safe mix

Concrete Limited

Quarterly Report

September 30, 2019

safe mix
Concrete Limited.

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Company Information

Board of Directors
Mr. Shahid Aziz Siddiqi – Chairman
Mr. Samad Habib - Chief Executive Officer
Mr. Kashif Habib
Syed Najamuddujah Jaffri
Mr. Khalil Ahmed
Mr. Ahsan Anis
Mrs. Anna Samad

Audit Committee
Syed Najamuddujah Jaffri
Mr. Kashif Habib
Mr. Ahsan Anis

Human Resources & Remuneration Committee
Mr. Samad Habib
Syed Najamuddujah Jaffri
Mr. Kashif Habib

Chief Financial Officer
Mr. Arif Ghani

Company Secretary
Mr. Arif Ghani

Auditors
Naveed Zafar Ashfaq Jaffery & Co.
Chartered Accountants

Legal Advisor
Advocate Ahsan-ul-haq
Advocates and Corporate council

Bankers and Financial institutions
Bank Islami Pakistan Limited
Habib Metropolitan Bank Limited
The Bank of Punjab
Bank Alfalah Limited
First Habib Modaraba
Summit Bank Limited
Meezan Bank Limited

Registered Office
Plot # 1,6 sector # 26, Bilal Chowrangi Korangi Industrial Area, Karachi.
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Shares Registrar
THK Associates (Private) Limited
1st Floor, 40-C, Block 6, PECHS, Karachi.

<u>Directors' Report</u>

The Board of Directors of Safe Mix Concrete Limited present herewith condensed financial information for the First Quarter ended 30th September 2019.

Over view

During the First Quarter, the Company made a loss after Tax of Rs (13.21) million, whereas in the corresponding period last year the company has earned Rs. 4.506 million. As company's volumetric sales have decreased by 37%, in current quarter as compare to 2018. The gross loss of 7 % is also due to increase in Diesel, Cement, Sand, Crash and Chemical prices in current Quarter.

Operating results	**Quarter Ended September 30**	
	2019	**2018**
(Loss) / Profit before taxation	(13,050,680)	6,385,504
Provision for taxation	(159,532)	(1,879,147)
(Loss) / Profit after taxation	**(13,210,212)**	**4,506,357**

Earnings per share

Loss per share for the first quarter ended amounted to Rs. (0.53) per share as compared to profit per share for the corresponding period of the last year of Rs. 0.18 per share.

Future Outlook

The company is working towards bring efficiencies in the operations and is hopeful that it will have a positive impact on the bottom line of the company. Further, the company is focusing on Naya Nazimabad site and will increase its activity there on impending construction of Apartments, which should help it to increase its revenue going forward.

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 PSX for their continued support and guidance.

For and on behalf of the Board
Samad Habib
Chief Executive Officer

Karachi: October 28, 2019

Safe Mix Concrete Limited
Condensed Interim Balance Sheet (Un-audited)
As at September 30, 2019

	Note	Un-audited 30 September 2019	Audited 30-Jun 2018
		Rupees	
ASSETS			
Non - current assets			
Property, plant and equipment	4	**245,173,712**	249,491,518
Long term deposits		**29,313,830**	28,722,030
Deferred taxation		**68,267,098**	67,034,421
		342,754,640	345,247,969
Current assets			
Stores, spare parts and loose tools		**5,249,231**	5,668,874
Stock in trade		**70,793,240**	53,118,037
Trade debts		**130,493,605**	122,915,602
Advances, prepayments and other receivables		**43,142,879**	44,265,373
Taxation - net of provision		**34,789,846**	34,523,233
Cash and bank balances		**1,336,869**	2,735,321
		285,805,671	263,226,440
Total assets		**628,560,311**	608,474,409
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 loss		**(89,790,355)**	(76,580,143)
		174,938,221	188,148,433
Liabilities			
Non - current liabilities			
Long term financing - secured	5	**13,630,687**	21,044,135
Staff retirement benefits		**7,524,761**	6,937,495
Deferred income		**1,120,000**	1,120,000
		22,275,448	29,101,630
Current liabilities			
Trade and other payables		**311,071,769**	267,198,223
Current portion of deferred income		**2,520,000**	3,360,000
Current portion of long term financing	5	**29,653,996**	29,653,996
Loan from related party		**87,000,000**	90,000,000
Accrued markup		**1,100,877**	1,012,127
		431,346,642	391,224,346
TOTAL LIABILITIES AND EQUITIES		**628,560,311**	608,474,409
Contingencies and commitments	6		

