Annual Report
2014

Huffaz
Seamless Pipe Industries Limited

Committed to Excellence

Table of Contents

Corporate Directory

Chairman:

Mr. Yousuf Mohamed Y. Najibi

Chief Executive:

Hafiz Abdul Majid

Executive Director:

Hafiz Abdul Haseeb

Board of Directors:

Mr. Yousuf Mohamed Y.Najibi (UAE)
Mr. Nabil Abdul Rahman Ahmad Arif (UAE)
Mr. Abdul Aziz Eshaq A.Rahman (UAE)
Mr. Muhammad Hafiz (UK)
Mr. Arshad Ahmed (UK)
Hafiz Abdul Waheed
Hafiz Abdul Sami
Hafiz Abdul Aleem
Hafiz Abdul Majid
Hafiz Abdul Haseeb
Syed Arsalan Sadiq, FCA – Independent Director

CFO & Company Secretary:

Mr. Usama Ahmed, FCMA

Head of Internal Audit:

Mr. Muhammad Musab, ACA

Audit Committee:

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

Human Resource & Remuneration Committee:

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

Auditors:

M/s. Deloitte M. Yousuf Adil Saleem & Co.

Legal Advisor:

M/s. Ahmed & Qazi, Advocate & Legal Consultants,
403, 404, 417 Clifton Centre,
Clifton, Karachi.

Registrar:

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

Bankers:

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

Registered Office:

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

Factory:

90 KM Super High Way, Nooriabad Industrial Estate,
District Jamshoro, Sindh.

Website:

www.huffaz.com.pk

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

	2014 Rs. in '000	2013 Restated Rs. in '000
Gross Sales	**1,759,980**	2,511,543
Net Sales	**1,518,120**	2,182,211
Loss befor tax	**(54,904)**	(101,505)
Taxation	**18,556**	66,286
Loss after tax	**(36,348)**	(35,219)
Shareholders' Equity	**1,242,711**	1,172,458
Total Assets	**7,249,537**	7,290,269
Capital Expenditures	**41,820**	87,049
Loss per share	**(0.66)**	(0.63)
Number of Employees (Numbers)	**612**	605
Production volume (M.tons)		
Seamless Tubular Products	**10,925**	13,826
Machinery and its components	**757**	455
Coating of Seamless Tubular Products	**1,204**	5,197

Company's Profile

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

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

We have total quality focused approach which is reflected in our certifications i.e. API Q1, API 5L, API 5CT, ISO 9001:2008, OHSAS 18001:2007, ISO 14001:2004 & PED.

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

Product Range

Boiler Tubes

Heat Exchanger Tubes

High/Low Temperature Services Pipes/Tubes

Mechanical Tubes

Line Pipes

Structural Pipes/Tubes

Casing & Tubing

3 layers Polyethylene/Polypropylene & Fusion Bonded Epoxy coating.

Size Range

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

Production Capacity per annum in M.Tons

– Seamless Tubular Products	:	100,000
– 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, NFA49-211 UNI 8863.

Any other standard as per requirement of the customers.

Delivery Conditions:

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

Test Performed:

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

Other as required by the standard or customer.

Mill Test Certificate:

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

Marking:

On Pipes surface (Die Stamp or Paint Stencil)

On bundles (Metal Label or Plastic Labels)

Surface Protection:

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

Other coating as per requirements of the customer.

Packaging:

In bundles, special packing upon request.

Quality Assurance:

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

HSPI aims to provide customers, the products which give full satisfaction.

Company's Profile

Huffaz Engineering Works

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

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

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

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

Product & Services:

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

Chain Spocket, Gear and Worm Wheels.

Hi-tech Precision Mechanical Components.

Dies & Moulds.

Tube Bending & Intricate Fabrication.

Machinery Components for Various Application

Product Design & Development

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

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

Environment, Health & Safety

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

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

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

Environment:

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

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

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

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

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

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

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

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

Health and Safety:

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

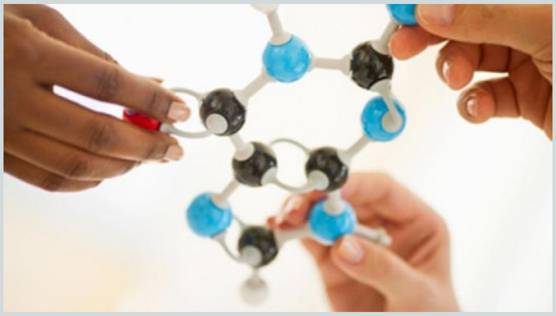
As part of our Health, Safety and Environment (HSE) Policy we have been working on the implementation of an integrated Health, Safety and Environment management system. The management system includes a set of processes and procedures that help HSPI to constantly improve its Safety and Health programs,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

Research & Development

Research & Development

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

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



Code of Conduct

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

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

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

International Certifications

API Q1, API 5L, API 5CT, ISO 9001 : 2008, OHSAS 18001 : 2007, ISO 14001 : 2004 certifications are proof of HSP's superior quality standards and commitment to quality. Due to our superior quality standards and customer satisfaction the company was awarded the "Industrial Affairs Award 95" and "Pakistan Economic Excellency Award 1996-97"

Business Ethics & Practices

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

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

Our policy reflects by the following:

Honesty and Integrity

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

Law and Regulation

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

Politics

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

Quality Services

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

Social and Community Commitments

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

Reliable and Transparent Financial Records

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

Human Resource Development

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

Business Ethics & Practices

Our Commitment is reflected by the following:

As Shareholders and Directors:

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

As Executives and Managers:

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

As Employees and Staff:

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

Notice of Annual General Meeting

Notice is hereby given to the Members that the 31st Annual General Meeting of Company will be held on Thursday October 30, 2014 at 11:00 a.m. at CIVIC LAWN Opposite. Mashriq Centre, Block-17, Gulshan-e-Iqbal, Karachi-75300 to transact the following business:-

01. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2014 and the Reports of the Directors' and Auditors' thereon.

02. To appoint Auditors for the year ending 30th June 2015 and fix their remuneration. The present auditors M/s Deloitte M. Yousuf Adil Saleem & Co., Chartered Accountants, retire and being eligible for re-appointment and have consented to act as auditor for the year ending 30th June 2015.

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

By order of the Board

(Usama Ahmed)
Company Secretary

Karachi
September 30, 2014

NOTE:

01. The share transfer books of the company will remain closed from 23rd October 2014 to 30th October 2014 (both days inclusive).

02. A member entitled to attend and vote at the meeting is entitled to appoint another member as his/her proxy to attend and vote instead of him/her. No person shall act as a proxy who is not a member of the Company. Proxies in order to be effective must be received at the registered office of the Company not less than 48 hours before the meeting and must be signed and witnessed.

0.3 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.

0.4 In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of meeting.

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

Directors' Report to the Members

Dear shareholders,

Assalam-o-Alaikum

The Board of Directors of Huffaz Seamless Pipe Industries Limited take pleasure in presenting the 31stAnnual Report of the Company together with the annual audited financial statements and Auditors' Report thereon for the year ended 30th June 2014.

Overview of Economy

Pakistan's economy continued to face challenges like energy shortages, floods and rains, poor law and order situation, weak currency, high circular debts, instability of prices and a host of other structural impediments that have held back investment and growth in the country. Real GDP growth for 2014-15 has been estimated at 5.1 percent as compared to 4.4 percent in the previous fiscal year 2013-14. Total investment is expected to be raised to 15.7 percent in fiscal year 2014-15 against revised target of 14.0 percent in 2013-14.

Pakistan succeeded in attaining 4.14 percent growth in the last fiscal year which is the highest achievement since 2008-09. The same has been acknowledged and appreciated by the international financial institutions. With some improvement in GDP growth, stabilization of exchange rates, foreign exchange reserves and some improvement in overall resources, especially external flows from multilateral donors, there are prospects for further improvement, given the right policies, governance and effective monitoring framework. The Government is trying to attract large scale private sector foreign investment, however, it is unlikely to reap fruits in the near future due to current security situation and a weak state with dysfunctional institutions that are often at odds with each other.

Despite the fact that 2014 again proved to be challenging for the steel industry with issues relating to overcapacity and raw materials costs, world steel estimated demand still grew by 4.79% during July 2013 to June 2014. World crude steel production totaled 1,606 million tonnes (Mt) for the year, a record high for the industry. World crude steel production has increased from 851 mega tonnes in 2001 to 1,606 for the year 2013. (It was 28.3 mega tonnes in 1900).World average steel use per capita has steadily increased from 150 kg in 2001 to 225 kg in 2013.

The demand forecasts for 2014 provide an important insight to changing economic forces. Where the developing world was the primary driving force in steel demand ever since 2008 and indeed also of global economic global growth the expectations are that developed economies will also contribute to growth in 2014 and 2015, with developing economies showing a slower economic pace. This, along with China's economic deceleration, is the reason for the slightly lower global growth rate forecast of 3.1% for 2014 which was issued in mid-April by World Steel Association.

Operating Performance

Due to adverse economic factors and unscheduled maintenance of plant and machinery, the Company registered a decline in its sales and profitability as shown below:

	June 30 2014	June 30 2013	Difference In Rupees	Difference In percentage
	.... Rs in 000			
Net sales	**1,518,120**	2,182,211	(664,091)	– 30%
Cost of sales	**(1,486,901)**	(2,129,099)	642,198	– 30%
Gross Profit	**31,219**	53,112		
Selling and distribution cost	**(20,104)**	(20,716)	612	– 3%
Administrative expenses	**(46,041)**	(49,307)	3,266	– 7%
	(66,145)	(70,023)		
	(34,926)	(16,911)		
Other operating charges	**(2,187)**	(27,065)	24,878	– 92%
Other operating income	**16,539**	902	15,637	1734%
	(20,574)	(43,074)		
Finance cost	**(34,330)**	(58,431)	24,101	– 41%
Loss before taxation	**(54,904)**	(101,505)		
Taxation	**18,556**	66,286	(47,730)	– 72%
Loss after taxation	**(36,348)**	(35,219)	(1,129)	3%

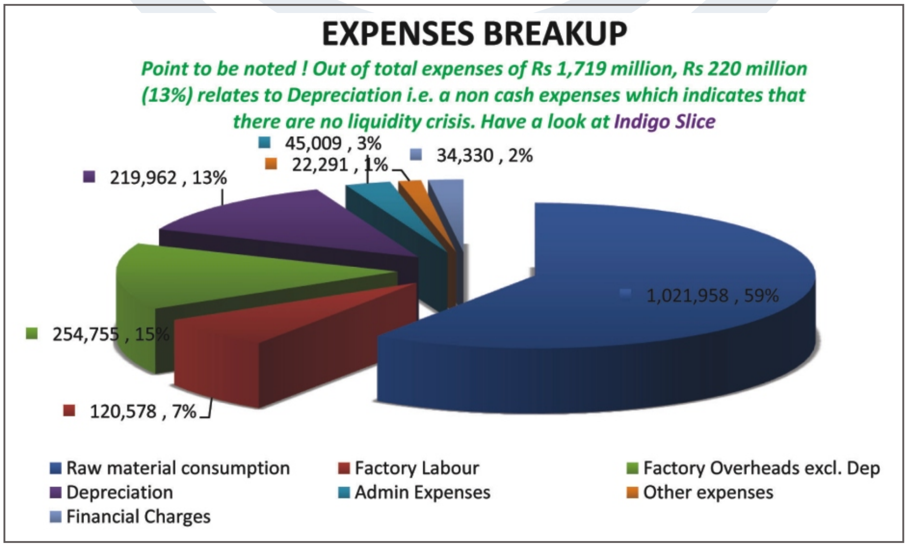
The Company's turnover for the year ended 30 June 2014 is below the turnover of the corresponding year mainly due to lower sales volume, production outage due to maintenance of plant and inordinate delay in transportation of raw material on the part of the suppliers. The depressed volume was due to slack demand from the local market as the overall economy is waiting for the evolution of the laws and regulatory framework governing the upstream sectors and policy initiatives and regulatory and procedural measures from the Government.

Considering above, it is expected that growth will be observed in the Oil and Gas Sector with the result that more orders from the said Sector will be coming.

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

	With Revaluation	Without Revaluation	Difference
	Rs in 000		
Net sales	**1,518,120**	1,518,120	—
Cost of sales	**(1,486,901)**	(1,318,031)	(168,870)
Gross Profit	**31,219**	200,089	
Selling and distribution cost	**(20,104)**	(20,104)	—
Administrative expenses	**(46,041)**	(46,041)	—
	(66,145)	(66,145)	
	(34,926)	133,944	
Other operating charges	**(2,187)**	(2,187)	—
Other operating income	**16,539**	16,539	—
	(20,574)	148,296	
Finance cost	**(34,330)**	(34,330)	—
(Loss) / profit before taxation	**(54,904)**	113,966	
Taxation	**18,556**	(38,860)	57,416
(Loss) / Profit after taxation	**(36,348)**	75,106	(111,454)

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



Production

The production of seamless tubular products during the year was 10,925 Metric Tons as compared to 13,826 Metric Tons in the last year, which depicts a decrease of 21% over last year. On the other hand, Coating Plant produced 1,204 Metric Tons as compared to 5,197 Metric Tons last year. In future, its production is expected to be increased by leaps and bounds which will serve as an independent Cash Generating Segment for the company.

Earnings per share

Loss per share has been increased slightly from Rs. 0.63 per share in last year to Rs. 0.66 in current year. We hope reason for the loss per share is fully justified from the explanation given above in Operating performance review. The EBITDA (Earnings before Interest, Tax, Depreciation and Amortization) of Rs. 196.393 million disclosed on the face of the Profit and Loss Accounts is quite helpful for the users of the Financial Statement to appreciate that the results are not adverse and the loss is notional.

Remuneration to the directors

Executive Directors were paid remuneration as approved by the board of the directors and the details of remuneration are available in note 33 to the financial statements.

Capital investment

During the year the Company incurred Rs. 41.820 million (2013: Rs. 87.049 million) as Capital Expenditures. This includes purchase of equipments and construction of machineries and different parts of Factory building.

