Annual Report 2012

safe mix
Concrete Products Ltd.

SAFE MIX CONCRETE PRODUCTS LTD.

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COMPANY INFORMATION

Board of Directors
Arif Habib - Chairman
Syed Yawar Ali
Nasim Beg
Bashir H. Ali Mohammad
Ziad Bashir
Asim Tiawana
Syed Maratib Ali - Chief Executive

Audit Committee
Syed Yawar Ali - Chairman
Nasim Beg
Ziad Bashir

Human Resources & Remuneration Committee
Nasim Beg - Chairman
Syed Maratib Ali
Ziad Bashir

Company Secretary & Chief Financial Officer
Wasiq Ilyas

Auditors
KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisor
Minto & Mirza
Advocates & Corporate Counsel

Bankers
Habib Metropolitan Bank Limited
Bank of Punjab
NIB Bank Limited

Registered Office
Plot # 1, 6 sector # 26, Bilal Chowrangi Korangi Industrial Area, Karachi.
Tel # +92 21 35074581
Fax # +92 21 35074603
www.safemixlimited.com

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

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Notice of Annual General Meeting

Notice is hereby given that the Seventh Annual General Meeting of the shareholders of Safe Mix Concrete Product Limited will be held at the Beach luxury hotel, Karachi on Saturday, 20th October 2012 at 6:30 p.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of last Annual General Meeting held on 24th October 2011.

2. To receive, consider and adopt the Audited Financial statements of the Company for the year ended 30th June 2012 together with the Directors' and Auditors' reports thereon.

3. To appoint Auditor for the financial year ending 30th June 2013 and to fix their remuneration. The present Auditors, Messrs KPMG Taseer Hadi & Co., Chartered Accountants, being eligible, offer themselves for re-appointment.

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

By order of the Board

Masood Ijaz
Company Secretary

Karachi, 28th September 2012

Notes:

1. The share transfer book of the Company will remain closed from 14th October 2012 to 20th October 2012 (both days inclusive)

2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote for him/her. Proxy form is enclosed with the Annual report. A proxy must be a member of the Company. Proxies, in order to be effective, must be received at the Registered Office of the Company, duly stamped, signed and witnessed, not less than 48 (forty eight) hours before the meeting.

3. CDC account holders and sub-account holders are required to bring with them their National Identity Card along with the participants ID numbers and their account numbers in order to facilitate identification.

4. Members are request to notify the change in their addresses, if any, immediately to the share registrar of the Company, M/s THK Associates (Pvt.) Limited, Ground floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi 75530

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Directors' Report

The Board of Directors of Safe Mix Concrete Products Limited present herewith audited financial statements for the year ended June 30, 2012.

Overview

During the year under review, the Company was able to obtain better results in comparison to last year, which is mainly attributable to Lahore region where the Company got better margins. However, the Company continued to remain under pressure due to ever increasing basic raw material & diesel prices, overall political & security environment, reducing margins and liquidity problems in the market, effecting achievement of desired results.

The Company achieved sales of Rs. 544.32 million showing an increase of 8.39% as compared to previous year.

Operating Results	Year Ended June 30	
	2012	2011
Loss before taxation	(1,031,424)	(13,173,397)
Taxation	(5,723,311)	8,206,971
Loss after taxation	**(6,754,736)**	**(4,966,426)**

Capital Structure

Shareholders fund at the year end stood at Rs.197.092 million as compared to last year which were at Rs. 203,846 million in the last year.

Accounting Standards

The accounting policies of the Company fully reflects the requirements of the Companies Ordinance 1984 and as such approved International Accounting Standards and International Financial Reporting Standards as have been notified under this ordinance as well as through directives issued by the Securities and Exchange Commission of Pakistan.

Capital Expenditure

The Company incurred a total expenditure of Rs. 12.2 million as addition to Vehicles and Plant & Machinery mainly adding Carriage truck, Concrete Pump parts and other machinery.

Cash flow Strategy

The Company has an effective Cash Flow Management System in place whereby cash inflows and outflows are projected on regular basis.

Working capital requirements have been planned through internal cash generations and short term borrowings.

Audit Committee

The Board of Directors in compliance to the Code of Corporate Governance established an Audit committee which consists of non executive directors and following is the composition of the committee:

1. Syed Yawar Ali (Chairman)
2. Mr. Nasim Beg (Member)
3. Mr. Ziad Bashir (Member)

Human Resources & Remuneration Committee

The Board of Directors in compliance to the Code of Corporate Governance established a Human Resources & Remuneration Committee which consists of majority of non executive directors and following is the composition of the committee:

1. Mr. Nasim Beg (Chairman)
2. Syed Maratib Ali (Member)
3. Mr. Ziad Bashir (Member)

Modification in Auditors Report - Emphasis

The auditors raised concern about the contingency relating to the levy of sales tax on the Company due to the fact that during the year the exemption of ready mix concrete was withdrew by Federal Board of Revenue vide Finance Act 2011 through amendment in Serial No.35 of Table 1 of the Sixth Schedule of Sales Tax Act, 1990. However, the Management is of the view that the 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. In this regards the Directors of the Company have taken up the matter with FBR and have made comprehensive representations in this regard. Based on the negotiations with FBR and the legal opinion, the Directors are confident that the matter will be decided in company's favor.

Auditors

The present auditors, M/S. KPMG Taseer Hadi & Co. Chartered Accountants are due to retire and being eligible, offer themselves for reappointment for the year 2012-2013.

Pattern of Shareholding

Pattern of shareholding whose disclosure is required under the reporting framework is attached to this report.

Directors' statement

The directors confirm compliance with Corporate and Financial reporting framework of the SECP Code of Corporate Governance for the following:

- The financial statements Company present a true and fair state of affairs of the Company.
- Proper books of account have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting 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 a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Meetings of the Board of Directors

There is no change in the Board of Directors of the Company during 2012 as compared to previous year. During the year 2012 four meetings of the board were held and the number of meetings attended by each Director is given hereunder:

Name of the Directors	Meetings attended
Arif Habib	4/4
Bashir Ali Mohammad	4/4*
Syed Yawar Ali	4/4
Nasim Beg	3/4
Asim Tiwana	1/4
Ziad Bashir	4/4
Syed Maratib Ali	4/4

* Mr. Nadim Shafiqullah attended one meeting as an alternate director
* Mr. Zain Bashir attended one meeting as an alternate director

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

Statutory Payments

There are no outstanding statutory payment on account of taxes, duties and levies except of normal and routine charges.

