

CONDENSED INTERIM FINANCIAL INFORMATION
for the Half Year Ended
December 31, 2018
(Un-Audited)



Huffaz

Seamless Pipe Industries Limited

Committed to Excellence



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Corporate Directory

Chairman:

Muhammad Hafiz

Chief Executive:

Hafiz Abdul Majid

Executive Director:

Hafiz Abdul Haseeb

Board of Directors:

Mr. Talal Yousuf Mohammed Najibi
 Mr. Nabil Abdul Rahman Ahmad Arif
 Mr. Fahad Abdul Aziz Eshaq A.Rehman
 Mr. Muhammad Hafiz
 Mr. Arshad Ahmed
 Hafiz Abdul Waheed
 Hafiz Abdul Sami
 Hafiz Abdul Aleem
 Hafiz Abdul Majid
 Hafiz Abdul Haseeb
 Mr. Nasir Mahmood (Independent Director)
 Mr. Asghar Imam Khalid (Independent Director)
 Mrs. Javeria Sami (Female Director)

Company Secretary:

Mr. Usama Ahmed, FCMA

Head of Internal Audit:

Mr. Muhammad Musab, ACA

Audit Committee:

Mr. Nasir Mahmood	Chairman
Mr. Muhammad Hafiz	Member
Mr. Arshad Ahmed	Member
Mr. Asghar Imam Khalid	Member
Hafiz Abdul Sami	(Reserved member)

Human Resource and Remuneration Committee:

Mr. Nasir Mahmood	(Chairman)
Mr. Muhammad Hafiz	
Mr. Arshad Ahmed	
Hafiz Abdul Aleem	
Hafiz Abdul Majid	

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 Alfiah 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 Industrial 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.





ISO 9001

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"





Directors' Review Report

Dear Shareholders,

Assalam-o-Alaikum

The Directors have the pleasure in presenting to you the unaudited condensed interim financial information (duly reviewed by the auditors) for the half year ended December 31, 2018. This condensed interim financial information is presented in accordance with the requirements of Companies Act, 2017 and the Code of Corporate Governance Regulations, 2017.

The Company's sales turnover for the half year declined to Rs. 328.314 million as compare to Rs. 433.254 million in the corresponding period last year mainly due low domestic and international demand. Because Steel prices have come down internationally due to demand slowdown in key global markets and this is likely to remain under pressure in near future as well. Imports from China and Russia continue to increase at significantly lower prices thus putting pressure on the Company to lower its prices.

However, we have an optimistic outlook for the upcoming years. The local demand of our products is expected to pick up as the Government's intention to increase gas supply whether through TAPI gas pipe line from Central Asia to Pakistan and India. The IP pipeline would begin from 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 OGDCL 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 period, with increasing demand for line pipe coatings. We are hopeful that the business activity will pick up during the year.

The Board of Directors of the Company places on record its gratitude to valued shareholders, banks, financial institutions and customers whose co-operation, continued support and patronage have enabled the Company to improve continuously. During the period under review, relation between the management and the employees remained cordial and we wish to place on record our appreciation for the dedication and hard work of the staff and workers of the Company.

For and on behalf of the Board of Directors

HAFIZ ABDUL MAJID
Chief Executive

Karachi: February 28, 2019





H.A.M.D & Co.
Chartered Accountants

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 **McMillan Woods**
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McMillan Woods Global Limited
www.mcmillanwoods.com

AUDITOR'S REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

INTRODUCTION

We have reviewed the accompanying condensed interim statement of financial position of **HUFFAZ SEAMLESS PIPE INDUSTRIES LIMITED** "the Company" as at 31 December, 2018: and the related condensed interim statement of profit or loss, condensed interim comprehensive income, condensed interim statement of changes in equity, condensed interim cash flow statement and notes to the condensed interim financial statements for the six months period then ended (here-in-after referred to as the 'Condensed interim financial information'). Management is responsible for the preparation and presentation of the condensed interim financial information, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial information based on our review.