Technology Advancements

The management appreciates the impact of information technology resources on the business management. The Company is in the process of implementing an ERP Solution to bring its systems and processes up to the standard of the international level of integration and efficiency. For this purpose a contract has been given to Sidat Hyder Morshed Associates who are well known for the implementation of ERP and have a portfolio of over 400 corporate clients. Three modules (i.e. General Ledger, Payroll, and Fixed Asset) have already been installed and operative while Supply Chain Module is under implementation.

Statement of Internal Controls

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

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

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

Risk Management Framework

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

Safety, Health, Environment and Quality

The Company management is committed to safety, health and quality and sustaining its position as an environmentally friendly Company. It takes great care of the community in which it operates. Environmental improvement and conservation of natural resources are part of the Company's policies and operations. In this regard the Company continues to hold certifications of ISO 9001:2000, API Q1, API 5L, API 5CT, ISO 9001:2008, OHSAS 18001:2007, ISO 14001:2004 & PED Germany from the international certification agencies, which is a proof of its commitment to safety, health, environment and quality.

Human resource

Our people remain our most valued asset. The Management encourages teamwork and realization of maximum potential to promote performance focussed culture. Focus of our Human Resource strategy is therefore, to develop and align intellectual capital to achieve our business goals. Our hiring system stresses diversity, skills and innovative approach. We encourage continuous improvement at all levels and facilitate opportunities for growth to employees without discrimination.

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

Corporate Social Responsibility

The Company management strongly believes that every business entity needs to contribute to the well-being of its surrounding communities for a better and prospering nation. In this connection, we try to induct employees from surrounding rural and underdeveloped communities. Further, we have constructed staff residence, a hospital and a school within our factory premises. We have also established a permanent mosque and a plant for the pure drinking water over there to facilitate not only our staff but the poor people of Nooriabad.

Auditors

The present external auditors M/s. Deloitte M. Yousuf Adil Saleem & Co., Chartered Accountants have retired and offered themselves for re-appointment. The same is also recommended by the Audit Committee.

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 the Securities and Exchange Commission of Pakistan (SECP). The Board acknowledges its responsibility in respect of the Corporate and Financial Reporting framework and thus states that:

- o The financial statements prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- o Proper books of accounts have been maintained by the Company.
- o Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- o International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- o The system of internal control is sound in design and has been effectively implemented and monitored.
- o There are no significant doubts upon the Company's ability to continue as a going concern.
- o There has been no material departure from the best practices of corporate governance, as detailed in Listing Regulations.
- o The directors are focused towards business growth and have accordingly decided not to issue cash dividend. Further, Directors of the company also observed that issuance of bonus shares will dilute the value of shares in the market.
- o The summary of key operating and financial data of the Company for the last ten years is annexed to this report.
- o The value of non funded staff gratuity at close of the year was Rs. 94.492 million.
- o During the year under review five meetings of the Board of Directors were held. Attendance by each director was as follows:

Board / Sub Committee	Board Meeting	Audit Committee	Human Resources & Remuneration Committee
	Total number of meetings held during the year		
	5	4	2
Mr. Yousuf Mohamed Y.Najibi (UAE)	—	—	—
Mr. Nabil Abdul Rahman Ahmad Arif (UAE)	—	—	—
Mr. Abdul Aziz Eshaq A.Rahman (UAE)	—	—	—
Mr. Muhammad Hafiz (UK)	5	4	2
Mr. Arshad Ahmed (UK)	1	2	1
Hafiz Abdul Waheed	3	—	—
Hafiz Abdul Sami	4	3	—
Hafiz Abdul Aleem	3	—	2
Hafiz Abdul Majid	5	—	2
Hafiz Abdul Haseeb	5	—	2
Syed Arsalan Sadiq (Independent Director)	4	4	—

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

Pattern of Shareholding

A statement of the pattern of shareholding of certain classes of shareholders as at 30 June 2014, whose disclosure is required under the reporting framework, is included in the report.

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

Future Outlook and Challenges

We have an optimistic outlook for the financial year ending June 2014 because:

1. Government's intention to increase gas supply whether through TAPI gas pipe line from Central Asia to Pakistan and India or through Thur coal will certainly increase the demand of our seamless pipes.
2. The government's program of fiscal and structural reform supported by an Extended Fund Facility Arrangement with the International Monetary Fund to restore macroeconomic balance will certainly boost the demand of our seamless pipes both nationally and internationally.
3. The Government is expected to offer tax incentives, protection policies and infra-structure development for the local industry.

However, being an import oriented industry; we may face challenges of deteriorating security situation in the country and rapidly rising rate of dollar resulting instability in prices.

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

Training program attended by the directors

The Board has been provided with detailed in-house briefings and information package to acquaint them with the Code of Corporate Governance, applicable laws, their duties and responsibilities to enable them to effectively manage the affairs of the Company, for and on behalf of the shareholders as required by the Code of Corporate Governance.