The annexed notes form 1 to 11 an integral part of these financial statements.

ABDUS SAMAD	**KASHIF HABIB**	**ARIF GHANI**
Chief Executive Officer	**Director**	**Chief Finance Officer**

Safe Mix Concrete Limited
Condensed Interim Profit and Loss Account (Un-audited)
For the period ended September 30, 2019

	Note	Quarter ended 30 September 2019	Quarter ended 30 September 2018
ASSETS		**Rupees**	
Revenue		**111,376,749**	247,742,941
Cost of sales	7	**(120,025,134)**	(231,846,133)
Gross (loss) / profit		**(8,648,385)**	15,896,808
Selling and distribution expenses		**(1,342,136)**	(1,563,361)
Administrative expenses		**(4,686,534)**	(6,860,855)
Operating (loss) / profit		**(14,677,055)**	7,472,592
Finance cost		**(2,819,281)**	(3,007,589)
Other operating income		**4,445,656**	1,920,501
(loss) / Profit before taxation		**(13,050,680)**	6,385,504
Provision for taxation		**(159,532)**	(1,879,147)
(loss) / Profit after taxation		**(13,210,212)**	4,506,357
(Loss) / Profit per share - basis and diluted		**(0.53)**	0.18

The annexed notes form 1 to 11 an integral part of these financial statements.

ABDUS SAMAD	**KASHIF HABIB**	**ARIF GHANI**
Chief Executive Officer	**Director**	**Chief Finance Office**

Safe Mix Concrete Limited
Condensed Interim Statement of Comprehensive Income (Un-audited)
For the period ended September 30, 2019

	Quarter ended 30 September 2019	Quarter ended 30 September 2018
	Rupees	
(loss) / Profit after taxation	**(13,210,212)**	4,506,357
Other comprehensive loss - net of tax	-	-
Total comprehensive (loss) / income for the year	**(13,210,212)**	4,506,357

The annexed notes form 1 to 11 an integral part of these financial statements.

ABDUS SAMAD	KASHIF HABIB	ARIF GHANI
Chief Executive Officer	Director	Chief Finance Office

Safe Mix Concrete Limited
Condensed Interim Statement of Cash Flows (Un-audited)
For the period ended September 30, 2019