Loss per Share

Loss per share for the year ended June 30, 2012 is Rs.0.34 as compared to loss per share for the same period of the last year of Rs. 0.25.

Future Outlook

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

Acknowledgement

The Board would like to take the opportunity to express its appreciation to its customers, suppliers, 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

Lahore: September 28, 2012

Syed Maratib Ali
Chief Executive Officer

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Key Operating & Financial Data

	2012 Rupees	2011 Rupees	2010 Rupees	2009 Rupees	2008 Rupees	2007 Rupees
Revene	544,316,927	502,190,123	524,383,105	707,464,527	433,244,601	57,448,217
Cost of sales	537,201,896	473,147,535	495,612,283	651,559,205	398,339,783	50,711,973
Gross Profit	7,115,031	29,042,588	28,770,822	55,905,622	34,904,818	6,736,244
Selling and administrative expenses	25,770,323	35,572,648	27,047,021	24,504,049	15,311,491	8,694,636
Finance cost	11,871,773	13,390,554	11,670,140	13,977,716	6,756,667	2,136,877
Profit / (Loss) before tax	1,031,425	(13,173,397)	(4,512,233)	27,024,643	15,692,294	3,241,945
Profit / (Loss) after tax	6,754,736	(4,966,426)	11,538,911	17,613,805	1,749,965	3,780,445
Paid up Capital	200,000,000	200,000,000	200,000,000	70,000,000	70,000,000	70,000,000
Total Assets	328,989,914	322,253,644	326,019,325	286,790,925	269,163,452	104,909,884
Total Liabilities	131,897,746	118,406,740	117,205,994	167,417,260	167,403,594	34,564,775

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby the Company is managed in compliance with the best practices of corporate governance. The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board of Directors includes six (6) non-executive directors.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. All the resident directors 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 vacancies occurred in the Board during the period under reviewed.

5. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the Company.

6. The business operations of the Company are carried out in accordance with the Company's Vision/Mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions including appointment and determination of remuneration and term and conditions of employment of the chief executive officer ("CEO") and 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 were appropriately recorded and circulated.

9. The company encourages orientation courses for its directors to apprise them of their duties and responsibilities.

10. Chief Financial Officer, Company Secretary and Head of Internal Audit executed their responsibilities in accordance with the appointments approved by the Board including their remuneration and terms and conditions of employment.

11. The Directors are well conversant with the listing regulations, legal requirements and operational imperatives of the company, and as such fully aware of their duties and responsibilities.

12. 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.

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

14. 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.

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

16. The Board has formed an audit committee. It comprises three members, who are non-executive directors including the Chairman of the committee.

17. The meetings of the Audit Committee were held at least once every quarter prior to the approval of interim and final results of the Company and as required by the Code. The term of reference of the committee have been formed and advised to the committee for compliance.

18. Subsequent to the year end, the Board in its meeting held on 28th September, 2012, has formed an HR and Remuneration (HR & R) Committee. It comprises of three members majority of them are non-executive directors.

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

20. The Company has established an effective independent internal audit function.

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

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

23. The Company maintains a list of related parties which is updated on a regular basis. All transactions with related parties are placed before the audit committee on quarterly basis and are approved by the Board of Directors along with pricing methods.

24. We confirm that all other material principles contained in the code have been complied with except for the following, towards which reasonable progress is being made by the Company to seek compliance by the end of next accounting year.

    The CFO of the Company has experience of less than five years in handling corporate and financial affairs of a listed Company.

Syed Maratib Ali
Chief Executive

Lahore: September 28, 2012

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REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Safe Mix Concrete Products Limited** ("the Company") to comply with the Listing Regulations of Karachi Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors 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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code. As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub- Regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval 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 recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee.

We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price.

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 of Corporate Governance as applicable to the Company for the year ended 30 June 2012.

We draw attention to point 24 of the statement of compliance relating to experience requirement of CFO. We have not qualified our conclusion in respect of this matter.

Lahore

Date: September 28, 2012

KPMG Taseer Hadi & Co.
Chartered Accountants
(Kamran Iqbal Yousafi)

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Safe Mix Concrete Products Limited** ("the Company") as at 30 June 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2012 and of the loss, its comprehensive loss, 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).

We draw attention to note 17.1.2 to the financial statements relating to the levy of sales tax on the Company. Our opinion is not qualified in respect of this matter.

Lahore

Date: September 28, 2012

KPMG Taseer Hadi & Co.
Chartered Accountants
(Kamran Iqbal Yousafi)

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BALANCE SHEET
AS AT 30 JUNE 2012

	Note	2012 Rupees	2011 Rupees
Non-current assets			
Fixed assets	4	**188,710,333**	189,647,041
Long term deposits	5	**4,220,120**	4,227,120
Current assets			
Stores and spares		**3,081,448**	3,106,739
Stock in trade	6	**28,023,759**	35,090,214
Trade debts	7	**71,918,294**	59,697,792
Advances, prepayments and other receivables	8	**4,014,085**	6,012,836
Tax refund due from Government		**22,821,879**	19,577,016
Cash and bank balances	9	**6,199,996**	4,894,886
		136,059,461	128,379,483
Current liabilities			
Trade and other payables	10	**75,323,924**	49,049,683
Accrued markup	11	**2,369,760**	2,938,654
Short term running finance - secured	12	**46,108,802**	41,487,898
Current portion of liabilities against assets subject to finance lease	13	**2,448,417**	1,782,792
		126,250,903	95,259,027
Net current assets		**9,808,558**	33,120,456
Non-current liabilities			
Long term loan - unsecured	14	**-**	15,000,000
Liabilities against assets subject to finance lease	13	**336,527**	2,784,947
Deferred liability - taxation	15	**5,310,316**	5,362,766
		197,092,168	203,846,904
Financed by:			
Share capital and reserves			
Issued, subscribed and paid up capital	16	**200,000,000**	200,000,000
Share premium		**14,728,576**	14,728,576
Accumulated loss		**(17,636,408)**	(10,881,672)
		197,092,168	203,846,904
Contingencies and commitments	17		

The annexed notes 1 to 32 form an integral part of these financial statements.