Definition of Executive

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

Stakeholders

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

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

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

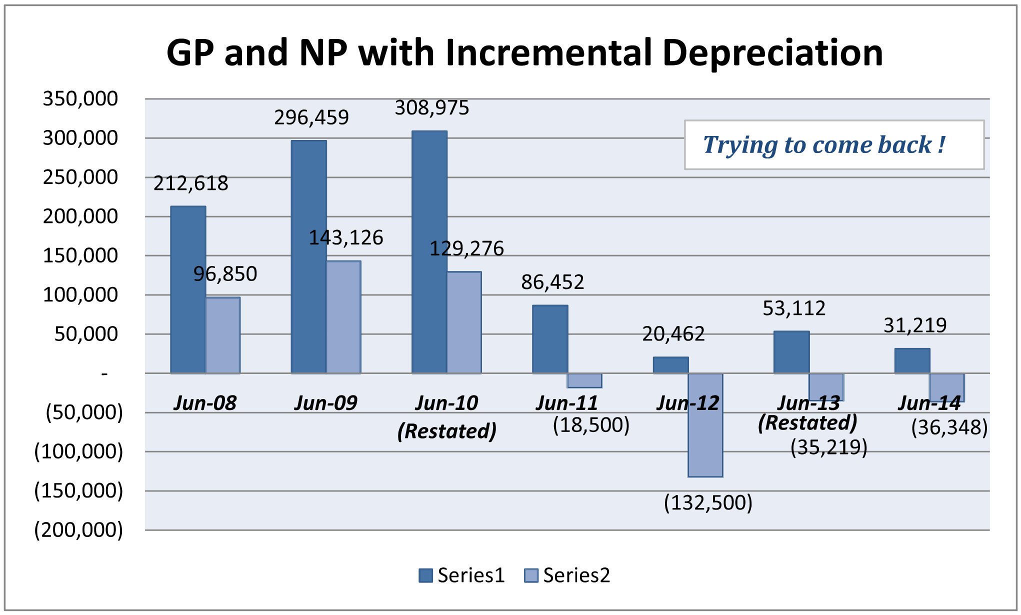
Hafiz Abdul Majid
Chief Executive

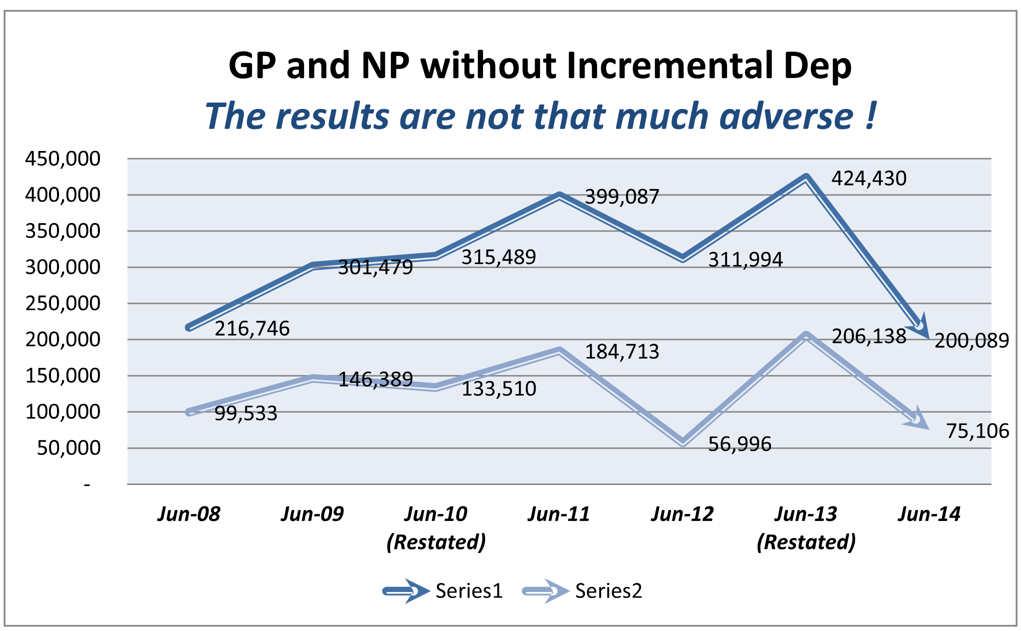
Karachi, September 30, 2014

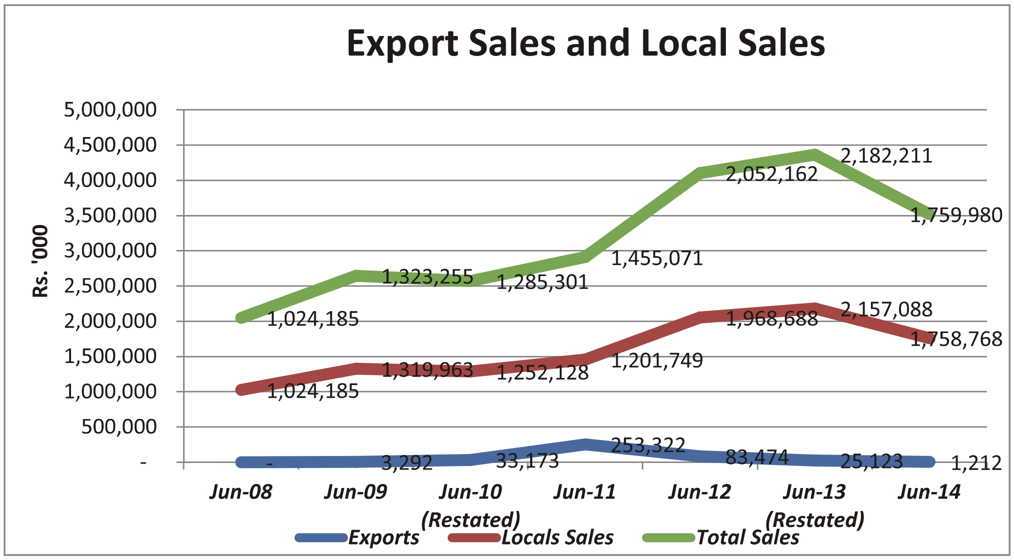
Decade at a Glance

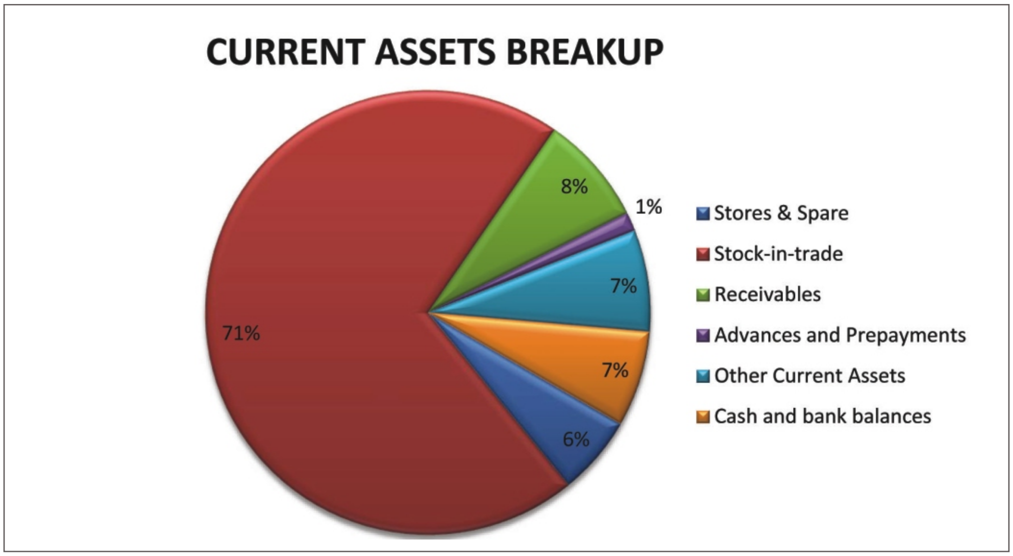
Product: Seamless Steel Pipes and Tubes Location of H/O: Karachi Location of Plant Nooriabad CEO: Hafiz Abdul Majid		Year Ended June 30 2014	June 30, 2013 Restated	June 30, 2012	June 30, 2011	June 30, 2010 Restated	June 30, 2009 Restated	June 30, 2008	June 30, 2007	June 30, 2006	June 30, 2005
		......Rs. '000'......									
Balance sheet data	Cash	88,962	215,216	29,190	31,601	31,797	12,231	61,660	18,860	47,199	5,796
	Receivables	102,396	179,542	127,693	191,980	96,457	128,827	100,585	63,710	83,698	51,303
	Stores & spares	73,966	83,546	69,809	47,686	55,481	51,500	39,789	38,116	32,443	30,586
	Inventory	901,521	489,369	1,152,216	746,597	832,643	779,263	172,381	344,924	366,928	305,460
	Other current assets	111,773	163,789	99,473	176,758	118,015	88,476	136,203	78,401	82,665	61,653
	Non-current assets	5,970,919	6,158,807	6,532,584	4,998,612	5,074,621	1,743,351	1,262,898	1,233,027	414,119	330,954
	Total assets	**7,249,537**	**7,290,269**	**8,010,965**	**6,193,234**	**6,209,014**	**2,803,648**	**1,773,516**	**1,777,038**	**1,027,052**	**785,752**
	Account payables	938,391	845,729	1,193,299	971,110	790,747	751,134	389,479	487,387	476,435	353,107
	Other current liabilities	68,675	88,512	261,090	119,187	118,336	47,868	52,124	22,848	—	—
	Long term liability	1,670,859	1,744,904	1,907,649	1,413,146	1,508,415	334,309	135,101	144,493	129,914	97,503
	Surplus on revaluation of land and building	3,328,901	3,438,666	3,680,023	2,700,086	2,903,298	915,629	685,194	689,322	—	—
	Sponsors loan	—	—	—	—	—	—	60,260	72,144	101,944	101,944
	Paid-up capital	554,844	554,844	554,844	554,844	554,844	341,442	218,873	182,394	140,303	122,003
	Share Premium	109,437	109,437	109,437	109,437	109,437	109,437	—	—	—	—
	Retained earning/ (loss)	538,430	468,177	264,623	285,424	183,937	263,829	192,485	138,450	138,456	71,196
	Reserves	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
	Total equity & liabilities	**7,249,537**	**7,290,269**	**8,010,965**	**6,193,234**	**6,209,014**	**2,803,648**	**1,773,516**	**1,777,038**	**1,027,052**	**785,752**
Income statement data	Net Sale	1,518,120	2,182,211	2,052,162	1,455,071	1,285,301	1,323,255	1,024,185	855,660	1,013,609	621,602
	Cost of goods sold	1,486,901	2,129,099	2,031,700	1,368,619	976,326	1,026,796	811,567	701,040	819,069	511,652
	Gross profit	31,219	53,112	20,462	86,452	308,975	296,459	212,618	154,620	194,540	109,950
	Administration, selling and Other expenses	51,793	96,186	145,740	50,113	46,107	57,040	47,556	31,054	38,398	26,900
	Operating Profit or Loss (EBIT)	(20,574)	(43,074)	(125,278)	36,339	262,868	239,419	165,062	123,566	156,142	83,050
	Financial charges	34,330	58,431	76,490	74,805	38,830	17,489	10,868	15,292	8,996	6,304
	EBT	(54,904)	(101,505)	(201,768)	(38,466)	224,038	221,930	154,194	108,274	147,146	76,746
	Taxation	18,556	66,286	(69,268)	(19,966)	81,877	78,804	57,345	16,656	72,294	14,461
	Net profit (PAT)	(36,348)	(35,219)	(132,500)	(18,500)	129,276	143,126	96,850	87,484	85,563	61,790
	Depreciation and Amortization	220,088	460,766	386,882	395,416	77,262	58,379	53,062	37,688	36,719	25,689
Liquidity	Cash flow from operation	(58,946)	537,076	62,828	436,031	238,921	41,651	219,293	262,964	160,869	69,609
	Net working capital	271,552	197,221	23,992	104,325	225,310	261,295	69,015	33,776	136,498	101,691
	Current ratio	1.27	1.21	1.02	1.10	1.25	1.33	1.16	1.07	1.29	1.29
	Quick ratio	0.30	0.60	0.18	0.37	0.27	0.29	0.68	0.32	0.45	0.34
	Payable/recivable	4.70	2.72	6.40	2.96	4.24	3.68	1.86	3.59	2.86	3.13
	Cash flow/ total debt	-2.20%	20.05%	1.87%	17.42%	9.88%	3.68%	34.43%	36.18%	22.71%	12.60%
Activity	Inventory age (days)	221	84	207	199	311	277	78	180	164	218
	Collection period (days)	25	30	23	48	27	36	36	27	30	30
	Operating assets turnover	0.25	0.35	0.31	0.29	0.25	0.76	0.81	0.69	2.45	1.88
Profitability	Gross profit margin	2%	2%	1%	6%	24%	22%	21%	18%	19%	18%
	Net profit margin	-2%	-2%	-6%	-1%	10%	11%	9%	10%	8%	10%
	Return on capital	-1.3%	-1.2%	-4.7%	-0.8%	5%	14%	16%	16%	17%	16%
	Return on operating assets	-0.6%	-0.6%	-2.0%	-0.4%	3%	8%	8%	7%	21%	19%
	Return on equity	-3%	-3%	-14%	-2%	15%	19%	21%	24%	27%	26%
Per share data	Revenue per share	27	39	37	26	23	39	47	47	72	51
	Earning per share (Rs)	(0.66)	(0.63)	(2.39)	(0.33)	2.33	4.19	4.42	4.80	6.10	5.06
	Face value of share	10	10	10	10	10	10	10	10	10	10
	Break-up value per share	22	21	17	18	16	22	21	20	23	19
	Earning per break-up value of share	(0.29)	(0.30)	(1.37)	(0.19)	1.46	1.90	2.15	2.42	2.68	2.65
	Earning per share % of face value	-7%	-6%	-24%	-3%	23%	42%	44%	48%	61%	51%
	Earning per share % of break-up value	-3%	-3%	-14%	-2%	15%	19%	21%	24%	27%	26%
Share trend	High stock price-at end	20.70	22.29	23.49	12.20	40.80	51.30	70.00	90.00	52.20	34.90
	Low stock price-at end	20.70	22.20	23.00	11.81	14.2	25.75	67.63	88.00	52.20	34.90
	Average stock price-at end	20.70	22	23	12	27.50	38.53	68.82	89.00	52.20	34.90
	Growth since last year (Rs)	(2)	(1)	11	(15)	(11.03)	(30.29)	(20.19)	36.80	17.30	19.50
	Growth since last Year %	-7%	-4%	93%	-56%	-29%	-44%	-23%	70%	50%	127%
	Price earning ratio- at average price	(31.60)	(35.12)	(9.69)	(36.00)	11.80	9.19	15.55	18.56	8.56	6.89
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	10,925	13,826	13,958	13,456	11,288	13,446	13,100	14,529	16,285	8,986
	Coating of pipes and tubes										
	Installed Capacity	50,000	50,000	50,000	50,000	50,000	50,000	—	—	—	—
	Utilized Capacity	1,204	5,197	1,617	—	—	—	—	—	—	—
	Machinery and components										
	Installed Capacity	3,500	3,500	3,500	3,500	3,5003,500		3,500	3,500	3,500	3,500
	Utilized Capacity	757	455	764	463	513	453	480	436	523	1,020

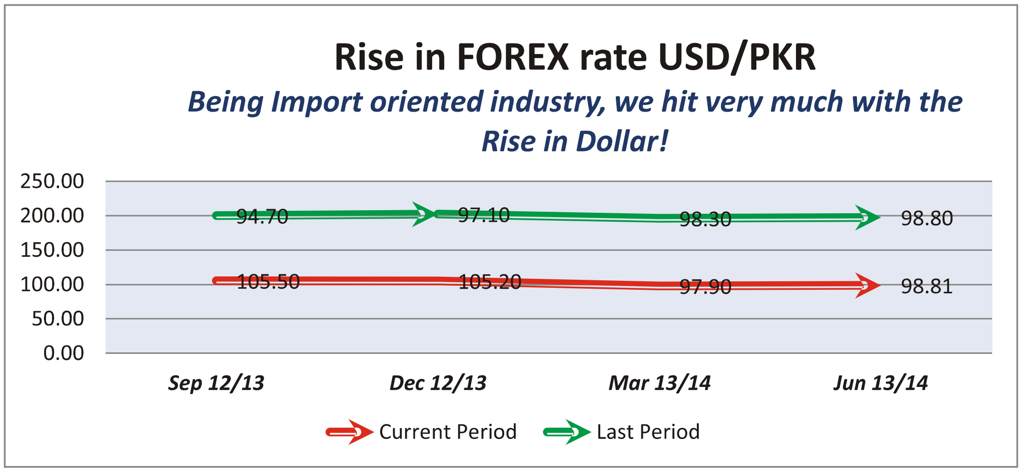
Diagrammatical Performance Review

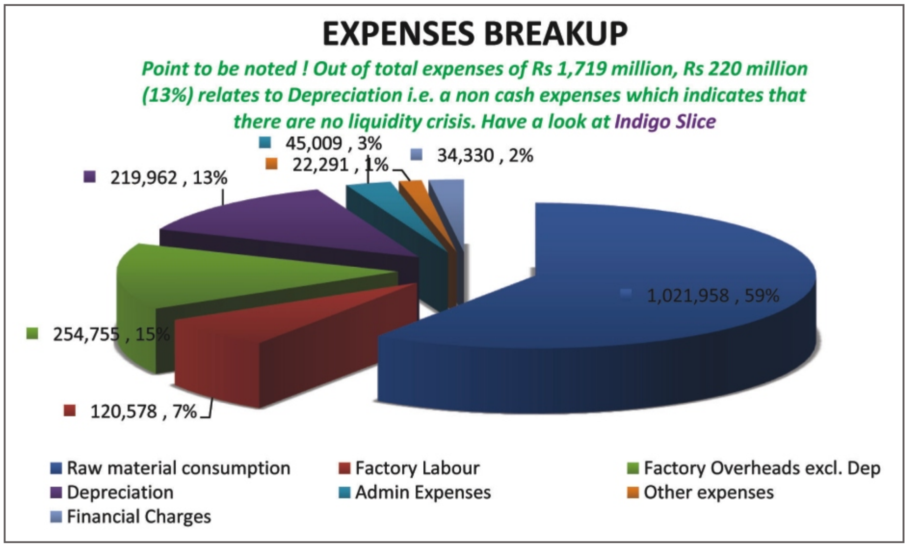


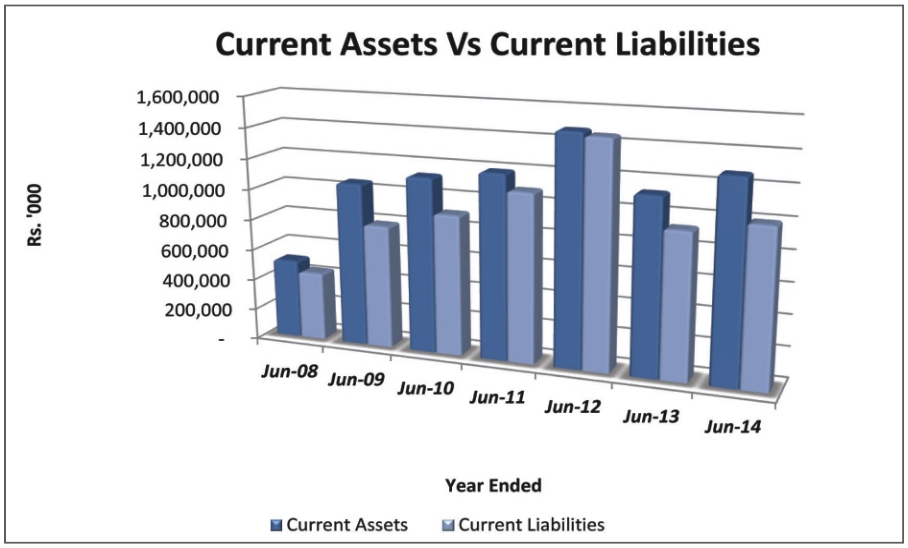


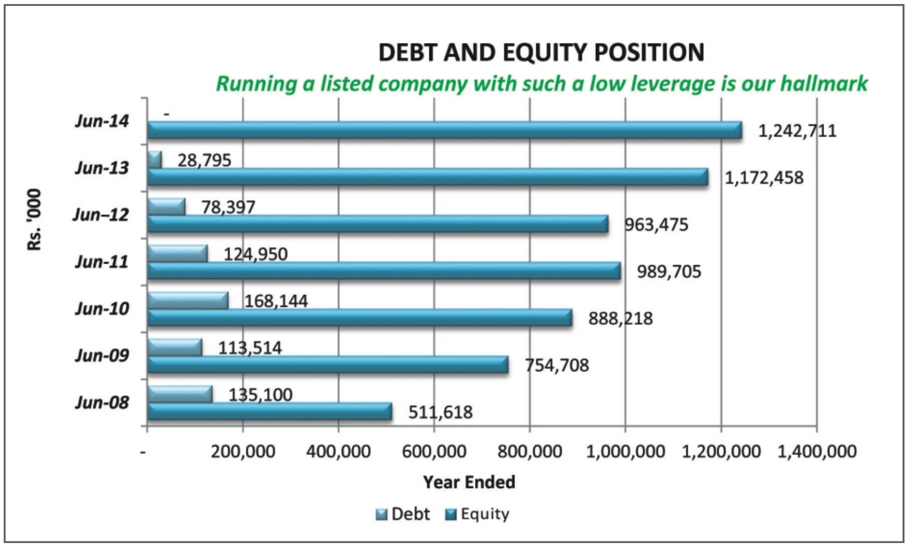

Export Sales and Local Sales
5,000,000
4,500,000
4,000,000
3,500,000
3,000,000
2,500,000
2,000,000
1,500,000
1,000,000
500,000
-
Rs. '000
1,024,185
1,323,255
1,285,301
1,455,071
2,052,162
2,182,211
1,759,980
1,024,185
1,319,963
1,252,128
1,201,749
1,968,688
2,157,088
1,758,768
-
3,292
33,173
253,322
83,474
25,123
1,212
Jun-08
Jun-09
Jun-10 (Restated)
Jun-11
Jun-12
Jun-13 (Restated)
Jun-14
Exports
Locals Sales
Total Sales

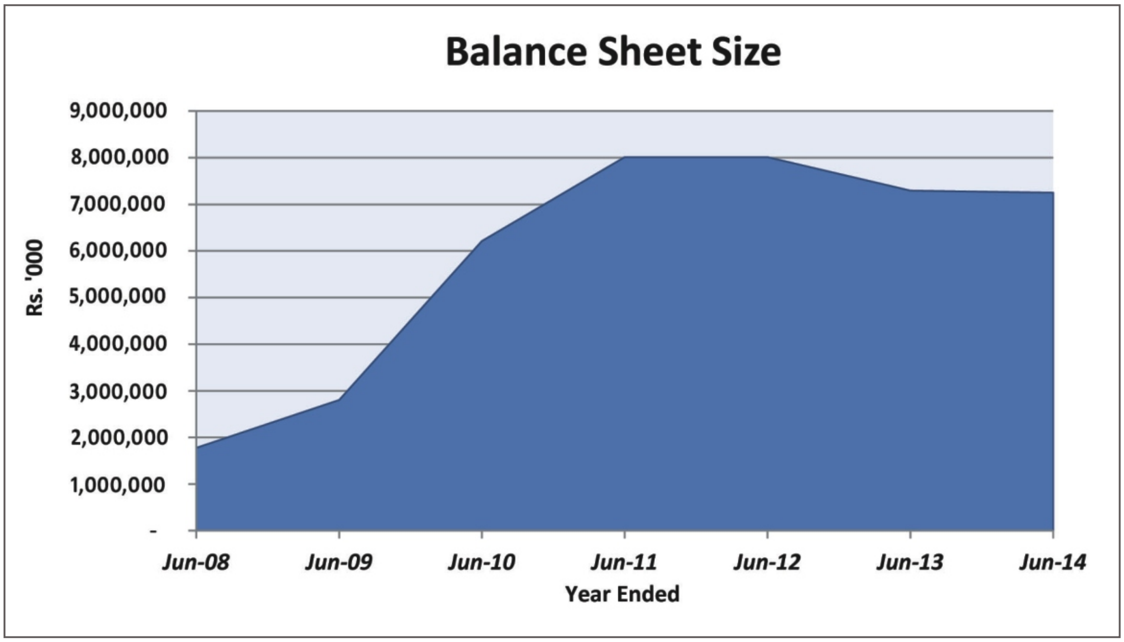

CURRENT ASSETS BREAKUP
71%
8%
1%
7%
7%
6%
Stores & Spare
Stock-in-trade
Receivables
Advances and Prepayments
Other Current Assets
Cash and bank balances

