June 30, 2010.....	29
Statement of Comprehensive Income for the year Ended June 30, 2010	30
Cash Flow Statement for the year ended June 30, 2010.....	31
Statement of Changes in Equity for the year ended June 30, 2010	32
Notes to and Forming Part of these Financial Statements for the year ended June 30, 2010	33
Pattern of Holding of Shares by the Shareholders.....	55
Detail of Pattern of Shareholding	56
Form of Proxy	57





Corporate Directory

Chairman:

Mr. Yousuf Mohamed Y. Najibi

Chief Executive:

Mr. Hafiz Abdul Majid

Executive Director:

Mr. Hafiz Abdul Haseeb

Board of Directors:

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

CFO & Company Secretary:

Mr. Syed Zakir Ali, FCA., FCMA

Audit Committee:

Mr. Arshad Ahmed (UK)
Mr. Muhammad Hafiz (UK)
Mr. Hafiz Abdul Sami
Mr. Hafiz Abdul Haseeb

Auditors:

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

Legal Advisor:

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

Registrar:

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

Bankers:

Allied Bank Limited
Askari Bank Limited
Bank Alfah Ltd.
Barclay Bank Limited
Faisal Bank Limited
Habib Bank Limited
MCB Bank Limited
Meezan Bank Ltd.
National Bank of Pakistan Limited
Royal Bank of Scotland
Soneri Bank Limited

Registered Office:

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

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

Financial Summary

	2010 Rs. In '000
Gross Sales	1,482,041
Net Sales	1,285,301
Profit Before Taxation	211,153
Taxation	82,085
Profit after Taxation	129,068
Shareholders' Equity	883,841
Total Assets	6,209,014
Capital Expenditures	330,575
Earning per share (Rs. Per share)	2.33
Number of Employees (Nos.)	232
Production Volume (M.Tons)	
Seamless Tubular Products	11,288
Machinery and its Components	513





Company's Profile

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

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

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

Beside fulfilling the entire demand of domestic market including major oil and gas organizations, we are exporting our products to USA, Australia, the Middle East, Iran and Bangladesh.

Product Range

- Boiler Tubes
- Heat Exchanger Tubes
- High/Low Temperature Services Pipes/Tubes
- Mechanical Tubes
- Line Pipes
- Structural Pipes/Tubes
- Casing & Tubing
- Line Pipes with 3 layer Polythene/Polypropylene & Fusion Bonded Epoxy coated Pipes/Tubes for Couplings and Casing.

Size Range

Outer Diameter	:	6mm - 273 mm
Wall Thickness	:	0.75 mm - 25 mm
Length	:	1 - 19 Meter

Production Capacity per annum in M.Tons

- Seamless Tubular Products : 32,000
- Special precision shafting : 30,000
- 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.

Marketing:

On Pipes surface (Die Stamp or Paint Stencil)

On bundles (Metal Label or Plastic Labels)

Surface Protection:

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

Other coating as per requirements of the customer.

Packaging:

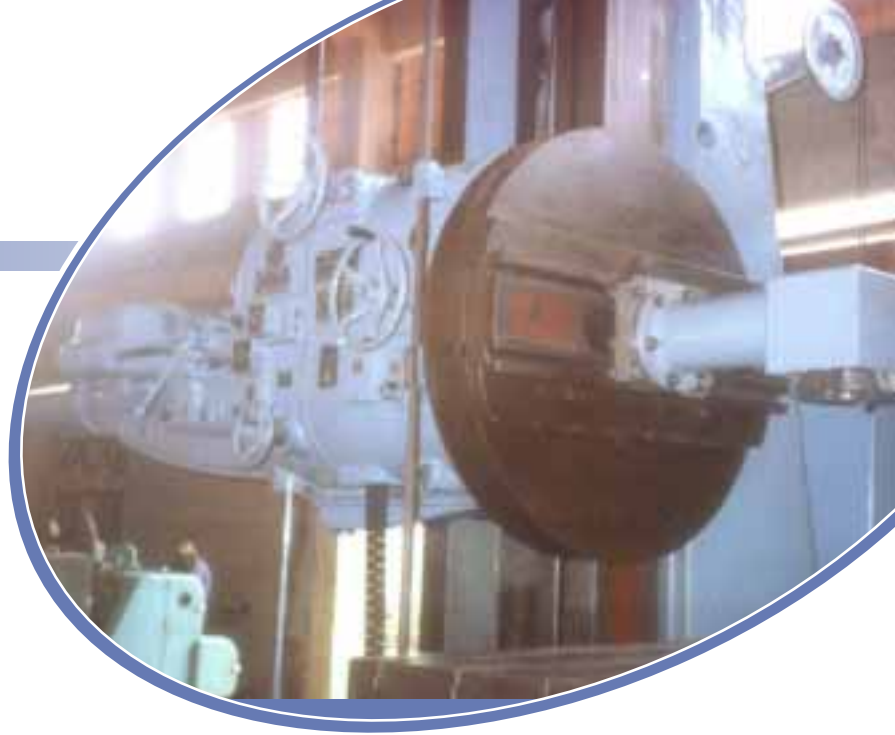
In bundles, special packing upon request.

Quality Assurance:

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

HSPI aims to provide customers, 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 HSPIC. 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 to 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 (HSPIL) has a Code of Conduct incorporating guidelines and standards on integrity and transparency applicable to all its employees and its directors.

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





International Certification



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





Business Ethics & Practices

Huffaz Seamless Industries Limited (HSPI) as a manufacturer of high quality seamless tubular products and special precision shafting, recognize the importance of codifying the ethical principles, which guide the Directors, Executives, Managers and other employees of the Company. HSPI Code of Ethics states the values to which we are committed and embodies the ethical responsibilities of the plant operations in this changing environment. HSPI team's humility, honesty, transparency and flexibility coupled with their attention to details and obsession with quality and growth will assure Company's ascendancy to the enviable rank of the large and most trusted seamless tubular products manufacturer in the region.

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

Our policy reflects by the following:

Honesty and Integrity

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

Law and Regulation

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

Politics

HSPI does not support any political party nor contributes

to the funds of groups whose activities promote party interests.

Quality Services

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

Social and Community Commitments

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

Reliable and Transparent Financial Records

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

Human Resource Development

HSPI is an equal opportunity employer. Its employee recruitment and promotional policies are unbiased and based upon merit and excellence oriented. It recruits people who share HSPI's vision and values and develop them to reach their highest potential through continuous training, skills development and empowerment. It believes in providing its employees healthy conditions and in maintaining good channels of communications. The Company expects its employees to abide by the code of ethics, whereby Company information and assets are not used for any personal advantage or gain. Any conflict of interests should be avoided and if where it exists, it should be disclosed and guidance sought.





Business Ethics & Practices

Our Commitment is reflected by the following:

As Shareholders and Directors:

- ✦ Commit the necessary and appropriate resources.
- ✦ Foster a conducive environment through responsive policy.
- ✦ Maintain organization effectiveness for the achievement of the Company goals.
- ✦ Encourage and support compliance with legal and industry requirement.
- ✦ Support collective decision at board meetings and general body meetings.

As Executives and Managers:

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

As Employees and Staff:

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





Notice is hereby given to the Members that the 27th Annual General Meeting of Company will be held on Friday, October 29, 2010 at 04:00 p.m. at CIVIC LAWN B, Opp. Mashriq Centre, Block-17, Gulsan-e-Iqbal, Karachi-75300 to transact the following business:-

1. To receive, consider and adopt audited financial statements of the Company for the year ended Jun 30, 2010 together with Directors' and Auditors' report thereon.
2. To appoint auditors for the year ending June 30, 2011 and fix their remuneration.
3. To consider placing quarterly accounts on the Company website instead of forwarding by post.
4. To consider any other business with the permission of the Chair.

By order of the Board

Karachi
October 08, 2010.

(Syed Zakir Ali)
Company Secretary

NOTE:

- (i) The share transfer books of the company will remain closed from October 19, 2010 to October 29, 2010 (both days inclusive).
- (ii) A member entitled to attend and vote at the meeting is entitled to appoint another member as his/her proxy to attend and vote instead of him/her. No person shall act as a proxy who is not a member of the company. Proxies in order to be effective must be received at the registered office of the Company not less than 48 hours before the meeting and must be signed and witnessed.
- (iii) A member who has deposited his/her shares into Central Depository Company of Pakistan Limited, must bring his/her participant ID number and account/sub-account number along-with Computerised National Identity Card (CNIC) or original passport at the time of attending the meeting.
- (iv) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of meeting.
- (v) The members are requested to submit declaration for Zakat on the required format and to advise change in address, if any.
- (vi) Members are requested not to bring children along-with them, as children will not be allowed in the meeting.





Assalam-O-Alaikum Wa Rahmatullah Wa Barakatahu

The Board of Directors of Huffaz Seamless Pipe Industries Limited take pleasure in presenting the 27th Annual Report of the Company together with the annual audited financial statements and Auditors' Report thereon for the year ended 30th June, 2010.

Overview of Economy

The Economic Survey 2009-10 states that despite numerous challenges, such as turmoil in the global economy and resultant lower demand for Pakistani exports, energy and water shortages and above all an alarming internal security situation, the economy has shown resilience during the fiscal year 2009-10.

The provisional overall growth of the gross domestic product (GDP) has been recorded at 4.1%. Agriculture sector showed an estimated growth rate of 2% against a target of 3.8% that was recorded at 4% in previous year. Industrial sector expanded by 4.9%, whereas the growth of services sector recorded at 4.6% as compared to 1.6% in the previous year. Foreign exchange reserves stand at over \$16 billion, mainly due to the overseas workers' remittance that crossed the \$8 billion mark in first eleven months of the fiscal year 2009-10.

Foreign direct investment (FDI) decreased to \$1.8 billion in the period July 2009 to April 2010 from \$3.2 billion in the same period last year. Trade and current account deficits though reduced in first 10 months of the ongoing fiscal year, still remain very high at \$12.2 billion and \$6.5 billion respectively.

Sales, Marketing

Adverse economic condition of the world over also affected the sale of the Company. The turnover during the given year decrease by 2.86% as compared to last year. This is no doubt an achievement in adverse global economy. It is trust of our customers which is due to our quality of products and customer services which we are continuously trying to improve.

During the year the Company made exports of Rs. 33.173 million, which is ten times higher than the export made last year. The export is expected to increase many folds in the coming years.

Production

Due to slow market activities the management concentrated to produce only those products which are high in demand. The production of seamless tubular products during the year was 11,288 Metric Tons as compared to 13,446 Metric Tons in last year. The production from Coating is expected subsequent to year end.

Review of Operating Results

Despite difficult business conditions, the management concentrated to acquire quality raw material at competitive rates, which has resulted in increase in gross profit from Rs. 296.459 million in last year to Rs. 308.975 million in current year. Profit before taxation and profit after taxation for the year was Rs. 211.153 million and Rs. 129.068 million as compared to Rs. 221.930 million and Rs. 143.126 million last year respectively.

Earning per share

The earning per share for the year was Rs. 2.33 per share (2009: Rs. 2.58 per share). During the year total number of shares increased from 34.144 million to 55.484 million due to issuance of bonus shares in the ratio of 3 shares for every 10 shares held in September 2009 and 2.5 shares for every 10 sharers held in October 2009.

Revaluation of Properties of the Company

The International Accounting Standard 16 (Property, Plant and Equipment) requires an enterprise to carry out a review of residual values of assets, useful lives and depreciation method at the end of each financial year. Accordingly





the management of the Company has carried out a review of the residual values of operating fixed assets during the year and has decided to revise its estimates in respect of residual values of Plant and Machinery. The installed Plant and Machinery was physically inspected and valued by M/s. Harvester Services (Pvt) Limited, approved valuation consultants of State Bank of Pakistan. The resulting surplus on revaluation has been incorporated in the books of accounts.

