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KSB Pumps Company Limited

Half Yearly Report (Un-Audited)
for the period January - June 2012

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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
 Aizaz Sarfraz
 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
 Kamran Khan Mongol

Chief Executive Officer
 Finance & Administration
 Projects
 Production
 Sales, Marketing &
 Product Management

Auditors

A.F. Ferguson & Co.

Chartered Accountants

Legal Advisors

Mandviwala & Zafar

Bankers

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

Audit Committee

Hasan Aziz Bilgrami
 R. D. Ahmad
 Werner Spiegel

Chairman
 Member
 Member

Secretary

Kh. Faisal Rasheed

Head Internal Audit

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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 Ph: (057) 2520236
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 Email: info@ksb.com.pk

Share Registrar

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 Shahra-e-Faisal, Karachi-74000
 Tel: (021) 111-111-500
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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

Directors' Review

I feel pleasure to present the Company's financial statements for the period ended 30th June, 2012.

Although economic indicators of the Country are not encouraging, overall performance for KSB Pakistan in terms of order intake, sales and profit has been remarkable for the first two quarters of 2012 and we exceeded our budgeted figures.

The key performance indicators are:

- **Sales:** Rs. 1.42 billion; a significant increase of 55% as compared to corresponding period last year.
- **Gross profit:** Rs. 303 million; an increase of 79% as compared to last year.
- **Net profit before tax:** Rs. 114 million; as compared to loss of Rs. 31 million in 2nd quarter of the year 2011.
- **Earnings per share:** Rs. 5.01 against last year of Rs. (1.38).

Standard and High-end engineered market for Industry and Energy segment has been a major focus for us. Water & Waste Water segment has also shown significant growth. Company has posted ever highest order intake from alternate channels including KSB Partners. It seems that this momentum will continue in remaining period of the year 2012 due to expansion in petrochemical sector and upcoming elections.

The CDWA project is still on hold and we are trying to find an amicable solution with the Government.

'Kamyaab Kisaan' campaign was successfully launched all across Punjab. Seminars for Water & Waste Water segments were conducted in Lahore and Karachi. Furthermore, Company participated in the series of events "Germany on the Road" organized by the German Embassy, reinforcing KSB's corporate identity in a better way.

KSB Pakistan has achieved a great milestone with the launch of its new corporate website, in-line with Group's corporate communication policy.

I truly recognize the efforts of our devoted team on achieving the remarkable results in 2nd quarter of the year 2012.



Mohammad Masud Akhtar
Managing Director

August 16, 2012
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, 2012, 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 "interim financial information"). Management is responsible for the preparation and presentation of this 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 interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended June 30, 2012 and 2011 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2012.

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, 2012 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: Amer Raza Mir

Lahore, August 16, 2012

Condensed Interim Balance Sheet (Un-audited) As at June 30, 2012

	Note	June 30, 2012 (Rupees in thousand)	December 31, 2011
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 15,000,000 (December 31, 2011: 15,000,000) ordinary shares of Rs 10 each		150,000	150,000
Issued, subscribed and paid up capital 13,200,000 (December 31, 2011: 13,200,000) ordinary shares of Rs 10 each		132,000	132,000
General reserve		678,000	678,000
Unappropriated profit		(39,888)	(106,021)
		770,112	703,979
NON-CURRENT LIABILITIES			
Employees' retirement and other benefits		22,335	21,688
Deferred liabilities		14,618	13,758
		36,953	35,446
CURRENT LIABILITIES			
Short term finances - secured		164,075	57,791
Trade and other payables	5	1,374,389	1,173,173
Provision for other liabilities and charges		19,022	25,312
Accrued finance cost		6,220	1,896
		1,563,706	1,258,172
CONTINGENCIES AND COMMITMENTS			
	6		
		2,370,771	1,997,597

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

	Note	June 30, 2012 (Rupees in thousand)	December 31, 2011
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	305,758	308,557
Investment property		1,546	1,652
Intangible assets		1,700	2,150
Capital work in progress		1,334	4,110
Long term loans and deposits		11,868	12,946
Deferred taxation		7,755	36,814
		329,961	366,229
CURRENT ASSETS			
Stores, spares and loose tools		43,538	37,134
Stock-in-trade		604,502	399,185
Trade debts	8	988,545	866,753
Advances, deposits, prepayments and other receivables		303,362	257,843
Cash and bank balances		100,863	70,453
		2,040,810	1,631,368
		2,370,771	1,997,597


Chairman


Chief Executive

Condensed Interim Profit and Loss Account (Un-audited) For the half year ended June 30, 2012

