

Pumps • Valves • Service
KSB Pumps Company Limited

Half Yearly Report (Un-Audited)
for the period January - June 2013



Technology that drives success



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Company Information

Board of Directors

Tonjes Cerovsky
Mohammad Masud Akhtar
Werner Spiegel
R. D. Ahmad
Sajid Mahmood Awan
Hasan Aziz Bilgrami
Engr. M. Abdul Jabbar

Chairman
Managing Director

(Nominee NIT)

Company Secretary

Sajid Mahmood Awan

Management

Mohammad Masud Akhtar
Sajid Mahmood Awan
Nadeem Hamid Butt
Syed Tariq Ali

Chief Executive Officer
Finance & Administration
Projects
Production

Auditors

A.F. Ferguson & Co.

Chartered Accountants

Legal Advisors

Mandviwala & Zafar

Bankers

Bank Alfalah Limited
Deutsche Bank AG
Habib Bank Limited
MCB Bank Limited
National Bank Of Pakistan
NIB Bank Limited
United Bank Limited

Audit Committee

Hasan Aziz Bilgrami
R. D. Ahmad
Werner Spiegel

Chairman
Member
Member

Secretary Audit Committee

Kh. Faisal Rasheed

Registered Office

16/2 Sir Aga Khan Road, Lahore - 54000.
Ph: (042) 36304173, 36370969
Fax: (042) 36368878, 36366192
Email: info@ksb.com.pk
Website: www.ksb.com.pk

Works

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Email: info@ksb.com.pk

Share Registrar

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 Fax: (051) 5472612
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 PECHS Shahrah-e-Faisal, Karachi
 Ph: (021) 111 572 786 Fax: (021) 34388302
 Email: ksbkhi@ksb.com.pk

KSB Partners

No.	FRANCHISE	ADDRESS	LOCATION	Cell #	Tele #	Fax	EMAIL
1	Standard Engineering Concern	25-Empress Road	Lahore	0321-4001255	0423- 63673881	042-36368011	kamran.razi@ksbpartners.com.pk
2	Industrial Development & Engineering Associates	20-C Mezzanine Floor, Indus Center, 14th Com st. PH-II, DHA	Karachi	0300-8203077	021-35390481-2	021-35390483	saquib@idea.com.pk
3	Ghani Enterprises	3rd Floor, Mall Tower, 35 The Mall	Peshawar	0300-5895289	091-5285679	091-5278919	franchise.kpk@ksb.com.pk
4	Wali Muhammad & Co.	Zonkiram Road near millennium Mall,	Quetta	0300- 8387668	081-2829635	081-2839721	gulistanmachinery@yahoo.com
5	Dominar Engineers	65-A Kacha Ferozepur Road,	Lahore	0302-874449	042-37500078	042-37500078	hammad.malik@de.com.pk

Directors' Review

I am pleased to present the Company's financial statements for the period ended 30th June, 2013.

During the period, overall economic activity, together with energy constraints and law & order situation, remained a challenge. Government spending did not pick up in post-election period of the 2nd quarter. Operating in this environment, KSB Pakistan has shown sustainable performance and posted impressive results for the 1st half of year 2013.

As compared to corresponding period last year, the company has maintained its turnover at Rs. 1.42 billion. Gross profit and profit after tax increased by 5% and 12.5% respectively. Resultantly, earnings per share increased to Rs. 5.64 as compared to Rs. 5.01 for the last year.

The Industry, Construction and Water/Waste Water sectors have shown healthy growth and are expected to follow the same trend in 2nd half. The Project business activity is also anticipated to gain momentum. While recent increase in energy tariff will be a challenge for otherwise healthy outlook, future growth potential in infrastructure and industrial projects should improve overall order intake in the remaining half of the year.

In order to further increase our market share, we are following the expansion strategy of business through alternate channels. Hence, we have increased the number of commercial-dealers in various regions. Further, we have initiated marketing measures like product seminars and focussed group communication activities to attract high-potential customers. Moreover, we are making progress on product line extensions for petrochemical, fire-fighting and water sectors keeping in view the potential for growth in these markets.

