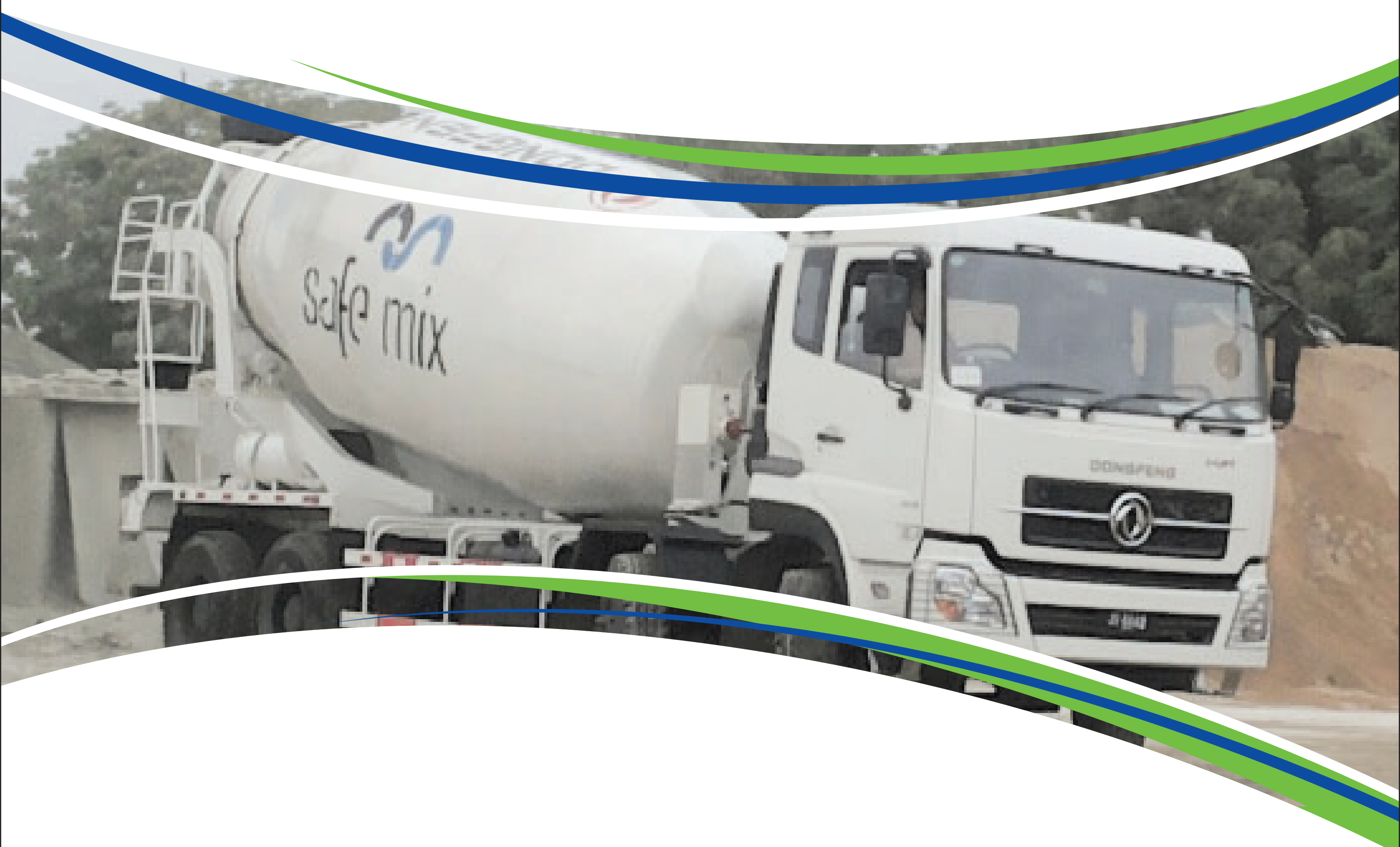
safe mix
Concrete Limited



First Quarter ended
30th September, 2020

Directors' Review

On behalf of the Board of Directors we are pleased to present herewith condensed interim financial information for the three months period ended 30st September 2020.