	Quarter ended 30 September 2019	Quarter ended 30 September 2018
	(Rupees)	
Cash flow from operating activities		
(Loss) / Profit before taxation	**(13,050,680)**	6,385,504
Adjustments for:		
Depreciation	**4,390,806**	3,566,211
Gain on sale of fixed assets	**-**	(40,892)
Provision for staff benefits	**685,278**	434,721
Amortization of deferred income	**(840,000)**	(840,000)
Finance cost	**2,819,281**	3,007,589
	7,055,365	6,127,628
	(5,995,315)	12,513,132
Changes in working capital		
(Increase) / decrease in current assets:		
Stores and spares	**419,643**	125,923
Stock in trade	**(17,675,203)**	(2,143,874)
Trade debts	**(7,578,003)**	(17,895,227)
Advances, prepayments and other receivables	**1,122,494**	(1,892,178)
	(23,711,070)	(21,805,356)
Increase / (decrease) in current liabilities:		
Trade and other payables	**43,873,546**	6,150,355
Cash flow from operating activities	**14,167,161**	(3,141,868)
Taxes paid	**(1,658,822)**	(3,086,705)
Finance cost paid	**(2,730,531)**	(3,500,151)
Gratuity paid	**(98,012)**	(101,059)
	(4,487,366)	(6,687,914)
Net cash generated / (used) in operating activities	**9,679,796**	(9,829,783)
Cash flow from investing activities		
Capital expenditure incurred	**(73,000)**	(2,543,630)
Proceeds from sale of fixed assets	**-**	375,000
Long term deposits paid	**(591,800)**	(631,200)
Net cash used in investing activities	**(664,800)**	(2,799,830)
Cash flow from financing activities		
Net Proceeds from long term financing	**(7,413,448)**	(1,950,336)
Net Proceeds from Loan from related party	**(3,000,000)**	15,000,000
Net cash generated from financing activities	**(10,413,448)**	13,049,664
Net (decrease) / increase in cash and cash equivalents	**(1,398,452)**	420,051
Cash and cash equivalents at beginning of the year	**2,735,321**	4,371,758
Cash and cash equivalents at end of the year	**1,336,869**	4,791,809

The annexed notes form 1 to 11 an integral part of these financial statements.

ABDUS SAMAD	**KASHIF HABIB**	**ARIF GHANI**
Chief Executive Officer	**Director**	**Chief Finance Officer**

Safe Mix Concrete Limited
Condensed Interim Statement of Changes in Equity (Un-audited)
For the period ended September 30, 2019

	Issued, subscribed and paid up capital	Share premium reserve	Accumulated (loss) / profit	Total
	--------------------------------------	Rupees	--------------------------------------	
Balance as at July 01, 2018	250,000,000	14,728,576	(23,672,182)	241,056,394
Total comprehensive income for the quarter ended September 30, 2018	-	-	4,506,357	4,506,357
Balance as at September 30, 2018	250,000,000	14,728,576	(19,165,825)	245,562,751
Balance as at July 01, 2019	**250,000,000**	**14,728,576**	**(76,580,143)**	**188,148,433**
Total comprehensive income for the quarter ended September 30, 2019	-	-	(13,210,212)	**(13,210,212)**
Balance as at September 30, 2019	**250,000,000**	**14,728,576**	**(89,790,355)**	**174,938,221**

The annexed notes form 1 to 11 an integral part of these financial statements.

ABDUS SAMAD	**KASHIF HABIB**	**ARIF GHANI**
Chief Executive Officer	**Director**	**Chief Finance Office**

1 STATUS AND NATURE OF BUSINESS

Safe Mix Concrete 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 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 - 6, Sector 26, Korangi Industrial Area, Karachi, Pakistan.

The manufacturing facilities of the company are situated at the following addresses:
- Plot no. 1 - 6, Sector 26, Korangi Industrial Area, Karachi, Pakistan.
- Naya Nazimabad, Karachi.
- Nooriabad Industrial Area, Kalo Kohar Distt. Jamshoroo, Sindh.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as notified under the Companies Act, 2017, provisions of and directives issued under the Companies Act, 2017. Where the provisions of and directives issued under the Companies Act 2017 differ from IFRS Standards, the provisions of and directives issued under the Companies Act 2018 have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except otherwise disclosed.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees which is also the Company's functional currency and has been rounded to the nearest rupee.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates and assumptions with a significant risk of material adjustment in the future periods are included in following notes:

- Residual values and useful life of property, plant and equipment (note 3.2)
- Provision for taxation and deferred tax (note 3.10)
- Inventories including stores, spares and loose tools (note 3.4)
- Trade Debts (note 3.5)
- Staff retirement benefits (note 3.16)
- Impairment (note 3.3)
- Provision (note 3.12)

2.5 Amendments / interpretations to existing standards and forthcoming requirements

Standards, amendments or interpretations which became effective during the year

- There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after 1 July 2018. However, these, other than those disclosed in note 3.7, do not have any significant impact on the Company's financial reporting and therefore have not been detailed in these financial statements.

New / revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 July 2019:

Standards or interpretations		**Effective Date (Annual period beginning on or after)**
IFRS 3 -	Business Combinations	**January 1, 2020**
IAS 1 -	Presentation of Financial Statements	**January 1, 2020**
IAS 12 -	Income Tax	**January 1, 2019**
IAS 3 -	Barrowing Cost	**January 1, 2019**
IAS 28 -	Investments in Associates and Joint Ventures (Amendments)	**January 1, 2019**
IAS 8 -	Accounting Policies, Changes in Accounting Estimates and Errors	**January 1, 2020**
IFRIC 23 -	Uncertainty over income tax treatments	**January 1, 2019**
IFRS 16 -	Leases	**January 1, 2019**
IAS 19 -	Employees Benefits-Plan Amendment, Curtailment or Settlement (Amendment)	**January 1, 2019**

The Company expects that the adoption of the above amendments and interpretation of the standards will not affect the Company's financial statements in the period of initial application.

IFRS 3 “Business Combinations” and IFRS 11 “Joint Arrangement” - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Company’s financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated

3.1 Changes in significant accounting policies

The Company has adopted IFRS 15 ‘Revenue from Contracts with Customers’ and IFRS 9 ‘Financial Instruments’ from 01 July 2018 which are effective from annual periods beginning on or after 01 July 2018 and for reporting period / year ending on or after 30 June 2019 respectively.

The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

3.1.1 IFRS 15 Revenue from Contracts with Customers

On 28 May 2014, the International Accounting Standards Board ("IASB") issued International Financial Reporting Standards ("IFRS") 15 "Revenue From Contracts with Customers" which provides a unified five-step model for determining the timing, measurement and recognition of revenue. The focus of the new standard is to recognize revenue as performance obligations are made rather than based on the transfer of risk and rewards. IFRS 15 includes a comprehensive set of disclosure requirements including qualitative and quantitative information about contracts with customers to understand the nature, amount, timing and uncertainty of revenue. The standard supersedes IAS 18 Revenue, IAS 11 "Construction Contracts" and the number of revenue related interpretations.

The Company manufactures and contracts with customers for the sale of yarn which generally include single performance obligation. The management has concluded that revenue from sale of goods be recognized at the point in time when control of the asset is transferred to the customer, which is when the goods are dispatched to the customer. This is generally consistent with the timing and amounts of revenue the company recognized in accordance with the previous standard, IAS 18. Therefore, adoption of IFRS 15 at 01 July 2018, did not have an effect on the financial statements of the Company.

3.1.2 IFRS 9 Financial Instruments

IFRS 9 replaced the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. Changes in accounting policies resulting from adoption of IFRS 9 have been applied retrospectively. The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

i Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, held for trading and available for sale. IFRS 9, classifies financial assets in the following three categories:

-fair value through other comprehensive income (FVOCI);
-fair value through profit or loss (FVTPL); and
-measured at amortized cost.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of business model within which a financial asset is held; and
- The designation and revocation of previous designation of certain financial assets as measured at FVTPL

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The adoption of IFRS 9 did not have a significant effect on the Company's accounting policies related to financial liabilities.

ii Impairment

IFRS 9 replaces the ‘incurred loss model in IAS 39 with an ‘expected credit loss’ (ECL) model. IFRS 9 introduces a forward looking expected credit losses model, rather than the current incurred loss model, when assessing the impairment of financial assets in the scope of IFRS 9. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

The Company has applied the IFRS 9 simplified approach to measuring expected credit losses which uses a lift time expected lass allowance for all trade and other receivables. Impairment losses treated to trade and other receivable, are presented separately in the statement of profit and loss. Trade and other receivables are written off when there is no reason able expectation of recovery. Management has used actual credit loss experience over past years to base the calculation of ECL on the adoption of IFRS 9.