KSB Pakistan has won Environment Excellence Award 2013 in acknowledgement of our commitment to environment friendly policies.

I appreciate the efforts our dedicated team has made to successfully maintain the pace of business activity in difficult economic conditions.



Mohammad Masud Akhtar
Managing Director

August 15, 2013
Lahore, Pakistan

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

Introduction

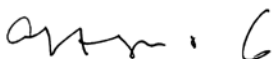
We have reviewed the accompanying condensed interim balance sheet of KSB Pumps Company Limited as at June 30, 2013 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity for the half year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended June 30, 2013 and 2012 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2013.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended June 30, 2013 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.



Chartered Accountants

Name of engagement partner: Imran Farooq Mian
Lahore, August 15, 2013

Condensed Interim Balance Sheet (Un-audited)

As at June 30, 2013

	Note	June 30, 2013 (Un-audited) (Rupees in thousand)	December 31, 2012 Audited and restated
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 15,000,000 (2012: 15,000,000) ordinary shares of Rs 10 each		150,000	150,000
Issued, subscribed and paid up capital 13,200,000 (2012: 13,200,000) ordinary shares of Rs 10 each		132,000	132,000
General reserve		682,000	678,000
Unappropriated profit		78,754	64,489
		892,754	874,489
NON-CURRENT LIABILITIES			
Employees' retirement and other benefits		20,505	18,744
Deferred liabilities		13,517	12,803
		34,022	31,547
CURRENT LIABILITIES			
Short term finances - secured		77,625	233,370
Trade and other payables	5	1,193,005	1,086,064
Provision for other liabilities and charges		24,266	41,561
Accrued finance cost		2,349	6,233
		1,297,245	1,367,228
CONTINGENCIES AND COMMITMENTS			
	6	2,224,021	2,273,264

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

	Note	June 30, 2013 (Un-audited) (Rupees in thousand)	December 31, 2012 Audited and restated
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	292,058	306,305
Investment property		1,333	1,439
Intangible assets		2,312	1,910
Capital work in progress		4,936	1,360
Long term loans and deposits		11,204	10,552
Deferred taxation		20,589	23,148
		332,432	344,714
CURRENT ASSETS			
Stores, spares and loose tools		52,962	53,455
Stock-in-trade		485,631	584,776
Trade debts	8	904,945	920,735
Advances, deposits, prepayments and other receivables		298,728	293,010
Cash and bank balances		149,323	76,574
		1,891,589	1,928,550
		<u>2,224,021</u>	<u>2,273,264</u>


Chairman


Chief Executive

Condensed Interim Profit and Loss Account (Un-audited)

For the half year ended June 30, 2013

	Note	Quarter ended		Half year ended	
		June 30, 2013	June 30, 2012 (Rupees in thousand)	June 30, 2013	June 30, 2012
Sales		713,385	797,960	1,422,568	1,423,150
Cost of sales	9	(550,887)	(616,812)	(1,106,174)	(1,120,775)
Gross profit		162,498	181,148	316,394	302,375
Distribution & Marketing expenses		(57,978)	(68,360)	(120,708)	(110,048)
Administrative expenses		(37,927)	(30,637)	(77,320)	(65,284)
Other operating expenses		(6,562)	(7,733)	(13,346)	(15,905)
Other operating income		5,260	8,479	16,816	15,614
Profit / (loss) from operations		65,291	82,897	121,836	126,752
Finance cost		(5,794)	(7,141)	(12,004)	(12,654)
Profit / (loss) before tax		59,497	75,756	109,832	114,098
Taxation		(18,858)	(34,545)	(35,414)	(47,965)
Profit / (loss) for the period		40,639	41,211	74,418	66,133
Earnings / (loss) per share - basic and diluted	Rupees	3.08	3.12	5.64	5.01

Appropriations have been reflected in the statement of changes in equity.

