

Half Yearly Report
December 31, 2012




safe mix
Concrete Products Ltd.

SAFE MIX CONCRETE PRODUCTS LTD.

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COMPANY INFORMATION

Board of Directors

Mr. Arif Habib
Chairman

Air Chief Marshal Tanvir Ahmed NI(M), SBT. (R)
Director

Mr. Nasim Beg
Director

Mr. Zeshan Afzal
Director

Mr. Asim Tiwana
Director

Mr. Nadir Ali
Director

Syed Maratib Ali
Chief Executive Officer

Company Secretary & Chief Financial Officer

Masood Ijaz

Statutory Auditors

KPMG Taseer Hadi & Co.
Chartered Accountant

Legal Advisor

Minto & Mirza
Advocates & Corporate Counsel

Registered Office

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

Board Audit Committee

Air Chief Marshal Tanvir Ahmed NI(M), SBT. (R)
Chairman

Mr. Nadir Ali
Member

Mr. Nasim Beg
Member

Human Resources & Remuneration Committee

Mr. Zeshan Afzal
Chairman

Syed Maratib Ali
Chief Executive Officer

Mr. Nadir Ali
Member

Bankers

Habib Metropolitan Bank Limited
The Bank of Punjab
NIB Bank Limited

Shares Registrars

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

DIRECTORS' REVIEW

The Board of Directors of Safe Mix Concrete Products Limited present herewith condensed financial statements for the quarter ended 31st December 2012.

Over view

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

The Company achieved sales of Rs. 307 million showing an increase of 12.39% in turnover as well as increase of 5% in volume compared to the corresponding period last year.

Operating results

	Second quarter Ended 31st December		Six months Ended 31st December	
	2012	2011	2012	2011
Profit / (loss) before taxation	1,532,772	(2,748,569)	4,662,145	(3,505,910)
Taxation	(1,230,278)	(602,927)	(2,207,792)	(1,984,158)
Profit / (loss) after taxation	<u>302,494</u>	<u>(3,351,496)</u>	<u>2,454,353</u>	<u>(5,490,068)</u>
Earnings / (loss) per share	<u>0.02</u>	<u>(0.17)</u>	<u>0.12</u>	<u>(0.27)</u>

Earnings per share

Profit per share for the period ended is Rs. 0.12 per share as compared to loss per share for the same period of the last year was Rs.0.27 per share.

Future Outlook

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

Acknowledgement

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

For and on behalf of the board

Karachi: February 27th, 2013

Syed Maratib Ali
Chief Executive Officer

INDEPENDENT AUDITORS REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE MEMBERS

Introduction

We have reviewed the accompanying condensed interim balance sheet of Safe Mix Concrete Products Limited ("the Company") as at 31 December 2012 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six-month period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of Interim Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

We draw attention to note 7.1.2 to the financial statements relating to levy of sales tax on the Company. Our conclusion is not qualified in respect of this matter.

Other matters

The figures for the three months period ended 31 December 2012 and 31 December 2011 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

Lahore

Date: February 27th, 2013

KPMG Taseer Hadi & Co.

Chartered Accountants

(Kamran Iqbal Yousafi)

CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

AS AT 31 DECEMBER 2012

		Unaudited 31 December 2012	Audited 30 June 2012
	Note	----- Rupees -----	
Non - current assets			
Fixed assets	5	189,316,174	188,710,333
Long term deposits		<u>4,232,120</u>	<u>4,220,120</u>
		193,548,294	192,930,453
Current assets			
Stores and spares		3,142,528	3,081,448
Stock in trade		20,361,410	28,023,759
Trade debts		73,960,014	71,918,294
Advances, prepayments and other receivables		4,323,852	4,014,085
Tax refund due from Government		25,397,637	22,821,879
Cash and bank balances		<u>15,510,733</u>	<u>6,199,996</u>
		142,696,174	136,059,461
Current liabilities			
Trade and other payables		79,525,304	75,323,924
Accrued markup		2,249,281	2,369,760
Short term running finance - secured	6	47,201,242	46,108,802
Current portion of liabilities against assets subject to finance lease		<u>1,739,001</u>	<u>2,448,417</u>
		130,714,828	126,250,903
Net current assets		11,981,346	9,808,558
Non - current liabilities			
Liabilities against assets subject to finance lease		-	336,527
Deferred liability - taxation		<u>5,983,118</u>	<u>5,310,316</u>
		5,983,118	5,646,843
Financed by:		199,546,521	197,092,168
Share capital and reserves			
Authorized capital			
35,000,000 ordinary shares of Rs 10 each		<u>350,000,000</u>	<u>350,000,000</u>
Issued, subscribed and paid up capital		200,000,000	200,000,000
Share premium		14,728,576	14,728,576
Accumulated loss		<u>(15,182,055)</u>	<u>(17,636,408)</u>
		199,546,521	197,092,168
Contingencies and commitments	7		