	Note	Quarter ended		Half year ended	
		June 30, 2012	June 30, 2011 (Rupees in thousand)	June 30, 2012	June 30, 2011
Sales		797,960	515,822	1,423,150	918,630
Cost of sales	9	(616,812)	(407,463)	(1,120,164)	(749,357)
Gross profit		181,148	108,359	302,986	169,273
Distribution & Marketing expenses		(68,360)	(48,928)	(115,263)	(96,403)
Administrative expenses		(30,637)	(34,500)	(65,955)	(66,671)
Other operating expenses		(7,733)	(29,598)	(10,630)	(50,120)
Other operating income		8,479	17,961	15,614	22,634
Profit / (loss) from operations		82,897	13,294	126,752	(21,287)
Finance cost		(7,141)	(4,626)	(12,654)	(9,602)
Profit / (loss) before tax		75,756	8,668	114,098	(30,889)
Taxation		(34,545)	12,609	(47,965)	12,609
Profit / (loss) for the period		41,211	21,277	66,133	(18,280)
Earnings / (loss) per share - basic and diluted	Rupees	3.12	1.61	5.01	(1.38)

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, 2012

	Quarter ended		Half year ended	
	June 30, 2012	June 30, 2011 (Rupees in thousand)	June 30, 2012	June 30, 2011
Profit / (loss) for the period	41,211	21,277	66,133	(18,280)
Other comprehensive income	-	-	-	-
Total comprehensive income / (loss) for the period	41,211	21,277	66,133	(18,280)

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, 2012

	Note	Half year ended	
		2012 (Rupees in thousand)	2011
Cash flows from operating activities			
Cash generated from operations	11	5,730	145,734
Finance cost paid		(8,330)	(12,062)
Taxes paid		(53,692)	(19,420)
Payment for accumulating compensated absences		(1,028)	-
Employees' retirement benefits paid		(5,094)	(6,317)
Net (increase)/decrease in long term loans and deposits		1,078	817
Net cash (used in)/generated from operating activities		(61,336)	108,752
Cash flows from investing activities			
Fixed capital expenditure		(20,974)	(37,087)
Proceeds from sale of property, plant and equipment		6,442	3,238
Net cash used in investing activities		(14,532)	(33,849)
Cash flows from financing activities			
Dividend paid		(6)	(16,365)
Net cash used in financing activities		(6)	(16,365)
Net (decrease)/increase in cash and cash equivalents		(75,874)	58,538
Cash and cash equivalents at beginning of the period		12,662	(1,626)
Cash and cash equivalents at the end of the period	12	(63,212)	56,912

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, 2012

	Share capital	General reserves	Unappropriated profit	Total
	(Rupees in thousand)			
Balance as at January 1, 2011	132,000	594,000	100,600	826,600
Final dividend for the year ended December 31, 2010 @ Rs. 1.25 per share			(16,500)	(16,500)
Total comprehensive income / (loss) for the period	-	-	(18,280)	(18,280)
Transfer to general reserve		84,000	(84,000)	-
Balance as at June 30, 2011	132,000	678,000	(18,180)	791,820
Total comprehensive income / (loss) for the period	-	-	(87,841)	(87,841)
Balance as at December 31, 2011	132,000	678,000	(106,021)	703,979
Total comprehensive income for the period	-	-	66,133	66,133
Balance as at June 30, 2012	132,000	678,000	(39,888)	770,112

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, 2012 (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, 2012 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, 2011.

3. Accounting Policies

3.1 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, 2011.

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

IFRS 7 - Financial Instruments - These amendments are as part the IASBs comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial asset. This amendment is effective for periods beginning on or after July 1, 2011. The amendment is not expected to have a material impact on the company's financial statements.

3.1.2 Standards, amendments to published standards and interpretations that are effective in current year but not applicable/relevant to the Company

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2012 are considered not to be relevant or to have any significant impact on the company's financial reporting and operations.

3.1.3 Standards, amendments and interpretations to existing standards not yet effective

The following amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting period beginning on or after their respective dates:

Standards or Interpretation	Effective date (accounting periods beginning on or after)
IAS 19 - Employee benefits	January 1, 2013
IFRS 9 - Financial instruments	January 1, 2015
IFRS 7 - Financial instruments: Disclosures	January 1, 2013
IAS 32 - Financial instruments : Presentation	January 1, 2013
IAS 32 - 'Financial instruments: Presentntation', on offsetting financial assets and financial liabilities	January 1, 2014

3.1.4 Standards and interpretations to existing standards that are not relevant to the company and not yet effective

The following standards, amendments and interpretations to published approved accounting standards, effective for annual accounting periods beginning on or after the dates specified below are either not applicable or relevant to the Company's operations or are not expected to have significant impact on the company's financial statements other than enhanced disclosures in certain cases.

