

Quarterly Report  
September 30, 2012



  
safe mix  
Concrete Products Ltd.

**SAFE MIX CONCRETE PRODUCTS LTD.**

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## CORPORATE INFORMATION

### Board of Directors

Mr. Arif Habib  
Chairman

Syed Yawar Ali  
Director

Mr. Nasim Beg  
Director

Mr. Bashir H.Ali Muhammad  
Director

Mr. Asim Tiwana  
Director

Mr. Ziad Bashir  
Director

Syed Maratib Ali  
Chief Executive Officer

### Company Secretary & Chief Financial Officer

Masood Ijaz

### Statutory Auditors

KPMG Taseer Hadi & Co.  
Chartered Accountant

### Legal Advisor

Minto & Mirza  
Advocates & Corporate Counsel

### Registered Office

Plot No.1-6, Sector 26, Korangi Industrail Area, Karachi  
Tel: +92 21 3507 4581  
Fax: +92 21 3507 4603  
<http://www.safemixlimited.com>

### Board Audit Committee

Syed Yawar Ali  
Chairman

Mr. Ziad Bashir  
Member

Mr. Nasim Beg  
Member

### Human Resources & Remuneration Committee

Nasim Beg  
Chairman

Syed Maratib Ali  
Chief Executive Officer

Ziad Bashir  
Member

### Bankers

Habib Metropolitan Bank Limited  
The Bank of Punjab  
NIB Bank Limited

### Shares Registrars

THK Associates (Pvt.) Limited  
Ground Floor, State Life Building No.3,  
Dr. Ziauddin Ahmed Road,  
Karachi.

## DIRECTORS' REVIEW

The Board of Directors of Safe Mix Concrete Products Limited present herewith condensed interim financial information for the quarter ended 30th September 2012.

### Over view

During the quarter under review, the Company has been able to achieve positive results as compared to corresponding quarter last year. The Company is putting all efforts to achieve better results given the current market condition and increasing raw materials & diesel costs.

The Company achieved sales of Rs. 144.79 million showing an increase of 4.8% compared to the corresponding quarter last year.

### Operating results

	Quarter Ended 30th September	
	2012	2011
Profit /(Loss) before taxation	3,120,689	(757,341)
Taxation	(977,516)	(1,381,231)
Profit /(Loss) after taxation	<u>2,143,173</u>	<u>(2,138,572)</u>

### Earnings per share

Profit per share for the quarter ended is Rs. 0.11 per share as compared to loss per share for the same quarter of the last year was Rs.0.11 per share.

### Future Outlook

In these difficult economic conditions both in the industry and the country, the Company is making all efforts which would have a positive impact on the future earnings of the Company.

### Acknowledgement

The Board would like to take opportunity to express its appreciation to the customers, suppliers, financial institutions, employees for their dedication and hard work. The Board also acknowledges support and cooperation received from all other stakeholders.

For and on behalf of the board



**Syed Maratib Ali**  
Chief Executive Officer

Karachi: October 23rd, 2012

## CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

AS AT 30 SEPTEMBER 2012

		Unaudited 30 September 2012	Audited 30 June 2012
	Note	----- Rupees -----	
<b>Non - current assets</b>			
Property, plant and equipment	5	187,383,231	188,710,333
Long term deposits		4,220,120	4,220,120
		191,603,351	192,930,453
<b>Current assets</b>			
Stores, spare parts and loose tools		3,930,193	3,081,448
Stock in trade		25,491,162	28,023,759
Trade debts		61,713,579	71,918,294
Advances, prepayments and other receivables		4,538,720	4,014,085
Tax refund due from Government		24,850,864	22,821,879
Cash and bank balances		6,750,055	6,199,996
		127,274,573	136,059,460
<b>Current liabilities</b>			
Trade and other payables		50,637,706	75,323,921
Accrued markup		2,208,548	2,369,760
Short term running finance - secured	6	58,956,120	46,108,802
Current portion of liabilities against assets subject to finance lease		2,276,315	2,448,417
		114,078,689	126,250,900
<b>Net current assets</b>		13,195,884	9,808,560
<b>Non - current liabilities</b>			
Liabilities against assets subject to finance lease		-	336,527
Deferred liability - taxation		5,563,892	5,310,316
		5,563,892	5,646,843
<b>Financed by:</b>		199,235,343	197,092,171
<b>Share capital and reserves</b>			
Authorized capital			
35,000,000 ordinary shares of Rs 10 each		350,000,000	350,000,000
Issued, subscribed and paid up capital		200,000,000	200,000,000
Share premium		14,728,576	14,728,576
Accumulated loss		(15,493,233)	(17,636,405)
		199,235,343	197,092,171
<b>Contingencies and commitments</b>	7		

The annexed notes 1 to 13 form an integral part of these condensed interim financial information.

