2018 Annual Report

Huffaz

Seamless Pipe Industries Limited

Committed to Excellence

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Corporate Directory

Chairman:
Mr. Muhammad Hafiz (UK)

Chief Executive:
Hafiz Abdul Majid

Executive Director:
Hafiz Abdul Haseeb

Board of Directors:
Mr. TalalYousuf Mohamed Y. Najibi
Mr. Nabil Abdul Rahman Ahmad Arif (UAE)
Mr. Fahad Abdul Aziz Eshaq
Mr. Muhammad Hafiz (UK)
Mr. Arshad Ahmed (UK)
Hafiz Abdul Waheed
Hafiz Abdul Sami
Hafiz Abdul Aleem
Hafiz Abdul Majid
Hafiz Abdul Haseeb
Mr. Nasir Mahmood (Independent Director)

CFO & Company Secretary:
Mr. Usama Ahmed, FCMA

Head of Internal Audi:
Mr. Muhammad Musab, ACA

Audit Committee:

Mr. Nasir Mahmood	Chairman / Member
Mr. Arshad Ahmed (UK)	Member
Hafiz Abdul Sami	Member
Mr. Muhammad Hafiz (UK)	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. H.A.M.D & Co., Chartered Accountants

Legal Advisor:
M/s. Masood Aziz & Associate
First Floor State Life Building No.3, Karachi.

Registrar:
THK Associates (Pvt.) Limited,
First Floor 40-C Block-6, PECHS,
Karachi.
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.	Silk Bank Ltd.
Bank Alflah Ltd.	Sindh Bank Limited
Faysal Bank Ltd.	Standard Chartered
Habib Bank Ltd.	Dubai Islamic Bank Limited
MCB Bank Ltd.	Soneri Bank Ltd.
Meezan Bank Ltd.	UBL Bank Limited
National Bank of Pakistan	

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

Factory:
90 KM Super High Way, Nooriabad Indstrial Estate,
District Jamshoro, Sindh.

Website:
www.huffaz.com.pk

Mission & Vision

Mission

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

Vision

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

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

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

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

To provide adequate return to its investors.

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

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

Financial Summary

	2018 Rs in ' 000	2017 Rs in ' 000
Gross Sales	**996,981**	1,110,877
Net Sales	**854,804**	946,616
Profit / (Loss) before tax	**14,699**	22,342
Taxation	**53,175**	3,221
Profit after tax	**67,874**	25,563
Shareholders' Equity	**5,056,253**	4,822,191
Total Assets	**7,043,956**	7,213,537
Capital Expenditures	**34,563**	25,885
Profit per share	**1.22**	0.46
Number of Employees (Numbers)	**155**	245
Production volume (M.tones)		
Seamless Tubular Products	**5,303**	7,023
Machinery and its components	**—**	—
Coating of Seamless Tubular Products	**3,094**	2,982

Company's Profile

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

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

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

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

Product Range

Boiler Tubes

Heat Exchanger Tubes

High/Low Temperature Services Pipes/Tubes

Mechanical Tubes

Line Pipes

Structural Pipes/Tubes

Casing & Tubing

3 layer Polyethylene/Polypropylene & Fusion Bonded Epoxy Coating

Size Range

Outer Diameter	6 mm - 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.

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-se of bi-products and the appropriate treatment and disposal of waste, emissions and effluents.

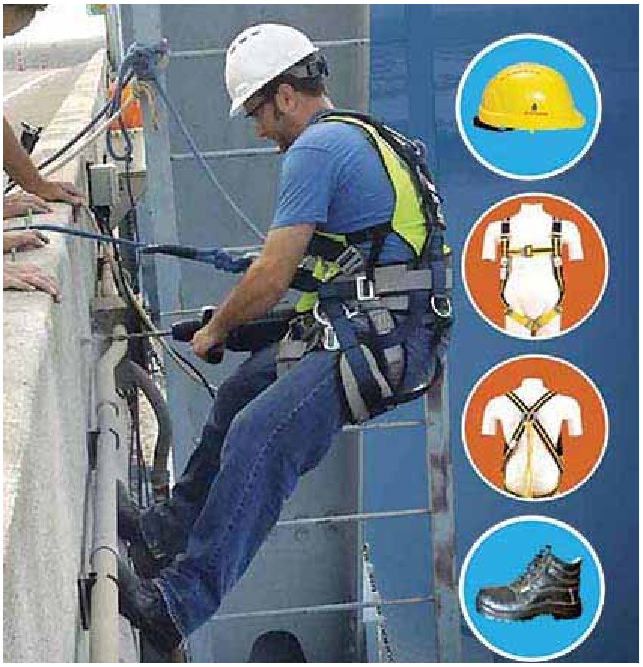
Waste Recycling: Waste can be recycled, but more importantly its properties can be saved and re-used.

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 andEnvironment 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.

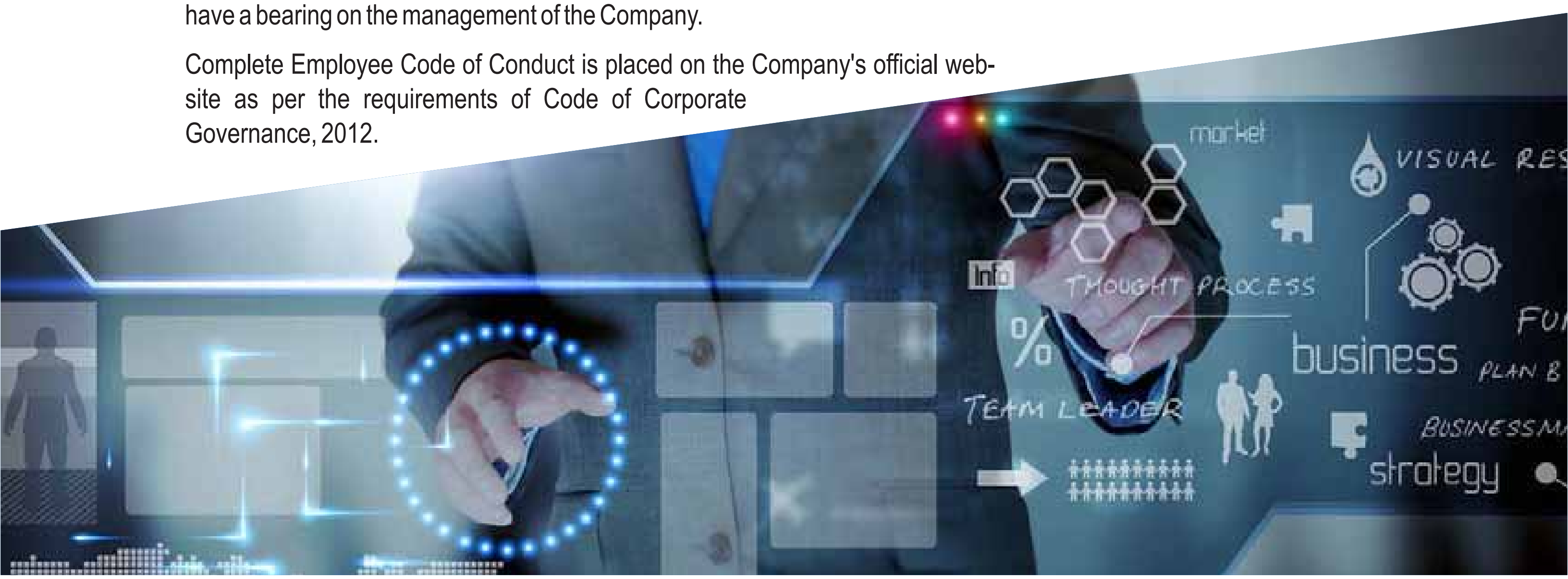
Our Research & Development team develops in-house scientific advances in the field of metallurgy, alloy design, corrosion resistant materials, computational mechanics, fracture mechanics, surface and coating chemistry, as well as technology for automotive components and mechanical pipe applications and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

Code of Conduct

Huffaz Seamless Pipe Industries Limited (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 the 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 & PED 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 35th Annual General Meeting of Company will be held on Monday, October 29, 2018 at 04:00 p.m. at Junagargh Community Centre Opposite. Mashriq Centre, Block-17, Gulshan-e-Iqbal, Karachi-75300 to transact the following business:-

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2018 and the Reports of the Directors' and Auditors' thereon.

2. To appoint External Auditors for the year ending 30th June 2019 and fix their remuneration. The present auditors M/s H.A.M.D & Co., Chartered Accountants, retire and being eligible for re-appointment and have consented to act as auditor for the year ending 30th June 2019.

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

By order of the Board

Karachi
October 08, 2018

(Usama Ahmed)
Company Secretary

NOTE:

1. The share transfer books of the company will remain closed from 20th October, 2018 to 29th October 2018 (both days inclusive).

2. 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.

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.

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.

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

Directors' Report to the Members

Dear shareholders,

The Board of Directors of Huffaz Seamless Pipe Industries Limited take pleasure in presenting the 35thAnnual Report of the Company together with the annual audited financial statements and Auditors' Report thereon for the year ended 30th June 2018.

Overview of Economy

Despite the political situation, the country's economy maintained the growth momentum and achieved GDP growth of 5.79%, which is higher than 5.37 % 2016-17 and also the highest in 10 years. The reasons beneath the persistently growth remained the same including improved energy supply, investment related to the China-Pakistan Economic Corridor and strong credit growth. However, the projection for 2019 will moderate to 4.7% due to macroeconomic vulnerabilities and domestic policy slippages.

Industrial sector recorded a growth of 5.8% as compared to 5.02% last year. Large Scale Manufacturing (LSM) recorded a growth of 6.13% against 5.1% last year. This is the highest growth percentage in last ten years. The construction sector continued to raise its share in GDP to 2.74% from last year's 2.65% supporting other allied industries including the steel industry.

Steel demand gained traction from increase in automobile production, appliances and ongoing construction activities. Such strong was the demand for steel that even a sharp growth in domestic production was not enough to curtail imports. Robust construction activities mainly led to an increase in demand for steel and allied products. The improved energy supply as well as industry gained some comfort after recovery in global prices which provided room to local players to increase their prices which ultimately helped them to enhance their capacity utilization.

In order to deal with the emerging inflationary pressures mainly arising from a sharp increase in international oil prices, State Bank of Pakistan (SBP) increased the policy rate twice during the year bringing it to 6.5% as compared to the last year's rate of 5.75%. The rate has now hit a three-year high, depicting the adjustments in macro-economic fundamentals during the fiscal year; expected to continue in future as well. Adding to the worrying signals, the Pakistani Rupee experienced a worst fall ever against US dollar reaching at the historic level of Rs. 128-130, eroding almost by 22% as compared to last year. Such an acute fall is owed to the constantly increasing current account deficit which shot up to 12 billion dollars during the first nine months of fiscal year and expected to cross US 15 billion dollars at the end of current fiscal year.

The major hurdle encountered by the steel industry is to import the steel products from China under Pak-China FTA at concessionary duties which are causing the obstacles to steel industry growth in the country. The domestic industry is facing cheap imports from China which is causing unfair trade practices. No relief is provided to domestic industry, such as custom duty is imposed on steel products that results in increased production cost.

The steel industry is the second biggest industry in the world after oil and gas. The steel use is projected to increase to be 1.5 times by 2050. The 65 countries accounted for 98% of world crude steel production touched 1.6 billion metric tons (MT) in 2015. The Chinese steel industry accounted for 803.8 million MT, which is around 50% of global crude steel output. The end use for steel pipes lies primarily in the oil & gas, which is adversely affected due to decline in prices of oil in international market.

Operating Performance

The operating performance of the Company is shown below:

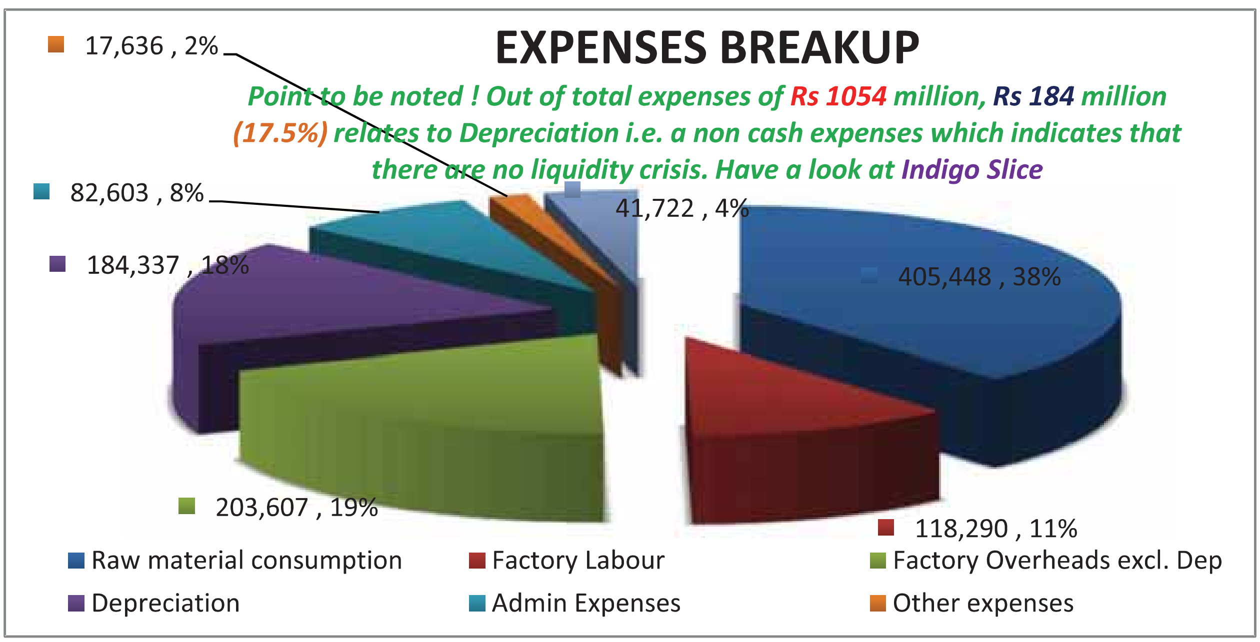
	June 30 2018	June 30 2017	Difference In Rupees	Difference In percentage
	.... Rs in 000		....	
Net sales	854,804	946,616	(91,812)	-10%
Cost of sales	(727,554)	(848,368)	120,814	-14%
Gross profit	127,250	98,248	29,002	30%
Selling and distribution expenses	(13,069)	(10,949)	(2,120)	19%
Administrative expenses	(84,010)	(66,595)	(17,415)	26%
	(97,079)	(77,544)	(19,535)	25%
	30,171	20,704		
Other operating expenses	(4,567)	(7,903)	3,336	-42%
Other income	30,817	33,525	(2,708)	-8%
	56,421	46,326		
Finance cost	(41,722)	(23,984)	(17,738)	74%
Profit before taxation	14,699	22,342		
Taxation	53,175	3,221	49,954	1551%
Profit after taxation	67,874	25,563	42,311	166%

The Company's net sales of Rs 854.804 million is 10% lower than the last year's sales of Rs. 946.616 mllion. This is due to the dumping of the Chinese inferior Seamless Tubular products in Pakistan. The company countered this effect to keep continue its policy of producing quality products and delivered to quality conscious customers which augmented the profit margin despite slipping the turnover.

The notional net profit of Rs. 67.874 million appearing on the face of the Profit & Loss account is merely due to incremental depreciation charged during the year. Had there been no revaluation the results would have been the following:

	With Revaluation	Without Revaluation	Difference
		Rs in 000	
Net sales	854,804	854,804	—
Cost of sales	(727,554)	(570,989)	(156,565)
Gross profit	127,250	283,815	
Distribution cost	(13,069)	(13,069)	—
Administrative expenses	(84,010)	(84,010)	—
	(97,079)	(97,079)	
	30,171	186,736	
Other operating expenses	(4,567)	(4,567)	—
Other income	30,817	30,817	—
	56,421	212,986	
Finance cost	(41,722)	(41,722)	—
Profit before taxation	14,699	171,264	
Taxation	53,175	(4,403)	57,578
Profit after taxation	67,874	166,862	(98,988)

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



Production

The production of seamless tubular products during the year was 5,303 Metric Tons as compared to 7,023 Metric Tons in the last year. On the other hand our Revenue segment Coating Plant which produced 3,094 Metric Tons as compared to 2,982 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

Due to our continuous efforts we have managed to improve our earning per share considerably i.e. from Rs 0.46 per share in last year to Rs. 1.22 in current year. The EBITDA (Earnings before Interest, Tax, Depreciation and Amortization) of Rs. 282.688 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.

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 37 to the accounts.

Capital investment:

During the year the Company incurred Rs.34.563 million (2017: Rs 25.885 million) as Capital Expenditures. This includes purchases of auxiliary equipments and construction of different parts of Factory building. The company is also carrying out renovation of head office building.

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 has been developed. It is the responsibility of all Company officers to identify, assess, mitigate and manage risk within the scope of their assigned responsibilities.

Safety, Health, Environment and Quality

The Company management is committed to safety, health and quality and sustaining its positions 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 tryto 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 auditors have issued auditors' report on the financial statements for the year, 2018. This report is in line with the recent announcement by the SECP. Auditors have stated certain key audit matters in their report and how the matter has been addressed by them during the course of their audit procedures. However, there have been no significant issues identified.

The present external auditors M/s. H.A.M.D & 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 Securities and Exchange Commission of Pakistan (SECP). The Board acknowledges its responsibility in respect of the Corporate and Financial Reporting framework and thus states that:

- The financial statements prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- During the year companies Act, 2017 have been implemented by the company and generally all companies in accordance with instructions SECP. Consequently, disclosures and other related information have been presented in the current period financial statements to comply statutory requirements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in Listing Regulations.
- Due to threat from Chinese steel industry as discussed above, the directors are focused towards business growth and have accordingly decided not to issue cash dividend. Further, Directors of the company also observed that issuance of bonus shares will dilute the value of shares in the market.
- The summary of key operating and financial data of the Company for the last ten years is annexed to this report.
- The value of non-funded staff gratuity at close of the year was Rs. 114.657 million.
- 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		
	4	4	1
Mr.Talal Yousuf M. Najibi (UAE)	1	—	—
Mr. Nabil Abdul Rahman A. Arif (UAE)	—	—	—
Mr. Fahad Abdul Aziz Eshaq (UAE)	—	—	—
Mr. Muhammad Hafiz (UK)	4	4	1
Mr. Arshad Ahmed (UK)	4	4	1
Hafiz Abdul Waheed	3	—	—
Hafiz Abdul Sami	3	3	—
Hafiz Abdul Aleem	3	—	1
Hafiz Abdul Majid	4	—	1
Hafiz Abdul Haseeb	4	—	1
Mr. NasirMahmood	3	3	—

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 2018, 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 upcoming years. The local demand of our products is expected to pick up as the Government's intention to increase gas supply whether through TAPI gas pipe line from Central Asia to Pakistan and India. The IP pipeline would begin form South field of Iran to end at Nawabshah with a total distance to 1931 km out of which roughly 781 km will be in the Pakistan side. Besides, China has agreed to invest in Oil and gas section of Pakistan and have reached an agreement with ODGCL to come to Pakistan in the sector and to invest billions in drilling and developing the gas reserves of the Country.

Pakistan is expected to receive an economic package worth $8 billion from Saudi Arabia which includes investment in the port city of Gwadar under CPEC. The 80,000-acres mega oil city at Gwadar will be used to transport oil from the Gulf region to China through the Gwadar Port.

The company is hopeful that the demand for seamless pipes will gradually expand in the next year, with increase in demand for line pipe coatings. We are hopeful that the business activity will boost up.

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.

Joint Venture Agreement with Chinese Company:

A new Company has been established in Pakistan under the name of HPY Coating (Private) Limited (“HPY”) in collaboration with Jiangsu PuYuan Steel Pipe Industry Company Limited (“PuYuan”) for setting up a project for providing Polyethylene Coating Services to its prospective customers (“Project”) on the basis of a 55% (Fifty-Five Percent) to a 45% (Forty-Five Percent) shareholding with Huffaz owning 55% (Fifty-Five Percent) [23,100,000 (Twenty-Three Million One Hundred Thousand) Shares @ 10 (Ten) each] of the issued shares capital in HPY against transfer of Land & Building therein and PuYuan owning 45% (Forty-Five Percent) [18,900,000 Eighteen Million Nine Hundred Thousand) Shares @ 10 (Ten) each] of the issued shares capital of HPY against transferring Project Equipment subject to all necessary Corporate and regulatory approval as per recommendation of Board of Directors.

This project is the urgent requirement of the Country in recent days due to continuous demand of PE coating of spiral welded pipe especially for CPEC, transportation of Oil, Gas and Water particularly Gas transportation as Oil and Gas sectors are consistently announcing the tenders for this type of Coating and only the foreign companies participating therein, owing to non-availably of such plant in Pakistan or are due to be initiated shortly in which spiral welded pipe and its PE coating would be required. This project shall be a value addition service for the products of Huffaz. HPY is presently set up as a wholly owned subsidiary of Huffaz. The management control will be with Huffaz by virtue of majority directors on the Board.