Lahore:

ChiefExecutive

Director

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PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 Rupees	2011 Rupees
Revenue	18	**544,316,927**	502,190,123
Cost of sales	19	**(537,201,896)**	(473,147,535)
Gross profit		**7,115,031**	29,042,588
Selling and administrative expenses	20	**(25,770,323)**	(35,572,648)
Operating loss		**(18,655,292)**	(6,530,060)
Finance cost	21	**(11,871,773)**	(13,390,554)
Other operating income	22	**29,495,640**	6,747,217
Loss before taxation		**(1,031,425)**	(13,173,397)
Taxation	23	**(5,723,311)**	8,206,971
Loss after taxation		**(6,754,736)**	(4,966,426)
Loss per share - basic and diluted	30	**(0.34)**	(0.25)

The annexed notes 1 to 32 form an integral part of these financial statements.

Lahore:

ChiefExecutive

Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

	2012 Rupees	2011 Rupees
Loss after taxation	**(6,754,736)**	(4,966,426)
Other comprehensive income for the year	**-**	-
Total comprehensive loss for the year	**(6,754,736)**	(4,966,426)

The annexed notes 1 to 32 form an integral part of these financial statements.

Lahore: ChiefExecutive Director

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CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 Rupees	2011 Rupees
Cash flow from operating activities			
Loss before taxation		**(1,031,425)**	(13,173,397)
Adjustments for non-cash items:			
Depreciation		**12,471,145**	11,677,635
Gain on sale of fixed assets		**(431,545)**	(518,448)
Interest Income		**(448,604)**	(267,256)
Provision for doubtful balances		**-**	10,417,679
Finance cost		**11,871,773**	13,390,554
		23,462,769	34,700,164
Operating profit before changes in working capital		**22,431,344**	21,526,767
Changes in working capital			
(Increase) / decrease in current assets			
Trade debts		**(12,220,502)**	(4,085,910)
Stock in trade		**7,066,455**	(15,262,984)
Stores and spares		**25,291**	(1,962,705)
Advances, prepayments and other receivables		**1,998,751**	2,022,394
		(3,130,005)	(19,289,205)
Increase in current liabilities			
Trade and other payables		**26,274,241**	17,633,384
Cash flow from operating activities		**45,575,580**	19,870,946
Taxes paid		**(9,020,624)**	(8,048,582)
Finance cost paid		**(12,440,667)**	(12,684,600)
Long term deposits		**7,000**	805,855
		(21,454,291)	(19,927,327)
Net cash generated from operating activities		**24,121,289**	56,381
Cash flow from investing activities			
Fixed capital expenditure		**(12,242,892)**	(2,376,489)
Interest income received		**448,604**	267,256
Proceeds from sale of fixed assets		**1,140,000**	4,280,000
Net cash (used in) / generated from investing activities		**(10,654,288)**	2,170,767
Cash flow from financing activities			
Repayment of loan		**(15,000,000)**	-
Repayment of liabilities against assets subject to finance lease		**(1,782,795)**	(3,148,095)
Net cash used in financing activities		**(16,782,795)**	(3,148,095)
Net decrease in cash and cash equivalents		**(3,315,794)**	(1,033,709)
Cash and cash equivalents at beginning of the year		**(36,593,012)**	(35,559,303)
Cash and cash equivalents at end of the year	27	**(39,908,806)**	(36,593,012)

The annexed notes 1 to 32 form an integral part of these financial statements.

Lahore: ChiefExecutive Director

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STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

	Ordinary shares	Share Premium reserve	Accumulated loss	Total
	(Rupees)			
Balance as at 01 July 2010	200,000,000	14,728,576	(5,915,246)	208,813,330
Total comprehensive loss for the year ended 30 June 2011	-	-	(4,966,426)	(4,966,426)
Balance as at 30 June 2011	200,000,000	14,728,576	(10,881,672)	203,846,904
Total comprehensive loss for the year ended 30 June 2012	-	-	(6,754,736)	(6,754,736)
Balance as at 30 June 2012	**200,000,000**	**14,728,576**	**(17,636,408)**	**197,092,168**

The annexed notes 1 to 32 form an integral part of these financial statements.

Lahore: ChiefExecutive Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 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 16 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 # 1 - 6, Sector 26, Korangi Industrial Area, Karachi, Pakistan.

2 Statement of compliance

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Standard Board as are notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives shall prevail.

2.2 Functional and presentation currency

These financial statements are presented in Pak Rupees which is also the Company's functional currency.

3 Significant accounting policies

3.1 New and revised approved accounting standards, interpretations and amendments thereto

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2012:

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Company.

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The Company's policy was to account for actuarial gains and losses using the corridor method and with the change unrecognized actuarial gains / losses as at 30 June 2012 would need to be recognized in other comprehensive income.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

- Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following five standards, with consequential amendments to other standards and interpretations.

  - IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

  - IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

  - IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

  - IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.Depreciation methods, residual values and the useful lives of the assets are reviewed at least at each financial year end and adjusted if impact on depreciation is significant.

  The amendments have no impact on financial statements of the Company.

  - IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

3.2 Basis of measurement

These financial statements have been prepared under the historical cost convention. In these financial statements, except for the amounts reflected in cash flow statement, all transactions have been accounted for on accrual basis.

3.3 Judgments, estimates and assumptions

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that effect the application of policies and reported amount of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revision to accounting estimates is recognized prospectively commencing from the period of revision.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates is recognized in the period in which the estimate is revised if the revision effects only that period, or in the period of 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 judgments were exercised in application of accounting policies are as follows:

- Residual values and useful life of depreciable assets
- Taxation
- Provisions and contingencies

3.4 Property, plant and equipment

Owned

Operating fixed assets are stated at historical cost less accumulated depreciation and identified impairment loss, if any.

Depreciation on operating fixed assets except for batching plants and concrete pumps included in plant and machinery is charged on reducing balance method whereby the cost of an asset is written off over its estimated useful life at the rates given in note 4.1. Batching plants and concrete pumps are depreciated on the basis of units produced / transported.

Depreciation is charged from the month in which assets are put to use upto the month before the disposal of asset except batching plants and concrete pumps.

Subsequent costs are included in the asset's carrying amount or recognized 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 cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit and loss as and when incurred.

