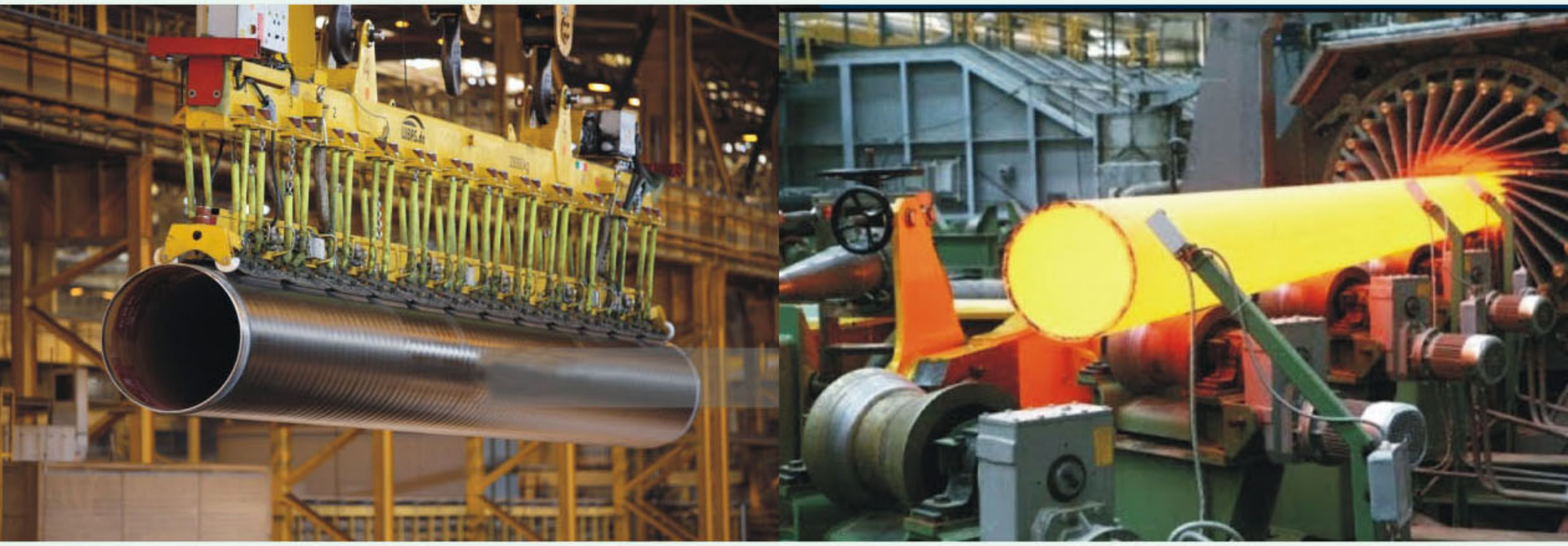
ANNUAL **REPORT** 2017



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

	2017 Rs in ' 000	2016 Rs in ' 000
Gross Sales	**1,110,877**	1,176,105
Net Sales	**946,616**	1,002,394
Profit before tax	**22,342**	4,387
Taxation	**3,221**	15,633
Profit after tax	**25,563**	20,020
Shareholders' Equity	**1,602,241**	1,478,374
Total Assets	**7,213,537**	7,349,334
Capital Expenditures	**28,194**	9,153
Profit per share	**0.46**	0.36
Number of Employees (Numbers)	**210**	245
Production volume (M. Tones)		
Seamless Tubular Products	**7,023**	8,652
Machinery and its components	**—**	—
Coating of Seamless Tubular Products	**2,982**	4,512

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.

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

Company's Profile

Huffaz Engineering Works

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

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

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

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

Product & Services:

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

Chain Spocket, Gear and Worm Wheels.

Hi-tech Precision Mechanical Components.

Dies & Moulds.

Tube Bending & Intricate Fabrication.

Machinery Components for Various Application

Product Design & Development

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

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

Environment, Health & Safety

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

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

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

Environment:

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

Following the introduction of our Health, Safety and Environment (HSE) Policy we have been working on the implementation of an integrated Health, Safety and Environment management system. The management system is a set of processes and practices that help HSPI in constantly improving its environmental performance. This management system follows the guidelines of international standards such as ISO 14000, applying eco-efficiency and integral safety concepts throughout the system, from product design and industrial investment up to operations and logistics.

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

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

Material Efficiency and Energy Intensity: HSPI continually reviews its operations to minimize the efficiency of energy resources, the re-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 web-site 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 34th Annual General Meeting of Company will be held on Wednesday, October 25, 2017 at 02:30 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, 2017 and the Reports of the Directors' and Auditors' thereon.

2. To appoint External Auditors for the year ending 30th June 2018 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 2018.

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

By order of the Board

(Usama Ahmed)
Company Secretary

Karachi
October 04, 2017

NOTE:

1. The share transfer books of the company will remain closed from 18th October, 2017 to 25th October 2017 (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 34th Annual Report of the Company together with the annual audited financial statements and Auditors' Report thereon for the year ended 30th June 2017.

Overview of Economy

The current elected government is positively restoring the economic stability of Pakistan with in short period of time, Year 2016-17 shows 5.28% growth in GDP which is higher than 4.4 % 2015-16 and also the highest in 10 years. Pakistan economy is growing rapidly, according to a report published by Price Water House Coopers in 2017; Pakistan is projected to become the world's 20th largest economy by 2030 and 16th largest by 2050.

Most effective step of the elected government is the Gwadar Port project and CPEC project which is contributing a lot towards the economic stability of Pakistan. The CPEC envisages projects in energy and infrastructure, with a total financial outlay of around US$ 46 billion. Financial outlay of Energy sector's projects is estimated to be US$ 34.74 billion. Energy sector's projects include power generation and transmission projects to be implemented in IPP mode. Till June 2017, twelve (12) projects have been signed in Energy Sectors.

In 2017 the stock market touched the highest level of 52,000 marks which is sign of interest of foreign investors. The inclusion in the Emerging Markets Index by Morgan Stanley Capital International has empowered the Pakistan Stock Exchange to outperform its regional peers over the last four years.

The fifth budget presented by the current Government with total outlay of PKR 5103.8 billion. The stabilization of economy with inflation remained in control of 4.1% in 2016-17, completion of IMF program, building up of foreign exchange reserve, and policy interest rate being at the lowest level of past 4 decades at 5.75% as on June 2017. The decline in International oil prices helped in stabilization of PKR to USD exchange rate and building of foreign reserves by savings on import bills of oil. The inflation for current year is expected to be 6.0 percent; the present trend suggests that it will remain below the target.

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 effected due to decline in prices of oil in international market.

Operating Performance

The operating performance of the Company is shown below:

	June 30 2017	June 30 2016	Difference In Rupees	Difference In percentage
	.... Rs in 000			
Net sales	**946,616**	1,002,394	(55,778)	-6%
Cost of sales	**(848,368)**	(928,932)	80,764	-9%
Gross Profit	**98,248**	73,462	24,786	34%
Distribution cost	**(10,949)**	(6,161)	(4,788)	78%
Administrative expenses	**(66,595)**	(62,970)	(3,625)	6%
	(77,544)	(69,131)	(8,413)	12%
	(20,704)	4,331		
Other operating expenses	**(7,903)**	(14,713)	6,810	-46%
Other income	**33,525**	46,822	(13,297)	-28%
	46,326	36,440		
Finance cost	**(23,984)**	(32,053)	8,069	-25%
Profit before taxation	**22,342**	4,387		
Taxation	**3,221**	15,633	- 12,412	-79%
Profit after taxation	**25,563**	20,020	5,543	28%

The Company's net sales of Rs 946.616 million is 6% lower than the last year's sales of Rs. 1.002 billion. 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.

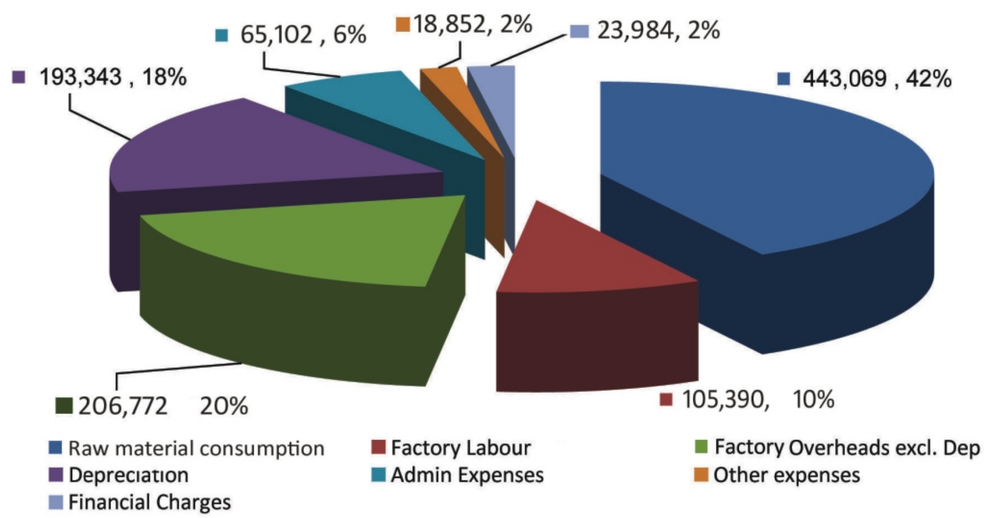
The notional net profit of Rs. 25.563 million appearing on the face of the Profit & Loss account is merely due to incremental depreciation charged during the year. Had there been no revaluation the results would have been the following:

	June 30 2017	June 30 2016	Difference In Rupees	Difference In percentage
	Rs in 000			
Net sales	**946,616**	1,002,394	(55,778)	-6%
Cost of sales	**(848,368)**	(928,932)	80,564	-9%
Gross Profit	**98,248**	73,462	24,786	25%
Distribution cost	**(10,949)**	(6,161)	(4,788)	44%
Administrative expenses	**(66,595)**	(62,970)	(3,625)	5%
	(77,544)	(69,131)	(8,413)	11%
	(20,704)	4,331		
Other operating expenses	**(7,903)**	(14,713)	6,810	-86%
Other income	**33,525**	46,822	(13,297)	-40%
	46,326	36,440		
Finance cost	**(23,984)**	(32,053)	8,069	-34%
Profit before taxation	**22,342**	4,387		
Taxation	**3,221**	15,633	- 12,412	-385%
Profit after taxation	**25,563**	20,020	5,543	22%

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

EXPENSES BREAKUP

Point to be noted! Out of total expenses of Rs 1057 million, Rs 193 million (18%) relates to Depreciation i.e. a non cash expenses which indicates that there are no liquidity crisis. Have a look at Indigo Slice



Production

The production of seamless tubular products during the year was 7,023 Metric Tons as compared to 8,652 Metric Tons in the last year. On the other hand our Revenue segment Coating Plant which produced 2,982 Metric Tons as compared to 4,512 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 0.36 per share in last year to Rs. 0.46 in current year. The EBITDA (Earnings before Interest, Tax, Depreciation and Amortization) of Rs. 237.761 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 35 to the accounts.