Placement of Quarterly Accounts on Website

It is the practice of the Company to forward the financial statements to the Members through courier as well as to place on Company's Website. The Board of Directors in view to develop the electronic culture and to develop the usage of fastest communication decided to discontinue the dispatch of quarterly financial statements through courier subsequent to June 2010. This is to be resolved by the shareholders in the forthcoming annual general meeting.

Election of Directors

In the Extraordinary General Meeting held on December 31, 2009 following Ten (10) directors were elected for the period of three years commencing from January 01, 2010 to December 31, 2012.

1. Mr. Yousuf Mohamed Y.Najibi (UAE)
2. Mr. Nabil Abdul Rahman Ahmad Arif (UAE)
3. Mr. Abdul Aziz Eshaq A.Rahman (UAE)
4. Mr. Muhammad Hafiz (UK)
5. Mr. Arshad Ahmed (UK)
6. Hafiz Abdul Waheed
7. Hafiz Abdul Sami
8. Hafiz Abdul Aleem
9. Hafiz Abdul Majid
10. Hafiz Abdul Haseeb

Appointment of Chairman of the Company

The Board of Directors of the Company in the meeting held on December 31, 2009 appointed Mr. Yousf Mohamed Y. Najibi as Chairman of the Company in place of Mr. Arshad Ahmed.

Appointment of Chief Executive

The Board of Directors of the Company in the meeting held on December 31, 2009, re-appointed Hafiz Abdul Majid as Chief Executive of the Company for a term of three years effective from January 15, 2010 to January 14, 2013.

Appointment of Company Secretary

The Board of Directors vide resolution through circulation dated January 29, 2010 confirmed the appointment of Syed Zakir Ali as Company Secretary in place of Mr. Abdul Hafeez Khan.

Increase in the remuneration of Executive Director

The Board of Directors of the Company in the meeting held on October 31, 2009 increased the remuneration of Executive Director to Rs. 120,000 per month with fringe benefits effective from October 01, 2009. There is no change in remuneration of Chief Executive.





Capital investment:

During the year the Company incurred Rs. 330.575 million as Capital Expenditures. This includes import and installation of Pre-engineered Steel Structure, construction of Production Facilities, import of Cranes and purchase of Electrical Systems and other Equipments.

Construction of foundations and other related civil works for installation of Coating Plant were carried out by the Company through in-house arrangement and it is almost complete. The erection of the plant is the responsibility of the foreign supplier and they are reluctant to come due to law and order situation in the country.

Construction work related to New Seamless Pipe Plant is in Progress. The scheme for setting-up Steel Making Plant is presently at initial stage due to sluggish global economy.

Capital Structure and Finance

Shareholders' fund at the year end stood at Rs. 4,905.065 million (2009: Rs. 1,713.584 million). This increase is due to surplus on revaluation of plant and machinery and retained profit.

Issuance of bonus shares

The Board of the Director of the Company issued bonus shares in the proportion to 3 shares for 10 shares held out of the financial result of June, 2009 and 2.5 shares for 10 shares held out of the financial results of September, 2009. This was necessary to increase the paid up capital of the Company and to negotiate with the suppliers of the projects as well as financial institutions.

Accounting standards

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

Treasury management

The purpose of treasury function is to ensure that adequate cost-effective funding is available to the Company at all times and that exposure to financial risk is minimised. Alhamdulillah the management tries its best to meet all the cash-flow out of operational in flows and therefore, the Company have not availed any funding facility except for Coating Plant Equipment and Pre-engineered steel structure for Coating Plant acquired through Diminishing Musharikhah Financing and Lease Financing respectively.

Technology Advancements

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

New Board of Directors is keen for the maximum participation of its members in the business of the Company and suggested for arrangement of Video Conferencing. The Company hired the services of M/s. Universal Communication System (Pvt) Limited and they installed the Video Conferencing Equipments at Karachi and Dubai. The installation of equipments at London and Lahore is in progress. All the Board meetings during the period were held through Video Conferencing.

Statement of Internal Controls

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievements of the Company's policies, aims and objectives to evaluate the nature and extent of those risks and to





manage them efficiently, effectively and economically. Management assumes the responsibility of establishing and maintaining adequate Internal Controls and Procedures while the Board of Directors is ultimately responsible for the internal control system. In this connection the Company has documented procedures and manuals, which incorporates the internal controls applicable while conducting any transactions. These procedures are revised and updated as and when required.

The Board of Directors appointed M/s. Mustafa Ahmed & Company, Chartered Accountants, having vast experience of audit and consultancy, to enrich the functions of internal control and confirm their independence effective from April 2010. Prior to his appointment the internal control functions were managed by the Internal Control Department. .

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

Risk Management Framework

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

Safety, Health, Environment and Quality

The Company management is committed to safety, health and quality and sustaining its position as an environmentally friendly Company. It takes great care of the community in which it operates. Environmental improvement and conservation of natural resources are part of the Company's policies and operations. In this regard the Company continues to hold certifications of ISO 9001:2000, ISO 14001, API SL-0375, API 5CT-0586, OHSAS and IIP (Investment in People, UK) from the international certification agencies, which is a proof of its commitment to safety, health, environment and quality. During the year the Company obtained one more certificate called PED Certificate issued by Conformity 'n Compliance Services, Germany.

Human resource

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

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

Corporate Social Responsibility

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

Auditors

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





Corporate and Financial Reporting Framework

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

- The financial statements prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design. The process of monitoring internal controls will continue as an ongoing process with the objective to further strengthen the controls and bring improvements in the system.
- There are no doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in Listing Regulations.
- The summary of key operating and financial data of the Company for the last ten years is annexed to this report.
- Information about taxes and levies is given in the notes to the accounts.
- The value of non funded staff gratuity at close of the year was Rs. 52.157 million.
- During the year under review five meetings of the Board of Directors were held. Attendance by each director was as follows:

Name of Directors	Meetings held	Meetings attended
Mr. Yousuf Mohamed Y.Najibi (UAE)	03	01
Mr. Nabil Abdul Rahman Ahmad Arif (UAE)	03	01
Mr. Abdul Aziz Eshaq A.Rahman (UAE)	03	00
Mr. Muhammad Hafiz (UK)	05	03
Mr. Arshad Ahmed (UK)	05	04
Hafiz Abdul Waheed	05	04
Hafiz Abdul Sami	05	05
Hafiz Abdul Aleem	05	04
Hafiz Abdul Majid	05	05
Hafiz Abdul Haseeb	05	05
Mr. Aamir Amin	02	01
Mrs. Fareeda Majid	02	01

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 June 30, 2010, whose disclosure is required under the reporting framework, is included in the report.

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

Future Outlook and Challenges

We have an optimistic outlook for the financial year ending June 2011. Sustained growth in national economy will impact very positively on pipe manufacturing industry in the next year. Consumption of pipes and tubes in the country will continue to increase in consistence with overall economic development.

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

Stakeholders

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

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

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

On behalf of the Board of Directors

Hafiz Abdul Majid

Chief Executive

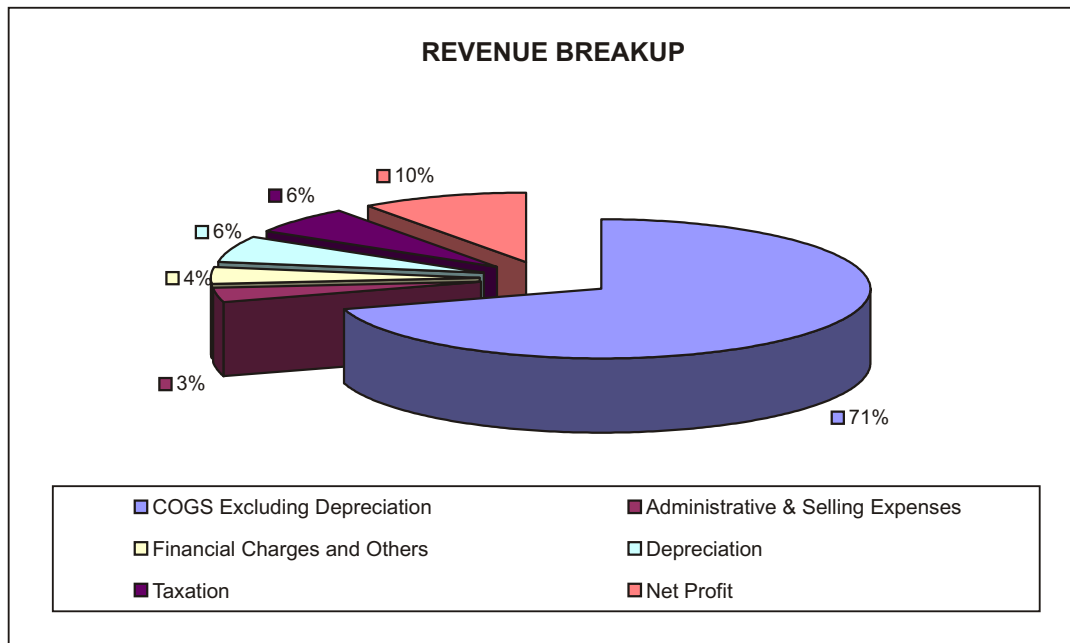
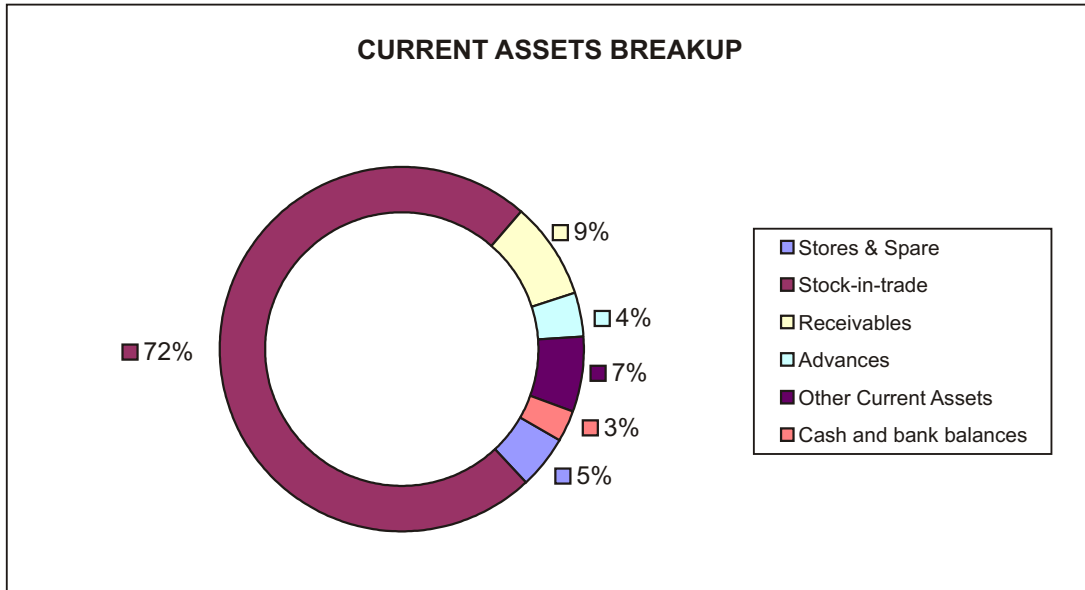
Karachi, October 03, 2010.