Finance lease

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are initially recognized at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss.

The related rental obligations, net of finance costs are classified as current and long term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance costs so as to achieve a constant rate on the balance outstanding.

Assets acquired under a finance lease are depreciated over the estimated useful life of the asset on a reducing balance method at the rates given in note 4.1. Depreciation of leased assets is charged to profit and loss.

Residual value and useful life of leased assets are reviewed at least at each financial year end and adjusted if impact on depreciation is significant.

Depreciation is charged from the month in which leased assets are put to use upto the month before the disposal of leased assets.

Capital work in progress

Capital work in progress is stated at cost less any identified impairment loss.

3.5 Impairment of assets

The Company assesses at each balance sheet date, whether there is any indication that assets may be impaired. If such an indication exists, the carrying amount of such assets is reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed their respective recoverable amounts, assets are written down to their recoverable amount and resulting impairment loss is recognized in the profit and loss. The recoverable amount is higher of an asset's fair value less costs to sell and value in use.

Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. A reversal of the impairment loss is recognized in the profit and loss.

3.6 Stores and spares

These are valued at the lower of cost and net realizable value. Cost is determined using weighted average method. Write down in stores and spares is made for slow moving and obsolete items. Items in transit are valued at invoice value plus other directly attributable charges incurred thereon.

3.7 Stock in trade

These are valued at the lower of cost and net realizable value. Cost is determined using weighted average method. Cost includes applicable purchase cost plus other directly attributable charges incurred thereon.

3.8 Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful receivable balances based on a review of outstanding amounts at the year end. Bad debts are written off when identified.

3.9 Revenue recognition

Revenue from sale of goods is recorded when significant risks and rewards are transferred to the customers, i.e. when dispatch is received and approved by the customer at the project site.

Income on deposits is recognized on a time proportion basis.

3.10 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and balances with bank. Bank overdrafts / short term borrowings 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 equivalent for the purpose of cash flow statement.

3.11 Financial instruments

Financial assets and liabilities are recognized when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

3.12 Off-setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.13 Taxation

Income tax on the profit or loss for the year comprises of current and deferred tax.

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is provided 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 the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductable temporary differences, unused tax loses and tax credits can be utilized.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are calculated at the rates that are expected to apply to the period when the asset is realized or the liability settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

3.14 Borrowing costs

Mark-up, interest and other charges on borrowings are capitalized upto the date of commissioning of the related qualifying asset, acquired out of the proceeds of such borrowings. All other mark-up, interest and other charges are recognized in profit and loss in the period in which they are incurred.

3.15 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

3.16 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services.

3.17 Related party transactions

The Company enters into transactions with related parties on an arm's length basis.

3.18 Borrowings

Borrowings are initially recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Finance costs are accounted for on an accrual basis and are included in trade and other payables to the extent of the amount remaining unpaid.

3.19 Dividend and appropriations

Dividend and other appropriations are recognized in the period in which these are declared / approved.

	Note	2012 Rupees	2011 Rupees
4 Fixed assets			
Operating fixed assets	*4.1*	**188,070,778**	188,693,010
Capital work in progress	*4.3*	**639,555**	954,031
		188,710,333	189,647,041

4.1 Operating fixed assets

Particulars	Cost					Rate	Depreciation					Net Book
	As at 01 July 2011	Additions	Transfers	(Disposals)	As at 30 June 2012		As at 01 July 2011	For the Year	Transfers	On disposal	As at 30 June 2012	value as at 30 June 2012
	(------Rupees------)					%	(------Rupees------)					
Owned												
Building	4,017,617	57,236	-	-	**4,074,853**	5%	667,898	169,632	-	-	**837,530**	**3,237,323**
Project temporary civil works	1,407,589	-	-	-	**1,407,589**	50%	1,001,897	202,846	-	-	**1,204,743**	**202,846**
Plant and machinery	219,627,808	11,263,653	-	(403,650)	**230,487,811**	10% & units of production	44,426,958	10,740,051	-	(68,978)	**55,098,031**	**175,389,780**
Vehicles	6,692,639	914,688	-	(1,281,000)	**6,326,327**	20%	4,171,138	499,206	-	(907,217)	**3,763,127**	**2,563,200**
Furniture and fixture	491,756	-	-	-	**491,756**	10%	112,267	37,949	-	-	**150,216**	**341,540**
Computers	447,152	321,791	-	-	**768,943**	30%	320,893	73,166	-	-	**394,059**	**374,884**
Electrical equipment	592,842	-	-	-	**592,842**	10%	187,341	40,550	-	-	**227,891**	**364,951**
Office equipment	1,038,957	-	-	-	**1,038,957**	10%	346,295	69,266	-	-	**415,561**	**623,396**
	234,316,360	12,557,368	-	(1,684,650)	**245,189,078**		51,234,687	11,832,666	-	(976,195)	**62,091,158**	**183,097,920**
Leased												
Plant and machinery	6,644,300	-	-	-	**6,644,300**	10%	1,806,416	483,788	-	-	**2,290,204**	**4,354,096**
Vehicles	1,678,500	-	-	-	**1,678,500**	20%	905,047	154,691	-	-	**1,059,738**	**618,762**
	8,322,800	-	-	-	**8,322,800**		2,711,463	638,479	-	-	**3,349,942**	**4,972,858**
2012	**242,639,160**	**12,557,368**	**-**	**(1,684,650)**	**253,511,878**		**53,946,150**	**12,471,145**	**-**	**(976,195)**	**65,441,100**	**188,070,778**