Capital investment:

During the year the Company incurred Rs.25.885 million (2016: Rs 9.153 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.

Technology Advancements

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

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

Human resource

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

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

Corporate Social Responsibility

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

Auditors

The present external auditors M/s. 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.
- 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 agoing 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. 104.473 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. Yousuf Mohamed Y.Najibi (UAE)	—	—	—
Mr. Nabil Abdul Rahman Ahmad Arif (UAE)	—	—	—
Mr. Abdul Aziz Eshaq A.Rahman (UAE)	—	—	—
Mr. Muhammad Hafiz (UK)	4	4	1
Mr. Arshad Ahmed (UK)	4	4	1
Hafiz Abdul Waheed	1	-	—
Hafiz Abdul Sami	4	4	—-
Hafiz Abdul Aleem	1	—	1
Hafiz Abdul Majid	4	—	1
Hafiz Abdul Haseeb	4	—	1
Mr. Nasir Mahmood	1	1	—

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 2017, 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 or through Thar coal or importing Liquefied Natural Gas ["LNG"] which will have positive impact on the demand of our seamless pipes. The Government has undertaken to lay down LNG pipeline from Karachi to Lahore having the estimated cost of Rs. 64.9 billion as well as looking for Iran-Pakistan ("IP") gas pipeline project to supply both imported LNG as well as indigenous gas in place of Gwadar-Nawabshah LNG Pipe line project (700 km). 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.

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.

Building and related facility is ready. Plant, machinery & accessories have arrived in Pakistan and production will start in very 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 15 years on the board of a listed company and education of more than 14 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: September 28, 2017

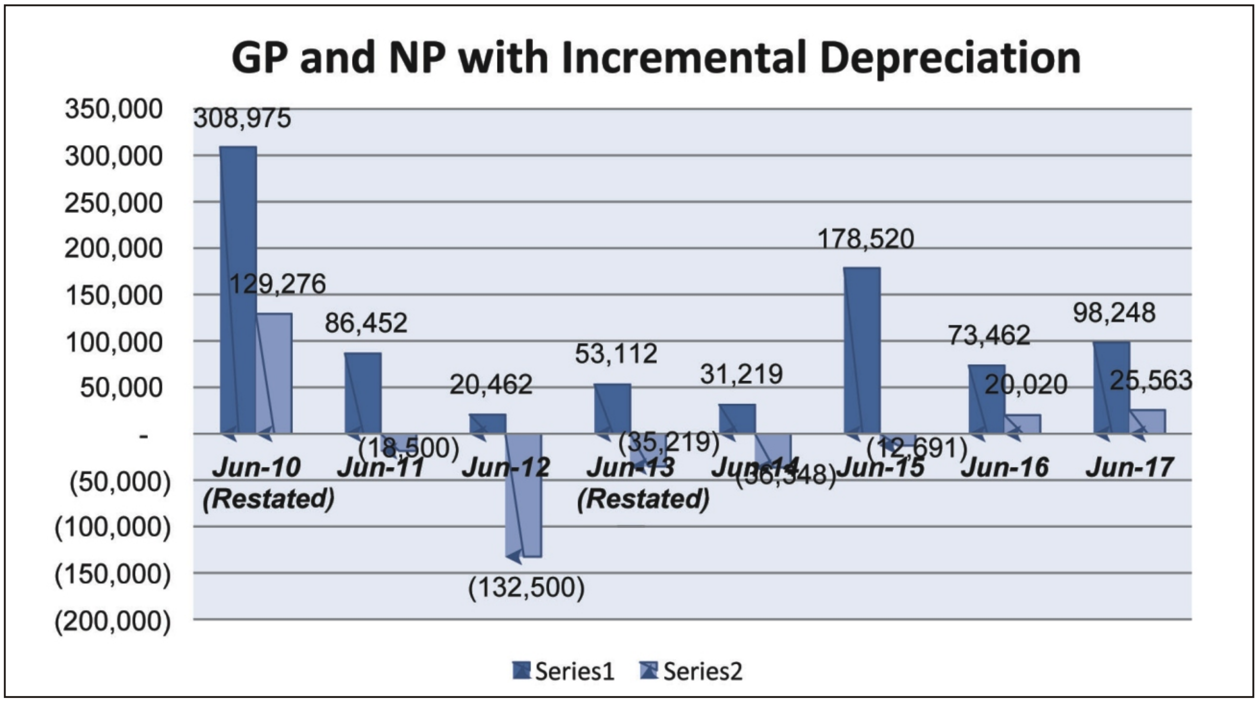
Decade at a Glance

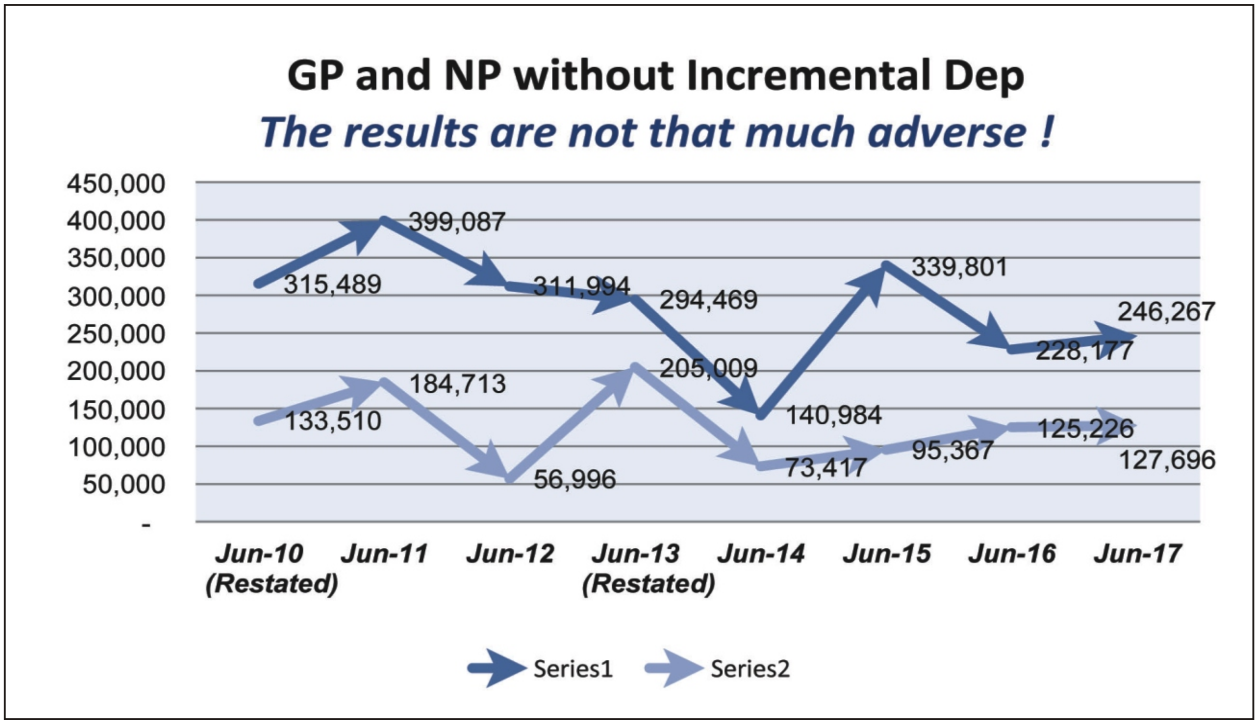
Product: Seamless Steel Pipes and Tubes
Location of H/O: Karachi
Location of Plant: Nooriabad
CEO: Hafiz Abdul Majid

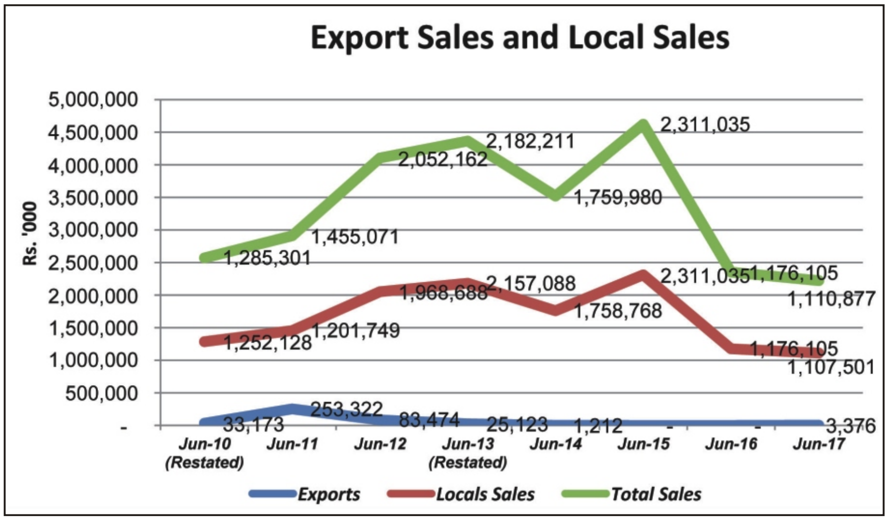
Year Ended (Rs.'000')

