



Annual Report
2010

Safe Mix Concrete Products Ltd.

Vision Statement

Our vision is to be Pakistan's largest ready mix concrete supply Company, signing under the prominent projects for tomorrow's world of business, harmonizing, innovative and progressive technology with the company's experience and excellence in the quality of work.

Mission Statement

Safe Mix once a dream has shaped into reality, through conviction and untiring efforts to see it grow into a corporate Company with one of the principal market clientele.

The aim of the Company is to establish a platform for the transfer of foreign technology with forming the basis for further development in Pakistan.

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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
Asim Tiwana

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

Notice of Annual General Meeting

Notice is hereby given that the fifth Annual General Meeting of the shareholders of Safe Mix Concrete Product Limited will be held at the Beach luxury hotel, Karachi on Tuesday, 26th October 2010 at 5.30 p.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of last Annual General Meeting held on 23rd October 2009.
2. To receive, consider and adopt the Audited Financial statements of the Company for the year ended 30th June 2010 together with the Directors' and Auditors' reports thereon.
3. To appoint Auditor for the financial year ending 30th June 2011 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.

Special Business

1. To approve publication of quarterly, half yearly and annual financial statements on the website of the Company.

By order of the Board

Karachi, 23rd September 2010

Wasiq Ilyas
Company Secretary

Notes:

1. The share transfer book of the Company will remain closed from 20th October 2010 to 26th October 2010 (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

Director's Report

The directors of the Company present herewith the financial result of the Company for the year ended 30th June 2010.

Overview

During the year the Company was listed on Karachi Stock Exchange and increased its paid up capital to Rs.200.00 million. The share was offered at a premium and by the Grace of ALLAH (SWT) the offer was fully subscribed.

Last year for the construction industry proved to be challenging year as construction activities slowed down. The prices of the raw materials fluctuated the whole year and intense competition in the ready mix market squeezed the companies' margins.

The overall economy of the Country was also facing challenges which damaged the forecasted overall growth of the Country during the last year and also dented the Company's forecast.

Financial Review

During the year, the Company achieved an overall sale of Rs.524.383 million as compared to Rs. 707.464 million last year registering an overall decline of 25.88%. The volume of concrete also decreased from 124,094 cubic meter to 102,971 cubic meter declining by 17.02% on a year to year basis.

Cost of sales of the Company came under pressure due to the increase in the basic raw materials, higher utilities cost and stiff competition. Equipment hiring charges decreased significantly as the Company added new vehicles in its transportation system from the funds received in the Initial Public Offer (IPO).

Upward movement in the selling and administrative expenses reflects hiring of qualified staff to meet the legal and corporate requirements of the Company which is subject to several regulatory requirements after the listing. Finance costs decreased as the Company placed less reliance on borrowings and fulfilled its working capital requirements mainly from its own source of funds and from the funds received in the IPO.

	2010	2009
Operating Results		
(Loss) / Profit before taxation	(4,512,233)	27,024,643
Taxation	(7,026,678)	(9,410,838)
(Loss) / Profit after taxation	(11,538,911)	17,613,805

Earnings per Share

Loss per share for the year ended is Rs. 0.96 per share as compared to earnings per share for the last year was Rs. 2.52 per share.

Capital Structure

Shareholders fund at the yearend stood at Rs. 208.813 million as compared to last year which were at Rs.119.373 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. 85.472 million as addition to Plant and Machinery mainly adding Transit mixers, Concrete Pumps 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. During the year the Company obtained an increase in the running finance facility from Rs.50.00 million to Rs.70.00 million.

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)

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 2010-2011.

Pattern of Shareholding

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

Director's statement

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

- . The financial statements 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

Three meetings of the board were held during the year. The attendance record of the Directors is as follows:

Name of the Directors	Meetings attended
Arif Habib	3/3
Bashir Ali Mohammad	0/3*
Syed Yawar Ali	2/3
Nasim Beg	2/3
Asim Tiwana	1/3
Ziad Bashir	3/3
Syed Maratib Ali	3/3

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

Statutory Payments

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

Future Outlook

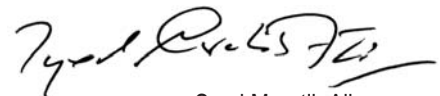
Your Company is forecasting a growth of 15% to 20% in revenue this financial year. The Company has already started work at the International Textile City at Port Qasim and is also near securing two to three projects of high value. In this year the Company has also undertaken task of reducing its debtors which would further reduce financial charges and also reduce its expenses further to strive for a positive return to its shareholders.

Acknowledgement

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

Karachi: September 23, 2010

For and on behalf of the board



Syed Maratib Ali
Chief Executive Officer

Key Operating & Financial Data

	2010 Rupees	2009 Rupees	2008 Rupees
Net Revenue	524,383,105	707,464,827	433,244,601
Cost of Goods Sold	495,612,283	651,559,205	398,339,783
Gross Profit	28,770,822	55,905,622	34,904,818
Administrative Expenses	27,047,021	24,504,049	15,311,491
Financial Cost	11,670,140	13,977,716	6,756,667
Profit / (Loss) before Tax	(4,512,233)	27,024,643	15,692,294
Profit / (Loss) after taxation	(11,538,911)	17,613,805	1,749,965
Paid up Capital	200,000,000	70,000,000	70,000,000
Total Assets	326,019,325	286,790,925	269,163,452
Total Liabilities	117,205,994	167,417,260	167,403,594

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi Stock Exchange Guarantee Limited for the purpose of establishing a framework of good governance, whereby a listed 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 non-executive directors on its Board of Directors. At present the Board includes six non-executive directors.
2. All 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 of the Company are registered taxpayers and none of them have defaulted in payment of any loan to a company, a DFI / NBF1.
4. No casual vacancy occurred in the Board during the year 2010.
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 Board has developed a vision/mission statement and overall corporate strategy and significant policies.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and Company Secretary have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman. During the year three board meetings were held and 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 board arranged orientation courses for its directors during the year to appraise them of their duties and responsibilities.
10. All related party transactions have been placed before the Audit Committee and have been approved by the Board of Directors. All transactions were made on terms equivalent to those that prevail in arm's length transactions.
11. The remuneration and terms and conditions of employment of Chief Financial Officer and Company Secretary as determined by the Chief Executive Officer, have been approved by the Board of Directors.
12. During the year, new Company Secretary has been appointed by the Board of Directors whose remuneration and terms and conditions of employment as determined by the Chief Executive Officer, have been approved by the Board of Directors.