Particulars	Cost: As at 01 July 2010	Cost: Additions	Cost: Transfers	Cost: (Disposals)	Cost: As at 30 June 2011	Rate	Depreciation: As at 01 July 2010	Depreciation: For the period	Depreciation: Transfers	Depreciation: On disposal	Depreciation: As at 30 June 2011	Net Book value as at 30 June 2011
	(Rupees)					%	(Rupees)					
Owned:												
Building	3,988,592	29,025	-	-	**4,017,617**	5	491,969	175,929	-	-	**667,898**	**3,349,719**
Project temporary civil works	1,333,928	73,661	-	-	**1,407,589**	50	607,648	394,249	-	-	**1,001,897**	**405,692**
Plant and machinery	219,551,407	2,171,408	2,650,000	(4,745,007)	**219,627,808**	10 & units of production	35,723,934	9,282,320	797,749	(1,377,045)	**44,426,958**	**175,200,850**
Vehicles	7,696,785	-	-	(1,004,146)	**6,692,639**	20	4,090,767	690,927	-	(610,556)	**4,171,138**	**2,521,501**
Furniture and fixture	491,756	-	-	-	**491,756**	10	70,102	42,165	-	-	**112,267**	**379,489**
Computers	447,152	-	-	-	**447,152**	30	266,782	54,111	-	-	**320,893**	**126,259**
Electrical equipment	592,842	-	-	-	**592,842**	10	142,285	45,056	-	-	**187,341**	**405,501**
Office equipment	1,008,357	30,600	-	-	**1,038,957**	10	271,247	75,048	-	-	**346,295**	**692,662**
	235,110,819	2,304,694	2,650,000	(5,749,153)	**234,316,360**		41,664,734	10,759,805	797,749	(1,987,601)	**51,234,687**	**183,081,673**
Leased:												
Plant and machinery	9,294,300	-	(2,650,000)	-	**6,644,300**	10	1,879,698	724,467	(797,749)	-	**1,806,416**	**4,837,884**
Vehicles	1,678,500	-	-	-	**1,678,500**	20	711,684	193,363	-	-	**905,047**	**773,453**
	10,972,800	-	(2,650,000)	-	**8,322,800**		2,591,382	917,830	(797,749)	-	**2,711,463**	**5,611,337**
30 June 2011	**246,083,619**	**2,304,694**	**-**	**(5,749,153)**	**242,639,160**		**44,256,116**	**11,677,635**	**-**	**(1,987,601)**	**53,946,150**	**188,693,010**

4.1.1 Disposal of property, plant and equipment

Description	2012						
	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain on disposal	Mode of disposal	Particulars of buyer
	(Rupees)						
Owned							
Vehicles							
Suzuki Cultus	681,000	513,451	167,549	500,000	332,451	Company policy	Sakhi Muhammad
Suzuki Cultus	600,000	393,766	206,234	250,000	43,766	Company policy	Wasiq Ilyas
	1,281,000	907,217	373,783	750,000	376,217		
Plant and machinery							
Office Container	403,650	68,978	334,672	390,000	55,328	Negotiation	SNR Agri (Pvt.) Ltd.
2012	**1,684,650**	**976,195**	**708,455**	**1,140,000**	**431,545**		
2011	5,749,153	1,987,601	3,761,552	4,280,000	518,448		

	Note	2012 Rupees	2011 Rupees
4.2 The depreciation charge is allocated as follows:			
Cost of sales	*19*	**11,585,196**	10,567,908
Administrative expenses	*20*	**885,949**	1,109,727
		12,471,145	11,677,635
4.3 Capital work in progress			
Laboratory room		**-**	129,031
Advance to supplier		**639,555**	825,000
		639,555	954,031

4.4 All present and future current and fixed assets of the Company are subject to a charge of Rs. 93.5 million (2011: Rs. 93.5 million) duly registered with Securities and Exchange Commission of Pakistan.

5 Long term deposits

	Note	2012 Rupees	2011 Rupees
Deposits with leasing companies	*5.1*	**820,780**	820,780
Others	*5.2*	**3,399,340**	3,406,340
		4,220,120	4,227,120

5.1 These represent interest free security deposits with leasing companies.

5.2 These represents security deposits against rental of premises, supply of diesel and drinking water.

6 Stock in trade

	2012 Rupees	2011 Rupees
Raw materials:		
- crush	**14,439,643**	12,181,574
- sand	**9,629,516**	14,116,796
- cement	**2,287,851**	4,872,722
- admixture / chemicals	**1,263,258**	3,483,674
- diesel and lubricants	**403,491**	435,448
	28,023,759	35,090,214

7	Trade debts	Note	2012 Rupees	2011 Rupees
	Considered good - unsecured		**71,918,294**	59,697,792
	Considered doubtful - unsecured	7.1	**-**	10,417,679
			71,918,294	70,115,471
	Less: provision for doubtful balances	7.1	**-**	(10,417,679)
			71,918,294	59,697,792

7.1 Movement in provision for doubtful balances

	2012 Rupees	2011 Rupees
Opening balance	**10,417,679**	-
Provision for the year	**-**	10,417,679
Written off during the year	**(10,417,679)**	-
Closing balance	**-**	10,417,679

8	Advances, prepayments and other receivables	Note	2012 Rupees	2011 Rupees
	Advances to staff - unsecured, considered good	8.1	**450,643**	2,011,537
	Advances to suppliers - unsecured, considered good		**2,235,499**	3,183,590
	Prepayments		**153,816**	353,411
	Others receivables		**1,174,127**	464,298
			4,014,085	6,012,836

8.1 These represent advances given to employees against expenses on behalf of the Company amounting to Rs. 0.450 million (2011: Rs. 0.613 million).

9	Cash and bank balances	Note	2012 Rupees	2011 Rupees
	Cash in hand		**88,783**	52,177
	Cash at bank			
	- current accounts	9.1	**6,059,539**	4,793,381
	- deposit accounts	9.2	**51,674**	49,328
			6,111,213	4,842,709
			6,199,996	4,894,886

9.1 This includes bank balance amounting to Rs. 6.044 million (2011: Rs.4.777 million) maintained with Habib Metropolitan Bank Limited, a related party.

9.2 These carry profit at the rate of 5% (2011: 5%) per annum.

10	Trade and other payables	Note	2012 Rupees	2011 Rupees
	Trade creditors	10.1	**56,902,412**	38,560,992
	Advances from customers		**6,017,002**	1,386,963
	Director's remuneration payable		**115,000**	115,000
	Accrued expenses		**5,821,152**	4,828,283
	Withholding tax payable		**245,318**	125,922
	Workers' Welfare Fund	10.2	**821,751**	719,471
	Workers' Profit Participation Fund	10.3	**3,347,273**	2,930,652
	Other payables		**2,054,016**	382,400
			75,323,924	49,049,683

10.1 It includes the balance due to Abe Pak (Private) Limited , a related party, amounting to Rs. 1.585 million (2011: Rs. 1.835 million).