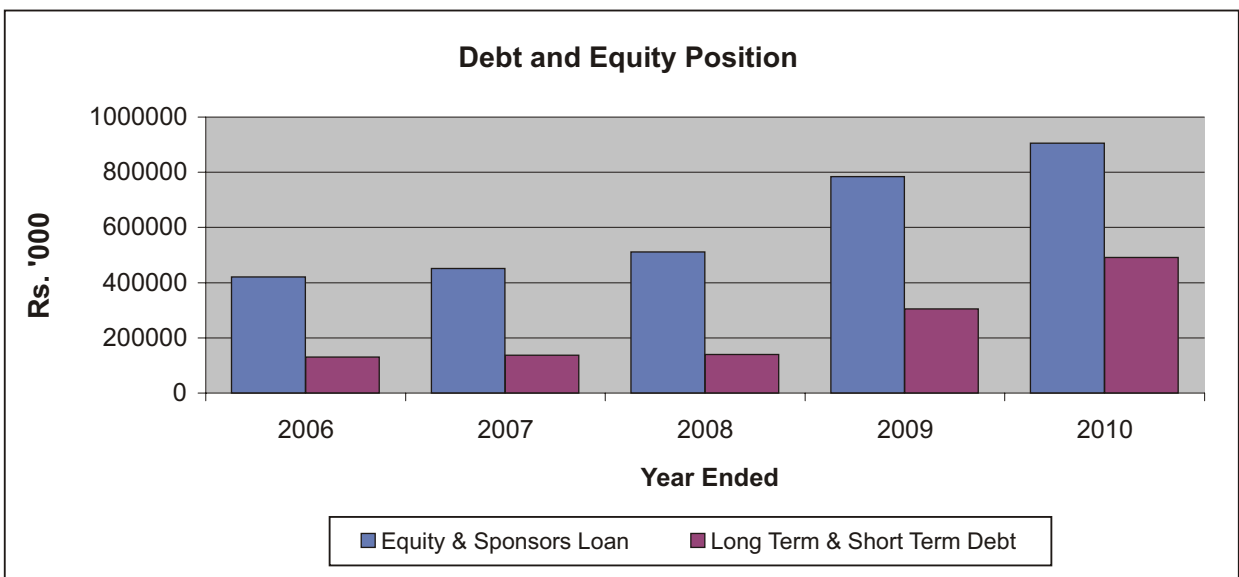
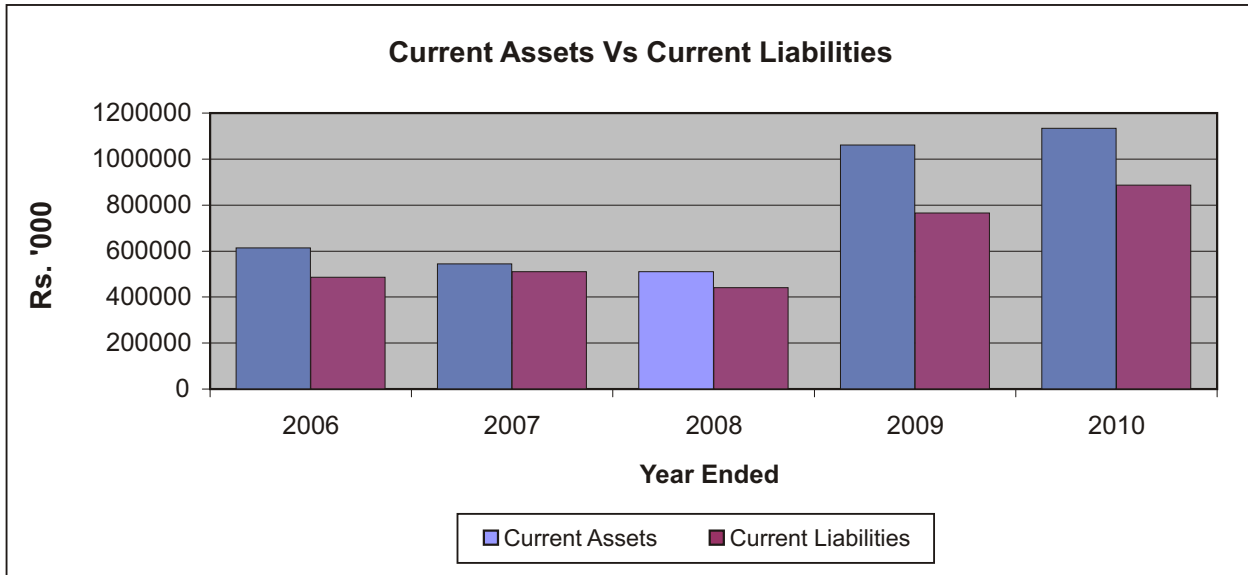


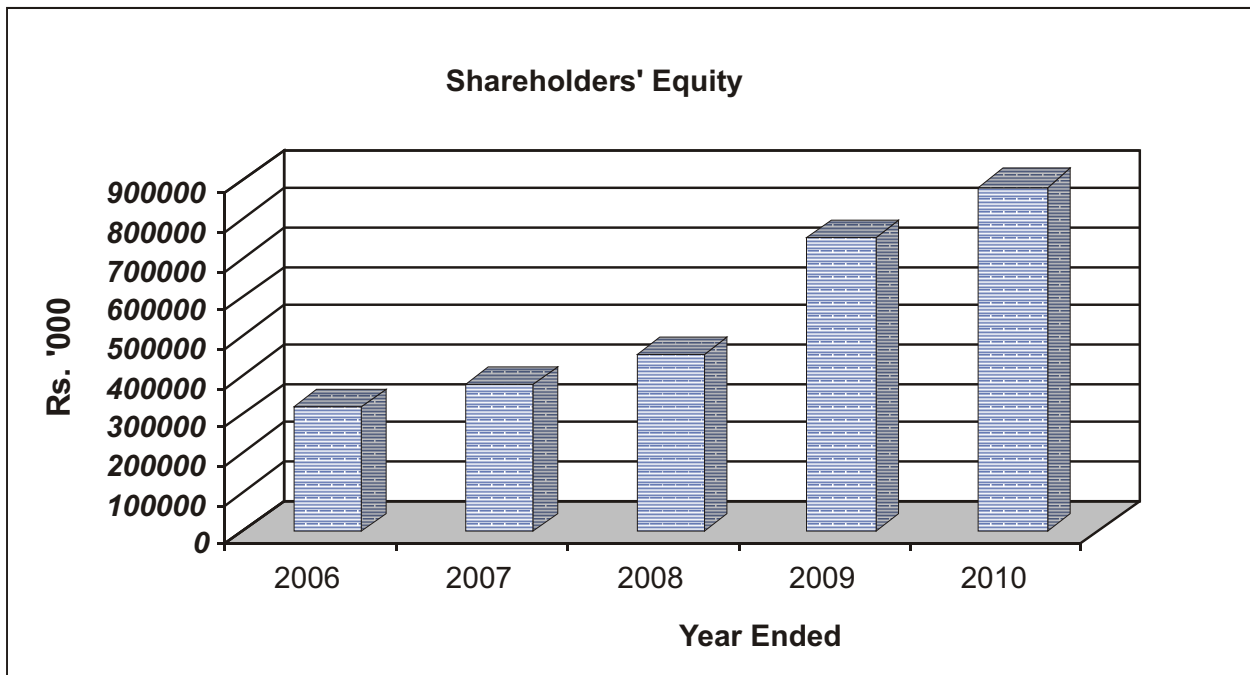
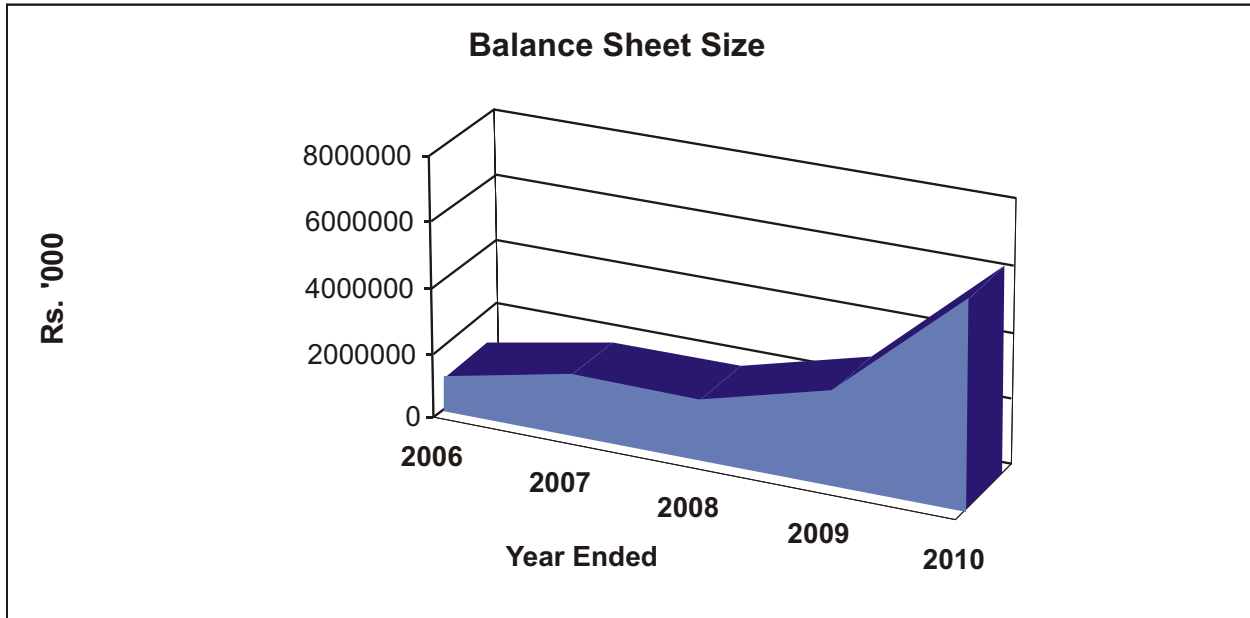