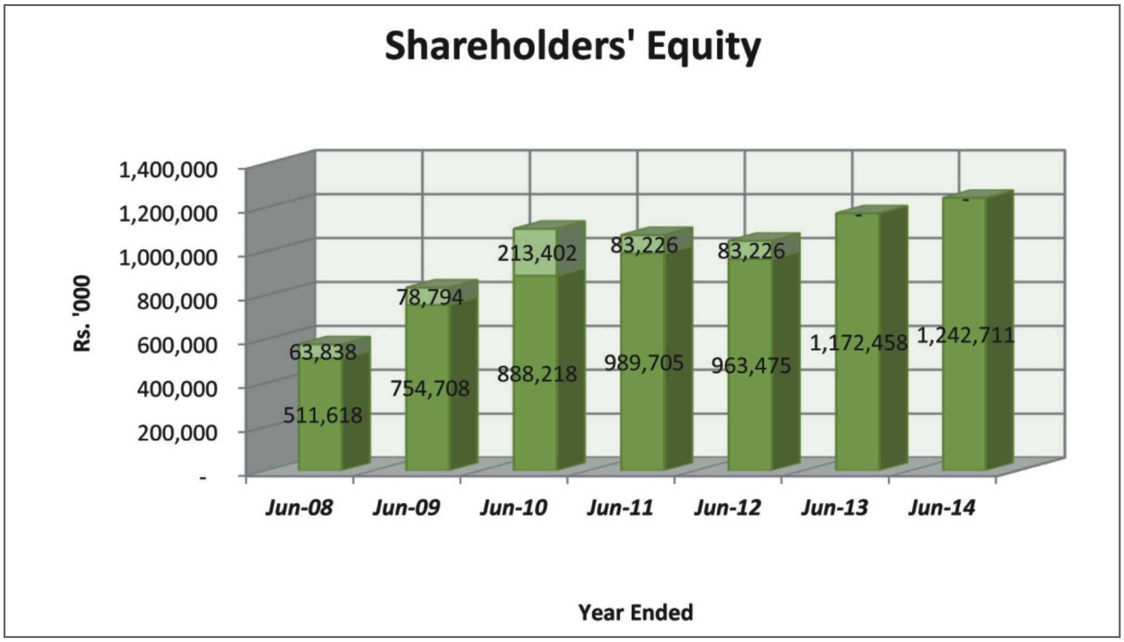

Rise in FOREX rate USD/PKR
Being Import oriented industry, we hit very much with the Rise in Dollar!
250.00
200.00
150.00
100.00
50.00
0.00
94.70
97.10
98.30
98.80
105.50
105.20
97.90
98.81
Sep 12/13
Dec 12/13
Mar 13/14
Jun 13/14
Current Period
Last Period


EXPENSES BREAKUP
Point to be noted ! Out of total expenses of Rs 1,719 million, Rs 220 million (13%) relates to Depreciation i.e. a non cash expenses which indicates that there are no liquidity crisis. Have a look at Indigo Slice
45,009 , 3%
22,291 , 1%
34,330 , 2%
219,962 , 13%
1,021,958 , 59%
254,755 , 15%
120,578 , 7%
Raw material consumption
Factory Labour
Factory Overheads excl. Dep
Depreciation
Admin Expenses
Other expenses
Financial Charges


Current Assets Vs Current Liabilities
Rs. '000
1,600,000
1,400,000
1,200,000
1,000,000
800,000
600,000
400,000
200,000
-
Jun-08
Jun-09
Jun-10
Jun-11
Jun-12
Jun-13
Jun-14
Year Ended
Current Assets
Current Liabilities


DEBT AND EQUITY POSITION
Running a listed company with such a low leverage is our hallmark
Rs. '000
Jun-14
-
1,242,711
Jun-13
28,795
1,172,458
Jun-12
78,397
963,475
Jun-11
124,950
989,705
Jun-10
168,144
888,218
Jun-09
113,514
754,708
Jun-08
135,100
511,618
-
200,000
400,000
600,000
800,000
1,000,000
1,200,000
1,400,000
Year Ended
Debt
Equity


Balance Sheet Size
9,000,000
8,000,000
7,000,000
6,000,000
5,000,000
4,000,000
3,000,000
2,000,000
1,000,000
-
Rs. '000
Jun-08
Jun-09
Jun-10
Jun-11
Jun-12
Jun-13
Jun-14
Year Ended


Shareholders' Equity
1,400,000
1,200,000
1,000,000
800,000
600,000
400,000
200,000
-
Rs. '000
63,838
511,618
78,794
754,708
213,402
888,218
83,226
989,705
83,226
963,475
1,172,458
1,242,711
Jun-08
Jun-09
Jun-10
Jun-11
Jun-12
Jun-13
Jun-14
Year Ended

Statement of Compliance

With the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (the "Code") contained in Regulation No. 35 of Listing Regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

Huffaz Seamless Pipe Industries Limited (the Company) has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors (the Board). At present, the Board includes nine non-executive directors and two executive directors as follows:

Category	Names
Executive Directors	Hafiz Abdul Majid (CEO) Hafiz Abdul Haseeb
Non-Executive Directors	Mr. Yousuf Mohamed Y. Najibi Mr. Nabil Abdul Rahman Ahmad Arif Mr. Abdul Aziz Eshaq A. Rehman Mr. Muhammad Hafiz Mr. Arshad Ahmed Hafiz Abdul Waheed Hafiz Abdul Sami Hafiz Abdul Aleem
Independent Director	Syed Arsalan Sadiq

   The independent director meets the criteria of independence under clause i (b) of the Code.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year ended June 30, 2014.
5. The Company has prepared a "Code of Conduct" which has been placed on the Company's website. The Company has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Company has developed a vision / mission statement, overall corporate strategy and significant policies of the Company, however these have not been approved by the Board. A complete record of particulars of significant policies along with the dates on which they were approved or amended has not been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings wereappropriately recorded and circulated.
9. The training of the directors is an ongoing process and the directors, on a regular basis, are provided with and are presented and updated on relevant laws, Code and guidelines on best practices of corporate governance. During the year, one director has completed the director's training program from The Institute of Cost and Management Accountants of Pakistan (ICMAP), while three directors had completed it in the previous years. In future, arrangements will also be made for other directors for acquiring certification under the directors training program within the required time period.

10. During the year on September 30, 2013, the Head of Internal Audit (HoIA) resigned from the Company and the office of HoA was temporarily assigned to Mr. Muhammad Musab to fill the vacant position for the time being. The Board has approved the appointment of Mr. Muhammad Musab as HoIA in its meeting held on December 31, 2013. The positions of CFO and Company Secretary remained occupied during the entire year. The Board has approved the remuneration and terms and conditions of employment of HoIA, CFO and company secretary.

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

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

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

15. The Board has formed an Audit Committee. It comprises of four members. All of them arenon-executive directors and the chairman of the committee is an independent director.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference (TORs) of the committee have been formed and advised to the committee for compliance.

17. The Board has formed a Human Resource and Remuneration Committee. It comprises five members, three of whom are non-executive directors including the chairman of the committee.

18. The Company has outsourced its internal audit function to M/s Nasir Mehmood & Co., Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company. The appointment was approved by the Board in its meeting held on February 28, 2014. However, the internal auditor was engaged with the Company on April 14, 2014.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of The Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of theCompany 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 the ICAP.

20. The statutory auditors or persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. We confirm that all other material principles enshrined in the Code have been complied with except for the following, toward which efforts are being made by the Company to seek compliance by the end of next accounting year:

    a. A mechanism has been developed for an annual evaluation of the Board's own performance, however it has not been approved by the Board yet [Non-compliance of clause (v)(e)].

HAFIZ ABDUL MAJID
Chief Executive Officer

Karachi:
Dated: September 30, 2014

Deloitte.

M.Yousuf Adil Saleem & Co
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Sharea Faisal,
Karachi-75350
Pakistan
Phone: +92 (0) 21-3454 6494-7
Fax: +92 (0) 21-3454 1314
Web: www.deloitte.com

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of **Huffaz Seamless Pipe Industries Limited** (the Company) for the year ended June 30, 2014 to comply with the requirements of Listing Regulation No. 35 of the Karachi Stock Exchange and the Lahore Stock Exchange, where the Company is listed.

The responsibility for compliance with the Code is that of the Board 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the 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.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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 as applicable to the Company for the year ended June 30, 2014.

Further, we highlight the below instances of non-compliances with the requirement of the Code as reflected in paragraph references where these are stated in the Statement of Compliance:

i.	Paragraph 6	Vision / mission statement, overall corporate strategy and significant policies of the Company are not approved by the Board and a complete record of particulars of significant policies along with the dates on which they were approved or amended has not been maintained.
ii.	Paragraph 23 (a)	A mechanism has been developed for an annual evaluation of the Board's own performance, however it has not been approved by the Board yet.

Chartered Accountants

M. Yousuf Adil Saleem & Co

Engagement Partner
Nadeem Yousuf Adil

Date: September 30, 2014
Place: Karachi

Member of
Deloitte Touche Tohmatsu Limited

Deloitte.

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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, 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

  i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the change as disclosed in note 3.21 to the accompanying financial statements 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, 2014 and of the loss, total comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The financial statements of the Company for the year ended June 30, 2013 were audited by another firm of chartered accountants who through their report dated December 31, 2013 expressed an unqualified opinion thereon.

Chartered Accountants

M. Yousuf Adil Saleem & Co

Engagement Partner
Nadeem Yousuf Adil

Date: September 30, 2014
Place: Karachi

Member of
Deloitte Touche Tohmatsu Limited

Balance Sheet
As at June 30, 2014

	Note	2014	2013 (Restated)	2012 (Restated)
ASSETS		.... (Rupees in '000)		
Non-Current Assets				
Property, plant and equipment	4	**5,963,066**	6,143,804	6,517,521
Intangible assets	5	**2,210**	—	—
Long-term deposits	6	**5,643**	15,003	15,063
		5,970,919	6,158,807	6,532,584
Current Assets				
Stores and spares	7	**73,966**	83,546	69,809
Stock-in-trade	8	**901,521**	489,369	1,152,216
Trade debts	9	**102,396**	179,542	127,693
Loans and advances	10	**17,102**	26,545	19,404
Trade and other deposits	11	**10,728**	1,300	1,144
Other receivables	12	**59,521**	123,893	56,202
Advance tax - net of provision	13	**24,422**	12,051	22,723
Cash and bank balances	14	**88,962**	215,216	29,190
		1,278,618	1,131,462	1,478,381
TOTAL ASSETS		**7,249,537**	7,290,269	8,010,965
EQUITY AND LIABILITIES				
Share Capital and Reserves				
Share capital	15	**554,844**	554,844	554,844
Share premium		**109,437**	109,437	109,437
General reserve		**40,000**	40,000	40,000
Unappropriated profit		**538,430**	468,177	264,623
Total equity		**1,242,711**	1,172,458	968,904
Surplus on revaluation of property, plant and equipment	16	**3,328,901**	3,438,666	3,680,023
LIABILITIES				
Non-Current Liabilities				
Long-term financing	17	**—**	—	28,378
Liabilities against assets subject to finance lease	18	**—**	28,795	50,019
Deferred liabilities	19	**1,670,859**	1,716,109	1,829,252
		1,670,859	1,744,904	1,907,649
Current Liabilities				
Trade and other payables	20	**938,391**	845,729	1,193,299
Short term sponsors' advances	21	**37,668**	23,581	54,231
Short term borrowings		**—**	—	134,519
Current portion of non-current liabilities	22	**30,638**	50,964	54,844
Accrued markup		**369**	13,967	17,496
		1,007,066	934,241	1,454,389
TOTAL EQUITY AND LIABILITIES		**7,249,537**	7,290,269	8,010,965
Contingencies and commitments	23			

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

Hafiz Abdul Majid
Chief Executive

Hafiz Abdul Sami
Director

Profit and Loss Account
For the year ended June 30, 2014

	Note	2014	2013 (Restated)
		.... (Rupees in '000)	
Net sales	24	**1,518,120**	2,182,211
Cost of sales	25	**(1,486,901)**	(2,129,099)
Gross profit		**31,219**	53,112
Selling and distribution cost	26	**(20,104)**	(20,716)
Administrative expenses	27	**(46,041)**	(49,307)
		(66,145)	(70,023)
		(34,926)	(16,911)
Other operating charges	28	**(2,187)**	(27,065)
Other income	29	**16,539**	902
		(20,574)	(43,074)
Finance cost	30	**(34,330)**	(58,431)
Loss before taxation		**(54,904)**	(101,505)
Taxation	31	**18,556**	66,286
Loss for the year		**(36,348)**	**(35,219)**
		.... (Rupees)	
Loss per share - basic and diluted	32	**(0.66)**	**(0.63)**
		..............(Rupees in '000)...............	
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)		**196,393**	**414,015**