SCOPE OF REVIEW

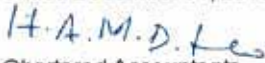
We conducted our review in accordance with international standard on review engagements 2410, "Review of interim financial information" performed by the independent auditor of the entity. A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedure. A review is substantially less in scope than an audit conducted in accordance with international standards on auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information does not give a true and fair view, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

OTHER MATTERS

The figures included in the condensed interim statement of profit and loss account and condensed interim statement of comprehensive income for the quarter ended December 31, 2018 and December 31, 2017 have not been reviewed by the statutory auditors of the company as they have reviewed the cumulative figures for the six months ended December 31, 2018 and December 31, 2017.



Chartered Accountants

Engagement Partner: Idrees Dawson, FCA

Dated: February 28, 2019
Karachi

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CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
As at December 31, 2018

		December 31, 2018 Un-Audited	June 30, 2018 Audited
ASSETS			
Non-Current Assets	Note (Rupees in '000)	
Property, plant and equipment	5	5,141,823	5,201,352
Long-term deposits		6,936	6,936
Investment	6	243,187	243,187
		<u>5,391,946</u>	<u>5,451,475</u>
Current assets			
Stores and spares		67,869	72,984
Stock-in-trade	7	1,144,217	1,211,228
Trade debts-considered good	8	167,173	103,498
Loan, advances, trade deposits and short term prepayments	9	55,475	63,174
Other receivables	10	51,994	65,654
Advance tax - net of provision		17,172	34,992
Cash and bank balances		15,421	40,951
		<u>1,519,321</u>	<u>1,592,481</u>
		<u>6,911,267</u>	<u>7,043,956</u>
TOTAL ASSETS			
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
70,000,000 (2018: 70,000,000) ordinary share of Rs.10 each		<u>700,000</u>	<u>700,000</u>
Share capital			
Issued, subscribed and paid-up capital		554,844	554,844
Capital reserve			
Share premium		109,437	109,437
Surplus on revaluation of property, plant and equipment - net of tax	11	3,045,941	3,092,182
Revenue reserve			
General reserve		40,000	40,000
Unappropriated profit		<u>1,325,517</u>	<u>1,259,790</u>
TOTAL SHAREHOLDERS' EQUITY		<u>5,075,739</u>	<u>5,056,253</u>
LIABILITIES			
Non-current liabilities			
Long-term financing-secured		1,235	1,986
Deferred liabilities		<u>1,117,931</u>	<u>1,181,752</u>
		<u>1,119,166</u>	<u>1,183,738</u>
Current liabilities			
Trade and other payables	12	653,427	697,659
Short-term sponsors' advances	13	62,036	65,636
Short-term borrowings-secured	14	—	35,029
Current portion of non-current liabilities-secured		899	1,142
Accrued mark-up		—	4,500
		<u>716,362</u>	<u>803,966</u>
TOTAL LIABILITIES		<u>1,835,528</u>	<u>1,987,703</u>
CONTINGENCIES AND COMMITMENTS	15		
TOTAL EQUITY AND LIABILITIES		<u>6,911,267</u>	<u>7,043,956</u>

The annexed notes from 1 to 25 form an integral part of these condensed interim financial information.

Hafiz Abdul Majid
Chief Executive

Hafiz Abdul Sami
Director





Condensed Interim Statement of Profit or Loss (Un-Audited)
For the Half Year Ended December 31, 2018

	Note	Half year ended		Quarter ended	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
.....(Rupees in '000').....					
Net sales		328,314	433,254	191,494	204,451
Cost of sales	16	(315,469)	(379,807)	(184,951)	(158,715)
Gross profit		12,845	53,447	6,543	45,736
Selling and Distribution expenses		(5,404)	(4,240)	(2,869)	(903)
Administrative expenses		(33,379)	(45,833)	(17,073)	(30,182)
		(38,783)	(50,073)	(19,942)	(31,085)
		(25,938)	3,374	(13,399)	14,651
Other operating expenses	17	(1,415)	(2,312)	(1,415)	(1,452)
Other income	18	15,471	19,785	10,802	18,546
		(11,882)	20,847	(4,012)	31,745
Finance cost	19	(14,771)	(18,089)	(8,980)	(9,000)
(Loss) / profit before taxation		(26,653)	2,758	(12,992)	22,745
Taxation	20	46,139	5,040	(1,160)	(20,610)
Profit / (loss) for the period		19,486	7,798	(14,152)	2,135
..... (Rupees)					
Earnings/(losses) per share - basic and diluted		0.35	0.14	(0.26)	0.04
.....(Rupees in '000').....					
Earnings before interest, tax, depreciation and amortisation (EBITDA)		91,530	131,108	55,098	95,798

The annexed notes from 1 to 25 form an integral part of these condensed interim financial information.