As explained above, the management has applied the modified retrospective method upon the adoption of IFRS 9 as allow under the Standard. The cumulative effect representing the difference between the carrying amount before the adoption of IFRS 9 and the new carrying amount calculated in accordance with the standard at the beginning of the current year (i.e. as of 1 July 2018), has been recognized in reserves (accumulated profit). The financial impact due to the adoption of ECL model as explained above under IFRS 9 is as follows:

3.2 Property, plant and equipment

Owned

Operating fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment loss, if any.

Depreciation on operating fixed assets except for batching plants and concrete pumps included in plant and machinery is charged on reducing balance method whereby the cost of an asset is written off over its estimated useful life at the rates given in note 4.1. Batching plants and concrete pumps are depreciated on the basis of units produced / transported.

Depreciation is charged from the month in which assets are available for use up to the month before the disposal of asset except batching plants and concrete pumps.

Depreciation methods, residual values and the useful lives of the assets are reviewed 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 profit and loss as and when incurred.

Assets acquired under Ijarah Arrangements with financial institutions are classified as operating lease under Islamic Financial Accounting Standard (IFAS) No. 2 "Ijarah" was notified by SECP vide S.R.O. 431 (I) / 2007 on 22 May 2007. The said IFAS requires the Ijarah payments under such arrangements to be recognized as an expense over the Ijarah term.

Capital work in progress

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

3.3 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 account. 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 carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years. A reversal of the impairment loss is recognized in the profit and loss account.

3.4 Inventories including stores, spares and loose tools

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. Write down in inventories is made for slow moving and obsolete items.

3.5 Trade debts

Trade and other receivables are carried at cost, which is the fair value of the consideration to be received, less provision for doubtful debts, if any. Doubtful debts are estimated on the basis of review of outstanding amounts at the year end. Bad debts are written off when identified.

3.6 Revenue recognition

Revenue is recognised 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.

Mark-up income on deposits is recognized on a time proportion basis.

3.7 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

3.8 Financial instruments

3.8.1 Classification and Initial Measurement

The Company classifies its financial assets in to following three categories:

-fair value through other comprehensive income (FVOCI);
-fair value through profit or loss (FVTPL); and
-measured at amortized cost.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of business model within which a financial asset is held; and
- The designation and revocation of previous designation of certain financial assets as measured at FVTPL.

Financial assets at FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at **FVTP**

-It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

-Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

-it is held within business model whose objective is to hold assets to collect contractual cash flows; and

-its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

For assets measured at fair value, gains and losses will either be recorded in the statement of profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

Financial assets at FVTPL

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

3.8.2 Subsequent Measurement

a) Financial assets at FVOCI

These assets are measured at fair value, with gains or losses arising from changes in fair value recognised in other comprehensive income / (loss).

b) Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognized in profit or loss.

c) Financial assets measured at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss.

3.8.3 Financial liabilities

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss' (FVTPL). A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit or loss.

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss' (FVTPL). A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit or loss.

Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or have expired or when the financial liability's cash flows have been substantially modified.

3.8.4 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognised amount and the company intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

3.8.5 Impairment

The Company recognises loss allowances for ECLs in respect of financial assets measured at amortised cost.

The Company applies the simplified approach to recognise lifetime expected credit losses for trade debts. The Company assesses on a forward looking basis the expected credit losses associated with its financial assets.

Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, company uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. To make that assessment, company compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Loss allowances for financial assets measured at amortised cost are deducted from the Gross carrying amount of the

Loss allowances for financial assets measured at amortised cost are deducted from the Gross carrying amount of the assets.

An entity shall directly reduce the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event of company.

3.9 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.

3.10 Taxation

Income tax comprises of current and deferred tax. Income tax is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in other comprehensive income or below equity, in which case it is recognised in other comprehensive income or below equity respectively.