During the year company has transferred 3.39 acre of land 58,095 square feet building and coating sheds at value of Rs.243 million. Similarly, the chines counterpart has also provided /supplied the plant and machinery valuing Rs.196 million. Production will start in near future.

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. All the Directors, other than seven Directors have completed Directors' Training Program required by the Code as the other seven directors possess experience of more than 16 years on the board of a listed company and education of more than 15 years, they are exempted from the directors' training program as per clause xi of the Code.

Definition of Executive:

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

Stakeholders

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

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

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

Hafiz Abdul Majid
Chief Executive

Karachi, 27 September 2018

ڈائریکٹرز رپورٹ

عزیز حصص داران

حفاز سیم لیس پائپ انڈسٹریز لمیٹڈ کے بورڈ آف ڈائریکٹرز ۳۰ جون ۲۰۱۸ء تک ختم ہونے والے سال کے لئے اس وقت سالانہ آڈٹ کردہ مالی حسابات اور آڈیٹروں کی رپورٹ کے ساتھ کمپنی کی ۳۵ ویں سالانہ رپورٹ پیش کرتے ہوئے خوشی محسوس کرتی ہے۔

معیشت کا جائزہ

سیاسی صورتحال کے باوجود، ملک کی معیشت ترقی کی رفتار کو برقرار رکھتی ہے اور جی ڈی پی کی ترقی میں 5.79% اضافہ ہوا ہے، جو 5.37% ، 2016-17 سے زیادہ ہے اور 10 سال میں سب سے زیادہ ہے۔ مسلسل ترقی کے پیچھے آنے کی وجوہات ایک ہی رہی، بشمول بہتر توانائی کی فراہمی، چین پاکستان اقتصادی راہداری اور مضبوط کریڈٹ کی ترقی سے متعلق سرمایہ کاری، تاہم 2019ء کے لئے پروجیکشن بڑے معاشی خطرات اور گھریلو پالیسی کے ضبط کی وجہ سے 4.7% کا مقابلہ کرے گا۔

صنعتی شعبے میں گزشتہ سال 5.02% کی شرح سے 5.8% اضافہ ہوا۔ بڑے پیمانے پر مینوفیکچرنگ (ایل ایس ایم) نے گزشتہ سال 5.1% کے مقابلے میں 6.13% کی ترقی ریکارڈ کی۔ گزشتہ دس سالوں میں یہ سب سے زیادہ ترقی کی شرح ہے۔ تعمیراتی شعبے گزشتہ برس کے مقابلے مقابلے میں 2.65% سے جی ڈی پی میں حصہ لینے میں گزشتہ سال کی 2.65% سے بڑھ کر 2.74% اضافہ ہوا۔

آٹوموبائل پیداوار، اپلائنسز اور روڈ کی تعمیراتی سرگرمیوں میں اضافے سے اسٹیل کی طلب میں اضافہ ہوا۔ اس کی وجہ سے گھریلو پیداوار میں تیزی سے ترقی بھی کافی مقدار میں درآمد کرنے کے لئے کافی نہیں تھا۔ مضبوط تعمیراتی سرگرمیاں بنیادی طور پر اسٹیل اور متعدد مصنوعات کی طلب میں اضافے کی وجہ سے تھیں۔ بہتر توانائی کی فراہمی اور صنعت نے عالمی قیمتوں میں بحالی کے بعد کچھ آرام دہ اور پرسکون حالات پیدا ہوئے جس نے مقامی کھلاڑیوں کو ان کی قیمتوں میں اضافہ کرنے کے لئے جواز فراہم کیا جس کے نتیجے میں ان کی صلاحیتوں کے استعمال میں اضافہ ہوا۔

بڑھتے ہوئے افراط ذر کے دباؤ سے نمٹنے کے لئے بنیادی طور پر بین الاقوامی تیل کی قیمتوں میں تیز اضافے سے نمٹنے کے لئے، اسٹیٹ بینک آف پاکستان (ایس بی پی) نے سال کے دوران دوبار پالیسی کی شرح کو بڑھایا ہے، اس کی قیمت 5.75% شرح سے اب تین سال میں سب زیادہ شرح کو چھوا، مالی سال کے دوران میں اقتصادی بنیادوں میں ایڈجسٹمنٹ کی نمائش، مستقبل میں ساتھ ساتھ جاری رکھنے کی توقع ہے۔ پریشان کن سگنلوں کو شامل کرنے کے بعد، پاکستانی روپیہ نے امریکی ڈالر کے مقابلے میں کبھی بھی بدترین کمی کا سامنا کرنا پڑا تھا۔ 130-128، پچھلے سال کے مقابلے میں تقریبا 22 فیصد تک پہنچ رہا ہے۔ مسلسل موجودہ اکاؤنٹ کے خسارے میں اس طرح کی خراب کمی کی وجہ سے جو مالی سال کے پہلے نو ماہ کے دوران 12 بلین ڈالر تک پہنچ گئی ہے اور موجودہ مالی سال کے اختتام میں 15 ارب امریکی ڈالر سے زائد پار کرنی ہوگی۔

اسٹیل انڈسٹری کی سب سے بڑی رکاوٹ رعایتی نرخوں پر پاک چین ایف ٹی اے کے تحت چین سے اسٹیل کی مصنوعات کو درآمد کرنا ہے جس سے ملک میں اسٹیل انڈسٹری کی ترقی کی راہ میں رکاوٹوں کا باعث بنتا ہے۔ گھریلو صنعت چین سے سستا درآمد کر رہا ہے جو غیر منصفانہ تجارت کے طریقوں کا سبب بن رہا ہے۔
گھریلوں صنعت کو کوئی امداد نہیں دی جاتی ہے، جیسے کہ اسٹیل ڈیوٹی پر اپنی مرضی کی ڈیوٹی نافذ کی جاتی ہے جس سے پیداوار کی قیمت میں اضافہ سبب ہوتا ہے۔

اسٹیل انڈسٹری آئل اور گیس کے بعد عالمی منڈی میں سب سے بڑی صنعت ہے۔ اسٹیل کا استعمال 2050ء تک 1.5 گنا بڑھ جائے گا۔ 65 ممالک میں دنیا کے خام اسٹیل کی پیداوار کے نتیجے میں 2015ء میں 1.6 بلین میٹرک ٹن (MT) کا اضافہ ہوا۔ چینی اسٹیل انڈسٹری نے 803.8 ملین لاکھ ٹن پیدا کیا جو عالمی منڈی میں خام اسٹیل پیداوار کا 50% حصہ ہے۔ اسٹیل پائپوں کا آخری استعمال تیل اور گیس میں بنیادی طور پر موجود ہے، جس میں بین الاقوامی مارکیٹ میں تیل کی قیمتوں میں کمی کی وجہ سے منفی اثر ہوتا ہے۔

آپریٹنگ کارکردگی

کمپنی کی آپریٹنگ کارکرگی کوذیل میں دکھایا گیا ہے:

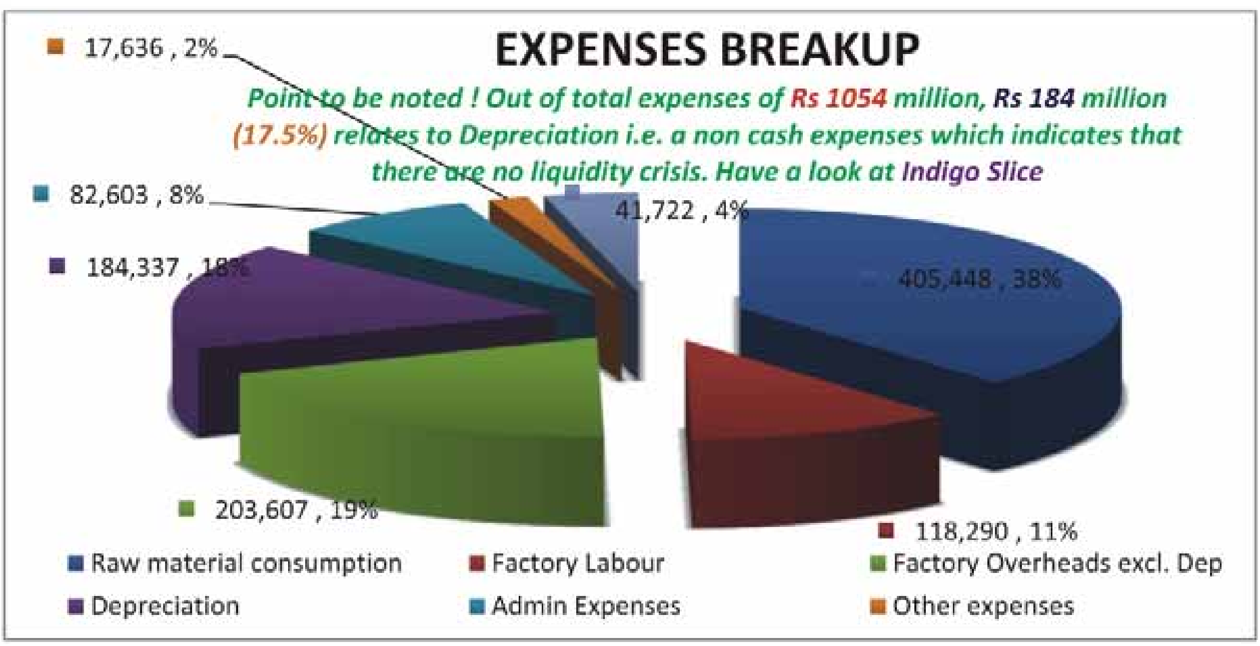
	30 جون 2018	30 جون 2017	فرق روپے میں	فرق فیصد میں
	---- روپے 000 میں ----			
خالص فروخت	854,804	946,616	(91,812)	-10%
قیمت فروخت	(727,554)	(848,368)	120,814	-14%
مجموعی منافع	127,250	98,248	29,002	30%
فروخت اور تقسیم کے اخراجات	(13,069)	(10,949)	(2,120)	19%
انتظامی اخراجات	(84,010)	(66,595)	(17,415)	26%
	(97,079)	(77,544)	(19,535)	25%
	30,171	20,704		
دیگر آپریٹنگ اخراجات	(4,567)	(7,903)	3,336	-42%
دیگر آمدنی	30,817	33,525	(2,708)	-8%
	56,421	46,326		
فنانس کی قیمت	(41,722)	(23,984)	(17,738)	74%
ٹیکس سے پہلے کا منافع	14,699	22,342		
ٹیکس	53,175	3,221	49,954	1551%
ٹیکس کے بعد کا منافع	67,874	25,563	42,311	166%

کمپنی کی خالص فروخت 854.804 ملین روپے رہی جو کے گزشتہ سال کی فروخت جو 943.616 ملین روپے تھی سے 10% کم ہے۔ اس کی وجہ پاکستان میں چینی کم قیمت سیم لیس ٹیوبلر مصنوعات کی ڈمپنگ ہے۔ کمپنی معیاری مصنوعات کی پیداوار کو برقرار رکھنے اور معیار کے شعور گاہکوں کو فراہم کرنے کے لئے اس اثر کا مقابلہ کیا جس نے کاروبار کو فروغ دینے کے باوجود منافع بخش مارجن کو بڑھا دیا۔

نفع اور نقصان اکاؤنٹ میں ظاہر ہونے والا روایتی خالص منافع 67.874 ملین صرف سال کے دوران چارج اضافی قیمتوں کی وجہ سے ہے۔ اگر کوئی نظر ثانی نہیں ہو تو نتائج درج ذیل ہوتے ہیں:

فرق	بغیر نظر ثانی (Revaluation) کے	نظر ثانی (Revaluation) کے ساتھ	
	روپے 000 میں		
—	854,804	854,804	خالص فروخت
(156,565)	(570,989)	(727,554)	قیمت فروخت
	283,815	127,250	مجموعی منافع
—	(13,069)	(13,069)	تقسیم کی قیمت
—	(84,010)	(84,010)	انتظامی اخراجات
	(97,079)	(97,079)	
	186,736	30,171	
—	(4,567)	(4,567)	دیگر آپریٹنگ اخراجات
—	30,817	30,817	دیگر اخراجات
	212,986	56,421	
—	(41,722)	(41,722)	فنانس کی قیمت
	171,264	14,699	ٹیکس سے پہلے کا منافع
57,578	(4,403)	53,175	ٹیکس
(98,988)	166,862	67,874	ٹیکس کے بعد کا منافع

آیئے ذیل میں دیئے جانے والے نتائج کے ساتھ تجزیہ کریں:



پیداوار

گزشتہ سال کے دوران سیم لیس ٹیوبولر مصنوعات کی پیداوار 5,303 میٹرک ٹن تھی، جس میں 7,023 میٹرک ٹن گزشتہ سال تھا۔ دوسری طرف ہماری آمدنی کا حصول کوٹنگ پلانٹ نے گزشتہ سال 2,982 میٹرک ٹن کے مطابق 3,094 میٹرک ٹن تیار کیا۔ مستقبل میں اس کی پیداوار میں اضافہ اور حدوں کی طرف سے اضافہ کی توقع کی جاتی ہے، جو کمپنی کے لئے ایک آزاد کیش پیدا کرنے والی سیکشن کے طور پر کام کرے گی۔

فی حصص آمدنی

ہماری مسلسل کوششوں کی وجہ سے گزشتہ سال کی فی حصص آمدنی 0.46 روپے کو بہتر بنانے میں کامیاب رہے موجودہ سال میں 1.22 روپے ہے۔
TDAEBI (دلچسپی سے قبل آمدنی، ٹیکس، استحکام اور اموریت)، منافع اور نقصان کے اکاؤنٹس مین ظاہر کردہ 282.688 ملین روپے مالیاتی بیان ک صارفین کے لئے بہت مددگار ثابت ہوا ہے اس کی تعریف کیجئے کہ نتائج غیر منفی نہیں ہیں۔

ڈائریکٹروں کے معاوضے

بورڈ آف ڈائریکٹر سے منظوری کے بعد ایگزیکٹو ڈائریکٹر کو معاوضہ ادا کیا گیا، معاوضہ کی تفصیلات نوٹ 37 میں اکاؤنٹس تک دستیاب ہیں۔

سرمایہ کاری

سال کے دوران کمپنی نے سرمایہ کاری کے اخراجات کے طور پر 34.563 ملین روپے (2017ء میں 25.885 ملین روپے) خرچ کیے ہیں۔ اس میں معاون ساز و سامان کی خریداری اور فیکٹری عمارت کے مختلف حصوں کی تعمیر بھی شامل ہے۔ کمپنی ہیڈ عمارت کی بحالی کو بھی لیا گیا ہے۔

اندرونی کنٹرول کا بیان

اندرونی کنٹرول کا نظام ایک مسلسل عمل پر مبنی ہے، جس کی وجہ سے کمپنیوں کی پالیسیوں، مقاصد اور مقاصد کو ان خطرات کی نوعیت اور حد تک اندازہ اور موثر طریقے اور اقتصادی لحاظ سے منظم کرنے کے لئے اہم خطرات کی شناخت کے لئے ڈائزائن کیا گیا ہے۔ انتظامیہ داخلی کنٹرول کے نظام کے لے بالآخر ذمہ دار ہے، جب بورڈ کے ڈائریکٹرز کے دوران کافی اندرونی کنٹرول اور طریقہ کار قائم کرنے اور برقرار رکھنے کی ذمہ داری قبول کرتی ہے۔ اس سلسلے میں کمپنی نے طریقہ کار اور دستی دستخط کی دستاویزات کی ہے، جس میں کسی بھی ٹرانزیکشنز کے دوران لاگو ہونے والے اندرونی کنٹرول شامل ہیں۔ یہ طریقہ کار نظر ثانی شدہ اور اپ ڈیٹ کی جاتی ہے اور جب ضرورت ہوتی ہے۔

بورڈ آف ڈائریکٹرز نے ایک مؤثر اندرونی آڈٹ فنکشن قائم کیا ہے اور اس میں مصروف افراد اس مقصد کے لئے موزوں طور پر قابل قدر اور تجربہ کار ہیں اور کمپنی کی پالیسیوں اور طریقہ کار کے ساتھ اچھی طرح سے بات چیت کرتے ہیں۔

اندرونی کنٹرول کا نظام اہداف اور مقاصد کو حاصل کرنے میں ناکام ہونے کے خطرے سے بچنے کے لئے ڈیزائن کیا گیا ہے۔ لہٰذا، صرف مواد کی غلطی یا نقصان کے خلاف مناسب اور مطمئن فراہم کرسکتا ہے۔ کمپنی کے داخلی کنٹرول کے نظام کو ڈیزائن میں مناسب آواز سمجھا جاتا ہے اور مؤثر طور پر لاگو کیا جارہا ہے اور نگرانی کی جارہی ہے۔

خطرہ مینجمنٹ فریم ورک

تمام کمپنی کی سرگرمیوں میں خطرات کا مجموعہ شامل ہے۔ سب سے اہم خطرے کے زمرے ہیں جو کمپنی کو سامنے آنے کا خطرہ ہے، منفی خطرہ، مارکیٹ کے خطرے اور آپریشنل خطرہ۔ ہر سطح پر خطرے کے مؤثر انتظام کے لئے اچھی طرح سے خطرے کی حکمران قائم کی گئی ہے۔ ان کی تفویض ذمہ داریوں کے دائرہ کار کے اندر خطرے کی شناخت، تشخیص، کم کرنے اور خطرے کا انتظام کرنے کے لئے یہ تمام کمپنی افسران کی ذمہ داری ہے۔

تحفظ، صحت، ماحولیات اور معیار

کمپنی کے انتظام کو تحفظ، صحت اور معیار کے لئے عزم ہے اور اپنی عہدوں کو ایک ماحولیاتی دوستانہ کمپنی کو برقرار رکھنا ہے۔ یہ کمیونٹی کا بہت اچھا خیال رکھتا ہے، جس میں وہ کام کرتا ہے۔ قدرتی وسائل کے ماحولیاتی بہتری اور تحفظ کی کمپنی کی پالیسیوں اور آپریشنوں کا حصہ ہے۔ اس سلسلے میں کمپنی بین الاقوامی سرٹیفیکشن ایجنسیوں سے PED Germany & 2004 : 14001 ISO, 2007L5API, 1APIQ, 2000ISO 9001 18001 OHSAS, 2008 : 9001 ISO, CT5API, سرٹیفیکیشن کو برقرار رکھنا جاری رکھتا ہے۔ حفاظت، صحت، ماحول اور معیار کی عزم کے ثبوت ہیں۔

انسانی وسائل

ہمارے لوگ ہمارے لئے قابل قدر اثاثہ کی حیثیت رکھتے ہیں، مینجمنٹ ٹیم کے کام کی حوصلہ افزائی کرنے کے لئے ٹیم ورک کو فروغ دیتا ہے اور زیادہ سے زیادہ صلاحیت کا احساس کو فروغ دیتا ہے۔ لہذا ہمارے انسانی وسائل کی حکمت عملی کے فوکس ہمارے کاروباری اہداف کو حاصل کرنے کے لئے دانشورانہ دارالحکومت کو ترقی دینے اور سدھارنے کرنے کے لئے ہے۔ ہمارا ملازم نظام تنوع، مہارت اور جدید نقطہ نظر پر زور دیتا ہے۔ ہم ہر سطح پر مسلسل بہتری کی حوصلہ افزائی کرتے ہیں اور امتیازی سلوک کے بغیر ملازمین کو ترقی کے مواقع میں سہولیات فراہم کرتے ہیں۔

اس کے علاوہ ایک ملازم کا ضابطہ اخلاق کو مکمل طور پر تنظیم میں تقسیم کیا گیا ہے اور اسے کمپنی کی سرکاری ویب سائٹ پر بھی کارپوریٹ گورننس 2012 کے کوڈ کی ضرورت کے مطابق کیا گیا ہے۔

کارپوریٹ سماجی ذمہ داری

کمپنی کی انتظامیہ سے یہ یقین ہے کہ ہر کاروباری ادارے کو بہتر اور خوشحال ملک کے لئے اس کے آس پاس کمیونٹیوں کی خوشحالی میں شراکت دینے کی ضرورت ہے، اس سلسلے میں ہم اردگرد دیہی اور ترقی پذیر کمیونٹی کے ملازمتوں میں شامل کرنے کی کوشش کرتے ہیں۔ اس کے علاوہ ہم نے اپنے فیکٹری کے احاطے کے اندر اسٹاف رہائشی، ایک ہسپتال اور ایک اسکول تعمیر کیا ہے۔ ہم نے صرف ایک مستقل مسجد اور خالص پینے کے پانی کے لئے ایک پلانٹ بھی قائم کیا ہے، نہ صرف ہمارے عملے کو بلکہ نوریا آباد کے غریب لوگوں کو سہولت فراہم کرنے کے لئے۔

آڈیٹرز

آڈیٹرز نے سال 2018 کے مالیاتی بیانات پر آڈیٹر کی رپورٹ جاری کی ہے۔ یہ رپورٹ ایس ای سی پی کے حالیہ اعلان کے مطابق ہے۔ آڈیٹرز نے ان کی رپورٹ میں کچھ کلیدی آڈٹ معاملات اور ان کے تفتیش کے طریقوں کے دوران معاملات کو کس طرح حل کیا ہے۔ تاہم، وہاں کوئی اہم مسئلہ نہیں ہے۔