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

-Sd-

Chief Executive

-Sd-

Director

**CONDENSED INTERIM
PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

	Note	July to December 2012	October to December 2012	July to December 2011	October to December 2011
----- Rupees -----					
Revenue		306,997,999	162,210,144	273,159,209	135,036,149
Cost of sales	8	<u>(297,666,312)</u>	<u>(159,490,505)</u>	<u>(264,182,038)</u>	<u>(131,979,519)</u>
Gross profit		9,331,687	2,719,639	8,977,170	3,056,629
Selling and administrative expenses		<u>(13,035,909)</u>	<u>(6,780,512)</u>	<u>(12,385,381)</u>	<u>(6,556,695)</u>
Operating loss		<u>(3,704,222)</u>	<u>(4,060,873)</u>	<u>(3,408,211)</u>	<u>(3,500,066)</u>
Finance cost		(4,820,519)	(2,480,886)	(5,844,920)	(2,877,208)
Other operating income		<u>13,186,886</u>	<u>8,074,531</u>	<u>5,747,221</u>	<u>3,628,705</u>
Profit / (loss) before taxation		<u>4,662,145</u>	<u>1,532,772</u>	<u>(3,505,910)</u>	<u>(2,748,569)</u>
Taxation		(2,207,792)	(1,230,278)	(1,984,158)	(602,927)
Profit / (loss) after taxation		<u>2,454,353</u>	<u>302,494</u>	<u>(5,490,068)</u>	<u>(3,351,496)</u>
Earnings / (loss) per share- basic & diluted		<u>0.12</u>	<u>0.02</u>	<u>(0.27)</u>	<u>(0.17)</u>

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

-Sd-

Chief Executive

-Sd-

Director

**CONDENSED INTERIM
STATEMENT OF COMPREHENSIVE INCOME / (LOSS)
(UN-AUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

	July to December 2012	October to December 2012	July to December 2011	October to December 2011
	----- Rupees -----			
Profit / (loss) after taxation	2,454,353	302,494	(5,490,068)	(3,351,496)
Other comprehensive income	-	-	-	-
Total comprehensive profit / (loss) for the period	2,454,353	302,494	(5,490,068)	(3,351,496)

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

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Chief Executive

-Sd-

Director

**CONDENSED INTERIM
CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

	July to December 2012	July to December 2011
<i>Note</i>	----- Rupees -----	
Cash flow from operating activities		
Profit /(loss) before taxation	4,662,145	(3,505,910)
<i>Adjustments for non-cash items:</i>		
Depreciation	7,051,469	6,174,081
Interest income	(293,787)	(150,976)
Gain on disposal of fixed assets	-	(99,094)
Finance cost	4,820,519	5,844,920
	11,578,201	11,768,931
Operating profit before changes in working capital	16,240,347	8,263,022
Changes in working capital		
<i>(Increase) / decrease in current assets</i>		
Trade debts	(2,041,720)	(27,832,887)
Stock in trade	7,662,349	(2,375,600)
Stores and spares	(61,080)	(142,796)
Advances, deposits, prepayments and other receivables	(309,767)	668,091
	5,249,782	(29,683,192)
<i>Increase in current liabilities</i>		
Trade and other payables	4,179,505	18,814,593
Cash flow from / (used in) operating activities	25,669,634	(2,605,577)
Taxes paid	(4,088,873)	(2,268,622)
Finance cost paid	(4,940,998)	(6,125,043)
Long term deposits	(12,000)	(50,000)
	(9,041,871)	(8,443,665)
Net cash generated from/(used in) operating activities	16,627,763	(11,049,242)
Cash flow from investing activities		
Fixed capital expenditure	(7,657,310)	(3,105,056)
Interest income received	293,787	150,976
Proceeds from sale of fixed assets	-	650,000
Net cash used in investing activities	(7,363,523)	(2,304,080)
Cash flow from financing activities		
Repayments of liabilities against assets subject to finance lease	(1,045,943)	(843,426)
Net cash used in financing activities	(1,045,943)	(843,426)
Net increase / (decrease) in cash and cash equivalents	8,218,297	(14,196,748)
Cash and cash equivalents at the beginning of the period	(39,908,806)	(36,593,012)
Cash and cash equivalents at the end of the period	(31,690,509)	(50,789,760)