13. The Directors' Report for the year ended 30th June 2010 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
14. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
15. The Directors, Chief Executive Officer and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholdings.
16. The Company has complied with all the corporate and financial reporting requirements of the Code.
17. The Board has formed an Audit Committee. It comprises of three members, who are non executive directors including the Chairman of the committee.
18. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code.
19. The Company is in the process of establishing effective independent internal audit function.
20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the ICAP, 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 the ICAP.
21. 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.
22. We confirm that all other material principles contained in the code have been complied with.

Syed Maratib Ali
Chief Executive

Karachi, 23rd September 2010

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.

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 systems 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.

We report that the Company is in the process of establishing its internal audit department as per the provisions of Code of Corporate Governance.

Based on our review, except for the matter as mentioned above, 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.

Lahore

23rd September 2010

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 2010 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 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 except for changes referred to in note 3.1 to the financial statements with which we concur;
 - 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 2010 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Lahore
23rd September 2010

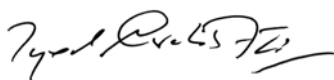
KPMG Taseer Hadi & Co.
Chartered Accountants
(Kamran Iqbal Yousafi)

BALANCE SHEET

AS AT 30 JUNE 2010

	Note	2010 Rupees	2009 Rupees
Non - current assets			
Property, plant and equipment	4	201,884,739	132,867,192
Long term deposits	5	5,032,975	6,532,475
Current assets			
Stores and spares		1,144,034	947,994
Stock in trade	6	19,827,230	28,779,724
Trade debts	7	66,729,561	90,342,317
Advances, prepayments and other receivables	8	8,160,230	5,941,810
Tax refund due from Government		16,550,336	11,821,723
Cash and bank balances	9	6,690,219	9,557,690
		119,101,610	147,391,258
Current liabilities			
Trade and other payables	10	31,416,299	61,565,530
Accrued markup		2,232,700	5,406,267
Short term running finance - secured	11	42,249,522	49,969,881
Current portion of liabilities against assets subject to finance lease	13	1,935,792	1,572,871
		77,834,313	118,514,549
Net current assets		41,267,297	28,876,709
Non - current liabilities			
Long term loan - unsecured	12	15,000,000	27,000,000
Liabilities against assets subject to finance lease	13	5,780,042	7,715,834
Deferred liability - taxation	14	18,591,639	14,186,877
		39,371,681	48,902,711
Financed by:		<u>208,813,330</u>	<u>119,373,665</u>
Share capital and reserves			
Issued, subscribed and paid up capital	16.2	200,000,000	70,000,000
Share premium		14,728,576	-
Share deposit money		-	29,750,000
Accumulated (loss) / profit		(5,915,246)	19,623,665
		<u>208,813,330</u>	<u>119,373,665</u>
Contingencies and commitments	15		

The annexed notes 1 to 31 form an integral part of these financial statements.



Lahore:

Chief Executive



Director

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 Rupees	2009 Rupees
Revenue	17	524,383,105	707,464,827
Cost of sales	18	495,612,283	651,559,205
Gross profit		<u>28,770,822</u>	<u>55,905,622</u>
Selling and administrative expenses	19	27,047,021	24,504,049
Operating profit		<u>1,723,801</u>	<u>31,401,573</u>
Finance cost	20	11,670,140	13,977,716
Other expenses	21	-	2,008,410
Other operating income	22	5,434,106	11,609,196
(Loss) / profit before taxation		<u>(4,512,233)</u>	<u>27,024,643</u>
Taxation	23	7,026,678	9,410,838
(Loss) / profit after taxation		<u>(11,538,911)</u>	<u>17,613,805</u>
(Loss) / earnings per share - basic and diluted	29	<u>(0.96)</u>	<u>2.52</u>

The annexed notes 1 to 31 form an integral part of these financial statements.



Lahore:

Chief Executive



Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 Rupees	2009 Rupees
(Loss) / Profit after taxation		(11,538,911)	17,613,805
Other comprehensive income		-	-
Total comprehensive (loss) / income for the year		(11,538,911)	17,613,805

The annexed notes 1 to 31 form an integral part of these financial statements.