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

Hafiz Abdul Majid
Chief Executive

Hafiz Abdul Sami
Director

Statement of Comprehensive Income
For the year ended June 30, 2014

	Note	2014	2013 (Restated)
		.... (Rupees in '000)	....
Loss after taxation		**(36,348)**	(35,219)
Other comprehensive income			
Items that will be reclassified subsequently to profit and loss account		—	—
Items that will not be reclassified subsequently to profit and loss account			
– Remeasurement of defined benefit obligation	19.1.5	**(4,866)**	(3,900)
– Impact of tax		**1,702**	1,316
		(3,164)	(2,584)
Total comprehensive income for the year		**(39,512)**	**(37,803)**

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

Hafiz Abdul Majid
Chief Executive

Hafiz Abdul Sami
Director

Cash Flow Statement

For the year ended June 30, 2014

	2014	2013 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES	.... (Rupees in '000)	
Loss before taxation	**(54,904)**	(101,505)
Adjustments for:		
Depreciation	**219,962**	460,766
Amortisation	**126**	—
Gain on disposal of property, plant and equipment	**(782)**	—
Finance cost	**34,330**	58,431
Property, plant and equipment written-off	**92**	—
Bad debts written-off	**13,382**	12,889
Workers' Welfare Fund	**2,095**	5,171
Provision for compensated absences	**643**	588
Provision of staff gratuity	**15,638**	14,426
	285,486	552,271
Operating profit before working capital changes	**230,582**	450,766
Changes in working capital		
Decrease / (increase) in current assets		
Stores and spare	**9,580**	(13,737)
Stock-in-trade	**(412,152)**	662,847
Trade debts	**63,764**	(64,738)
Loans and advances, trade and other deposits and other receivables	**64,387**	(74,988)
	(274,421)	509,384
(Decrease) / increase in current liabilities		
Trade and other payables	**68,241**	(306,463)
Cash generated from operations	**24,402**	653,687
Finance cost paid	**(22,549)**	(61,960)
Payment of compensated absences	**(809)**	(192)
Gratuity paid	**(5,012)**	(1,985)
Workers' Welfare Fund	**(5,171)**	(1,552)
Taxes paid	**(49,807)**	(50,922)
	(83,348)	(116,611)
Net cash (used in) / generated from operating activities	**(58,946)**	537,076
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to property, plant and equipment	**(39,484)**	(87,049)
Proceeds on disposal of property, plant and equipment	**950**	—
Intangible assets	**(2,336)**	—
Long-term deposits	**9,360**	60
Net cash used in investing activities	**(31,510)**	(86,989)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment made for assets subject to finance lease	**(20,755)**	(17,997)
Musharaka facility paid	**(28,366)**	(35,485)
Short term borrowings - net	**—**	(80,385)
Short term sponsors' advances received / (paid)	**14,087**	(30,650)
Dividend paid	**(764)**	(45,410)
Net cash used in financing activities	**(35,798)**	(209,927)
Net (decrease) / increase in cash and cash equivalent	**(126,254)**	240,160
Cash and cash equivalents at beginning of the year	**215,216**	(24,944)
Cash and cash equivalent at end of the year	**88,962**	215,216

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

Hafiz Abdul Majid
Chief Executive

Hafiz Abdul Sami
Director

Statement of Changes in Equity

For the year ended June 30, 2014

Particulars	Note	Issued, Subscribed and paid up capital	Share Premium	General Reserve	Unappropriated Profit	Total
		....	....	Rs. '000'	....	....
Balance as at July 01, 2012 - as previously reported		554,844	109,437	40,000	259,194	963,475
Effect of remeasurement of defined benefit obligation – net of tax	3.21	—	—	—	5,429	5,429
Balance as at July 01, 2012 - restated		554,844	109,437	40,000	264,623	968,904
Total comprehensive income for the year						
Loss for the year		—	—	—	(35,219)	(35,219)
Other comprehensive income - restated	3.21	—	—	—	(2,584)	(2,584)
Total comprehensive income for the year - restated		—	—	—	(37,803)	(37,803)
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax		—	—	—	241,357	241,357
Balance as at June 30, 2013 - restated		554,844	109,437	40,000	468,177	1,172,458
Total comprehensive income for the year						
Loss for the year		—	—	—	(36,348)	(36,348)
Other comprehensive income		—	—	—	(3,164)	(3,164)
Total comprehensive income for the year		—	—	—	(39,512)	(39,512)
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax		—	—	—	109,765	109,765
Balance as at June 30, 2014		**554,844**	**109,437**	**40,000**	**538,430**	**1,242,711**

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

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

Notes to the Financial Statements

For the year ended June 30, 2014

1. STATUS AND NATURE OF BUSINESS

Huffaz Seamless Pipe Industries Limited (“the Company”) was incorporated in Pakistan on October 09, 1983 as a public company limited by shares. The shares of the Company are quoted on the Karachi and Lahore Stock Exchanges. The principal object and business of the Company is manufacturing and selling of seamless steel pipes and tubes (tubular products). The Company also has a coating facility capable of applying three layer high density polyethylene coating, polypropylene coating and tape coating on steel pipes. The Registered Office of the Company is situated at 207-210, Mashriq Center, Block 14, Gulshan-e-Iqbal, Karachi and the Factory of the Company is located at Nooriabad, District Jamshoro, Sindh.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except that:

— the obligations under employees’ defined benefit plan are measured at present value; and

— the leasehold land, factory building, plant and machinery and coating sheds are stated at revalued amount.

2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is the Company’s functional and presentation currency. All financial information presented in Pakistan Rupees have been rounded to nearest thousand.

2.4 New accounting standard / amendments and IFRS interpretation that are effective for the year ended June 30, 2014

2.4.1 The following amendments and interpretation are effective for the year ended June 30, 2014. These amendments and interpretation are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Amendments / Interpretation

Amendments to IAS 1 – Presentation of Financial Statements – Clarification of requirements for comparative information

Amendments to IAS 16 – Property, Plant and Equipment – Classification of servicing equipment

Amendments to IAS 32 – Financial Instruments: Presentation – Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction

Amendments to IAS 34 – Interim Financial Reporting – Interim reporting of segment information for total assets and total liabilities

Amendments to IFRS 7 – Financial Instruments: Disclosures – Offsetting financial assets and financial liabilities

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

2.4.2 The amendments to IAS 19 - Employee Benefits are effective from accounting period beginning on or after January 01, 2013 and have significant impact on the Company's financial statements as described in note 3.21. This change is considered as change in accounting policy.

2.5 New accounting standards / amendments and IFRS interpretation that are not yet effective

The following standards, amendments and interpretation are effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretation are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Standards / Amendments / Interpretation	Effective date (accounting periods beginning on or after)
Amendments to IAS 19 – Employee Benefits: Employee contributions	July 1, 2014
Amendments to IAS 32 – Financial Instruments: Presentation – Offsetting financial assets and financial liabilities	January 1, 2014
IAS 36 – Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets	January 1, 2014
IAS 39 – Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting	January 1, 2014
IFRIC 21 – Levies	January 1, 2014
IFRS 10 – Consolidated Financial Statements	January 1, 2015
IFRS 11 – Joint Arrangements	January 1, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 1, 2015
IFRS 13 – Fair Value Measurement	January 1, 2015
IAS 27 (Revised 2011) – Separate Financial Statements	January 1, 2015
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	January 1, 2015

Other than the aforesaid standards, interpretations and amendments, IASB has also issued the following standards which have not been adopted by the Securities and Exchange Commission of Pakistan:

- o IFRS 1 – First Time Adoption of International Financial Reporting Standards
- o IFRS 9 – Financial Instruments
- o IFRS 14 – Regulatory Deferral Accounts
- o IFRS 15 – Revenue from Contracts with Customers

2.6 Use of estimates and judgements

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

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates underlying the assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

2.6.1 Property, plant and equipment

The Company's management reviews the rates of depreciation / estimated useful lives used in the calculation of depreciation charge for its property, plant and equipment and the value of the assets for possible impairment at each financial year end. Further, the Company estimates revalued amounts and useful lives of leasehold land, factory building, plant and machinery and coating sheds based on the periodic valuations carried out by independent professional valuers. Any change in estimate in future might affect the carrying amounts of the respective item of property, plant and equipment with a corresponding effect on the depreciation charge, impairment, surplus on revaluation and annual transfer of incremental depreciation from surplus on revaluation of property, plant and equipment account to unappropriated profit.

Change in accounting estimate

During the year, management has revised the depreciation rate of its plant and machinery, factory building and coating sheds from 10%, 5% and 5% to 5%, 2.5% and 2.5% respectively. Management believes that the said change in estimate reflects more accurately the pattern of consumption of economic benefits of the respective assets. These changes have been accounted for prospectively in accordance with the requirements of International Accounting Standard (IAS) - 8 “Accounting Policies, Changes in Accounting Estimates and Errors”.

Had the Company not made the above referred changes in accounting estimates, depreciation for the year would have been higher by Rs. 216.050 million.

2.6.2 Stock-in-trade and stores and spares

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

2.6.3 Trade debts and other receivables

The Company reviews its doubtful trade debts and other receivables at each balance sheet date to assess the adequacy of the provision there against. In particular, judgment is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provision.

2.6.4 Employee benefits

The liabilities relating to defined benefit plan - staff gratuity are determined through actuarial valuation using the Projected Unit Credit Method. The method involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long-term nature of these benefits, such estimates are subject to uncertainties. Significant assumptions used to carry out the actuarial valuation have been disclosed in note 19 to these financial statements.

The liability related to compensated absences is determined by the management based on future entitlement of absences of employees.

2.6.5 Taxation

In making estimate for income tax payable by the Company, the Company takes into account the applicable tax laws. Deferred tax asset is recognised for all unused tax losses and available credits to the extent that it is probable that sufficient taxable temporary differences and taxable profits will be available against which such losses and credits can be utilised. Significant judgment is exercised to determine the amount of deferred tax asset to be recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are the same, except for change in accounting policy disclosed in note 3.21, as those applied in the preparation of the financial statements of the Company for the year ended June 30, 2013 and are enumerated as follows:

3.1 Property, plant and equipment

3.1.1 Owned assets

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of such item can be measured reliably. Recognition of the cost in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Cost includes expenditure that is directly attributable to the acquisition of an asset including borrowing costs, if any. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment (except leasehold land, factory building, plant and machinery and coating sheds) are stated at cost less accumulated depreciation and impairment losses, if any. Factory building, plant and machinery and coating sheds are stated at revalued amount less accumulated depreciation and impairment losses, if any, whereas leasehold land is stated at revalued amount less impairment loss, if any. The value assigned to leasehold lands is not amortised as the respective leases are expected to be renewed for further periods on payment of relevant rentals.

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

Depreciation is charged on reducing balance method at rates specified in note 4.1. Depreciation on addition is charged from the month the asset is available for use while no depreciation is charged in the month of disposal.

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

Surplus on revaluation of leasehold land, factory building, plant and machinery and coating sheds is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the estimated fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of property, plant and equipment (net of deferred taxation) is transferred directly to retained earnings / unappropriated profit.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss account in the year the asset is derecognised. When revalued assets are sold, any related amount included in the revaluation surplus is transferred to retained earnings.

3.1.2 Leased assets

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

Assets subject to finance lease are stated at revalued amounts less accumulated depreciation and impairment losses, if any. The related obligations of the lease are accounted for as liabilities. Assets acquired under finance lease are depreciated over the useful life of the assets commencing from the year in which the leased assets are put into operation. Depreciation and other policies are same as for the owned assets described above.

3.1.3 Capital work-in-progress

These are stated at cost less impairment, if any, and consist of expenditure incurred and advances made in respect of assets in the course of their acquisition, construction and installation. The assets are transferred to relevant category of property, plant and equipment when they are available for intended use.

3.2 Intangible assets

Intangible assets are measured on initial recognition at cost. Costs that are directly associated with identifiable software products / licenses controlled by the Company and that have probable economic benefit beyond one year are recognised as intangible assets. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

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

In respect of additions and disposals of intangible assets during the year, amortisation is charged from the month of acquisition to the month preceding the disposal. Intangible assets with finite lives are amortised on a straight line basis over their estimated useful lives as specified in note 5.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit and loss account when the asset is derecognised.

3.3 Stores and spares

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

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

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

3.4 Stock-in-trade

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

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

Scrap is valued at estimated realisable value.

3.5 Trade debts and other receivables

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

3.6 Staff retirement benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme covering all its permanent employees. The benefits under the gratuity scheme are payable on retirement or earlier cessation of service in lump sum. The benefit is equal to one month’s last gross salary for each year of eligible service or part thereof, subject to a minimum of one year of service. The Company's obligation under the scheme is determined through actuarial valuation carried out at each year end under the Projected Unit Credit Method. The most recent valuation of the scheme was carried out as at June 30, 2014.

Remeasurement which comprises actuarial gains and losses are recognised immediately in other comprehensive income.

3.7 Compensated absences

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

3.8 Trade and other payables

Trade and other payables are recognised initially at fair value plus directly attributable cost, if any, and subsequently measured at amortised cost.

3.9 Revenue recognition

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

3.10 Taxation

Current

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

Deferred

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

3.11 Borrowing costs

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

3.12 Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of past event, it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

3.13 Cash and cash equivalents

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

3.14 Foreign currency translations

Transactions in foreign currencies are initially accounted for in Pakistan Rupees at the foreign exchange rates prevailing on the dates of transactions. Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at the rates of exchange prevailing on the balance sheet date. Exchange differences are included in the profit and loss account.

3.15 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set-off the recognised amounts and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

3.16 Financial instruments

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

3.17 Impairment

Financial assets

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

Non-financial assets

The carrying amounts of non-financial assets, other than inventories and deferred tax asset, are reviewed at each balance sheet date to ascertain whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised, as an expense in the profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.18 Segment reporting

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

3.19 Dividend distribution

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

3.20 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.21 Change in accounting policy

IAS 19 - Employee Benefits (as revised in 2011)

In the current year, the Company has adopted IAS 19 Employees Benefits (as revised in 2011) along with related consequential amendments.

