

SAFE MIX CONCRETE PRODUCTS (PRIVATE) LIMITED

ACCOUNTS FOR THE PERIOD

04 APRIL 2005 TO 30 JUNE 2006



KPMG Taseer Hadi & Co.
Chartered Accountants
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Lahore, Pakistan

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Auditors' Report To The Members

We have audited the annexed balance sheet of **Safe Mix Concrete Products (Private) Limited** ("the Company") as at 30 June 2006 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the period then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

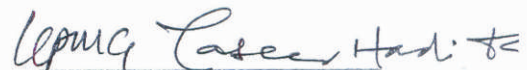
It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies stated therein;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the period were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2006 and of the profit, its cash flow and changes in equity for the period then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

14 SEP 2006

Lahore:



KPMG Taseer Hadi & Co
Chartered Accountants



Safe Mix Concrete Products (Private) Limited

Balance Sheet

As at 30 June 2006

	Note	2006 Rupees
ASSETS		
Fixed assets		
Property, plant and equipment	4	25,791,906
Capital work-in-progress	5	22,188,278
		<u>47,980,184</u>
Long term deposits		88,000
Current assets		
Trade debts - unsecured, considered good	6	2,124,223
Stores and spares		979,768
Advances, deposits, prepayments and other receivables	7	6,413,675
Cash and bank balances	8	20,000,705
		<u>29,518,371</u>
Current liabilities		
Trade and other payables	9	1,571,381
Provision for taxation		1,974,836
		<u>3,546,217</u>
Net current assets		<u>25,972,154</u>
Contingencies and commitments	10	
Net assets		<u><u>74,040,338</u></u>
Financed by:		
SHARE CAPITAL AND RESERVES		
Share capital	11	70,000,000
Un-appropriated profit		4,040,338
		<u><u>74,040,338</u></u>

The annexed notes 1 to 20 form an integral part of these accounts.

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14 SEP 2006

Lahore:

Farhan Raza

Chief Executive

[Signature]

Director

Safe Mix Concrete Products (Private) Limited
Profit and Loss Account

For the period 04 April 2005 to 30 June 2006

	Note	2006 Rupees
Contract income	12	20,408,587
Contract expenses	13	<u>10,654,641</u>
Gross profit		<u>9,753,946</u>
General and administrative expenses	14	<u>5,233,185</u>
Financial and other charges	15	<u>666,153</u>
		<u>5,899,338</u>
Operating profit		<u>3,854,608</u>
Other income	16	<u>2,160,566</u>
Profit before taxation		<u>6,015,174</u>
Provision for taxation		<u>1,974,836</u>
		<u><u>4,040,338</u></u>

The annexed notes 1 to 20 form an integral part of these accounts.

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14 SEP 2006
Lahore:

Nadir Hussain
Chief Executive

Abdullah
Director

Safe Mix Concrete Products (Private) Limited

Cash Flow Statement

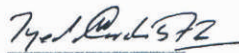
For the period 04 April 2005 to 30 June 2006

	Note	2006 Rupees
Cash flow from operating activities		
Profit before taxation		6,015,174
Adjustments of items not involving movement of cash:		
Depreciation		2,859,483
Loss on sale of fixed assets		604,679
Interest income		(1,516,594)
		1,947,568
Operating profit before working capital changes		7,962,742
Adjustments for working capital items:		
(Increase) in current assets		
Trade debts		(2,124,223)
Advances, deposits, prepayments and other receivables		(5,270,236)
Stores and spares		(979,768)
Increase in current liabilities		
Trade and other payables		1,571,381
		(6,802,846)
Cash generated from operations		1,159,896
Taxes paid		(1,143,439)
Interest Income		1,578,068
Financial charges paid		(61,474)
		373,155
Net cash generated from operating activities		1,533,051
Cash flow from investing activities		
Fixed capital expenditure		(31,956,068)
Capital work in progress		(22,188,278)
Sale proceed of fixed assets		2,700,000
Long term deposits		(88,000)
Net cash (used in) investing activities		(51,532,346)
Cash flow from financing activities		
Issuance of share capital		70,000,000
Net cash generated from financing activities		70,000,000
Cash and cash equivalents at the end of the year	8	20,000,705

The annexed notes 1 to 20 form an integral part of these accounts.