Over view

During the period under review the Company has recorded a sale of PKR 33.508 million as compared to PKR 111.376 million. The sales has declined but more importantly with concentrated efforts to reduce the fixed cost and to bring production efficiencies the Company has been able to convert the gross loss of PKR 8.648 million in the corresponding period to marginal gross profit of PKR 26,264.

Further administrative expense for the period has considerably declined by 33% as compared to corresponding period which has resulted in loss after tax of PKR 3.578 million as compared to PKR 13.210 million. The steps taken has yielded positive results as gross loss has been converted into gross profit however more efforts will be put in to further increase sale and also to bring further cost efficiencies to turnaround bottom line in coming quarters.

Operating results

	Quarter Ended September 30	
	2020	**2019**
Loss before taxation	**(3,075,882)**	**(13,050,680)**
Taxation	(502,635)	(159,532)
Loss after taxation	**(3,578,517)**	**(13,210,212)**

Future Outlook

The concrete industry is directly related to Real Estate Sector and due to construction package announced by the Government there has been positivity in the Sector and new projects are being launched which will have a trickledown effect on the Company. The Company with the cautious approach and careful selection of customer is geared up to take the optimal benefit of construction package and foresee a turnaround in the short term to medium term however immediate next one or two quarter might close at break-even due to the challenge posed by COVID 19.

Acknowledgement

The management of the Company would like to thank all the shareholders, 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 PSX for their continued support and guidance.

For and on behalf of the Board

Samad A. Habib
Chief Executive

Syed Najmuddujja Jafri
Chairman

Karachi: October 29, 2020

Safe Mix Concrete Limited
Statement of Financial Position
As at September 30, 2020

	Note	Un-Audited 30 September 2020	Audited 30 June 2020
		Rupees	
ASSETS			
Non - current assets			
Property, plant and equipment	5	**180,131,598**	183,167,308
Long term deposits		**20,483,330**	20,477,330
Deferred taxation		**83,556,475**	83,556,475
		284,171,403	287,201,113
Current assets			
Stores, spare parts and loose tools		**6,737,510**	5,465,660
Stock in trade		**15,885,734**	13,081,629
Trade debts		**92,024,744**	104,811,533
Advances, prepayments and other receivables		**36,787,996**	33,130,209
Taxation - net of provision		**33,904,492**	32,922,436
Cash and bank balances		**1,045,922**	13,450,207
		186,386,398	202,861,674
Total assets		**470,557,801**	490,062,787
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
Loan from related party		**87,000,000**	87,000,000
Accumulated loss		**(177,951,058)**	(174,372,541)
		173,777,518	177,356,035
Liabilities			
Non - current liabilities			
Long term financing - secured	6	**289,608**	313,713
Staff retirement benefits		**4,163,793**	3,922,272
		4,453,401	4,235,985
Current liabilities			
Trade and other payables		**268,265,048**	282,612,644
Current portion of deferred income		**280,000**	1,120,000
Current portion of long term financing		**20,658,193**	23,664,791
Accrued markup		**3,123,641**	1,073,332
		292,326,882	308,470,767
TOTAL EQUITY AND LIABILITIES		**470,557,801**	490,062,787
Contingencies and commitments	7		

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

Abdus Samad	**Kashif Habib**	**Muneer Gader**
Chief Executive Officer	**Director**	**Chief Financial Officer**

Safe Mix Concrete Limited
Statement of Profit or Loss
For the quarter ended September 30, 2020

	Note	Un-Audited 30 September 2020	Un-Audited 30 September 2019
		Rupees	
Revenue - Net		**33,508,995**	111,376,749
Cost of sales	8	**(33,482,371)**	(120,025,134)
Gross profit		**26,624**	(8,648,385)
Selling and distribution expenses		(42,060)	(1,342,136)
Administrative expenses		**(3,147,453)**	(4,686,534)
Operating Loss		**(3,162,889)**	(14,677,055)
Finance cost		(2,347,768)	(2,819,281)
Other operating income		2,434,775	4,445,656
Loss before taxation		**(3,075,882)**	(13,050,680)
Provision for taxation		**(502,635)**	(159,532)
Loss after taxation		**(3,578,517)**	(13,210,212)
Loss per share - basic and diluted		**(0.14)**	(0.53)