Standards or Interpretation	Effective date (accounting periods beginning on or after)
IAS 1 - Financial statement presentation	July 1, 2012
IAS 27 - (revised), 'Separate financial statements'	January 1, 2013
IAS 28 - (revised), 'Associate and joint venture'	January 1, 2013
IFRS 10 - Consolidated Financial statements	January 1, 2013
IFRS 11 - Joint Arrangements	January 1, 2013
IFRS 12 - Disclosures of interests in other entities	January 1, 2013
IFRS 13 - Fair value measurement	January 1, 2013
IFRS 1 - 'First time adoption', on government loans	January 1, 2013

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 170.38 million (December 2011: Rs 65.486 million) and associated undertakings of Rs 50.732 million (December 2011: Rs 3.329 million).

6. Contingencies and commitments

6.1 Contingencies

The company has obtained bank guarantees of Rs 422.431 million (December 2011: Rs 275.124 million) against the performance of various contracts.

6.2 Commitments

Letters of credit other than for capital expenditure Rs 63.911 million (December 2011: Rs 35.670 million).

7. Property, plant and equipment

	June 30, 2012	December 31, 2011
	(Rupees in thousand)	
Opening book value	308,557	292,199
Add: Additions/transfers during the period	23,037	70,100
	331,594	362,299
Less: Disposals during the period (at book value)	4,429	13,148
Depreciation charged during the period	21,407	40,594
	25,836	53,742
	305,758	308,557

- note 7.1

	June 30, 2012 (Rupees in thousand)	December 31, 2011
7.1 Following is the detail of additions/transfers during the period		
Buildings on freehold land	-	21,534
Plant and machinery	2,513	12,279
Tools, jigs and attachments	-	288
Patterns	941	4,062
Other equipments	4,667	8,840
Furniture and fixtures	-	2,459
Office machine & appliances	2,291	2,632
Vehicles	12,625	18,006
	23,037	70,100
8. Trade debts		
Trade debts	1,044,162	926,117
Less: Provision for doubtful debts	(55,617)	(59,364)
	988,545	866,753

	Quarter ended		Half year ended	
	June 30, 2012	June 30, 2011	June 30, 2012 (Rupees in thousand)	June 30, 2011
9. Cost of sales				
Raw material consumed	411,427	217,557	766,073	419,672
Salaries, wages, amenities and staff welfare	51,000	39,063	96,036	79,428
Staff training	107	186	352	209
Electricity and power	17,198	13,425	32,248	27,432
Stores and spares consumed	42,469	20,720	70,478	39,120
Insurance	640	816	1,363	1,220
Travelling and conveyance	8,335	6,437	14,235	13,419
Postage and telephone	1,040	989	2,017	1,861
Rent, rates and taxes	351	646	550	1,168
Repairs and maintenance	429	1,093	638	1,980
Legal & Professional charges	4,287	1,587	7,371	2,640
Packing expenses	5,308	4,069	7,983	6,816
Outside services	98,586	68,112	175,584	100,238
Depreciation on Property, plant and equipment	7,550	6,643	15,781	15,247
Amortization of Intangible assets	(869)	854	-	1,300
Provision for obsolete stores & stocks	9,615	1,500	11,115	3,000
Royalty	784	343	1,668	1,062
Other expenses	1,786	829	3,724	1,921
	660,043	384,869	1,207,216	717,733
Opening work-in-process	199,067	129,196	149,565	139,419
Less: Closing work-in-process	230,528	127,851	230,528	127,851
(Increase)/decrease in work in process	(31,461)	1,345	(80,963)	11,568
Cost of goods manufactured				
Opening stock of finished goods	46,831	93,733	52,510	92,540
Less: Closing stock of finished goods	58,599	72,484	58,599	72,484
(Increase)/decrease in finished goods	(11,768)	21,249	(6,089)	20,056
	616,814	407,463	1,120,164	749,357

	Half year ended	
	June 30, 2012	June 30, 2011
	(Rupees in thousand)	
12. Cash and cash equivalents		
Cash and bank balances	100,863	156,750
Finances under mark up arrangements - secured	(164,075)	(99,838)
	<u>(63,212)</u>	<u>56,912</u>

13. Date of authorisation for issue

This condensed interim financial information was authorised for issue on August 16, 2012 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