



safe mix
Concrete Limited
(Formerly Safe Mix Concrete Products Limited)



Half Yearly Report
December 31, 2015

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Company Information

Board of Directors

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

Audit Committee

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

Human Resources & Remuneration Committee

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

Chief Financial Officer

Syed Muhammad Talha

Company Secretary

Mr. Mohammad Immad Ali

Auditors

Naveed Zafar Ashfaq Jaffery & Co., Chartered Accountants

Legal Advisor

Minto & Mirza, Advocates & Corporate Counsel

Bankers and Financial institutions

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

Registered Office

Plot # 1,6 sector # 26, Bilal Chowrangi Korangi Industrial Area, Karachi.
Tel # +92 21 35074581-84
Fax # +92 21 35074603
www.safemixlimited.com

Shares Registrar

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

Directors' Review Report

The Board of Directors of Safe Mix Concrete Limited - formerly *Safe Mix Concrete Products Limited* present herewith condensed financial information for the half year ended December 31, 2015.

Over view

During the period under review, the Company successfully increased its Profit After Tax (PAT) by Rs 1.921 million witnessing a growth of 57.47 % in PAT. Despite of the fact that the quantity sold has increased by 10.77%, there has been a decline in revenue by 49.63 %. The decline in revenue is attributable to new cash flow management strategy whereby the Company has pursued with its customers to provide raw material hence the selling price has reduced which resulted in decrease in total sales amount. As a result of this strategy the cashflow of the Company has improved and the finance costs have also decreased by 31.49 %. Operational efficiency has further contributed towards increase in gross profit margin of the company resulting in increase in PAT. The Company is determined to adopt new marketing strategies to capture the growing market of ready mix services.

Operating results

	Half Year ended December 31	
	2015	Restated 2014
	(-----Rupees-----)	
Profit before taxation	7,741,683	2,951,954
Taxation	(2,477,339)	391,103
Profit after taxation	5,264,344	3,343,057

Earnings per share

Earnings per share for the half year ended amounted to Rs.0.21 per share as compared to earnings per share for the corresponding period of the last year of Rs. 0.17 per share.

Future Outlook

Development work undertaken by the government and enhanced spending by the private sector on construction activities have increased the demand for ready mix concrete. Particularly, China Pakistan Economic Corridor (CPEC) and declining interest rates are likely to boost the economic activity in the country. The company plans to focus on the southern region of the country as a result of more legal support in terms of mandatory use of ready mix concrete and planned infrastructure improvements by Government including transport network. To cater to the growing demand and to gain competitive edge in the industry, the company is striving to improve its infrastructure and increase delivering capacity. 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. Shareholders of the Company stand to gain significantly in terms of returns and value in the long term.

Acknowledgement

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

For and on behalf of the Board



Kashif Habib
Chief Executive Officer

Karachi: February 25, 2016



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

For The Half Year Ended December 31, 2015

We have reviewed the accompanying condensed interim balance sheet of Safe Mix Concrete Limited - formerly Safe Mix Concrete Products Limited ("the Company") as at December 31, 2015; and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity for the half year then ended together with the notes forming part thereof (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.

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 condensed 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.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information does not give a true and fair view, in all material respects, in accordance with approved accounting standard as applicable in Pakistan.

The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the three months period ended December 31, 2015 and December 31, 2014 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2015.