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

Abdus Samad	**Kashif Habib**	**Muneer Gader**
Chief Executive Officer	**Director**	**Chief Financial Officer**

Safe Mix Concrete Limited
Statement of Comprehensive Income
For the quarter ended September 30, 2020

	Un-Audited	Un-Audited
	30 September 2020	30 September 2019
	Rupees	
Loss after taxation	**(3,578,517)**	(13,210,212)
Other comprehensive income / (loss) for the year		
Items that will never be reclassified to profit and loss account		
Remeasurements of defined benefit liability	-	-
Tax thereon	-	-
Other comprehensive Income - net of tax	-	-
Total comprehensive loss for the year	**(3,578,517)**	(13,210,212)

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

Abdus Samad	**Kashif Habib**	**Muneer Gader**
Chief Executive Officer	**Director**	**Chief Financial Officer**

Safe Mix Concrete Limited
Statement of Cash Flows
For the quarter ended September 30, 2020

	Un-Audited	**Un-Audited**
	30 September 2020	30 September 2019
	(Rupees)	
Cash flow from operating activities		
Loss before taxation	**(3,075,882)**	(13,050,680)
Adjustments for:		
Depreciation	**2,876,400**	4,390,806
Gain on sale of fixed assets	**(1,097,832)**	-
Provision for staff retirement benefits	**295,521**	685,278
Amortization of deferred income	**(840,000)**	(840,000)
Finance cost	**2,347,768**	2,819,281
	3,581,857	7,055,365
	505,975	(5,995,315)
Changes in working capital		
(Increase) / decrease in current assets:		
Stores and spares	**(1,271,850)**	419,643
Stock in trade	**(2,804,105)**	(17,675,203)
Trade debts	**12,786,789**	(7,578,003)
Advances, prepayments and other receivables	**(3,657,787)**	1,122,494
	5,053,047	(23,711,069)
Increase / (decrease) in current liabilities:		
Trade and other payables	**(14,347,596)**	43,873,546
Cash flow from operating activities	**(8,788,574)**	14,167,162
Taxes paid	**(1,484,691)**	(1,658,822)
Finance cost paid	**(297,459)**	(2,730,531)
Gratuity paid	**(54,000)**	(98,012)
	(1,836,150)	(4,487,365)
Net cash generated from / (used in) operating activities	**(10,624,724)**	9,679,797
Cash flow from investing activities		
Capital expenditure incurred	**(87,858)**	(73,000)
Proceeds from sale of fixed assets	**1,345,000**	-
Long term deposits recovered	**(6,000)**	(591,800)
Net cash generated from / (used in) investing activities	**1,251,142**	(664,800)
Cash flow from financing activities		
Net Payments to Banks against long term financing	**(3,030,703)**	(7,413,448)
Net Payment against Loan from related party	**-**	(3,000,000)
Net cash (used in) / generated from financing activities	**(3,030,703)**	(10,413,448)
Net increase / (decrease) in cash and cash equivalents	**(12,404,285)**	**(1,398,451)**
Cash and cash equivalents at beginning of the year	**13,450,207**	2,735,321
Cash and cash equivalents at end of the year	**1,045,922**	1,336,869

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

Abdus Samad	**Kashif Habib**	**Muneer Gader**
Chief Executive Officer	**Director**	**Chief Financial Officer**

Safe Mix Concrete Limited
Statement of Changes in Equity
For the quarter ended September 30, 2020

	Issued, subscribed and paid up capital	Share premium reserve	Loan from related party	Accumulated loss	Total
	-----	-----	Rupees	-----	-----
Balance as at July 01, 2019	250,000,000	14,728,576	-	(76,580,143)	188,148,433
Loss for the year	-	-	-	(98,777,041)	(98,777,041)
Other comprehensive income for the year			-	984,643	984,643
Balance as at June 30, 2020	250,000,000	14,728,576	-	(174,372,541)	90,356,035
Loss for the year	-	-	-	**(3,578,517)**	**(3,578,517)**
Other comprehensive income for the year	-	-	-	**-**	**-**
Loan from related party	-	-	**87,000,000**	**-**	**87,000,000**
Balance as at September 30, 2020	**250,000,000**	**14,728,576**	**87,000,000**	**(177,951,058)**	**173,777,518**