Current

Provision for current year taxation is based on the taxable income determined in accordance with the prevailing law for taxation at the current rate of tax or one percent of turnover, whichever is higher, after taking into account applicable tax credits, rebates and exemptions available, 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 loses 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.

3.11 Borrowing costs

Mark-up, interest and other charges on borrowings are capitalized up to the date of commissioning of the related qualifying asset, acquired out of the proceeds of such borrowings. All other mark-up, interest and other charges are recognized in profit and loss account in the period in which they are incurred.

3.12 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.

3.13 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.

3.14 Dividend and appropriations

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

3.15 Mark-up bearing borrowings

Mark-up bearing borrowings are recognised initially at fair value, less attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit and loss account over the period of borrowings on an effective interest basis.

3.16 Staff retirement benefits

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its permanent employees. The actuarial valuation is carried out using the Projected Unit Credit Method.

		Un-audited September 2019	Audited June 2019
4 PROPERTY, PLANT AND EQUIPMENT		(Rupees)	
Operating fixed assets	**4.1**	**237,261,074**	241,578,880
Capital work in progress - at cost		**7,912,638**	7,912,638
		245,173,712	249,491,518

4.1 Operating assets - at net book value

Opening book value	**241,578,880**	241,654,158
Additions during the period	**73,000**	17,984,728
Disposals during the period - net book value	**-**	(2,131,760)
Depreciation charged during the period	**(4,390,806)**	(15,928,246)
	237,261,074	241,578,880

Break-up of additions - *at cost*		
Building	**-**	898,267
Plant and machinery	**-**	14,199,515
Vehicles	**-**	1,885,218
Furniture and Fixtures	**-**	50,800
Office equipments	**73,000**	950,928
	73,000	17,984,728

5 LONG TERM FINANCING - SECURED

Details of long term financing are as follows:

Islamic

Diminishing musharka - Bank of Punjab	**5.1**	**20,578,577**	23,518,374
Diminishing musharka - Summit Bank	**5.2**	**22,006,253**	26,407,502
Diminishing musharka - Bank Islami	**5.3**	**699,853**	772,255
Less: Current portion of long term finance shown under current liabilities		**(29,653,996)**	(29,653,996)
		13,630,687	21,044,135

5.1 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 are structured in such a way 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.

5.2 During the 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 are structured in such a way 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.

5.3 During the financial year, 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 with 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.

6

6.1 Contingencies

6.1.1 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.

6.1.2 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.

6.1.3 Federal Board of Revenue (FBR) issued a notice to the company for payment of Sales Tax under 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 COST OF SALES	**Un-audited September 2019**	Un-audited September 2018
	(Rupees)	
Raw material and stores consumed	**74,567,918**	175,351,246
Salaries, wages and other benefits	**18,017,830**	21,195,594
Depreciation	**4,302,162**	3,209,589
Fuel and power	**13,172,201**	14,483,319
Equipment hiring charges	**1,332,923**	1,518,960
Ijarah Rentals	**5,510,862**	6,901,688
Repair and maintenance	**1,402,779**	6,794,861
Site preparation and sample testing	**150,150**	317,020
Land rent	**852,501**	852,501
Insurance expenses	**715,808**	1,221,354
	120,025,134	231,846,133

8 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 Sep-30 2019	Un-audited Sep-30 2018
	(Rupees)	
8.1 Transactions with related parties		
Associated companies:		
Power Cement Limited		
Purchase of cement	**11,310,345**	92,512,900
Javeedan Corporation Limited		
Sales of goods	**10,628,214**	10,703,185
Associated Person:		
Loan received during the year	**-**	15,000,000
Mr.Arif Habib	**3,000,000**	-
Loan paid		

	Un-audited Sep-30 2019	Audited 30 June 2019
	(Rupees)	
8.2 Balances with related parties		
Associated companies :		
Payable to Power Cement Limited	**95,691,864**	84,381,519
Receivable from Javedan Corporation Limited	**5,495,192**	1,756,884
Payable to Arif Habib	**75,000,000**	78,000,000
Payable to Samad Habib	**12,000,000**	12,000,000

9 OPERATING SEGMENTS

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

9.1 100 % (2019:100%) of the gross sales of the Company were made on customers located in Pakistan.

