

Half Yearly Report (Un-Audited)

For the Period ended June 30, 2016

KSB Pumps Company Limited



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Company Information

Board of Directors

Tonjes Cerovsky
 Mohammad Masud Akhtar
 Sajid Mahmood Awan
 Dr. Matthias Beth
 Rahat Kaunain Hassan
 Hasan Aziz Bilgrami
 Syed Hyder Ali
 Jamal Nasim

Chairman
 Managing Director

(Nominee NIT)

Company Secretary

Sajid Mahmood Awan

Management

Mohammad Masud Akhtar
 Sajid Mahmood Awan
 Syed Tariq Ali
 Muhammad Imran Malik
 Mamoon Riaz

Chief Executive Officer
 Finance, Administration & Corporate Affairs
 Operations
 Sales & Strategic Marketing
 Projects

Auditors

A.F. Ferguson & Co.

Chartered Accountants

Legal Advisors

Mandviwala & Zafar

Bankers

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

Audit Committee

Jamal Nasim
 Hasan Aziz Bilgrami
 Dr. Matthias Beth
 Syed Hyder Ali

Chairman
 Member
 Member
 Member

Secretary Audit Committee

Saeed Hussain

HR & R Committee

Rahat Kaunain Hassan
 Syed Hyder Ali
 Mohammad Masud Akhtar

Chairperson
 Member
 Member

Registered Office

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

Works

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 Ph: (057) 2520236
 Fax: (057) 2520237
 Email: info@ksb.com.pk

Share Registrar

Central Depository Company of Pakistan Limited
 CDC House, 99-B, Block B, SMCHS
 Shahra-e-Faisal, Karachi-74000
 Tel: (021) 111-111-500
 Fax: (021) 34326053

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16/2 Sir Aga Khan Road Lahore.
Ph: (042) 111 572 786, 36304173
Fax: (042) 36366192, 36368878
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Multan

Golden Heights, Nusrat Road, Multan.
Ph: (061) 111 572 786
Fax: (061) 4541784
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Rawalpindi

309, A3 Peshawar Road, Westridge 1,
Opp. Valley Clinic, Rawalpindi.
Ph: (051) 111 572 786, (051) 5491481-82
Fax: (051) 5491237
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Karachi

307 & 308, 3rd Floor Parsa Tower, Block 6,
PECHS Shahrah-e-Faisal, Karachi
Ph: (021) 111 572 786 Fax: (021) 34388302
Email: ksbkhi@ksb.com.pk

Peshawar

3rd Floor, Mall Tower, 35 The Mall, Peshawar
Cell: 0300-5895289 Ph: 091-5285679
Fax: 091-5278919
Email: franchise.kpk@ksb.com.pk

KSB Partners

Sr.	Channel	City	Location	Status	Province	Partners	Contact#	Office Landline	Fax	Email
1	Dominar Engineers	Lahore	65-A Ferozpur Road, Link Samanabad Road, near LOS	KSB Partners	Punjab	Hammad Malik/ Syed Mehdi	0302-8744449/8	042-37500078	042-37500078	hammad.malik@de.com.pk
2	Industrial Development & Engineering Associates	Karachi	20-C Mezzanine Floor, Indus Center, 14th Com st. PH-II, DHA	KSB Partners	Sindh	Saqib Khawaja	0300-8203077	021-35390481/2	021-35390483	saqib@idea.com.pk
3	Wali Muhammad & Co.	Quetta	Zonkiram Road near millennium Mall	KSB Partners	Balochistan	Wali Muhammad	0300- 8387668	081-2829635	081-2829635	gulistanmachinery@yahoo.com
4	Pak Atlantis Pumps	Peshawar	3rd floor, Mall Tower, 35- The Mall, Peshawar Cantt	KSB Partners	KPK	Arbab Bilal Ahmad/ Atif Javed	0308-5053175/ 0345-5555939	091-5285679	091-5278919	pakatlantis@gmail.com
5	Pak Atlantis Pumps	Rawalpindi	309, A3 Peshawar Road, Westridge 1, Opp. Valley Clinic, Rawalpindi	KSB Partners	Punjab	Arbab Bilal Ahmad/ Atif Javed	0345-5555939	051-5491413	051-5491237	pakatlantis@gmail.com
6	Modern Technology & Traders	Karachi	Plot No. 36C, 3rd & 4th Floor, Lane 11, Bukhari Commercial Phase-6 DHA, Karachi	KSB Partners	Sindh	Farhan Hasan / Mansoor Iqbal	0321-2038202/ 0333-7299905	021-35156121-4	021-35156125	qayoomshaikh3@gmail.com

Directors' Review

I am pleased to present the financial statements of KSB Pumps Company Limited for the half year ended June 30, 2016.