  
Chief Executive

  
Director

**CONDENSED INTERIM  
PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER 2012**

	Quarter Ended 30 September 2012	Quarter Ended 30 September 2011
	----- Rupees -----	----- Rupees -----
Revenue	144,787,855	138,123,060
Cost of sales	8 <u>(138,067,807)</u>	<u>(132,117,019)</u>
<b>Gross profit</b>	<b>6,720,048</b>	6,006,041
Selling & administrative expenses	<u>(6,372,081)</u>	<u>(5,914,186)</u>
<b>Operating profit</b>	<b>347,967</b>	91,855
Finance cost	<u>(2,339,633)</u>	<u>(2,967,712)</u>
Other operating income	<u>5,112,355</u>	<u>2,118,516</u>
<b>Profit / (Loss) before taxation</b>	<b>3,120,689</b>	(757,341)
Provision for taxation	<u>(977,516)</u>	<u>(1,381,231)</u>
<b>Profit / (Loss) after taxation</b>	<u><b>2,143,173</b></u>	<u>(2,138,572)</u>
<b>Profit / (Loss) per share - basic and diluted</b>	<u><b>0.11</b></u>	<u>(0.11)</u>

The annexed notes 1 to 13 form an integral part of these condensed interim financial information.

  
Chief Executive

  
Director

**CONDENSED INTERIM  
STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER 2012**

	Quarter Ended 30 September 2012	Quarter Ended 30 September 2011
	----- Rupees -----	
Profit / (loss) after taxation	2,143,173	(2,138,572)
Other comprehensive income	-	-
<b>Total comprehensive Profit / (loss) for the period</b>	<u><u>2,143,173</u></u>	<u><u>(2,138,572)</u></u>

The annexed notes 1 to 13 form an integral part of these condensed interim financial information.

  
Chief Executive

  
Director

**CONDENSED INTERIM  
CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER 2012**

	Note	Quarter Ended 30 September 2012	Quarter Ended 30 September 2011
		----- Rupees -----	
<b>Cash used in operations</b>	10	(4,808,822)	(14,131,707)
Taxes paid		(2,752,925)	(1,160,729)
Finance cost paid		(2,500,845)	(3,164,008)
		<u>(5,253,770)</u>	<u>(4,324,737)</u>
<b>Net cash used in operating activities</b>		<u>(10,062,592)</u>	<u>(18,456,444)</u>
<b>Cash flow from investing activities</b>			
Fixed capital expenditure		(1,881,462)	(1,286,717)
Interest received		155,424	74,001
<b>Net cash used in investing activities</b>		(1,726,038)	(1,212,716)
<b>Cash flow from financing activities</b>			
Repayment of liabilities against assets subject to finance lease		(508,628)	(410,365)
<b>Net cash used in financing activities</b>		(508,628)	(410,365)
<b>Net decrease in cash and cash equivalents</b>		<u>(12,297,259)</u>	<u>(20,079,525)</u>
<b>Cash and cash equivalents at beginning of the period</b>		<u>(39,908,806)</u>	<u>(36,593,012)</u>
<b>Cash and cash equivalents at the end of the period</b>	11	<u>(52,206,065)</u>	<u>(56,672,537)</u>

The annexed notes 1 to 13 form an integral part of these condensed interim financial information.

  
Chief Executive

  
Director



**CONDENSED INTERIM  
STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER 2012**

	Issued, subscribed and paid up capital	Share Premium Reserve	Accumulated Profit/(loss)	Total
----- Rupees -----				
<b>Balance as at 01 July, 2011</b>	200,000,000	14,728,576	(10,881,672)	203,846,904
<b>Changes in equity for the quarter ended 30 September 2011</b>				
Total comprehensive loss for the quarter ended 30 September 2011			(2,138,572)	(2,138,572)
<b>Balance as at 30 September, 2011</b>	<u>200,000,000</u>	<u>14,728,576</u>	<u>(13,020,244)</u>	<u>201,708,332</u>
Total comprehensive loss for the nine months ended 30 June 2012			(4,616,162)	(4,616,162)
<b>Balance as at 30 June, 2012</b>	<u>200,000,000</u>	<u>14,728,576</u>	<u>(17,636,406)</u>	<u>197,092,170</u>
<b>Changes in equity for the quarter ended 30 September 2012</b>				
Total Comprehensive profit for the quarter ended 30 September 2012			2,143,173	2,143,173
<b>Balance as at 30 September, 2012</b>	<u><u>200,000,000</u></u>	<u><u>14,728,576</u></u>	<u><u>(15,493,233)</u></u>	<u><u>199,235,343</u></u>

The annexed notes 1 to 13 form an integral part of these condensed interim financial information.