Hafiz Abdul Majid
Chief Executive

Hafiz Abdul Sami
Director





Condensed Interim Statement of Comprehensive Income (Un-Audited)
For the Half Year Ended December 31, 2018

	Half year ended		Quarter ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
.....(Rupees in '000').....				
Profit / (loss) for the period	19,486	7,798	(14,153)	2,135
Other comprehensive income	—	—	—	—
Total comprehensive income for the period	<u>19,486</u>	<u>7,798</u>	<u>(14,153)</u>	<u>2,135</u>

The annexed notes from 1 to 25 form an integral part of these condensed interim financial information.

Hafiz Abdul Majid
Chief Executive

Hafiz Abdul Sami
Director





Condensed Interim Statement of Cash Flows (Un-Audited)
For the Half Year Ended December 31, 2018

	Note	Half Year ended	
		December 31, 2018	December 31, 2017
	 (Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		(26,653)	2,758
Adjustments for:			
Depreciation		88,641	92,047
Amortisation		—	125
Finance cost		14,771	18,089
Workers profit participation fund		—	257
Workers' Welfare Fund		1,415	2,142
Provision for compensated absences		84	130
Provision for staff gratuity		4,500	4,000
		109,411	116,790
Operating cash flows before working capital changes		82,758	119,548
Changes in working capital	21	(26,097)	(6,415)
Cash generated from operations		56,661	113,133
Finance cost paid		(5,092)	(9,597)
Compensated absences paid		(43)	—
Staff gratuity paid		(2,126)	(3,021)
Income tax paid		(6,207)	(26,556)
		(13,468)	(39,174)
Net cash generated in operating activities		43,193	73,959
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(29,100)	(5,759)
Net cash used in investing activities		(29,100)	(5,759)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term financing paid		(994)	—
Short-term sponsors' advances paid		(3,600)	(4,000)
Dividend paid		—	(50)
Net cash used in financing activities		(4,594)	(4,050)
Net (decrease)/increase in cash and cash equivalents		9,499	64,150
Cash and cash equivalents at the beginning of the period		5,922	(91,853)
Cash and cash equivalents at the end of the period	22	15,421	(27,703)

The annexed notes from 1 to 25 form an integral part of these condensed interim financial information.


Hafiz Abdul Majid
Chief Executive


Hafiz Abdul Sami
Director





Condensed Interim Statement of Changes in Equity (Un-Audited)
For the Half Year Ended December 31, 2018

	Issued, subscribed and paid-up capital	Capital Reserves		Revenue Reserves		Total
		Share premium	Revaluation Surplus on Property plant and Equipment	General reserve	Unappropriated profit	
..... (Rupees '000)						
Balance as at July 1, 2017-Restated	554,844	109,437	3,241,684	40,000	897,960	4,843,925
Total comprehensive income for the period						
Profit for the period	—	—	—	—	7,798	7,798
Other comprehensive income	—	—	—	—	—	—
Total comprehensive income for the period	—	—	—	—	7,798	7,798
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation charged thereon - net of tax	—	—	(49,494)	—	49,494	—
Balance as at December 31, 2017- Restated	554,844	109,437	3,192,190	40,000	955,252	4,851,723
Balance as at July 1, 2018	554,844	109,437	3,092,182	40,000	1,259,790	5,056,253
Total comprehensive income for the period						
Profit for the period	—	—	—	—	19,486	19,486
Other comprehensive income	—	—	—	—	—	—
Total comprehensive income for the period	—	—	—	—	19,486	19,486
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation charged thereon - net of tax	—	—	(46,241)	—	46,241	—
Balance as at December 31, 2018	554,844	109,437	3,045,941	40,000	1,325,517	5,075,739

The annexed notes from 1 to 25 form an integral part of these condensed interim financial information.

