

Half Year Ended
31 December, 2013




safe mix
Concrete Products Ltd.

SAFE MIX CONCRETE PRODUCTS LTD.

CONTENTS

Company Information	02
Directors' Review	03
Independent Auditors' Report to the Members on Review of Condensed Interim Financial Information	05
Condensed Interim Balance Sheet	06
Condensed Interim Profit and Loss Account (Un-audited)	07
Condensed Interim Statement of Comprehensive Income (Un-audited)	08
Condensed Interim Cash Flow Statement (Un-audited)	09
Condensed Interim Statement of Changes in Equity	10
Notes to the Condensed Interim Financial Information	11



Company Information

Board of Directors

Mr. Nasim Beg
Mr. Kashif A. Habib - Chief Executive Officer
Mr. Zeshan Afzal
Mr. Asim Tiwana
Mr. Nadir Ali
Air Chief Marshal Tanvir Ahmed NI (M) SBT (R)

Audit Committee

Air Chief Marshal Tanvir Ahmed NI (M) SBT (R) - Chairman
Mr. Nasim Beg - Member
Mr. Nadir Ali - Member

Human Resources & Remuneration Committee

Mr. Zeshan Afzal - Chairman
Mr. Nadir Ali - Member

Company Secretary

Mr. Mohammad Immad Ali

Chief Financial Officer

Syed Muhammad Talha

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisor

Minto & Mirza
Advocates & Corporate Counsel

Bankers

Habib Metropolitan Bank Limited
The Bank of Punjab
Bank Alfalah 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

Directors' Review

The Board of Directors of Safe Mix Concrete Products Limited present herewith condensed financial statements for the half year ended December 31, 2013.

Over view

During the period under review, the revenue of the Company declined by 19.75% to Rs 253.937 million as compared to corresponding period last year. The decline is attributable to the fact that new competitors have entered into the market, thus reducing the market share of the company, and the Company was undergoing major structural changes including changes in key management personnel. The company is expected to achieve better results in this regard in the next two quarters by inducting new Transit Mixers and directing its available resources towards customer retention and availing new opportunities in the market.

Operating results

	Half year Ended	
	December 31	
	2013	2012
	(----- Rupees -----)	
Profit before taxation	696,107	4,662,145
Taxation	509,038	(2,207,792)
Profit after taxation	<u>1,205,145</u>	<u>2,454,353</u>

Earnings per share

Earnings per share for the period ended is Rs. 0.06 per share as compared to earnings per share for the same period of the last year of Rs.0.12 per share.

Appointment and fixation of remuneration of Chief Executive Officer

During the period, Syed Maratib Ali resigned from the office of Chief Executive and hence Mr. Kashif A. Habib was appointed as the Chief Executive Officer of the Company with effect from December 27, 2013. An extract of the remuneration of the Chief Executive Officer (CEO) of the Company is attached.

Future Outlook

The Company & its management along with the support of its qualified human resources is continuing to strive, to undertake additional projects, minimize costs and expects to come up with a better return to the shareholders in the near future.

Acknowledgement

The Company strongly believes that its success is driven by the commitment and dedication of its employees. We acknowledge the contribution of each and every member of the Company in areas of expertise. We would also like to express our thanks to the customers for their trust in our products and look forward to their continued patronage. We also thank our shareholders, banks and financial institutions



for their support, guidance and confidence reposed in our enterprise and stand committed to do our best to ensure full reward of their investment in the coming years.

For and on behalf of the Board

A handwritten signature in black ink, appearing to read 'Kashif', is positioned above the printed name.

Kashif A. Habib
Chief Executive Officer

Karachi: 27th February, 2014

Abstract under section 218 of the Companies Ordinance, 1984

February 27, 2014

To : ALL THE MEMBERS OF THE COMPANY

Subject : APPOINTMENT OF CHIEF EXECUTIVE OFFICER AND FIXATION OF HIS REMUNERATION

In pursuance of section 218 of the Companies Ordinance 1984, this is to inform you that the Board has duly approved the remuneration of Mr. Kashif A. Habib who was appointed as CEO of the Company effective from December 27, 2013 following the resignation of Syed Maratib Ali.

Mr. Kashif A. Habib will be entitled to a monthly remuneration of Rs. 196,000/- . Further, he shall be entitled to all other benefits as per the Company's policies.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Immad', is positioned above the printed name.

Mohammad Immad Ali
Company Secretary
Safe Mix Concrete Products Limited

Independent Auditors' Report to the Members on Review of Condensed Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Safe Mix Concrete Products Limited** ("the Company") as at 31 December 2013 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 "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed 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 condensed 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 condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter


We draw attention to note 7.1.2 to the condensed interim financial information which describes the uncertainty relating to the levy of sales tax on the Company. Our conclusion is not qualified in respect of this matter.