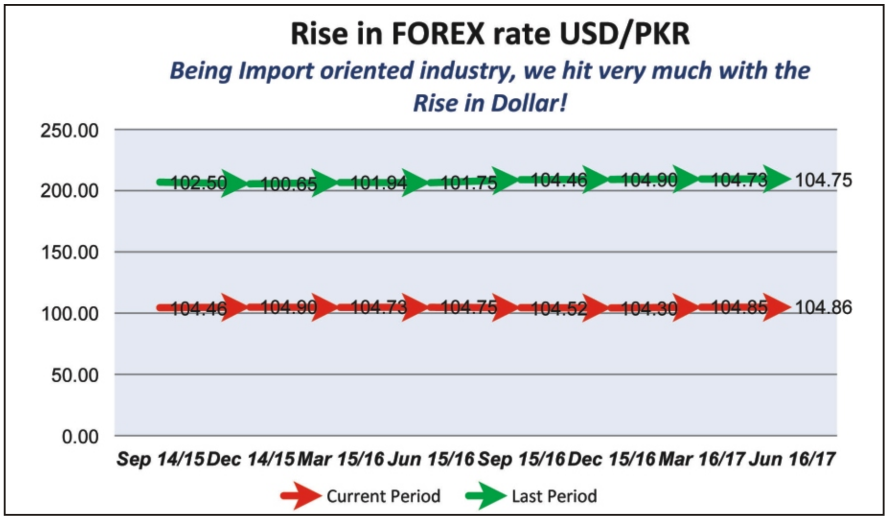
		June 30 2017	June 30 2016	June 30 2015	June 30 2014	June 30, 2013 Restated	June 30, 2012	June 30, 2011	June 30, 2010 Restated	June 30, 2009 Restated	June 30, 2008
Balance sheet data	Cash	**68,147**	104,273	5,787	88,962	215,216	29,190	31,601	31,797	12,231	61,660
	Receivables	**120,818**	88,656	421,027	102,396	179,542	127,693	191,980	96,457	128,827	100,585
	Stores & spares	**78,829**	81,376	97,521	73,966	83,546	69,809	47,686	55,481	51,500	39,789
	Inventory	**1,272,776**	1,258,474	901,281	901,521	489,369	1,152,216	746,597	832,643	779,263	172,381
	Other current assets	**196,281**	173,386	73,981	111,773	163,789	99,473	176,758	118,015	88,476	136,203
	Non-current assets	**5,476,686**	5,643,169	5,770,570	5,970,919	6,158,807	6,532,584	4,998,612	5,074,621	1,743,351	1,262,898
	Total assets	**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**	**1,773,516**
	Account payables	**846,655**	1,095,193	1,090,016	938,391	845,729	1,193,299	971,110	790,747	751,134	389,479
	Other current liabilities	**163,349**	861	1,551	68,675	88,512	261,090	119,187	118,336	47,868	52,124
	Long term liability	**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	135,101
	Surplus on revaluation of land and building	**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	685,194
	Sponsors loan	**63,957**	79,222	15,074	—	—	—	—	—	—	60,260
	Paid-up capital	**554,844**	554,844	554,844	554,844	554,844	554,844	554,844	554,844	341,442	218,873
	Share Premium	**109,437**	109,437	109,437	109,437	109,437	109,437	109,437	109,437	109,437	—
	Retained earning/ (loss)	**897,960**	774,093	639,041	538,430	468,177	264,623	285,424	183,937	263,829	192,485
	Reserves	**40,000**	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
	Total equity & liabilities	**7,213,537**	**7,349,334**	**7,270,167**	**7,249,537**	**7,290,269**	**8,010,965**	**6,193,234**	**6,209,014**	**2,803,648**	**1,773,516**
Income statement data	Net Sale	**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	1,024,185
	Cost of goods sold	**848,368**	928,932	1,759,452	1,486,901	2,129,099	2,031,700	1,368,619	976,326	1,026,796	811,567
	Gross profit	**98,248**	73,462	178,520	31,219	53,112	20,462	86,452	308,975	296,459	212,618
	Administration, selling and Other expenses	**51,922**	37,022	199,905	51,793	96,186	145,740	50,113	46,107	57,040	47,556
	Operating Profit or Loss (EBIT)	**46,326**	36,440	(21,385)	(20,574)	(43,074)	(125,278)	36,339	262,868	239,419	165,062
	Financial charges	**23,984**	32,053	37,117	34,330	58,431	76,490	74,805	38,830	17,489	10,868
	EBT	**22,342**	4,387	(58,502)	(54,904)	(101,505)	(201,768)	(38,466)	224,038	221,930	154,194
	Taxation	**3,221**	15,633	45,811	(18,556)	(66,286)	(69,268)	(19,966)	81,877	78,804	57,345
	Net profit (PAT)	**25,563**	20,020	(12,691)	(36,348)	(35,219)	(132,500)	(18,500)	129,276	143,126	96,850
	Depreciation and Amortization	**193,677**	202,826	211,126	220,088	460,766	386,882	395,416	77,262	58,379	53,062
Liquidity	Cash flow from operation	**(152,572)**	44,134	(9,063)	(58,946)	537,076	62,828	436,031	238,921	41,651	219,293
	Net working capital	**889,179**	610,111	408,030	271,552	197,221	23,992	104,325	225,310	261,295	69,015
	Current ratio	**2.05**	1.56	1.37	1.27	1.21	1.02	1.10	1.25	1.33	1.16
	Quick ratio	**0.45**	0.33	0.46	0.30	0.60	0.18	0.37	0.27	0.29	0.68
	Payable/receivable	**2.67**	4.18	2.21	4.70	2.72	6.40	2.96	4.24	3.68	1.86
	Cash flow/ total debt	**-6.91%**	1.75%	-0.36%	-2.20%	20.05%	1.87%	17.42%	9.88%	3.68%	34.43%
Activity	Inventory age (days)	**548**	494	187	221	84	207	199	311	277	78
	Collection period (days)	**47**	32	78	25	30	23	48	27	36	36
	Operating assets turnover	**0.17**	0.18	0.34	0.25	0.35	0.31	0.29	0.25	0.76	0.81
Profitability	Gross profit margin	**10%**	7%	9%	2%	2%	1%	6%	24%	22%	21%
	Net profit margin	**3%**	2%	-1%	-2%	-2%	-6%	-1%	10%	11%	9%
	Return on capital	**0.9%**	0.7%	-0.5%	-1.3%	-1.2%	-4.7%	-0.8%	5%	14%	16%
	Return on operating assets	**0.5%**	0.4%	-0.2%	-0.6%	-0.6%	-2.0%	-0.4%	3%	8%	8%
	Return on equity	**2%**	1%	-1%	-3%	-3%	-14%	-2%	15%	19%	21%
Per share data	Revenue per share	**17**	18	36	27	39	37	26	23	39	47
	Earning per share (Rs)	**0.46**	0.36	(0.23)	(0.66)	(0.63)	(2.39)	(0.33)	2.33	4.19	4.42
	Face value of share	**10**	10	10	10	10	10	10	10	10	10
	Break-up value per share	**29**	27	24	22	21	17	18	16	22	21
	Earning per break-up value of share	**0.16**	0.14	(0.09)	(0.29)	(0.30)	(1.37)	(0.19)	1.46	1.90	2.15
	Earning per share % of face value	**5%**	4%	-2%	-7%	-6%	-24%	-3%	23%	42%	44%
	Earning per share % of break-up value	**2%**	1%	-1%	-3%	-3%	-14%	-2%	15%	19%	21%
Share trend	High stock price-at end	**43.40**	17.50	18.24	20.70	22.29	23.49	12.20	40.80	51.30	70.00
	Low stock price-at end	**42.64**	17.50	18.22	20.70	22.20	23.00	11.81	14.20	25.75	67.63
	Average stock price-at end	**43.02**	17.50	18.23	20.70	22	23	12	27.50	38.53	68.82
	Growth since last year (Rs)	**26**	(1)	(2)	(2)	(1)	11	(15)	(11.03)	(30.29)	(20.19)
	Growth since last Year %	**146%**	-4%	-12%	-7%	-4%	93%	-56%	-29%	-44%	-23%
	Price earning ratio- at average.price	**93.37**	48.50	(79.70)	(31.60)	(35.12)	(9.69)	(36.00)	11.80	9.19	15.55
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	**7,023**	8,652	12,196	10,925	13,826	13,958	13,456	11,288	13,446	13,100
	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	—
	Utilized Capacity	**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	480