Hafiz Abdul Majid
Chief Executive

Hafiz Abdul Sami
Director





Notes to the Condensed Interim Financial Information (Un-Audited) For the Half Year Ended December 31, 2018

1. STATUS AND NATURE OF BUSINESS

Huffaz Seamless Pipe Industries Limited ("the Company") was incorporated in Pakistan on October 9, 1983 as a public company limited by shares. The shares of the Company are quoted on Pakistan Stock Exchange (PSX) (formerly divided into KSE & LSE). The principal objective and business of the Company is manufacturing and selling of seamless steel pipes and tubes (tubular products). The Company also has a coating facility capable of applying three layer high density polyethylene coating, polypropylene coating and tape coating on steel pipes. The registered office of the Company is situated at 207-210, Mashriq Center, Block 14, Gulshan-e-Iqbal, Karachi and the factory of the Company is located at Nooriabad, District Jamshoro, Sindh province.

1.2 This is stand alone financial information of Huffaz Seamless Pipe Industries Limited. Consolidated financial information has not been prepared by the Company as disclosed in Note-6

2. BASIS OF PREPARATION

2.1 Statement of Compliance

This condensed interim financial information of the Company for the half year ended 31 December 2018 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 'Interim Financial reporting. This condensed interim financial information has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for Interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

International Accounting Standard (IAS) 34 'Interim Financial Reporting issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017; and provisions of and directives issued under the Companies Act 2017.

Where the provisions of and directives Issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives Issued under the Companies Act, 2017 have been followed.

2.1.2 This condensed interim financial information is un-audited and is being submitted to the shareholders as required by listing regulations of Pakistan Stock Exchange vide section 237 of the Companies Act, 2017. The figures for the half year ended 31 December 2018 have, however, been subjected to limited scope review by the auditors as required by the Code of Corporate Governance.

2.1.3 This condensed interim financial information does not include all the information and disclosures required for annual financial statements and therefore should be read in conjunction with the annual financial statements of the Company for the year ended June 30, 2018.

2.1.4 This condensed interim financial statements are unaudited but subject to limited scope review by the statutory auditors as required by the Code of Corporate Governance. The figures of the condensed interim statement of profit and loss account and condensed interim statement of comprehensive income for the quarter ended December 31, 2018 and December 31, 2017 have not been reviewed by the statutory auditors of the company as they have reviewed the cumulative figures for the six months ended December 31, 2018 and December 31, 2017.

2.2 Basis of measurement

This financial information has been prepared under the historical cost convention except that:

- the obligations under employees' defined benefit plan which are measured at present value of defined benefits less fair value of plan assets; and
- the leasehold land, factory building, plant and machinery and coating sheds are stated at fair values which are determined by the independent valuer.

2.3 Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The accounting policies, estimates, judgments and the methods of computation adopted in the preparation of this condensed interim financial informations are the same as those applied in preparation of annual financial statements of the Company for the year ended June 30, 2018.





3.1 New standards, amendments and interpretation to published approved accounting and reporting standards which are effective during the half year ended December 31, 2018.

There are certain amendments and an interpretation to approved accounting and reporting standards which are mandatory for the Company's annual accounting period which began on July 1, 2018. However, these do not have any significant impact on the Company's financial reporting and, therefore, have not been detailed in these condensed interim financial statements.

In addition to that two new standards (i.e. IFRS 9 and IFRS 15) have become applicable to the Company effective July 1, 2018. Because of these new standards certain changes to the Company's accounting policies have been made in light of the following paragraphs:

IFRS 9 'Financial instruments' - This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

IFRS 15 'Revenue from contracts with customers' - IFRS 15 replaces the previous revenue standards: IAS 18 Revenue.

IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The changes laid down by these standard do not have any significant impact on these condensed interim financial statements of the Company.

3.2 New standards and amendments to published approved accounting and reporting standards that are not yet effective.

There is a new standard, certain amendments and an interpretation to the approved accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2019. However, these will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these unconsolidated condensed interim financial statements.

4. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Company for the year ended June 30, 2018.