  
Chief Executive

  
Director

**NOTES TO THE CONDENSED INTERIM  
FINANCIAL STATEMENTS - (UN-AUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER 2012**

**1 Status and nature of business**

Safe Mix Concrete Products Limited ("the Company") was incorporated on 04 April 2005 as Private Limited Company. Subsequently, it has been converted into Public Limited Company on 21 February 2007, in accordance with provisions of section 45 read with section 41(3) of the Companies Ordinance 1984. On 16th March, 2010 the Company was listed on Karachi Stock Exchange. The principal activity of the Company is production and supply of ready mix concrete, building blocks and construction of prefabricated buildings, factories and other construction sites. The registered office of the Company is situated at plot No. 1-6, Sector 26, Korangi Industrial Area, Karachi, Pakistan.

**2 Basis of preparation**

The condensed interim financial information have been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in the condensed interim financial information do not include the information reported for full annual financial statements and should therefore, be read in conjunction with the financial statements for the year ended 30 June 2012.

**3 Estimates**

The preparation of the condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing the condensed interim financial information, the significant judgments made by the management in applying accounting policies, key estimates and uncertainty includes:

- Residual value and useful life estimation of fixed assets
- Taxation

**4 Significant accounting policies**

The accounting policies and methods of computation adopted in the preparation of the condensed interim financial information are the same as those applied in preparation of preceding annual financial statements for the year ended 30 June, 2012 and stated therein.

	<i>Note</i>	<b>Unaudited 30 September 2012</b>	Audited 30 June 2012
		----- Rupees -----	
<b>5 Property, plant and equipment</b>			
<b>Owned and leased assets:</b>			
Operating assets - at net book value	5.1	<b>186,784,754</b>	188,070,778
Capital work in progress - at cost		<b>598,477</b>	639,555
		<b><u>187,383,231</u></b>	<u>188,710,333</u>

			<b>Unaudited 30 September 2012</b>	Audited 30 June 2012
			----- Rupees -----	
<b>5.1 Operating assets</b>	<i>Note</i>			
Opening book value			<b>188,070,778</b>	188,693,010
Add: Additions during the period	5.2		<b>1,922,540</b>	12,557,368
Depreciation charged during the period			<b>(3,208,564)</b>	(12,471,145)
Less: Disposals during the period - net book value	5.2		<b>-</b>	(708,455)
Closing book value			<b><u>186,784,754</u></b>	<u>188,070,778</u>
			<b>Acquisitions Cost 2012</b>	<b>Disposals Book value 2012</b>
			----- Rupees -----	
<b>5.2 Break-up of additions / disposals</b>				
Plant and machinery			<b><u>1,922,540</u></b>	-
			<b><u>1,922,540</u></b>	-
		<i>Limit in millions of Rupees</i>	<i>Note</i>	
			<b>Unaudited 30 September 2012</b>	Audited 30 June 2012
			----- Rupees -----	
<b>6 Short term running finance - secured</b>				
The Bank of Punjab	70	6.1	<b><u>58,956,120</u></b>	<u>46,108,802</u>
<b>6.1</b>	This represents utilized portion of short term running finance facility available from the Bank of Punjab under mark-up arrangement. This facility is secured by way of first exclusive charge on all present and future non-current and current assets of the Company for Rs. 93.5 million registered with Securities and Exchange Commission of Pakistan and personal guarantee of Syed Maratib Ali. It carries mark-up at the rate of 3 months highest Karachi Inter Bank Offer Rate ("KIBOR") plus 250 bps with a floor of 14% per annum payable on quarterly basis.			
<b>7 Contingencies and commitments</b>				
<b>7.1 Contingencies</b>				
<b>7.1.1</b>	Building blocks of cement including ready mix concrete blocks were exempt from levy of sales tax by Federal Board of Revenue ( " FBR " ) vide an amendment by Finance Act 2008 in Serial No. 35 of Table 1 of the Sixth Schedule read with section 13 (1) of the Sales Tax Act, 1990 ( " Act " ). However, Sales tax audit of the Company was initiated vide letter No 505-5 on 21 December 2010 for tax period 2007-08. As a consequence audit observations were issued vide letter dated 14 January 2011 involving a sales tax liability amounting to Rs. 105.257 million. Resultantly, the Company applied to the Honorable Lahore High Court ( " Court " ) against the Sales tax audit on the grounds that it is exempt from levy of sales tax under Serial No. 35 of Table 1 of Sixth Schedule of the Act. A stay order was granted by the Court on 24th January 2011 and since then there has been no development in this case. The Company is confident that it has a strong case and the outcome will be in favor of the Company.			