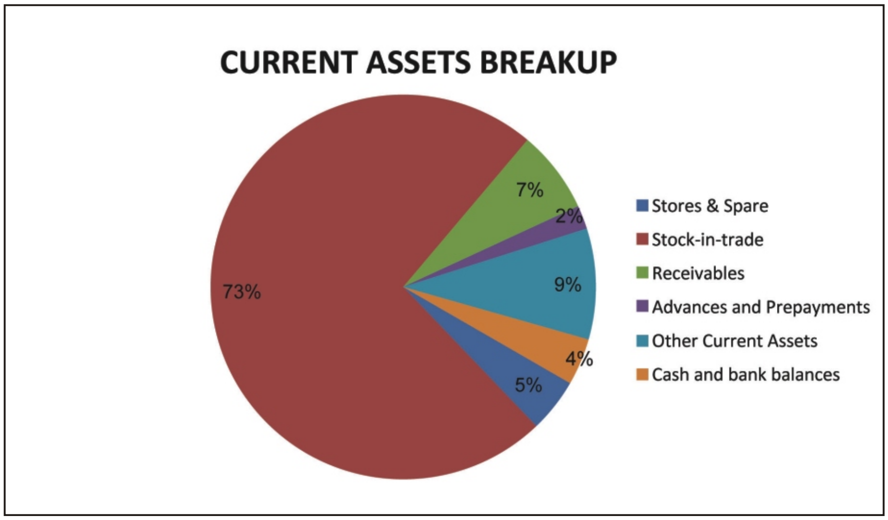
Diagrammatical Performance Review

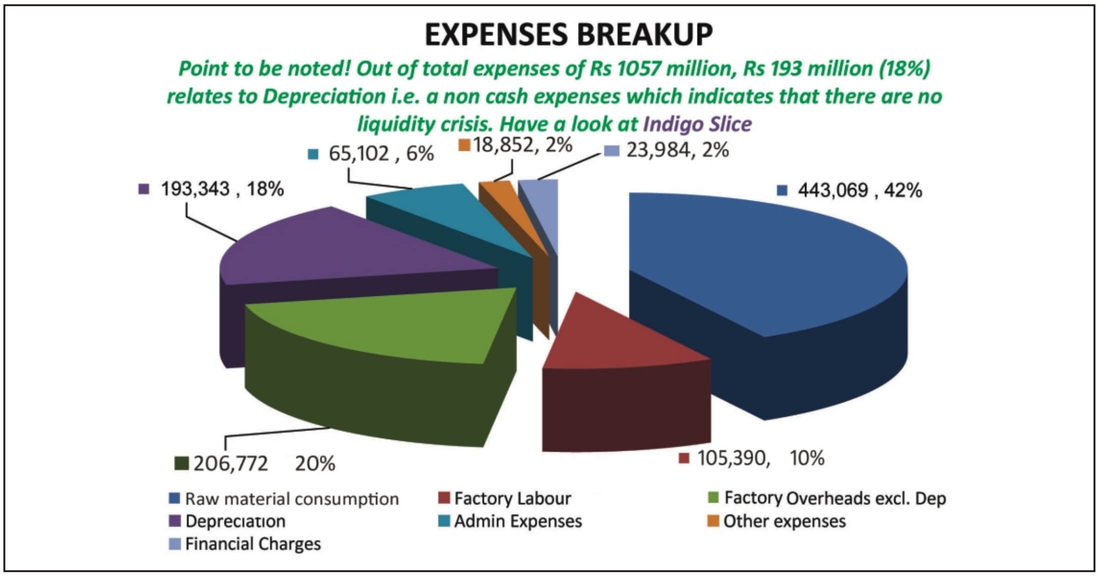


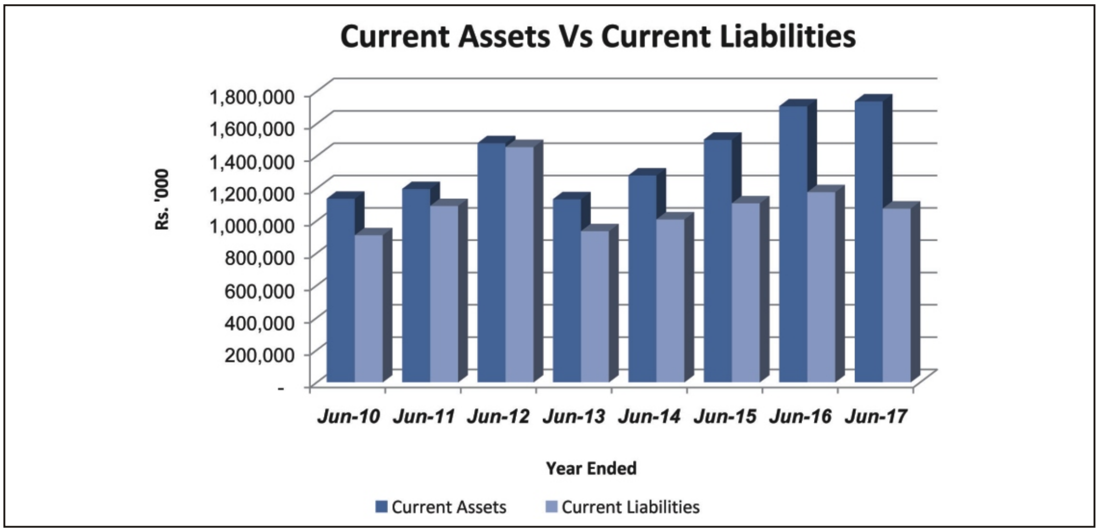


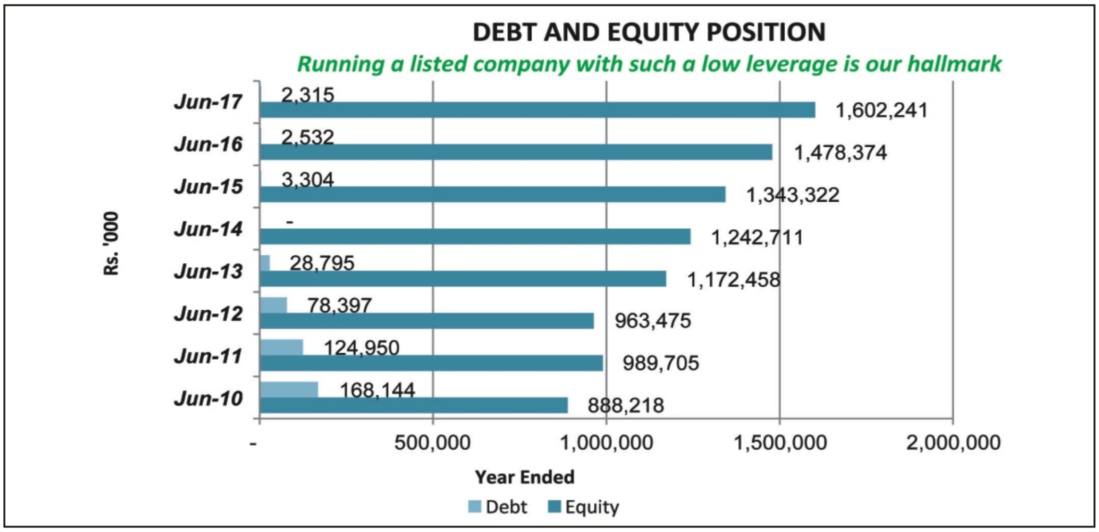

Export Sales and Local Sales
Rs. '000
5,000,000
4,500,000
4,000,000
3,500,000
3,000,000
2,500,000
2,000,000
1,500,000
1,000,000
500,000
-
1,285,301
1,455,071
2,052,162
2,182,211
1,759,980
2,311,035
1,176,105
1,110,877
1,252,128
1,201,749
1,968,688
2,157,088
1,758,768
2,311,035
1,176,105
1,107,501
33,173
253,322
83,474
25,123
1,212
-
-
3,376
Jun-10 (Restated)
Jun-11
Jun-12
Jun-13 (Restated)
Jun-14
Jun-15
Jun-16
Jun-17
Exports
Locals Sales
Total Sales

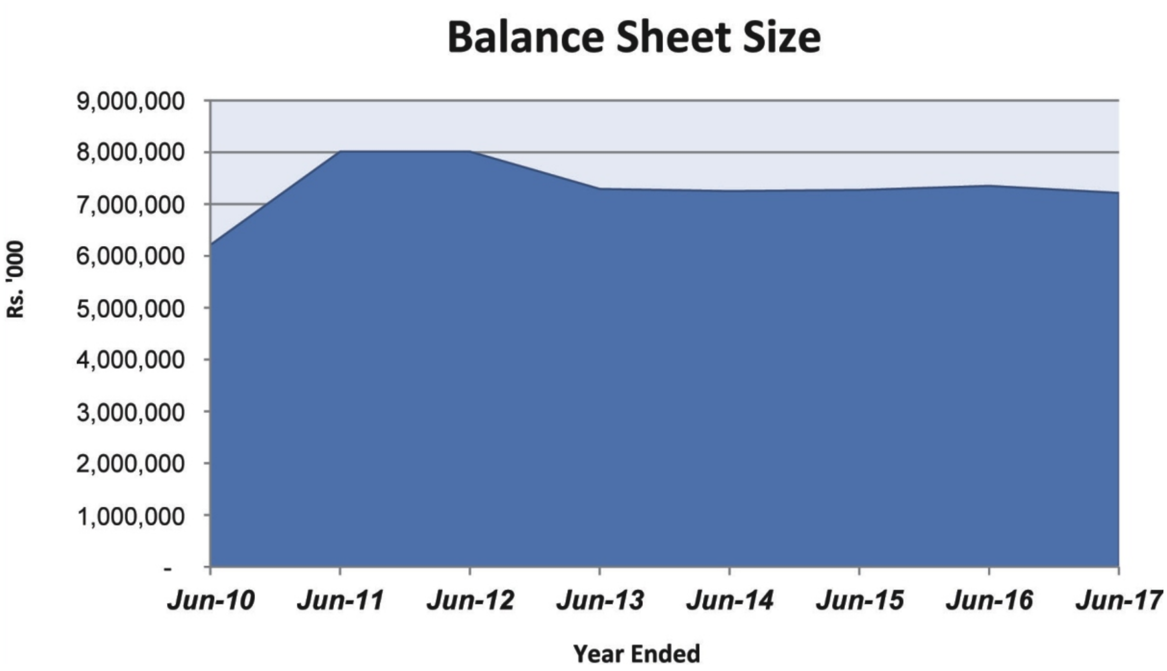

Rise in FOREX rate USD/PKR
Being Import oriented industry, we hit very much with the Rise in Dollar!
250.00
200.00
150.00
100.00
50.00
0.00
102.50
100.65
101.94
101.75
104.46
104.90
104.73
104.75
104.46
104.90
104.73
104.75
104.52
104.30
104.85
104.86
Sep 14/15
Dec 14/15
Mar 15/16
Jun 15/16
Sep 15/16
Dec 15/16
Mar 16/17
Jun 16/17
Current Period
Last Period

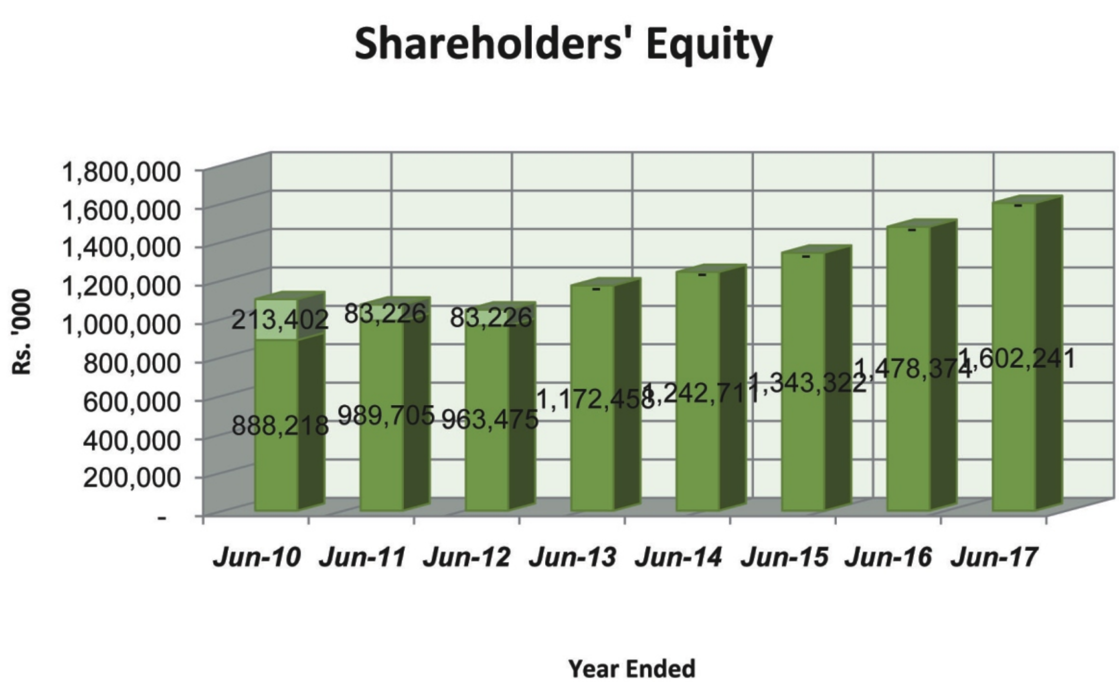

CURRENT ASSETS BREAKUP
73%
7%
2%
9%
4%
5%
Stores & Spare
Stock-in-trade
Receivables
Advances and Prepayments
Other Current Assets
Cash and bank balances


EXPENSES BREAKUP
Point to be noted! Out of total expenses of Rs 1057 million, Rs 193 million (18%) relates to Depreciation i.e. a non cash expenses which indicates that there are no liquidity crisis. Have a look at Indigo Slice
65,102 , 6%
18,852, 2%
23,984, 2%
193,343 , 18%
443,069 , 42%
206,772 20%
105,390, 10%
Raw material consumption
Factory Labour
Factory Overheads excl. Dep
Depreciation
Admin Expenses
Other expenses
Financial Charges


Current Assets Vs Current Liabilities
Rs. '000
1,800,000
1,600,000
1,400,000
1,200,000
1,000,000
800,000
600,000
400,000
200,000
-
Jun-10 Jun-11 Jun-12 Jun-13 Jun-14 Jun-15 Jun-16 Jun-17
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-17 2,315 1,602,241
Jun-16 2,532 1,478,374
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
Jun-10 168,144 888,218
- 500,000 1,000,000 1,500,000 2,000,000
Year Ended
Debt
Equity


Balance Sheet Size
9,000,000
8,000,000
7,000,000
6,000,000
5,000,000
4,000,000
3,000,000
2,000,000
1,000,000
-
Rs. '000
Jun-10
Jun-11
Jun-12
Jun-13
Jun-14
Jun-15
Jun-16
Jun-17
Year Ended


Shareholders' Equity
1,800,000
1,600,000
1,400,000
1,200,000
1,000,000
800,000
600,000
400,000
200,000
-
Rs. '000
213,402
83,226
83,226
888,218
989,705
963,475
1,172,458
1,242,711
1,343,322
1,478,374
1,602,241
Jun-10
Jun-11
Jun-12
Jun-13
Jun-14
Jun-15
Jun-16
Jun-17
Year Ended

Statement of Compliance with the Code of Corporate Governance
for the Year Ended June 30, 2017

This statement is being presented to comply with the Code of Corporate Governance (the "Code") contained in the listing regulations of Pakistan Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

Hafiz Abdul Majid	Executive Director / Chief Executive
Hafiz Abdul Haseeb	Executive Director
Mr. Talal Yousuf Mohamed Y. Najibi	Non-Executive Director
Mr. Nabil Abdul Rahman Ahmad Arif	Non-Executive Director
Mr. Fahad Abdul Aziz Eshaq	Non-Executive Director
Mr. Muhammad Hafiz	Non-Executive Director
Mr. Arshad Ahmed	Non-Executive Director
Hafiz Abdul Waheed	Non-Executive Director
Hafiz Abdul Sami	Non-Executive Director
Hafiz Abdul Aleem	Non-Executive Director
Mr Nasir Mahmood (Chartered Accountant)	Independent Director

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Company.