5. PROPERTY, PLANT AND EQUIPMENT

		December 31, 2018 (Un-Audited)	June 30, 2018 (Audited)
..... (Rupees in '000)			
Operating fixed assets	5.1	5,116,673	5,201,352
Capital work-in-progress	5.2	25,150	—
		<u>5,141,823</u>	<u>5,201,352</u>

5.1 Details of additions and disposals to operating fixed assets are as under:

	Half year ended December 31, 2018 (Un-Audited)		Year ended June 30, 2018 (Audited)	
	Additions/ Transfers	Transfers/ Disposals at Book Value	Additions/ Transfers	Transfers/ Disposals at Book Value
..... Rupees in '000				
Land - lease hold	—	—	—	(7,331)
Building - factory	—	—	73,748	(123,024)
Coating Sheds	—	—	—	(5,811)
Building - head office	—	—	559	—
Plant and machinery	—	—	33,215	—
Electric and gas appliances	3,950	—	—	—
Computer and allied equipment	—	—	143	—
	<u>3,950</u>	<u>—</u>	<u>107,665</u>	<u>(136,165)</u>





	December 31, 2018 (Un-Audited)	June 30, 2018 (Audited)
 (Rupees in '000)	
5.2 Additions to capital work-in-progress and transfer to operating fixed assets during the period are as follows:		
Opening Balance	—	73,102
Additions	25,150	33,055
Transfers	—	(106,157)
	<u>25,150</u>	<u>—</u>
6. INVESTMENT		
HPY Coating (Pvt.) Ltd.	6.1	243,187
	<u>243,187</u>	<u>243,187</u>

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

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

6.3 OPERATING STATUS

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

The auditors of the joint venture company has not yet issued opinion on the financial statements of the said company therefore consolidated financial statements were not prepared.

	December 31, 2018 (Un-Audited)	June 30, 2018 (Audited)
 (Rupees in '000)	
7. STOCK-IN-TRADE		
Raw material - in hand	60,799	131,299
Work-in-process	51,806	38,023
Finished goods	827,365	835,718
Rejection / scrap material	204,247	206,188
	<u>1,144,217</u>	<u>1,211,228</u>





	December 31, 2018 (Un-Audited)	June 30, 2018 (Audited)
 (Rupees in '000)	
8. TRADE DEBTS		
Considered good	<u>167,173</u>	<u>103,498</u>
Related parties from whom debts are due are as under:		
Hafiz Abdul Waheed and Brothers (Pvt) Limited	—	18,578
Huffaz Corporation (Pvt) Limited	—	—
	<u>—</u>	<u>18,578</u>
9. LOAN, ADVANCES, TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
Considered good-unsecured		
– Advances to suppliers	116	12,073
– Employees for business related expenses	5,727	5,608
– Short term loan to HPY Coating	20,828	20,678
– Loans and advances to employees	7,883	7,960
	<u>34,554</u>	46,319
Trade deposits	20,921	16,855
	<u>55,475</u>	<u>63,174</u>
10. OTHER RECEIVABLES		
Letter of credit	3,539	3,308
Margin against guarantee	30,957	12,509
Sales tax refundable	17,498	49,837
	<u>51,994</u>	<u>65,654</u>





	December 31, 2018 (Un-Audited)	June 30, 2018 (Audited)
 (Rupees in '000)	
11. 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	3,279,058	3,486,138
Revaluation arising during the period	—	—
Transfer of assets	—	(50,514)
	4,083,436	4,240,002
Less: transferred to unappropriated profit:		
– Surplus on revaluation of property, plant and equipment realized during the period on account of incremental depreciation charged thereon - net of tax	(46,241)	(98,988)
– Related deferred tax	(19,435)	(57,578)
	(65,676)	(156,566)
	4,017,760	4,083,436
Less: related deferred tax liability on:		
– Revaluation as at July 1,	(991,254)	(1,048,832)
– (Deficit) / Surplus arising during the period	—	—
– Incremental depreciation charged during the period on related assets transferred to profit and loss account	19,435	57,578
– Effect of change in tax rates	(971,819)	(991,254)
	3,045,941	3,092,182
12. TRADE AND OTHER PAYABLES		
Trade creditors	12.1 25,483	22,354
Accrued liabilities	42,976	32,291
Tax deducted at source	32,841	31,671
Workers' profit participation fund	12.2 331,610	317,431
Workers' welfare fund	10,944	13,763
Bills payable	93,401	93,401
Advance from customers	12.1 91,026	164,036
Provision for compensated absences	14,154	14,113
Gratuity due but not yet paid	9,585	7,197
Others	1,407	1,402
	653,427	697,659