Product: Seamless Steel Pipes and Tubes Location of H/O: Karachi Location of Plant Nooriabad CEO: Hafiz Abdul Majid		Year Ended									
		June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006	June 30, 2005	June 30, 2004	June 30, 2003	June 30, 2002	June 30, 2001
		.....Rs. '000'.....									
Balance sheet data	Cash	31,797	12,231	61,660	18,860	47,199	5,796	6,956	10,834	15,029	2,304
	Receivables	96,457	128,827	100,585	63,710	83,698	51,303	33,824	51,571	39,070	35,439
	Stores & spares	55,481	51,500	39,789	38,116	32,443	30,586	18,079	10,729	7,142	8,940
	Inventory	832,643	779,263	172,381	344,924	366,928	305,460	150,430	156,972	202,345	176,859
	Other current assets	118,015	88,476	136,203	78,401	82,665	61,653	64,055	53,557	62,258	60,609
	Non-current assets	5,074,621	1,743,351	1,262,898	1,233,027	414,119	330,954	273,908	268,450	278,061	307,086
	Total assets	6,209,014	2,803,648	1,773,516	1,777,038	1,027,052	785,752	547,252	552,113	603,905	591,237
	Account payables	797,746	751,134	389,479	487,387	476,435	353,107	211,360	102,195	105,476	102,929
	Other current liabilities	89,726	14,189	52,124	22,848	—	—	-8,831	45,679	153,978	211,800
	Long term liability	394,867	291,062	135,101	144,493	129,914	97,503	38,218	141,622	148,112	151,441
	Surplus on revaluation of land and building	4,021,224	962,625	685,194	689,322	—	—	—	—	—	—
Sponsors loan	21,610	33,679	60,260	72,144	101,944	101,944	117,437	108,676	108,676	55,967	
Paid-up capital	554,844	341,442	218,873	182,394	140,303	122,003	122,003	122,003	122,003	122,003	
Share Premium	109,437	109,437	—	—	—	—	—	—	—	—	
Retained earning/ (loss)	179,560	260,080	192,485	138,450	138,456	71,196	49,403	31,938	(34,340)	(52,903)	
Reserves	40,000	40,000	40,000	40,000	40,000	40,000	—	—	—	—	
Total equity & liabilities	6,209,014	2,803,648	1,773,516	1,777,038	1,027,052	785,752	547,252	552,113	603,905	591,237	
Income statement data	Net Sale	1,285,301	1,323,255	1,024,185	855,660	1,013,609	621,602	413,175	386,600	292,374	202,532
	Cost of goods sold	976,326	1,026,796	811,567	701,040	819,069	511,652	355,038	353,765	261,128	199,246
	Gross profit	308,975	296,459	212,618	154,620	194,540	109,950	58,137	32,835	31,246	3,286
	Administration, selling and Other expenses	46,107	57,040	47,556	31,054	38,398	26,900	16,270	13,602	12,802	16,809
	Financial charges	38,830	17,489	10,868	15,292	8,996	6,304	3,495	3,110	2,914	5,308
	Taxation	82,085	78,804	57,345	16,656	72,294	14,461	18,145	(6)	1,462	1,013
	Net profit	129,068	143,126	96,850	87,484	85,563	61,790	29,665	66,278	18,563	(19,190)
	Depreciation	77,262	58,379	53,062	37,688	36,719	25,689	22,419	24,058	26,352	16,966
Liquidity	Cash flow from operation	238,921	41,651	219,293	262,964	160,869	69,609	165,013	96,959	24,272	23,444
	Net working capital	246,921	294,974	69,015	33,776	136,498	101,691	53,153	135,789	66,390	(30,578)
	Current ratio	1.28	1.39	1.16	1.07	1.29	1.29	1.24	1.92	1.26	0.90
	Quick ratio	1.22	1.32	1.07	0.99	1.22	1.20	1.16	1.85	1.23	0.87
	Payable/receivable	4.14	3.52	1.86	3.59	2.86	3.13	2.25	1.41	2.56	3.28
	Cash flow/ total debt	47.20%	12.29%	88.61%	109.80%	69.38%	34.90%	100.32%	32.76%	5.91%	5.59%
Activity	Inventory age (days)	311	277	78	180	164	218	155	162	283	324
	Collection period (days)	27	36	36	27	30	30	30	49	49	64
	Operating assets turnover	0.25	0.76	0.81	0.69	2.45	1.88	1.51	1.44	1.05	0.66
Profitability	Gross profit margin	24%	22%	21%	18%	19%	18%	14%	8%	11%	2%
	Net profit margin	10%	11%	9%	10%	8%	10%	7%	17%	6%	-9%
	Return on capital	10%	14%	16%	16%	17%	16%	9%	16%	5%	-7%
	Return on operating assets	3%	8%	8%	7%	21%	19%	11%	25%	7%	-6%
Return on equity	18%	24%	24%	27%	31%	32%	17%	43%	21%	-28%	
Per share data	Revenue per share	23	39	47	47	72	51	34	32	24	17
	Earning per share (Rs)	2.33	4.23	4.62	4.80	6.10	5.06	2.43	5.43	1.52	(1.57)
	Face value of share	10	10	10	10	10	10	10	10	10	10
	Break-up value per share	16	22	21	18	20	16	14	13	7	6
	Earning per break-up value of share	1.46	1.91	2.15	2.73	3.07	3.20	1.73	4.31	2.12	(2.78)
	Earning per share % of face value	23%	42%	46%	48%	61%	51%	24%	54%	15%	-16%
Earning per share % of break-up value	15%	19%	22%	27%	31%	32%	17%	43%	21%	-28%	
Share trend	High stock price-at end	40.80	51.30	70.00	90.00	52.20	34.90	15.40	9.95	3.25	5.00
	Low stock price-at end	14.20	25.75	67.63	88.00	52.20	34.90	15.40	9.65	3.25	5.00
	Average stock price-at end	27.50	38.53	68.82	89.00	52.20	34.90	15.40	9.80	3.25	5.00
	Growth since last year (Rs)	(11.03)	(30.29)	(20.19)	36.80	17.30	19.50	5.60	6.55	(1.75)	2.00
	Growth since last Year %	-29%	-44%	-23%	70%	50%	127%	57%	202%	-35%	67%
	Price earning ratio- at average. price	11.80	9.11	14.90	18.56	8.56	6.89	6.33	1.80	2.14	(3.18)
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	11,288	13,446	13,100	14,529	16,285	8,986	8,374	8,986	8,518	4,614
	Coating of pipes and tubes										
	Installed Capacity	50,000	50,000	—	—	—	—	—	—	—	—
	Utilized Capacity	—	—	—	—	—	—	—	—	—	—
	Special Precision Shafting										
	Installed Capacity	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
	Utilized Capacity	—	—	—	—	—	—	—	—	—	—
	Machinery and components										
Installed Capacity	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	
Utilized Capacity	513	453	480	436	523	1,020	526	—	—	412	











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

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

1. The Board comprises ten directors, including the CEO. The Company encourages representation of independent non-executive directors on its Board including those representing minority interests. At present the Board includes 8 non-executive directors.
2. All the directors have given declaration that they were aware of their duties and powers under the relevant laws and the Company's Memorandum and Articles of Association and the listing regulations of the stock exchanges of Pakistan.
3. The directors and CEO have confirmed that none of them is serving as a director or CEO in more than ten listed companies, including this Company.
4. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking Company, a DFI or an NBFIs. None of the directors is a member of any stock exchange of Pakistan.
5. None of the directors or their spouses are engaged in business of stock brokerage.
6. All the directors were elected for a period of three years with effect from 01 January, 2010.
7. No casual vacancy occurred in the Board during the current year.
8. The Company has adopted and circulated a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the Company.
9. The Board has developed vision and mission statements, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
10. All powers of the Board have been duly exercised and decision on material transactions, including appointment, determination of remuneration and terms and conditions of employment of the CEO and other executive directors; have been taken by the Board.
11. The roles and responsibilities of the Chairman and the Chief Executive Officer are clearly defined.
12. The meetings of the Board were presided over by the Chairman and in his absence by a director elected by the Board for this purpose.
13. The Board meets at least once in every quarter.
14. Written notices and agenda of Board Meetings are circulated not less than seven days before the meetings.
15. The Minutes of the Board Meetings are appropriately recorded, signed by the Chairman and circulated within prescribed time limit.
16. The directors have been provided with copies of the Listing Regulations of Stock Exchange, Company's Memorandum and Articles of Association and the Code of Corporate Governance and they are well conversant with their duties and responsibilities. All the directors of the Company, being professionals and





- directors of other local companies have adequate exposure of corporate matters and are already aware of their duties and responsibilities. Orientation courses were conducted in preceding years.
17. All material information as required under the relevant rules has been provided to the stock exchanges and to the Securities & Exchange Commission of Pakistan within the prescribed time limit.
 18. The Board has approved appointment of Company Secretary, CFO and Internal Auditor including their remuneration, terms and condition, as determined by the CEO.
 19. The financial statements of the Company were duly endorsed by CEO and CFO and were reviewed by the Audit Committee before approval of the Board.
 20. The Directors, CEO, Company Secretary, CFO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
 21. All statements have been included in the Director's report, which are required by the Code and Section 236 of the Companies Ordinance, 1984.
 22. The Company has complied with all the corporate and financial reporting requirements of the Code.
 23. The Board has formed an Audit Committee. It comprises four members, majority of which are non-executive directors including the chairman of the committee.
 24. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms and reference of the committee have been formed and advised to the committee for compliance.
 25. The Company has independent Internal Audit function in place. The function was being managed by internal Audit Department of the Company up-till March 2010. Subsequent to April 2010, the function has been outsourced to M/s Mustafa Ahmed and Co., Chartered Accountants.
 26. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
 27. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
 28. The Directors' report has been prepared in compliance with the requirements of the Code and fully described the salient matters required to be disclosed.
 29. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Hafiz Abdul Majid
Chief Executive

Karachi
October 03, 2010





S.M. SUHAIL & CO.
Chartered Accountants

1014, Uni Centre,
I. I. Chundrigar Road,
Karachi, Pakistan.
Phones : 021-3241-4057
 : 021-3241-4163
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Review Report to the Members on the Statement of Compliance with the Best Practices of the Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Huffaz Seamless Pipe Industries Limited** ("the Company") to comply with the Listing Regulations of the 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 the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2010.

S.M. Suhail

S.M. Suhail & Co.

Chartered Accountants

Karachi: October 03, 2010

Engagement Partner: S.M. Suhail





S.M. SUHAIL & CO.
Chartered Accountants

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Auditors' Report to the Members

We have audited the annexed balance sheet of **HUFFAZ SEAMLESS PIPE INDUSTRIES LIMITED** ("the Company") as at June 30, 2010 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied except for the changes as described in note 2.5 with which we concur;
 - 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 June 30, 2010 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, there were no Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, and no zakat was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

S. M. Suhail & Co.

S.M. Suhail & Co.

Chartered Accountants

Karachi: October 03, 2010

Engagement Partner: S.M. Suhail





	Note	2010 Rs in '000	2009
ASSETS			
Non - Current Assets			
Property, plant & equipment	4	5,058,962	1,737,536
Intangible assets	5	—	—
Long term security deposits	6	15,659	5,815
Total Non-Current Assets		5,074,621	1,743,351
Current Assets			
Stores and spare parts	7	53,481	51,500
Stock-in-trade	8	832,643	779,263
Trade debts - considered good	9	96,457	128,827
Loan and advances - considered good	10	44,750	26,348
Trade deposits and short term prepayments	11	11,580	7,269
Other receivables	12	19,098	26,907
Taxation - net	13	44,587	27,952
Cash and bank balances	14	31,797	12,231
Total Current Assets		1,134,393	1,060,297
TOTAL ASSETS		6,209,014	2,803,648
EQUITY AND LIABILITIES			
Equity			
Share Capital and Reserves			
Authorised Share Capital			
70,000,000 (2009: 50,000,000)			
ordinary shares of Rs. 10 each		700,000	500,000
Issued, subscribed and paid-up capital	15	554,844	341,442
Share premium		109,437	109,437
General reserves		40,000	40,000
Un-appropriated profit		179,560	260,080
Total Equity		883,841	750,959
Surplus on revaluation of property, plant & equipment	16	4,021,224	962,625
Total Equity And Surplus On Revaluation		4,905,065	1,713,584
Non Current Liabilities			
Long term sponsors' advances - unsecured	17	21,610	33,679
Musharka facility arrangement	18	85,136	113,514
Liabilities against assets subject to finance lease	19	83,008	—
Deferred liabilities	20	226,723	177,548
Total Non-Current Liabilities		416,477	324,741
Current Liabilities			
Trade and other payables	21	790,746	751,134
Short term borrowings	22	59,356	—
Current portion of non-current liabilities	23	37,370	14,189
Total Current Liabilities		887,472	765,323
Contingencies and commitments	24	—	—
TOTAL EQUITY AND LIABILITIES		6,209,014	2,803,648

The annexed accounting policies and explanatory notes from 1 to 42 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR





	Note	2010 Rs '000	2009
REVENUE			
Sales - net	25	1,285,301	1,323,255
Cost of sales	26	976,326	1,026,796
Gross Profit		308,975	296,459
OPERATING EXPENSES			
Selling and distribution cost	27	4,062	5,247
Administrative expenses	28	42,045	38,510
Finance cost	29	38,830	17,489
Total Operating Expenses		84,937	61,246
Operating Profit		224,038	235,213
OTHER OPERATING INCOME AND CHARGES			
Other operating charges	30	(14,551)	(14,283)
Other operating income	31	1,666	1,000
Total Other Operating Income and Charges		(12,885)	(13,283)
Profit Before Taxation		211,153	221,930
TAXATION			
Taxation	32	82,085	78,804
Profit after Taxation		129,068	143,126
Earnings Per Share - Basic (in rupees)	33	2.33	2.58

The annexed accounting policies and explanatory notes from 1 to 42 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR





	2010 Rs '000	2009
COMPREHENSIVE INCOME		
Profit for the year	129,068	143,126
Other Comprehensive Income	—	—
Total Comprehensive Income for the Year	129,068	143,126

The annexed accounting policies and explanatory notes from 1 to 42 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR





Note	2010	2009
	..... Rs '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	211,153	221,930
Adjustments for:		
Depreciation	77,262	58,379
Amortization of intangible assets	—	166
Finance costs	38,830	17,489
Workers' profit participation fund	11,243	11,776
Staff gratuity	9,126	9,445
Total adjustments	136,461	97,255
Operating Profit Before Working Capital Changes	347,614	319,185
Changes in working capital		
Decrease/(Increase) in current assets		
Stores and spare parts	(1,981)	(11,711)
Stock in trade	(53,380)	(606,882)
Trade debts	32,370	(28,242)
Advances, trade deposits, prepayments and other receivables	(14,904)	29,197
Total (Increase) in current assets	(37,895)	(617,638)
Increase/(Decrease) in current liabilities		
Trade and other payables	14,159	340,104
Cash generated from operations	323,878	41,651
Finance costs paid	(22,733)	(5,124)
Gratuity paid	(1,707)	(1,423)
Taxes paid	(59,017)	(62,618)
Workers' profit participation fund payment	(1,500)	—
Total	(84,957)	(69,165)
Net Cash Generated / (Used) From Operating Activities	238,921	(27,514)
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to property, plant and equipment	(330,575)	(269,300)
Capital work in progress	(3,647)	(278)
Long Term Deposits	(9,844)	13,031
Net Cash (Used) From Investing Activities	(344,066)	(256,547)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment made for assets subject to finance lease	—	(17,110)
Musharka facility availed/paid	(14,189)	127,703
Lease facility obtained	92,000	—
Short term borrowings	59,356	—
Long term Sponsors' advances	(12,069)	(26,581)
Issuance of right shares	—	43,775
Share premium	—	109,437
Dividend paid	(387)	(2,592)
Net Cash Generated From Financing Activities	124,711	234,632
Net increase / (decrease) in cash & cash equivalent	19,566	(49,429)
Cash and cash equivalents at beginning of the year	12,231	61,660
Cash and cash equivalent at end of the year	31,797	12,231

The annexed accounting policies and explanatory notes from 1 to 42 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR





Particulars	Issued,	Share	General	Unappropriated	Total
	Subscribed and paid up capital	Premium	Reserve	Profit	
	Rs. '000'				
Balance as at July 01, 2008	218,873	—	40,000	192,485	451,358
Changes during the year 2009					
Right Shares issued	43,775	—	—	—	43,775
Shares premium	—	109,437	—	—	109,437
Bonus Shares issued	78,794	—	—	(78,794)	—
Total comprehensive income for the year	—	—	—	143,126	143,126
Transfer from surplus on revaluation of property, plant and equipment-net of deferred tax (note16)	—	—	—	3,263	3,263
Balance as at June 30, 2009	341,442	109,437	40,000	260,080	750,959
Changes during the year 2010					
Bonus shares issued (note 15.2)	213,402	—	—	(213,402)	—
Total comprehensive income for the year	—	—	—	129,068	129,068
Transfer from surplus on revaluation of property, plant and equipment-net of deferred tax (note16)	—	—	—	3,814	3,814
Balance as at June 30, 2010	554,844	109,437	40,000	179,560	883,841

The annexed accounting policies and explanatory notes from 1 to 42 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR





1. LEGAL STATUS AND BUSINESS ACTIVITIES OF THE COMPANY

The Company was incorporated in Pakistan on October 9, 1983 as a public company limited by shares. The shares of the Company are quoted on the Karachi and Lahore Stock Exchanges. The principal object and business of the Company is manufacturing and selling of seamless steel pipes and tubes (tubular products). The Registered Office of the Company is situated at 207-210, Mashriq Center, Block 14, Gulshan-e-Iqbal, Karachi; and Factory is located at Nooriabad, District Dadu, Sindh.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Basis of Measurement

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

2.3 Functional and Presentation Currency

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

2.4 Significant Accounting Estimates And Judgments

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

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

- a) recognition of taxation and deferred taxation. (3.9)
- b) determination of the residual values and useful lives of property, plant and equipment. (3.1)





- c) amortization of intangible assets. (3.2)
- d) adjustment of inventories to their Net Realizable Value. (3.4)
- e) estimation of liability in respect of staff retirement benefits. (3.6)

2.5 Adoption of the new and revised standards

IAS 1 (Revised), 'Presentation of financial statements' is effective from January 01, 2009. The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity to be presented separately from owner's changes in equity in performance statement, but the Company can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the profit & loss account and statement of comprehensive income). The above standard will only impact the presentation of financial statements. Comparative information if required to be re-presented so that it is in conformity with the revised standards.

The Company has preferred to present two statements; a profit and loss account (income statement) and a second statement beginning with profit or loss and displays components of other comprehensive income (statement of comprehensive income). Comparative information has also been represented, so it is in conformity with the revised standard. As this change only impacts presentation aspects; and there is no impact on profit for the year.

IAS 23 'Borrowing Cost' is effective for annual periods, beginning on or after January 01, 2009. Adoption of these amendments would require the Company to capitalize the borrowing costs directly attributable to the acquisition, construction or production of a qualifying assets (one that takes substantial period of time to get ready for use or sale) as part of the cost of that assets. The option of immediately expensing these borrowing costs will be removed. Its adoption has no impact on the Company's financial statements.

2.6 Standards, amendments and interpretations to existing standards that are not relevant

The following standards and interpretations are effective for financial periods beginning on or after July 01, 2009 (and other representative dates mentioned therein) but are either not relevant or do not have any effect/ material effect on the financial statements of the Company.

Standards or interpretations	Effective date (accounting periods beginning on or after)
o IAS 27- Consolidated and Separate Financial Statements (Revised)	January 1, 2009
o IFRS 2 – Share-based Payments (Amended)	January 1, 2009
o IFRS 3 – Business Combinations (Revised)	July 1, 2009
o IFRS 4 – Insurance Contracts	January 1, 2009





- | | |
|--------------------------------------------------------------------------------------------------------|-----------------|
| o IFRS 8 – Operating Segments | January 1, 2009 |
| o IFRIC 12 – Service Concession Arrangements | January 1, 2009 |
| o IFRIC 13 – Customer Loyalty Programmes | January 1, 2009 |
| o IFRIC 14 – The limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction | January 1, 2009 |
| o IFRIC 15 – Accounting for agreements for the construction of real assets | January 1, 2009 |
| o IFRIC 16 – Hedge of net Investment in a Foreign Operation | October 1, 2008 |
| o IFRIC 17 – Distribution of Non cash Assets to Owners | July 1, 2009 |
| o IFRIC 18 – Transfer of Assets from Customers | July 1, 2009 |

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, Plant And Equipment And Depreciation

3.1.1 Self Owned

- All operating assets are stated at cost or revalued amount less accumulated depreciation except freehold land.
- The depreciation has been charged on reducing balance method. Depreciation is charged from the month wherein the assets is available for use, while in case of disposal, it is charged upto the month of disposal.
- The surplus arising on revaluation of fixed assets is credited to the “Surplus on Revaluation of Fixed Assets account” shown below equity in the balance sheet in accordance with the requirements of section 235 of the Companies Ordinance, 1984. The said section was amended through the Companies (Amendment) Ordinance, 2002. The Company has adopted following accounting treatment of depreciation / amortisation on revalued assets, in accordance with Securities and Exchange Commission of Pakistan's (SECP) SRO 45(1)/2003 dated January 13, 2003:
 - depreciation / amortisation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation / amortisation charge for the year is taken to the profit and loss account; and





- an amount equal to incremental depreciation / amortisation for the year net of deferred taxation is transferred from “Surplus on Revaluation of Fixed Assets account” to accumulated profit through Statement of Changes in Equity to record realization of surplus to the extent of the incremental depreciation / amortisation charge for the year.
- Maintenance and normal repairs are charged to income as and when incurred. Major renewals, renovations and improvements are capitalized and the assets so replaced, if any, are retired.
- Gain and loss on disposal of assets, if any, are included in income currently.

3.1.2 Finance Lease

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

3.1.3 Operating Lease

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

3.1.4 Capital Work-In-Progress

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

3.2 Intangible Assets

Intangible assets are stated at cost and are amortized during its useful period of life.

3.3 Stores And Spare Parts

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

3.4 Stock-In-Trade

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

Raw material and components	—	Weighted average cost
Work-in-process	—	Estimated Cost
Finished goods	—	Lower of cost and NRV
Scrap	—	Net realizable value





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

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

3.5 Trade Debts And Other Receivables

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

3.6 Staff Retirement Benefits

3.6.1 Defined Benefit Plan

The Company operates an unapproved and unfunded gratuity scheme (the plan) covering all its permanent employees. The benefits under the gratuity scheme are payable on retirement or earlier cessation of service in lump sum. The benefit is equal to one month's last salary drawn for each year of eligible service or part thereof, subject to a minimum of one year of service. The actuarial valuation was carried out during the year 2010 by using the 'Projected Unit Credit Method'. Gains and losses on actuarial valuation, if any, are included in income currently.

3.6.2 Compensated Absences

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

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

3.9 Taxation

3.9.1 Current

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





3.9.2 Deferred

Deferred tax is recognized using the balance sheet liability method on all major temporary difference between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The Company also recognizes deferred tax asset / liability on deficit / surplus on revaluation of operating fixed assets which is adjusted against the related deficit / surplus in accordance with the requirements of the International Accounting Standards 12, 'Income Taxes'.

3.10 Cash And Cash Equivalent

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

3.11 Foreign Currency Translations

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

3.12 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 and it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and reliable estimate can be made to the amount of obligation.

3.14 Borrowing Cost

Borrowing costs incurred on qualifying assets are capitalized as part of the assets and other borrowing cost are charged off to the year in which they are incurred.