Chartered Accountants

Engagement Partner: **Ashfaq Tola - FCA**

Karachi

Dated: February 25, 2016

Condensed Interim Balance Sheet

As at December 31, 2015

	Note	Un-audited 31 December 2015 (-----Rupees-----)	Audited 30 June 2015
ASSETS			
Non - current assets			
Property, plant and equipment	6	193,619,414	199,896,416
Long term deposits		30,921,350	18,121,350
Deferred taxation		5,544,195	6,366,299
		230,084,959	224,384,065
Current assets			
Stores and spares		7,271,056	6,559,015
Stock in trade		32,890,074	24,290,302
Trade debts - unsecured considered good		115,625,419	134,566,806
Advances, prepayments and other receivables - unsecured considered good		32,682,830	13,499,510
Taxation - net		39,407,095	37,438,968
Cash and bank balances		10,302,767	17,568,858
		238,179,241	233,923,459
TOTAL ASSETS		468,264,200	458,307,524
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital			
35,000,000 ordinary shares of Rs. 10 each		350,000,000	350,000,000
Issued, subscribed and paid up capital		250,000,000	250,000,000
Share premium		14,728,576	14,728,576
Accumulated profit		38,662,780	33,398,436
		303,391,356	298,127,012
Liabilities			
Current liabilities			
Trade and other payables		75,069,822	92,907,424
Accrued markup		1,878,438	1,151,297
Short term finance - secured	7	61,824,584	66,121,791
Loan from related party		26,100,000	-
		164,872,844	160,180,512
TOTAL EQUITY AND LIABILITIES		468,264,200	458,307,524
Contingencies and commitments	8		

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



Chief Executive



Director

Condensed Interim Profit and Loss Account (Un-audited)

For the half year ended December 31, 2015

Note	2015		2014 (Restated)	
	July to December	October to December	July to December	October to December
	-----Rupees-----			
Revenue	165,523,451	49,934,553	328,627,161	158,781,557
Cost of sales	9 (148,931,915)	(45,912,841)	(303,990,375)	(144,390,492)
Gross profit	16,591,536	4,021,712	24,636,786	14,391,066
Selling and administrative expenses	(12,112,646)	(5,986,497)	(17,636,448)	(9,028,870)
Operating profit / (Loss)	4,478,890	(1,964,785)	7,000,338	5,362,196
Finance cost	(3,722,204)	(2,300,585)	(5,433,243)	(2,944,341)
Other income	6,984,997	6,757,945	1,384,859	980,583
Profit before taxation	7,741,683	2,492,575	2,951,954	3,398,438
Taxation	(2,477,339)	(617,360)	391,103	82,456
Profit after taxation	5,264,344	1,875,215	3,343,057	3,480,894
Earnings per share-basic and diluted	0.21	0.08	0.17	0.17

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



Chief Executive



Director

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the half year ended December 31, 2015

	2015		2014 (Restated)	
	July to December	October to December	July to December	October to December
	-----Rupees-----			
Profit after taxation	5,264,344	1,875,215	3,343,057	3,480,894
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>5,264,344</u>	<u>1,875,215</u>	<u>3,343,057</u>	<u>3,480,894</u>

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



Chief Executive



Director

Condensed Interim Cash Flow Statement (Un-audited)

For the half year ended December 31, 2015

	July to December 2015	July to December 2014 Restated
	(-----Rupees-----)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	7,741,683	2,951,954
Adjustments for:		
Depreciation	4,878,768	5,213,181
Interest income	(145,067)	(258,983)
Gain on sale of fixed assets	(6,241,431)	-
Finance cost	3,722,204	4,096,302
	<u>2,214,474</u>	<u>9,050,500</u>
Cash generated from operations before changes in working capital	9,956,157	12,002,454
Changes in working capital (Increase) / decrease in current assets		
Trade debts	18,941,387	(9,409,345)
Stores and spares	(712,041)	(1,718,887)
Stock in trade	(8,599,772)	(4,549,422)
Advances, prepayments and other receivables	(19,183,320)	(3,641,176)
	<u>(9,553,746)</u>	<u>(19,318,830)</u>
(Decrease) / increase in current liabilities		
Trade and other payables	(17,837,602)	5,667,005
Cash flow used in operating activities	<u>(17,435,191)</u>	<u>(1,649,371)</u>
Taxes paid	(3,623,362)	(647,604)
Finance cost paid	(2,995,063)	(2,636,157)
Long term deposits paid	(12,800,000)	(1,829,420)
	<u>(19,418,425)</u>	<u>(5,113,181)</u>
Net cash used in operating activities	<u>(36,853,616)</u>	<u>(6,762,552)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(15,110,335)	(7,046,924)
Proceeds from sale of fixed assets	22,750,000	-
Interest income received	145,067	258,983
Net cash generated from / (used in) investing activities	<u>7,784,732</u>	<u>(6,787,941)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Loan from related party	26,100,000	-
Advance against proposed right issue	-	15,000,000
Net cash generated from financing activities	<u>26,100,000</u>	<u>15,000,000</u>
Net (decrease) / increase in cash and cash equivalents	<u>(2,968,884)</u>	<u>1,449,507</u>
Cash and cash equivalents at the beginning of the period	<u>(48,552,933)</u>	<u>(59,897,859)</u>
Cash and cash equivalents at the end of the period	<u>(51,521,817)</u>	<u>(58,448,352)</u>