		December 31, 2018 (Un-Audited)	June 30, 2018 (Audited)
	 (Rupees in '000)	
12.1	Related parties from whom advances received against sales are as under:		
	Hafiz Abdul Waheed and Brothers (Pvt) Limited	4,860	—
	Huffaz Corporation (Pvt) Limited	13,295	12,862
		<u>18,155</u>	<u>12,862</u>
12.2	Workers' Profit Participation Fund		
	Balance as at July 1,	317,431	290,469
	Allocation for the period	—	946
	Interest on outstanding balance	14,179	26,016
	Balance as at December 31,	<u>331,610</u>	<u>317,431</u>
13	SHORT-TERM SPONSORS' ADVANCES - unsecured		
	This represents unsecured and interest free advance from sponsors repayable on demand.		
14.	SHORT TERM BORROWINGS		
	Restructured Term finances under mark-up arrangements	14.1	—
		—	35,029
		<u>—</u>	<u>35,029</u>
14.1	The Company obtained the restructured short term loan facility from Bank Alfalah of Rs.200 million in the year. The Markup on the facility is charged at the rate i.e KIBOR+3%. The loan was secured by way of first pari passu charged on Fixed Assets of the company, having value of Rs.550 million. The loan has been paid fully in this period along with markup thereon.		
15.	CONTINGENCIES AND COMMITMENTS		
15.1	Contingencies		
15.1.1	Guarantees as at December 31, 2018 amounting to Rs. 17.337 million (June 30, 2018: Rs. 21.389 million) have been furnished in favour of various customers.		
15.1.2	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.		
15.2	Commitments		
15.2.1	Commitments under letters of credit as at December 31, 2018 amounted to Rs. Nil (June 30, 2018: Rs. Nil).		
15.2.2	The facility for opening letters of credit and guarantees as at December 31, 2018 amounted to Rs. Nil (June 30, 2018: Rs. 500 million) of which the amount remaining unutilised as at that date was Rs. Nil (June 30, 2018: Rs. 235 million).		





	Half year ended		Quarter ended	
	December 31, 2018 (Un-Audited)	December 31, 2017 (Un-Audited)	December 31, 2018 (Un-Audited)	December 31, 2017 (Un-Audited)
	Note Rupees in '000			
16. COST OF SALES				
Opening stock of finished goods	835,718	652,336	750,718	441,037
Cost of goods manufactured 16.1	307,116	437,529	261,598	427,737
	<u>1,142,834</u>	<u>1,089,865</u>	<u>1,012,316</u>	<u>868,774</u>
Closing stock of finished goods	(827,365)	(710,058)	(827,365)	(710,058)
Total Cost of Sales	<u>315,469</u>	<u>379,807</u>	<u>184,951</u>	<u>158,715</u>
16.1 Cost of goods manufactured				
Raw material consumed 16.1.1	94,214	164,216	35,035	105,845
Depreciation	88,113	91,346	44,075	45,221
Other Manufacturing Expenses	136,631	126,153	76,830	45,112
	<u>318,958</u>	<u>381,715</u>	<u>155,940</u>	<u>196,178</u>
Rejection / scrap material				
Opening	206,188	83,787	238,688	182,416
Closing	(204,247)	(123,157)	(204,247)	(123,157)
	<u>1,941</u>	<u>(39,370)</u>	<u>34,441</u>	<u>59,259</u>
Work in process				
Opening	38,023	161,085	123,023	238,201
Closing	(51,806)	(65,901)	(51,806)	(65,901)
	<u>(13,783)</u>	<u>95,184</u>	<u>71,217</u>	<u>172,300</u>
	<u>307,116</u>	<u>437,529</u>	<u>261,598</u>	<u>427,737</u>
16.1.1 Raw material consumed				
Opening stock	131,299	375,568	73,904	547,862
Purchases	23,714	34,175	21,930	(196,490)
	<u>155,013</u>	<u>409,743</u>	<u>95,834</u>	<u>351,372</u>
Closing stock	(60,799)	(245,527)	(60,799)	(245,527)
	<u>94,214</u>	<u>164,216</u>	<u>35,035</u>	<u>105,845</u>
17. OTHER OPERATING EXPENSES				
Workers' Welfare Fund	1,415	2,142	1,415	1,610
Exchange loss / (gain)	—	(87)	—	(415)
Workers' Profit Participation Fund	—	257	—	257
	<u>1,415</u>	<u>2,312</u>	<u>1,415</u>	<u>1,452</u>
18. OTHER INCOME				
Scrap sales	500	—	—	—
Others	14,971	19,785	10,802	18,546
	<u>15,471</u>	<u>19,785</u>	<u>10,802</u>	<u>18,546</u>