14 SEP 2006
Lahore:


Chief Executive


Director

Safe Mix Concrete Products (Private) Limited
Statement of Changes in Equity

For the period 04 April 2005 to 30 June 2006

	Issued, subscribed and paid-up capital Rupees	Share deposit money	Accumulated Profit Rupees	Total Rupees
Balance as at 04 April 2005	1,000	-	-	1,000
Share deposit money received		69,999,000	-	69,999,000
Share capital issued	69,999,000	(69,999,000)	-	-
Net profit for the period	-		4,040,338	4,040,338
Balance as at 30 June 2006	<u>70,000,000</u>	<u>-</u>	<u>4,040,338</u>	<u>74,040,338</u>

The annexed notes 1 to 20 form an integral part of these accounts.

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14 SEP 2006

Lahore:

Yaqub Raza
 Chief Executive

[Signature]
 Director

Safe Mix Concrete Products (Private) Limited

Notes to the Accounts

For the period 04 April 2005 to 30 June 2006

1 Status and nature of business

Safe Mix Concrete Products (Private) Limited ("the Company") was incorporated on 04 April 2005 as Private Limited Company. 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 located at 38-A/5 Main Gulberg, Lahore, Pakistan.

2 Statement of compliance

These financial statements have been prepared in accordance with approved International Accounting Standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of said directives take precedence.

3 Significant accounting policies

3.1 Accounting convention

These accounts have been prepared under the historical cost convention.

3.2 Basis of preparation

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984, and International Accounting Standards (IAS), as applicable in Pakistan.

3.3 Tangible fixed assets

Owned

Operating assets are stated at cost less accumulated depreciation and impairment losses, if any, whereas capital work-in-progress is stated at cost. Borrowing and other related costs specific to a project during its construction period are capitalized.

Depreciation on operating fixed assets is charged on reducing balance method, so as to write off the written down value of an asset over its estimated useful life. Depreciation on additions is charged from the month following the one in which the asset is available for use and on disposal upto the month the asset is in use. The rates of depreciation are stated in note 4.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Profit or loss on disposal of operating fixed assets represented by the difference between the sale proceeds and the carrying amount of the asset is taken to profit and loss account.

Leased

The leases, where all the risks and rewards incidental to ownership of the leased assets have been transferred to the Company are classified as finance leases. Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets.



The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance leases. The liabilities are classified as current and long term depending upon the timing of the payments.

Each lease payment is disclosed between the liability and finance charges so as to produce a constant periodic rate of interest on the balance outstanding. The interest element of the rental is charged to profit and loss account under the lease term.

Assets acquired under finance leases are depreciated at the rates and basis applied to the Company's owned assets. Depreciation of leased assets is charged to profit and loss account.

3.4 Stores, spares and loose tools

These are valued at the moving average cost except for items in transit, which are valued at cost comprising invoice value and related expenses.

3.5 Stock in trade

Stock in trade is valued at the lower of cost and net realizable value. Cost is determined using weighted average method except for raw material in transit which are stated at cost. Cost includes applicable purchase cost and manufacturing expenses. The cost of work in process includes material and proportionate conversion cost.

Net realizable value is the estimated selling price in the ordinary course of business less the cost of completion and selling expenses.

3.6 Trade debts and receivables

Receivables are carried at original invoice amount less an estimate made for doubtful receivable balances based on a review of outstanding amounts at the year end. Bad debts are written off when identified.

3.7 Revenue recognition

Revenue from sale of goods is recognized on dispatch of products to the customers. Service revenue is recognized when the services are rendered.

Income on deposits and other financial assets is recognized on accrual basis.

3.8 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, balances with bank and short term placements readily convertible to known amount of cash and subject to insignificant risk of change in value. Cash and cash equivalents also include bank overdrafts/ short term borrowings that are repayable on demand and form an integral part of the Company's cash management under markup arrangement with banks.

3.9 Foreign currency translation

Translation in foreign currencies are accounted for in Pak rupees at the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities in foreign currencies are translated in Pak Rupees at rates of exchange prevailing at the balance sheet date. Foreign exchange differences are recognized in the profit and loss account.