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


Chairman


Chief Executive

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the half year ended June 30, 2013

	Quarter ended		Half year ended	
	June 30, 2013	June 30, 2012 Restated (Rupees in thousand)	June 30, 2013	June 30, 2012 Restated
Profit / (loss) for the period	40,639	41,211	74,418	66,133
Remeasurement of defined benefit plans net of tax	(1,677)	1,584	(3,353)	3,168
Total comprehensive income / (loss) for the period	38,962	42,795	71,065	69,301

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



Chairman



Chief Executive

Condensed Interim Cash Flow Statement (Un-audited)

For the half year ended June 30, 2013

	Note	Half year ended	
		June 30, 2013 (Rupees in thousand)	June 30, 2012
Cash flows from operating activities			
Cash generated from operations	11	345,464	5,730
Finance cost paid		(15,888)	(8,330)
Taxes paid		(25,710)	(53,692)
Payment for accumulating compensated absences		(634)	(1,028)
Employees' retirement benefits paid		(9,483)	(5,094)
Net (increase)/decrease in long term loans and deposits		(652)	1,078
Net cash (used in)/generated from operating activities		293,097	(61,336)
Cash flows from investing activities			
Fixed capital expenditure		(16,288)	(20,974)
Proceeds from sale of property, plant and equipment		3,954	6,442
Net cash used in investing activities		(12,334)	(14,532)
Cash flows from financing activities			
Dividend paid		(52,269)	(6)
Net cash used in financing activities		(52,269)	(6)
Net (decrease)/increase in cash and cash equivalents		228,494	(75,874)
Cash and cash equivalents at beginning of the period		(156,796)	12,662
Cash and cash equivalents at the end of the period	12	71,698	(63,212)

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


Chairman


Chief Executive

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

For the half year ended June 30, 2013

	Share capital	General reserves	Unappropriated profit	Total
	(Rupees in thousand)			
Balance as at December 31, 2011	132,000	678,000	(106,021)	703,979
Effect of change in accounting policy - note 3.1	-	-	1,484	1,484
Balance as at December 31, 2011 (restated)	132,000	678,000	(104,537)	705,463
Total comprehensive income for the period as previously stated	-	-	66,133	66,133
Remeasurement of defined benefit plans-net of tax	-	-	3,168	3,168
Total comprehensive income/(loss) for the period as restated	-	-	69,301	69,301
Transfer to general reserve	-	-	-	-
Balance as at June 30, 2012 (Unaudited and restated)	132,000	678,000	(35,236)	774,764
Total comprehensive income for the period as previously stated	-	-	96,789	96,789
Remeasurement of defined benefit plans-net of tax	-	-	2,936	2,936
Total comprehensive income/(loss) for the period as restated	-	-	99,725	99,725
Balance as at December 31, 2012 (restated)	132,000	678,000	64,489	874,489
Final dividend for the year ended December 31, 2012 Rs 4.00 per share	-	-	(52,800)	(52,800)
Total comprehensive income for the period	-	-	71,065	71,065
Transfer to general reserve	-	4,000	(4,000)	-
Balance as at June 30, 2013 (Unaudited)	132,000	682,000	78,754	892,754

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


Chairman


Chief Executive

Notes to and Forming Part of the Condensed Interim Financial Information

For the half year ended June 30, 2013 (Un-audited)

1. Legal status and nature of business

KSB Pumps Company Limited (a KSB group company) was incorporated in Pakistan on July 18, 1959 under the Companies Act, 1913 (now the Companies Ordinance, 1984) and is listed on the Karachi and Lahore Stock Exchanges. The Company is principally engaged in the manufacture and sale of industrial pumps, valves, castings and related parts. The registered office of the Company is situated at KSB Building, Sir Aga Khan Road, Lahore.