The revised IAS 19 changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognized immediately through other comprehensive income in order for the net pension and gratuity assets or liability recognized in the balance sheet to reflect the full value of the plan deficit or

surplus. Furthermore, the interest cost and expected return on plan assets used in previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or assets. In addition, IAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

Specific transitional provisions are applicable to the first-time application of IAS 19 (as revised in 2011). The Company has applied the relevant transitional provisions and restated the comparative amounts on retrospective basis in accordance with IAS 8 – 'Accounting Policies, Changes in Accounting Estimates and Errors'. The effect of retrospective application of change in accounting policy is as follows:

	Amount as reported earlier	Effect of change in accounting policy	Amount restated
	.... (Rupees in '000)		....
For the year ended June 30, 2012			
Effect on balance sheet			
Deferred liabilities			
– Provision for gratuity	(71,121)	8,174	(62,947)
– Deferred tax liability	(1,763,560)	(2,745)	(1,766,305)
	(1,834,681)	5,429	(1,829,252)
Unappropriated profit	259,194	5,429	264,623
For the year ended June 30, 2013			
Effect on balance sheet			
Deferred liabilities			
– Provision for gratuity*	(83,418)	4,130	(79,288)
– Deferred tax liability	(1,635,680)	(1,429)	(1,637,109)
	(1,719,098)	2,701	(1,716,397)
Unappropriated profit	465,476	2,701	468,177

* During the year, corresponding figures have been reclassified within balance sheet for the purpose of better presentation as disclosed in note 39.1.

	Amount as reported earlier	Effect of change in accounting policy	Amount restated
	.... (Rupees in '000)		....
Effect on profit and loss account			
Cost of sales	(2,129,008)	(91)	(2,129,099)
Selling and distribution cost	(20,709)	(7)	(20,716)
Administrative expenses	(49,261)	(46)	(49,307)
Loss for the year	(35,075)	(144)	(35,219)
Earnings per share	(0.63)	(0.00)	(0.63)
Effect on statement of comprehensive income			
Loss for the year	(35,075)	(144)	(35,219)
Other comprehensive income			
– Remeasurement on defined benefit obligation	—	(3,900)	(3,900)
– Impact of tax	—	1,316	1,316
	—	(2,584)	(2,584)
Total comprehensive income for the year	(35,075)	(2,728)	(37,803)

	Note	2014	2013
		.... (Rupees in '000)	
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	**5,922,902**	6,122,982
Capital work-in-progress	4.6	**40,164**	20,822
		5,963,066	**6,143,804**

4.1 Operating fixed assets

2 0 1 4

Particulars	Cost/Revaluation				Depreciation				Book	RATE
	As at July 01, 2013	Addition/ transfer	Disposal / write-off	As at June 30, 2014	As at July 01, 2013	Charge for the Year	Disposal / write-off	As at June 30, 2014	Value as at June 30 2014	%
	...... (Rupees in '000)									
Owned Assets										
Land - leasehold	**819,375**	—	—	**819,375**	—	—	—	—	**819,375**	—
Building - factory	**1,945,723**	**8,829**	—	**1,954,552**	**104,526**	**46,158**	—	**150,684**	**1,803,868**	**2.5**
Office premises	**3,233**	—	—	**3,233**	**2,789**	**45**	—	**2,834**	**399**	**10**
Plant and machinery	**3,748,577**	**4,196**	—	**3,752,773**	**397,881**	**167,669**	—	**565,550**	**3,187,223**	**5**
Furniture and fixtures	**3,239**	—	—	**3,239**	**1,522**	**171**	—	**1,693**	**1,546**	**10**
Office equipment	**5,249**	**112**	—	**5,361**	**2,585**	**271**	—	**2,856**	**2,505**	**10**
Electric and gas appliances	**12,885**	**6,492**	—	**19,377**	**7,132**	**1,104**	—	**8,236**	**11,141**	**10**
Air conditioners	**1,565**	**146**	—	**1,711**	**864**	**80**	—	**944**	**767**	**10**
Drawings and survey equipment	**363**	—	—	**363**	**345**	**2**	—	**347**	**16**	**10**
Motor vehicles	**37,220**	**138**	**(1,152)**	**36,113**	**29,303**	**1,563**	**(984)**	**29,881**	**6,232**	**20**
			(93)				**(1)**			
Computer and allied equipment	**8,714**	**229**	—	**8,943**	**5,861**	**604**	—	**6,465**	**2,478**	**20**
Security weapons	**1,178**	—	—	**1,178**	**458**	**72**	—	**530**	**648**	**10**
Leased Assets										
Coating Sheds	**93,999**	—	—	**93,999**	**5,072**	**2,223**	—	**7,295**	**86,704**	**2.5**
	6,681,320	**20,142**	**(1,152)**	**6,700,217**	**558,338**	**219,962**	**(984)**	**777,315**	**5,922,902**	
			(93)				**(1)**			

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

	Note	2014	2013
		.... (Rupees in '000)	....
4.2 Allocation of depreciation			
Cost of sales	25.1	**218,930**	459,584
Administrative expenses	27	**1,032**	1,182
Capital work-in-progress		**—**	11,521
		219,962	**472,287**

4.3 Revaluation of property, plant and equipment

The Company carries its leasehold land, factory building, plant and machinery and coating sheds at revalued amounts under IAS 16 'Property, Plant and Equipment'. The latest valuation was carried out in June 2012 by M/s. Harvester Services (Private) Limited, an independent professional valuer, on the basis of present market values which resulted in a deficit of Rs. 26.568 million on leasehold land and surplus of Rs. 1,303.909 million, Rs. 524.444 million and Rs. 11.648 million on factory building, plant and machinery and coating sheds respectively.

4.4 Had there been no revaluation, the written down value of revalued assets in the balances sheet would have been as follows:

	2014	2013
	.... (Rupees in '000)	....
Land - leasehold	**14,997**	**14,997**
Building - factory	**497,691**	**501,529**
Plant and machinery	**620,264**	**648,633**
Coating sheds	**75,960**	**77,908**

4.5 Disposal of operating fixed assets

The following operating fixed assets were disposed off during the year:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Purchaser
	....	(Rupees in '000)		....		
Vehicles						
Honda Civic	1,002	834	168	850	Final settlement	Abdul Hafeez (employee)
Suzuki Alto	150	150	—	100	Final settlement	Abdul Hafeez (employee)
	1,152	**984**	**168**	**950**		

	Building - Head Office and Factory	Plant and Machinery	Total
	....	(Rupees in '000)	....
4.6 Capital work-in-progress			
Year ended June 30, 2014			
Balance as at July 1, 2013	**13,164**	**7,658**	**20,822**
Additions during the year	**7,907**	**11,435**	**19,342**
Transfer to operating fixed assets	**—**	**—**	**—**
Balance as at June 30, 2014	**21,071**	**19,093**	**40,164**
Year ended June 30, 2013			
Balance as at July 1, 2012	290	9,434	9,724
Additions during the year	27,236	37,457	64,693
Transfer to operating fixed assets	(14,362)	(39,233)	(53,595)
Balance as at June 30, 2013	13,164	7,658	20,822

		Note	2014	2013
			.... (Rupees in '000)	
5.	**INTANGIBLE ASSETS**			
	Computer software			
	Cost	5.1	1,336	—
	Accumulated amortisation	5.2	(126)	—
			1,210	—
	Capital work-in-progress		1,000	—
	Book value		2,210	—
5.1	**Cost**			
	Opening balance		—	—
	Additions during the year		1,336	—
	Closing balance		1,336	—
5.2	**Accumulated amortisation**			
	Opening balance		—	—
	Amortisation for the year		126	—
	Closing balance		126	—
	Amortisation rate		25%	—
6.	**LONG-TERM DEPOSITS**			
	Long-term deposits	6.1	14,843	15,003
	Less: current maturity	11	(9,200)	—
			5,643	15,003

6.1 This includes amount of Rs. 9.2 million (2013: Rs. 9.2 million) representing deposit against finance lease.

		Note	2014	2013
			.... (Rupees in '000)	
7.	**STORES AND SPARES**			
	Stores		72,239	81,829
	Spare parts and loose tools		1,727	1,717
			73,966	83,546
8.	**STOCK-IN-TRADE**			
	Raw material		317,397	34,565
	Work-in-process		198,287	91,687
	Finished goods	8.1	314,746	297,467
	Rejection / scrap material		71,091	65,650
			901,521	489,369

8.1 During the year, the Company recognised a write-down of Rs. Nil (2013: Rs. 5.080 million) against certain finished goods to adjust their carrying values to their net realisable values.

		Note	2014	2013
			.... (Rupees in '000)	
9.	**TRADE DEBTS - unsecured**			
	Considered good	9.1	102,396	179,542

9.1 This includes Rs. 7.708 million (2013: Rs. 0.258 million) due from related parties.

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

	2014		2013	
	Gross	Impairment	Gross	Impairment
	.... (Rupees in '000)		....	
Less than 90 days	**81,987**	—	156,337	—
91 to 180 days old	**4,467**	—	1,894	—
181 to 365 days old	**1,063**	—	21,311	—
More than one year	**14,879**	—	—	—
	102,396	—	179,542	—

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

		Note	2014	2013
			.... (Rupees in '000)	....
10.	**LOANS AND ADVANCES - considered good**			
	Advances to suppliers - unsecured		**11,273**	21,612
	Advances to employees for expenses		**3,482**	2,281
	Loans and advances to employees	10.1	**2,347**	2,652
			17,102	**26,545**
10.1	This includes interest free medical loan provided to employees.			
11.	**TRADE AND OTHER DEPOSITS**			
	Trade deposits - considered good		**1,528**	1,300
	Current maturity of long-term deposits	6	**9,200**	—
			10,728	**1,300**
12.	**OTHER RECEIVABLES**			
	Advance sales tax		—	449
	Letter of credit		**31,114**	89,521
	Margin against guarantee		**28,407**	33,923
			59,521	**123,893**
13.	**ADVANCE TAX - NET OF PROVISION**			
	Tax receivable as at July 01		**12,051**	22,723
	Tax payments		**49,807**	50,922
			61,858	73,645
	Provision for taxation	31	**(37,436)**	(61,594)
			24,422	**12,051**
14.	**CASH AND BANK BALANCES**			
	Cash in hand		**61**	88
	With banks in current accounts		**88,830**	215,057
	With banks in foreign currency accounts		**71**	71
			88,901	215,128
			88,962	**215,216**

15. SHARE CAPITAL

2014	2013		2014	2013
(Number of shares)			.... (Rupees in '000)	
Authorised				
70,000,000	70,000,000	Ordinary Shares of Rs. 10 each	**700,000**	700,000
Issued, subscribed and paid up				
12,200,278	12,200,278	Ordinary Shares of Rs. 10 each fully paid in cash	**122,003**	122,003
38,906,565	38,906,565	Ordinary Shares of Rs. 10 each issued as bonus shares	**389,066**	389,066
4,377,460	4,377,460	Issued right shares fully paid in cash	**43,775**	43,775
55,484,303	55,484,303		**554,844**	554,844

15.1 The above includes shares having face value of Rs. 101.213 million (2013: Rs. 101.213 million) held by the foreign sponsors of the Company.

16. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	2014	2013
	.... (Rupees in '000)	
Leasehold land		
As at July 01	**804,378**	804,378
(Deficit) / surplus arising during the year	**—**	—
	804,378	804,378
Factory building, plant and machinery and coating sheds		
As at July 01	**4,052,751**	4,424,069
(Deficit) / surplus arising during the year	**—**	—
	4,052,751	4,424,069
	4,857,129	5,228,447
Less: transferred to unappropriated profit:		
- Surplus on revaluation of property, plant and equipment realised during the year on account of incremental depreciation charged thereon - net of tax	**(109,765)**	(241,357)
- Related deferred tax liability	**(59,105)**	(129,961)
	(168,870)	(371,318)
	4,688,259	4,857,129
Less: related deferred tax liability on:		
- Revaluation as at January 1	**(1,418,463)**	(1,548,424)
- (Deficit) / surplus arising during the year	**—**	—
- Incremental depreciation charged during the year on related assets transferred to profit and loss account	**59,105**	129,961
	(1,359,358)	(1,418,463)
	3,328,901	**3,438,666**

	Note	2014	2013
		.... (Rupees in '000)	
17. LONG-TERM FINANCING			
Secured			
Musharaka facility		—	28,366
Current portion shown under current liabilities	22	—	(28,366)
		—	—

17.1 This represented long-term financing obtained to finance imported plant and machinery. Principal amount was repayable in eighteen quarterly instalments from March 05, 2010. Mark-up was payable quarterly at 6 months KIBOR plus 1.5% determined semi annually. The facility was secured against exclusive charge of Rs. 170 million over the Coating Plant.

	Note	2014	2013
		.... (Rupees in '000)	
18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Balance as at July 01		**51,393**	69,390
Repayments during the year		**(20,755)**	(17,997)
		30,638	51,393
Payable within one year shown under current liabilities	22	**(30,638)**	(22,598)
		—	**28,795**

18.1 The amount of future payments and the year in which they will become due are:

	2014			2013		
	Minimum lease payments	**Finance cost**	**Present value of minimum lease payments**	Minimum lease payments	Finance cost	Present value of minimum lease payments
	.... (Rupees in '000)					
Not later than one year	**32,011**	**1,373**	**30,638**	26,965	4,367	22,598
Later than one year but not later five years	—	—	—	29,943	1,148	28,795
	32,011	**1,373**	**30,638**	56,908	5,515	51,393

This represents lease arrangements for coating sheds repayable latest by April 09, 2015. Financing rate at 6 months KIBOR plus 3% per annum has been used as discounting factor. Registration charges, license fee, rent, rates, taxes, insurance costs and any other levies by the federal or provincial governments are to be borne by the Company as lessee.

	Note	2014	2013 (Restated)	2012 (Restated)
		.... (Rupees in '000)		
19. DEFERRED LIABILITIES				
Staff gratuity	19.1.2	**94,492**	79,288	62,947
Less: Benefits due but not yet paid	20	**(3,048)**	(288)	—
		91,444	79,000	62,947
Deferred taxation - net	19.2	**1,579,415**	1,637,109	1,766,305
		1,670,859	1,716,109	1,829,252

19.1 Staff gratuity - defined benefit plan

19.1.1 General description of the defined benefit plan and accounting policy for remeasurements of the defined benefit obligations is disclosed in note 3.6 to these financial statements.