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

4. No casual vacancy occurred in the Board during the year except the following:

   a. Independent Director b. Mr. Yousuf Mohamed Y. Najibi c. Mr. Abdul Aziz Eshaq A. Rehman

   Both passed away and Mr. Talal Yousuf Najibi son of Mr. Yousuf Mohamed Yousuf Najibi and Mr. Fahad Abdul Aziz Eshaq son of Abdul Aziz Eshaq Abdul Rahman were appointed as Directors to fill the casual vacancies on the Board of Directors.

5. The Company has prepared a "Code of Conduct" which has been placed on the Company's website. The Company has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. Management has developed a vision / mission statement, overall corporate strategy and significant policies of the Company which have been approved by the Board. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been properly maintained.

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

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers,were circulated at least seven days before the meetings. The minutes of the meetings wereappropriately recorded and circulated.

9. The training of the directors is an ongoing process and the directors, on a regular basis, are provided with and are presented and updated on relevant laws, Code and guidelines on best practices of corporate governance. As at June 30, 2017 all directors fulfill the requirement of section 35 (xi) of either to get the training through director's training program or to claim the exemption as per CCG-2012.

10. No new appointment of Chief Financial Officer (CFO), Company Secretary or Head of Internal Audit has been made during the year.

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

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

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

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

15. The Board has formed an Audit Committee. It comprises of four members all of them are non-executive directors.

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

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

18. Head of Internal Auditor is a Chartered Accountant who is considered suitably qualified and experienced for internal audit function and is conversant with the policies and procedures of the Company.

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

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

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

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

23. A mechanism has been developed for an annual evaluation of the Board's own performance approved by the Board.

24. We confirm that all material principles enshrined in the Code have been complied as per requirement of the Code except to fill the casual vacancy of Independent Director.

HAFIZ ABDUL MAJID
Chief Executive Officer

Dated: September 28, 2017
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, 2017 to comply with the requirements of listing regulations of Karachi and Lahore Stock Exchanges (now Pakistan Stock Exchange).

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 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, 2017.

Chartered Accountants

H.A.M.D. & Co

Engagement Partner
Idrees Dawson - FCA

Karachi
Date: September 28, 2017

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Auditors' Report to the Members

We have audited the annexed balance sheet of **HUFFAZ SEAMLESS PIPE INDUSTRIES LIMITED** as at **JUNE 30, 2017** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, (hereinafter referred to as financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

- i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts, and are further in accordance with the accounting policies consistently applied;
- ii. the expenditure incurred during the year was for the purpose of the company's business; and
- iii. the business conducted, investments made and the expenditures incurred during the year were in accordance with the objects of the Company.

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2017 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

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

Chartered Accountants

H.A.M.D. & Co

Engagement Partner
Idrees Dawson - FCA

Karachi
Date: September 28, 2017

Balance Sheet
As at June 30, 2017

	Note	2017	2016
ASSETS		.... (Rupees in '000)	....
Non-current assets			
Property, plant and equipment	4	**5,467,233**	5,634,691
Intangible assets	5	**208**	1,542
Long-term deposits	6	**6,936**	6,936
Investment	7	**2,309**	—
		5,476,686	**5,643,169**
Current assets			
Stores and spares	8	**78,829**	81,376
Stock-in-trade	9	**1,272,776**	1,258,474
Trade debts	10	**120,818**	88,656
Loans and advances	11	**34,311**	24,120
Trade and other deposits	12	**7,460**	6,457
Other receivables	13	**118,132**	142,113
Advance tax - net of provision	14	**36,378**	696
Cash and bank balances	15	**68,147**	104,273
		1,736,851	1,706,165
TOTAL ASSETS		**7,213,537**	**7,349,334**
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	16	**554,844**	554,844
Share premium		**109,437**	109,437
General reserve		**40,000**	40,000
Unappropriated profit		**897,960**	774,093
TOTAL EQUITY		**1,602,241**	1,478,374
Surplus on revaluation of property, plant and equipment - net of tax	17	**3,241,684**	3,343,817
LIABILITIES			
Non-current liabilities			
Long-term financing	18	**2,315**	2,532
Deferred liabilities	19	**1,293,337**	1,349,335
		1,295,652	1,351,867
Current liabilities			
Trade and other payables	20	**846,655**	1,095,193
Short-term sponsors' advances	21	**63,957**	79,222
Short-term borrowings	22	**160,000**	—
Current portion of non-current liabilities	23	**1,018**	861
Accrued mark-up		**2,330**	—
		1,073,960	1,175,276
TOTAL LIABILITIES		**2,369,611**	2,527,143
CONTINGENCIES AND COMMITMENTS	24		
TOTAL EQUITY AND LIABILITIES		**7,213,537**	**7,349,334**

The annexed notes from 1 to 41 form an integral part of these financial statements.

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

Profit and Loss Account
For the year ended June 30, 2017

	Note	2017	2016
		.... (Rupees in '000)	
Net sales	25	**946,616**	1,002,394
Cost of sales	26	**(848,368)**	(928,932)
Gross profit		**98,248**	73,462
Distribution cost	27	**(10,949)**	(6,161)
Administrative expenses	28	**(66,595)**	(62,970)
		(77,544)	(69,131)
		20,704	4,331
Other operating expenses	29	**(7,903)**	(14,713)
Other income	30	**33,525**	46,822
		46,326	36,440
Finance cost	31	**(23,984)**	(32,053)
Profit before taxation		**22,342**	4,387
Taxation	32	**3,221**	15,633
Profit for the year		**25,563**	**20,020**
		.... (Rupees)	
Earnings per share - basic and diluted	33	**0.46**	**0.36**
		..............(Rupees in '000)...............	
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**237,761**	**235,691**

The annexed notes from 1 to 41 form an integral part of these financial statements.

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

Statement of Comprehensive Income
For the year ended June 30, 2017

	Note	2017	2016
		.... (Rupees in '000)	....
Profit for the year		**25,563**	20,020
Other comprehensive income			
Items that will be reclassified subsequently to profit and loss account		—	—
Items that will not be reclassified subsequently to profit and loss account			
– Remeasurement of net defined benefit obligation	19.1.5	**(5,470)**	14,037
– Impact of tax	19.2	**1,641**	(4,211)
		(3,829)	9,826
Total comprehensive income for the year		**21,734**	**29,846**

The annexed notes from 1 to 41 form an integral part of these financial statements.

Hafiz Abdul Majid
Chief Executive

Usama Ahmed
Chief Financial Officer

Hafiz Abdul Sami
Director

Cash Flow Statement

For the year ended June 30, 2017

	Note	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		.... (Rupees in '000)	....
Profit before taxation		22,342	4,387
Adjustments for:			
Depreciation		193,343	202,492
Amortisation		334	334
Finance cost		23,984	32,053
Workers profit participation fund		1,399	—
Intangible asset (software) written-off		1,000	—
Workers' Welfare Fund		4,234	3,818
Provision for compensated absences		254	—
Provision for staff gratuity		11,221	16,427
		235,769	255,124
Operating cash flows before working capital changes		258,111	259,511
Changes in working capital			
(Increase) / decrease in current assets			
Stores and spares		2,547	16,145
Stock-in-trade		(14,302)	(357,193)
Trade debts		(32,162)	332,371
Loans and advances, trade and other deposits and other receivables		12,787	(100,916)
		(31,130)	(109,593)
Increase in current liabilities			
Trade and other payables		(270,510)	(29,966)
Cash (used in) / generated from operations		(43,529)	119,952
Finance cost paid		(5,292)	(9,694)
Compensated absences paid		(50)	(234)
Staff gratuity paid		(3,699)	(8,401)
Income tax paid		(100,002)	(57,489)
		(109,043)	(75,818)
Net cash (used in) / generated from operating activities		(152,572)	44,134
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(25,885)	(9,153)
Long-term investment in subsidiaries		(2,309)	—
Net cash used in investing activities		(28,194)	(9,153)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term financing paid		(60)	(640)
Short-term sponsors' advances (paid) / received		(15,265)	64,148
Dividend paid		(35)	(3)
Net cash (used in) / generated from financing activities		(15,360)	63,505
Net (decrease) / increase in cash and cash equivalents		(196,126)	98,486
Cash and cash equivalents at the beginning of the year		104,273	5,787
Cash and cash equivalents at the end of the year	34	(91,853)	104,273

The annexed notes from 1 to 41 form an integral part of these financial statements.

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

Statement of Changes in Equity

For the year ended June 30, 2017

Particulars	Issued, Subscribed and paid up capital	Share Premium	General Reserve	Unappropriated Profit	Total
	....	....	Rs. '000'	....	....
Balance as at July 1, 2015	554,844	109,437	40,000	639,041	1,343,322
Total comprehensive income for the year					
Profit for the year	—	—	—	20,020	20,020
Other comprehensive income	—	—	—	9,826	9,826
Total comprehensive income for the year	—	—	—	29,846	29,846
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation charged thereon - net of tax	—	—	—	105,206	105,206
Balance as at June 30, 2016	**554,844**	**109,437**	**40,000**	**774,093**	**1,478,374**
Total comprehensive income for the year					
Profit for the year	—	—	—	25,563	25,563
Other comprehensive loss	—	—	—	(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	**554,844**	**109,437**	**40,000**	**897,960**	**1,602,241**

The annexed notes from 1 to 41 form an integral part of these financial statements.

Hafiz Abdul Majid
Chief Executive

Usama Ahmed
Chief Financial Officer

Hafiz Abdul Sami
Director

Notes to the Financial Statements

For the year ended June 30, 2017

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 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 statement of Huffaz Seamless Pipe Industries Limited. Consolidated financial statement have not been prepared by the Company as disclosed in note-7

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Act 2017 and Companies Ordinance, 1984 (as Repealed). In case requirements differ, the provisions or directives issued under the Companies Act and Companies Ordinance, 1984 shall prevail.

The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as allowed by the SECP vide its press release dated 20 July 2017, these finanical statements have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

2.2 Basis of measurement

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

– the obligations under employees' defined benefit plan are measured at present value; and

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

2.3 Functional and presentation currency

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

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

2.4.1 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.

- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 27 (Revised 2011) – Separate Financial Statements
- IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures

2.5 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 the date mentioned against each of them. These standards and 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.

Standards / Amendments	Effective date (accounting periods beginning on or after)
– Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based 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	Deferred indefinitely
– 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 'Prperty Plant and Equipment' and IAS 38 'Intangible Assets' - Clarification of acceptable methods of depreciation and amortization	January 1, 2016
– Amendments to IAS 16 'Prperty 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

2.6 Use of estimates and judgements

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

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates underlying the assumptions are reviewed on an on-going basis. Revisions to accounting estimates are 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:

2.6.1 Property, plant and equipment

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

2.6.2 Investments

Investment in subsidiary is stated at Cost.