Other Matter

The figures for the quarter ended 31 December 2013 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 thereon.

Date: February 27, 2014

Place: Karachi



KPMG Taseer Hadi & Co.

Chartered Accountants

Mohammad Mahmood Hussain



Safe Mix Concrete Products Limited Condensed Interim Balance Sheet

As at 31 December 2013

ASSETS	Note	Un-audited December 31, 2013 (-----Rupees-----)	Audited June 30, 2013
Non - current assets			
Property, plant and equipment	5	183,051,588	183,493,759
Long term deposits		3,331,340	3,411,340
Deferred taxation		8,308,971	5,260,556
		194,691,899	192,165,655
Current assets			
Stores and spares		3,166,109	3,335,631
Stock in trade		9,066,963	14,652,635
Trade debts - unsecured considered good		93,033,466	100,767,583
Advances, prepayments and other receivables - unsecured considered good		5,841,342	3,168,653
Taxation - net		30,714,059	29,528,126
Cash and bank balances		5,370,729	2,589,897
		147,192,668	154,042,525
TOTAL ASSETS		341,884,567	346,208,180
EQUITY AND LIABILITIES			
Equity and reserves			
Authorized capital 35,000,000 ordinary shares of Rs. 10 each		350,000,000	350,000,000
Issued, subscribed and paid-up capital		200,000,000	200,000,000
Share premium		14,728,576	14,728,576
Accumulated loss		(1,205,386)	(2,410,531)
		213,523,190	212,318,045
Liabilities			
Current liabilities			
Trade and other payables		72,418,368	93,968,074
Accrued markup		1,851,479	1,770,864
Short term running finance - secured	6	54,091,530	37,814,670
Current portion of liabilities against assets subject to finance lease - secured		-	336,527
		128,361,377	133,890,135
TOTAL EQUITY AND LIABILITIES		341,884,567	346,208,180
Contingencies and commitments	7		

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

Chief Executive

Director

Safe Mix Concrete Products Limited

Condensed Interim Profit and Loss Account (Un-audited)

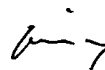
For the half year ended 31 December 2013

	Note	2013		2012	
		July to December	October to December	July to December	October to December
(-----Rupees-----)					
Revenue		253,937,710	112,777,335	316,431,505	168,266,957
Cost of sales	8	(239,889,027)	(104,132,763)	(297,666,312)	(159,490,505)
Gross profit		14,048,683	8,644,572	18,765,193	8,776,452
Selling and administrative expenses		(11,874,174)	(6,482,976)	(13,035,909)	(6,780,512)
Finance cost		(3,669,158)	(2,152,292)	(4,820,519)	(2,480,886)
Other income		2,190,756	989,218	3,753,380	2,017,718
Profit before taxation		696,107	998,522	4,662,145	1,532,772
Taxation		509,038	5,500	(2,207,792)	(1,230,278)
Profit after taxation		1,205,145	1,004,022	2,454,353	302,494
Earnings per share- basic and diluted		0.06	0.05	0.12	0.02

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



Chief Executive



Director



Safe Mix Concrete Products Limited Condensed Interim Statement of Comprehensive Income (Un-audited)

For the half year ended 31 December 2013

	2013		2012	
	July to December	October to December	July to December	October to December
	(-----Rupees-----)			
Profit after taxation	1,205,145	1,004,022	2,454,353	302,494
Other comprehensive income	-	-	-	-
Total comprehensive profit for the period	<u>1,205,145</u>	<u>1,004,022</u>	<u>2,454,353</u>	<u>302,494</u>

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

Chief Executive

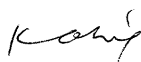
Director

Safe Mix Concrete Products Limited Condensed Interim Cash Flow Statement (Un-audited)