موجودہ بیرونی آڈیٹر میسرز D.M.A.H کمپنی، چارٹرڈ اکاؤنٹس ریٹائرڈ ہو چکے ہیں اور دوبارہ تقرری کے لئے پیش کرتے ہیں۔ آڈٹ کمیشن کی طرف سے بھی سفارش کی جاتی ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ کے فریم ورک

کمپنی کا انتظام اچھا کارپوریٹ حکومتی ادارہ ہے اور کارپوریٹ گورننس کے بہترین طریقوں کی ضروریات کے مطابق عمل ہے، جیسا کہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس سی پی) کی ضرورت ہوتی ہے۔ بورڈ کارپوریٹ اور مالیاتی رپورٹنگ کے فریم ورک کے حوالے سے اپنی ذمہ داری قبول کرتا ہے اور اس طرح یہ بیان کرتا ہے کہ:

☆ کمپنی کے انتظام کے ذریعہ تیار کردہ مالی بیانات، منصفانہ طور پر اس کے معاملات، اپنے آپریشن کے نتائج، نقد بہاؤ اور مساوات میں تبدیلی۔

☆ کمپنی کی جانب سے اکاؤنٹس کی مناسب کتابوں کو برقرار رکھا گیا ہے۔ مناسب اکاؤنٹنگ کی پالیسیوں کو مسلسل مالی بیانات کی تیاری میں لاگو کیا گیا ہے اور اکاؤنٹنگ کا تخمینہ مناسب اور پرکشش فیصلے پرمبنی ہے۔

☆ بین الاقوامی مالیاتی رپورٹنگ معیار، جیسا کہ پاکستان میں قابل اطلاق ہے، اس کے بعد مالی بیانات کی تیاری میں اور مناسب طور پر انکشاف کیا گیا ہے وہاں سے کوئی روانگی۔

☆ سال کی کمپنیوں کے دوران ایکٹ، 2017 کو کمپنی کی طرف سے لاگو کیا گیا ہے اور عام طور پر تمام کمپنیاں ایس سی پی کے مطابق، نتیجے میں، نشکاف اور دیگر متعلقہ معلومات موجودہ مدت میں مالی بیانات کو پیش کردہ قانونی ضروریات کو پورا کرنے کے لئے پیش کئے گئے ہیں۔

☆ اندرونی کنٹرول کا نظام ڈیزائن میں آواز ہے اور اسے مؤثر طریقے سے لاگو کیا گیا اور نگرانی کی گئی ہے۔

☆ کمپنی جانے کی تشویش کے طور پر جاری رکھنے کی صلاحیت پر کوئی اہم شک نہیں ہے۔

☆ فہرست سازی کے قوانین میں تفصیلی طور پر، کارپوریٹ گورنمنٹ کے بہترین طریقوں سے کوئی مواد نہیں نکلتا ہے۔

☆ چینی اسٹیل انڈسٹری کے خطرے کی وجہ سے اور پر بات چیت کی وجہ سے ڈائریکٹرز کاروباری ترقی کی طرف توجہ مرکوز کررہے ہیں اور اس کے مطابق نقد منافع کو مسلط کرنے کا فیصلہ کیا ہے۔ اس کے علاوہ، کمپنی کے ڈائریکٹرز نے یہ بھی کہا کہ بونس کے حصص جاری کرنے میں مارکیٹ میں حصص کی قیمت کو کم کرنا ہوگا۔

☆ گذشتہ دس سالوں کے لئے کمپنی کے اہم آپریٹنگ اور مالیاتی اعداد و شمار کا خلاصہ اس رپورٹ میں شامل ہے۔

☆ سال کے نزدیک غیر متوقع عملے کے نفاذ کی قیمت روپے تھی، 114.657 ملین جائزہ لینے کے تحت سال کے دوران بورڈ آف ڈائریکٹرز کے پانچ اجلاس منعقد ہوئے۔ ہر ڈائریکٹر کی طرف سے حاضری مندرجہ ذیل تھی:

بورڈ / ذیلی کمیٹی	بورڈ اجلاس	آڈٹ کمیٹی	انسانی وسائل اور معاضہ کمیٹی
	سال کے دوران منعقد ہونے والے اجلاسوں کی تعداد		
	4	4	1
جناب طلال یوسف ایم نجیبی (متحدہ عرب امارات)	1	—	—
جناب نبیل عبدالرحمٰن اے عارف (متحدہ عرب امارات)	—	—	—
جناب فہد عبدالعزیز اسحاق (متحدہ عرب امارات)	—	—	—
جناب محمد حافظ (برطانیہ)	4	4	1
جناب ارشاد احمد (برطانیہ)	4	4	1
حافظ عبدالوحید	3	—	—
حافظ عبدالسمیع حافظ	3	3	—
حافظ عبدالعلیم	3	—	1
حافظ عبدالماجد	4	—	1
حافظ عبدالحسیب	4	—	1
مسٹر ناصر محمود	3	3	—

غیر حاضر ڈائرکٹروں کی چھٹی کو منظور کیا گیا جو بورڈ کے اجلاس میں شرکت نہیں کرسکتے تھے۔

شیئر ہولڈنگ کا پیٹرن

30 جون 2018 پیٹرن آف شیئر ہولڈنگ جو مختلف حصص داروں کا ریکارڈ ظاہر کرتا ہے، جس میں رپورٹنگ کے فریم ورک کے تحت انکشاف ضروری ہے، اس رپورٹ میں شامل ہے۔

سی ای او (CEO) اور سی ایف او (CFO)، کمپنی کے سیکریٹری اور ان کے بھائیوں یا چھوٹے بچوں نے سال کے دوران کمپنی کے حصص میں کوئی تجارت نہیں کی، اس کے علاوہ حصہ داری کے پیٹرن میں ظاہر کیا ہے۔

مستقبل کے آؤٹ لک اور چیلنجز

آنے والے سالوں کے لئے ہمارے پاس ایک امید مند نقطہ نظر ہے۔ ہماری مصنوعات کی مقامی طلب پورا کرنے کے لئے گیس کی فراہمی کو بڑھانے کے لئے حکومت اپنا کردار کرے، چاہے وہ وسطی ایشیا سے پاکستان اور بھارت سے تاپی گیس پائپ لائن کے ذریعہ ہو۔ آئی آئی پی پائپ لائن ایران کے جنوبی میدان کو نوائے متحدہ میں 1931 کلومیٹر تک مکمل فاصلے پر ختم کرنے کے لئے شروع کرے گی، جس میں پاکستان میں تقریباً 781 کلومیٹر ہو جائے گا، اس کے علاوہ چین نے پاکستان کے آئل اینڈ گیس سیکشن میں سرمایہ کاری کرنے پر اتفاق کیا ہے اور اس علاقے میں پاکستان میں آنے والے او ڈی جی سی ایل کے ساتھ ایک معاہدے پر دستخط کیے ہیں اور ملک کے گیس کے ذخائر کو ڈھلنے اور تیار کرنے میں اربوں کی سرمایہ کاری کی ہے۔

امید ہے کہ پاکستان کو سعودی عرب سے 8 بلین ڈالر کا اقتصادی پیکج مل جائے گا، جس میں سی پی سی کے تحت گوادر کے بندرگاہ میں سرمایہ کاری شامل ہے۔ گوادر میں 80,000 ایکڑ میگا تیل کے شہر گوادر پورٹ کے ذریعہ چین سے خلیج سے تیل کو ٹرانسپورٹ کرنے کے لئے استعمال کیا جائے گا۔

کمپنی کو امید ہے کہ سیم لیس پائپوں کی طلب کو پورا کرنے کے لئے اگلے سال میں آہستہ آہستہ توسیع کرے گی، لائن پائپ کوٹنگز کی طلب میں اضافے کے ساتھ، ہمیں امید ہے کہ کاروباری سرگرمی کو فروغ ملے گا۔

کمپنی کا انتظام اپنے موجودہ آپریشن کی صلاحیت کو بہتر بنانے کے لئے تمام کوششیں کر رہا ہے، ہم بہتر معیار کے لئے عمل کی عدم استحکام کی طرف سے مسابقتی قیمت پر مواد حاصل کرنے اور کاروبار کرنے کی لاگت کو کم کرنے کے لئے تمام کوششوں کی طرف سے ہماری داخلی آپریشنل صلاحیت پر زور دے رہے ہیں۔

چینی کمپنی کے ساتھ مشترکہ وینچر معاہدے

ایک نئی کمپنی پاکستان میں HPY کوٹنگ (نجی) لمیٹڈ ("HPY") کے تحت جیانگسو ہیو یوآن اسٹیل پائپ انڈسٹری کمپنی لمیٹڈ (''ہیو یوآن'') کے تعاون سے پولیتھلین کوٹنگ سروسز فراہم کرنے کے لئے ایک منصوبہ قائم کرنے کے لئے ہے۔ ممکنہ گا ہکوں (''پراجیکٹ'') 55 فیصد (پچپن فیصد) کی بنیاد پر 45 فیصد (قلعی پانچ فیصد) کے حصول کے لئے 55 فیصد (پچپن فیصد) 23,100,000 بند ہزار حصص 10 (دس) ہر حصص کے حصول کے دارالحکومت میں HPY میں زمین کی منتقلی اور اس میں بلڈنگ اور ہیو یوآن 45 فیصد (قلعی پانچ فیصد) 18,900,000 آٹھ ملین نو لاکھ ہزار) حصص 10 (دس) جاری کردہ حصص میں HPY کے دارالحکومت کے پراجیکٹ آلات منتقل کرنے کے خلاف تمام ضروری کارپوریٹ اور ریگولیٹری منظوری کے تابع رہنماؤں کے بورڈ کے مطابق۔

اس پروجیکٹ کو حالیہ دنوں میں ملک کی فوری ضرورت ہے، سرپل ویلڈڈ پائپ خاص طور پر سی ای سی، آئل، گیس اور پانی کی نقل وحمل کے لئے خاص طور پر گیس ٹرانسپورٹ کے طور پر تیل اور گیس کے شعبوں کے طور پر مسلسل اس طرح کے ٹینڈر کی اعلان کر رہے ہیں کے پیٹی کیٹنگ کی مسلسل مطالبہ کی وجہ سے

کوٹنگ اور پاکستان میں صرف اس غیر ملکی کمپنیوں میں غیر فعال طور پر حصہ لیا جارہا ہے یا اس میں جلد ہی شروع ہو جائے گی، جس میں سرپل ویلڈڈ پائپ اور اس کی بیٹنی کوٹنگ کی ضرورت ہوگئی۔ یہ منصوبے ہفاز کی مصنوعات کے لئے قیمت اضافی سروس ہوگی۔ HPY اس وقت ہفاز کی مکمل ملکیت کے ماتحت ادارے کے طور پر قائم کیا جاتا ہے۔ انتظامی کنٹرول ہفاز کے ساتھ بورڈ پر اکثریت ڈائریکٹروں کی طرف سے ہوگا۔

سال کے دوران کمپنی نے 3.39 ایکڑ زمین 58,095 مربع فٹ زمین جس کی مالیت 243 ملین روپے ہے بلڈنگ اور کوٹنگ شیڈز کی تعمیر کے لئے ٹرانسفر کی۔ اسی طرح چائنز ہم منصب (counterpart) نے 96 ملین روپے کی لاگت کے پلانٹ اور مشینری کو فراہم کی ہے۔ پیداوار مستقبل قریب میں شروع ہوگی۔

ٹریننگ پروگرام میں ڈائریکٹروں کی شرکت

بورڈ آف کارپوریٹ گورننس، قابل اطلاق قوانین، ان کے فرائض اور ذمے داروں کے ساتھ ان کے گھر کے بریفنگ اور انفارمیشن پیکج کے ساتھ فراہم کیا گیا ہے تاکہ ان کو مؤثر طریقے سے کمپنی کے امور کو مؤثر طریقے سے منظم کرنے کیلئے، حصص داروں کی جانب سے سات ڈائریکٹروں کے علاوہ، تمام ڈائریکٹرز نے ڈائریکٹر کمپنی کے بورڈ پر دوسرے سات ڈائریکٹرز کے طور پر کوڈ کے ذریعہ مطلوبہ ڈائریکٹرز کے ٹریننگ پروگرام کو مکمل کیا ہے اور 16 سال سے زائد عرصے کی تعلیم پر انہیں 16 سے زائد سال کا تجربہ حاصل ہے، کوڈ کے شق xi کے مطابق ڈائریکٹروں کی تربیتی پروگرام میں شرکت سے مستثنیٰ ہیں۔

ایگزیکٹو کی تعریف

کارپوریٹ گورننس 2012 کے کوڈ کے شق XVI (ایل) کی ضرورت کے مطابق، اس سال بورڈ آف ڈائریکٹرز (BOD) نے ایگزیکٹو کی تعریف کے لئے 1.2 ملین روپے (یعنی مجموعی تنخواہ ہر ماہ ایک لاکھ سے کم نہیں ہے) کی حد مقرر کی ہے۔ اب ہماری کمپنی کے ایگزیکٹو یعنی، سی ای او، کمپنی کے سیکریٹری اور کمپنی کے دیگر ملازمین کی مجموعی تنخواہ سالانہ 1,200,000 سے زائد ہے۔

متعلقین

ہمارے طویل مدتی مقاصد کو پورا کرنے کے لئے گاہک کی اطمینان ضروری ہے۔ ہم اپنے گاہکوں کے لئے ان کی حمایت کے لئے اپنے شکریہ کا اظہار کرنا چاہتے ہیں اور ان کے مسلسل تحفظ کے خواہاں ہیں۔

ہمارا شکریہ مالی اداروں اور حصص داروں کو بھی ان کی مسلسل حمایت کے لئے بھی جاتا ہے، جو کمپنی کی کامیابی کی کلیدی کردار ادا کرتے ہیں۔

ہمارے ملازمین نے اچھے نتائج کو فروغ دینے میں بہت اہم کردار ادا کیا ہے اور جاری رہنے کے لئے جاری ہے۔ ہماری طویل مدتی ترقی ان کے مسلسل عزم کے نتیجے میں ممکن ہوسکتی ہے، جس نے کمپنی کے لئے ایک بنیاد بنائی ہے۔ ڈائریکٹروں کی جانب سے ہم اپنی تعریف کا ریکارڈ کرنے کے لئے خوش ہیں۔