2. Basis of preparation

This condensed interim financial information is unaudited and has been prepared and is being submitted to the shareholders in accordance with section 245 of the Companies Ordinance, 1984 and International Accounting Standards (IAS) 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 figures for the half year ended June 30, 2013 have been subjected to limited scope review as required by abovementioned section of the Companies Ordinance, 1984. This condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the annual financial statements for the year ended December 31, 2012.

3. Accounting Policies

The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the company for the year ended December 31, 2012 except as described below:

3.1 Standards, amendments to published standards and interpretations effective in current year

During the current year, the Company has changed its accounting policy in respect of post retirement defined benefits plans. The new policy is in accordance with the requirements of IAS 19 revised, 'Employee Benefits'. According to new policy, on remeasurements, actuarial gains and losses result from increases or decreases in the present value of the defined benefit obligation because of changes in actuarial assumptions and experience adjustments, the return on plan assets excluding amounts included in net interest on the net defined benefit liability (asset), are recognised in the balance sheet immediately, with a charge or credit to other comprehensive income (OCI) in the periods in which they occur.

The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. There is no change to determining the discount rate; this continues to reflect the yield on high-quality corporate bonds. This has increased the income statement charge as the discount rate applied to assets is lower than the expected return on assets. This has no effect on total comprehensive income as the increased charge in profit or loss is offset by the credit in other comprehensive income.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated. The effect of the change in accounting policy on the current and prior period financial statements have been summarised below:

Effect on balance sheet

	December 31, 2012	December 31, 2011
	(Rupees in thousand)	
(Decrease) / increase employees' retirement and other benefits	(4,952)	(2,283)
Decrease / (increase) advances, deposits, prepayments and other receivables	(4,087)	(550)
Decrease / (increase) deferred taxation	1,451	1,349
(Increase) / decrease unappropriated profit/(loss)	(7,588)	(1,484)
Impact on Statement of Changes in Equity		
Cumulative effect from prior years- Net of tax	-	(1,484)
Impact for the year ended December 31, 2012	(7,588)	-

3.2 Standards, amendments and interpretations to existing standards not yet effective and not applicable/relevant to the company

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the company's accounting periods beginning on or after January 1, 2013 but are considered not to be relevant or to have any significant effect on the company's operations and are, therefore, not detailed in these financial statements.

4. Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

5. Trade and other payables

Trade creditors include amount due to holding company of Rs 138.00 million (December 2012: Rs 153.639 million) and associated undertakings of Rs 21.52 million (December 2012: Rs 9.463 million).

6. Contingencies and commitments

6.1 Contingencies

The company has obtained bank guarantees of Rs. 240.230 million (December 2012: Rs 272.213 million) against the performance of various contracts.

6.2 Commitments

Letters of credit other than for capital expenditure approximately Rs. 38.263 million (December 2012: Rs. 16.910 million).

7. Property, plant and equipment

	June 30, 2013	December 31, 2012
	(Rupees in thousand)	
Opening book value	306,305	308,558
Add: Additions/transfers during the period	11,528	48,138
	317,833	356,696
Less: Disposals during the period (at book value)	3,222	5,931
Depreciation charged during the period	22,553	44,460
	25,775	50,391
	292,058	306,305

7.1 Following is the detail of additions/transfers during the period

Plant and machinery	2,487	5,642
Tools, jigs and attachments	509	2,387
Patterns	-	5,470
Other equipments	2,747	5,981
Furniture and fixtures	94	614
Office machine & appliances	5,041	4,151
Vehicles	650	23,893
	11,528	48,138

8. Trade debts

Trade debts	960,362	971,597
Less: Provision for doubtful debts	(55,417)	(50,862)
	904,945	920,735