For the half year ended 31 December 2013

	<i>Note</i>	July to December 2013	July to December 2012
(-----Rupees-----)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		696,107	4,662,145
Adjustments for:			
Depreciation		6,052,426	7,051,469
Finance cost		3,669,158	4,820,519
Cash generated from operations before changes in working capital		<u>10,417,691</u>	<u>16,534,134</u>
Changes in working capital			
Decrease / (Increase) in current assets			
Trade debts		7,734,117	(2,041,720)
Stock in trade		5,585,672	7,662,349
Stores and spares		169,522	(61,080)
Advances, deposits, prepayments and other receivables		(2,672,689)	(309,767)
		<u>10,816,622</u>	<u>5,249,782</u>
(Decrease) / increase in current liabilities			
Trade and other payables		(21,549,706)	4,179,505
Cash flow (used in) / generated from operating activities		<u>(315,393)</u>	<u>25,963,421</u>
Taxes paid		(3,725,310)	(4,088,873)
Finance cost paid		(3,588,543)	(4,940,998)
Long term deposits		80,000	(12,000)
		<u>(7,233,853)</u>	<u>(9,041,871)</u>
Net cash (used in) / generated from operating activities		<u>(7,549,246)</u>	<u>16,921,550</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(5,610,255)	(7,657,310)
Net cash used in investing activities		<u>(5,610,255)</u>	<u>(7,657,310)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of liabilities against assets subject to finance lease		(336,527)	(1,045,943)
Net cash used in financing activities		<u>(336,527)</u>	<u>(1,045,943)</u>
Net increase / (decrease) in cash and cash equivalents		<u>(13,496,028)</u>	<u>8,218,297</u>
Cash and cash equivalents at the beginning of the period		<u>(35,224,773)</u>	<u>(39,908,806)</u>
Cash and cash equivalents at the end of the period	10	<u>(48,720,801)</u>	<u>(31,690,509)</u>

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



Chief Executive



Director




Safe Mix Concrete Products Limited
Condensed Interim Statement of Changes in Equity (Un-audited)
 For the half year ended 31 December 2013

	Issued, subscribed and paid-up capital	Share Premium (Capital reserves)	Accumulated Loss	Total
	(-----Rupees-----)			
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>
Balance as at 30 June 2013 - Audited	200,000,000	14,728,576	(2,410,531)	212,318,045
Total comprehensive income for the half year ended 31 December 2013	-	-	1,205,145	1,205,145
Balance as at 31 December 2013 - Un-audited	<u>200,000,000</u>	<u>14,728,576</u>	<u>(1,205,386)</u>	<u>213,523,190</u>

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


 Chief Executive


 Director

Safe Mix Concrete Products Limited

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

For the half year ended 31 December 2013

1 STATUS AND NATURE OF BUSINESS

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

2 BASIS OF PREPARATION

Statement of compliance

This condensed interim financial information of the Company for the six-month period ended 31 December 2013 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 2013.

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

This condensed interim financial information has been presented in Pakistani Rupees, which is the functional currency of the Company. The figures are rounded off to the nearest rupee.

3 ESTIMATES

In preparing this condensed interim financial information, management makes judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements of the company as at and for the year ended 30 June 2013.



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 2013.

Amendments to certain existing standards and new interpretations on approved accounting standards effective during the period either were not relevant to the Company's operations or did not have any significant impact on the accounting policies of the Company.

	<i>Note</i>	Un-audited December 31, 2013 (-----Rupees-----)	Audited June 30, 2013
5 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	179,268,845	183,493,759
Capital work in progress		3,782,743	-
		<u>183,051,588</u>	<u>183,493,759</u>
5.1 Operating fixed assets			
Opening book value		183,493,759	188,070,778
Add: Additions during the period/year	5.2	1,827,512	12,597,938
Less: Assets written off during the period / year - net book value		-	(2,006,264)
Depreciation charged during the period / year		(6,052,426)	(15,168,693)
Net book value		<u>179,268,845</u>	<u>183,493,759</u>
5.2 Break-up of additions			
<i>Owned assets:</i>			
Plant and machinery		1,601,926	11,730,804
Buildings		39,583	160,000
Project temporary civil works		9,595	489,783
Vehicles		-	54,000
Computers		166,908	152,351
Electrical equipment		9,500	-
Office equipment		-	11,000
		<u>1,827,512</u>	<u>12,597,938</u>

	<i>Note</i>	Un-audited December 31, 2013 (-----Rupees-----)	Audited June 30, 2013
6 SHORT TERM RUNNING FINANCE - SECURED			
The Bank of Punjab	6.1	<u>54,091,530</u>	<u>37,814,670</u>

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 for Rs. 93.5 million registered with Securities and Exchange Commission of Pakistan. It carries mark up at the rate of 3 months average Karachi Inter Bank Offer Rate (KIBOR) plus 200 bps.

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 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 sales tax liability amounting to Rs. 133.931 million may arise up to the date of condensed interim financial information. 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 this condensed interim financial information.