حافظ عبدالماجد

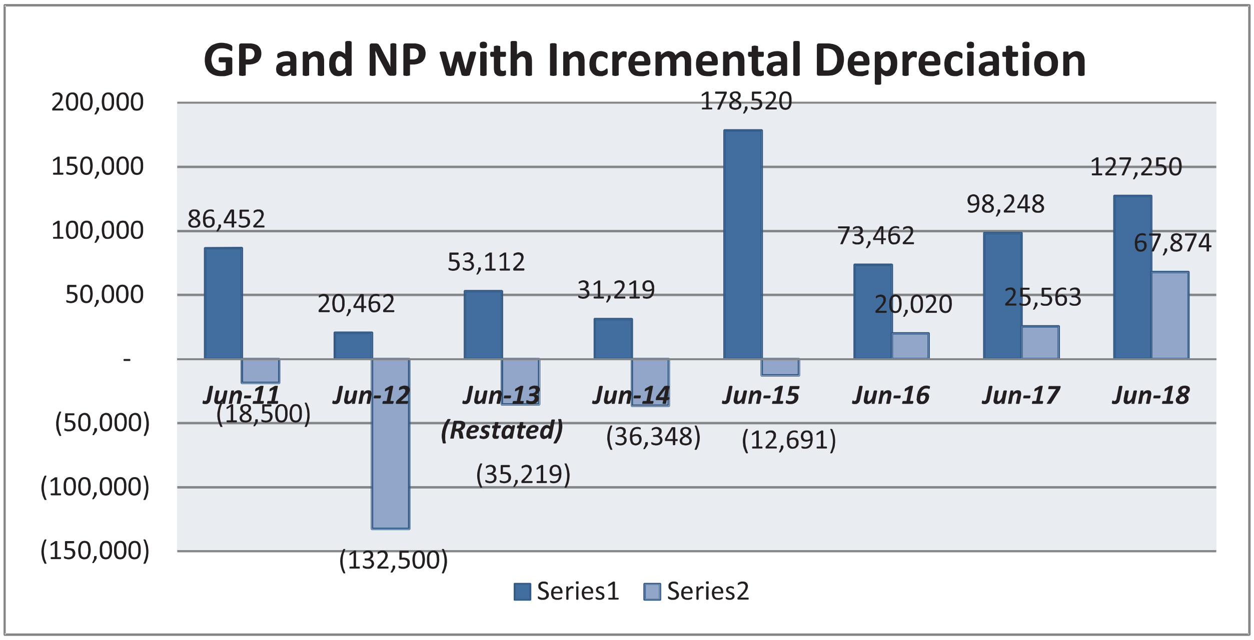
چیف ایگزیکٹو

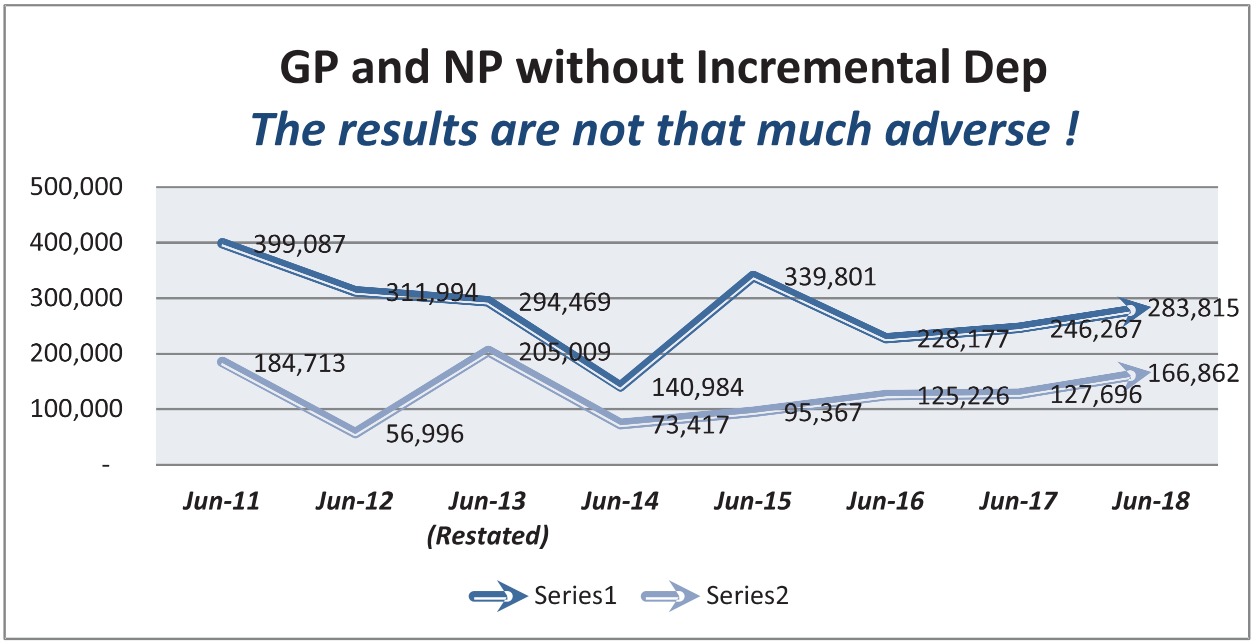
کراچی: 27 ستمبر 2018ء

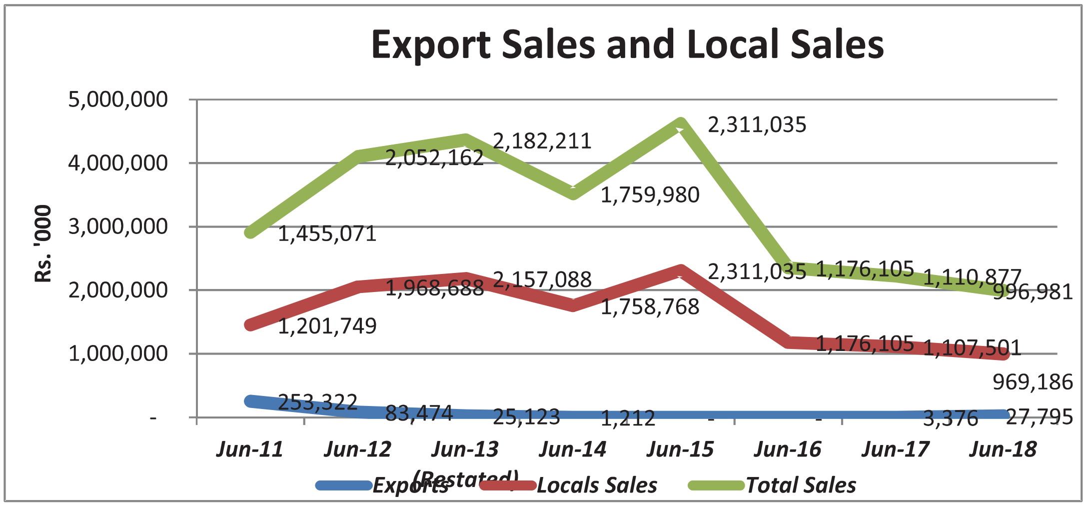
Decade at a Glance

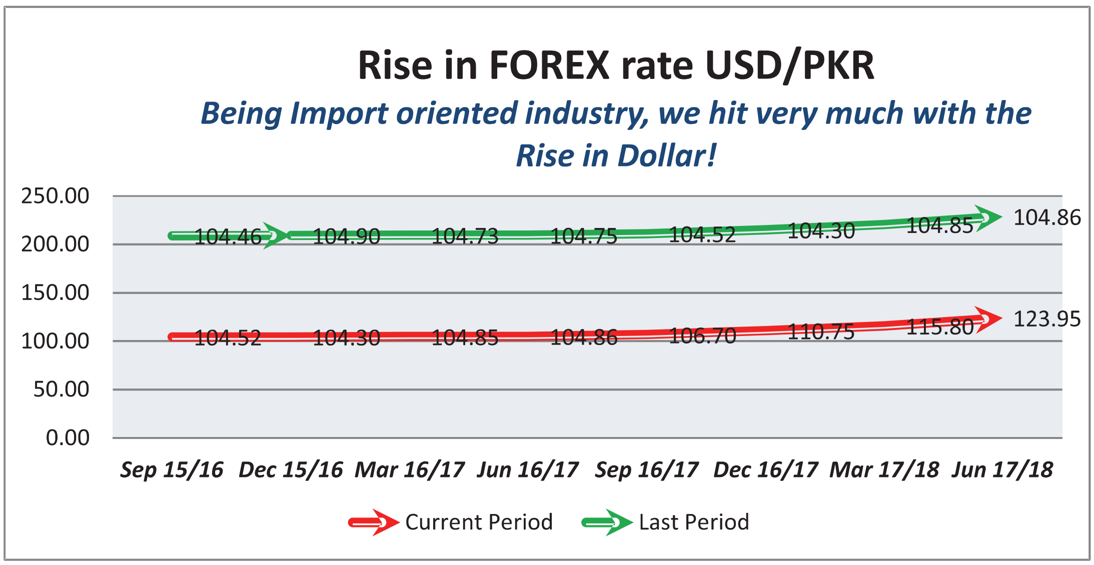
Product: Seamless Steel Pipes ans Tubes		Year Ended									
Location of H/O: Karachi		30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June
Location of Plant Nooriabad		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
			(Restated)	(Restated)			(Restated)			(Restated)	(Restated)
CEO: Hafiz Abdul Majid		Rs 000									
Balance sheet data	Cash	**40,951**	68,147	104,273	5,787	88,962	215,216	29,190	31,601	31,797	12,231
	Receivables	**103,498**	120,818	88,656	421,027	102,396	179,542	127,693	191,980	96,457	128,827
	Stores & spares	**72,984**	78,829	81,376	97,521	73,966	83,546	69,809	47,686	55,481	51,500
	Inventory	**1,211,228**	1,272,776	1,258,474	901,281	901,521	489,369	1,152,216	746,597	832,643	779,263
	Other current assets	**163,820**	198,590	173,386	73,981	111,773	163,789	99,473	176,758	118,015	88,476
	Non-current assets	**5,451,475**	5,474,377	5,643,169	5,770,570	5,970,919	6,158,807	6,532,584	4,998,612	5,074,621	1,743,351
	Total assets	**7,043,956**	**7,213,537**	**7,349,334**	**7,270,167**	**7,249,537**	**7,290,269**	**8,010,965**	**6,193,234**	**6,209,014**	**2,803,648**
	Account payables	**697,659**	830,775	1,095,193	1,090,016	938,391	845,729	1,193,299	971,110	790,747	751,134
	Other current liabilities	**40,671**	179,228	861	1,551	68,675	88,512	261,090	119,187	118,336	47,868
	Long term liability	**1,183,738**	1,295,652	1,351,867	1,428,619	1,670,859	1,744,904	1,907,649	1,413,146	1,508,415	334,309
	Surplus on revaluation of land and building	**3,092,182**	3,241,684	3,343,817	3,391,585	3,328,901	3,438,666	3,680,023	2,700,086	2,903,298	915,629
	Sponsors loan	**65,636**	63,957	79,222	15,074	-	-	-	-	-	-
	Paid-up capital	**554,844**	554,844	554,844	554,844	554,844	554,844	554,844	554,844	554,844	341,442
	Share Premium	**109,437**	109,437	109,437	109,437	109,437	109,437	109,437	109,437	109,437	109,437
	Retained earning/ (loss)	**1,259,790**	897,960	774,093	639,041	538,430	468,177	264,623	285,424	183,937	263,829
	Reserves	**40,000**	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
	Total equity & liabilities	**7,043,956**	**7,213,537**	**7,349,334**	**7,270,167**	**7,249,537**	**7,290,269**	**8,010,965**	**6,193,234**	**6,209,014**	**2,803,648**
Income statement data	Net Sale	**854,804**	946,616	1,002,394	1,973,972	1,518,120	2,182,211	2,052,162	1,455,071	1,285,301	1,323,255
	Cost of goods sold	**727,554**	848,368	928,932	1,759,452	1,486,901	2,129,099	2,031,700	1,368,619	976,326	1,026,796
	Gross profit	**127,250**	98,248	73,462	178,520	31,219	53,112	20,462	86,452	308,975	296,459
	Administration, selling and Other expenses	**70,829**	51,922	37,022	199,905	51,793	96,186	145,740	50,113	46,107	57,040
	Operating Profit or Loss (EBIT)	**56,421**	46,326	36,440	(21,385)	(20,574)	(43,074)	(125,278)	36,339	262,868	239,419
	Financial charges	**41,722**	23,984	32,053	37,117	34,330	58,431	76,490	74,805	38,830	17,489
	EBT	**14,699**	22,342	4,387	(58,502)	(54,904)	(101,505)	(201,768)	(38,466)	224,038	221,930
	Taxation	**53,175**	3,221	15,633	45,811	(18,556)	(66,286)	(69,268)	(19,966)	81,877	78,804
	Net profit (PAT)	**67,874**	25,563	20,020	(12,691)	(36,348)	(35,219)	(132,500)	(18,500)	129,276	143,126
	Depreciation and Amortization	**184,545**	193,677	202,492	211,126	220,088	460,766	386,882	395,416	77,262	58,379
Liquidity	Cash flow from operation	**130,865**	(154,881)	44,134	(9,063)	(58,946)	537,076	62,828	436,031	238,921	41,651
	Net working capital	**854,151**	729,158	610,111	408,030	271,552	197,221	23,992	104,325	225,310	261,295
	Current ratio	**2.16**	1.72	1.56	1.37	1.27	1.21	1.02	1.10	1.25	1.33
	Quick ratio	**0.42**	0.38	0.33	0.46	0.30	0.60	0.18	0.37	0.27	0.29
	Payable/recivable	**2.76**	3.16	4.18	2.21	4.70	2.72	6.40	2.96	4.24	3.68
	Cash flow/ total debt	**6.58%**	-6.54%	1.75%	-0.36%	-2.20%	20.05%	1.87%	17.42%	9.88%	3.68%
Activity	Inventory age (days)	**608**	548	494	187	221	84	207	199	311	277
	Collection period (days)	**44**	47	32	78	25	30	23	48	27	36
	Operating assets turnover	**0.16**	0.17	0.18	0.34	0.25	0.35	0.31	0.29	0.25	0.76
Profitability	Gross profit margin	**15%**	10%	7%	9%	2%	2%	1%	6%	24%	22%
	Net profit margin	**8%**	3%	2%	-1%	-2%	-2%	-6%	-1%	10%	11%
	Return on capital	**2.1%**	0.9%	0.7%	-0.5%	-1.3%	-1.2%	-4.7%	-0.8%	5%	14%
	Return on operating assets	**1.2%**	0.5%	0.4%	-0.2%	-0.6%	-0.6%	-2.0%	-0.4%	3%	8%
	Return on equity	**3%**	2%	1%	-1%	-3%	-3%	-14%	-2%	15%	19%
Per share data	Revenue per share	**15**	17	18	36	27	39	37	26	23	39
	Earning per share (Rs)	**1.22**	0.46	0.36	(0.23)	(0.66)	(0.63)	(2.39)	(0.33)	2.33	4.19
	Face value of share	**10**	10	10	10	10	10	10	10	10	10
	Break-up value per share	**35**	29	27	24	22	21	17	18	16	22
	Earning per break-up value of share	**0.35**	0.16	0.14	(0.09)	(0.29)	(0.30)	(1.37)	(0.19)	1.46	1.90
	Earning per share % of face value	**12%**	5%	4%	-2%	-7%	-6%	-24%	-3%	23%	42%
	Earning per share % of break-up value	**3%**	2%	1%	-1%	-3%	-3%	-14%	-2%	15%	19%
Share trend	High stock price-at end	**21.50**	43.40	17.50	18.24	20.70	22.29	23.49	12.20	40.80	51.30
	Low stock price-at end	**20.90**	42.64	17.50	18.22	20.70	22.20	23.00	11.81	14.20	25.75
	Average stock price-at end	**21.20**	43.02	17.50	18.23	20.70	22	23	12	27.50	38.53
	Growth since last year (Rs)	**(22)**	26	(1)	(2)	(2)	(1)	11	(15)	(11.03)	38.53
	Growth since last Year %	**-51%**	146%	-4%	-12%	-7%	-4%	93%	-56%	-29%	-44%
	Price earning ratio- at average price	**17.33**	93.38	48.50	(79.70)	(31.60)	(35.12)	(9.69)	(36.00)	11.80	9.19
Plant capacity (M.Tons)	Seamless Tubular										
	Installed Capacity	**100,000**	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
	Utilized Capacity	**5,303**	7,023	8,652	12,196	10,925	13,826	13,958	13,456	11,288	13,446
	Coating of pipes and tubes										
	Installed Capacity	**50,000**	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
	Utilized Capacity	**3,094**	2,982	4,512	5,329	1,204	5,197	1,617	-	-	-
	Machinery and components										
	Installed Capacity	**3,500**	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
	Utilized Capacity	**-**	-	-	-	757	455	764	463	513	453

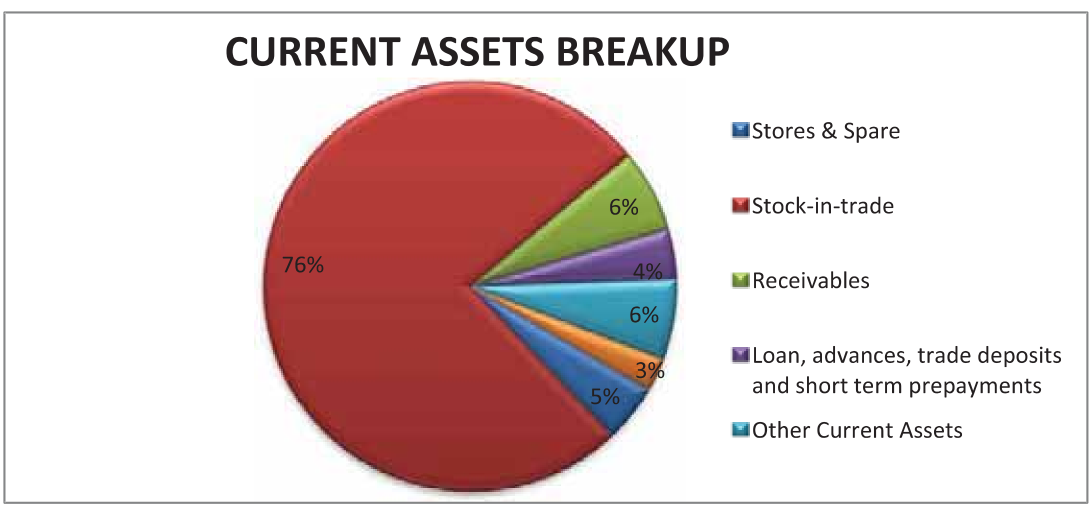
Diagrammatical Performance Review

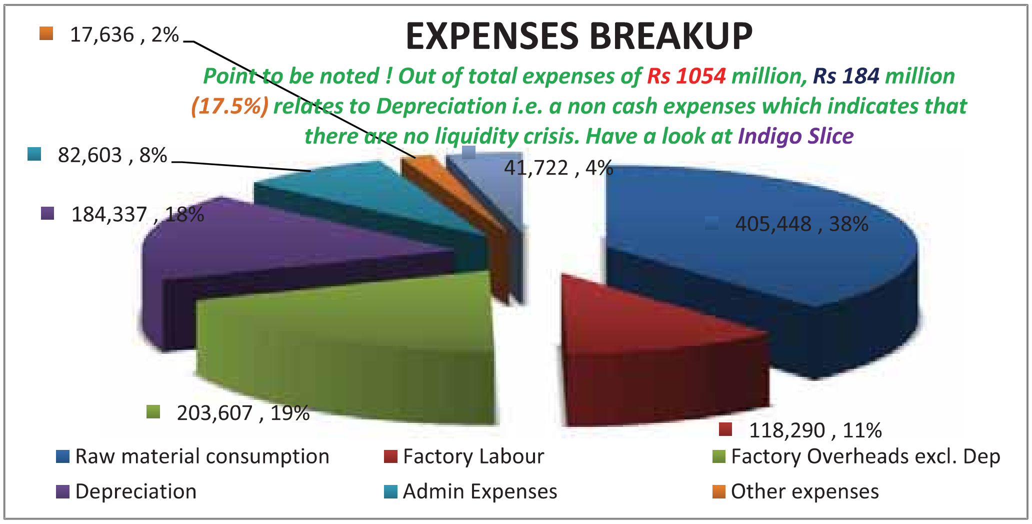


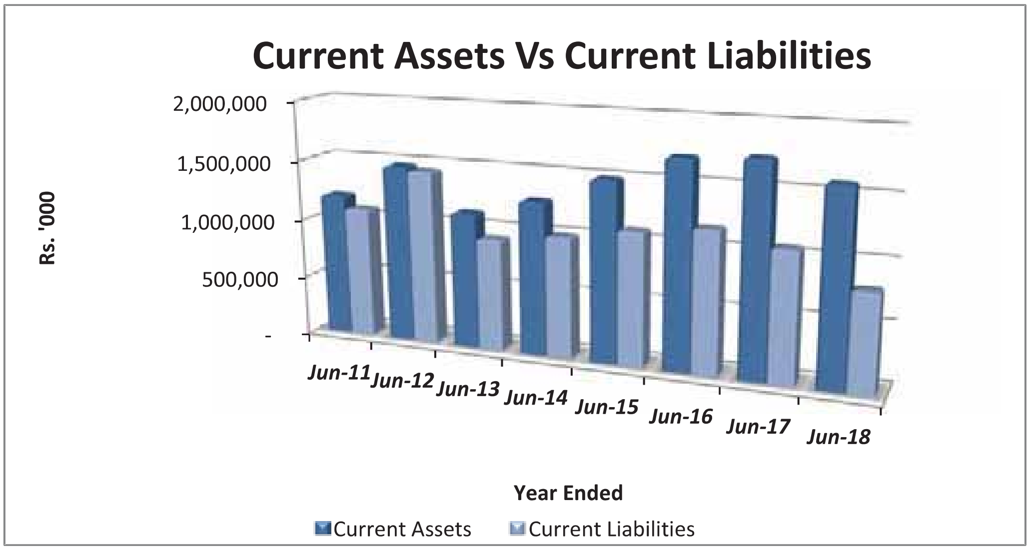


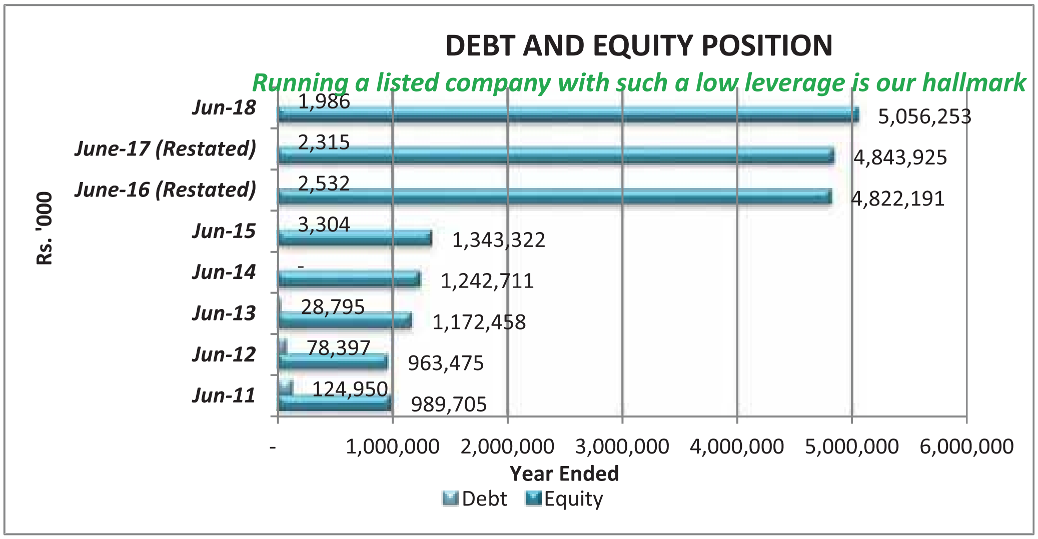

Export Sales and Local Sales
Rs. '000
5,000,000
4,000,000
3,000,000
2,000,000
1,000,000
-
2,311,035
2,182,211
2,052,162
1,759,980
1,455,071
2,311,035
1,176,105
1,110,877
996,981
2,157,088
1,968,688
1,758,768
1,201,749
1,176,105
1,107,501
969,186
253,322
83,474
25,123
1,212
-
-
3,376
27,795
Jun-11
Jun-12
Jun-13 (Restated)
Jun-14
Jun-15
Jun-16
Jun-17
Jun-18
Exports
Locals Sales
Total Sales

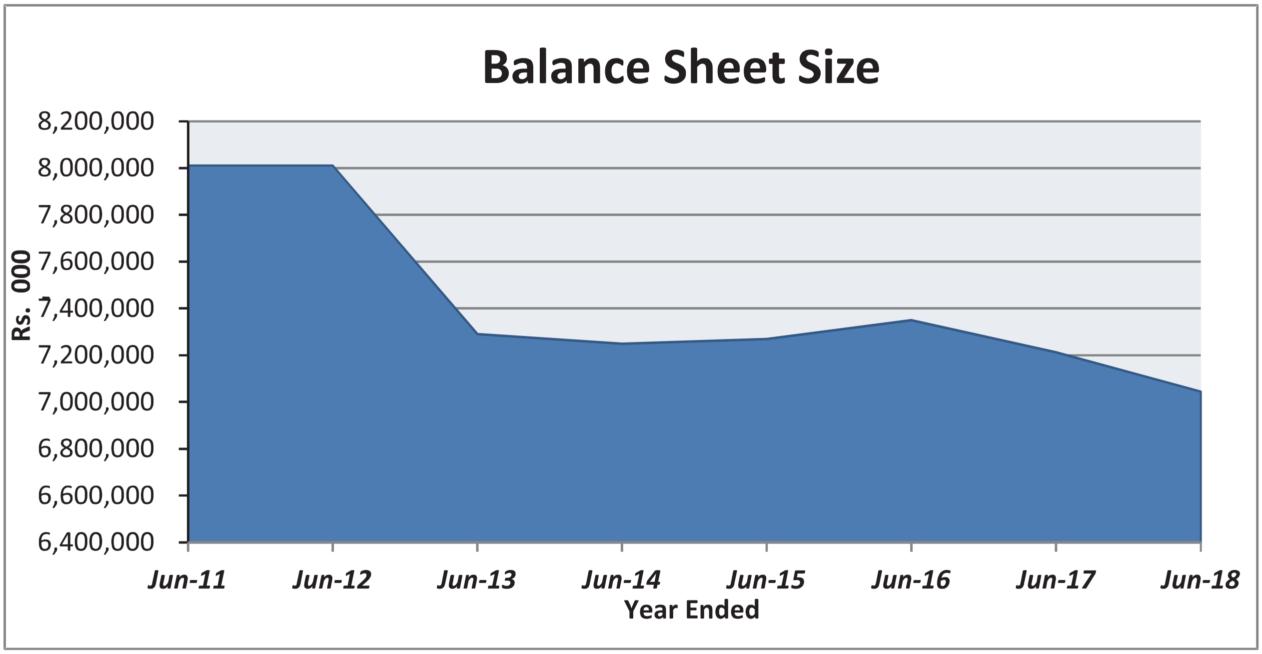

Rise in FOREX rate USD/PKR
Being Import oriented industry, we hit very much with the Rise in Dollar!
250.00
200.00
150.00
100.00
50.00
0.00
104.46
104.90
104.73
104.75
104.52
104.30
104.85
104.86
104.52
104.30
104.85
104.86
106.70
110.75
115.80
123.95
Sep 15/16
Dec 15/16
Mar 16/17
Jun 16/17
Sep 16/17
Dec 16/17
Mar 17/18
Jun 17/18
Current Period
Last Period