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

Abdus Samad	**Kashif Habib**	**Muneer Gadar**
Chief Executive Officer	**Director**	**Chief Financial Officer**

Safe Mix Concrete Limited
Notes to the Financial Statements
For the quarter ended September 30, 2020

1 STATUS AND NATURE OF BUSINESS

Safe Mix Concrete Limited ("the Company") was incorporated on 04 April 2005 as Private Limited Company. Subsequently, it was 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 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, Global Industry , Nusrat Bhutto Colony , North Nazimabad, Karachi.

2 BASIS OF PREPARATION

The condensed interim financial information have been prepared in accordance with approved accounting standards as applicable in Pakistan for interim finacial reporting.The disclosures in the condensed interim financial information do not include the information reported for full annual financial statments and should before be read in conjunction with the financial statements for the period ended 30 Jun, 2020

4 ESTIMATES

The prepartion of the interim financial information requires management to make judgments. Estimation and assumption that affect the application of accounting policies and the reported accounts of assests and liabilities, income and expenses. Actual results may differ from these estimates. In preparing the condensed interim financial information, the significant judgements made by the management in applying accounting policies, key esitmates and uncertainty includes :

- Residual VALUE and useful life of estimation on fixed assets

- Taxation

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of consumption adpoted in the prepartion of the condensed interim financial information are the same as those applied in prepartion of preceding annual financial statement for the year ended 30 June, 2020 and stated therein.

		Note	Un-audited 30 September 2020	Audited 30 June 2020
5	**PROPERTY, PLANT AND EQUIPMENT**		**(Rupees)**	
	Operating fixed assets		**173,349,623**	176,473,191
	Capital work in progress - at cost		**6,781,975**	6,694,117
			180,131,598	183,167,308
5.1	**Operating Assets- at the book value**			
	Opening Book value		**176,473,191**	241,578,881
	Addition during the period		-	73,000
	Transfers - net book value		-	20,333,280
	Impairment		-	(45,062,463)
	Disposal during the period - net book value		**(247,168)**	(28,548,572)
	Depreication charged during the period		**(2,876,400)**	(11,900,935)
			173,349,623	176,473,191
	Break-up of additions			
	Office equipments		**-**	73,000

6 LONG TERM FINANCING - SECURED

Details of long term financing are as follows:

Islamic

	Note	Un-audited 30 September 2020	Audited 30 June 2020
Diminishing musharka - Bank of Punjab	**6.1**	**11,759,186**	20,578,577
Diminishing musharka - Summit Bank	**6.2**	**8,802,504**	22,006,253
Diminishing musharka - Bank islami	**6.3**	**386,111**	699,853
Less: Current portion of long term finance shown under current liabilities		**(13,917,148)**	(29,653,996)
less: Overdue payments		**(6,741,045)**	-
		289,608	13,630,687

6.1 During the financial year 2016, the Company converted its short term running finance facility from Bank of Punjab to Islamic mode of financing and entered into a diminishing musharka of Rs. 47.037 million for plant and machinery with the Bank of Punjab Taqwa Islamic Banking. The arrangement carry profit at the rate of 1 year KIBOR + 2.5% and with quarterly rental repayments. The arrangement is for a tenure of five years from the date of disbursement and is structured in such a way that first principal repayment installment will commence from the fifth installment. Arrangement is secured against 1st charge of PKR 160 million over all present and future fixed assets (plant and machinery) and current assets (including stock) of the Company registered with SECP.