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

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Chief Executive

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Director

**CONDENSED INTERIM
STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

	Ordinary Shares	Share Premium reserve	Accumulated loss	Total
----- Rupees -----				
Balance as at 30 June 2011 - Audited	200,000,000	14,728,576	(10,881,672)	203,846,904
Total comprehensive loss for the half year ended 31 December 2011	-	-	(5,490,068)	(5,490,068)
Balance as at 31 December 2011- Un-audited	<u>200,000,000</u>	<u>14,728,576</u>	<u>(16,371,740)</u>	<u>198,356,836</u>
Balance as at 30 June 2012 - Audited	200,000,000	14,728,576	(17,636,408)	197,092,168
Total comprehensive Income for the half year ended 31 December 2012	-	-	2,454,353	2,454,353
Balance as at 31 December 2012 - Un-audited	<u>200,000,000</u>	<u>14,728,576</u>	<u>(15,182,055)</u>	<u>199,546,521</u>

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

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Chief Executive

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Director

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 2012

1 Status and nature of business

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

2 Basis of preparation

Statement of compliance

This condensed interim financial report of the Company for the six months period ended 31 December 2012 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

The disclosures in the condensed interim financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statements for the year ended 30 June 2012.

This condensed interim financial information is being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984.

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
- Provisions and contingencies

4 Significant accounting policies

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

4.2 In addition to above, following amendments to the International Financial Reporting Standards / International Accounting Standards are mandatory for the first time for the financial year beginning on or after 1 January 2013, however, the adoption of these amendments is either not yet effective or the amendments did not have any significant impact on the financial information of the Company.

- IAS-1 (amendment) - Presentation of Financial Statements
- IAS-19 (amendment) - Employee Benefits
- IAS-32 (amendment) - Offsetting Financial assets and Financial Liabilities
- IAS-32 (amendment) - Financial Instruments: Presentation
- IFRS-7 (amendment) - Offsetting Financial assets and Financial Liabilities
- IAS-27 (amendment) - Separate Financial Statements
- IAS-28 (amendment) - Investments in Associates and Joint Ventures
- IAS-16 (amendment) - Property, Plant and Equipment
- IAS-34 (amendment) - Interim Financial Reporting

			Unaudited 31 December 2012	Audited 30 June 2012
			----- Rupees -----	
5	Property, plant and equipment	<i>Note</i>		
	Operating fixed assets	5.1	186,091,391	188,070,778
	Capital work in progress		3,224,783	639,555
			<u>189,316,174</u>	<u>188,710,333</u>
	5.1 Operating fixed assets			
	Opening book value		188,070,778	188,693,010
	Add: Additions during the period / year	5.2	5,072,082	12,557,368
	Less: Disposals during the period / year - net book value		-	(708,455)
	Depreciation charged during the period / year		<u>(7,051,469)</u>	<u>(12,471,145)</u>
	Closing book value		<u>186,091,391</u>	<u>188,070,778</u>
	5.2 Break-up of additions			
	<i>Owned assets:</i>			
	Plant and machinery		5,072,082	11,263,653
	Buildings		-	57,236
	Vehicles		-	914,688
	Computers		-	321,791
			<u>5,072,082</u>	<u>12,557,368</u>
			Unaudited 31 December 2012	Audited 30 June 2012
			----- Rupees -----	
6	Short term running finance- secured	<i>Limit in millions of Rupees</i>		
	The Bank of Punjab	70	<i>Note</i>	
			6.1	
			47,201,242	46,108,802
	6.1			
	This represents utilized portion of short term running finance facility available from the Bank of Punjab under mark up arrangements. This facility is secured by way of first exclusive charge over non current and current assets of the Company with 25% margin registered with SECP 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.			
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 (" Act "). However, Sales tax audit of the Company was initiated vide letter No 505-5 on 21 December 2010 for tax period 2007-08. As a consequence audit observations were issued vide letter dated 14 January 2011 involving a sales tax liability amounting to Rs. 105.257 million. Resultantly, the Company applied to the Honorable Lahore High Court (" Court ") against the Sales tax audit on the grounds that it is exempt from levy of sales tax under Serial No. 35 of Table 1 of Sixth Schedule of the Act. A stay order was granted by the Court on 24th January 2011 and since then there has been no development in this case. The Company is confident that it has a strong case and the outcome will be in favor of the Company.			