	2014	2013 (Restated)	2012 (Restated)
	.... (Rupees in '000)		....
19.1.2 Liability recognised in the balance sheet			
Present value of defined benefit obligation	**91,444**	79,000	62,947
Benefits due but not yet paid	**3,048**	288	—
	94,492	79,288	62,947
19.1.3 Movement in defined benefit obligation during the year			
Balance at the beginning of the year	**79,000**	62,947	61,898
Expense recognised in profit and loss account	**15,638**	14,426	15,169
Total remeasurements recognised in other comprehensive income	**4,866**	3,900	(9,756)
Benefits paid	**(5,012)**	(1,985)	(4,364)
Benefits due but not yet paid	**(3,048)**	(288)	—
	91,444	79,000	62,947
19.1.4 Expense recognised in profit and loss account			
Current service cost	**7,766**	6,243	6,503
Interest cost	**7,872**	8,183	8,666
	15,638	14,426	15,169
19.1.5 Total remeasurements recognised in other comprehensive income			
Remeasurement on defined benefit obligation arising on			
– financial assumptions	—	—	—
– demographic assumptions	—	—	—
– experience adjustments	**4,866**	3,900	(9,756)
	4,866	3,900	(9,756)

19.1.6 Actuarial valuation staff gratuity scheme has been carried out as at June 30, 2014 using Projected Unit Credit method and the following significant assumptions have been used:

	2014	2013
Discount rate	**13.25%**	10.5%
Salary increase rate	**13.25%**	10.5%
Mortality table used	**SLIC 2001-2005 With one year set back**	EFU 61-66
19.1.7 Number of employees covered by the scheme	**259**	304

19.1.8 Sensitivity analysis

The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

	Change in assumption	Increase / (decrease) in defined benefit obligation due to	
		Increase in assumption	Decrease in assumption
		.... (Rupees in '000)	....
Discount rate	1%	6,356	(7,405)
Salary growth rate	1%	(7,256)	6,339

19.1.9 The gratuity scheme exposes the Company to the following risks:

Longevity risks: The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary increase risk: The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal risk: The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

19.1.10 The weighted average duration of defined benefit obligation as at June 30, 2014 is 7 years.

19.1.11 The expected gratuity expense for the next one year from July 1, 2014 amounts to Rs. 18.950 million. This is the amount by which the defined benefit liability is expected to increase.

	2014	2013 (Restated)	2012 (Restated)
	.... (Rupees in '000)		
19.2 Deferred taxation - net			
Taxable temporary difference arising in respect of:			
Accelerated tax depreciation and amortisation	**273,313**	261,021	248,533
Surplus on revaluation of property, plant and equipment	**1,359,358**	1,418,463	1,548,425
	1,632,671	1,679,484	1,796,958
Deductible temporary differences arising in respect of:			
Defined benefit plan obligation	**(33,072)**	(27,767)	(22,147)
Provision for compensated absences	**(3,038)**	(3,096)	(2,957)
Others	**(17,146)**	(11,512)	(5,549)
	(53,256)	(42,375)	(30,653)
	1,579,415	1,637,109	1,766,305

	Note	2014	2013
		...... (Rupees in '000)	
20. TRADE AND OTHER PAYABLES			
Trade creditors		**26,688**	21,434
Accrued liabilities		**31,353**	17,722
Sales tax payable		**9,331**	88,012
Tax deducted at source		**11,260**	8,972
Workers' Profit Participation Fund (WPPF)	20.1	**221,055**	195,676
Workers' Welfare Fund (WWF)		**2,095**	5,171
Unclaimed dividend		**17,485**	18,249
Bills payable		**477,221**	235,626
Advance from customers		**129,767**	245,313
Provision for compensated absences		**8,679**	8,845
Gratuity due but not yet paid	19	**3,048**	288
Others		**409**	421
		938,391	**845,729**
20.1 Workers' Profit Participation Fund			
Balance as at July 01		**195,676**	174,322
Allocation for the year		—	—
Interest on funds utilized in the Company's business	30	**25,379**	21,354
Balance as at June 30		**221,055**	**195,676**

21. SHORT TERM SPONSORS' ADVANCES - Unsecured

This represents unsecured and interest free advance from sponsors repayable on demand.

	Note	2014	2013
		.... (Rupees in '000)	
22. CURRENT PORTION OF NON-CURRENT LIABILITIES			
Current portion of long term financing	17	**—**	28,366
Current portion of liabilities against assets subject to finance lease	18	**30,638**	22,598
		30,638	**50,964**

23. CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

23.1.1 Guarantees as at June 30, 2014 amounting to Rs. 64.471 million (2013: Rs. 62.048 million) have been furnished in favour of various customers. Margin against guarantees amounting Rs. 18.448 million (2013: Rs. 17.073 million) have expired however these have not been released till June 30, 2014.

23.1.2 Under the Gas Infrastructure Development Cess Act, 2011, Government of Pakistan levied Gas Infrastructure Development (GID) Cess on gas bills at the rate of Rs. 13 per MMBTU on all industrial consumers. In the month of June 2012, the Federal Government revised GID Cess rate from Rs. 13 per MMBTU to Rs. 100 per MMBTU.

Various companies filed suits before the Honourable High Court of Sindh, challenging the applicability of Gas Infrastructure Cess Act 2011. The Sindh High Court has restrained the Federation and gas companies from recovering GID Cess over and above Rs. 13 per MMBTU. Subsequent to year end on August 22, 2014, the Supreme Court of Pakistan has given a judgment declaring that the levy of GID cess as a tax was not validly levied in accordance with the Constitution.

Management is confident that GID Cess will not be payable by the Company. However, on prudence basis, management has not reversed the GID Cess of Rs. 3.715 million that has been previously recorded in the profit and loss account.

23.2 Commitments

23.2.1 Commitments under letters of credit as at June 30, 2014 amounted Rs. 171.764 million (2013: Rs. 202.712 million).

23.2.2 Commitments for purchase of intangibles amounted to Rs. 3 million (2013: Nil)

23.2.3 The facility for opening letters of credit and guarantees as at June 30, 2014 amounted to Rs. 1,000 million (2013: Rs. 900 million) of which the amount remaining unutilised as at that date was Rs. 162.5 million (2013: Rs. 279.178 million).

23.2.4 Aggregate commitments for rentals under Ijarah agreements are as follows:

	2014	2013
	.... (Rupees in '000)	
Not later than one year	**744**	744
Over one year to five year	**79**	718
	823	**1,462**
24. NET SALES		
Sales – local	**1,758,768**	2,486,420
– export	**1,212**	25,123
	1,759,980	2,511,543
Less: Sales tax	**(241,860)**	(329,332)
	1,518,120	**2,182,211**

		Note	2014	2013 (Restated)
25.	**COST OF SALES**		.... (Rupees in '000)	
	Opening stock of finished goods		**297,467**	375,312
	Cost of goods manufactured	25.1	**1,504,180**	2,051,254
			1,801,647	2,426,566
	Closing stock of finished goods	8	**(314,746)**	(297,467)
			1,486,901	**2,129,099**
25.1	**Cost of goods manufactured**			
	Raw material consumed	25.1.1	**1,021,958**	1,008,150
	Store and spare parts consumed		**98,915**	89,083
	Gas consumed		**63,593**	75,001
	Processing expense (outside factory)		**688**	—
	Power, fuel and water		**59,823**	58,596
	Salaries, wages and other benefits	25.1.2	**120,578**	103,359
	Rent, rates and taxes		**1,701**	2,528
	Insurance		**1,228**	768
	Repairs and maintenance		**5,038**	2,455
	Carriage and cartage		**3,566**	1,212
	Depreciation	4.2	**218,930**	459,584
	Others		**20,203**	25,494
			1,616,221	1,826,230
	Rejection / scrap material			
	Opening		**65,650**	71,466
	Closing	8	**(71,091)**	(65,650)
			(5,441)	5,816
	Work-in-process			
	Opening		**91,687**	310,895
	Closing	8	**(198,287)**	(91,687)
			(106,600)	219,208
			1,504,180	**2,051,254**
25.1.1	**Raw material consumed**			
	Opening stock		**34,565**	394,543
	Purchases		**1,304,790**	648,172
			1,339,355	1,042,715
	Closing stock	8	**(317,397)**	(34,565)
			1,021,958	**1,008,150**

25.1.2 Salaries, wages and other benefits include Rs. 9.889 million (2013: Rs. 9.123 million) in respect of staff retirement benefits.

		Note	2014	2013 (Restated)
26.	**SELLING AND DISTRIBUTION COST**		.... (Rupees in '000)	
	Salaries, wages and other benefits	26.1	**4,138**	3,967
	Sales promotion and other expenses		**41**	61
	Travelling and conveyance		**331**	442
	Bad debts written-off		**13,382**	12,889
	Insurance		—	257
	Carriage outward		—	1,130
	Others		**2,212**	1,970
			20,104	**20,716**

26.1 Salaries, wages and other benefits include Rs. 0.714 million (2013: Rs. 0.659 million) in respect of staff retirement benefits.

	Note	2014	2013 (Restated)
		.... (Rupees in '000)	
27. ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits	27.1	**28,755**	27,064
Travelling and conveyance		**4,329**	6,126
Legal and professional charges		**1,353**	822
Fees and subscription		**1,785**	1,168
Telephone, telex and postage		**1,431**	1,334
Vehicle running and maintenance		**2,011**	1,987
Auditors' remuneration	27.2	**1,044**	1,154
Printing and stationary		**1,023**	970
Depreciation	4.2	**1,032**	1,182
Amortisation	5.2	**126**	—
Utilities		**1,019**	917
Rent, rates and taxes		**496**	586
Repairs and maintenance		**459**	363
Advertisement		**149**	109
Entertainment		**28**	59
Default surcharge on sales tax		**—**	4,278
Others		**1,001**	1,188
		46,041	**49,307**

27.1 Salaries and other benefits includes Rs. 5.035 million (2013: Rs. 4.644 million) in respect of staff retirement benefits.

	Note	2014	2013
		.... (Rupees in '000)	
27.2 Auditors' remuneration			
Annual audit fee		**660**	660
Half yearly review		**240**	240
Other services including certifications		**75**	180
Out of pocket expenses		**69**	74
		1,044	**1,154**
28. OTHER OPERATING CHARGES			
Workers' Welfare Fund		**2,095**	5,171
Exchange loss		**—**	21,894
Property, plant and equipment written-off		**92**	—
		2,187	**27,065**
29. OTHER INCOME			
Scrap sales		**596**	446
Gain on sale of property, plant and equipment		**782**	—
Exchange gain		**13,089**	—
Others		**2,072**	456
		16,539	**902**
30. FINANCE COST			
Lease financial charges		**3,770**	6,707
Muharaka rent		**2,060**	5,523
Interest on WPPF	20.1	**25,379**	21,354
Mark-up on short term borrowings		**—**	21,170
Bank charges		**3,121**	3,677
		34,330	**58,431**

		Note	2014	2013
			.... (Rupees in '000)	
31.	**TAXATION**			
	Current			
	- for the year		**35,177**	55,575
	- for prior years		**2,259**	6,019
		13	**37,436**	61,594
	Deferred		**(55,992)**	(127,880)
			(18,556)	**(66,286)**

31.1 The return of income have been filed up to and including tax year 2013 (corresponding to financial year ended June 30, 2013), while income tax assessments have been finalized up to and including tax year 2013 which is deemed assessment under Section 120 of the Ordinance.

		Note	2014	2013
			.... (Rupees in '000)	
31.2	**Relationship between tax expenses and accounting profit**			
	Loss before taxation		**(54,904)**	**(101,505)**
	Tax at the applicable rate of 34% (2013: 35%)		**(18,667)**	(35,527)
	Rebates under Sec 65 A and 65 B of Income Tax Ordinance, 2001		**(420)**	(34,087)
	Net tax effect of export sales charged at a different rate		**(16)**	(829)
	Effect of change in tax rate to 34%		**(613)**	—
	Effect of prior year charges		**2,259**	6,019
	Others		**(1,099)**	(1,862)
			(18,556)	**(66,286)**
32.	**EARNINGS PER SHARE - basic and diluted**			
	Loss for the year		**(36,348)**	**(35,219)**
			(Number in '000)	
	Weighted average number of ordinary shares		**55,484**	**55,484**
			(Rupees)	
	Earnings per share - basic and diluted		**(0.66)**	**(0.63)**

33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	Chief Executive		Directors		Executives	
Particulars	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
	....Rupees in '000					....
Managerial remuneration	**5,019**	5,019	**1,719**	1,719	**4,743**	4,459
House rent	**2,259**	2,259	**773**	773	**2,124**	2,007
Utilities	—	—	**172**	172	**472**	446
Gratuity	**606**	606	**250**	250	**685**	576
	7,884	7,884	**2,914**	2,914	**8,024**	7,488
Number of persons	**1**	1	**1**	1	**5**	5

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

33.2 No amount was paid to directors for attending the Board of Directors' meeting.

34. CAPACITY AND PRODUCTION

Particulars	2014 Capacity	2014 Production	2013 Capacity	2013 Production
	......Metric Ton......			
Seamless Tubular Products	**100,000**	**10,925**	100,000	13,826
Machinery & Machinery Components	**3,500**	**757**	3,500	455
Coating of Seamless Tubular Products	**50,000**	**1,204**	50,000	5,197

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

35. NUMBER OF EMPLOYEES

The total number of employees (including temporary employees) as at year end were 612 (2013: 605) and average number of employees (including temporary employees) were 569 (2013: 620).