10.2 Interest on Workers' Welfare Fund is charged at 14.22% (2011: 15.18%) per annum.

10.3 Interest on Workers' Profit Participation Fund is charged at 14.22% (2011: 15.18%) per annum.

11 Accrued mark-up	*Note*	**2012 Rupees**	2011 Rupees
Mark-up on short term running finance - secured		**2,369,760**	2,488,654
Mark-up on long term loan - unsecured		**-**	450,000
		2,369,760	2,938,654

12 Short term running finance - secured	*Limit in millions of Rupees*			
The Bank of Punjab	*70.00*	*12.1*	**46,108,802**	41,487,898

12.1 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 Securites 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.

13 Liabilities against assets subject to finance lease	**2012 Rupees**	2011 Rupees
Present value of minimum lease payments	**2,784,944**	4,567,739
Current maturity presented under current liabilities	**(2,448,417)**	(1,782,792)
	336,527	2,784,947

These represent plant and machinery, and vehicles acquired under finance lease arrangements and are secured by specific charge on leased assets, joint ownership of leased assets with the lender and lien over documents of title. Rentals are paid monthly in advance. The leases are priced at rates ranging from 16% per annum to 23% per annum (2011: 16% per annum to 23% per annum). Under the terms of agreement, taxes, repairs, replacements and insurance costs in respect of assets subject to finance lease are borne by the Company. The Company also has the option to acquire these assets at the end of the respective lease terms and intends to exercise the option.

The amount of future payments under the lease arrangements and the period in which these payments will become due are as follows:

Years	**Minimum lease payments**	**Future finance charge**	**Present value of Minimum lease payments 2012**	2011
	(----------	----------	Rupees ----------	----------)
Not later than one year	**2,682,675**	**234,258**	**2,448,417**	1,782,792
Later than one year but not later than five years	**337,815**	**1,288**	**336,527**	2,784,947
	3,020,490	**235,546**	**2,784,944**	4,567,739

	Note	**2012 Rupees**	2011 Rupees
14 Long term loan - unsecured	*14.1*	**-**	15,000,000

14.1 This represents an unsecured loan obtained from directors at a mark-up of 12% per annum payable quarterly. This loan was initially obtained for two years and was mutually renewable for another term of two years. The loan was specifically obtained to finance fixed capital expenditure requirements of the Company. During the year the entire amount of loan has been repaid.

15	Deferred liability - net	Note	**2012 Rupees**	2011 Rupees
	The liability for deferred taxation comprises temporary differences relating to:			
	Deferred tax liability			
	Accelerated tax depreciation		**26,378,030**	23,765,257
	Deferred tax assets			
	Liability against assets subject to finance lease		**(974,730)**	(1,598,709)
	Trade debtors		**-**	(3,646,188)
	Unabsorbed tax credits	*15.1*	**(20,092,984)**	(13,157,594)
			5,310,316	5,362,766

15.1 Tax loss on account of unabsorbed depreciation amounting to Rs. 57.893 million is available to the Company's credit. Deferred tax asset in respect thereof has been recognized as availability of sufficient taxable profits in future tax years to absorb such loss is expected.

16	Share capital	**2012 Rupees**	2011 Rupees
16.1	**Authorized share capital:**		
	35,000,000 ordinary shares of Rs. 10 each	**350,000,000**	350,000,000

16.2 Issued, subscribed and paid-up capital

2012	2011			
------------Number of shares-----------				
20,000,000	20,000,000	Fully paid ordinary shares of Rs.10 each issued for cash	**200,000,000**	200,000,000

17 Contingencies and commitments

There are no significant contingencies and commitments at the balance sheet date (2011: nil).

18 Revenue

	2012	2011
Sale of concrete mix	**544,316,927**	502,190,123

17 Contingencies and commitments

17.1 Contingencies

17.1.1 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 24 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.

17.1.2 During the 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. 46.3 million may arise for the current year. Based on the negotiations with FBR and the legal opinion, the management is expecting a favourable outcome and accordingly no provision in this respect has been made in these financial statements.

17.2 Commitments

There are no commitments at the balance sheet date (2011: nil).

	Note	2012 Rupees	2011 Rupees
19 Cost of sales			
Raw material and stores consumed		**422,797,340**	379,416,632
Salaries, wages and other benefits		**31,278,289**	29,175,332
Depreciation	*4.2*	**11,585,196**	10,567,908
Fuel and power		**55,785,788**	38,567,403
Repair and maintenance		**7,545,847**	5,692,417
Equipment hiring charges		**2,788,016**	2,745,602
Carriage and freight		**6,000**	473,381
Insurance expenses		**2,794,667**	2,999,742
Premises rent		**2,499,996**	2,899,997
Site preparation and sample testing		**120,757**	609,121
		537,201,896	473,147,535

	Note	2012 Rupees	2011 Rupees
20 Selling and administrative expenses			
Director's remuneration		**1,380,000**	1,380,000
Salaries, wages and other benefits		**10,512,715**	10,522,062
Traveling and conveyance		**2,363,710**	1,610,819
Depreciation	*4.2*	**885,949**	1,109,727
Office rent		**1,127,020**	1,101,912
Auditors' remuneration	*20.1*	**450,000**	400,000
Sales commission	*20.2*	**2,645,593**	1,899,756
Security expenses		**363,550**	332,500
Postage, telegram and telephones		**724,012**	729,087
Rent, rates and taxes		**455,118**	585,722
Insurance		**609,064**	880,147
Entertainment		**257,312**	205,613
Printing and stationery		**607,080**	876,907
Utilities		**630,113**	668,037
Boarding and lodging charges		**470,400**	409,600
Provision for doubtful balances		**-**	10,417,679
Advertisement		**138,944**	117,937
Legal and professional fee		**462,236**	904,230
Repair and maintenance vehicle		**610,845**	663,517
Miscellaneous		**1,076,662**	757,396
		25,770,323	35,572,648

20.1 Auditors' remuneration

		2012 Rupees	2011 Rupees
Statutory audit		**300,000**	250,000
Half yearly review		**125,000**	125,000
Out of pocket expenses		**25,000**	25,000
		450,000	400,000