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



Chief Executive



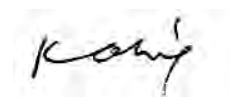
Director

Condensed Interim Statement of Changes in Equity (Un-audited)

For the half year ended December 31, 2015

	Issued, subscribed and paid-up capital	Share Premium reserve	Advance against subscription of right issue	Accumulated Profit	Total
	(----- Rupees -----)				
Balance as at 30 June 2014 - audited - restated	200,000,000	14,728,576	-	9,908,120	224,636,696
Total comprehensive income for the half year ended 31 December 2014 - restated	-	-	-	3,343,057	3,343,057
Advance against proposed right issue	-	-	15,000,000	-	15,000,000
Balance as at 31 December 2014 un-audited - restated	<u>200,000,000</u>	<u>14,728,576</u>	<u>15,000,000</u>	<u>13,251,177</u>	<u>242,979,753</u>
Balance as at 30 June 2015 - audited	250,000,000	14,728,576	-	33,398,436	298,127,012
Total comprehensive income for the half year ended 31 December 2015	-	-	-	5,264,344	5,264,344
Balance as at 31 December 2015 - un-audited	<u>250,000,000</u>	<u>14,728,576</u>	<u>-</u>	<u>38,662,780</u>	<u>303,391,356</u>

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



Chief Executive



Director



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

For the half year ended December 31, 2015

1 STATUS AND NATURE OF BUSINESS

Safe Mix Concrete Limited ("the Company") (formerly Safe mix concrete products limited) 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 the provisions of section 45 read with section 41(3) of the Companies Ordinance, 1984. On 16th March 2010 the Company was listed on Karachi Stock Exchange. The principal activity of the Company is production and supply of ready mix concrete, building blocks and construction of prefabricated buildings, factories and other construction sites. The registered office of the Company is situated at plot no. 1-6, Sector 26, Korangi Industrial Area, Karachi, Pakistan.

2 BASIS OF PREPARATION

Statement of compliance

This condensed interim financial information of the Company for the six-month period ended 31 December 2015 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 2015.

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 judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments 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 2015.

4 SIGNIFICANT ACCOUNTING POLICIES

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 2015.

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

5 RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS

During the year than ended June 30, 2015, the Company has restated its prior period financial statement in accordance with International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors" to account for derecognition of Leased assets and its related liability against assets subject to finance lease and it has accounted for such assets, obtained under Ijarah Financing arrangements, in accordance with Islamic Financial Accounting Standard (IFAS) No. 2 "Ijarah" as notified by SECP vide S.R.O. 431 (I) / 2007 on 22 May 2007 which requires the Ijarah payments under such arrangements to be recognised as an expense over the ijarah term.