Chief Executive



Director

Lahore:

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 Rupees	2009 Rupees
Cash flow from operating activities			
(Loss) / profit before taxation		(4,512,233)	27,024,643
Adjustments of items not involving movement of cash:			
Depreciation		15,757,316	14,832,476
Gain on sale of fixed assets		-	(3,664,453)
Interest income		(349,413)	(448,072)
Finance cost		11,670,140	13,977,716
		<u>27,078,043</u>	<u>24,697,667</u>
Operating profit before working capital changes		22,565,810	51,722,310
Adjustments for working capital items:			
(Increase)/decrease in current assets			
Long term deposits		1,499,500	(404,985)
Trade debts		23,612,756	(27,585,145)
Stock in trade		8,952,494	(14,062,105)
Stores and spares		(196,040)	(622,455)
Advances, prepayments and other receivables		(2,218,420)	6,057,313
		<u>31,650,290</u>	<u>(36,617,377)</u>
(Decrease) in current liabilities			
Trade and other payables		(30,215,484)	(237,588)
Cash generated from operations		<u>24,000,616</u>	<u>14,867,345</u>
Taxes paid		(7,284,276)	(13,410,534)
Finance cost paid		(14,843,709)	(12,181,029)
		<u>(22,127,985)</u>	<u>(25,591,563)</u>
Net cash generated from/(used in) operating activities		1,872,631	(10,724,218)
Cash flow from investing activities			
Fixed capital expenditure		(84,774,863)	(10,318,896)
Interest received		349,413	448,072
Proceeds from sale of fixed assets		-	14,500,000
Net cash (used in)/generated from investing activities		(84,425,450)	4,629,176
Cash flow from financing activities			
Proceeds from shares issue at premium		114,978,576	-
Dividend paid during the period		(14,000,000)	-
Repayment of loan		(12,000,000)	(3,000,000)
Repayment of liabilities against assets subject to finance lease		(1,572,869)	(1,233,021)
Net cash generated from/(used in) financing activities		87,405,707	(4,233,021)
Net increase/(decrease) in cash and cash equivalents		4,852,888	(10,328,063)
Cash and cash equivalents at beginning of the year		(40,412,191)	(30,084,128)
Cash and cash equivalents at the end of the year	27	(35,559,303)	(40,412,191)

The annexed notes 1 to 31 form an integral part of these financial statements.



Lahore:

Chief Executive



Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

	Issued, subscribed and paid-up capital	Share deposit money	Share Premium reserve	Accumulated profit / (loss)	Total
	----- (Rupees) -----				
Balance as at 01 July 2008	70,000,000	29,750,000	-	2,009,858	101,759,858
Net profit for the year	-	-	-	17,613,807	17,613,807
Balance as at 30 June 2009	70,000,000	29,750,000	-	19,623,665	119,373,665
Transactions with shareholders recognized directly in equity					
Share capital issued during the period	130,000,000	(29,750,000)	-	-	100,250,000
Share premium reserve	-	-	25,000,000	-	25,000,000
Share issuance expenses	-	-	(10,271,424)	-	(10,271,424)
Final dividend for the period ended 30 June 2009	-	-	-	(14,000,000)	(14,000,000)
	130,000,000	(29,750,000)	14,728,576	(14,000,000)	100,978,576
Changes in equity for the year ended 30 June 2010					
Total comprehensive loss for the year	-	-	-	(11,538,911)	(11,538,911)
Balance as at 30 June 2010	200,000,000	-	14,728,576	(5,915,246)	208,813,330

The annexed notes 1 to 31 form an integral part of these financial statements.



Lahore:

Chief Executive



Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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 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 Pakistani rupees which is also the Company's functional currency.

3 Significant accounting policies

3.1 Changes in accounting policies

Starting 01 July 2009, the Company has changed its accounting policies in the following areas:

The Company has applied Revised IAS 1: "Presentation of Financial Statements (2007)" which became effective from 01 January 2009. This standard required the Company to present in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in statement of comprehensive income.

The Company has also applied IFRS 7 "Financial Instruments : Disclosures" from 01 July 2009. As a result, additional disclosures have been made relating to financial instruments.

3.2 Standards, Interpretations and Amendments not yet effective

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning on or after 1 January 2010.

- Improvements to IFRSs 2009 – Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the required disclosures for non-current assets (or disposal groups) classified as held for sale or discontinued operations are specified in IFRS 5. These amendments are unlikely to have an impact on the Company's financial statements.
- Improvements to IFRSs 2009 – Amendments to IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2010) . The amendments clarify that segment information with respect to total assets is required only if such information is regularly reported to the chief operating decision maker. The amendment is not relevant to the Company's operations.

- Improvements to IFRSs 2009 – Amendments to IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the classification of the liability component of a convertible instrument as current or non-current is not affected by terms that could, at the option of the holder of the instrument, result in settlement of the liability by the issue of equity instruments. These amendments are unlikely to have an impact on the Company's financial statements.
- Improvements to IFRSs 2009 – Amendments to IAS 7 Statement of Cash Flows (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that only expenditures that result in the recognition of an asset can be classified as a cash flow from investing activities. These amendments are unlikely to have a significant impact on the Company's financial statements other than increase in disclosures.
- Improvements to IFRSs 2009 – Amendments to IAS 17 Leases (effective for annual periods beginning on or after 1 January 2010). The IASB deleted guidance stating that a lease of land with an indefinite economic life normally is classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. The amendments clarify that when a lease includes both the land and building elements, an entity should determine the classification of each element based on paragraphs 7 – 13 of IAS 17, taking account of the fact that land normally has an indefinite economic life. The amendment is not relevant to the Company's operations.
- Improvements to IFRSs 2009 – Amendments to IAS 36 Impairment of Assets (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the largest unit to which goodwill should be allocated is the operating segment level as defined in IFRS 8 before applying the aggregation criteria of IFRS 8. The amendments apply prospectively. The amendment is not relevant to the Company's operations.
- Improvements to IFRSs 2009 – Amendments to IAS 39 Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 January 2010). The amendments provide additional guidance on determining whether loan prepayment penalties result in an embedded derivative that needs to be separated; clarify that the scope exemption in IAS 39 paragraph 2(g) is restricted to forward contracts, i.e. not options, between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date within a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and clarify that the gains or losses on a cash flow hedge should be reclassified from other comprehensive income to profit or loss during the period that the hedged forecast cash flows impact profit or loss. The amendments apply prospectively to all unexpired contracts from the date of adoption. These amendments are unlikely to have an impact on the Company's financial statements.
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters (effective for annual periods beginning on or after 1 January 2010). The IASB provided additional optional exemptions for first-time adopters contains a lease if the same assessment as that required by IFRIC 4 was made under previous GAAP; and allow entities in the oil and gas industry to use their previous GAAP carrying amounts as deemed cost at the date of transition for oil and gas assets. The amendment is not relevant to the Company's operations.
- Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). The IASB amended IFRS 2 to require an entity receiving goods or services (receiving entity) in either an equity-settled or a cash-settled share-based payment transaction to account for the transaction in its separate or individual financial statements. This principle even applies if another group entity or shareholder settles the transaction (settling entity) and the receiving entity has no obligation to settle the payment. Retrospective application is subject to the transitional requirements in IFRS 2.
- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after 1 January 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. These amendments are unlikely to have an impact on the Company's financial statements.