7.1.2 During the last year FBR vide Finance Act 2011 withdrew amendment of Serial No.35 of Table 1 of the Sixth Schedule of the Act with effect from 04 June 2011. However, the Management is of the view that ready mix concrete is still exempt from levy of sales tax based on the fact that the said tax is levied on construction services and supply of goods whereas sale of concrete is neither a construction service nor supply of goods under section 2 (39) of the Act and hence not taxable. The Company has taken up the matter with FBR and has made comprehensive representations in this regard. However, in case of adverse decision of the case, an estimated sale tax liability amounting to Rs. 73.1 million may arise up to the date of Condensed interim Balance Sheet. Based on the negotiations with FBR and the legal opinion, the management is expecting a favorable outcome and accordingly no provision in this respect has been made in these financial statements.

7.2 Commitments

There were no significant commitments at the balance sheet date (30 June 2012: Nil).

8	Cost of sales	July to	October to	July to	October to
		December	December	December	December
		2012	2012	2011	2011
		Un-audited	Un-audited	Un-audited	Un-audited
----- Rupees -----					
	Raw material and stores consumed	221,424,010	118,009,598	207,547,873	103,497,597
	Salaries, wages and other benefits	17,774,176	9,006,824	16,399,323	8,522,655
	Depreciation	6,605,332	3,620,054	5,753,576	2,999,675
	Fuel and power	37,658,520	20,015,946	26,473,323	12,830,250
	Repair and maintenance	4,548,939	2,408,046	3,668,043	2,171,367
	Sample testing	186,136	99,860	51,650	27,980
	Equipment hiring charges	5,606,860	4,386,043	1,468,053	515,700
	Carriage and freight	399,486	-	2,900	2,900
	Land rent and commission	1,995,000	1,245,000	1,249,998	624,999
	Security expenses	212,900	104,900	170,050	84,550
	Insurance expenses	1,254,952	594,234	1,397,249	701,846
		<u>297,666,312</u>	<u>159,490,505</u>	<u>264,182,038</u>	<u>131,979,519</u>

9 Transactions with related parties

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.

Detail of transactions and balances with related parties are as follows:

9.1 Transactions with related parties	July to	July to
	December	December
	2012	2011
	Un-audited	Un-audited
----- Rupees -----		
Associated Companies:		
ABE Pak (Private) Limited		
Purchase of goods	1,630,300	771,553
Sale of goods	56,000	-
Al Abbas Cement		
Purchase of cement	-	5,206,950
IGI Insurance:		
Insurance premium	2,745,739	1,704,610
Thatta Cement Limited:		
Purchase of goods	-	804,807
Kaizen Construction (Pvt.) Ltd.		
Sale of goods	212,586	-

	July to December 2012 Un-audited	July to December 2011 Un-audited
	----- Rupees -----	
Habib Metropolitan Bank Limited:		
Interest income	292,507	149,723
Tax deducted at source	28,233	7,508
Bank charges	-	1,096
Lease finance charges	197,489	39,551
Key management personnel		
Remuneration of Key management Personnel	6,712,452	6,380,740
	31 December 2012 Un-audited	30 June 2012 Audited
	----- Rupees -----	
9.2 Balances with related parties		
ABE Pak (Private) Limited	404,327	1,585,008
Habib Metropolitan Bank Limited		
Bank Balance	15,383,812	6,045,805
Lease Liability	-	354,281
Kaizen Construction (Pvt.) Ltd.	212,586	-
IGI Insurance	-	576,875
Key management personnel		
Short Term Employee Benefits	2,614,133	2,265,475
	July to December 2012 Rupees	July to December 2011 Rupees
	----- Rupees -----	
10 Cash and cash equivalent		
Cash and bank balances	15,510,733	5,734,960
Short term borrowings	<u>(47,201,242)</u>	<u>(56,524,720)</u>
	<u>(31,690,509)</u>	<u>(50,789,760)</u>

11 Operating segments

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

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

11.2 100% (2011: 100%) of the gross sales of the Company are made to customers located in Pakistan.

11.3 All non-current assets of the Company as at 31 December 2012 are located in Pakistan.

12 Date of authorization for issue

The financial statements were authorized for issue on 27th February, 2013 by the board of directors of the Company.

13 General

13.1 The figures have been rounded off to nearest rupee.

-Sd-

Chief Executive

-Sd-

Director

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CORPORATE