6.2 During the financial year 2018, the Company entered into a diminishing musharka of Rs.35.2 million for plant and machinery with the Summit Bank Limited- Islamic Banking. The arrangement carry profit at the rate of 1 year KIBOR + 3.75% and with monthly rental repayments. The arrangement is for a tenure of three years from the date of disbursement and is structured in such a way that first principal repayment installment will commence from the thirteenth installment. Arrangement is secured against exclusive charge of PKR 50.75 million over plant and machinery of the Company located at Nooriabad, registered with SECP.

6.3 During the financial year 2019, the company entered into a diminishing musharka of Rs. 1.4 million for vehicles with the Bank Islami Pakistan Limited-Islamic Banking. The arrangement carry profit at the rate of KIBOR + 2.75% and witg monthly rental repayments. The arrangement is for a tenure of four years from the date of disbursement. Arrangement is secured against the subject motor vehicles.

7 CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

7.1.1 Section 113(2)(c) of the Income Tax Ordinance, 2001 was interpreted by a Divisional Bench of the Sindh High Court (SHC) in the Income Tax Reference Application (ITRA) No. 132 of 2011 dated 7 May 2013, whereby it was held that the benefit of carry forward of minimum tax is only available in the situation where the actual tax payable in a tax year is less than minimum tax. Therefore, where there is no tax payable, interalia, due to brought forward tax losses, minimum tax could not be carried forward for adjustment with future tax liability. The Company has carried forward minimum tax of current and previous years amounting to around Rs. 24 million and the Company expects to adjust the amount against the future taxable profits. The management is of the view that the interpretation of SHC has been challenged in the Supreme Court of Pakistan and they are waiting for its final outcome.

7.1.2 Tax Authorities had conducted monitoring of withholding taxes 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.

7.1.3 Federal Board of Revenue (FBR) issued a notice to the Company for payment of sales tax under the Sales Tax Act, 1990. The Company filed a petition in Sindh High Court challenging the lawful authority and jurisdiction of FBR on the ground that the Company is engaged in providing service in respect of Ready Mix Concrete and is accordingly registered with Sindh Revenue Board (SRB) and is paying Sales Tax under HS Code No. 9837.0000 to the Second Schedule of 2011 Act. The Sindh High Court granted stay order against the notice issued by FBR.

7.2 Commitments

Three are no commitments at the balance sheet date.

	Un-Audited 30 September 2020	Un-Audited 30 September 2019
8 COST OF SALES	**(Rupees)**	
Raw material and stores consumed	**10,585,908**	74,567,918
Salaries, wages and other benefits	**8,320,777**	18,017,830
Depreciation	**2,787,774**	4,302,162
Fuel and power	**5,118,096**	13,172,201
Equipment hiring charges	**627,800**	1,332,923
Ijarah rentals	**3,491,817**	5,510,862
Repair and maintenance	**2,175,758**	1,402,779
Site preparation and sample testing	**65,794**	150,150
Land rent	-	852,501
Insurance expenses	**308,647**	715,808
	33,482,371	120,025,134

9 TRANSACTIONS AND BALANCES 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 at arm's length basis, unless otherwise disclosed. Amounts due from and due to related parties are shown under respective notes to the accounts. Other significant transactions and balances with related parties are as follows:

	Un-Audited 30 September 2020	Un-Audited 30 September 2019
	(Rupees)	
9.1 Transactions with related parties		
Associated companies:		
Javeedan Corporation Limited		
Sales of goods	**3,580,799**	10,628,214
Power Cement Limited		
Purchase of cement	**7,876,350**	11,310,345
Associated Person:		
Loan received during the year	-	-
Mr.Arif Habib		
Loan paid during the year	**-**	3,000,000

Balances with related parties	Un-Audited 30 September 2020	Audited 30 June 2020
	(Rupees)	
Associated companies :		
Power Cement Limited		
Amount payable against purchases	**43,214,006**	95,691,864
Javedan Corporation Limited		
Amount receivable against sales	**1,240,128**	5,495,192
Abdus Samad Habib		
Loan payable to related patries	**87,000,000**	12,000,000

10 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on 29th October 2020 by the Board of Directors of the Company.

Abdus Samad	Kashif Habib	Muneer Gader
Chief Executive Officer	Director	Chief Financial Officer