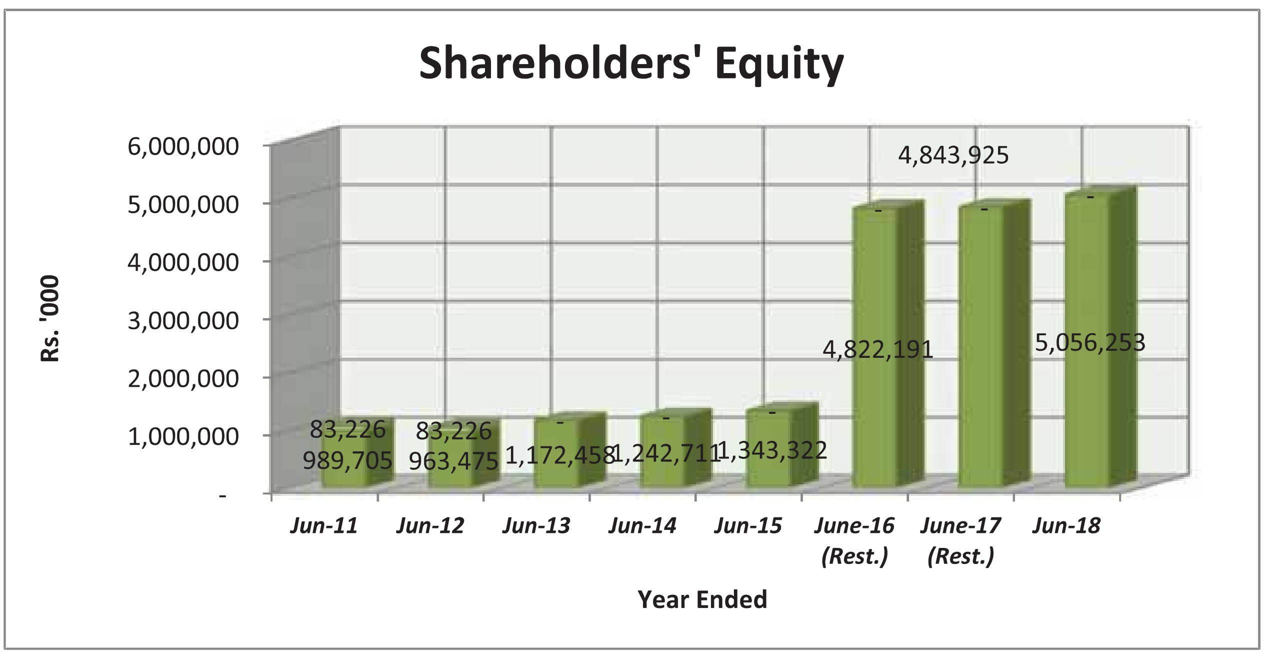

CURRENT ASSETS BREAKUP
76%
6%
4%
6%
3%
5%
Stores & Spare
Stock-in-trade
Receivables
Loan, advances, trade deposits and short term prepayments
Other Current Assets


EXPENSES BREAKUP
Point to be noted ! Out of total expenses of Rs 1054 million, Rs 184 million (17.5%) relates to Depreciation i.e. a non cash expenses which indicates that there are no liquidity crisis. Have a look at Indigo Slice
17,636 , 2%
82,603 , 8%
41,722 , 4%
184,337 , 18%
405,448 , 38%
203,607 , 19%
118,290 , 11%
Raw material consumption
Factory Labour
Factory Overheads excl. Dep
Depreciation
Admin Expenses
Other expenses


Current Assets Vs Current Liabilities
2,000,000
1,500,000
1,000,000
500,000
-
Rs. '000
Jun-11
Jun-12
Jun-13
Jun-14
Jun-15
Jun-16
Jun-17
Jun-18
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-18
1,986
5,056,253
June-17 (Restated)
2,315
4,843,925
June-16 (Restated)
2,532
4,822,191
Jun-15
3,304
1,343,322
Jun-14
-
1,242,711
Jun-13
28,795
1,172,458
Jun-12
78,397
963,475
Jun-11
124,950
989,705
-
1,000,000
2,000,000
3,000,000
4,000,000
5,000,000
6,000,000
Year Ended
Debt
Equity


Balance Sheet Size
8,200,000
8,000,000
7,800,000
7,600,000
7,400,000
7,200,000
7,000,000
6,800,000
6,600,000
6,400,000
Rs. 000
Jun-11
Jun-12
Jun-13
Jun-14
Jun-15
Jun-16
Jun-17
Jun-18
Year Ended


Shareholders' Equity
6,000,000
5,000,000
4,000,000
3,000,000
2,000,000
1,000,000
-
Rs. '000
83,226
989,705
83,226
963,475
1,172,458
1,242,711
1,343,322
4,822,191
4,843,925
5,056,253
Jun-11
Jun-12
Jun-13
Jun-14
Jun-15
June-16 (Rest.)
June-17 (Rest.)
Jun-18
Year Ended

Statement of Compliance

With Listed Companies (Code of Corporate Governance) Regulations, 2017 for the Year Ended June 30, 2018

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 11 as per the following:
   - Male: Eleven (11)
   - Female: None (-)

   The Company would appoint female director in the board at the time of next election of directors.

2. The composition of board is as follows:

CATEGORY	NAMES
a) Independent Directors	Mr. Nasir Mahmood (Chartered Accountant)
b) Other Non-executive Director	Mr. Talal Yousuf Mohamed Y. Najibi Mr. Nabil Abdul Rahman Ahmad Arif Mr. Fahad Abdul Aziz Eshaq Mr. Muhammad Hafiz Mr. Arshad Ahmed Hafiz AbdulWaheed Hafiz Abdul Sami Hafiz Abdul Aleem
c) Executive Directors	Hafiz Abdul Majid (CEO) Hafiz Abdul Haseeb

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

4 The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the board are presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8. The Board of directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. The Board of Directors of the Company consists of eleven (11) eminent Directors, out of which four (04) Directors are already certified under the Directors Training Program as follow:
   - Hafiz Abdul Haseeb
   - Hafiz Abdul Sami
   - Hafiz Abdul Aleem
   - Mr. Nasir Mahmood

10. The board has approved appointment of CFO and Head of Internal Audit, and in the process of separate position of Company Secretary and also approved their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the board.

12. The board has formed committees comprising of members given below:

a) Audit Committee

1.	Mr. Nasir Mahmood	(Independent Director)	Chairman
2.	Muhammad Hafiz	(Non-Executive Director)	Member
3.	Mr. Arshad Ahmed	(Non-Executive Director)	Member
4.	Hafiz Abdul Sami	(None-Executive Director)	Member

b) Human Resource and Remuneration Committee (Name of members and Chairman)

1.	Muhammad Hafiz	Non-Executive Director	Chairman
2.	Hafiz Abdul Majid	Chief Executive Officer)	Member
3.	Mr. Arshad Ahmed	Non-Executive Director	Member
4.	Hafiz Abdul Haseeb	Executive Director	Member
5.	Hafiz Abdul Aleem	Non-Executive Director	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14 The frequency of meetings (quarterly/half yearly/ yearly) of the committee was as per following:

a)	Audit Committee	04 Meetings
b)	HR and Remuneration Committee	01 Meetings

15. The board has set up an effective internal audit function supervised by a qualified Chartered Accountant. The Head of Internal Auditor is suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard

18. The Company has continued to present the details of all related party transactions before the Audit Committee and upon their recommendation to the Board for review and approval. The definition of related party used in accordance with repealed Companies Ordinance, 1984 and applicable financial reporting frame work as the regulations under section 208 of the Companies Act, 2017 have not yet been announced.

19. We confirm that all other requirements of the Regulations have been complied with.

HAFIZ ABDUL MAJID
Chief Executive Officer

Dated: September 27, 2018
Karachi:

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 of **Huffaz Seamless Pipe Industries Limited** (the Company) for the year ended June 30, 2018 to comply with the requirements of listed Companies (Code of Corporate Governance Regulations, 2017 where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors (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 of Directors' 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 of Directors for their review and approval of 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 approval of the related party transactions by the Board of Directors 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, 2018.

We draw attention to note # 10 of statement of compliance of code of corporate governance. The Company is in the process of appointment of a separate position of Company Secretary. Presently Chief Financial Officer of the Company also occupies the office of the Company Secretary.

S.No.	Note Reference	Description
(1)	10	Chief Financial Officer and Company Secretary are the same person.

H.A.M.D. Co

Chartered Accountants
Engagement Partner
Idrees Dawson - FCA
Karachi
Date: September 27, 2018

Auditors' Report to the Members

Opinion

We have audited the annexed financial statements of **Huffaz Seamless Pipe Industries Limited** (the Company), which comprise the statement of financial position as at June 30, 2018, and the statement of profit or loss and statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2018 and of the loss, comprehensive loss and the changes in equity and its cash flows for the year then ended.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter (s)

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

S. #	KEY AUDIT MATTER(S)	HOW THE MATER WAS ADDRESSED IN OUR AUDIT
01.	**Investment** ● We drat attention to Note 9 to the financial statements; the company holds a substantial investment of Rs. 243 million as at June 30, 2018 in a newly incorporated company, similar to the nature of activities of the company; ● Investment in equity share has been made by way of exchanging land and building previously held by the company which have been revalued as of June 30, 2018; ● As part our risk assessment exercise, we considered this matter because of significance of the amounts involved and the valuation assigned to properties may be materially different as per recent valuation exercise by independent valuer.	We performed the following procedures to address this risk: ● We reviewed the provision contained in the applicable joint venture agreement which forms the basis of incorporation of the new investee company and we have ensured its compliances; ● We obtained an understanding of the scope of the valuer's work; ● As reviewed the valuation report of land and building prepared by and independent valuer and we reviewed appropriate background searches to ascertain whether the values assigned to the properties by the valuer are closely aligned to those determined through independent sources, and we satisfy that the fair values have been assigned to land and building. And the same valuation of land and building was considered by the company as a basis for determining the value of investment in investee Company. We discuss in the audit committee and with the management about likely commencement of activities of the investee company. **Key observation** No issues were identified from our review as regarded the value assign to investment

S. #	KEY AUDIT MATTER(S)	HOW THE MATER WAS ADDRESSED IN OUR AUDIT
02.	**Defined benefit obligation - staff gratuity** ● Refer to note 20 to the financial statements to the company operates as defined benefit obligation/gratuity scheme for eligible employees giving rise to liabilities of Rs. 114 million, which is significant in the context of the overall financial potions of the company. The valuation of Gratuity requires judgements and technical expertise in choosing appropriate assumptions. Changes in a number of the key assumptions; including: – Salary increases and inflations; – Discount rats; and – Mortality. All assumptions can have a material impact on the calculation of the liability. The company uses external actuary to assist in assessing these assumptions.	● We have reviewed a detail valuation report prepared by and independent actuary and we assessed, assumption used; ● Weather the assumptions used in calculating the gratuity including salary increases, inflation, mortality rate and discount rate assumptions, were consistent with our national and industry data. We were satisfied that the rates used fell within acceptable ranges. We also performed sample testing to agree underlying membership data supporting human resources documentation and assessed the appropriateness of the closing liability based on known movements and assumptions. No issues were identified to raise concerns over the valuation of gratuity liability. **Key observation** No issues were identified from our review.
03.	**Trade and other Payables** ● Significant liability given in notes 21 to the financial statements is substantial amount payable as WPPF. The amount was Rs. 317 million in the year 2018 compare to Rs. 290 million in the year 2017 and the increase in the liability in both the years were mainly on account of provision for interest at applicable rates on the unpaid amount of liability in accordance with the WPPF Act. We focused on this area because of significant amount involve remaining unpaid in current and previous period.	● We reviewed the provision contain in the relevant law of WPPF Act, and ensured provision of liability including interest on the unpaid balance not paid by the company; and we discussed in audit committee and with management focusing on how the liability discharge by the company on the basis of availability of cash flow in the future period and in result we have been advised that management is determined to settle liability in the future period. **Key observation** No issues were identified from our review.

Information other than the financial statements and auditor's report thereon

Management is responsible for the other information. The other information comprises the information in the annual report including, a particular Financial Summary, Company's Overview, Directors' Report, Financial and Business Highlights, Diagrammatical Performance review including Graphic presentation, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on the work we have performed, on other information obtained prior to the date of this auditor's report, we conclude, that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) Proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss and other comprehensive income the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

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

Other Matters

The engagement partner on the audit resulting in this independent auditor's report is Mr. Idrees Dewson.

H.A.M.D. Co

Chartered Accountants
Engagement Partner
Idrees Dawson - FCA
Karachi
Date: September 27, 2018

STATEMENT OF FINANCIAL POSITION
As at June 30, 2018

	Note	2018	Restated 2017	Restated 2016
ASSETS		(Rupees in '000)		
Non-current assets				
Property, plant and equipment	6	**5,201,352**	5,467,233	5,634,691
Intangible assets	7	**—**	208	1,542
Long-term deposits	8	**6,936**	6,936	6,936
Investment	9	**243,187**	—	—
		5,451,475	**5,474,377**	**5,643,169**
Current assets				
Stores and spares	10	**72,984**	78,829	81,376
Stock-in-trade	11	**1,211,228**	1,272,776	1,258,474
Trade debts-considered good	12	**103,498**	120,818	88,656
Loan, advances, trade deposits and short term prepayments	13	**63,174**	44,080	30,577
Other receivables	14	**65,654**	118,132	142,113
Advance tax - net of provision	15	**34,992**	36,378	696
Cash and bank balances	16	**40,951**	68,147	104,273
		1,592,481	1,739,160	1,706,165
TOTAL ASSETS		**7,043,956**	**7,213,537**	**7,349,334**
EQUITY AND LIABILITIES				
Share capital and reserves				
Authorised capital				
70,000,000 (2017: 70,000,000) ordinary share of Rs.10 each		**700,000**	**700,000**	**700,000**
Share capital				
Issued, subscribed and paid-up capital	17	**554,844**	554,844	554,844
Capital reserve				
Share premium		**109,437**	109,437	109,437
Surplus on revaluation of property, plant and equipment - net of tax	18	**3,092,182**	3,241,684	3,343,817
Revenue reserve				
General reserve		**40,000**	40,000	40,000
Unappropriated profit		**1,259,790**	897,960	774,093
TOTAL SHAREHOLDERS' EQUITY		**5,056,253**	**4,843,925**	**4,822,191**
LIABILITIES				
Non-current liabilities				
Long-term financing-secured	19	**1,986**	2,315	2,532
Deferred liabilities	20	**1,181,752**	1,293,337	1,349,335
		1,183,738	1,295,652	1,351,867
Current liabilities				
Trade and other payables	21	**697,659**	830,775	1,079,278
Short-term sponsors' advances	22	**65,636**	63,957	79,222
Short-term borrowings-secured	23	**35,029**	160,000	—
Un-claimed dividend		**—**	15,880	15,915
Current portion of non-current liabilities-secured	24	**1,142**	1,018 861	
Accrued mark-up		**4,500**	2,330	—
		803,966	1,073,960	1,175,276
TOTAL LIABILITIES		**1,987,703**	2,369,612	2,527,143
CONTINGENCIES AND COMMITMENTS	25			
TOTAL EQUITY AND LIABILITIES		**7,043,956**	**7,213,537**	**7,349,334**

The annexed notes from 1 to 43 form an integral part of these financial statements.

Hafiz Abdul Majid	**Hafiz Abdul Sami**	**Usama Ahmed**
Chief Executive	Director	Chief Financial Officer

STATEMENT OF PROFIT OR LOSS
For the year ended June 30, 2018

	Note	2018	2017
		.... (Rupees in '000)	
Net sales	26	**854,804**	946,616
Cost of sales	27	**(727,554)**	(848,368)
Gross profit		**127,250**	98,248
Selling and Distribution expenses	28	**(13,069)**	(10,949)
Administrative expenses	29	**(84,010)**	(66,595)
		(97,079)	(77,544)
		30,171	20,704
Other operating expenses	30	**(4,567)**	(7,903)
Other income	31	**30,817**	33,525
		56,421	46,326
Finance cost	32	**(41,722)**	(23,984)
Profit before taxation		**14,699**	22,342
Taxation	33	**53,175**	3,221
Profit for the year		**67,874**	**25,563**
		.... (Rupees)	
Earnings per share - basic and diluted	34	**1.22**	**0.46**
		..............(Rupees in '000)...............	
Earnings before interest, tax, depreciation and amortisation (EBITDA)	34.1	**282,688**	**263,987**

The annexed notes from 1 to 43 form an integral part of these financial statements.

Hafiz Abdul Majid	**Hafiz Abdul Sami**	**Usama Ahmed**
Chief Executive	Director	Chief Financial Officer

STATEMENT OF COMPREHENSIVE INCOME
For the year ended June 30, 2018

	Note	2018	2017
		.... (Rupees in '000)	....
Profit for the year		**67,874**	25,563
Other comprehensive income			
Items that will not be reclassified to profit or loss account			
– Charge on account of remeasurement of net defined benefit obligation	20.1.5	**(1,682)**	(5,470)
– Related tax impact	20.2	**488**	1,641
		(1,194)	(3,829)
– Effect of transfer of revalued assets	6.4.1	**177,600**	—
– Related tax impact	20.2	**18,562**	—
		196,162	—
		194,968	(3,829)
Total comprehensive income for the year		**262,842**	**21,734**

The annexed notes from 1 to 43 form an integral part of these financial statements.

Hafiz Abdul Majid	**Hafiz Abdul Sami**	**Usama Ahmed**
Chief Executive	Director	Chief Financial Officer

STATEMENT OF CASH FLOWS

For the year ended June 30, 2018

	Note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		.... (Rupees in '000)	....
Profit before taxation		14,699	22,342
Adjustments for:			
Depreciation		184,337	193,343
Amortisation		208	334
Finance cost		41,722	23,984
Workers profit participation fund		946	1,399
Intangible asset (software) written-off		—	1,000
Workers' Welfare Fund		3,560	4,234
Provision for compensated absences		108	254
Provision for staff gratuity		13,727	11,221
		244,608	235,769
Operating cash flows before working capital changes		259,307	258,111
Changes in working capital	35	(58,636)	(303,949)
Cash generated from / (used in) operations		200,671	(45,838)
Finance cost paid		(13,536)	(5,292)
Compensated absences paid		(106)	(50)
Staff gratuity paid		(5,225)	(3,699)
Income tax paid		(50,940)	(100,002)
		(69,807)	(109,043)
Net cash used in operating activities		130,865	(154,881)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(34,563)	(25,885)
Decrease in property, plant and equipment due to transfer	9.1	243,187	—
Increase in investment during the year	9.1	(243,187)	—
Net cash used in investing activities		(34,563)	(25,885)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term financing paid		(205)	(60)
Short-term sponsors' advances received / (paid)		1,679	(15,265)
Dividend paid		—	(35)
Net cash from /(used in) financing activities		1,474	(15,360)
Net decrease in cash and cash equivalents		97,776	(196,126)
Cash and cash equivalents at the beginning of the year		(91,853)	104,273
Cash and cash equivalents at the end of the year	36	5,922	(91,853)

– During the year transfer has been made from property, plant and equipment to investment. There has been no cash movement, and amounts have been disclosed for presentation purposes only.

The annexed notes from 1 to 43 form an integral part of these financial statements.

Hafiz Abdul Majid	**Hafiz Abdul Sami**	**Usama Ahmed**
Chief Executive	Director	Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2018

	Issued, subscribed and paid-up capital	Capital Reserves		Revenue Reserves		Total
		Share premium	Revaluation Surplus on Property plant and Equipment	General reserve	Unappropriated profit	
	...... Rs. '000'					
Balance as at July 1, 2016 - as previously reported	554,844	109,437	—	40,000	774,093	1,478,374
Impact of change in accounting policy - net of tax	—	—	3,343,817	—	—	—
Balance as at 01 July 2016 - as restated	554,844	109,437	3,343,817	40,000	774,093	1,478,374
Profit for the year	—	—	—	—	25,563	25,563
Other comprehensive income	—	—	—	—	(3,829)	(3,829)
Total comprehensive income for the year	—	—	—	—	21,734	21,734
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation charged thereon - net of tax	—	—	(102,133)	—	102,133	—
Balance as at June 30, 2017 - as restated	**554,844**	**109,437**	**3,241,684**	**40,000**	**897,960**	**4,843,925**
Total comprehensive income for the year						
Profit for the year	**—**	**—**	**—**	**—**	**67,874**	**67,874**
Reversal of Surplus on revaluation of property, plant and equipment transfer	**—**	**—**	**(50,514)**	**—**	**—**	**(50,514)**
Other comprehensive income	**—**	**—**	**196,162**	**—**	**(1,194)**	**194,968**
Total comprehensive income for the year	**—**	**—**	**145,648**	**—**	**66,680**	**212,328**
Reversal of revaluation surplus on transfer of property, plant and equipment -net of tax	**—**	**—**	**(196,162)**	**—**	**196,162**	**—**
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation charged thereon - net of tax	**—**	**—**	**(98,988)**	**—**	**98,988**	**—**
Balance as at June 30, 2018	**554,844**	**109,437**	**3,092,182**	**40,000**	**1,259,790**	**5,056,253**

The annexed notes from 1 to 43 form an integral part of these financial statements.