7.1.2 During the last year FBR vide Finance Act 2011 withdrew amendment of Serial No.35 of Table 1 of the Sixth Schedule of the Act with effect from 04 June 2011. However, the Management is of the view that ready mix concrete is still exempt from levy of sales tax based on the fact that the said tax is levied on construction services and supply of goods whereas sale of concrete is neither a construction service nor supply of goods under section 2 (39) of the Act and hence not taxable. The Company has taken up the matter with FBR and has made comprehensive representations in this regard. However, in case of adverse decision of the case, an estimated sale tax liability amounting to Rs. 59.0 million may arise up to the date of Condensed interim Balance Sheet. Based on the negotiations with FBR and the legal opinion, the management is expecting a favorable outcome and accordingly no provision in this respect has been made in these condensed interim financial information.

## 7.2 Commitments

There are no commitments at the balance sheet date (2012: nil).

	<b>Un-audited 30 September 2012</b>	<b>Un-audited 30 September 2011</b>
	----- Rupees -----	
<b>8 Cost of sales</b>		
Raw material and stores consumed	103,414,413	104,909,394
Salaries, wages and other benefits	8,767,352	7,017,550
Depreciation	2,985,278	2,753,901
Fuel and power	17,642,574	13,643,073
Repair and maintenance	2,140,893	1,496,676
Sample testing	86,276	23,670
Equipment hiring charges	1,220,817	952,353
Land rent and commission	750,000	624,999
Carriage and freight	399,486	-
Insurance expenses	660,718	695,403
	<u>138,067,807</u>	<u>132,117,019</u>
<b>9 Transactions with related parties</b>		
<b>Associated Companies:</b>		
ABE Pak (Private) Limited:		
Purchase of goods	1,506,500	1,145,600
IGI Insurance:		
Insurance premium	2,444,613	1,912,471
Thatta Cement Limited:		
Purchase of goods	-	340,782
Al-Abbas Cement Limited:		
Purchase of goods	-	2,988,564
Habib Metropolitan Bank Limited:		
Interest income	154,656	73,378
Tax deducted at source	22,226	4,532
Bank charges	-	648
Lease finance charges	6,844	21,496
<b>Directors:</b>		
Interest on loan from directors	-	450,000

	<b>Un-audited 30 September 2012</b>	Un-audited 30 September 2011
	----- Rupees -----	
<b>10 Cash flow from operating activities</b>		
Profit / (loss) before taxation	3,120,689	(757,341)
Adjustments of items not involving movement of cash:		
Depreciation	3,208,564	2,967,303
Interest income	(155,424)	(74,001)
Finance cost	2,339,633	2,967,712
	<u>5,392,773</u>	<u>5,861,014</u>
<b>Operating profit before working capital changes</b>	<b>8,513,462</b>	<b>5,103,673</b>
<b>Adjustments for working capital items:</b>		
<b>Increase in current assets</b>		
Trade debts	10,204,714	(26,637,868)
Stock in trade	2,532,597	(327,160)
Stores, spare parts and loose tools	(848,745)	(885,314)
Advances, prepayments and other receivables	(524,635)	(3,348,083)
<b>Decrease in current liabilities</b>		
Trade and other payables	(24,686,214)	11,963,044
	<u>(13,322,284)</u>	<u>(19,235,381)</u>
<b>Cash generated from operations</b>	<u><b>(4,808,822)</b></u>	<u><b>(14,131,707)</b></u>
	<b>Un-audited 30 September 2012</b>	Audited 30 June 2012
	----- Rupees -----	
<b>11 Cash and cash equivalent</b>		
Cash and bank balances	6,750,055	6,199,996
Short term borrowings	(58,956,120)	(46,108,802)
	<u>(52,206,065)</u>	<u>(39,908,806)</u>

**12 Date of authorization for issue**

The financial statements were authorized for issue on 23 October 2012 by the board of directors of the Company.

**13 General**

13.1 Corresponding figures have been re-arranged wherever necessary for the purposes of comparison, however, no significant re-arrangements have been made.

13.2 The figures have been rounded off to nearest rupee.

  
Chief Executive

  
Director

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CORPORATE