7.1.3 The Sindh High Court ("the Court") in the case of 'Kasim textile' in its order of 09 May 2013 has held that benefit of carry forward of minimum tax under section 113 of the Income Tax Ordinance,



2001 is only available if tax payable in a tax year is less than minimum tax paid. If in a tax year, a company has assessed losses on which no tax is payable, the company forgoes the right to carry forward minimum tax paid in that year. In the light of this order, the company is not entitled to carry forward minimum tax paid in the current period and prior tax years of Rs. 15.846 million as a result of assessed tax losses in these years and adjust it against normal tax liability. Also in the case of refunds claimed in any year, those would also be adjusted accordingly. However, the management is of the view that the verdict has been challenged in the Supreme Court and that they are waiting for the final outcome and accordingly no adjustment has been made in this condensed interim financial information.

7.2 Commitments

There were no significant commitments at the balance sheet date (30 June 2013: Nil).

	2013		2012	
	Un-audited July to December	Un-audited October to December	Un-audited July to December	Un-audited October to December
8 COST OF SALES	(-----Rupees-----)			
Raw material and stores consumed	171,253,212	70,194,270	221,424,010	118,009,598
Salaries, wages and other benefits	18,431,076	9,033,901	17,774,176	9,006,824
Depreciation	5,652,079	2,814,123	6,605,332	3,620,054
Fuel and power	27,985,333	12,305,304	37,658,520	20,015,946
Repair and maintenance	3,486,462	1,601,749	4,548,939	2,408,046
Sample testing	14,309	7,975	186,136	99,860
Equipment hiring charges	6,332,135	2,686,020	5,606,860	4,386,043
Carriage and freight	3,525,700	3,525,700	399,486	-
Land rent and commission	2,539,500	1,294,500	1,995,000	1,245,000
Security expenses	176,280	176,280	212,900	104,900
Insurance expenses	492,941	492,941	1,254,952	594,234
	<u>239,889,027</u>	<u>104,132,763</u>	<u>297,666,312</u>	<u>159,490,505</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:

	Un-audited July to December 31, 2013	Un-audited July to December 2012
	(-----Rupees-----)	
9.1 Transactions with related parties		
Associated Companies:		
ABE Pak (Private) Limited		
Purchase of goods	-	1,630,300
Sale of goods	-	56,000
Power Cement		
Purchase of cement	22,182,698	-
IGI Insurance		
Insurance premium	-	2,745,739
Kaizen Construction (Private) Limited		
Sale of goods	4,213,658	212,586
Purchase of goods	776,976	-
Habib Metropolitan Bank Limited		
Interest income	-	292,507
Tax deducted at source	-	28,233
Lease finance charges	-	197,489
Key management personnel		
Remuneration of Key management Personnel	8,958,749	6,712,452
	Un-audited December 31, 2013	Audited June 30, 2013
	(-----Rupees-----)	
9.2 Balances with related parties		
Payable to Power Cement	3,191,049	806,119
Receivable from Kaizen Construction (Private) Limited	334,888	1,543,306
9.3 IGI Insurance, ABE Pak (Private) Limited and Habib Metropolitan Bank Limited ceased to be related parties during the period.		



	Un-audited July to December 2013	Un-audited July to December 2012
	(-----Rupees-----)	
10 CASH AND CASH EQUIVALENT		
Cash and bank balances	5,370,729	15,510,733
Short term borrowings	<u>(54,091,530)</u>	<u>(47,201,242)</u>
	<u>(48,720,801)</u>	<u>(31,690,509)</u>

11 OPERATING SEGMENTS

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

- 11.1** Revenue from sale of ready mix concrete represents 100% (2012: 100%) of the gross sales of the Company.
- 11.2** 100% (2012: 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 2013 are located in Pakistan.
- 11.4** Revenue from Izhar Constructions approximates 10% of the total revenue of the Company.

12 DATE OF AUTHORIZATION FOR ISSUE

The condensed interim financial information was authorized for issue on **February 27, 2014** by the Board of Directors of the Company.

13 CORRESPONDING FIGURES

Corresponding figures have been re-arranged, where necessary, for the purpose of comparison including toll manufacturing income amounting to Rs. 9.434 million previously included in other income now reclassified to revenue and diesel and lubricants amounting Rs. 0.465 million previously included in stock in trade now reclassified to stores and spares.

Chief Executive

Director

BOOK POST
PRINTED MATTER

Lahore 25-B, FCC, Syed Maratib Ali Road, Gulberg IV, Lahore.

Phone +92 42 3577 7909 **Fax** +92 42 3577 7910 **Help Line** 0300 4456 666 0321 4844 037

Email marketing@safemixlimited.com

Karachi Plot # 1,6 Sector No. 26, Bilal Chorangi Korangi Industrial Area (Near Fire Brigade) Karachi.

Phone +92 21 3507 4581 & 84 **Fax** +92 21 3507 4603 **Help Line** 0345 2022 473