3.3 The following standards, interpretations and amendments of approved accounting standards are not yet effective:

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for accounting periods beginning on or after 1 July 2010). This interpretation provides guidance on the accounting for debt for equity swaps. The amendment is not relevant to the Company's operations.

Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for accounting periods beginning on or after 1 July 2010). The amendment provides the same relief to first-time adopters as was given to current users of IFRSs upon adoption of the Amendments to IFRS 7. The amendment also clarifies the transitional provisions of the Amendments to IFRS 7. The amendment is not relevant to the Company's operations.

3.4 Improvements to IFRSs 2010 (effective for annual periods beginning on or after 1 July 2010). The IASB issued amendments to various standards effective. Below is a summary of the amendments that are effective for either annual periods beginning on or after 1 July 2010 or annual periods beginning on or after 1 January 2011:

- Improvements to IFRSs 2010 – Amendments to IFRS 3 Business Combinations (effective for accounting periods beginning on or after 1 July 2010). The amendments clarify that contingent consideration arising in a business combination previously accounted for in accordance with IFRS 3 (2004) that remains outstanding at the adoption date of IFRS 3 (2008) continues to be accounted for in accordance with IFRS 3 (2004); limit the accounting policy choice to measure non-controlling interests upon initial recognition at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and that currently entitle the holder to a share of net assets in the event of liquidation; and expand the current guidance on the attribution of the market-based measure of an acquirer's share-based payment awards issued in exchange for acquiree awards between consideration transferred and post-combination compensation cost when an acquirer is obliged to replace the acquiree's existing awards to encompass voluntarily replaced unexpired acquiree awards. These amendments are unlikely to have an impact on the Company's financial statements.
- Improvements to IFRSs 2010 – Amendments to IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2010). The amendments clarify that the consequential amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 and IAS 31 resulting from IAS 27 (2008) should be applied prospectively, with the exception of amendments resulting from renumbering. These amendments are unlikely to have an impact on the Company's financial statements.
- IAS 24 Related Party Disclosures (revised 2009) (effective for accounting periods beginning on or after 1 January 2011). The revised IAS 24 Related Party Disclosures amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. These amendments are unlikely to have an impact on the Company's financial statements other than increase in disclosures.
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for accounting periods beginning on or after 1 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. These amendments are unlikely to have an impact on the Company's financial statements.
- Improvements to IFRSs 2010 – IFRS 1 First-time Adoption of IFRSs (effective for accounting periods beginning on or after 1 January 2011). The amendments clarify that IAS 8 is not first IFRS financial statements; introduce guidance for entities that publish interim financial information under IAS 34 Interim Financial Reporting and change either their accounting policies or use of the IFRS 1 exemptions during the period covered by their first IFRS financial statements; extend the scope of paragraph D8 of IFRS 1 so that an entity is permitted to use an event-driven fair value measurement as deemed cost for some or all of its assets when such revaluation occurred during the reporting periods covered by its first IFRS financial statements; and introduce an additional optional deemed cost exemption for entities to use the carrying amounts under previous GAAP as deemed cost at the date of transition to IFRSs for items of property, plant and equipment or intangible assets used in certain rate-regulated activities. The amendment is not relevant to the Company's operations.

- Improvements to IFRSs 2010 – IFRS 7 Financial Instruments: Disclosures (effective for accounting periods beginning on or after 1 January 2011) The amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements. These amendments would result in increase in disclosures in the financial statements of the Company.
- Improvements to IFRSs 2010 – IAS 1 Presentation of Financial Statements (effective for accounting periods beginning on or after 1 January 2011). The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but may be presented either in the statement of changes in equity or in the notes.
- Improvements to IFRSs 2010 – IAS 34 Interim Financial Reporting (effective for accounting periods beginning on or after 1 January 2011). The amendments add examples to the list of events or transactions that require disclosure under IAS 34 and remove references to materiality in IAS 34 that describes other minimum disclosures.
- Improvements to IFRSs 2010 – IFRIC 13 Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 January 2011). The amendments clarify that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits.
- IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2013). IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.

3.5 Accounting convention & basis of preparation

These financial statements have been prepared under the historical cost convention.

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 - note 3.6 & 4
- Taxation - note 3.14 & 23

3.6 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 is charged on reducing balance method whereby cost of an asset is written off over its estimated useful life at the rates given in note 4.1. Full month's depreciation is charged on additions, while no depreciation is charged in the month of disposal.

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.

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 expense 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 recognised 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 income.

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.

Full month's depreciation is charged on leased assets additions, while no depreciation is charged in the month of disposal.

Capital work in progress

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

3.7 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.

3.8 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.

3.9 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.

3.10 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.

3.11 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.

3.12 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.

3.13 Financial Instruments

Financial assets and liabilities are recognized when the Company becomes party to the contractual provisions of the instrument. Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset. Financial liabilities are de-recognized 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.

