



Quarterly Report

September 30, 2015

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Company Information

Board of Directors

Mr. Shahid Aziz Siddiqi - Chairman
Mr. Nasim Beg
Mr. Kashif Habib - Chief Executive Officer
Mr. Samad Habib
Syed Najamuddujah Jaffri
Mr. Khalil Ahmed
Syed Muhammad Talha

Audit Committee

Mr. Nasim Beg - Chairman
Mr. Samad Habib
Syed Najamuddujah Jaffri

Human Resources & Remuneration Committee

Mr. Samad Habib - Chairman
Mr. Kashif Habib
Syed Najamuddujah Jaffri

Chief Financial Officer

Syed Muhammad Talha

Company Secretary

Mr. Mohammad Immad Ali

Auditors

Naveed Zafar Ashfaq Jaffery & Co., Chartered Accountants

Legal Advisor

Minto & Mirza, Advocates & Corporate Counsel

Bankers and Financial institutions

Bank Islami Pakistan Limited
Habib Metropolitan Bank Limited
The Bank of Punjab
Bank Alfalah Limited
First Habib Modaraba

Registered Office

Plot # 1,6 sector # 26, Bilal Chowrangi Korangi Industrial Area, Karachi.
Tel # +92 21 35074581-84
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.

Directors' Review Report

The Board of Directors of Safe Mix Concrete Limited - *formerly Safe Mix Concrete Products Limited* present herewith condensed financial information for the first quarter ended September 30, 2015.

Overview

During the quarter under review, the Company successfully increased its Profit After Tax (PAT) by Rs 2.845 million. Despite of the fact that the quantity sold has increased by 7%, there has been a decline in revenue by 31.94 %. The decline in revenue is attributable to new cash flow management strategy whereby the Company has pursued with its customers to provide raw material hence the selling price has reduced which resulted in decrease in total sales amount. As a result of this strategy the cashflow of the Company has improved and the finance costs have also decreased by 21.31%. Operational efficiency has further contributed towards increase in gross profit margin of the company resulting in increase in PAT.

Operating results

	Quarter ended 30 September 2015	Quarter ended 30 September 2014 Restated
	(-----Rupees-----)	
Profit before taxation	5,249,108	235,803
Taxation	(1,859,979)	308,647
Profit after taxation	<u>3,389,129</u>	<u>544,450</u>

Earnings per share

Earnings per share for the first quarter ended amounted to Rs. 0.14 per share as compared to earnings per share for the corresponding period of the last year of Rs. 0.03 per share.

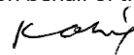
Future Outlook

The Company has focused on enhancing delivery capacity. This will not only maximize the plant utilization but will also prove helpful in ensuring timely delivery of concrete mix to the builders / contractors. The Company is determined to adopt new marketing strategies to capture the growing market of ready mix services. Market conditions are getting better due to improve security situations and declining interest rates in Pakistan and as a result overall construction activities have increased manifold. In view of the above, future of the Company looks good.

Acknowledgement

The management of the Company would like to thank all the financial institutions, customers, individuals and staff members who have been associated with the Company for their support and cooperation. Further, we would also like to thank SECP and the management of KSE for their continued support and guidance.

For and on behalf of the Board



Kashif Habib
Chief Executive Officer

Karachi: October 27, 2015

Condensed Interim Balance Sheet (Un-audited)

As at September 30, 2015

	Note	Un-audited 30 September 2015 (-----Rupees-----)	Audited 30 June 2015
ASSETS			
Non - current assets			
Property, plant and equipment	5	205,275,161	199,896,416
Long term deposits		18,123,850	18,121,350
Deferred tax asset		5,662,209	6,366,299
		<u>229,061,220</u>	<u>224,384,065</u>
Current assets			
Stores, spare parts and loose tools		7,543,386	6,559,015
Stock in trade		18,199,396	24,290,302
Trade debts		140,666,609	134,566,806
Advances, prepayments and other receivables		17,131,715	13,499,510
Taxation - net		37,363,004	37,438,968
Cash and bank balances		7,637,998	17,568,858
		<u>228,542,108</u>	<u>233,923,459</u>
TOTAL ASSETS		<u>457,603,328</u>	<u>458,307,524</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital			
35,000,000 ordinary shares of Rs. 10 each		350,000,000	350,000,000
Issued, subscribed and paid up capital			
Issued, subscribed and paid up capital		250,000,000	250,000,000
Share premium		14,728,576	14,728,576
Accumulated profit		36,787,565	33,398,436
		<u>301,516,141</u>	<u>298,127,012</u>
Current liabilities			
Trade and other payables		85,480,455	92,907,424
Accrued markup		1,367,648	1,151,297
Murabaha Finance		15,773,669	-
Short term running finance - secured	6	53,465,415	66,121,791
		<u>156,087,187</u>	<u>160,180,512</u>
TOTAL EQUITY AND LIABILITIES		<u>457,603,328</u>	<u>458,307,524</u>
Contingencies and commitments	7		