9.2 All non-current assets of the Company as at September 30, 2019 are located in Pakistan.

10 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on **28 October, 2019** by the Board of Directors of the Company.

11 CORRESPONDING FIGURES

Correspoding figures have beed re-arranged, where necessary, for the purpose of comparison.

ABDUS SAMAD **Chief Executive Officer**	**KASHIF HABIB** **Director**	**ARIF GHANI** **Chief Finance Officer**

ڈائریکٹر کا جائزہ

سیف مکس کنکریٹ لمیٹڈ کے ڈائریکٹرز کے بورڈ اجلاس کی جانب سے تفصیلی مالی معلومات برائے پہلی سہ ناہی ۳۰ ستمبر ۲۰۱۹

مجموعی جائزہ:

زیر جائزہ سہ ماہی مدت کے دروان کمپنی کو بعد از ٹیکس (13.05) .Rs ملین نقصان ہوا جب کہ اسکے برعکس گزشتہ سہ ماہی ۳۰ ستمبر ۲۰۱۸ کمپنی کو Rs.4.506 ملین فائدہ ہوا تھا۔ چونکہ ۲۰۱۸ کے مقابلے میں موجودہ سہ ماہی میں کمپنی کی فروخت کی حجم میں 37% کی کمی واقع ہوئی ہے اور موجودہ سہ ماہی میں ڈیزل، سیمنٹ، ریت، کرش اور کیمیکل کی قیمتوں میں اضافے کی وجہ سے بھی 7% فیصد کا مجموعی نقصان ہوا ہے۔

نتائج عمل کاری:

	سہ ماہی ۳۰ ستمبر ۲۰۱۹	سہ ماہی ۳۰ ستمبر ۲۰۱۸
(نقصان)/ منافع قبل از ٹیکس	(13,050,680)	(6,385,504)
ٹیکس	(159,532)	(1,879,147)
(نقصان)/ منافع بعد از ٹیکس	**(13,210,212)**	**(4,506,357)**

فی شیئر آمدنی:

نقصان فی شیئر پہلی سہ ماہی (0.53) .Rs پر شیئر ہوا۔ جبکہ مواز کے مطابق فی شیئر منافع گزشتہ سال اسی مدت کے دوران Rs.0.18 پر شیئر تھا۔

مستقبل امکانات:

کمپنی اپنے آپریشن میں مسلسل مزید بہتری لانے کیلیئے کام کر رہی ہے اور پرامید ہے کہ اس کہ وجہ سے کمپنی کے حتمی نتائج پر مثبت اثر پڑے گا، مزید یہ کہ کمپنی نیا ناظم آباد سائٹ پر فوکس کر رہی ہے اور وہاں اپارٹمنٹس کے تعمیر پر اپنی سرگرمیوں میں اضافہ کر رہی ہے، اس کی وجہ سے کمپنی کو اپنی آمدنی بڑھانے میں مدد ملے گی۔

اعتراف:

کمپنی کی انتظامیہ تمام شیئر ہولڈرز، مالیاتی اداروں، صارفین، افراد اور تمام ملازمین کا شکریہ ادا کرنا چاہے گی جو اپنی حمایت اور تعاون کیلیئے کمپنی سے منسلک رہے۔ مزید یہ کہ ہم SECP اور PSX کی انتظامیہ کا ان کی مسلسل حمایت اور رہنمائی کیلیئے بھی شکریہ ادا کرنا چاہیں گے۔

برائے ومنجانب بورڈ

صمد حبیب

چیف ایگزیکٹیو آفیسر

کراچی: ۲۸ اکتوبر ۲۰۱۹


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