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.

3.14 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 deductible temporary differences, unused tax losses 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.

3.15 Borrowing costs

Markup, 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 markup, interest and other charges are recognized as an expense in the period in which they are incurred.

3.16 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.

3.17 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.

3.18 Related party transactions

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

3.19 Borrowings

Borrowings are initially recorded at the proceeds received. In subsequent periods, borrowings are stated at amortised 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.

3.20 Dividend and appropriations

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

	Note	2010 Rupees	2009 Rupees
4 Property, plant and equipment			
Operating fixed assets	4.1	201,827,503	132,112,343
Capital work-in-progress	4.3	57,236	754,849
		<u>201,884,739</u>	<u>132,867,192</u>

4.1 The statement of operating fixed assets is as follows:

	Cost			Rate %	Depreciation			Net Book value as at 30 June 2010
	As at 01 July 2009	Additions (Deletions)	As at 30 June 2010		As at 01 July 2009	For the period (Adjustments)	As at 30 June 2010	
Owned	(-----Rupees-----)			(-----Rupees-----)				
Building on freehold land	3,144,392	844,200	3,988,592	5	310,392	181,577	491,969	3,496,623
Project temporary civil works	576,071	757,857	1,333,928	50	576,071	31,577	607,648	726,280
Plant and machinery	135,978,046	83,573,361	219,551,407	10	22,374,316	13,349,618	35,723,934	183,827,473
Vehicles	7,657,785	39,000	7,696,785	20	3,216,076	874,691	4,090,767	3,606,018
Furniture and fixture	415,818	75,938	491,756	10	23,251	46,851	70,102	421,654
Computers	341,500	105,652	447,152	30	189,481	77,301	266,782	180,370
Electrical equipment	557,609	35,233	592,842	10	92,223	50,062	142,285	450,557
Office equipment	967,122	41,235	1,008,357	10	191,157	80,090	271,247	737,110
30 June 2010	149,638,343	85,472,476	235,110,819		26,972,967	14,691,767	41,664,734	193,446,085
Leased								
Plant and machinery	9,294,300	-	9,294,300	10	1,055,853	823,845	1,879,698	7,414,602
Vehicles	1,678,500	-	1,678,500	20	469,980	241,704	711,684	966,816
30 June 2010	10,972,800	-	10,972,800		1,525,833	1,065,549	2,591,382	8,381,418
	160,611,143	85,472,476	246,083,619		28,498,800	15,757,316	44,256,116	201,827,503

	Cost			Rate	Depreciation			Net Book value as at 30 June 2009
	As at 01 July 2008	Additions	As at 30 June 2009		As at 01 July 2008	For the period	As at 30 June 2009	
	Rupees			%	Rupees			
Owned	-----			-----	-----			-----
Building on freehold land	3,062,352	82,040	3,144,392	5	165,240	145,152	310,392	2,834,000
Project temporary civil works	2,127,438	-	576,071	50	1,049,541	560,775	(1,034,245)	-
Plant and machinery	98,975,376	50,120,905	135,978,046	10	13,519,704	11,654,421	(2,799,809)	113,603,730
Vehicles	7,431,009	226,776	7,657,785	20	2,110,766	1,105,310	-	4,441,709
Furniture and fixture	112,976	302,842	415,818	10	10,500	12,751	-	392,567
Computers	341,500	-	341,500	30	132,227	57,254	-	189,481
Electrical equipment	288,716	268,893	557,609	10	67,274	24,949	-	465,386
Office equipment	744,267	222,855	967,122	10	111,861	79,296	-	775,965
30 June 2009	113,083,634	51,224,311	149,638,343		17,167,113	13,639,908	(3,834,054)	122,665,376
Leased								
Plant and machinery	6,600,000	2,694,300	9,294,300	10	165,417	890,436	-	8,238,447
Vehicles	1,678,500	-	1,678,500	20	167,850	302,130	-	1,208,520
30 June 2009	8,278,500	2,694,300	10,972,800		333,267	1,192,566	-	9,446,967
30 June 2009	121,362,134	53,918,611	160,611,143		17,500,380	14,832,474	(3,834,054)	132,112,343

	Note	2010 Rupees	2009 Rupees
4.2 The depreciation charge is allocated as follows:			
Cost of sales	18	14,380,716	13,250,865
Administrative expenses	19	1,376,600	1,581,609
		<u>15,757,316</u>	<u>14,832,474</u>
4.3 Capital work-in-progress			
Mobile house villa		-	754,849
Laboratory room		57,236	-
		<u>57,236</u>	<u>754,849</u>
4.4 All present & future current and fixed assets of the Company are subject to a charge of Rs. 93.5 million (30 June 2009: Rs. 93.5 million) duly registered with SECP.			
5 Long term deposits			
Deposits with leasing companies	5.1	1,085,480	1,085,480
Others	5.2	3,947,495	5,446,995
		<u>5,032,975</u>	<u>6,532,475</u>
5.1 These represent interest free security deposits with leasing companies.			
5.2 These represent security deposits against rental of premises, supply of diesel and drinking water.			
6 Stock in trade			
Raw materials:			
-Crush		8,492,256	3,529,179
-Sand		7,704,855	7,992,835
-Cement		2,706,789	13,916,092
-Admixture / Chemicals		705,641	3,341,618
-Diesel & lubricants		217,689	-
		<u>19,827,230</u>	<u>28,779,724</u>
7 Trade debts - unsecured and considered good			
Associated companies	7.1	306,431	792,066
Others		66,423,130	89,550,251
		<u>66,729,561</u>	<u>90,342,317</u>
7.1 It represents the balance due from Kaizen Construction (Private) Limited a related party.			
8 Advances, prepayments and other receivables			
Advances (unsecured considered good) to:			
-Staff	8.1	927,250	1,033,254
-Others	8.2	1,237,934	656,091
-Suppliers		3,672,512	2,829,625
Prepayments		1,922,622	1,022,928
Other receivables		399,912	399,912
		<u>8,160,230</u>	<u>5,941,810</u>
8.1 These represent advances given to employees against salary.			
8.2 These represent advances given to employees against expenses on behalf of the Company.			