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 Off Setting Of Financial Assets And Liabilities

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

3.17 Impairment And Uncollectibility Of Financial Assets

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

3.18 Related Party Transactions

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

3.19 Dividend Distribution

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





4. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets (note 4.1)
Capital work-in-progress (note 4.6)
Total Property, Plant And Equipment

2010	2009
..... Rs '000	
5,055,037	1,737,258
3,925	278
5,058,962	1,737,536

4.1 Operating Fixed Assets (2010)

Rs '000

Particulars	C o s t / R e v a l u a t i o n				D e p r e c i a t i o n				Book Value as at June 30, 10	R A T E %	
	As at July 01, 09	Addition / (Deletion)	Adjustment	Surplus on Revaluation	As at June 30, 10	Accumulated As at July 01, 09	Charge for the Year	On Surplus Written Back			Accumulated As at June 30, 2010
Owned Assets											
Land - lease hold	838,743	—	—	—	838,743	—	—	—	—	838,743	0
Building - factory	385,736	165,144	—	—	550,880	18,889	19,168	—	38,057	512,823	5
Building - head office	3,233	—	—	—	3,233	2,556	68	—	2,624	609	10
Plant and machinery	763,447	1,350	(324,104)	2,938,387	3,379,080	312,851	45,105	(324,104)	33,852	3,345,228	10
Electric system installation	11,923	27,179	(8,677)	79,254	109,678	8,316	587	(8,677)	226	109,452	10
Furniture and fixtures	1,724	158	—	—	1,882	999	77	—	1,076	806	10
Office equipment	3,162	1,310	—	—	4,472	1,612	173	—	1,785	2,687	10
Electric & gas appliances	11,667	423	—	—	12,090	4,474	723	—	5,197	6,893	10
Air conditioners	1,117	—	—	—	1,117	604	51	—	655	462	10
Drawings and survey equipment	363	—	—	—	663	335	3	—	338	25	10
Workshop machines	5,612	—	(4,660)	36,548	37,500	4,554	106	(4,660)	—	37,500	10
Fabrication plant	919	—	(750)	1,331	1,500	731	19	(750)	—	1,500	10
Factory equipment	57,255	41,010	(17,203)	8,948	90,010	12,752	5,710	(17,203)	1,259	88,751	10
Motor vehicles	36,841	163	—	—	37,004	18,038	3,769	—	21,807	15,197	20
Computer and allied equipment	5383	1,206	—	—	6,589	3,385	474	—	3,859	2,730	20
Security weapons	394	632	—	—	1,026	166	79	—	245	781	10
Lease Assets											
Coating Sheds	—	92,000	—	—	92,000	—	1,150	—	1,150	90850	5
June 30, 2010	2,127,519	330,575	(355,394)	3,064,467	5,167,167	390,262	77,262	(355,394)	112,130	5,055,037	

Operating Fixed Assets (2009)

Rs '000

Particulars	C o s t / R e v a l u a t i o n				D e p r e c i a t i o n				Book Value as at June 30, 09	R A T E %	
	As at July 01, 08	Addition / (Deletion)	Adjustment	Surplus on Revaluation	As at June 30, 09	Accumulated As at July 01, 08	Charge for the Year	On Surplus Written Back			Accumulated As at June 30, 2009
Owned Assets											
Land - lease hold	600,225	—	—	238,518	838,743	—	—	—	—	838,743	0
Building - factory	284,624	67,995	(10,815)	43,933	385,737	13,771	15,933	(10,815)	18,889	366,848	5
Building - head office	3,233	—	—	—	3,233	2,481	75	—	2,556	677	10
Plant and machinery	582,435	181,011	—	—	763,446	280,662	32,189	—	312,851	450,595	10
Electric system installation	11,923	—	—	—	11,923	7,915	401	—	8,316	3,607	10
Furniture and fixtures	1,316	409	—	—	1,725	944	55	—	999	726	10
Office equipment	3,082	80	—	—	3,162	1,446	166	—	1,612	1,550	10
Electric and gas appliances	8,753	2,914	—	—	11,667	3,810	664	—	4,474	7,193	10
Air conditioners	1,004	113	—	—	1,117	549	55	—	604	513	10
Drawings and survey equipment	363	—	—	—	363	332	3	—	335	28	10
Workshop machines	5,612	—	—	—	5,612	4,436	118	—	4,554	1,058	10
Fabrication plant	919	—	—	—	919	710	21	—	731	188	10
Factory equipment	46,978	10,277	—	—	57,255	8,486	4,266	—	12,752	44,503	10
Motor vehicles	31,078	5,763	—	—	36,841	14,068	3,970	—	18,038	18,803	20
Computer and allied equipment	4,855	528	—	—	5,383	2,932	453	—	3,385	1,998	20
Security weapons	184	210	—	—	394	156	10	—	166	228	10
June 30, 2009	1,586,584	269,300	(10,815)	282,451	2,127,520	342,698	58,379	(10,815)	390,262	1,737,258	





	2010	2009
	..... Rs '000	
4.2 Allocation of Depreciation Charged for the year		
Cost of sale (note 26)	72,951	53,881
Administrative expenses (note 28)	4,311	4,498
Total Allocation of Depreciation Charged for the year	77,262	58,379

4.3 Revaluation of leasehold land and factory building of the Company were carried out on June 2007 by M/s. Iqbal A Nanjee & Co., an independent professional valuator, on the basis of present market values. Repeat revaluation of leasehold land and factory building of the Company were carried out on January 2009 by the same Valuer . The revaluation had resulted in a surplus by Rs. 962.625 million (before tax). Out of the revaluation surplus, an amount of Rs. 956,757 million remains undepreciated as on June 30, 2010.

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

4.5 Had there been no revaluation, the related figures of land, buildings and plant & machinery as at June 30, 2010 would have been as follows:

	2010	2009
	..... Rs '000	
Land - lease hold	7,797	7,797
Building - factory	236,002	236,002
Plant and machinery	908,695	827,233
4.6 CAPITAL WORK-IN-PROGRESS		
Plant and machinery	3,925	278
Total Capital Work-In-Progress	3,925	278

The amount of Rs. 148.546 million has been transferred to the operating property, plant and equipment during the year.

	2010	2009
	..... Rs '000	
5 INTANGIBLE ASSETS		
Computer software	—	166
Less: Amortized during the year	—	166
Closing Balance	—	—
6 LONG TERM SECURITY DEPOSITS		
Long term security deposits (note 6.1)	15,659	5,815
Total Long Term Security Deposits	15,659	5,815

6.1 This includes amount of Rs. 9.2 million (2009 - Nil) representing amount deposited against finance lease.





	2010	2009
	..... Rs '000 .....	.....
7 STORES AND SPARES		
Stores	50,357	48,585
Spare parts and loose tools	3,124	2,915
Total Stores And Spares	<u>53,481</u>	<u>51,500</u>
8 STOCK-IN-TRADE		
Raw material	415,974	307,162
Work-in-process	138,038	82,961
Finished goods	265,387	373,594
Rejection / scrap material	13,244	15,546
Total Stock-In-Trade	<u>832,643</u>	<u>779,263</u>
9 TRADE DEBTS - CONSIDERED GOOD		
Unsecured - Considered good	96,457	128,827
Total Trade Debts - Considered good	<u>96,457</u>	<u>128,827</u>
9.1	It includes an amount of Rs. NIL (2009: Rs. 19.702 million) in respect of receivable from related party.	
9.2	The maximum amount receivable from related party at the end of any month was Rs. 31.676 million (2009: Rs. 53.410 million).	
10 LOAN AND ADVANCES - CONSIDERED GOOD		
Suppliers	19,056	7,790
Expenses	2,505	2,223
Letter of credit	21,789	15,132
Employees	682	869
Others	718	334
Total Loan and Advances - Considered good	<u>44,750</u>	<u>26,348</u>
11 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
Trade deposits	11,417	7,210
Short term prepayments	163	59
Total Trade Deposits And Short Term Prepayments	<u>11,580</u>	<u>7,269</u>
12 OTHER RECEIVABLES		
Sales tax - refundable	1,273	891
Advance sales tax	6,173	6,173
Federal Excise duty - refundable	49	66
Margin against guarantee	11,603	19,777
Total Other Receivables	<u>19,098</u>	<u>26,907</u>





	2010	2009
	..... Rs '000	
13 TAXATION - NET		
Tax receivable as at July 1,	27,952	46,482
Add: Tax payments / adjustments during the year	62,284	62,579
	90,236	109,061
Less: Provision for tax	(45,649)	(81,109)
Total Taxation - Net	44,587	27,952
14 CASH AND BANK BALANCES		
At banks - in current accounts	31,726	12,160
At bank - in foreign currency account	71	71
Total Cash And Bank Balances	31,797	12,231
15 ISSUED, SUBSCRIBED AND PAID-UP-CAPITAL		
12,200,278 12,200,278 Ordinary Shares of Rs. 10/- each fully paid in cash	122,003	122,003
38,906,565 17,566,449 Ordinary Shares of Rs. 10/- each issued as bonus shares (note 15.2)	389,066	175,664
4,377,460 4,377,460 Issued Right Shares fully paid in cash (note 15.3)	43,775	43,775
	554,844	341,442
	55,484,303	34,144,187

15.1 The above includes shares of a face value of Rs. 169.250 million (2009: Rs. 104.157 million) held by the foreign sponsors of the Company.

15.2 The Company issued 21,340,116 bonus shares of Rs. 10 each amounting to Rs. 213.401 million (out of profit of June 30, 2009), in the ratio of 3 shares for every 10 shares held in September 2009 and 2.5 shares for every 10 shares held in October 2009.

15.3 The Company issued 4,377,460 Right Shares at Rs. 35 each including a premium of Rs. 25 per share in the ratio of 2 shares for every 10 shares held.

16 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

	2010	2009
	..... Rs '000	
Balance as at July 01,	962,625	685,194
Add: Surplus on revaluation for the year	3,064,467	282,451
Transferred to Unappropriated profit:		
– Surplus relating to incremental depreciation charged during the year - net of deferred tax	(3,814)	(3,263)
– Related deferred tax liability	(2,054)	(1,757)
	(5,868)	(5,020)
Total Surplus on Revaluation of Property, Plant and Equipment	4,021,224	962,625





	2010	2009
	..... Rs '000	
17 LONG TERM SPONSERS' ADVANCES - UNSECURED		
Advances from Directors - unsecured	21,610	33,679
Total Long Term Sponsors' Advances - Unsecured	<u>21,610</u>	<u>33,679</u>
This represents unsecured and interest free advance from sponsors for a period exceeding one year.		
18 MUSHARKA FACILITY ARRANGEMENT		
Musharka Facility availed (note 18.1)	127,703	127,703
Repayment during the year	(14,189)	—
	113,514	127,703
Payable within one year shown under current liabilities	(28,378)	(14,189)
Total Musharka Facility Arrangement	<u>85,136</u>	<u>113,514</u>
18.1 This facility availed from Askari Commercial Bank Limited having approved limit of Rs. 170.00 million. The facility is repayable within five years from the date of draw down (including six months grace period) in equal quarterly installments of Rs. 7,094,596 in arrears. Profit is calculated at the rate of six months KIBOR plus spread of Rs. 0.375 % payable at the end of each quarter. The facility is secured against exclusive charge over the Coating Plant to Rs. 170 million.		
19 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Opening balance	—	17,110
Facility obtained during the year	92,000	—
Repayments during the year	—	(17,110)
	92,000	—
Payable within one year shown under current liabilities	(8,992)	—
	<u>83,008</u>	<u>—</u>
This represents finance lease obtained during the year from financial institution and carry markup of KIBOR plus 3%, ranges from 14.34% to 18.13% per annum.		
19.1 The amount of future minimum lease payments, together with the present value of the minimum lease payments, and the periods during which they fall due are as follows:		
Not later than one year	21,317	—
Later than one year and not later than five years	107,371	—
Less: Financial charges allocated to future periods	(36,688)	—
Present value of minimum lease payments	92,000	—
Less: Current maturity	(8,992)	—
	<u>83,008</u>	<u>—</u>
20 DEFERRED LIABILITIES		
Staff gratuity (note 20.1)	52,157	44,738
Deferred taxation (note 20.2)	174,566	132,810
Total Deferred Liabilities	<u>226,723</u>	<u>177,548</u>