The annexed notes 1 to 14 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 September 30, 2015

	Note	Quarter ended 30 September 2015	Quarter ended 30 September 2014 Restated
(-----Rupees-----)			
Revenue		115,588,898	169,845,604
Cost of sales	8	(103,019,074)	(159,522,355)
Gross profit		12,569,824	10,323,249
Selling and administrative expenses		(6,126,149)	(8,685,107)
Operating profit		6,443,675	1,638,142
Finance cost		(1,421,619)	(1,806,615)
Other operating income		227,052	404,276
Profit before taxation		5,249,108	235,803
Taxation		(1,859,979)	308,647
Profit after taxation		3,389,129	544,450
Earnings per share - basic and diluted		0.14	0.03

The annexed notes 1 to 14 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 September 30, 2015

Note	Quarter ended 30 September 2015	Quarter ended 30 September 2014 Restated
	(-----Rupees-----)	
Profit after taxation	3,389,129	544,450
Other comprehensive income	-	-
Total comprehensive income for the period	<u>3,389,129</u>	<u>544,450</u>

The annexed notes 1 to 14 form an integral part of these condensed interim financial information.



Chief Executive



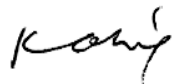
Director

Condensed Interim Cash Flow Statement (Un-audited)

For the quarter ended September 30, 2015

	Note	Quarter ended 30 September 2015	Quarter ended 30 September 2014 Restated
		(------Rupees-----)	
Cash (outflow) / inflow from operating activities	10	(1,956,902)	9,662,759
Taxes paid		(1,079,925)	(19,152)
Finance cost paid		(1,205,268)	(2,463,545)
		(2,285,193)	(2,482,697)
Net cash (outflow) / inflow from operating activities		(4,242,095)	7,180,062
Cash flow from investing activities			
Fixed capital expenditure		(8,883,325)	(2,073,514)
Long term deposits		(2,500)	(529,360)
Interest received		79,767	102,966
Net cash outflow from investing activities		(8,806,058)	(2,499,908)
Cash flow from financing activities			
Murabaha Finance		15,773,669	-
Net cash flow from financing activities		15,773,669	-
Net increase in cash and cash equivalents		2,725,516	4,680,154
Cash and cash equivalents at beginning of the period		(48,552,933)	(59,897,859)
Cash and cash equivalents at the end of the period	11	(45,827,417)	(55,217,705)

The annexed notes 1 to 14 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 September 30, 2015

	Issued, subscribed and paid-up capital	Share Premium reserve	Accumulated Profit	Total
	(----- Rupees -----)			
Balance as at 30 June, 2014 (Restated)	200,000,000	14,728,576	11,135,651	225,864,227
Total comprehensive income for the quarter ended September 30, 2014 (Restated)	-	-	544,450	544,450
Balance as at September 30, 2014	200,000,000	14,728,576	11,680,101	226,408,677
Issue of right shares	50,000,000			50,000,000
Total comprehensive income for the nine months period ended June 30, 2015	-	-	21,718,335	21,718,335
Balance as at June 30, 2015	250,000,000	14,728,576	33,398,436	298,127,012
Total comprehensive income for the quarter ended September 30, 2015	-	-	3,389,129	3,389,129
Balance as at September 30, 2015	250,000,000	14,728,576	36,787,565	301,516,141

The annexed notes 1 to 14 form an integral part of these condensed interim financial information.



Chief Executive



Director

Notes to the Condensed Interim Financial Information (Un-audited)

For the quarter ended September 30, 2015

1 Status and nature of business

Safe Mix Concrete Limited ("the Company") (*formerly Safe Mix Concrete Products Limited*) was incorporated on April 04, 2005 as Private Limited Company. Subsequently, it has been converted into Public Limited Company on February 21, 2007 in accordance with the 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 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 June 30, 2015.

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 June 30, 2015 and stated therein.

			Un-audited 30 September 2015	Audited 30 June 2015
		Note	(-----Rupees-----)	
5	Property, plant and equipment			
	Operating assets - at net book value	5.1	205,275,161	195,265,263
	Capital work in progress - at cost		-	4,631,153
			<u>205,275,161</u>	<u>199,896,416</u>
5.1	Operating fixed assets			
	Opening book value		195,265,263	172,937,824
	Add: Additions during the period	5.2	13,514,478	33,132,555
	Less: Depreciation charged during the period		(3,504,580)	(10,455,309)
	Disposals during the period - net book value		-	(349,807)
			<u>205,275,161</u>	<u>195,265,263</u>
5.2	Break-up of additions - at cost			
	Building		70,000	253,495
	Plant and machinery		13,268,478	32,367,730
	Vehicles		154,000	322,290
	Furniture and fixtures		22,000	36,550
	Computers		-	112,940
	Electrical equipment		-	1,900
	Office equipment		-	37,650
			<u>13,514,478</u>	<u>33,132,555</u>
6	Short term running finance - secured			
			Limit in millions of Rupees	
	The Bank of Punjab	120	6.1	
			<u>53,465,415</u>	<u>66,121,791</u>

- 6.1** 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. 160 million registered with Securities and Exchange Commission of Pakistan. It carries mark-up at the rate of 3 months average KIBOR plus 200 bps (2015: 3 months highest KIBOR plus 200 bps) per annum payable on quarterly basis.