	Note	2010 Rupees	2009 Rupees
9 Cash and bank balances			
Cash in hand		180,655	321,146
Cash at bank			
-Current accounts	9.1	6,457,947	2,310,823
-Deposit accounts	9.2	51,617	6,925,721
		<u>6,509,564</u>	<u>9,236,544</u>
		<u>6,690,219</u>	<u>9,557,690</u>
9.1	This includes bank balance amounting to Rs.3,344,331 (2009: Rs.1,191,362) maintained with Habib Metropolitan Bank Limited a related party.		
9.2	These carry profit at rate ranging from 4% to 5% (2009: 4.5% to 6%) per annum.		
10 Trade and other payables			
Creditors	10.1	21,188,668	49,905,193
Advances from customers		1,636,349	3,225,436
Director's remuneration payable		57,500	115,000
Accrued expenses		5,438,816	5,291,188
Withholding tax payable		260,646	194,393
Worker's welfare fund payable		586,060	586,060
Worker's profit participation fund		2,248,260	2,248,260
		<u>31,416,299</u>	<u>61,565,530</u>
10.1	It includes the balance due to Abe Pak (Private) Limited and Thatta Cement Limited related parties amounting to Rs.0.879 million (2009: Rs. 1.177 million) and Rs.0.537 million (2009: Rs. 0.031 million) respectively.		
11 Short term running finance- secured			
	Limit in millions of Rupees		
The Bank of Punjab	70.00	11.1	42,249,522
			<u>49,969,881</u>
11.1	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 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 10% per annum payable on quarterly basis. The facility will expire on 31 December 2010.		
12 Long term loan		12.1	15,000,000
			<u>27,000,000</u>

- 12.1** This represents an unsecured loan obtained from directors at a markup of 12% per annum payable quarterly. This loan was initially obtained for two years and is mutually renewable for another term of two years. The loan has been specifically obtained to finance fixed capital expenditure requirements of the Company.

	Note	2010 Rupees	2009 Rupees
13 Liabilities against assets subject to finance lease			
Present value of minimum lease payments		7,715,834	9,288,705
Less: Current portion shown under current liabilities		<u>1,935,792</u>	<u>1,572,871</u>
		<u><u>5,780,042</u></u>	<u><u>7,715,834</u></u>

The minimum lease payments have been discounted at an implicit interest rate ranging from 16% to 23% (30 June 2009: 16% to 23%) to arrive at their present value. Rentals are paid monthly in advance. Taxes, repairs, replacements and insurance costs are to be borne by lessee. Under the terms of the agreement, the lessee has the option to purchase the assets after expiry of the lease term by adjusting the deposit amount against the residual value of the asset.

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

	Minimum lease payments	Future finance charge	Present value of lease liability	
			2010 Rupees	2009 Rupees
Not later than one year	3,170,088	1,234,296	1,935,792	1,572,871
Later than one year but not later than five years	<u>6,820,877</u>	<u>1,040,835</u>	<u>5,780,042</u>	<u>7,715,834</u>
	<u><u>9,990,965</u></u>	<u><u>2,275,131</u></u>	<u><u>7,715,834</u></u>	<u><u>9,288,705</u></u>

14 Deferred Tax liability - net

This is composed of:

Liability for deferred taxation comprising temporary differences related to:

Accelerated tax depreciation 21,292,250 17,416,924

Assets for deferred taxation comprising temporary differences related to:

Liability against assets subject to finance lease (2,700,611) (3,230,047)

18,591,639 14,186,877

15 Contingencies and commitments

There are no significant contingencies and commitments at the balance sheet date (2009: Nil)

	Note	2010 Rupees	2009 Rupees
16 Share capital			
16.1 Authorized share capital:			
35,000,000 ordinary shares of Rs. 10 each		<u>350,000,000</u>	<u>350,000,000</u>
16.2 Issued, subscribed and paid-up capital			
		2010 -----Number of shares-----	2009
		<u>20,000,000</u>	<u>7,000,000</u>
		Fully paid ordinary shares of Rs.10 each issued for cash	
		<u>200,000,000</u>	<u>70,000,000</u>
17 Revenue			
Sale of concrete mix		<u>524,383,105</u>	<u>707,464,827</u>
18 Cost of sales			
Raw material and stores consumed		366,330,036	497,654,304
Salaries, wages and other benefits		30,220,349	31,834,576
Depreciation	4.2	14,380,716	13,250,865
Fuel and power		36,183,935	35,149,010
Repair and maintenance		6,750,989	16,184,226
Employees old age benefit and social security		137,760	125,274
Equipment hiring charges		34,429,554	50,986,404
Carriage and freight		345,221	389,910
Insurance expenses		2,083,918	974,086
Premises rent		2,699,996	3,231,434
Site preparation and sample testing		1,551,033	1,215,475
Generator rent		498,776	563,641
		<u>495,612,283</u>	<u>651,559,205</u>