3.10 Off-setting of financial assets and financial liabilities

Financial assets and financial liabilities are off-set and the net amount is reported in the financial statements only when the Company has a legal enforceable right to off-set the recognized amounts and the Company intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

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3.11 Taxation

Current

The charge for current taxation for the year is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates realizable, if any.

Deferred

Deferred tax is recognized using the balance sheet liability method on all temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes.

A deferred tax is recognized to the extent that it is probable that future taxable profits will be available against which the assets can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax is calculated at the rates that are expected to apply to the period when differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date.

3.12 Borrowing costs

Borrowing cost relating to expense incurred in bringing a qualifying asset into working condition are capitalized. Other borrowing costs are charged to profit and loss as and when incurred.

3.13 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.

3.14 Financial Instruments

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

Financial liabilities are de-recognized when they are extinguished i.e., when the obligation specified in the contract is discharged, cancelled or expired. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

3.15 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.

3.16 Transactions with related parties and associated undertakings

All transactions with related parties are conducted at arm's length basis.

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4 Property, plant and equipment

	Cost			Rate %	Depreciation			Book value as at 30 June 2006 Rupees
	As at 04 April 2005 Rupees	Additions/ (deletions) Rupees	As at 30 June 2006 Rupees		As at 04 April 2005 Rupees	For the period Rupees	As at 30 June 2006 Rupees	
	Plant and machinery	-	29,691,518 (3,306,129)		26,385,389	10	-	
Vehicles	-	2,056,000	2,056,000	20	-	377,150	377,150	1,678,850
Computers	-	39,000	39,000	30	-	12,675	12,675	26,325
Electrical equipment	-	42,300	42,300	10	-	1,350	1,350	40,950
Office equipment	-	128,700	128,700	10	-	1,072	1,072	127,628
2006	-	28,651,389	28,651,389		-	2,859,483	2,859,483	25,791,906

Note
2006
Rupees

4.1 The depreciation charge is allocated as follows:

Contract expenses	13	2,467,236
General and administrative expenses	14	392,247
		<u>2,859,483</u>

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2006
Rupees

5	Capital work-in-progress		
	Plant and machinery		16,143,119
	Un-allocated capital expenditure	5.1	4,103,528
	Civil works		1,068,782
	Mobile house villa		754,849
	Electrical equipment		118,000
			<u>22,188,278</u>
	5.1 Un-allocated capital expenditure		
	Salaries and wages		1,851,033
	Fuel and power		211,298
	Premises rent		1,000,000
	Carriage and octroi		88,516
	Electrical installation		642,788
	Rent, rates and taxes		27,390
	Travelling and conveyance		78,693
	Insurance		81,020
	Repair and maintenance		122,790
			<u>4,103,528</u>
6	Trade debts - unsecured, considered good		
	Packages Limited		1,296,234
	Kaizen Construction (Private) Limited		827,989
			<u>2,124,223</u>
7	Advances, deposits, prepayments and other receivables		
	Advances - unsecured, considered good		
	to staff	7.1	251,164
	to suppliers		1,673,440
	against imprest		152,524
	Advance income tax		1,143,439
	Security deposits		3,132,840
	Prepayments		17,844
	Others		42,424
			<u>6,413,675</u>

7.1 These represent advances given to staff against salary and for expenses on behalf of the Company.

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2006
Rupees

8 Cash and bank balances

Cash in hand	5,720
Cash at bank	
Current accounts	262,174
Saving accounts	19,732,811
	<u>19,994,985</u>
	<u>20,000,705</u>

9 Trade and other payables

Creditors	101,997
Accrued expenses	533,373
Withholding tax payable	936,011
	<u>1,571,381</u>

10 Contingencies and commitments

There were no significant contingencies and commitments at the balance sheet date.