	Half year ended		Quarter ended	
	December 31, 2018 (Un-Audited)	December 31, 2017 (Un-Audited)	December 31, 2018 (Un-Audited)	December 31, 2017 (Un-Audited)
..... Rupees in '000				
19. FINANCE COST				
Profit paid on musharaka	84	—	73	—
Interest on Workers' Profit Participation Fund	14,179	8,672	7,089	4,315
Mark-up on short term borrowing-BAFL	—	7,792	1,332	4,620
Bank charges	508	1,625	486	65
	<u>14,771</u>	<u>18,089</u>	<u>8,980</u>	<u>9,000</u>
20. TAXATION				
Current	19,793	28,352	11,683	20,537
Deferred	(65,932)	(33,392)	(10,523)	73
	<u>(46,139)</u>	<u>(5,040)</u>	<u>1,160</u>	<u>20,610</u>

20.1 Income tax assessment has been made in the current year under section 122(9) of the income tax ordinance, 2001, there have been no significant additional tax amount demanded by income tax department.

20.2 Income tax assessment prior to tax year 2017 has been assessed under deemed provision of the income tax ordinance, 2001.

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

	Half Year ended	
	December 31, 2018 (Rupees in '000)	December 31, 2017 (Rupees in '000)
21. CHANGES IN WORKING CAPITAL		
(Increase) / decrease in current assets		
Stores and spares	5,115	18,103
Stock-in-trade	67,011	128,133
Trade debts	(63,675)	50,141
Loans and advances, trade and other deposits and other receivables	21,359	18,347
	<u>29,810</u>	<u>214,724</u>
Increase in current liabilities		
Trade and other payables	(55,907)	(221,139)
	<u>(26,097)</u>	<u>(6,415)</u>
22. CASH AND CASH EQUIVALENTS		
Restructured Term finances under mark-up arrangements	—	(78,792)
Cash and bank balances	15,421	51,089
	<u>15,421</u>	<u>(27,703)</u>





23. 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 as follows:

Name	Nature of relationship	Nature of transaction	Half Year ended	
			December 31, 2018 (Un-Audited)	December 31, 2017 (Un-Audited)
		 (Rupees in '000)	
Hafiz Abdul Waheed and Brothers	Associated company	Sale of goods	—	55,754
		Receipts in respect of sale of goods	23,438	89,571
Huffaz Corporation	Associated company	Sale of goods	3,052	5,214
		Receipts in respect of sale of goods	3,485	2,876
Directors	Related party	Sponsors' advances received	—	4,844
		Sponsors' advances paid	3,600	8,844
Remuneration of key management	Related party	Remuneration	8,908	11,200

Balance receivable/(payable) as at December 31, 2018 with related parties are as follows:

Name	Nature of relationship	Nature of balance	December 31, 2018	June 30, 2018
			(Un-Audited)	(Audited)
		 (Rupees in '000)	
Hafiz Abdul Waheed and Brothers	Associated company	Trade debts	—	18,578
		Trade and other payable	(4,860)	—
Huffaz Corporation	Associated company	Trade debts	—	—
		Trade and other payable	(13,295)	(12,862)
HPY Coating (Private) Limited	Joint Venture	Short term loan to HPY Coating	20,828	20,678
Directors	Related party	Short-term sponsor's advances	(62,036)	(65,636)

24. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue by the Board of Directors of the Company on February 28, 2019.

25. GENERAL

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

Hafiz Abdul Majid
Chief Executive

Hafiz Abdul Sami
Director

Karachi: February 28, 2019





Huffaz

Seamless Pipe Industries Limited

Committed to Excellence

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