	Note	2010 Rupees	2009 Rupees
19 Selling and administrative expenses			
Director's remuneration		1,265,000	1,335,000
Salaries, wages and other benefits		11,421,184	9,889,328
Traveling and conveyance		1,374,875	1,254,399
Depreciation	4.2	1,376,600	1,581,609
Office rent		1,037,619	537,477
Auditors' remuneration	19.2	395,000	250,000
Sales commission		3,160,589	3,105,106
Security expenses		348,301	324,000
Postage, telegram and telephones		980,895	922,820
Rent, rates and taxes		453,488	387,384
Insurance		399,057	373,160
Entertainment		166,823	106,904
Printing and stationery		488,226	446,452
Utilities		598,088	289,868
Boarding and lodging charges		932,054	58,300
Discount / Bad debts written off		119,437	1,611,504
Advertisement		121,012	53,142
Legal and professional fee		432,300	30,930
Repair and maintenance vehicle		796,302	1,037,297
Donation and charity	19.1	615,816	500,000
Miscellaneous		564,355	409,369
		<u>27,047,021</u>	<u>24,504,049</u>
19.1	None of the Directors of the Company or any of their spouses have any interest in or otherwise associated with any of the recipients of donations made by the Company during the year.		
19.2 Auditor's remuneration			
Statutory audit		250,000	250,000
Half yearly review		125,000	-
Out of pocket expenses		20,000	-
		<u>395,000</u>	<u>250,000</u>
20 Finance cost			
Bank charges		116,675	67,123
Mark up expenses		11,553,465	13,910,593
		<u>11,670,140</u>	<u>13,977,716</u>
21 Other expenses			
Worker's profit participation fund		-	1,422,350
Worker's welfare fund		-	586,060
		<u>-</u>	<u>2,008,410</u>

	Note	2010 Rupees	2009 Rupees
22 Other operating income			
Income from financial assets			
-Profit on deposit accounts		349,413	448,072
Income from assets other than financial assets			
-Gain on sale of fixed assets		-	3,664,453
-Miscellaneous income		5,084,693	7,496,671
		<u>5,434,106</u>	<u>11,609,196</u>
23 Taxation			
Income tax - current	23.1	2,621,916	9,417,549
Deferred taxation		4,404,762	(6,711)
		<u>7,026,678</u>	<u>9,410,838</u>

23.1 The current tax provision represents the minimum tax turnover for the year due under section 113 of the Income Tax Ordinance, 2001. Accordingly tax charge reconciliation has not been prepared.

24 Remuneration of Chief Executive and Directors

	Chief Executive		Director and Executives	
	30 June 2010	30 June 2009	30 June 2010	30 June 2009
	----- Rupees -----			
Remuneration	1,265,000	1,335,000	11,519,935	6,213,000
No. of persons	1	1	14	7

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 accounting 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. 103.863 million (2009: Rs. 123.173 million) financial assets which are subject to credit risk amount to Rs. 84.690 million (2009: Rs. 111.351 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.

All investing transactions are settled / paid for upon delivery. The Company's policy is to enter into financial instrument contract by following internal guidelines such as approving counterparties and approving credits.

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:

	2010 Rupees	2009 Rupees
Long term deposits	5,032,975	6,532,475
Trade debts	66,729,561	90,342,317
Advances & other receivables		
-Advances	4,599,762	4,518,970
-Others	1,637,846	399,912
Bank balances	6,690,219	9,557,690
	<u>84,690,363</u>	<u>111,351,364</u>

Impairment losses

The aging of trade debts at the reporting date was:

Past due 1–30 days	26,573,027	33,870,029
Past due 31–60 days	10,166,883	35,798,187
Past due 61–90 days	1,430,118	5,255,156
Past due 90–180 days	9,007,061	2,270,445
Over 180 days	19,552,472	13,148,504
	<u>66,729,561</u>	<u>90,342,321</u>

Based on past experience the management believes that no impairment allowance is necessary in respect of trade receivables past due as some receivables have been recovered subsequent to the year end and for other receivables there are reasonable grounds to believe that the amounts will be recovered in short course of time.

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 assist 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:

	2010				
	Carrying amount	Six months or less	Six to twelve months	One to two years	More than two years
	----- Rupees -----				
Long term loan	15,000,000	-	-	-	15,000,000
Liabilities against assets subject to finance lease	5,780,042	-	-	2,384,252	3,395,790
Trade and other payables	31,416,299	31,416,299	-	-	-
Mark-up payable on secured loans	2,232,700	2,232,700	-	-	-
Short term bank borrowings - secured	<u>42,249,522</u>	<u>42,249,522</u>	-	-	-
	<u>96,678,563</u>	<u>75,898,521</u>	-	<u>2,384,252</u>	<u>18,395,790</u>
	2009				
	Carrying amount	Six months or less	Six to twelve months	One to two years	More than two years
	----- Rupees -----				
Long term loan	27,000,000	-	12,000,000	-	15,000,000
Liabilities against assets subject to finance lease	7,715,834	-	-	4,320,044	3,395,790
Trade and other payables	61,565,530	61,565,530	-	-	-
Mark-up payable on secured loans	5,406,267	5,406,267	-	-	-
Short term bank borrowings - secured	<u>49,969,881</u>	<u>49,969,881</u>	-	-	-
	<u>151,657,512</u>	<u>116,941,678</u>	<u>12,000,000</u>	<u>4,320,044</u>	<u>18,395,790</u>

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

The contractual cash flow relating to lease liability and long and short term borrowings have been determined on the basis of expected mark up rates. The mark up rates have been disclosed in note 11, 12 and 13 to these financial statements.