20.2 This includes sales commision of Rs. 2,570,593 related to City District Government Karachi.

	Note	2012 Rupees	2011 Rupees
21 Finance cost			
Bank charges		**160,317**	153,168
Mark-up expense		**11,192,555**	12,421,583
Interest on Workers' Profit Participation Fund	*10.3*	**416,621**	682,392
Interest on Workers' Welfare Fund	*10.2*	**102,280**	133,411
		11,871,773	13,390,554

	Note	2012 Rupees	2011 Rupees
22 Other operating income			
Income from financial assets			
- profit on deposit accounts		**448,604**	267,256
Income from assets other than financial assets			
- toll manufacturing income		**21,807,281**	1,076,475
- gain on sale of fixed assets	*4.1.1*	**431,545**	518,448
- miscellaneous income		**6,808,210**	4,887,038
		29,495,640	6,747,217

23 Taxation

	Note	2012 Rupees	2011 Rupees
Income tax			
- Current year	*23.1*	**5,443,169**	5,021,902
- Prior year		**332,592**	-
Deferred taxation		**(52,450)**	(13,228,873)
		5,723,311	(8,206,971)

23.1 Provision for current tax has been made in accordance with section 113 'Minimum tax on income of certain persons' of the Income Tax Ordinance, 2001 (the Ordinance). There is no relationship between tax expense and accounting profit as the provision for current taxation is based on turnover tax therefore no numerical reconciliation has been presented.

24 Remuneration of Chief Executive, Directors and Executives

	2012			
	Chief Executive	**Executive Director**	**Director**	**Executives**
Remuneration	**1,380,000**	**-**	**-**	**11,999,360**
Number of persons	**1**	**-**	**-**	**5**

	2011			
	Chief Executive	Executive Director	Director	Executives
Remuneration	1,380,000	-	-	11,999,360
Number of persons	1	-	-	5

No other benefits are being paid other than those mentioned above.

25 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

25.1 Credit risk

Credit risk represents the financial loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted and arise principally from long term deposits, trade debts and security deposits. Out of the total financial assets of Rs. 86.748 million (2011: Rs. 85.798 million) financial assets which are subject to credit risk amount to Rs. 86.109 million (2011: Rs. 84.844 million).

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Where considered necessary, advance payments are obtained from certain parties.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is:

	2012 Rupees	2011 Rupees
Long term deposits	**4,220,120**	4,227,120
Trade debts	**71,918,294**	70,115,471
Advances & other receivables	**3,860,269**	5,659,425
Bank balances	**6,111,213**	4,842,709
	86,109,896	84,844,725

All trade receivables are in domestic currency and the aging of trade receivables at the reporting date is:

Past due 1–30 days	**34,394,540**	18,938,278
Past due 31–60 days	**30,060,855**	14,579,158
Past due 61–90 days	**894,514**	7,181,675
Past due 90–180 days	**1,847,537**	4,871,471
Over 180 days	**4,720,848**	24,544,889
	71,918,294	70,115,471

The aging of impairment loss against trade receivable:

Past due 1–180 days	**-**	-
Over 180 days	**-**	10,417,679
	-	10,417,679

The movement in provision for impairment of receivables is as follows:

Opening balance	**10,417,679**	-
Provision for the year	**-**	10,417,679
Written off during the period	**(10,417,679)**	-
Closing balance	**-**	10,417,679

25.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations 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 Company uses different methods which assists it in monitoring cash flow requirements and optimizing its cash return from operations. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligation.

The following are the contractual maturities of financial liabilities, including expected interest payments and excluding the impact of netting agreements:

	2012			
	Carrying amount	**Contractual maturities**	**Maturity upto one year**	**Maturity upto five years**
	------------------- Rupees -------------------			
Liabilities against assets subject to finance lease	**2,784,944**	**3,020,490**	**2,682,675**	**337,815**
Trade and other payables	**75,323,924**	**75,323,924**	**75,323,924**	**-**
Accrued mark-up	**2,369,760**	**2,369,760**	**2,369,760**	**-**
Short term bank borrowings - secured	**46,108,802**	**46,108,802**	**46,108,802**	**-**
	126,587,430	**126,822,976**	**126,485,161**	**337,815**

	2011			
	Carrying amount	Contractual maturities	Maturity upto one year	Maturity upto five years
	------------------- Rupees -------------------			
Long term loan	15,000,000	15,000,000	-	15,000,000
Liabilities against assets subject to finance lease	4,567,739	5,459,651	2,439,158	3,020,493
Trade and other payables	49,049,683	49,049,683	49,049,683	-
Accrued mark-up	2,938,654	2,938,654	2,938,654	-
Short term bank borrowings - secured	41,487,898	41,487,898	41,487,898	-
	113,043,974	113,935,886	95,915,393	18,020,493

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

25.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

a) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from receivables and payables that exist due to transactions in foreign currencies. The Company is not exposed to currency risk as all the operations of the Company are being carried out in local currency.

b) **Interest rate risk**

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Significant interest rate risk exposures are primarily managed by a mix of borrowings at fixed and variable interest rates.

At the balance sheet date, the interest rate profile of the Company's interest bearing financial instruments is:

	2012	2011	**2012**	2011
	Effective rate (in Percentage)		**Carrying amount (Rupees)**	
Financial liabilities				
Variable rate instruments:				
Short term borrowings	**14.41 to 15.70**	15.59 to 16.30	**46,108,802**	41,487,898

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates on short term borrowing at the year end date, fluctuate by 100 bps higher / lower with all other variables held constant, profit after taxation for the year 2012 and for 2011 would have been decreased / increased respectively by the following amounts as a result of increase / decrease in finance cost on the variable rate financial liabilities :

	2012 Rupees	2011 Rupees
Effect on Profit and loss	**461,088**	414,879

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

25.4 Fair value of financial instruments

The carrying values of the financial assets and financial liabilities approximate their fair values. 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.

25.5 Capital management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

a) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

b) to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital on the basis of the debt-to-equity ratio - calculated as a ratio of total debt to equity.Debt comprises long term debts and liabilities against assets subject to finance lease.Equity includes total equity as shown in the balance sheet.

The debt-to-equity ratios as at 30 June 2012 and at 30 June 2011 were as follows:

	2012 Rupees	2011 Rupees
Total debt	**2,784,944**	19,567,739
Total equity and debt	**199,877,112**	223,414,643
Debt-to-equity ratio	**1%**	9%

Neither there were any changes in the Company's approach to capital management during the year nor the Company is subject to externally imposed capital requirements.