	Quarter ended		Half year ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
	(Rupees in thousand)			
9. Cost of sales				
Raw material consumed	279,664	411,427	639,606	766,073
Salaries, wages, amenities and staff welfare	54,903	51,000	111,511	96,036
Staff training	148	107	579	352
Electricity and power	15,113	17,198	31,215	32,248
Stores and spares consumed	31,161	42,469	65,348	70,478
Insurance	482	640	1,352	1,363
Travelling and conveyance	9,800	8,335	17,659	14,235
Postage and telephone	1,084	1,040	2,049	2,017
Rent, rates and taxes	700	351	1,439	1,161
Repairs and maintenance	816	429	3,001	638
Legal & Professional charges	457	277	896	553
SAP user licence fee & other IT services	4,679	4010	7,753	6,818
Packing expenses	6,056	5,308	13,400	7,983
Outside services	82,508	98,586	146,979	175,584
Depreciation on Property, plant and equipment	8,856	6,681	17,638	15,781
Provision for obsolete stores & stocks	1,500	9,615	5,500	11,115
Royalty	1,854	784	2,590	1,668
Other expenses	1,277	1,786	2,356	3,724
	501,058	660,043	1,070,871	1,207,827
Opening work-in-process	224,196	199,067	204,835	149,565
Less: Closing work-in-process	177,835	230,528	177,835	230,528
(Increase)/decrease in work in process	46,361	(31,461)	27,000	(80,963)
Cost of goods manufactured				
Opening stock of finished goods	39,329	46,831	44,164	52,510
Less: Closing stock of finished goods	35,861	58,599	35,861	58,599
(Increase)/decrease in finished goods	3,468	(11,768)	8,303	(6,089)
	550,887	616,814	1,106,174	1,120,775

		Half year ended	
		June 30, 2013	June 30, 2012
		(Rupees in thousand)	
10. Transactions with related parties			
Relationship with the Company	Nature of transaction		
i. Associated undertakings	Purchase of goods and services	208,895	243,302
	Sale of goods and services	175,053	165,327
	Commission income	45	3,385
	Commission expense	14,807	9,461
	Royalty	2,590	1,668
ii. Post retirement benefit plans	Expense charged	7,922	10,086
iii. Key management personnel	Compensation	82,104	82,118
		June 30, 2013	December 31, 2012
		(Rupees in thousand)	
Period end balances			
Receivable from related parties		104,196	155,790
Payable to related parties		159,517	163,102

These are in the normal course of business and are interest free.

	Half year ended	
	June 30, 2013	June 30, 2012
	(Rupees in thousand)	
11. Cash generated from operations		
Profit before tax	109,832	114,098
Adjustments for:		
Depreciation on		
- Property, plant and equipment	22,553	21,407
- Investment property	106	106
- Intangible assets	782	1,163
Profit on sale of property, plant and equipment	(732)	(2,013)
Accumulating compensated absences	1,348	1,888
Employee's retirement and other benefits	6,086	5,741
Provision no longer considered necessary written back	-	(1,007)
Exchange loss/(gain)	(1,632)	1,381
Finance cost	12,004	12,654
Provision for doubtful debts and receivables	5,304	3,444
Provision for obsolete stocks and stores	5,500	11,115
Profit before working capital changes	161,151	169,977
Effect on cash flow due to working capital changes		
(Increase)/decrease in current assets		
Stores and spares	493	(7,604)
Stock-in-trade	93,645	(215,232)
Trade debts	11,236	(124,546)
Loans, advances, deposits, prepayments and other receivables	(11,808)	(11,423)
Increase/(decrease) in current liabilities		
Trade and other payables	108,042	200,848
Provision for other liabilities and charges	(17,295)	(6,290)
	184,313	(164,247)
	345,464	5,730
12. Cash and cash equivalents		
Cash and bank balances	149,323	100,863
Finances under mark up arrangements - secured	(77,625)	(164,075)
	71,698	(63,212)
13. Date of authorisation for issue		
This condensed interim financial information was authorised for issue on August 15, 2013 by the Board of Directors of the Company.		
14. Corresponding figures		
Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. However, no significant re-arrangements have been made.		


Chairman


Chief Executive



More Space for Solutions.

Pumps • Valves • Service



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