7 Contingencies and commitments

7.1 Contingencies

- 7.1.1** 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 ("the 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 certain 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 ("the 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.
- 7.1.2** 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. The companies exposure in this respect amounts to Rs. 170.965 million for tax years 2012-2014. Based on the legal opinion, the management is expecting a favorable outcome and accordingly no provision in this respect has been made in these financial statements.
- 7.1.3** Section 113(2)(c) of the Income Tax Ordinance, 2001 was interpreted by a Divisional Bench of the Sindh High Court (SHC) in the Income Tax Reference Application (ITRA) No. 132 of 2011 dated 7 May 2013, whereby it was held that the benefit of carry forward of minimum tax is only available in the situation where the actual tax payable (on the basis of net income) in a tax year is less than minimum tax. Therefore, where there is no tax payable, inter alia, due to brought forward tax losses, minimum tax could not be carried forward for adjustment with future tax liability. The Company has carried forward minimum tax

of current and previous years amounting to Rs. 22.986 million and the Company expects to adjust the amount against the future taxable profits. The management is of the view that the interpretation of SHC has been challenged in the Supreme Court of Pakistan and they are waiting for its final outcome.

7.2 Commitments

There are no commitments at the balance sheet date (2015: nil).

	Un-audited 30 September 2015	Un-audited 30 September 2014 Restated
	(-----Rupees-----)	
8 Cost of sales		
Raw material and stores consumed	63,133,812	121,864,723
Salaries, wages and other benefits	10,667,759	10,836,474
Depreciation	3,327,891	2,240,459
Ijarah Rentals	3,608,712	1,523,292
Fuel and power	5,220,370	16,564,861
Repair and maintenance	779,771	2,962,900
Site preparation and Sample testing	89,700	179,430
Equipment hiring charges	4,224,078	1,545,913
Land rent	1,373,949	1,319,499
Carriage and freight	10,184,946	77,816
Insurance expenses	408,086	406,988
	<u>103,019,074</u>	<u>159,522,355</u>

9 Transactions with related parties

9.1 Associated Companies:

Javedan Corporation Limited:		
Sale of goods	4,637,153	149,411
Power Cement Limited:		
Purchase of goods	13,178,298	605,946

Un-audited
30 September
2015
(-----Rupees-----)

Audited
30 June
2015

9.2 Balances with related parties

Payable to Power Cement Limited	10,055,054	10,198,186
Receivable from Javedan Corporation Limited	2,707,567	7,034,627

Un-audited
30 September
2015
(-----Rupees-----)

Un-audited
30 September
2014
Restated

10 Cashflow from operating activities

Profit before taxation	5,249,108	235,803
Adjustments of items not involving movement of cash:		
Depreciation	3,504,580	2,468,438
Interest income	(79,767)	(102,966)
Finance cost	1,421,619	1,806,615
	4,846,432	4,172,087
Operating profit before working capital changes	10,095,540	4,407,890
Adjustments for working capital changes:		
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(984,371)	607,621
Stock in trade	6,090,906	4,913,250
Trade debts	(6,099,803)	(46,748)
Advances, prepayments and other receivables	(3,632,205)	(1,638,332)
Increase / (decrease) in current liabilities		
Trade and other payables	(7,426,969)	1,419,078
	(12,052,442)	5,254,869
Cash (outflow) / inflow from operating activities	(1,956,902)	9,662,759

Un-audited 30 September 2015	Un-audited 30 September 2014
(-----Rupees-----)	

11 Cash and cash equivalents

Cash and bank balances	7,637,998	502,789
Short term borrowings	(53,465,415)	(55,720,494)
	<u>(45,827,417)</u>	<u>(55,217,705)</u>

12 Date of authorization for issue

The financial information were authorized for issue on October 27, 2015 by the board of directors of the Company.

13 Corresponding figures

Corresponding figures have been re-arranged, where necessary, for the purpose of comparison.

14 General

The figures have been rounded off to nearest rupee.



Chief Executive



Director



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Lahore: 25-B, FCC, Syed Maratib Ali Road, Gulberg IV, Lahore.
Phone +92 42 3577 7909 **Fax** +92 42 3577 7910 **Help Line** 0345 2022 473 - 74
Email tufail@safemixlimited.com

Karachi: Plot # 1,6 Sector No. 26, Bilal Chorangi Korangi Industrial Area (Near Fire Brigade) Karachi.
Phone +92 21 3507 4581 & 84 **Fax** +92 21 3507 4603 **Help Line** 0345 2022 473 - 74