Hafiz Abdul Majid	**Hafiz Abdul Sami**	**Usama Ahmed**
Chief Executive	Director	Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

1. STATUS AND NATURE OF BUSINESS

1.1 Huffaz Seamless Pipe Industries Limited ("the Company") was incorporated in Pakistan on October 9, 1983 as a public company limited by shares. The shares of the Company are quoted on Pakistan Stock Exchange (PSX) (formerly divided into KSE & LSE). The principal objective 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 province.

1.2 These are stand alone financial statements of Huffaz Seamless Pipe Industries Limited. Consolidated financial statement have not been prepared by the Company as disclosed in note-9

2. SIGNIFICANT TRANSACTION AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

During the year company made investment in Joint Venture company in accordance with the Joint Venture Agreement. Company's assets including Land, Building and Coating Shed have been transferred at Rs. 243 million as a consideration for making investment for which equity share capital in the said company would be issued. Value of the assets have been arrived at on the basis of revaluation exercise carried out by an independent professional valuer. For details please refer Note: 9

Due to the first time application of financial reporting requirements under the companies Act 2017 (The Act) including disclosure and presentation requirements of the Fourth Schedule of the act, some of the amount reported for the previous period has been reclassified as defined in note# 43 to the financial statements

Workers profit participation fund liability has been brought forward in these financial statements from previous period Rs.290.469 Million. Company has provided for interest amounting to Rs. 26.016 million (2017: 16.362 million) at applicable interest rate on the outstanding balance. Provision for current year of WPPF was Rs. 0.947 million (2017: 1.399 million) at the rate 5% of profit. The aggregate outstanding liability of WPPF was Rs.317.432 million as of June 30, 2018.

The Directors report can be referred for detailed discussion about the company's performance accompanied in annual report of the company for the year ended on June 30, 2018.

3. BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.2 Basis of measurement

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

– the obligations under employees' defined benefit plan which are measured at present value of defined benefits less fair value of plan assets; and

– the leasehold land, factory building, plant and machinery and coating sheds are stated at fair values which are determined by the independent valuer.

3.3 Functional and presentation currency

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

3.4 Amendments to accounting standards and new IFRS interpretation that are effective for the year ended June 30, 2017

The following standards, amendments and interpretations are effective for the year ended June 30, 2017. These standards, interpretations and the amendments 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.

IAS 7 'Statement of cash flows' amendments introduced an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of IASB's Disclosure initiative which continues to explore how financial statements disclosure can be improved. In the first year of adoption comparative information need not be provided. The relevant disclosure in these financial statements.

The Companies Act, 2017 (the act) has also also brought certain changes with regard to preparation and presentation of annual financial statements of the Company. The changes in respect of recognition criteria of revaluation of operating fixed assets as more fully explained in note# 5.Further, the disclosure requirements contained in the Forth Schedule to the Act have been revised, resulting in the elimination of duplicative disclosures with the IFRS disclosure requirements and incorporation of significant additional disclosure which have been included in these financial statements.

Amendments to accounting standards and new IFRS interpretation that are effective but not relevant

There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after July 01, 2017.

However these do not have any significant impact on the company's financial reporting and therefore have not been detailed in these financial statements.

– IFRS 10 – Consolidated Financial Statements

– IFRS 11 – Joint Arrangements

– IFRS 12 – Disclosure of Interests in Other Entities

– IFRS 13 – Fair Value Measurement

– IAS 23 Borrowing Cost

– IAS 27 (Revised 2011) – Separate Financial Statements

– IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures

3.5 New accounting standards and amendments to accounting standards that are not yet effective

The following new accounting standards and amendments to accounting standards are only effective for accounting periods, beginning on or after July 01, 2018 that may have impact on the financial statements of the company.

Standards / Amendments	Effective date (accounting periods beginning on or after)
– Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of sharebased payment transactions	January 1, 2018
– Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	January 1, 2018
– Amendments to IAS 28 'Investments in associates and Joint ventures' - Long term interests in associates and Joint Ventures.	January 1, 2019
– Amendments to IAS 19 'Employee Benefits - Plan Amendment, curtailment or settlement.	January 1, 2019
– Amendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' - Investment Entities: Applying the consolidation exception	January 1, 2016
– Amendments to IFRS 11 'Joint Arrangements' - Accounting for acquisitions of interests in joint operations	January 1, 2016
– Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure initiative	January 1, 2016
– Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	January 1, 2017
– Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses	January 1, 2017
– Amendments to IAS 16 'Property Plant and Equipment' and IAS 38 'Intangible Assets' - Clarification of acceptable methods of depreciation and amortization	January 1, 2016
– Amendments to IAS 16 'Property Plant and Equipment' and IAS 41 'Agriculture' - Measurement of bearer plants	January 1, 2016
– Amendments to IAS 27 'Separate Financial Statements' - Equity method in separate financial statements	January 1, 2016
– Transfers of Investment Property (Amendments to IAS 40 “Investment Property”	January 1, 2018
– IFRIC 22 “Foreign Currency Transactions and Advance Consideration"	January 1, 2018
– IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019

Other than the aforesaid standards and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted by the Securities and Exchange Commission of Pakistan:

– IFRS 1 – First Time Adoption of International Financial Reporting Standards
– IFRS 9 – Financial Instruments
– IFRS 14 – Regulatory Deferral Accounts
– IFRS 15 – Revenue from Contracts with Customers
– IFRS 16 – Leases

3.6 Use of estimates and judgments

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 recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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:

3.6.1 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 items 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 together with any tax effect.

3.6.2 Investments

Investment in Joint Venture is stated at cost, Details of the company's investment are stated in Note 9 to the financial statements.

3.6.3 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 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.

3.6.4 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 provision there against (if any). 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.

3.6.5 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 20 to these financial statements.

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

3.6.6 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.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are the same, as those applied in the preparation of financial statements of the Company for the year ended June 30, 2017 and are enumerated as follows:

4.1 Property, plant and equipment

4.1.1 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 land 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 6.1. 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 or transferred, any related amount included in the revaluation surplus is transferred to retained earnings.

4.1.2 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.

4.2 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.

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

Intangible assets with finite lives are amortised on a straight line basis over their estimated useful lives as specified in note 7. 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.

Gain or loss arising from derecognition of an intangible asset is 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.

4.3 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.

4.4 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 inventory is valued at estimated realisable value.

4.5 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.

4.6 Staff retirement benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme covering all its permanent employees who have completed the minimum qualifying period one year of service as defined under the scheme. The Company's obligation under the scheme is determined through actuarial valuation carried out at each year end under the Projected Unit Credit Method. Remeasurements which comprise actuarial gains and losses are recognized immediately in other comprehensive income.

The Company determines the interest expense on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the defined benefit liability during the period as a result of benefit payments. Interest expense and current service cost are recognized in profit and loss account. The most recent valuation of the scheme was carried out as at June 30, 2018. Details of the scheme are given in note 20.1 of these financial statements.

4.7 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.

4.8 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.

4.9 Markup bearing borrowings

Loans and borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs, if any. Subsequently, these are measured at amortised cost using the effective markup rate method.

4.10 Revenue recognition

Local sales are recognised as revenue when invoiced with the transfer of significant risks and rewards of ownership, which coincides with delivery.

Export sales are recognised as revenue when invoiced with the transfer of significant risks and rewards of ownership, which coincides either with date of shipping bill or upon delivery to customer or its representative, based on terms of arrangement.

Scrap / wastage sales accounted when invoice accompanied by actual delivery and collection.

4.11 Taxation

Income Tax expenses comprises current and deferred tax. Income Tax expense is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in other comprehensive income or below equity, in which case it is recognised in other comprehensive income or below equity respectively.

Current

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or receivable in respect of previous years.

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, if any, or on turnover at the specified rate or Alternate Corporate Tax as defined in section 113C of Income Tax Ordinance, 2001, whichever is higher. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessment framed / finalized (if any) during the year.

Deferred

Deferred tax is recognized 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 recognized 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 recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realized. The Company also recognizes deferred tax liability on surplus on revaluation of property, plant and equipment in accordance with the requirements of International Accounting Standard 12 'Income Taxes'.

4.12 Borrowing costs

Borrowing costs are recognized 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 capitalized as part of the cost of that asset.

4.13 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.

4.14 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash and bank balances. Short-term borrowing / 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 cash flow statement.

4.15 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.

4.16 Financial instruments

All financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provision of instruments.Non-derivative financial assets comprises loans and receivables that are financial assets with fixed or determinable payments that are not quoted in active markets and includes trade debts, advances, cash and cash equivalent. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Any gain or loss on derecognition of the financial assets or liabilities is taken to profit and loss account.

4.17 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.

4.18 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 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.

4.19 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.

4.20 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognised in the financial statements in the period in which these are approved by the members and board of directors.

4.21 Earnings per share basic and diluted

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.

5 CHANGE IN ACCOUNTING POLICY

Effective May 30, 2017 the companies act 2017 (the act) was enacted which replace and repealed the previous companies ordinance 1984 (the repealed ordinance).Section 235 of the repealed ordinance relating to treatment of surplus arising on revaluation of property, plant and equipment has not been carried forward in the act. The said section of the repealed Ordinance specified the representation and accounting treatment relating to revaluation of property, plant and equipment which was not in accordance with the requirement of IAS 16 'Property, plant and Equipment' as applicable in Pakistan. Consequently, the company changed its accounting policy for the revaluation of property, plant and equipment in accordance with the requirements of the accounting and reporting standards as applicable in Pakistan under the Companies Act, 2017. Previously, the Company's accounting policy for revaluation of property, plant and equipment was in accordance with the provision of Section 235 of the repealed Ordinance. Further, the revaluation surplus on property, plant and Equipment was shown as a separate item below Equity, in accordance with the presentation requirement of the repealed Ordinance. The accounting policy and presentation requirement relating to revaluation of “Property, Plant and Equipment” as explained in note 6.1 to these financial statements. Further, the revaluation surplus on property, plant and equipment is now presented in the statement of financial position and statement of changes in equity as capital reserve i.e part of equity.

In accordance with the requirements of IAS 8 'Accounting policies, estimates and errors', the above explained charges in accounting policy has been accounted for retrospectively, with the restatement of comparative information. As a result, a third party statement of financial position as at the beginning of the preceding period is presented (i.e 01 July, 2016)

5.1 Statement of Financial Position

Retrospective Impact of changes in accounting policy

	As at July 01,2016			As at June 30, 2017		
	Aspreviouslyr eportedonJun e 30, 2016	Adjustments Increase/ (decrease)	As restated on July 01, 2016	As previously reported on June 30, 2017	Adjustments Increase/ (decrease)	As restated on July 01, 2017
	.... Rupees in '000					
Revaluationsurplusonproperty, plant and equipment (within equity)	—	3,343,817	3,343,817	—	3,241,684	3,241,684
Unappropriated profit	923,530	—	923,530	1,047,397	—	1,047,397
Net Impact on Equity	923,530	3,343,817	4,267,347	1,047,397	3,241,684	4,289,081
Revaluationsurplusonproperty,plant and equipment (below equity)	3,343,817	(3,343,817)	—	3,241,684	(3,241,684)	—
	3,343,817	(3,343,817)	—	3,241,684	(3,241,684)	—

The effect of the change in recognition and presentation of Rs.3092.182 million for revaluation surplus on property, plant and equipment as a capital reserve i.e separate component of equity and derecognition of revaluation surplus of property, plant and equity of Rs.3092.182 million, previously presented below equity in the statement of financial position as at 30 June 2018

There was no change in the reported amount of profit and loss account and the other comprehensive income as there was no decrease in the carrying amount of assets as a result of revaluation except the retrospective effect stated above for the year ended 30 June, 2018. There was no cash flow impact as a result of the retrospective application of change in accounting policy and no impact on basic and diluted Earnings per share for the year ended 30June, 2017 and June 30,2018.

	Note	2018	2017
		.... (Rupees in '000)	
6. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	6.1	**5,201,352**	5,394,131
Capital work-in-progress	6.5	—	73,102
		5,201,352	**5,467,233**

6.1 Operating fixed assets

2018

Particulars	COST / REVALUED AMOUNT					DEPRECIATION				Book Value as at June 30 2018	RATE %
	As at July 1, 2017	Additions	Transfer	Surplus / (deficit) during the period	Closing As at June 30	As at July 1, 2017	Charge for the Period	Transfer / Write-off	Closing As at June 30		
	.... (Rupees in '000)										
Owned Assets											
Land - lease hold	858,040	—	(7,331)	—	850,709	—	—	—	—	850,709	—
Building - factory	1,978,632	73,748	(123,023)	—	1,929,356	(283,567)	(42,260)	19,159	(306,668)	1,622,688	2.5
Coating Sheds	88,949	—	(5,811)	—	83,138	(13,509)	(2,011)	905	(14,615)	68,523	2.5
Building - head office	3,233	559	—	—	3,792	(2,942)	(29)	—	(2,971)	821	10
Plant and machinery	3,762,891	33,215	—	—	3,796,105	(1,021,051)	(137,072)	—	(1,158,123)	2,637,983	5
Furniture and fixtures	3,239	—	—	—	3,239	(2,112)	(113)	—	(2,225)	1,014	10
Office equipment	5,400	—	—	—	5,400	(3,537)	(216)	—	(3,753)	1,645	10
Electric and gas appliances	23,803	—	—	—	23,803	(12,197)	(1,006)	—	(13,203)	10,598	10
Air conditioners	1,813	—	—	—	1,813	(1,155)	(66)	—	(1,221)	592	10
Drawings and survey equipment	363	—	—	—	363	(351)	(1)	—	(352)	10	10
Motor vehicles	41,156	—	—	—	41,156	(35,058)	(1,220)	—	(36,278)	4,878	20
Computer and allied equipment	9,376	143	—	—	9,519	(7,755)	(296)	—	(8,051)	1,467	20
Security weapons	1,178	—	—	—	1,178	(706)	(47)	—	(753)	424	10
	6,778,073	107,665	(136,165)	—	6,749,572	(1,383,942)	(184,337)	20,064	(1,548,215)	5,201,352	

2017

Particulars	COST / REVALUED AMOUNT					DEPRECIATION				Book Value as at June 30 2017	RATE %
	As at July 1, 2016	Additions	Deletions / Write-off	Surplus / (deficit) during the period	Closing As at June 30	As at July 1, 2016	Charge for the Period	Disposal / Write-off	Closing As at June 30		
	.... (Rupees in '000)										
Owned Assets											
Land - lease hold	858,040	—	—	—	858,040	—	—	—	—	858,040	—
Building - factory	1,978,632	—	—	—	1,978,632	(240,103)	(43,464)	—	(283,567)	1,695,064	2.5
Coating Sheds	88,949	—	—	—	88,949	(11,575)	(1,934)	—	(13,509)	75,439	2.5
Building - head office	3,233	—	—	—	3,233	(2,910)	(32)	—	(2,942)	291	10
Plant and machinery	3,762,891	—	—	—	3,762,891	(876,743)	(144,308)	—	(1,021,051)	2,741,840	5
Furniture and fixtures	3,239	—	—	—	3,239	(1,987)	(125)	—	(2,112)	1,127	10
Office equipment	5,362	37	—	—	5,399	(3,331)	(206)	—	(3,537)	1,862	10
Electric and gas appliances	23,662	141	—	—	23,803	(10,920)	(1,277)	—	(12,197)	11,605	10
Air conditioners	1,711	102	—	—	1,813	(1,090)	(65)	—	(1,155)	658	10
Drawings and survey equipment	363	—	—	—	363	(350)	(1)	—	(351)	11	10
Motor vehicles	41,156	—	—	—	41,156	(33,533)	(1,525)	—	(35,058)	6,098	20
Computer and allied equipment	9,093	283	—	—	9,376	(7,401)	(354)	—	(7,755)	1,622	20
Security weapons	1,178	—	—	—	1,178	(653)	(53)	—	(706)	472	10
	6,777,509	**563**	**—**	**—**	**6,778,073**	**(1,190,596)**	**(193,343)**	**—**	**(1,383,942)**	**5,394,131**	

	Note	2018	2017
		.... (Rupees in '000)	
6.2 Allocation of depreciation			
Cost of sales	27.1	**182,930**	191,850
Administrative expenses	29	**1,407**	1,493
		184,337	**193,343**
Cost of sales in %		**99.24%**	99.23%
Administrative expenses in %		**0.76%**	0.77%

6.3 Revaluation of property, plant and equipment

The Company carries its leasehold land, factory building, plant and machinery and coating sheds at revalued amounts under IAS16' Property, Plant and Equipment'. The latest valuation was carried out on September 30, 2015 by M/s. K.G. Traders (Private) Limited, an independent professional valuer, on the basis of present market values which resulted in a surplus on revaluation amounting to Rs. 66.272 million.

The forced sale value of land and building as per the aforesaid revaluation report was Rs. 2,897.495 million. The forced sale value of plant and machinery as per the aforesaid revaluation report was Rs. 3,725.112 million.

Levels of fair value are defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 -Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Details of fair value hierarchy and information relating to fair value of Company's leasehold land, building, electric installations and plant and machinery is as follows:

	Note	Level 1	Level 2	Level 3	Total
		.... Rupees in '000		....	
Land - leasehold	**6.4.1**	**—**	**850,709**	**—**	**850,709**
Building - factory		**—**	**1,622,688**	**—**	**1,622,688**
Plant and machinery		**—**	**2,637,983**	**—**	**2,637,983**
Coating sheds - owned		**—**	**68,523**	**—**	**68,523**
Vehicles		**—**	**4,878**	**—**	**4,878**
Others		**—**	**16,571**	**—**	**16,571**
As at June 30, 2018		**—**	**5,201,352**	**—**	**5,201,352**
Land - leasehold		—	858,040	—	858,040
Building - factory		—	1,695,064	—	1,695,064
Plant and machinery		—	2,741,840	—	2,741,840
Coating sheds - owned		—	75,439	—	75,439
Vehicles		—	6,098	—	6,098
Others		—	17,650	—	17,650
As at June 30, 2017		—	5,394,131	—	5,394,131

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

	Note	2018	2017
		.... (Rupees in '000)	
Land - leasehold		**14,869**	14,997
Building - factory		**463,460**	461,691
Plant and machinery		**539,453**	532,861
Coating sheds		**63,530**	70,319

The Leasehold land comprising 396.77 acres of Land situated at Nooriabad District Jamshoro, Sindh.

6.4.1 Transfer of Land and Building:

During the year 3.39 acres of Leasehold land and 58095 Sq.Ft of Building / (Coating Shedds) have been transferred to the joint venture Company (Note: 9) which resulted in the following:

Description	Transfer Value	Historical Value	Gain /(Loss)	Mode of Transfer
	.... Rupees in '000	....		
Land	16,950	128	16,822	As per joint venture agreement exchange of shares made as consideration
Building/Coating Sheds	226,237	65,459	160,778	
	243,187	**65,587**	**177,600**	

– The above gain on transfer has been classified as surplus on revaluation included in Comprehensive Income. After accounting for the effect of reversal of deferred tax of Rs 18.561 million recorded in the previous period.

	Note	Building - Head Office and Factory	Plant and Machinery	Total
6.5 Capital work-in-progress		....	(Rupees in '000)	....
Year ended June 30, 2018				
Balance as at July 1, 2017		**64,226**	**8,876**	**73,102**
Additions during the year		**8,717**	**24,338**	**33,055**
		72,943	**33,214**	**106,157**
Transfer to property, plant and equipment during the year	6.1	**(72,943)**	**(33,214)**	**(106,157)**
Balance as at June 30, 2018		**—**	**—**	**—**
Year ended June 30, 2017				
Balance as at July 1, 2016		39,565	8,215	47,780
Additions during the year		24,661	661	25,322
Balance as at June 30, 2017		64,226	8,876	73,102

	Note	2018	2017
		.... (Rupees in '000)	....
7. INTANGIBLE ASSETS			
Computer software			
Cost	7.1	**1,336**	1,336
Accumulated amortisation	7.2	**(1,336)**	(1,128)
		—	208
Capital work-in-progress		**—**	1,000
Capital work-in-progress write off		**—**	(1,000)
Book value		**—**	**208**
7.1 Cost			
Balance as at July 1,		**1,336**	**1,336**
Additions/ write off during the year		**—**	**—**
Balance as at June 30,		**1,336**	**1,336**
7.2 Accumulated amortisation			
Balance as at July 1,		**1,128**	794
Amortisation for the year	29	**208**	334
Write off during the year		**—**	—
Balance as at June 30,		**1,336**	**1,128**
Useful life		**4 years**	**4 years**

	Note	2018	2017
		.... (Rupees in '000)	
8. LONG-TERM DEPOSITS			
Long-term deposits	8.1	**6,936**	6,936
		6,936	**6,936**

8.1 This includes amount of Rs. 5.43 million (2017: Rs. 5.43 million) representing deposit given to Sui Southern Gas Company Limited for gas connection.