2.6.3 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.

2.6.4 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.

2.6.5 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 19 to these financial statements.

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

2.6.6 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.

3. SUMMARY OF 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, 2016 and are enumerated as follows:

3.1 Property, plant and equipment

3.1.1 Owned assets

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

Property, plant and equipment (except leasehold land, factory building, plant and machinery and coating sheds) are stated at cost less accumulated depreciation and impairment losses, if any. Factory building, plant and machinery and coating sheds are stated at revalued amount less accumulated depreciation and impairment losses, if any, whereas leasehold land is stated at revalued amount less impairment loss, if any. The value assigned to leasehold 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 4.1. Depreciation on addition is charged from the month the asset is available for use while no depreciation is charged in the month of disposal.

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

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

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

3.1.2 Leased assets

Leases which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item are classified as finance leases and are capitalized at the inception of the lease at lower of fair value of leased assets and the present value of minimum lease payments. Other leases are classified as operating leases.

Assets subject to finance lease are stated at revalued amounts less accumulated depreciation and impairment losses, if any. The related obligations of the lease are accounted for as liabilities. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Assets acquired under finance lease are depreciated over the useful life of the assets commencing from the year in which the leased assets are put into operation. Depreciation and other policies are same as for the owned assets described in note 3.1.1.

3.1.3 Capital work-in-progress

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

3.2 Intangible assets

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

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

Intangible assets with finite lives are amortised on a straight line basis over their estimated useful lives as specified in note 5. 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.

3.3 Stores and spares

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

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

3.4 Stock-in-trade

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

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

Scrap is valued at estimated realisable value.

3.5 Trade debts and other receivables

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

3.6 Staff retirement benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme covering all its permanent employees who have completed the minimum qualifying period - years 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, 2017. Details of the scheme are given in note 19.1 of these financial statements.

3.7 Compensated absences

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

3.8 Trade and other payables

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

3.9 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.

3.10 Revenue recognition

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

3.11 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

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

3.12 Borrowing costs

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

3.13 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.

3.14 Cash and cash equivalents

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

3.15 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.

3.16 Financial instruments

All financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provision of instruments. 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.

3.17 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.

3.18 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.

3.19 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.

3.20 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.

3.21 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.

	Note	2017	2016
		.... (Rupees in '000)	
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	**5,394,131**	5,586,911
Capital work-in-progress	4.5	**73,102**	47,780
		5,467,233	**5,634,691**

4.1 Operating fixed assets

2017

Particulars	COST/REVALUED AMOUNT					DEPRECIATION				Book	R
	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	Value as at June 30 2017	ATE %
	.... (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**	

2016

Particulars	COST/REVALUED AMOUNT					DEPRECIATION				Book	R
	As at July 1, 2015	Additions	Deletions / Write-off	Surplus / (deficit) during the period	Closing As at June 30	As at July 1, 2015	Charge for the Period	Disposal / Write-off	Closing As at June 30	Value as at June 30 2016	ATE %
	.... (Rupees in '000)										
Owned Assets											
Land - lease hold	819,375	—	—	38,665	858,040	—	—	—	—	858,040	—
Building - factory	1,954,578	300	—	23,755	1,978,632	(195,781)	(44,322)	—	(240,103)	1,738,529	2.5
Coating Sheds	93,999	—	—	(5,050)	88,949	(9,462)	(2,113)	—	(11,575)	77,373	2.5
Building - head office	3,233	—	—	—	3,233	(2,874)	(36)	—	(2,910)	323	10
Plant and machinery	3,753,918	70	—	8,902	3,762,891	(724,959)	(151,784)	—	(876,743)	2,886,148	5
Furniture and fixtures	3,239	—	—	—	3,239	(1,848)	(139)	—	(1,987)	1,252	10
Office equipment	5,361	1	—	—	5,362	(3,106)	(225)	—	(3,331)	2,031	10
Electric and gas appliances	23,614	48	—	—	23,662	(9,506)	(1,414)	—	(10,920)	12,741	10
Air conditioners	1,711	—	—	—	1,711	(1,021)	(69)	—	(1,090)	621	10
Drawings and survey equipment	363	—	—	—	363	(349)	(1)	—	(350)	12	10
Motor vehicles	41,118	38	—	—	41,156	(31,628)	(1,905)	—	(33,533)	7,623	20
Computer and allied equipment	9,071	22	—	—	9,093	(6,978)	(423)	—	(7,401)	1,693	20
Security weapons	1,178	—	—	—	1,178	(595)	(58)	—	(653)	525	10
	6,710,758	**480**	**—**	**66,272**	**6,777,509**	**(988,107)**	**(202,492)**	**—**	**(1,190,596)**	**5,586,911**	

		Note	2017	2016
			.... (Rupees in '000)	
4.2	**Allocation of depreciation**			
	Cost of sales	26.1	**191,850**	200,440
	Administrative expenses	28	**1,493**	2,052
			193,343	**202,492**

4.3 Revaluation of property, plant and equipment

The Company carries its leasehold land, factory building, plant and machinery and coating sheds at revalued amounts under IAS 16 'Property, Plant and Equipment'. The latest valuation was carried out 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.

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	**4.4.1**	**—**	**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**
As at June 30, 2017		**—**	**5,370,383**	**—**	**5,370,383**
Land - leasehold		—	858,040	—	858,040
Building - factory		—	1,738,529	—	1,738,529
Plant and machinery		—	2,886,148	—	2,886,148
Coating sheds - owned		—	77,373	—	77,373
As at June 30, 2016		—	5,560,090	—	5,560,090

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

	Note	2017	2016
		.... (Rupees in '000)	
Land - leasehold		**14,997**	**14,997**
Building - factory		**461,691**	**473,530**
Plant and machinery		**532,861**	**560,906**
Coating sheds		**70,319**	**72,121**

4.4.1 Out of the leasehold land Rs. 858,040,000, a plot of land measuring 3.39 acres has been ear marked and to be transferred to newly incorporated Joint Venture subsidiary Company M/S HPY Coating Pvt. Ltd. In the subsequent period at a value of Rs. 231 million provided in the Joint Venture agreement - (Note No.7)

		Building - Head Office and Factory	Plant and Machinery	Total
		.... (Rupees in '000)		
4.5	**Capital work-in-progress**			
	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**
	Year ended June 30, 2016			
	Balance as at July 1, 2015	31,845	7,262	39,107
	Additions during the year	7,720	953	8,673
	Balance as at June 30, 2016	39,565	8,215	47,780

		Note	2017	2016
			.... (Rupees in '000)	
5.	**INTANGIBLE ASSETS**			
	Computer software			
	Cost	5.1	**1,336**	1,336
	Accumulated amortisation	5.2	**(1,128)**	(794)
			208	542
	Capital work-in-progress	5.3	**1,000**	1,000
	Capital work-in-progress write off	5.4	**(1,000)**	—
	Book value		**208**	**1,542**
5.1	**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**
5.2	**Accumulated amortisation**			
	Balance as at July 1,		**794**	460
	Amortisation for the year	28	**334**	334
	Write off during the year		—	—
	Balance as at June 30,		**1,128**	**794**
	Useful life		**4 years**	**4 years**

5.3 This represents advance given to a vendor for purchase of supply chain management software.

5.4 Supply chain management software is not purchased by the Huffaz due to some technical error in software and write off the advances paid to vendor against purchasing supply chain management software.

6. LONG-TERM DEPOSITS

	Note	2017	2016
Long-term deposits	6.1	**6,936**	6,936
Less: current maturity		—	—
		6,936	**6,936**

6.1 This includes amount of Rs. 5.43 million (2016: Rs. 5.43 million) representing deposit given to Sui Southern Gas Company Limited for gas connection.

7. INVESTMENT	**Note**		
HPY Coating (Pvt.) Ltd.	**7.1**	**2,309**	—
		2,309	**—**

The above represents investment in subsidiary company.

7.1 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 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 or setting up a project for providing polyethylene coating services to its prospective customers ("Project"). This project is going to be a value addition service for the products of Huffaz.

The aforesaid assets contribution to the Joint Venture Company would be made within 120 days of incorporation of company. Since the Joint Venture Company did not commence operating activities as yet, consolidated financial statement of Huffaz and its Subsidiary have not been considered.

		Note	2017	2016
			.... (Rupees in '000)	....
8.	**STORES AND SPARES**			
	Stores - in hand		**76,475**	79,566
	– in transit		—	—
	Spare parts and loose tools		**2,354**	1,810
			78,829	**81,376**
9.	**STOCK-IN-TRADE**			
	Raw material		**375,568**	459,979
	Work-in-process		**161,085**	122,975
	Finished goods		**652,336**	490,307
	Rejection / scrap material		**83,787**	185,213
			1,272,776	**1,258,474**
10.	**TRADE DEBTS - unsecured**			
	Considered good	10.1	**120,818**	88,656
	Considered doubtful		—	—
			120,818	**88,656**
	Less: Provision for doubtful debts		—	—
			120,818	**88,656**

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

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

	2017	2016
Hafiz Abdul Waheed and Brothers (Pvt) Limited	**21,091**	—
Huffaz Corporation (Pvt) Limited	**1,767**	411
	22,858	**411**

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

	2017		2016	
	Gross	**Impairment**	**Gross**	**Impairment**
	....	(Rupees in '000)	....	
Less than 90 days old	**102,914**	**—**	67,734	—
90 to 180 days old	**9,585**	**—**	9,755	—
181 to 365 days old	**8,319**	**—**	7,114	—
More than one year old	**—**	**—**	4,053	—
	120,818	**—**	88,656	—

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.

		Note	2017	2016
			.... (Rupees in '000)	
11.	**LOANS AND ADVANCES - considered good**			
	Advances to suppliers - unsecured		**21,002**	12,718
	Advances to employees for expenses		**7,438**	5,911
	Loans and advances to employees	11.1	**5,871**	5,491
			34,311	**24,120**

11.1 This includes interest free medical loan provided to employees.

		Note	2017	2016
12.	**TRADE AND OTHER DEPOSITS**			
	Trade deposits - considered good		**7,460**	6,457
	Current maturity of long-term deposits		—	—
			7,460	**6,457**
13.	**OTHER RECEIVABLES**			
	Letter of credit		**66,773**	126,023
	Margin against guarantee	13.1	**13,816**	16,090
	Sales tax refundable		**37,543**	—
			118,132	**142,113**

13.1 It includes margin amounting to Rs. 6.508 million (2016: 5.726) against guarantees which were expired as at June 30, 2017. However, these have not been released till June 30, 2017.