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:

	2010	2009	2010	2009
	Effective rate (in Percentage)		Carrying amount (Rupees)	
Financial liabilities				
Variable rate instruments:				
Short term borrowings	14.84 to 15.1	13.83 to 15.50	<u>42,249,522</u>	<u>49,969,881</u>

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 long term loans, short term borrowing and finance lease liabilities, at the year end date, fluctuate by 100 bps higher / lower with all other variables held constant, profit after taxation for the year 2010 and for 2009 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 :

	2010 Rupees	2009 Rupees
Effect on Profit and loss	<u>422,495</u>	<u>499,699</u>

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 values of financial assets and liabilities

The carrying values of all financial assets and liabilities as reflected below approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	30 June 2010		30 June 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets Carried at amortized cost				
----- Rupees -----				
Trade debts	66,729,561	66,729,561	90,342,317	90,342,317
Advances and deposits	-	-	-	-
Bank balances	6,690,219	6,690,219	9,557,690	9,557,690
	<u>73,419,780</u>	<u>73,419,780</u>	<u>99,900,007</u>	<u>99,900,007</u>
Liabilities carried at amortized cost				
Long term loan	15,000,000	15,000,000	27,000,000	27,000,000
Liabilities against assets subject to finance lease	5,780,042	5,780,042	7,715,834	7,715,834
Trade and other payables	31,416,299	31,416,299	61,565,530	61,565,530
Mark-up payable on secured loans	2,232,700	2,232,700	5,406,267	5,406,267
Short term bank borrowings - secured	42,249,522	42,249,522	49,969,881	49,969,881
	<u>96,678,563</u>	<u>96,678,563</u>	<u>151,657,512</u>	<u>151,657,512</u>

Basis for determining fair values

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. For instrument carried at amortized cost, since the majority of the interest bearing liabilities are variable rate based instruments, there is no change in carrying amount and the fair value.

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.

	2010 Rupees	2009 Rupees
Total debt	22,715,834	36,288,705
Total equity and debt	231,529,164	155,662,370
Debt-to-equity ratio	10	23

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:

	Note	2010 Rupees	2009 Rupees
Associated Companies:			
ABE Pak (Private) Limited: Purchase of goods		8,629,443	7,222,919
Kaizen Construction (Private) Limited: Sale of goods		5,764,174	5,093,086
Concrete pump hired		1,620,200	3,328,500
IGI Insurance: Insurance premium		2,619,563	2,062,152
Thatta Cement Limited: Purchase of goods		11,482,335	1,837,438
Arif Habib Limited: Services rendered		1,875,000	-
Habib Metropolitan Bank Limited: Interest Income		261,602	221,288
Tax deducted at source		174,754	99,537
Bank charges		16,649	8,800
Lease finance charges		162,671	200,831
Directors:			
Interest on loan from directors		2,731,180	3,371,834

27 Cash and cash equivalent

Cash and bank balances	9	6,690,219	9,557,690
Short term borrowings	11	(42,249,522)	(49,969,881)
		(35,559,303)	(40,412,191)

28 Plant capacity and actual production

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

	2010	2009
	-----Cubic meter-----	
Availability capacity		
Batching plant	<u>770,400</u>	770,400
	<u>770,400</u>	<u>770,400</u>
Actual production		
Batching plant	<u>102,971</u>	124,094
	<u>102,971</u>	<u>124,094</u>

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

	Note	2010 Rupees	2009 Rupees
29 Earnings/ (Loss) per share - basic and diluted			
29.1 Earnings/ (Loss) per share - Basic			
(Loss) / profit after tax	Rupees	<u>(11,538,911)</u>	<u>17,613,805</u>
Weighted average number of ordinary shares	Numbers	<u>12,073,973</u>	<u>7,000,000</u>
(Loss) / earning per share - basic	Rupees	<u>(0.96)</u>	<u>2.52</u>
29.2 Earnings per share - Diluted			

There is no dilution effect on the basic earnings per share as the Company has not issued any such instrument which would have an impact on earnings per share when exercised.

30 Date of authorization for issue

The financial statements were authorized for issue on 23 September 2010 by the board of directors of the Company .

31 General

31.1 The figures have been rounded off to nearest rupee.



Lahore:

Chief Executive



Director

PATTERN OF SHAREHOLDING

AS AT 30th JUNE 2010

NO. OF SHAREHOLDERS	FROM	TO	NO. OF SHARES	PERCENTAGE
26	1	100	1302	0.0065
559	101	500	275878	1.3794
178	501	1000	174457	0.8723
207	1001	5000	498529	2.4926
31	5001	10000	242778	1.2139
10	10001	15000	129643	0.6482
12	15001	20000	221608	1.1080
4	20001	25000	95500	0.4775
2	25001	30000	59153	0.2958
1	30001	35000	35000	0.1750
3	45001	50000	150000	0.7500
1	65001	70000	70000	0.3500
1	70001	75000	75000	0.3750
2	95001	100000	197144	0.9857
1	155001	160000	155423	0.7771
1	170001	175000	171003	0.8550
1	205001	210000	205049	1.0252
1	240001	245000	242964	1.2148
1	495001	500000	500000	2.5000
1	500001	505000	501000	2.5050
1	595001	600000	600000	3.0000
1	1050001	1055000	1052474	5.2624
1	1335001	1340000	1338144	6.6907
1	1495001	1500000	1500000	7.5000
1	1500001	1505000	1503534	7.5177
2	3050001	3055000	6104348	30.5217
1	3900001	3905000	3900069	19.5003
1051		Total	20000000	100.0000

Category of Shareholders

Particulrs	No of Folio	Balance Share	PERCENTAGE
DIRECTORS,CEO&CHILDREN	8	10000000	50.0000
BANKS,DFI&NBFI	1	3900069	19.5003
GENERALPUBLIC(LOCAL)	1025	3298756	16.4938
GENERALPUBLIC(FOREIGN)	1	1500000	7.5000
OTHERS	16	1301175	6.5059
	1051	20000000	100.0000

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 26, October 2010 and at any adjournment thereof.

As witness my/our hand this _____ day of _____ 2010

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 than 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.

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