	Note	2018	2017
9. INVESTMENT			
HPY Coating (Pvt.) Ltd.	**9.1**	**243,187**	—
		243,187	**—**

9.1 The above represents investment in joint venture company. During the year company has transferred Land and Building to the investee company at fair value on the basis of a revaluation of properties carried out by an independent valuer wide their revaluation report dated June 30 ,2018

9.2 HPY Coating (Private) Limited ("HPY") is a joint venture company incorporated in Pakistan on 17th April 2017, in collaboration with Jiangsu PuYuan Steel Pipe Industry Company Limited (“PuYuan”) on the basis of a 55%:45% shareholding with Huffaz owning 55% (23,100,000 shares @ 10 each) of the issued share capital in HPY against transfer of Land & Building therein and PuYuan owning 45% (18,900,000 shares @ 10 each) shares against transfer of plant machinery and equipment for setting up the project. The name of the Chief Executive of the company is Mr Hafiz Abdul Majid. The Board of directors of Joint Venture company will comprise 5(Five) directors, with Huffaz appointing / nominating 3 (Three) Directors and PuYuan appointing / nominating 2(Two) Directors on the Board. The Purpose of investment is setting up a project for providing pipe coating services to its prospective customers (“Project”). This project is going to be a value addition service for the products of Huffaz.

9.3 OPERATING STATUS

The joint venture company did not commence operating activities as yet.

The Auditors of the joint venture company has not yet issued opinion on the financial statements of the said company.

9.4 The above investment would be categorised under level-2 in financial hierarchy classification.

	2018	2017
	.... (Rupees in '000)	
10. STORES AND SPARES		
Stores	**69,130**	76,475
Spare parts and loose tools	**3,854**	2,354
	72,984	**78,829**
11. STOCK-IN-TRADE		
Raw material	**131,299**	375,568
Work-in-process	**38,023**	161,085
Finished goods	**835,718**	652,336
Rejection / scrap material	**206,188**	83,787
	1,211,228	**1,272,776**

	Note	2018	2017
		.... (Rupees in '000)	
12. TRADE DEBTS - unsecured			
Considered good	12.1	**103,498**	120,818
Considered doubtful		**—**	—
		103,498	120,818
Less: Provision for doubtful debts		**—**	—
		103,498	**120,818**

12.1 Trade debts are non-interest bearing and are generally on 30 - 60 days credit period.

12.2 Related Parties from whom debts are due are as under:

	2018	2017
Hafiz Abdul Waheed and Brothers (Pvt) Limited	**18,578**	21,091
Huffaz Corporation (Pvt) Limited	**—**	1,767
	18,578	**22,858**

The maximum amount due from above related parties at any time during the year was Rs. 43.04 million (2017:Rs. 28.77 million)

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

	2018		2017	
	Gross	Impairment	Gross	Impairment
	.... (Rupees in '000)		....	
Less than 90 days old	**90,230**	—	102,914	—
90 to 180 days old	**13,268**	**—**	9,585	—
181 to 365 days old	**—**	**—**	8,319	—
	103,498	**—**	120,818	—

Based on the past experience, consideration of financial position of customers, past track records and recoveries, the Company believes that trade debts do not require any impairment, therefore no provision was made.

12.4 There have been no trade debts outstanding in respect of export sales in the year.

	Note	2018	2017
		.... (Rupees in '000)	
13. LOAN, ADVANCES, TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Considered good-unsecured			
- Advances to suppliers	13.1	**12,073**	21,002
- Employees for business related expenses		**5,608**	7,438
- Short term loan to HPY Coating	13.3	**20,678**	2,309
- Loans and advances to employees	13.2	**7,960**	5,871
		46,319	36,620
Trade deposits		**16,855**	7,460
		63,174	**44,080**

13.1 This includes advances to suppliers for purchases.

13.2 This includes interest free medical loan provided to employees.

13.3 This represent advance given to HPY coating (Private) Limited for the purpose of meeting working capital requirements and included various payments for meeting costs incurred by the investee company as provided in the joint venture agreement. (Note: 9)

	Note	2018	2017
		.... (Rupees in '000)	
14. OTHER RECEIVABLES			
Letter of credit		**3,308**	66,773
Margin against guarantee	14.1	**12,509**	13,816
Sales tax refundable		**49,837**	37,543
		65,654	**118,132**

14.1 This includes margin amounting to Rs. 5.45 million (2017: 6.508) against guarantees which were expired as at June 30, 2018. However, these have not been released till June 30, 2018, and the management believed that the same would be carried forward and available against new bills

	Note	2018	2017
15. ADVANCE TAX - NET OF PROVISION			
Balance as at July 1,		**36,378**	696
Add: payments made during the year		**50,940**	100,002
		87,318	100,698
Less: provision for taxation	33	**(52,326)**	(64,320)
		34,992	**36,378**
16. CASH AND BANK BALANCES			
Cash in hand		**96**	138
With banks in local currency current accounts		**40,834**	67,988
With banks in foreign currency current accounts		**21**	21
		40,855	68,009
		40,951	**68,147**

17. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Issued, subscribed and paid up

2018 (No. of shares)	2017 (No. of shares)		2018	2017
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

17.1 The above includes shares having face value of Rs. 101.213 million (2017: Rs. 101.213 million) held by the foreign sponsors of the Company.

	Note	2018	2017
		.... (Rupees in '000)	
18. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF TAX			
As at July 1,			
Leasehold land		804,378	804,378
Factory building, plant and machinery and coating sheds		3,486,138	3,634,157
Transfer of assets		(50,514)	—
		4,240,002	4,438,535
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		(98,988)	(102,133)
- Related deferred tax		(57,578)	(45,886)
		(156,565)	(148,019)
		4,083,437	4,290,516
Less: related deferred tax liability on:			
- Revaluation as at July 1,		(1,048,832)	(1,094,718)
- Incremental depreciation charged during the year on related assets transferred to profit and loss account		57,578	45,886
- Effect of change in tax rates		—	—
		(991,254)	(1,048,832)
		3,092,182	3,241,684
19. LONG-TERM FINANCING-SECURED			
Secured			
Musharaka facility		3,128	3,333
Less: Current portion shown under current liabilities	24	(1,142)	(1,018)
		1,986	2,315

19.1 This represents long-term financing (under diminishing musharaka arrangement) of Rs. 4.5 million obtained to finance the purchase of a vehicle. Principal amount is repayable in twenty quarterly instalments starting from September 2014. Mark-up is payable quarterly at 1 year KIBOR plus 6.4% to be determined annually. The financing is secured against charge over the same assets.

	Note	2018	2017
		.... (Rupees in '000)	
20. DEFERRED LIABILITIES			
Staff gratuity	20.1.2	114,657	104,473
Less: benefits due but not yet paid	20.1.2	(7,197)	(9,978)
		107,460	94,495
Deferred taxation - net	20.2	1,074,291	1,198,842
		1,181,752	1,293,337

20.1 Staff gratuity - defined benefit plan

20.1.1 General description of the defined benefit plan and accounting policy for remeasurements of the defined benefit obligations is disclosed in note 4.6 to these financial statements.

20.1.2 Liability recognised in the balance sheet	Note	2018	2017
Present value of defined benefit obligation	20.1.3	107,460	94,495
Benefits due but not yet paid		7,197	9,978
		114,657	104,473

		Note	2018	2017
			.... (Rupees in '000)	
20.1.3	**Movement in defined benefit obligation during the year**			
	Balance at the beginning of the year		**94,495**	81,311
	Expense recognised in profit and loss account	20.1.4	**13,727**	11,221
	Total remeasurements recognised in other comprehensive income	20.1.5	**1,682**	5,470
	Benefits paid		**(1,104)**	(583)
	Benefits due but not yet paid		**(1,339)**	(2,924)
			107,460	**94,495**
20.1.4	**Expense recognised in profit and loss account**			
	Current service cost		**6,498**	5,454
	Interest cost		**7,229**	5,767
			13,727	**11,221**
20.1.5	**Total remeasurements recognised in other comprehensive income**			
	Remeasurement on defined benefit obligation arising on Actuarial (gains)/losses from changes in assumptions			
	- financial assumptions		**69**	25
	- experience adjustments		**1,613**	5,445
			1,682	**5,470**

20.1.6 Actuarial valuation of staff gratuity scheme has been carried out as at June 30, 2018 using Projected Unit Credit method and the following significant assumptions have been used:

		2018	2017
	Discount rate	**9.00%**	7.75%
	Salary increase rate	**8.00%**	6.75%
	Mortality table used	**SLIC 2001-2005 With one year set back**	SLIC 2001-2005 With one year set back
	Retirement age	**60 years**	60 years
20.1.7	Number of employees covered by the scheme	**155**	156

20.1.8 Sensitivity analysis

The following sensitivity analysis 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%	(5,502)	6,315
Salary growth rate	1%	6,315	(5,598)

20.1.9 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 it 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.

20.1.10 The weighted average duration of defined benefit obligation as at June 30, 2018 is 5 years (2017: 6 years).

20.1.11 The expected gratuity expense for the next one year from July 1, 2018 amounts to Rs. 14.956 million. This is the amount by which the defined benefit liability is expected to increase.

		Note	2018	2017
			.... (Rupees in '000)	....
20.2	**Deferred taxation - net**			
	Balance as at July 1,		**1,198,842**	1,268,024
	Reversal to profit and loss account	33	**(105,501)**	(67,541)
	Charged to other comprehensive income		**(488)**	(1,641)
	Adjustment to the related deferred tax liability on revaluation surplus		**(18,562)**	—
	Balance as at June 30,		**1,074,291**	**1,198,842**
	This comprises of the following:			
	Accelerated tax depreciation and amortisation		**239,589**	243,320
	Surplus on revaluation of property, plant and equipment		**975,185**	1,032,762
			1,214,774	1,276,082
	Deductible temporary differences arising in respect of:			
	Defined benefit plan obligation		**(33,251)**	(31,342)
	Provision for compensated absences		**(4,093)**	(4,202)
	Others		**(103,139)**	(41,697)
			(140,483)	(77,241)
			1,074,291	**1,198,842**
21.	**TRADE AND OTHER PAYABLES**			
	Trade creditors		**22,354**	9,698
	Accrued liabilities		**32,291**	36,538
	Tax deducted at source		**31,671**	25,973
	Workers' Profit Participation Fund	21.1	**317,431**	290,469
	Workers' Welfare Fund		**13,763**	10,203
	Bills payable		**93,401**	130,162
	Advance from customers	21.2	**164,036**	302,352
	Provision for compensated absences		**14,113**	14,005
	Gratuity due but not yet paid	20.1.2	**7,197**	9,978
	Others		**1,402**	1,397
			697,659	**830,775**
21.1	**Workers' Profit Participation Fund**			
	Balance as at July 1,		**290,469**	272,708
	Allocation for the year		**946**	1,399
	Interest on outstanding balance	32	**26,016**	16,362
	Balance as at June 30,		**317,431**	**290,469**

	Note	2018	2017
		.... (Rupees in '000)	

21.2 Related parties from whom advances received against sales are as under:

Hafiz Abdul Waheed and Brothers (Pvt) Limited		—	—
Huffaz Corporation (Pvt) Limited		(12,862)	—
		(12,862)	**—**

The maximum amount due from related party at any time during the year was Rs.53.772 million (2017: Nil)

22. SHORT-TERM SPONSORS' ADVANCES - unsecured

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

23. SHORT TERM BORROWINGS

Restructured Term finances under mark-up arrangements	23.1	35,029	160,000
		35,029	**160,000**

23.1 The Company obtained the restructured short term loan facility from Bank Alfalah of Rs.200 million in the year. The loan is repayable by dated March 2017 to December 2017. The Markup on the facility is charged at the rate i.e KIBOR+3%. The loan is secured by way of first pari passu charged on Fixed Assets of the company, having value of Rs.550 million. The amount of outstanding balance has been paid fully in the subsequent period along with markup thereon.

24. CURRENT PORTION OF NON-CURRENT LIABILITIES-SECURED

Current portion of long-term musharka financing	19	1,142	1,018
		1,142	**1,018**

25. CONTINGENCIES AND COMMITMENTS

25.1 Contingencies

25.1.1 Guarantees as at June 30, 2018 amounting to Rs. 21.389 million agree from listing (2017: Rs. 51.063 million) have been furnished in favour of various customers.

25.1.2 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. 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. In September 2014, the Federal Government promulgated Gas Infrastructure Cess (GIDC) Ordinance No. VI of 2014. In May 2015, the said Ordinance was approved in the parliament and became an Act. Under the Act, GID Cess at the rate of Rs. 100 per MMBTU on all industrial consumers has been levied. Subsequent to the approval of the Act, the Company received gas bills at the rate of Rs. 100 per MMBTU, as the Company is considered an industrial consumers. The Company, while considering itself as industrial consumer, has accrued (but not paid) GID Cess amounting to Rs. 1.923 million at the rate of Rs. 100 per MMBTU from June 2015.

25.2 Commitments

25.2.1 Commitments under letters of credit as at June 30, 2018 amounted to Rs. Nil million (2017: Rs. 366 million).

25.2.2 The facility for opening letters of credit and guarantees as at June 30, 2018 amounted to Rs. 500 million (2017: Rs. 700 million) of which the amount remaining unutilised as at that date was Rs. 235.00 million (2017: Rs. 56.62 million).

26. NET SALES

Sales - local		969,186	1,107,501
- export		27,795	3,376
		996,981	1,110,877
Less: sales tax		(142,177)	(164,261)
		854,804	**946,616**

		Note	2018	2017
			.... (Rupees in '000)	
27.	**COST OF SALES**			
	Opening stock of finished goods		**652,336**	490,307
	Cost of goods manufactured	27.1	**910,936**	1,010,397
			1,563,272	1,500,704
	Closing stock of finished goods	11	**(835,718)**	(652,336)
			727,554	**848,368**
27.1	**Cost of goods manufactured**			
	Opening work in progress		**161,085**	122,975
	Raw material consumed	27.1.1	**405,448**	443,069
	Stores and spares consumed		**36,324**	36,558
	Coating material consumed		**63,742**	38,600
	Gas consumed		**50,379**	58,812
	Power, fuel and water		**40,434**	45,688
	Salaries, wages and other benefits	27.1.2	**118,290**	105,390
	Rent, rates and taxes		**40**	450
	Insurance		**866**	450
	Repairs and maintenance		**3,275**	1,629
	Carriage and cartage		**3,156**	806
	Depreciation	6.2	**182,930**	191,850
	Other manufacturing cost		**5,391**	23,779
	Closing work in progress	11	**(38,023)**	(161,085)
			1,033,337	**908,971**
	Rejection / scrap items			
	Opening		**83,787**	185,213
	Closing	11	**(206,188)**	(83,787)
	Cost of goods manufactured		**910,936**	**1,010,397**
27.1.1	**Raw material consumed**			
	Opening stock		**375,568**	459,979
	Purchases		**161,179**	358,658
			536,747	818,637
	Closing stock	11	**(131,299)**	(375,568)
			405,448	**443,069**

27.1.2 Salaries, wages and other benefits include Rs. 8.723 million (2017: Rs. 7.078 million) in respect of staff retirement benefits.

		Note	2018	2017
			.... (Rupees in '000)	
28.	**SELLING AND DISTRIBUTION EXPENSES**			
	Salaries, wages and other benefits	28.1	**5,606**	4,768
	Sales promotion and other expenses		**17**	15
	Travelling and conveyance		**76**	195
	Transportation carried out		**5,277**	926
	Late delivery charges		—	4,975
	Others		**2,093**	70
			13,069	**10,949**

28.1 Salaries, wages and other benefits include Rs. 0.390 million (2017: Rs. 0.515 million) in respect of staff retirement benefits.

		Note	2018	2017
			.... (Rupees in '000)	....
29.	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and other benefits	29.1	**35,360**	28,809
	Travelling and conveyance		**11,304**	11,386
	Legal and professional charges		**3,665**	2,675
	Fees and subscription		**6,217**	3,696
	Telephone, telex and postage		**1,374**	1,550
	Vehicle running and maintenance		**3,029**	2,375
	Auditors' remuneration	29.2	**1,044**	1,044
	Printing and stationery		**1,715**	164
	Depreciation	6.2	**1,407**	1,493
	Amortisation	7.2	**208**	334
	Utilities		**999**	1,069
	Rent, rates and taxes		**705**	1,115
	Repairs and maintenance		**5,393**	4,397
	Advertisement		**23**	150
	Entertainment		**212**	66
	Others		**11,355**	6,272
			84,010	**66,595**

29.1 Salaries and other benefits includes Rs. 4.613 million (2017: Rs. 3.628 million) in respect of staff retirement benefits.

		Note	2018	2017
			.... (Rupees in '000)	....
29.2	**Auditors' remuneration**			
	Annual audit fee		**660**	660
	Half yearly review		**240**	240
	Other services including certifications		**64**	75
	Out of pocket expenses		**80**	69
			1,044	**1,044**
30.	**OTHER OPERATING EXPENSES**			
	Workers' Welfare Fund		**3,560**	4,234
	Exchange loss		**61**	1,270
	Workers Profit Participation Fund		**946**	1,399
	Intangible Asset Written off		—	1,000
			4,567	**7,903**
31.	**OTHER INCOME**			
	Scrap sales		**12,350**	17,551
	Others		**18,467**	15,974
			30,817	**33,525**
32.	**FINANCE COST**			
	Profit paid on musharaka		**11**	47
	Interest on Workers' Profit Participation Fund	21.1	**26,016**	16,362
	Mark-up on murabaha finance		**2,409**	278
	Mark-up on short term borrowing-BAFL		**9,838**	5,055
	Bank charges		**3,448**	2,242
			41,722	**23,984**

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	Note	2018	2017
		.... (Rupees in '000)	
33. TAXATION			
Current			
– for the year		**52,326**	64,320
	15	**52,326**	64,320
Deferred	20.2	**(105,501)**	(67,541)
		(53,175)	**(3,221)**

33.1 Income tax assessment has been made in the current year under section 122(9) of the income tax ordinance, 2001, there have been no significant additional tax amount demanded by income tax department. The company is filing a rectification application for the tax credit short allowed in the said assessment formed by the department.

33.2 Income tax assessment prior to tax year 2017 has been assessed under deemed provision of the income tax ordinance

33.3 Finance Act, 2017 has introduced tax rates of 30%, 29% and 28% for the tax years 2018, 2019 and 2020 (and onwards), respectively. Accordingly, deferred tax liability has been recorded on the basis of tax rates that are expected to apply to the taxable profit of the periods in which the temporary differences are expected to reverse.

33.4 The management believes amount provided for Income tax liability for current and previous year has been in accordance with the prevalent Income tax law and sufficient enough to meet the tax liability of the company. An analysis of tax provision and tax assessment for past 4 years is as under:

	.... (Rupees in '000)	....
Tax Year	**Tax Assessment**	**Provision for Taxation**
2017	63,965	64,320
2016	59,000	59,000
2015	35,498	35,498
2014	37,436	37,436

	2018	2017
33.4 Relationship between tax expenses and accounting profit	.... (Rupees in '000)	
Profit before taxation	**14,699**	**22,342**
Tax at the applicable rate of 30% (2017: 31%)	**4,410**	6,926
Effect of change in tax rate	**(1,055)**	(675)
Tax effect of temporary / permanent difference	**(19,443)**	(9,472)
Others	**(37,087)**	—
	(53,175)	**(3,221)**

	2018	2017
34. EARNINGS PER SHARE - basic and diluted		
Profit after tax	**67,874**	**25,563**
	.... Number in '000	
Weighted average number of ordinary shares	**55,484**	**55,484**
	.... (Rupees in '000)	
Earnings per share - basic and diluted	**1.22**	**0.46**

	2018	2017
34.1 Earnings before interest, tax, depreciation and amortisation (EBITDA)		
Operating profit	**56,421**	46,326
Depreciation	**184,337**	193,343
Amortisation	**208**	334
Finance cost	**41,722**	23,984
	282,688	**263,987**

	2018	2017
	.... (Rupees in '000)	
35. CHANGES IN WORKING CAPITAL		
(Increase) / decrease in current assets		
Stores and spares	**5,845**	2,547
Stock-in-trade	**61,548**	(14,302)
Trade debts	**17,320**	(32,162)
Loans and advances, trade and other deposits and other receivables	**33,384**	10,478
	118,097	(33,439)
Increase in current liabilities		
Trade and other payables	**(176,733)**	(270,510)
	(58,636)	**(303,949)**
36. CASH AND CASH EQUIVALENTS		
Restructured Term finances under mark-up arrangements	**(35,029)**	(160,000)
Cash and bank balances	**40,951**	68,147
	5,922	**(91,853)**

37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	Chief Executive		Directors		Executives	
Particulars	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
	...........Rupees in '000...........					
Managerial remuneration	**6,274**	6,274	**1,935**	1,935	**15,347**	10,955
House rent	**2,823**	2,823	**871**	871	**6,906**	4,930
Utilities	—	—	**194**	194	**1,535**	1,095
Gratuity	**758**	758	**250**	250	**1,803**	1,415
	9,855	9,855	**3,250**	3,250	**25,592**	18,395
Number of persons	**1**	1	**1**	1	**13**	13

37.1 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.

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

38. CAPACITY AND PRODUCTION

	2018		2017	
Particulars	**Capacity**	**Production**	**Capacity**	**Production**
	...........Metric Ton...........			
Seamless Tubular Products	**100,000**	**5,303**	100,000	7,023
Machinery and Machinery Components	**3,500**	—	3,500	—
Coating of Seamless Tubular Products	**50,000**	**3,094**	50,000	2,982
		8,397		**10,005**

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.

Capacity under utilized in the year due to the lack of the shortage of demand.