		Note	2017	2016
14.	**ADVANCE TAX - NET OF PROVISION**			
	Balance as at July 1,		**696**	2,207
	Add: payments made during the year		**100,002**	57,489
			100,698	59,696
	Less: provision for taxation	32	**(64,320)**	(59,000)
			36,378	**696**
15.	**CASH AND BANK BALANCES**			
	Cash in hand		**138**	28
	With banks in local currency current accounts		**67,988**	104,235
	With banks in foreign currency current accounts		**21**	10
			68,009	104,245
			68,147	**104,273**

16. SHARE CAPITAL

2017	2016		2017	2016
(Number of shares)			.... (Rupees in '000)	
Authorised				
70,000,000	70,000,000	Ordinary Shares of Rs. 10 each	**700,000**	700,000
Issued, subscribed and paid up				
12,200,278	12,200,278	Ordinary Shares of Rs. 10 each fully paid in cash	**122,003**	122,003
38,906,565	38,906,565	Ordinary Shares of Rs. 10 each issued as bonus shares	**389,066**	389,066
4,377,460	4,377,460	Issued right shares fully paid in cash	**43,775**	43,775
55,484,303	55,484,303		**554,844**	554,844

16.1 The above includes shares having face value of Rs. 101.213 million (2016: Rs. 101.213 million) held by the foreign sponsors of the Company.

	Note	2017	2016
		.... (Rupees in '000)	
17. 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		**3,634,157**	3,722,600
Revaluation arising during the year		**—**	66,272
		4,438,535	4,593,250
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		**(102,133)**	(105,206)
– Related deferred tax		**(45,886)**	(49,509)
		(148,019)	(154,715)
		4,290,516	4,438,535
Less: related deferred tax liability on:			
– Revaluation as at July 1,		**(1,094,718)**	(1,135,393)
– (Deficit) / Surplus arising during the year		**—**	(8,834)
– Incremental depreciation charged during the year on related assets transferred to profit and loss account		**45,886**	49,509
– Effect of change in tax rates		**—**	—
		(1,048,832)	(1,094,718)
		3,241,684	**3,343,817**

17.1 The Companies Act, 2017 applicable for financial year beginning on 1 July 2017 requires certain additional disclosures and Section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of assets has not been carried forward in the Companies Act, 2017. This would require change in accounting policy relating to surplus on revaluation of fixed assets to bring it in line with the requirements of IAS 16 - Property, plant and equipment. Accordingly, surplus on revaluation of fixed assets will be part of equity.

	Note	2017	2016
		.... (Rupees in '000)	
18. LONG-TERM FINANCING			
Secured			
Musharaka facility		**3,333**	3,393
Less: Current portion shown under current liabilities	23	**(1,018)**	(861)
		2,315	**2,532**

18.1 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	2017	2016
19. DEFERRED LIABILITIES			
Staff gratuity	19.1.2	**104,473**	91,480
Less: benefits due but not yet paid	20	**(9,978)**	(10,169)
		94,495	81,311
Deferred taxation - net	19.2	**1,198,842**	1,268,024
		1,293,337	**1,349,335**

19.1 Staff gratuity - defined benefit plan

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

		Note	2017	2016
			.... (Rupees in '000)	
19.1.2	**Liability recognised in the balance sheet**			
	Present value of defined benefit obligation	19.1.3	**94,495**	81,311
	Benefits due but not yet paid		**9,978**	10,169
			104,473	**91,480**
19.1.3	**Movement in defined benefit obligation during the year**			
	Balance at the beginning of the year		**81,311**	95,703
	Expense recognised in profit and loss account	19.1.4	**11,221**	16,427
	Total remeasurements recognised in other comprehensive income	19.1.5	**5,470**	(14,037)
	Actuarial (gains)/losses from changes in financial assumptions		—	—
	Benefits paid		**(583)**	(8,401)
	Benefits due but not yet paid		**(2,924)**	(8,381)
			94,495	**81,311**
19.1.4	**Expense recognised in profit and loss account**			
	Current service cost		**5,454**	7,914
	Interest cost		**5,767**	8,513
			11,221	**16,427**
19.1.5	**Total remeasurements recognised in other comprehensive income**			
	Remeasurement on defined benefit obligation arising on Actuarial (gains)/losses from changes in assumptions			
	– financial assumptions		**25**	—
	– demographic assumptions		—	—
	– experience adjustments		**5,445**	(14,037)
			5,470	**(14,037)**

19.1.6 Actuarial valuation of staff gratuity scheme has been carried out as at June 30, 2017 using Projected Unit Credit method and the following significant assumptions have been used:

	2017	2016
Discount rate	**7.75%**	7.25%
Salary increase rate	**6.75%**	6.25%
Mortality table used	**SLIC 2001-2005 With one year set back**	SLIC 2001-2005 With one year set back
Retirement age	**60 years**	65 years

19.1.7 Number of employees covered by the scheme **156** 163

19.1.8 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%	(4,882)	5,630
Salary growth rate	1%	5,630	(4,968)

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

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

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

19.1.10 The weighted average duration of defined benefit obligation as at June 30, 2017 is 6 years (2016: 7 years).

19.1.11 The expected gratuity expense for the next one year from July 1, 2017 amounts to Rs. 12.246 million. This is the amount by which the defined benefit liability is expected to increase.

		Note	2017	2016
			.... (Rupees in '000)	....
19.2	**Deferred taxation - net**			
	Balance as at July 1,		**1,268,024**	1,329,612
	Reversal to profit and loss account	32	**(67,541)**	(65,799)
	Charged to other comprehensive income		**(1,641)**	4,211
	Adjustment to the related deferred tax liability on revaluation surplus		—	—
	Balance as at June 30,		**1,198,842**	**1,268,024**
	This comprises of the following:			
	Accelerated tax depreciation and amortisation		**243,320**	244,754
	Surplus on revaluation of property, plant and equipment		**1,032,762**	1,078,648
			1,276,082	1,323,402
	Deductible temporary differences arising in respect of:			
	Defined benefit plan obligation		**(31,342)**	(27,444)
	Provision for compensated absences		**(4,202)**	(4,140)
	Others		**(41,697)**	(23,794)
			(77,241)	(55,378)
			1,198,842	**1,268,024**
20.	**TRADE AND OTHER PAYABLES**			
	Trade creditors		**9,698**	21,602
	Accrued liabilities		**36,538**	36,102
	Sales tax payable		—	149,735
	Tax deducted at source		**25,973**	21,526
	Workers' Profit Participation Fund	20.1	**290,469**	272,708
	Workers' Welfare Fund		**10,203**	5,969
	Unclaimed dividend		**15,880**	15,915
	Bills payable		**130,162**	420,427
	Advance from customers	20.2	**302,352**	126,828
	Provision for compensated absences		**14,005**	13,801
	Gratuity due but not yet paid	19.1.2	**9,978**	10,169
	Others		**1,397**	410
			846,655	**1,095,193**
20.1	**Workers' Profit Participation Fund**			
	Balance as at July 1,		**272,708**	249,527
	Allocation for the year		**1,399**	—
	Interest on funds utilized in the Company's business for the year	31	**16,362**	23,181
	Balance as at June 30,		**290,469**	**272,708**

	Note	2017	2016
		.... (Rupees in '000)	
20.2 Related parties from whom advances received against sales are as under:			
Hafiz Abdul Waheed and Brothers (Pvt) Limited		—	5,618
Huffaz Corporation (Pvt) Limited		—	—
		—	**5,618**

21. SHORT-TERM SPONSORS' ADVANCES - unsecured

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

22. SHORT TERM BORROWINGS

	Note	2017	2016
Restructured Term finances under mark-up arrangements	22.1	**160,000**	—
		160,000	**—**

22.1 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.

23. CURRENT PORTION OF NON-CURRENT LIABILITIES

	Note	2017	2016
Current portion of long-term musharka financing	18	**1,018**	861
		1,018	**861**

24. CONTINGENCIES AND COMMITMENTS

24.1 Contingencies

24.1.1 Guarantees as at June 30, 2017 amounting to Rs. 51.063 million agree from listing (2016: Rs. 55.777 million) have been furnished in favour of various customers.

24.1.2 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.

24.2 Commitments

24.2.1 Commitments under letters of credit as at June 30, 2017 amounted to Rs. 366 million (2016: Rs. 295.74 million).

24.2.2 The facility for opening letters of credit and guarantees as at June 30, 2017 amounted to Rs. 700 million (2016: Rs. 951 million) of which the amount remaining unutilised as at that date was Rs. 56.62 million (2016: Rs. 47.68 million).

25. NET SALES

	2017	2016
Sales - local	**1,107,501**	1,176,105
– export	**3,376**	—
	1,110,877	1,176,105
Less: sales tax	**(164,261)**	(173,711)
	946,616	**1,002,394**

		Note	2017	2016
			.... (Rupees in '000)	
26.	**COST OF SALES**			
	Opening stock of finished goods		**490,307**	313,129
	Cost of goods manufactured	26.1	**1,010,397**	1,106,110
			1,500,704	1,419,239
	Closing stock of finished goods	9	**(652,336)**	(490,307)
			848,368	**928,932**
26.1	**Cost of goods manufactured**			
	Raw material consumed	26.1.1	**443,069**	449,933
	Stores and spares consumed		**36,558**	64,064
	Coating material consumed		**38,600**	68,705
	Gas consumed		**58,812**	77,068
	Power, fuel and water		**45,688**	55,422
	Salaries, wages and other benefits	26.1.2	**105,390**	115,027
	Rent, rates and taxes		**450**	303
	Insurance		**450**	1,242
	Repairs and maintenance		**1,629**	5,258
	Carriage and cartage		**806**	1,274
	Depreciation	4.2	**191,850**	200,440
	Other manufacturing cost		**23,779**	12,614
			947,081	1,051,350
	Rejection / scrap material			
	Opening		**185,213**	103,214
	Closing	9	**(83,787)**	(185,213)
			101,426	(81,999)
	Work-in-process			
	Opening		**122,975**	259,734
	Closing	9	**(161,085)**	(122,975)
			(38,110)	136,759
			1,010,397	**1,106,110**
26.1.1	**Raw material consumed**			
	Opening stock		**459,979**	225,204
	Purchases		**358,658**	684,708
			818,637	909,912
	Closing stock	9	**(375,568)**	(459,979)
			443,069	**449,933**

26.1.2 Salaries, wages and other benefits include Rs. 7.078 million (2016: Rs. 10.389 million) in respect of staff retirement benefits.

		Note	2017	2016
			.... (Rupees in '000)	
27.	**DISTRIBUTION COST**			
	Salaries, wages and other benefits	27.1	**4,768**	4,296
	Sales promotion and other expenses		**15**	10
	Travelling and conveyance		**195**	111
	Late delivery charges		**4,975**	912
	Others		**996**	832
			10,949	**6,161**

27.1 Salaries, wages and other benefits include Rs. 0.515 million (2016: Rs. 0.751 million) in respect of staff retirement benefits.

		Note	2017	2016
			.... (Rupees in '000)	....
28.	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and other benefits	28.1	**28,809**	29,798
	Travelling and conveyance		**11,386**	9,296
	Legal and professional charges		**2,675**	5,431
	Fees and subscription		**3,696**	3,240
	Telephone, telex and postage		**1,550**	1,109
	Vehicle running and maintenance		**2,375**	2,506
	Auditors' remuneration	28.2	**1,044**	1,044
	Printing and stationery		**164**	752
	Depreciation	4.2	**1,493**	2,052
	Amortisation	5.2	**334**	334
	Utilities		**1,069**	1,009
	Rent, rates and taxes		**1,115**	374
	Repairs and maintenance		**4,397**	4,477
	Advertisement		**150**	149
	Entertainment		**66**	17
	Others		**6,272**	1,382
			66,595	**62,970**

28.1 Salaries and other benefits includes Rs. 3.628 million (2016: Rs. 5.288 million) in respect of staff retirement benefits.