26 Transactions with related parties

The related parties comprise associated undertakings, directors of the Company and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties, if any, are shown under long term loans, advances, prepayments and other receivables and trade and other payables. Significant transactions with related parties are as follows:

Associated Companies:	**2012 Rupees**	2011 Rupees
ABE Pak (Private) Limited:		
Purchase of goods	**4,701,200**	9,657,026
IGI Insurance:		
Insurance premium	**2,658,461**	2,084,659
Thatta Cement Limited:		
Purchase of goods	**804,807**	5,048,416
Al-Abbas Cement Limited:		
Purchase of goods	**10,888,425**	11,947,842
Habib Metropolitan Bank Limited:		
Interest Income	**445,958**	263,048
Tax deducted at source	**61,423**	74,985
Bank charges	**4,483**	9,236
Lease finance charge	**350,372**	117,717
Directors:		
Interest on loan from directors	**1,388,768**	1,800,000

	Note	2012 Rupees	2011 Rupees
27 Cash and cash equivalent			
Cash and bank balances	9	**6,199,996**	4,894,886
Short term borrowings	12	**(46,108,802)**	(41,487,898)
		(39,908,806)	(36,593,012)

28 Plant capacity and actual production

The production capacity and the actual production achieved during the year are as follows:

	2012	2011
	(-----------Cubic meter----------)	
Availability capacity		
Batching plant	**770,400**	770,400
Actual production		
Batching plant	**122,896**	102,971

The available capacity of the batching plant could not be fully utilized due to depressed activity in the construction industry.

29 Operating segments

The financial information has been prepared on the basis of a single reportable segment.

29.1 Revenue from sale of ready mix concrete represents 100% (2011: 100%) of the gross sales of the Company.

29.2 100% (2011: 100%) of the gross sales of the Company are made to customers located in Pakistan.

29.3 All non-current assets of the company as at 30 June 2012 are located in Pakistan.

30 Loss per share - basic and diluted

30.1 Loss per share - basic

		2012	2011
Loss after tax	*Rupees*	**(6,754,736)**	(4,966,426)
Weighted average number of ordinary shares outstanding during the year	*Numbers*	**20,000,000**	20,000,000
Loss per share - basic	*Rupees*	**(0.34)**	(0.25)

There is no dilution effect on the basic earnings per share as the Company has no such commitments.

31 Date of authorization for issue

The financial statements were authorized for issue on September 28, 2012 by the Board Of Directors of the Company .

32 General

Figures have been rounded off to nearest rupee.

Lahore: ChiefExecutive Director

PATTERN OF SHAREHOLDING

AS AT 30th JUNE 2012

NO. OF SHAREHOLDERS	FROM	TO	NO. OF SHARES	PERCENTAGE
75	1	100	1657	0.0083
368	101	500	179565	0.8978
125	501	1000	121191	0.6060
143	1001	5000	369957	1.8498
24	5001	10000	186148	0.9307
11	10001	15000	138811	0.6941
6	15001	20000	113114	0.5656
3	20001	25000	67000	0.3350
2	25001	30000	57153	0.2858
1	30001	35000	35000	0.1750
2	35001	40000	73581	0.3679
3	45001	50000	149242	0.7462
2	55001	60000	112189	0.5609
1	60001	65000	60795	0.3040
1	65001	70000	70000	0.3500
3	95001	100000	297144	1.4857
1	100001	105000	103538	0.5177
1	155001	160000	155423	0.7771
1	170001	175000	174884	0.8744
1	185001	190000	189663	0.9483
1	495001	500000	500000	2.5000
1	545001	550000	545166	2.7258
1	595001	600000	600000	3.0000
1	1050001	1055000	1052474	5.2624
1	1335001	1340000	1338144	6.6907
1	1500001	1505000	1503534	7.5177
1	1595001	1600000	1597569	7.9878
1	1740001	1745000	1742060	8.7103
1	2360001	2365000	2360650	11.8032
2	3050001	3055000	6104348	30.5217
785		Company Total	20000000	100.0000

Category of Shareholders

Particulrs	No of Folio	Balance Share	PERCENTAGE
DIRECTORS, CEO & CHILDREN	3	1500	0.0075
GENERAL PUBLIC (LOCAL)	758	2168731	10.8437
GENERAL PUBLIC (FOREIGN)	2	13500	0.0675
OTHERS	12	1017490	5.0874
HOLDING 5% AND ABOVE	10	16798779	83.9939
Company Total	785	20000000	100.0000

safe mix
Concrete Products Ltd.

PROXY FORM

I/We ____

of ____ (Full address)

being a member (s) of Safe Mix Concrete Products Limited and holding ____________________ Ordinary Shares

as per Share Register Folio No. ____

or CDC Participant I.D. No. ____________________ and Sub A/c. No. ____________________

hereby appoint Mr./Mrs./Miss ____________________ Folio No. ____________________

of ____ (Full address)

failing Mr./Mrs./Miss ____________________ Folio No. ____________________

of ____ (Full address)

another member of the Company to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 20, October 2012 and at any adjournment thereof.

As witness my/our hand this ____________________ day of ____________________ 2012

Signature of Member(s)	Please affix Rs. 5/- Revenue Stamp

Witness: ____________________	Witness: ____________________
Name: ____________________	Name: ____________________
CNIC No: ____________________	CNIC No: ____________________
Address: ____________________	Address: ____________________

1. A member entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint another member as his/her proxy to attend and vote instead of his/her. No person shall act as proxy (except for a Corporation) unless he/she is entitled to be present and vote in his/her own right.
2. The instrument appointing a proxy should be signed by the member(s) or by his/her attorney duly authorized, in writing, or if the member is a Corporation/Company either under the common seal, or under the hand of an officer or attorney so authorised.
3. This Proxy Form duly completed must be deposited at the Registered Office of the Company not less then 48 hours before the time of holding the meeting.

FOR CDC ACCOUNT HOLDERS/CORPORATE ENTITIES

CDC Shareholders and their proxies must each attach an attested photo copy of their National Identity Card or Passport with this proxy form.

The Proxy Form shall be witnessed by two persons whose names, addresses and NIC number shall be mentioned on the form.

In case of Corporate Entity, the Board of Directors Resolution/Power of Attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.