11 Share capital

Authorised share capital:	
35,000,000 ordinary shares of Rupees 10 each	<u>350,000,000</u>
Issued, subscribed and paid-up capital	
7,000,000 ordinary shares of Rs 10 each fully paid in cash	<u>70,000,000</u>

12 Contract income

Kasur project	19,050,089
Kabirwala Project	2,686,775
	<u>21,736,864</u>
Less: Discounts	549,200
Plant non-operational charges	779,077
	<u>1,328,277</u>
	<u>20,408,587</u>

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	<i>Note</i>	2006 Rupees
13 Contract expenses		
Salaries, wages and other benefits		4,538,942
Depreciation	4.1	2,467,236
Fuel and power		1,878,235
Repair and maintenance		840,003
Stores and spares consumed		680,208
Employees old age benefit and social security		26,650
Pump hiring charges		140,000
Carriage and freight		35,645
Utility charges		25,378
Insurance expenses		22,344
		<u>10,654,641</u>
14 General and administrative expenses		
Directors' remuneration		880,000
Salaries, wages and other benefits		501,325
Travelling and conveyance		1,173,585
Preliminary expenses		934,700
Consultancy fee		437,890
Depreciation	4.1	392,247
Office rent		225,000
Auditors' remuneration		100,000
Charity and donation		106,310
Postage, telegram and telephones		99,351
Rent, rates and taxes		88,199
Insurance		85,291
Entertainment		58,374
Printing and stationery		33,753
Utilities		33,035
Miscellaneous		84,125
		<u>5,233,185</u>
15 Financial and other charges		
Bank charges		61,474
Loss on sale of fixed assets		604,679
		<u>666,153</u>

Company

	2006 Rupees
16 Other income	
Interest income on short term investment	938,219
Service income	582,498
Interest income on deposit accounts	639,849
	<u>2,160,566</u>

17 Financial instruments and related disclosures

	2006				Total Rupees
	Interest/mark-up bearing		Non-interest/mark-up bearing		
	Maturity upto one year	Maturity over one year	Maturity upto one year	Maturity over one year	
	Rupees	Rupees	Rupees	Rupees	
Financial assets					
Security deposits	-	-	-	88,000	88,000
Trade debts	-	-	2,124,223	-	2,124,223
Advances, deposits prepayments and other receivables	-	-	2,119,552	-	2,119,552
Cash and bank balances	19,732,811	-	267,894	-	20,000,705
	<u>19,732,811</u>	<u>-</u>	<u>4,511,669</u>	<u>88,000</u>	<u>24,332,480</u>
Financial liabilities					
Trade and other payables	-	-	535,370	-	535,370
	<u>19,732,811</u>	<u>-</u>	<u>3,976,299</u>	<u>88,000</u>	<u>23,797,110</u>

Effective interest rates/mark-up for monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

17.1 Interest rate risk exposure

The information about the Company's exposure to interest rate risk based on contractual refinancing or maturity dates, whichever is earlier, and the effective rates on its financial assets and liabilities as of 30 June 2006.

17.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if the counter parties failed to perform as contracted.

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An amount of Rs 2,124,223 represents credit risk from the financial assets of the Company. The Company believes that it is not exposed to major concentration of credit risk. Further, the Company attempts to control credit risk by monitoring credit exposures limiting transactions with specific customers and continuing assessments of credit worthiness of customers.

17.3 Liquidity risk

Liquidity risk reflects the Company's inability of raising funds to meet commitment. Management closely monitors the Company's liquidity and cash flow position. This includes continuous monitoring of daily fund positions, relevant ratios and diversification of the Company's financial assets.

17.4 Currency risk

The Company incurs foreign exchange risk on mainly purchases that are denominated in a currency other than Pak Rupee. The currencies giving risk are primarily Euro and US dollar. The Company believes that it is not exposed to any major foreign exchange risk at the terminal date.

17.5 Fair value of financial instruments

The carrying value of all the financial instruments reflected in the financial statements approximates their fair values.

18 Transactions with related parties

Related parties comprise associated companies, directors, companies with common directorship and key management staff. Detail of transactions with related parties and associated companies are as follow:

	2006 Rupees
Services rendered to associated companies:	
Kaizen Construction (Private) Limited	2,686,775
Loan given to/paid-off by associated company	
Kaizen Construction (Private) Limited	20,000,000
Interest on investment in associated company	
Kaizen Construction (Private) Limited	938,212
Remuneration paid to the directors	880,000
Rent paid to director	1,225,000

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19 **Date of authorization for issue**

The financial statements were authorized for issue on 14 SEP 2006 by the board of directors of the company.

20 **Figures**

Comparative figures are not given as the Company commenced its operations during the current period.

Figures have been rounded off to nearest Rupee.

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14 SEP 2006
Lahore:

Nyol Redi 572
Chief Executive

Katman
Director