	2010	2009
	..... Rs '000	
20.1 STAFF GRATUITY		
Defined benefit liability		
Present value of defined benefit obligation	46,671	42,015
Actuarial gain recognized in later periods	5,486	2,723
Unrecognized transactional liability (note 20.1.1)	—	—
Total Staff Gratuity	<u>52,157</u>	<u>44,738</u>
20.1.1 There are no plan assets as the Company operates an un-funded gratuity scheme.		
Principle Actuarial assumptions		
The main assumptions used for actuarial valuation were as follows:		
Discount Rate	12%	12%
Salary Inflation Rate	12%	12%
Expenses Recognized		
Current service cost	4,084	5,046
Interest cost	5,042	4,399
Transitional cost	—	—
Liability due to IAS 19	—	—
Total Expenses Recognized	<u>9,126</u>	<u>9,445</u>
Movement in payable due to defined benefit plan are as follows:		
Opening balance	44,738	36,716
Charge for the year	9,126	9,445
Payments made during the year	(1,707)	(1,423)
Closing balance	<u>52,157</u>	<u>44,738</u>
20.2 DEFERRED TAXATION – NET		
Taxable Temporary Difference		
Accelerated tax depreciation	193,224	148,468
Deductible Temporary Difference		
Assets subject to finance lease	(403)	—
Defined benefit plan's obligation	(18,255)	(15,658)
Total Deferred Taxation - Net	<u>174,566</u>	<u>132,810</u>
21 TRADE AND OTHER PAYABLES		
Trade creditors	149,992	113,480
Accrued liabilities	19,159	19,872
Tax deducted at source	1,625	1,291
Workers' profit participation fund (note 21.1)	129,961	104,121
Workers' welfare fund	3,180	5,269
Unclaimed dividend	2,607	2,994
Bills payable	298,333	324,680
Accrued custom duty	11,873	7,049
Advance from customers	161,862	162,597
Provision for compensated absences	6,871	6,719
Others	5,283	3,062
Total Trade And Other Payables	<u>790,746</u>	<u>751,134</u>





	2010	2009
	..... Rs '000	
21.1 WORKERS' PROFIT PARTICIPATION FUND		
Opening balance	104,121	79,980
Payments made during the year	(1,500)	—
Interest on funds utilized in the Company's business (note 29)	16,097	12,365
	<u>118,718</u>	<u>92,345</u>
Allocation for the year	11,243	11,776
Balance at the end of the year	<u><u>129,961</u></u>	<u><u>104,121</u></u>

During the year Company paid amount of Rs. 1.5 million against the prior year's liability and Company have a plan to pay all the outstanding dues to the Workers Participation Fund Trust.

22 SHORT TERM BORROWINGS

Finance against import of material	59,356	—
Total Short Term Borrowings	<u><u>59,356</u></u>	<u><u>—</u></u>

These facilities are obtained from various commercial banks. These carry markup @ 3 months KIBOR + 2.5%. Above facilities collaterally secured by first pari passu charge on fixed assets of the Company.

23 CURRENT PORTION OF NON-CURRENT LIABILITES

Current portion of Musharka facility arrangement	28,378	14,189
Current portion of liabilities against assets subject to finance lease	8,992	—
Total Current Portion Of Non-Current Liabilites	<u><u>37,370</u></u>	<u><u>14,189</u></u>

24 CONTINGENCIES AND COMMITMENTS

CONTINGENCIES

- a) Guarantees amounting to Rs. 47.468 million (2009: 102.743 million) have been furnished in favor of various parties; in which some parties guarantee amounting to Rs. 28.160 million expired and not released till 30 June 2010.
- b) Rs. 0.612 million (2009 Rs. 0.612 million) representing octroi duty; and Rs. 0.690 million (2009 Rs.0.690 million) representing disputed office rent as cases are pending in various courts and the management is quit confident for favourable decisions.
- c) Director Social Security has raised demand of Rs. 0.430 million (2009: Rs. 0.430 million) on account of short contribution and penalty thereof. The Company has filed an appeal before the Honorable High Court of Sindh and pleading against the levy. The matter is pending before the court for period exceeding six years. A favorable outcome is expected in this regard.

COMMITMENTS

- a) Commitments under letters of credit as at June 30, 2010 amounting to Rs. 561.164 million (2009: 98.216 million).





	2010	2009
	..... Rs '000	
25 SALES - NET		
Local	1,448,868	1,535,367
Export	33,173	3,292
	<u>1,482,041</u>	<u>1,538,659</u>
Less: Sales Tax	(185,514)	(203,956)
Special excise duty	(11,226)	(11,448)
	<u>(196,740)</u>	<u>(215,404)</u>
Total Sales - Net	<u>1,285,301</u>	<u>1,323,255</u>
26 COST OF SALES		
Opening stock finished goods	373,594	103,568
Cost of goods manufactured (note 26.1)	868,119	1,296,822
	<u>1,241,713</u>	<u>1,400,390</u>
Closing stock finished goods	(265,387)	(373,594)
Total Cost of sale	<u>976,326</u>	<u>1,026,796</u>
26.1 COST OF GOODS MANUFACTURED		
Raw material consumed (note 26.1.1)	601,487	954,663
Store and spare parts consumed	14,149	16,047
Gas, oil and chemicals consumed	95,107	100,473
Processing expense (outside factory)	15,726	106,196
Power, fuel and water	34,072	34,619
Salaries, wages, allowances and benefits (note 26.1.2)	62,129	62,512
Rent, rates and taxes	206	506
Insurance	562	1,519
Repair and maintenance	5,723	4,652
Carriage and cartage	795	715
Depreciation (note 4.2)	72,951	53,881
Other manufacturing expenses	17,987	6,934
	<u>920,894</u>	<u>1,342,717</u>
Rejection / scrap material		
Opening	15,546	34,049
Less: Closing	(13,244)	(15,546)
	2,302	18,503
Work in process		
Opening	82,961	18,563
Less: Closing	(138,038)	(82,961)
	<u>(55,077)</u>	<u>(64,398)</u>
Total Cost Of Goods Manufactured	<u>868,119</u>	<u>1,296,822</u>





	2010	2009
	..... Rs '000	.....
26.1.1 RAW MATERIAL CONSUMED		
Opening stock	307,162	16,201
Add: Purchases	710,299	1,245,624
	<u>1,017,461</u>	<u>1,261,825</u>
Less: Closing stock	(415,974)	(307,162)
Total Raw Material Consumed	<u><u>601,487</u></u>	<u><u>954,663</u></u>
26.1.2 Salaries, wages and other benefits include Rs. 7.301 million(2009: Rs. 7.556 million) in respect of staff retirement benefits.		
27 SELLING AND DISTRIBUTION COST		
Salaries and other benefits (note 27.1)	2,568	2,726
Sales promotion and other expenses	150	13
Vehicle running expenses	230	215
Telecommunication and postage	12	23
Traveling and conveyance	272	438
Miscellaneous	830	1,832
Total Selling And Distribution Cost	<u><u>4,062</u></u>	<u><u>5,247</u></u>
27.1 Salaries, wages and other benefits include Rs. 0.365 million (2009: Rs. 0.472 million) in respect of staff retirement benefits.		
28 ADMINISTRATIVE EXPENSES		
Directors' remuneration (note 34)	8,457	7,376
Salaries, wages and other benefits (note 28.1)	10,194	11,432
Rent, rates & taxes	1,522	870
Vehicle running and maintenance	1,668	1,665
Printing and stationary	957	594
Telephone, telex and postage	1,579	1,463
Repairs and maintenance	370	167
Entertainment	45	56
Travelling and conveyance	4,497	3,326
Utilities	642	512
Fees and subscription	2,515	1,312
Legal and professional	4,053	4,246
Advertisement	202	160
Depreciation (note 4.2)	4,311	4,498
Amortization of intangible assets (note 5)	—	166
Others	1,033	667
Total Administrative Expenses	<u><u>42,045</u></u>	<u><u>38,510</u></u>
28.1 Salaries and other benefits includes Rs. 1.460 million (2009: Rs. 1.417 million) in respect of staff retirement benefits.		





	2010	2009
	..... Rs '000	
29 FINANCE COST		
Lease financial charges	20,714	142
Interest on workers' profit participation fund (note 21.1)	16,097	12,365
Bank charges	2,019	4,982
Total Finance Cost	38,830	17,489
30 OTHER OPERATING CHARGES		
Auditors' remuneration (note 30.1)	837	702
Workers' Profit Participation Fund	11,243	11,776
Workers' Welfare Fund	2,471	1,805
Total Other Operating Charges	14,551	14,283
30.1 AUDITORS' REMUNERATION		
Remuneration for annual audit	550	500
Half yearly review	175	150
Taxation services	62	45
Other services including certifications	40	—
Out of pocket expenses	10	7
Total Auditors' Remuneration	837	702
31 OTHER OPERATING INCOME		
Exchange gain	20	23
Scrap sales	1,153	729
Others	493	248
Total Other Operating Income	1,666	1,000
32 TAXATION		
Current year	42,382	30,811
Prior year	—	2,293
	42,382	33,104
Deferred	39,703	45,700
Total Taxation	82,085	78,804

The income tax assessments have been finalized upto tax year 2008. The Taxation Officer has selected case for the tax year 2009 for desk audit and the Company has complied the queries raised in this regard. Management is quite confident that there shall be no additional tax liability for the tax year 2009. Hence, no provision was required to be made in these financial statements. Provision for the current year has been made in these financial statements on the basis of current year's profits computed under the Income Tax Ordinance 2001, after having comparison with the minimum tax liability on turnover basis.

32.1 RELATIONSHIP BETWEEN TAX EXPENSES AND ACCOUNTING PROFIT

Accounting profit before tax	211,153	221,930
Applicable tax rate	35%	35%
Tax on accounting profit	73,904	77,676
Tax effect of the expenses that are admissible in determining taxable profits	(31,522)	(46,865)
	42,382	30,811
Effect of change in prior years' tax	—	2,293
Tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes	39,703	45,700
Total Relationship Between Tax Expenses and Accounting Profit	82,085	78,804
Tax effective rate	38.87	35.51





	2010	2009
	..... Rs '000	
33 EARNINGS PER SHARE - BASIC		
There is no dilutive effect on the basic earning per share on the Company; which is based on:		
Profit after taxation for the year	<u>129,068</u>	<u>143,126</u>
Weighted average number of Ordinary Shares (note 33.1)	<u>55,484</u>	<u>55,484</u>
Total Earnings Per Share - Basic (in rupees)	<u>2.33</u>	<u>2.58</u>

33.1 EPS and weighted average number of shares for the prior year have been restated consequent to the issue of bonus and right shares during the current year.

34 REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVE

Particulars	Chief Executive		Director		Executive	
	2010	2009	2010	2009	2010	2009
	.....Rupees in '000.....					
Managerial remuneration	4,364	4,058	813	465	5,880	4,778
House rent	1,964	1,826	366	209	2,646	2,136
Utilities	—	—	81	46	588	475
Gratuity	527	527	120	60	760	545
Bonus	—	—	77	40	490	351
	<u>6,855</u>	<u>6,411</u>	<u>1,457</u>	<u>820</u>	<u>10,364</u>	<u>8,285</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>10</u>	<u>8</u>

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 The amount paid to Directors in respect of attending the Board of Directors' meeting during the year was Rs. 145,000 (2009: 145,000).

35 CAPACITY AND PRODUCTION

Particulars	2010		2009	
	.....Metric Ton.....			
	Capacity	Production	Capacity	Production
Seamless Tubular Products	32,000	11,288	32,000	13,446
Special precision shafting	30,000	—	30,000	—
Machinery & Machinery components	3,500	513	3,500	453
Coating of Seamless Tubular Products	50,000	—	50,000	—

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

The production of special precision shafting was discontinued due to non availability of orders.