	Note	Un-audited 31 December 2015 (-----Rupees-----)	Audited 30 June 2015
6 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	6.1	183,586,344	195,265,263
Capital work in progress		10,033,070	4,631,153
		<u>193,619,414</u>	<u>199,896,416</u>
6.1 Operating fixed assets			
Opening book value		195,265,263	172,937,824
Add: Additions/transfers during the period	6.2	9,708,418	33,132,555
Less: Disposals during the period - NBV		(16,508,569)	(349,807)
Depreciation charged during the period		(4,878,768)	(10,455,309)
Net book value		<u>183,586,344</u>	<u>195,265,263</u>

has been challenged in the Supreme Court of Pakistan and they are waiting for its final outcome.

- 8.1.2** Tax Authorities have conducted proceedings of withholding tax under section 161 of Income Tax Ordinance, 2001 for tax year 2012 and created an arbitrary demand of Rs. 11.252 million. The Company's appeal before CIR (A) / Appellate Tribunal Inland Revenue (ATIR) is pending for adjudication. The management is confident that the appeal will be decided in favor of the company; therefore, no provision has been made against the said demand of Rs. 11.252 million.

8.2 Commitments

There were no significant commitments at the Balance Sheet date (30 June 2015: Nil).

2015		2014	
Un-audited July to December	Un-audited October to December	Un-audited July to December	Un-audited October to December
-----Rupees-----			

9 COST OF SALES

Raw material and stores consumed	85,763,920	22,630,108	233,759,883	111,895,160
Salaries, wages and other benefits	14,412,818	3,745,059	22,623,159	11,786,685
Depreciation	4,350,317	1,022,426	4,857,830	2,539,843
Lease rentals	7,686,209	4,077,497	3,046,584	1,523,292
Fuel and power	7,523,299	2,302,929	29,422,887	12,858,026
Repair and maintenance	1,846,849	1,067,078	3,803,198	840,298
Sample testing	141,100	51,400	212,971	33,541
Equipment hiring charges	8,241,248	4,017,170	2,186,585	640,672
Carriage and freight	15,678,071	5,493,125	142,542	64,726
Land rent	2,148,948	774,999	2,693,449	1,373,950
Security expenses	-	-	2,200	2,200
Insurance expenses	1,139,135	731,049	1,239,087	832,099
	148,931,915	45,912,841	303,990,375	144,390,492

10 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 2015 (-----Rupees-----)	Un-audited July to December 2014
10.1 Transactions with related parties		
Associated Companies:		
Power Cement Limited		
Purchase of cement	35,032,859	7,391,948
Thatta Cement Company Limited		
Purchase of cement	7,762,444	-
Javedan Corporation Limited		
Sale of goods	9,820,301	563,962
Key Management Personnel:		
Remuneration to key management personnel	10,913,234	11,028,176
	Un-audited December 2015 (-----Rupees-----)	Audited June 2015
10.2 Balances with related parties		
Associated companies:		
Javedan Corporation Limited		
Advance against supply of goods	-	1,410,000
Receivable against supply of goods	12,125,744	-
Thatta Cement Company Limited		
Payable against purchase of cement	76,618	-
Power Cement Limited		
Payable against purchase of cement	496,602	8,154,267
Arif Habib Limited		
Short term loan payable	26,100,000	-

Un-audited December 2015
Un-audited December 2014
(-----Rupees-----)

11 CASH AND CASH EQUIVALENTS

Cash and bank balances	10,302,767	4,534,952
Short term borrowings	(61,824,584)	(62,983,304)
	<u>(51,521,817)</u>	<u>(58,448,352)</u>

12 OPERATING SEGMENTS

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

12.1 Revenue from sale of ready mix concrete represents 100% (2014: 100%) of the gross sales of the Company.

12.2 100% (2014: 100%) of the gross sales of the Company were made to customers located in Pakistan.

12.3 All non-current assets of the Company as at 31 December 2015 are located in Pakistan.

13 DATE OF AUTHORIZATION FOR ISSUE

The condensed interim financial information was authorized for issue on 25 February, 2016 by the Board of Directors of the Company.

14 CORRESPONDING FIGURES

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



Chief Executive



Director



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