		Note	2017	2016
			.... (Rupees in '000)	....
28.2	**Auditors' remuneration**			
	Annual audit fee		**660**	660
	Half yearly review		**240**	240
	Other services including certifications		**75**	75
	Out of pocket expenses		**69**	69
			1,044	**1,044**
29.	**OTHER OPERATING EXPENSES**			
	Workers' Welfare Fund		**4,234**	3,818
	Exchange loss		**1,270**	10,895
	Workers Profit Participation Fund		**1,399**	—
	Intangible Asset Written off		**1,000**	—
			7,903	**14,713**
30.	**OTHER INCOME**			
	Scrap sales		**17,551**	—
	Others		**15,974**	46,822
			33,525	**46,822**
31.	**FINANCE COST**			
	Lease financial charges		—	—
	Profit paid on musharaka		**47**	558
	Interest on Workers' Profit Participation Fund	20.1	**16,362**	23,181
	Mark-up on murabaha finance		**278**	4,739
	Mark-up on short term borrowing-BAFL		**5,055**	—
	Bank charges		**2,242**	3,575
			23,984	**32,053**

	Note	2017	2016
		.... (Rupees in '000)	
32. TAXATION			
Current			
– for the year		**64,320**	59,000
– for prior years		**—**	—
	14	**64,320**	59,000
Deferred	19.2	**(67,541)**	(74,633)
		(3,221)	**(15,633)**

32.1 The returns of income have been filed up to and including tax year 2016 (corresponding to financial year ended June 30, 2016), which has been treated as deemed assessed under section 120 of the Income Tax Ordinance, 2001.

32.2 Finance Act, 2015 has introduced tax rates of 32%, 31% and 30% for the tax years 2016, 2017 and 2018 (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.

	2017	2016
32.2 Relationship between tax expenses and accounting profit	.... (Rupees in '000)	
Profit before taxation	**22,342**	4,387
Tax at the applicable rate of 31% (2016: 32%)	**6,926**	1,404
Effect of change in tax rate	**(675)**	(560)
Tax effect of temporary / permanent difference	**(9,472)**	(16,477)
	(3,221)	**(15,633)**
33. EARNINGS PER SHARE - basic and diluted		
Profit for the year	**25,563**	**20,020**
	.... Number in '000	
Weighted average number of ordinary shares	**55,484**	**55,484**
	.... Rupees	
Earnings per share - basic and diluted	**0.46**	**0.36**
34. CASH AND CASH EQUIVALENTS		
Restructured Term finances under mark-up arrangements	**(160,000)**	**—**
Cash and bank balances	**68,147**	**104,273**
	(91,853)	**104,273**

35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	Chief Executive		Directors		Executives	
Particulars	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
	....Rupees in '000...					
Managerial remuneration	**6,274**	6,274	**1,935**	1,935	**14,426**	10,955
House rent	**2,823**	2,823	**871**	871	**6,492**	4,930
Utilities	**—**	—	**194**	194	**1,443**	1,095
Gratuity	**758**	758	**250**	250	**1,498**	1,415
	9,855	9,855	**3,250**	3,250	**23,859**	18,395
Number of persons	**1**	1	**1**	1	**13**	13

35.1 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.

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

36. CAPACITY AND PRODUCTION

Particulars	2017 Capacity	2017 Production	2016 Capacity	2016 Production
	...........Metric Ton...........			
Seamless Tubular Products	**100,000**	**7,023**	100,000	8,652
Machinery and Machinery Components	**3,500**	**—**	3,500	—
Coating of Seamless Tubular Products	**50,000**	**2,982**	50,000	4,512
		10,005		**13,164**

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.

	2017 Capacity	2017 Production	2016 Capacity	2016 Production
Seamless Tubular Products	**100%**	**7%**	100%	9%
Coating of Seamless Tubular Products	**100%**	**6%**	100%	9%

37. NUMBER OF EMPLOYEES

The total number of employees as at year end were 210 (2016: 245) and total average number of employees were 200 (2016: 235) while in which average number of factory employees in the year were 158.

38. 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	2017	2016
			.... (Rupees in '000)	
Hafiz Abdul Waheed and Brothers	Associated entity	Sale of goods	**136,666**	164,110
		Receipts in respect of sale of goods	**109,957**	179,488
Huffaz Corporation company	Associated	Sale of goods	**65,548**	41,015
		Receipts in respect of sale of goods	**64,192**	40,101
Directors	Related party	Sponsors' advances received	**10,000**	70,000
		Sponsors' advances paid	**25,266**	5,852
Key management personnel	Related party	Remuneration	**18,321**	18,097

Balances receivable / (payable) as at June 30, 2017 with related parties are as follows:

Name	Nature of relationship	Nature of balance	2017	2016
Hafiz Abdul Waheed and Brothers	Associated entity	Trade debts	**21,091**	—
		Trade and other payables	**—**	(5,618)
Huffaz Corporation company	Associated	Trade debts	**1,767**	411
		Trade and other payables	**—**	—
Directors	Related party	Short-term sponsor's advances	**(63,957)**	(79,222)

39. OPERATING SEGMENTS

39.1 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:

39.2 Segment revenue and results

	Seamless Segment	Coating Segment	Total
	....	Rs '000	....
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**
For the year ended June 30, 2016			
Sales	896,143	106,251	1,002,394
Cost of sales	(833,930)	(95,002)	(928,932)
Gross profit	62,213	11,249	73,462

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

	2017	2016
	.... (Rupees in '000)	....
Total results for reportable segments	**98,248**	73,462
Distribution and administrative expenses	**(77,544)**	(69,131)
Other operating charges	**(7,903)**	(14,713)
Other income	**33,525**	46,822
Finance cost	**(23,984)**	(32,053)
Taxation	**3,221**	15,633
Profit for the year	**25,563**	**20,020**

39.3 Segment assets and liabilities

	Seamless Segment	Coating Segment	Total
	....	Rs '000	....
As at June 30, 2017			
Segment assets	**5,953,461**	**1,142,034**	**7,095,495**
Segment liabilities	**1,076,275**	**—**	**1,076,275**
As at June 30, 2016			
Segment assets	5,990,633	1,240,788	7,231,421
Segment liabilities	1,177,808	—	1,177,808

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

	2017	2016
	.... (Rupees in '000)	....
Total for reportable segment assets	**7,095,495**	7,231,421
Unallocated assets	**118,042**	117,913
Total assets as per balance sheet	**7,213,537**	7,349,334
Total for reportable segment liabilities	**1,076,275**	1,177,808
Unallocated liabilities	**1,293,336**	1,349,335
Total liabilities as per balance sheet	**2,369,611**	2,527,143

39.4 Segment revenue reported above is revenue generated from external customers. There were no inter-segment sales during the year (2016: nil)

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

39.6 99.70% (2016: 100%) of gross sales of the Company relates to customers in Pakistan.

39.7 All non-current assets of the Company as at June 30, 2017 are located in Pakistan.

39.8 Revenue from a major customer of seamless segment represents an aggregate amount of Rs. 65.48 million (2016: Rs. 164 million) of total seamless segment revenue of Rs. 859.800 million (2016: 896.143 million). Further, revenue from a major customer of coating segment represents an aggregate amount of Rs. 49.81 million (2016: Rs. 105 million) out of total coating segment revenue of Rs. 86.816 million (2016: Rs. 106.251 million).

40. FINANCIAL INSTRUMENTS

Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

40.1 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:

	2017		2016	
	Balance sheet	Maximum exposure	Balance sheet	Maximum exposure
	.... (Rupees in '000)	....		
Trade debts	**120,818**	**120,818**	88,656	88,656
Loans and advances, trade and other deposits and other receivables	**138,399**	**138,399**	160,997	160,997
Bank balances	**68,147**	**68,009**	104,273	104,245
	327,364	**327,226**	353,926	353,898

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

	2017	2016
	.... (Rupees in '000)	....
Dealers and distributors	**81,954**	36,467
End-user customers	**38,864**	52,189
	120,818	**88,656**

As at the year end June 30 2017 the Company's most significant customers included a distributor from whom Rs. 21.091 million was due (2016: Rs. 16.063 million) and an end-user from whom Rs. 7.715 million was due (2016: Rs. 30.210 million).

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

Local Banks		**Short term** C to A1+	**Long term** B to AAA
	Credit Rated	**2017**	**2016**
		.... (Rupees in '000)	....
National Bank of Pakistan	A1+	**53,861**	44,309
Habib Bank Ltd	A1+	**1,118**	1,496
Muslim Commercial Bank	A1+	**1,485**	450
Allied Bank Ltd.	A1+	**2,667**	5
Soneri Bank Ltd	A1+	**1,249**	3,440
Bank Al Habib Ltd	A1+	**2,525**	218
Silk Bank	A-2	**504**	512
Other Banks	A1+	**4,600**	53,815
Total		**68,009**	**104,245**

40.2 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:

	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**

	2016				
	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	3,393	3,393	677	677	2,039
Short-term sponsors' advances	79,222	79,222	—	79,222	—
Trade and other payables	508,258	508,258	508,258	—	—
Accrued mark-up	—	—	—	—	—
	590,873	590,873	508,935	79,899	2,039

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.

40.3 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.

40.3.1 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:

	2017		2016	
	Rupees in '000	US Dollars in '000	Rupees in '000	US Dollars in '000
Foreign currency bank accounts	**21**	**0.200**	10	0.096
Import bills payable	**(130,162)**	**(1,241)**	(420,427)	(4,016)
Net exposure	**(130,141)**	**(1,241)**	(420,417)	(4,016)

Following are the significant exchange rates applied during the year:

	Average rates		Balance sheet date rate	
	2017	2016	2017	2016
	.... (Rupees in '000)		.... (Rupees in '000)	
US Dollars	**104.79**	104.68	**104.86**	104.69

Sensitivity analysis

A five percent change in Rupee against US Dollar at June 30, 2017 would have increased / (decreased) equity and (decreased)/ increased post tax profit / loss by Rs. 4.490 million (2016: Rs. 14.294 million). This analysis assumes that all other variables, in particular interest rates, remains constant. The analysis is performed on the same basis for 2016.

40.3.2 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	
	2017	2016
Variable rate instruments		
Financial liabilities	**163,333**	**3,393**

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, 2017 by Rs. 1.127 million (2016: Rs. 0.023 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2016.

40.4 Fair value of financial assets and liabilities

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

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

40.5 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.

41. GENERAL

41.1 Date of authorisation for issue

These financial statements were authorized for issue on September 28, 2017 by the Board of Directors of the Company.

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

Pattern of Shareholding

As on June 30, 2017

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, 2017

{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%**

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

34th 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 34th Annual General Meeting of Company will be held Wednesday, October 25, 2017 at 02:30 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.

AFFIX
CORRECT
POSTAGE

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

Huffaz
Seamless Pipe Industries Limited

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.

Website: www.huffaz.com.pk

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