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





36 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertaking i.e. Hafiz Abdul Waheed and Brothers (Private) Limited. Transactions with related parties and associated undertakings, other than remuneration and benefits to key management personnel under the terms of their employment are as under:

	2010	2009
	..... Rs '000	
Sale of finished goods during the year - net	77,991	101,907
Payments received during the year	111,035	113,970
Balance as at June 30, 2010	(84)	19,702
Repayment of sponsor's advance	12,096	26,581

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

37 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The Company has exposure to the following risk from its use of Financial Instrument:

- o Credit risk
- o Liquidity risk
- o Market risk

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company risk management policies.

CREDIT RISK

Credit risk represents the financial loss that would recognized at reporting date if counterparties fail completely to perform as contracted / fail to discharge and obligation / commitment that it has entered into with the Company. It arises principally from Trade debts, Advances, Trade deposits and prepayments, Other receivables, Cash and bank balances.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:

	2010	2009
	..... Rs '000	
Trade debts	96,457	128,827
Advances	44,750	26,348
Trade deposits and prepayments	11,580	7,269
Other receivables	19,098	26,907
Cash and bank balances	31,797	12,231

Trade Debts

To manage exposure to credit risk in respect of trade debts. All the trade debts at the reporting date represent domestic parties.

The aging of trade receivables at the reporting date is:

Not past due	10,820	46,164
Past due 0 - 365 days	84,108	51,322
More than 365 days	1,529	31,341
	96,457	128,827





Based on the past experience the management believes that no impairment allowance is necessary in respect of the trade debts past due as some receivables have been recovered subsequent to the year end, and for other receivables there are reasonable grounds to believe that the amount will be recovered.

Bank Balances

Bank balances are held with reputable banks with high quality credit ratings.

Concentration of Credit Risk

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

LIQUIDITY RISK

Liquidity risk is the risk that the Company will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Company has obtained running finance facilities from various commercial banks to meet any deficit, if required to meet the short term liquidity commitments. The following are the contractual maturities of financial liabilities.

37 FINANCIAL ASSETS AND LIABILITIES

Particulars	2010						
	Interest/mark-up bearing			Non-Interest/mark-up bearing			Total
	Maturity upto one year	Maturing after one year	Sub Total	Maturity upto one year	Maturing after one year	Sub Total	
Rs. '000'							
Financial Assets							
Long term deposits	—	—	—	—	15,659	15,659	15,659
Trade debts - considered good	—	—	—	96,457	—	96,457	96,457
Trade deposits	—	—	—	11,417	—	11,417	11,417
Other receivables	—	—	—	11,603	—	11,603	11,603
Cash and bank balances	—	—	—	31,797	—	31,797	31,797
	—	—	—	151,274	15,659	166,933	166,933
Financial Liabilities							
Long term sponsors' advances	—	—	—	21,610	—	21,610	21,610
Long term musharka facility	37,370	85,136	122,506	—	—	—	122,506
Liabilities against assets subject to finance lease	8,992	83,008	92,000	—	—	—	92,000
Trade and other payables	—	—	—	470,091	—	470,091	470,091
	46,362	168,144	214,506	491,701	—	491,701	706,207
On balance sheet gap	(46,362)	(168,144)	(214,506)	(340,427)	15,659	(324,768)	(539,274)
Off Balance Sheet Items							
Letter of credit	—	—	—	561,164	—	561,164	561,164
Letter of guarantee	—	—	—	47,468	—	47,468	47,468
	—	—	—	608,632	—	608,632	608,632





Particulars	2009						
	Interest/mark-up bearing			Non-Interest/mark-up bearing			Total
	Maturity upto one year	Maturing after one year	Sub Total	Maturity upto one year	Maturing after one year	Sub Total	
Rs. '000'							
Financial Assets							
Long term deposits	—	—	—	—	5,815	5,815	5,815
Trade debts - considered good	—	—	—	128,827	—	128,827	128,827
Trade deposits	—	—	—	7,210	—	7,210	7,210
Other receivables	—	—	—	19,777	—	19,777	19,777
Cash and bank balances	—	—	—	12,231	—	12,231	12,231
	—	—	—	168,045	5,815	173,860	173,860
Financial Liabilities							
Long term sponsors' advances	—	—	—	33,679	—	33,679	33,679
Long term musharka facility	14,189	113,514	127,703	—	—	—	127,703
Liabilities against assets subject to finance lease	—	—	—	—	—	—	—
Trade and other payables	—	—	—	461,026	—	461,026	461,026
	14,189	113,514	127,703	494,705	—	494,705	622,408
On balance sheet gap	(14,189)	(113,514)	(127,703)	(326,660)	5,815	(320,845)	(448,548)
Off Balance Sheet Items							
Letter of credit	—	—	—	98,216	—	98,216	98,216
Letter of guarantee	—	—	—	102,743	—	102,743	102,743
	—	—	—	200,959	—	200,959	200,959

MARKET RISK

Currency Risk

Foreign currency risk arises mainly due to receivables and payables transactions entered in foreign currencies. The Company primarily has foreign currency exposure in US Dollars (USD).

Interest Rate Risk

Interest rate risk is the rate that the fair value of future cash flows of financial instruments will fluctuate because of changes in market interest rate.

38 CAPITAL MANAGEMENT

The objective of the Company when managing capital i.e., its shareholders' equity and surplus on revaluation on property, plant and equipment, 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 stakeholder; 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. As at 30 June 2010, the shareholders' equity amounts Rs. 4,905.064 million (30 June 2009: Rs. 1,713.584 million.)





39 NUMBER OF EMPLOYEES

Number of permanent employees as at June 30, 2010 was 232 (2009: 244).

40 DATE OF AUTHORIZATION FOR ISSUE

These financial statements has been authorized for issue on October 3, 2010 by the Board of Directors of Company.

41 CORRESPONDING FIGURES

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

EPS and weighted average number of shares for the prior year have been restated consequent to the issue of bonus and right shares during the current year.

42 GENERAL

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

CHIEF EXECUTIVE

DIRECTOR





No. of Shareholder	From	Having Shares	To	Shares Held
278	1	-	100	9,485
519	101	-	500	157,665
291	501	-	1000	225,434
520	1001	-	5000	1,822,279
113	5001	-	10000	860,242
43	1001	-	15000	518,148
36	15001	-	20000	638,799
18	20001	-	25000	397,424
14	25001	-	30000	387,695
4	30001	-	35000	130,403
13	35001	-	40000	490,226
5	40001	-	45000	209,175
5	45001	-	50000	233,633
1	50001	-	55000	52,178
4	55001	-	60000	228,412
2	60001	-	65000	125,288
5	65001	-	70000	339,475
2	70001	-	75000	146,587
4	75001	-	80000	307,807
4	80001	-	85000	331,460
2	85001	-	90000	173,748
2	90001	-	95000	185,448
3	100001	-	105000	311,130
3	105001	-	110000	322,299
2	110001	-	115000	227,386
1	115001	-	120000	119,993
2	140001	-	145000	287,940
1	145001	-	150000	148,722
1	150001	-	155000	154,262
1	155,001	-	160000	159,171
2	165001	-	170000	334,047
1	170001	-	175000	172,643
1	180001	-	185000	183,076
3	185001	-	190000	568,278
2	190001	-	195000	385,274
1	195001	-	200000	200,000
3	200001	-	205000	604,239
1	220001	-	225000	221,597
2	225001	-	230000	454,791
2	240001	-	245000	484,977
1	245001	-	250000	249,518
1	260001	-	265000	261,492
3	270001	-	275000	812,910
2	285001	-	290000	575,480
1	290001	-	295000	291,523
1	310001	-	315000	311,256
5	345001	-	350000	1,726,446
1	375001	-	380000	379,190
1	380001	-	390000	389,426
3	400001	-	405000	1,208,520
1	420001	-	425000	423,800
2	435001	-	444000	877,716
1	565001	-	570000	568,258
1	570001	-	575000	574,040
1	605001	-	610000	606,371
1	625001	-	630000	627,212
1	745001	-	750000	747,350
1	785001	-	790000	788,782
1	820001	-	825000	823,960
1	830001	-	835000	833,761
1	860001	-	865000	862,258
1	895001	-	900000	896,342
1	1065001	-	1070000	1,067,213
1	1085001	-	1900000	1,088,021
1	1360001	-	1365000	1,362,396
1	1380001	-	1385000	1,381,175
1	1775001	-	1780000	1,775,453
1	1820001	-	1825000	1,822,612
1	1940001	-	1945000	1,944,992
1	2215001	-	2220000	2,216,551
1	3020001	-	3025000	3,021,317
1	3420001	-	3425000	3,424,158
1	4200001	-	4205000	4,203,921
1	4530001	-	4535000	4,530,047
1,961				55,484,303





	No of Shares	Percent of Shareholding
Directors, CEO and their Spouses and Minor Children		
1. Mr. Yousuf Mohammad Y. Najibi	3,424,158	6.171
2. Mr. Abdul Aziz Eshaq A. Rahman	3,021,317	5.445
3. Mr. Nabil A. Rahman Ahmed Arif	345,285	0.620
4. Hafiz Abdul Majid & His Spouse	6,352,659	11.451
5. Hafiz Abdul Waheed & His Spouse	7,651,626	13.792
6. Hafiz Abdul Sami	938,468	1.692
7. Hafiz Abdul Haeed & His Spouse	1,189,100	2.143
8. Hafiz Abdul Aleem	896,072	1.615
9. Mr. Muhammad Hafiz	574,040	1.035
10. Mr. Arshad Ahmed & His Spouse	2,654,938	4.785
Executives	—	—
Associated Companies	—	—
	27,047,665	48.749
Financial Institutions		
IDBP (ICP UNIT)	9,032	0.016
National Bank of Pakistan	2,186,356	3.940
General Public & Directors Relatives	26,241,250	47.295
Total Paid up Capital (in Shares)	55,484,303	100.000

Trade in shares by Directors, CEO, Company Secretary, CFO and their spouses and minor children.

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



Proxy Form

27th Annual General Meeting

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

I/We.....of
 (full address) being a member / members of Huffaz Seamless Pipe Industries Ltd., hereby appoint
 (Name).....
 of(full address) who is
 Also a member of this Company as may / our Proxy to attend and vote for me / us and on my / our behalf at 27th Annual General Meeting of the Company to be held on Friday, October 29, 2010 at 04:00 p.m. at CIVIC LAWN B, Opp. Mashriq Centre, Block-17, Gulsan-e-Iqbal, Karachi-75300 and any adjournment thereof.

Signature of Proxy

Proxy's:

Folio Number

CDC Participant ID No.

Sub-Account Number

CNIC Number

Passport Number

(in case of foreigner)

Signature.....

of Shareholder

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

Please affix
Revenue Stamp
of Rs. 5/-

1) Witness
 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/her proxy to attend and vote instead of him/her at the meeting.
- (2) The instrument appointing a proxy should be signed by the member(s) or, in case of corporate entity to attend attorney duly authorized in writing. If the member is a corporation, its common seal must be affixed on the instrument.
- (3) CDC Shareholders are requested to bring with them their Commuterised National Identity Cards along-with the participants' ID number and their accounts numbers at the time of attending the Annual General Meeting in order to facilitate identification of the respective shareholders.
- (4) The instrument appointing a proxy, together with Power of Attorney, in case of corporate entity, if any, under which it is signed or notarially certified copy thereof, must be deposited at the Company's registered officer not later than 48 hours before the time of holding the meeting.
- (5) In case of 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



Huffaz Seamless Pipe Industries Limited

Registered Office:

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

Factory:

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

Website: www.huffaz.com.pk