36. TRANSACTIONS WITH RELATED PARTIES

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

Transactions with related parties are as follows:

Name	Nature of relationship	Nature of transaction	2014	2013
			.... (Rupees in '000)	
Hafiz Abdul Waheed and Brothers	Associated entity	Sale of goods	**176,784**	201,018
		Receipts in respect of sale of goods	**171,058**	200,760
Huffaz Corporation	Associated company	Sale of goods	**80,823**	62,229
		Receipts in respect of sale of goods	**79,100**	67,482
Directors	Related party	Sponsors' advances received	**20,586**	1,050
		Sponsors' advances paid	**6,500**	31,700
Key management personnel	Related party	Remuneration	**14,795**	13,996

Balances as at June 30, 2014 with related parties are as follows:

Name	Nature of relationship	Nature of balance	2014	2013
Hafiz Abdul Waheed and Brothersentity	Associated	Trade debts	**5,985**	258
Huffaz Corporation	Associated company	Trade debts	**1,723**	—

37. OPERATING SEGMENTS

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

– Seamless segment
– Coating segment

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

37.2 Segment revenue and results

	Seamless Segment	Coating Segment	Total
For the year ended June 30, 2014	....	Rs '000	....
Sales	**1,472,876**	**45,244**	**1,518,120**
Cost of sales	**(1,428,635)**	**(58,266)**	**(1,486,901)**
Gross profit / (loss)	**44,241**	**(13,022)**	**31,219**
For the year ended June 30, 2013 - Restated			
Sales	1,986,876	195,335	2,182,211
Cost of sales - Restated	(1,976,925)	(152,174)	(2,129,099)
Gross profit	9,951	43,161	53,112

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

	2014	2013 (Restated)
	.... (Rupees in '000)	....
Total results for reportable segments	**31,219**	53,112
Selling, distribution and administrative expenses	**(66,145)**	(70,023)
Other operating charges	**(2,187)**	(27,065)
Other income	**16,539**	902
Finance cost	**(34,330)**	(58,431)
Taxation	**18,556**	66,286
Loss for the year	**(36,348)**	(35,219)

37.3 Segment assets and liabilities

	Seamless Segment	Coating Segment	Total
	....	Rs '000	....
As at June 30, 2014			
Segment assets	**5,445,116**	**1,394,151**	**6,839,267**
Segment liabilities	**976,463**	**30,638**	**1,007,101**
As at June 30, 2013			
Segment assets	5,247,158	1,380,196	6,627,354
Segment liabilities - Restated	882,163	80,873	963,036

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

	2014	2013
	.... (Rupees in '000)	....
Total for reportable segment assets	**6,839,267**	6,627,354
Unallocated assets	**410,270**	662,915
Total assets as per balance sheet	**7,249,537**	7,290,269
Total for reportable segment liabilities	**1,007,101**	963,036
Unallocated liabilities	**1,670,824**	1,716,109
Total liabilities as per balance sheet	**2,677,925**	2,679,145

37.4 Segment revenue reported above are revenue generated from external customers. There were no inter-segment sales during the year (2013: nil)

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

37.6 99.94% (2013: 98.8%) of gross sales of the Company relates to customers in Pakistan.

37.7 All non-current assets of the Company as at June 30, 2014 are located in Pakistan.

37.8 Revenue from a major customer of seamless segment represents an aggregate amount of Rs. 180 million (2013: Rs. 449 million) of total seamless segment revenue of Rs. 1,472.876 million (2013: 1,986.876 million). Further, revenue from a major customer of coating segment represents an aggregate amount of Rs. 32.140 million (2013: Rs. 80.78 million) out of total coating segment revenue of Rs. 45.244 million (2013: Rs. 195.335 million).

38. FINANCIAL INSTRUMENTS

Financial risk management

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

– Credit risk
– Liquidity risk
– Market risk

38.1 Credit risk

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

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

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

	2014		2013	
	Balance sheet	Maximum exposure	Balance sheet	Maximum exposure
	.... (Rupees in '000)	....		
Trade debts	**102,396**	**102,396**	179,542	179,542
Loans and advances, trade and other deposits and other receivables	**78,239**	**78,239**	142,848	142,848
Bank balances	**88,962**	**88,901**	215,216	215,128
	269,597	**269,536**	537,606	537,518

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

	2014	2013
	.... (Rupees in '000)	
Dealers and distributors	**53,619**	81,100
End-user customers	**48,777**	98,442
	102,396	**179,542**

As at the year end the Company's most significant customers included a distributor from whom Rs. 17.114 million was due (2013: Rs. 26.068 million) and an end-user from whom Rs. 10.461 million was due (2013: Rs. 54.790).

38.2 Liquidity risk

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

	2014					
	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
Non-Derivative	.... (Rupees in '000)					
Financial liabilities						
Liabilities against assets subject to finance lease	**30,638**	**32,011**	**14,520**	**17,491**	—	—
Short term sponsors' advances	**37,668**	**37,668**	—	**37,668**	—	—
Trade and other payables	**561,835**	**561,835**	**561,835**	—	—	—
Short term borrowings and mark-up payable	**369**	**369**	**369**	—	—	—
	630,510	**631,883**	**576,724**	**55,159**	—	—

	2013					
	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
Non-Derivative	.... (Rupees in '000)					
Financial liabilities						
Long term financing and markup payable	28,690	30,419	15,622	14,797	—	—
Liabilities against assets subject to finance lease	52,183	56,909	14,520	12,446	29,943	—
Short term sponsors’ advances	23,581	23,581	—	23,581	—	—
Trade and other payables	302,297	302,297	302,297	—	—	—
Short-term borrowings and mark up payable	12,853	12,853	12,853	—	—	—
	419,604	426,059	345,292	50,824	29,943	—

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective at balance sheet date (and includes both principal and interest payable thereon). The rates of mark-up have been disclosed in notes 17 and 18 to these financial statements.

38.3 Market risk

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

38.3.1 Currency risk

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

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

	2014		2013	
	Rupees in '000	US Dollars in '000	Rupees in '000	US Dollars in '000
Foreign currency bank accounts	71	0.719	71	0.723
Import bills payable	(477,221)	(4,830)	(235,626)	(2,387)
Net exposure	(477,150)	(4,829)	(235,555)	(2,386)

Following are the significant exchange rates applied during the year:

	Average rates		Balance sheet date rate	
	2014	2013	2014	2013
	.... (Rupees in '000)		.... (Rupees in '000)	
US Dollars	102.89	97.57	98.81	98.80

Sensitivity analysis

A five percent change in Rupee against US Dollar at June 30, 2014 would have increased / (decreased) equity and (decreased)/ increased post tax loss by Rs. 15.746 million (2013: Rs. 7.655 million). This analysis assumes that all other variables, in particular interest rates, remains constant. The analysis is performed on the same basis for 2013.

38.3.2 Interest rate risk

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

	Carrying amount	
	2014	2013
Variable rate instruments	(Rupees in '000)	
Financial liabilities	30,638	79,759

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) the equity and (decreased) / increased loss as of June 30, 2014 by Rs. 0.196 million (2013: Rs. 0.518 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2013.

38.4 Fair value of financial assets and liabilities

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

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

38.5 Capital risk management

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

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

The Company is not subject to externally imposed capital requirements.

39. GENERAL

39.1 Reclassification

Corresponding figures amounting to Rs. 0.288 million has been reclassified within balance sheet from deferred liabilities to trade and other payables.

39.2 Date of authorisation for issue

These financial statements were authorized for issue on **September 30, 2014** by the Board of Directors of the Company.

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

Pattern of Shareholding

As on June 30, 2014

No. of Shareholders	Having Shares From	To	Shares Held	Percentage
366	1	100	8956	0.0161
412	101	500	127025	0.2289
208	501	1000	161726	0.2915
329	1001	5000	825645	1.4881
75	5001	10000	573878	1.0343
31	10001	15000	391856	0.7062
28	15001	20000	500114	0.9014
12	20001	25000	279820	0.5043
17	25001	30000	480625	0.8662
3	30001	35000	99818	0.1799
13	35001	40000	494073	0.8905
5	40001	45000	205839	0.3710
5	45001	50000	237442	0.4279
3	50001	55000	154623	0.2787
1	55001	60000	57543	0.1037
1	65001	70000	69052	0.1245
2	70001	75000	149750	0.2699
3	75001	80000	231307	0.4169
2	80001	85000	165210	0.2978
2	85001	90000	173748	0.3131
1	90001	95000	90703	0.1635
2	100001	105000	206139	0.3715
2	105001	110000	215731	0.3888
2	110001	115000	227386	0.4098
1	115001	120000	119993	0.2163
2	120001	125000	245556	0.4426
1	125001	130000	128296	0.2312
2	140001	145000	287940	0.5190
1	145001	150000	148722	0.2680
1	155001	160000	159171	0.2869
2	165001	170000	334047	0.6021
1	170001	175000	172643	0.3112
1	180001	185000	183076	0.3300
2	185001	190000	378982	0.6830
2	190001	195000	385274	0.6944
3	200001	205000	604239	1.0890
1	225001	230000	227388	0.4098
1	240001	245000	243301	0.4385
1	260001	265000	261492	0.4713
3	270001	275000	812910	1.4651
2	285001	290000	575480	1.0372
1	295001	300000	297675	0.5365
2	310001	315000	624965	1.1264
5	345001	350000	1726446	3.1116
1	375001	380000	379190	0.6834
1	385001	390000	389426	0.7019
3	400001	405000	1208520	2.1781
1	420001	425000	423800	0.7638
2	435001	440000	877716	1.5819
1	460001	465000	462745	0.8340
1	485001	490000	487500	0.8786
1	565001	570000	568258	1.0242
1	570001	575000	574040	1.0346
1	605001	610000	606371	1.0929
1	625001	630000	627212	1.1304
1	745001	750000	747350	1.3470
1	785001	790000	788782	1.4216
1	830001	835000	833761	1.5027
1	860001	865000	862258	1.5541
1	930001	935000	931322	1.6785
1	1060001	1065000	1060359	1.9111
1	1065001	1070000	1067213	1.9234
1	1085001	1090000	1088021	1.9610
1	1360001	1365000	1362396	2.4555
1	1380001	1385000	1381175	2.4893
1	1775001	1780000	1775453	3.1999
1	1820001	1825000	1822612	3.2849
1	2215001	2220000	2216551	3.9949
1	2820001	2825000	2821602	5.0854
1	3020001	3025000	3021317	5.4454
1	3525001	3530000	3525755	6.3545
1	4635001	4640000	4636615	8.3566
1	4890001	4895000	4891378	8.8158
1,592		**Company Total**	**55,484,303**	**100.0000**

Categories of Shareholders

As at June 30, 2014

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

		No of Shares	Percentageof Shareholding
1	**Associated companies, undertakings and related parties (name wise detail)**	**—**	**—**
2	**Mutual funds (name wise detail)**		
2.1	M/s First Crescent Modaraba	375	0.00%
2.2	Golden Arrow Selected Stocks Fund Limited	462,745	0.83%
2.3	CDC - Trustee AKD Opportunity Fund	297,675	0.54%
2.4	National Bank of Pakistan-Trustee Department UNIT Fund	1,362,396	2.46%
		2,123,191	**3.83%**
3	**Directors their spouses and minor children (name wise detail)**		
3.1	Hafiz Abdul Majid	4,636,615	8.36%
	Mrs. Fareeda Majid W/o Hafiz Abdul Majid	1,822,612	3.28%
3.2	Hafiz Abdul Haseeb	2,224,768	4.01%
	Hafsa Haseeb W/o Hafiz Abdul Haseeb	24,691	0.04%
3.3	Hafiz Abdul Waheed	5,822,700	10.49%
	Mrs. Najma Waheed W/o Hafiz Abdul Waheed	3,427,973	6.18%
3.4	Yusuf Mohammed Yusuf Najibi	3,525,755	6.35%
3.5	Mr. Arshad Ahmad	2,262,953	4.08%
	Mrs. Bilquees Ahmed W/o Arshad Ahmed	879,485	—
3.6	Mr. Mohammad Hafiz	574,040	1.03%
3.7	Mr. A. Aziz Ehsaq A. Rehman	3,021,317	5.45%
3.8	Mr. Nabeel Abdul Rehman Arif	345,287	0.62%
3.9	Hafiz Abdul Sami	938,468	1.69%
3.10	Hafiz Abdul Aleem	896,072	1.62%
3.11	Syed Arsalan Sadiq - Independent Director	2,058	0.00%
		30,404,794	**54.80%**
4	**Executives**	—	—
5	**Public sector companies and corporations**		
5.2	National Investment Trust Limited	128,927	0.23%
		128,927	**0.23%**
6	**Banks, Development Financial Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds**		
6.1	IDBP (ICP Unit)	6,545	0.01%
6.2	National Bank of Pakistan	764	0.00%
		7,309	**0.01%**
7	**Shareholders holding five percent or more voting rights (Name wise detail)**	**—**	**—**
8	**Others**	**22,820,082**	**41.13%**
	TOTAL	**55,484,303**	**100%**

Huffaz Seamless Pipe Industries Ltd.

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

Proxy Form

31st Annual General Meeting

I/We...of ....

(full address) being a member / members of Huffaz Seamless Pipe Industries Ltd., hereby appoint

(Name) ....

of ....(full address) who is

also a member of this Company as my / our Proxy to attend and vote for me / us and on my / our behalf at 31st Annual General Meeting of Company will be held on Thursday October 30, 2014 at 11:00 a.m. at CIVIC LAWN Opposite. Mashriq Centre, Block-17, Gulshan-e-Iqbal, Karachi-75300 and any adjournment thereof.

Signature of Proxy ....

Please affix Revenue Stamp of Rs. 5/-

Proxy's:

Folio Number ....

CDC Participant ID No. ....

Sub-Account Number ....

CNIC Number ....

Passport Number ....
(in case of foreigner)

Signature...
of Shareholder

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

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

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

NOTE:

(1) A member entitled to attend and vote at the Meeting is entitled to appoint another member as his/herproxy to attend and vote instead of him/her at the meeting.

2) The instrument appointing a proxy should be signed by the member(s) or, in case of corporate entity to attend attorney duly authorized in writing. If the member is a corporation, its common seal must be affixed on the instrument.

3) CDC Shareholders are requested to bring with them their Computerised National Identity Cards along-with the participants' ID number and their accounts numbers at the time of attending the Annual General Meeting in order to facilitate identification of the respective shareholders.

4) The instrument appointing a proxy, togther with Power of Attorney, in case of corporate entity, if any, under which it is signed or notarially certified copy thereof, must be deposited at the Company's registered officer not later than 48 hours before the time of holding the meeting.

5) In case of Proxy of Attorney from a member, same should also meet and comply with all the conditions relating to proxy, including the deposit of the original Power of Attorney with the Company.

6) In the absence of CNIC, the receipt of CNIC application with NADRA alongwith old/expired NIC/CNIC, will also be acceptable wherever the CNIC is required.

AFFIX
CORRECT
POSTAGE

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