Seamless Tubular Products	**100%**	**5%**	100%	7%
Coating of Seamless Tubular Products	**100%**	**6%**	100%	6%

39. NUMBER OF EMPLOYEES

The total number of employees as at year end were 155 (2017: 210) and total average number of employees were 166 (2017: 200) while in which average number of factory employees in the year were 150.

40. TRANSACTIONS AND BALANCES 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 carried out as per agreed terms.

Transactions with related parties are as follows:

Name	Nature of relationship	Nature of transaction	2018	2017
			.... (Rupees in '000)	....
Hafiz Abdul Waheed and Brothers	Associated entity	Sale of goods	96,199	136,666
		Receipts in respect of sale of goods	98,713	109,957
Huffaz Corporation	Associated company	Sale of goods	54,103	65,548
		Receipts in respect of sale of goods	68,733	64,192
HPY Coating (Private) Limited	Joint Venture	Investment in equity shares by exchange of /transfer of assets		
		- Land	16,950	—
		- Building/Coating Shed	226,237	—
			243,187	—
Directors	Related party	Sponsors' advances received	21,034	10,000
		Sponsors' advances paid	19,354	25,266
Key management personnel		Remuneration	17,815	18,321

Balances receivable / (payable) as at June 30, 2018 with related parties are as follows:

Name	Nature of relationship	Nature of balance	2018	2017
Hafiz Abdul Waheed	Associated	Trade debts	18,578	21,091
and Brothers	entity	Trade and other payables	—	—
Huffaz Corporation	Associated	Trade debts	—	1,767
	company	Trade and other payables	(12,862)	—
HPY Coating (Private) Limited	Joint Venture	Short term loan to HPY Coating	20,678	2,309
Directors	Related party	Short-term sponsor's advances	(65,636)	(63,957)

41. OPERATING SEGMENTS

41.1 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:

41.2 Segment revenue and results

	Seamless Segment	Coating Segment	Total
For the year ended June 30, 2018		Rs '000	
Sales	**758,195**	**96,609**	**854,804**
Cost of sales	**(641,703)**	**(85,851)**	**(727,554)**
Gross profit	**116,492**	**10,758**	**127,250**
For the year ended June 30, 2017			
Sales	859,800	86,816	946,616
Cost of sales	(766,891)	(81,477)	(848,368)
Gross profit	**92,909**	**5,339**	**98,248**

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

	2018	2017
	(Rupees in '000)	
Total results for reportable segments	**127,250**	98,248
Distribution and administrative expenses	**(97,079)**	(77,544)
Other operating charges	**(4,567)**	(7,903)
Other income	**30,817**	33,525
Finance cost	**(41,722)**	(23,984)
Taxation	**53,175**	3,221
Profit for the year	**67,874**	**25,563**

41.3 Segment assets and liabilities

	Seamless Segment	Coating Segment	Total
		Rs '000	
As at June 30, 2018			
Segment assets	**5,701,335**	**1,261,070**	**6,962,405**
Segment liabilities	**805,952**	**—**	**805,952**
As at June 30, 2017			
Segment assets	5,953,461	1,142,034	7,095,495
Segment liabilities	1,076,275	—	1,076,275

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

	2018	2017
	(Rupees in '000)	
Total for reportable segment assets	**6,962,405**	7,095,495
Unallocated assets	**81,551**	112,171
Total assets as per balance sheet	**7,043,956**	**7,213,537**
Total for reportable segment liabilities	**805,952**	1,076,275
Unallocated liabilities	**1,181,752**	1,293,336
Total liabilities as per balance sheet	**1,987,703**	**2,369,611**

41.4 Segment revenue reported above is revenue generated from external customers. There were no inter-segment sales during the year (2017: nil)

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

41.6 97.21% (2017: 99.70%) of gross sales of the Company relates to customers in Pakistan.

41.7 All non-current assets of the Company as at June 30, 2018 are located in Pakistan.

41.8 Revenue from a major customer of seamless segment represents an aggregate amount of Rs. 99.97 million (2017: Rs. 65.48 million) of total seamless segment revenue of Rs. 758.195 million (2017: 859.800 million). Further, revenue from a major customer of coating segment represents an aggregate amount of Rs. 97.10 million (2017: Rs. 49.81 million) out of total coating segment revenue of Rs. 96.609 million (2017: Rs. 86.816 million).

42. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

Risk Management Framework

The Board meets frequently throughout the year for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate policies and systems and reviewed regularly to reflect changes in market condition and the company's activities. The Company, through its standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks by the Company.

42.1 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. As at June 30, 2017, none of the financial assets are past due or impaired.

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

	2018		2017	
	Balance sheet	Maximum exposure	Balance sheet	Maximum exposure
	.... (Rupees in '000)	....		
Trade debts	103,498	103,498	120,818	120,818
Loans and advances, trade and other deposits and other receivables	118,083	118,083	140,708	140,708
Bank balances	40,951	40,855	68,147	68,009
	262,532	262,436	329,673	329,535

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

	2018	2017
	.... (Rupees in '000)	....
Dealers and distributors	62,949	81,954
End-user customers	40,549	38,864
	103,498	120,818

As at the year end June 30 2018 the Company's most significant customers included a distributor from whom Rs. 18.58 million was due (2017: Rs. 21.091 million) and an end-user from whom Rs. 33.401 million was due (2017: Rs. 7.715 million).

The Company deposits its funds with banks carrying good credit standings assessed by reputable credit agencies. These banks are credit rated as follows:

		Short term	Long term
Local Banks		C to A1+	B to AAA
	Credit Rated	**2018**	**2017**
		.... (Rupees in '000)	....
National Bank of Pakistan	A1+	1,843	53,861
Habib Bank Ltd	A1+	36,172	2,603
Allied Bank Ltd.	A1+	129	2,667
Soneri Bank Ltd	A1+	41	1,249
Bank Al Habib Ltd	A1+	187	2,525
Silk Bank	A-2	504	504
Other Banks	A1+	1,979	4,600
Total		40,855	68,009

42.2 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 experience 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 are the contractual maturities of financial liabilities, including interest payments:

	2018				
	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
	.... (Rupees in '000)				....
Financial liabilities at amortized cost					
Long-term financing	3,128	3,128	552	590	1,986
Short-term sponsors' advances	65,636	65,636	—	65,636	—
Short-term borrowings	35,029	35,029	35,029	—	—
Trade and other payables	163,561	163,561	163,561	—	—
Accrued mark-up	4,500	4,500	4,500	—	—
	271,854	271,854	203,642	66,226	1,986
Derivative financial liabilities	—	—	—	—	—
	271,854	271,854	203,642	66,226	1,986

	2017				
	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	Two to five years
	.... (Rupees in '000)				....
Financial liabilities at amortized cost					
Long-term financing	3,333	3,333	488	530	2,315
Short-term sponsors' advances	63,957	63,957	—	63,957	—
Short-term borrowings	160,000	160,000	120,000	40,000	—
Trade and other payables	207,680	207,680	207,680	—	—
Accrued mark-up	2,330	2,330	2,330	—	—
	437,300	437,300	330,498	104,487	2,315
Derivative financial liabilities	—	—	—	—	—
	437,300	437,300	330,498	104,487	2,315

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 note 18 to these financial statements.

42.3 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.

42.3.1 Currency risk

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 in foreign currencies.

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

	2018		2017	
	Rupees in '000	**US Dollars in '000**	**Rupees in '000**	**US Dollars in '000**
Foreign currency bank accounts	**21**	**0.169**	21	0.200
Import bills payable	**(93,401)**	**(754)**	(130,162)	(1,241)
Net exposure	**(93,380)**	**(753)**	(130,141)	(1,241)

Following are the significant exchange rates applied during the year:

	Average rates		Balance sheet date rate	
	2018	**2017**	**2018**	**2017**
	.... (Rupees in '000)		.... (Rupees in '000)	
US Dollars	**121.60**	104.79	**123.95**	104.86

Sensitivity analysis

A five percent change in Rupee against US Dollar at June 30, 2018 would have increased / (decreased) equity and (decreased)/ increased post tax profit / loss by Rs. 3.268 million (2017: Rs. 4.490 million). This analysis assumes that all other variables, in particular interest rates, remains constant. The analysis is performed on the same basis for 2017.

42.3.2 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	
	2018	2017
Variable rate instruments		
Financial liabilities	**38,157**	**163,333**

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, 2018 by Rs. 0.2671 million (2017: Rs. 1.127 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2017.

42.4 Fair value of financial assets and liabilities

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

Fair value sensitivity analysis for fixed rate instruments

The company does not account for any fixed rate financial assets and liabilities at fair value through the profit and loss account. Therefore a change in interest rates at the reporting date would not affect the profit and loss account.

42.4.1 Measurement of Fair Values

Management engage an independent external expert / valuer to carry out valuation of its non-financial assets (i.e. Land and Building) and obtain rate from financial institution to value derivative financial instruments. Involvement of external valuers is decided upon by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

When measuring the fair value of an asset or a liability, the Company uses valuation techniques that are appropriate in the circumstances and uses observable market data as far as possible. Fair values are categorized into different levels in fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the management recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between different levels of fair values mentioned above.

	30-Jun-18							
	Carrying Amount				Fair Value			
	Loans and receivable	Other financial assets	At fair value through profit and loss	Other Financial Liabilities	Total	Level 1	Level 2	Level 3
Financial assets not measured at fair value								
Long term deposits	6,936	—	—	—	6,936	—	—	—
Trade debts-considered good	103,498	—	—	—	103,498	—	—	—
Loan, advances, trade deposits and short term prepayments	63,174	—	—	—	63,174	—	—	—
Other receivables	65,654	—	—	—	65,654	—	—	—
Cash and bank balances	40,951	—	—	—	40,951	—	—	—
Financial liabilities measured at fair value								
- Derivative financial liabilities	—	—	—	—	—	—	—	—
Financial liabilities not measured at fair value								
Long-term financing-secured	—	—	—	(1,986)	(1,986)	—	—	—
Trade and other payables	—	—	—	(697,659)	(697,659)	—	—	—
Short-term sponsors' advances	—	—	—	(65,636)	(65,636)	—	—	—
Short-term borrowings-secured	—	—	—	(35,029)	(35,029)	—	—	—
Current portion of non-current liabilities-secured	—	—	—	(1,142)	(1,142)	—	—	—
Accrued mark-up				(4,500)	(4,500)	—	—	—

	30-Jun-17							
	Carrying Amount					Fair Value		
	Loans and receivable	Other financial assets	At fair value through profit and loss	Other Financial Liabilities	Total	Level 1	Level 2	Level 3
Financial assets not measured at fair value								
Long term deposits	6,936	—	—	—	6,936	—	—	—
Trade debts-considered good	120,818	—	—	—	120,818	—	—	—
Loan, advances, trade deposits and short term prepayments	44,080	—	—	—	44,080	—	—	—
Other receivables	118,132	—	—	—	118,132	—	—	—
Cash and bank balances	68,147	—	—	—	68,147	—	—	—
Financial liabilities measured at fair value								
- Derivative financial liabilities	—	—	—	—	—	—	—	—
Financial liabilities not measured at fair value								
Long-term financing-secured	—	—	—	(2,315)	(2,315)	—	—	—
Trade and other payables	—	—	—	(830,775)	(830,775)	—	—	—
Short-term sponsors' advances	—	—	—	(63,957)	(63,957)	—	—	—
Short-term borrowings-secured	—	—	—	(160,000)	(160,000)	—	—	—
Current portion of non-current liabilities-secured	—	—	—	(1,018)	(1,018)	—	—	—
Accrued mark-up				(2,330)	(2,330)	—	—	—

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities measured at fair value:

Assets measured at fair value	Date of valuation	Valuation approach and inputs used	Inter-relationship between significant unobservable inputs and fair value measurement
- Land and Building	19-Sep-15	The valuation model is based on price per square feet for building and per acre for land. In determining the valuations for land and buildings, the valuer refers to current market conditions, structure, sale prices of comparable land in similar location adjusted for differences in key attributes such as land size and inquires with numerous independent local estate agents / realtors in the vicinity to establish the present market value. The fair valuation of land and building are considered to represent a level 3 valuation based on significant non-observable inputs being the location and condition of the assets.	The fair value are subject to change owing to changes in input. However, the management does not expect there to be a material sensitivity to the fair values arising from the non-observable inputs.
Liabilities measured at fair value			
Derivative financial liabilities			
- Forward exchange contract		The fair value of forward exchange contracts is determined based on the forward exchange rates as at reporting date. The fair value of forward exchange contract are included in level 2 in the fair value hierarchy. However at balance sheet date no forward exchange contract.	

Management assessed that the fair values of cash & cash equivalent and short-term deposits, other receivable, trade receivables, trade payables, short term borrowing and other current liabilities closely approximate their carrying amounts largely due to short-term maturities of these instruments. For long term deposit asset and long term liabilities, management consider that their carrying values approximates fair value owing to credit standing of counterparties and interest payable on borrowings are market rate. The fair value of the Land and Building on freehold land are determined by an independent valuer based on price per square feet and price per acre and current replacement cost method adjusted for depreciation factor for existing asset in use. The resulting fair value is a level 3 fair value measurement. Fair values of investment in joint venture is disclosed in note # 9 investments.

42.5 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.

43. GENERAL

43.1 Corresponding Figures

As stated in note# 5 due to recent changes brought about in Companies Act 2017, some of the previous period balances have been rearranged/reclassified wherever necessary to facilitate comparison in the current period.

Balance Sheet

- Surplus on revaluation reclassified to changes in equity.
- Unclaimed dividend presented separately.
- Short term sponsor's advances
- Loan, advances, trade deposits and short term prepayments
- Trade and other payables rearranged.

43.2 Date of authorisation for issue

These financial statements were authorized for issue on September 27, 2018 by the Board of Directors of the Company.

Hafiz Abdul Majid	**Hafiz Abdul Sami**	**Usama Ahmed**
Chief Executive	Director	Chief Financial Officer

Pattern of Shareholding

As on June 30, 2018

No. of Shareholders	Having Shares From	To	Shares Held	Percentage
376	1	100	8432	0.0152
417	101	500	140748	0.2537
236	501	1000	194930	0.3513
330	1001	5000	853531	1.5383
88	5001	10000	679240	1.2242
29	10001	15000	360033	0.6489
33	15001	20000	595670	1.0736
12	20001	25000	278446	0.5018
18	25001	30000	498335	0.8982
6	30001	35000	195661	0.3526
14	35001	40000	532658	0.96
4	40001	45000	165484	0.2983
5	45001	50000	242007	0.4362
6	50001	55000	314428	0.5667
1	55001	60000	57543	0.1037
1	60001	65000	62500	0.1126
1	65001	70000	69052	0.1245
1	70001	75000	75000	0.1352
4	75001	80000	309307	0.5575
3	85001	90000	260498	0.4695
1	90001	95000	90703	0.1635
1	95001	100000	100000	0.1802
2	100001	105000	204520	0.3686
1	105001	110000	109731	0.1978
2	110001	115000	227386	0.4098
1	115001	120000	119993	0.2163
1	120001	125000	124556	0.2245
2	140001	145000	287940	0.519
1	145001	150000	148722	0.268
1	155001	160000	159171	0.2869
2	165001	170000	334047	0.6021
1	170001	175000	172643	0.3112
1	180001	185000	183076	0.33
3	185001	190000	568982	1.0255
1	190001	195000	194337	0.3503
3	200001	205000	604239	1.089
1	205001	210000	209709	0.378
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	310001	315000	311256	0.561
5	345001	350000	1726446	3.1116
1	375001	380000	379190	0.6834
1	390001	395000	391745	0.706
3	400001	405000	1208520	2.1781
1	420001	425000	423800	0.7638
2	435001	440000	877716	1.5819
1	485001	490000	487500	0.8786
1	565001	570000	568258	1.0242
1	570001	575000	574040	1.0346
1	605001	610000	606371	1.0929
1	625001	630000	627212	1.1304
1	645001	650000	650000	1.1715
1	745001	750000	747350	1.347
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	1.961
1	1325001	1330000	1326896	2.3915
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
1656		**Company Total**	**55484303**	**100**

Categories of Shareholders

As at June 30, 2018

{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	391,745	0.71%
2.3	CDC - Trustee AKD Opportunity Fund	234,675	0.42%
2.4	National Bank of Pakistan-Trustee Department UNIT Fund	1,331,896	2.40%
		1,958,691	**3.53%**
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%
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	1.59%
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%
		30,378,045	**54.75%**
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)	5,952	0.01%
6.2	National Bank of Pakistan	764	0.00%
		6,716	**0.01%**
7	**Shareholders holding five percent or more voting rights (Name wise detail)**	—	—
8	**Others**	**23,011,924**	**41.47%**
	TOTAL	**55,484,303**	**100%**

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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

35th 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 35th Annual General Meeting of Company will be held Monday, October 29, 2018 at 04:00 p.m. at Junagargh Community Centre 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) Witness:
Signature ....
Name: ....
CNIC No. ....
Passport No. ....
(in case of foreigner)
Address ....

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

NOTE:

(1) A member entitled to attend and vote at the Meeting is entitled to appoint another member as his/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.

فولیو نمبر:
سی ڈی سی آئی ڈی نمبر:
ذیلی اکاؤنٹ نمبر:
حصص کی تعداد:
کمپیوٹرائزڈ شناختی کارڈ نمبر:
پاسپورٹ نمبر (اگر غیر ملکی شہری ہو تو):

حفاظ سیم لیس پائپ انڈسٹریز لمیٹیڈ

پراکسی فارم

35 واں سالانہ اجلاس

میں / ہم ______________ از ______________

بطور ممبر حفاظ سیم لیس پائپ انڈسٹریز لمیٹڈ بنام ______________

از ______________ (مکمل پتہ) کو

اپنی / ہماری غیر موجودگی میں اپنا / ہمارا وکیل مقرر کرتا ہوں / کرتے ہیں تا کہ وہ میری / ہماری جانب سے کمپنی کے 35 ویں سالانہ اجلاس جو بروز پیر مؤرخہ 29 اکتوبر 2018 بوقت صبح 04:00 بجے بمقام جوناگڑھ کمیونٹی سینٹر، بالمقابل مشرق سینٹر، بلاک 17 گلشن اقبال، کراچی-75300 اس اجلاس میں شرکت کر سکے۔

دستخط پراکسی: ______________

فولیو نمبر: ______________

سی ڈی سی آئی ڈی نمبر: ______________

ذیلی اکاؤنٹ نمبر: ______________

کمپیوٹرائزڈ شناختی کارڈ نمبر: ______________

پاسپورٹ نمبر (اگر غیر ملکی شہری ہو تو): ______________

(اوپر کیے گئے دستخط کمپنی کے ریکارڈ پر موجود نمونہ دستخط کے مطابق ہونا چاہیے)

پانچ روپے والی ریونیو اسٹیمپ لگائیں

دستخط: ______________

شیئر ہولڈر کے

گواہ نمبر 1	گواہ نمبر 2
دستخط ______________	دستخط ______________
نام ______________	نام ______________
کمپیوٹرائزڈ قومی شناختی کارڈ نمبر ______________	کمپیوٹرائزڈ قومی شناختی کارڈ نمبر ______________
پاسپورٹ نمبر (اگر غیر ملکی شہری ہو تو) ______________	پاسپورٹ نمبر (اگر غیر ملکی شہری ہو تو) ______________
پتہ ______________	پتہ ______________

نوٹس

1۔ ممبر جو اجلاس میں شرکت کرنے اور ووٹ ڈالنے کا حق رکھتا ہے وہ اپنی جگہ کسی اور ممبر کو بھی پراکسی منتخب کر سکتا ہے کی وہ اس کی جگہ شرکت کرے اور ووٹ ڈالے۔

2۔ اس کاغذ پر ممبر کے دستخط ہوں اور اگر کوئی ممبر کسی کارپوریٹ ادارے کی نمائندگی کر رہا ہو تو لازم ہے کہ اسکے پاس تحریر شدہ مختار نامہ اور پراکسی فارم جس پر ادارے کی عمومی مہر ثبت شدہ ہو۔

3۔ حاملین سی ڈی سی اکاؤنٹ اور ذیلی اکاؤنٹ کو چاہیے کہ پراکسی فارم کے ساتھ اپنے اور پراکسی ممبر کے کارآمد قومی شناختی کارڈ / پاسپورٹ کی نقل بھی منسلک کریں۔

4۔ باقاعدہ پر شدہ اور دستخط شدہ پراکسی فارم کمپنی سیکرٹری کے پاس کمپنی کے رجسٹرڈ دفتر کو اجلاس شروع ہونے سے کم از کم 48 گھنٹے پہلے موصول ہو جانا لازم ہے۔

5۔ کسی پراکسی کے attorney ہونے کی صورت میں پراکسی کی تمام شرائط پورا کرنا لازم ہے اس کے علاوہ کمپنی کو اصل پاور اٹارنی بھی جمع کرانا ہوگی۔

6۔ سی این آئی سی کے غیر موجودگی میں نادرا کو جمع کرائی گئی سی این آئی سی کی درخواست کی رسید یا پرا NIC/CNIG جس کی مدت ختم ہوگئی ہو بھی قابل قبول ہونگیں۔

Huffaz

Seamless Pipe Industries Limited

Committed to Excellence

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

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

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