Year 2015-16 has been a successful year for Pakistan economy with the highest GDP growth of 4.7% recorded in eight years' time period. CPI Inflation dropped to the level as low as 2.9%. Foreign exchange reserves have shown steady growth. Although agriculture sector has shown negative performance yet Industry and services sectors remained major contributors to overall GDP growth. Construction activity is buoyant and expected to grow further in view of CPEC related projects. Security situation has also improved as a result of successful military operation. Government has made some progress on energy related projects expected to mature in next few years. Classification of Pakistan stock market in emerging economies Index by MSCI is likely to boost foreign investment into the country. Among downside risks, unexpected increase in oil prices may widen trade deficit gap. Moreover, slowdown in global growth, increasing geopolitical tensions and post Brexit uncertainty prevailing in European economies might also affect our trade activities and financial inflows. However, overall situation of Pakistan economy is positive and economic growth is expected to accelerate in FY 2017.

KSB Pakistan has achieved excellent numbers in 1st half of year 2016. The revenue far exceeded 2 billion mark, total sales being PKR 2.5 billion, an increase of 35% over last year. Profit before taxes is PKR 240 million, again a remarkable increase of 38%. Earnings per share increased to Rs. 12.59 as compared to Rs. 9.65 for the half year ended June 30, 2015.

All business segments have shown positive growth so far, however, water/waste water remained key contributing sector towards order intake of the company. Execution work of SAAF PAANI project has been successfully completed thus increasing the overall sales revenue. Looking ahead, both public and private sectors offer favourable business opportunities, which gives us further confidence to meet business targets in year 2016.

As a part of long term business strategy, KSB Pakistan has planned a major investment on up-gradation and expansion of the existing Foundry. Having planning phase concluded and investment approval in place, we are about to set the wheels in motion. The work is expected to be completed in year 2017. The new state-of-the-art foundry facility with high pressure moulding line shall enable us serve our customers with even more sophisticated products meeting higher standards of quality.

I congratulate the dedicated and hardworking KSB team on achievement of the remarkable results in 1st half and hope the year 2016 to be another very successful year for KSB Pakistan and its stakeholders.



Mohammad Masud Akhtar
Managing Director

August 22, 2016
Lahore, Pakistan

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

Introduction

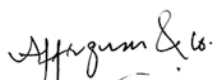
We have reviewed the accompanying condensed interim balance sheet of KSB Pumps Company Limited as at June 30, 2016 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes 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, 2016 and 2015 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2016.

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 could 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, 2016 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: Hammad Ali Ahmad
Lahore, August 22, 2016

Condensed Interim Balance Sheet (Un-audited)

As at June 30, 2016

	Note	June 30, 2016 (Un-audited) (Rupees in thousand)	December 31, 2015 (Audited)
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
15,000,000 (2015: 15,000,000) ordinary shares of Rs 10 each		150,000	150,000
Issued, subscribed and paid up capital			
13,200,000 (2015: 13,200,000) ordinary shares of Rs 10 each		132,000	132,000
General reserve		1,085,600	903,000
Unappropriated profit		166,500	275,250
		1,384,100	1,310,250
NON CURRENT LIABILITIES			
Employees' retirement and other benefits		62,193	63,949
Deferred taxation		25,256	19,779
		87,449	83,728
CURRENT LIABILITIES			
Short term finances - secured		137,794	381,372
Trade and other payables	5	2,043,345	1,542,692
Provisions for other liabilities and charges		34,189	59,590
Accrued finance cost		3,844	3,639
		2,219,172	1,987,293
CONTINGENCIES AND COMMITMENTS			
	6		
		3,690,721	3,381,271

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

	Note	June 30, 2016 (Un-audited) (Rupees in thousand)	December 31, 2015 (Audited) (Rupees in thousand)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	404,203	406,779
Investment property		693	800
Intangible assets		715	1,056
Capital work-in-progress		5,147	9,160
Long-term loans and deposits		16,236	15,188
		426,994	432,983
CURRENT ASSETS			
Stores, spares and loose tools		62,807	53,812
Stock-in-trade		716,914	713,590
Trade debts	8	1,622,246	1,437,371
Advances, deposits, prepayments and other receivables		572,563	561,011
Cash and bank balances		289,197	182,504
		3,263,727	2,948,288
		<u>3,690,721</u>	<u>3,381,271</u>


Chairman


Chief Executive

Condensed Interim Profit and Loss Account (Un-audited)

For the half year ended June 30, 2016

	Note	Quarter ended		Half year ended	
		June 30, 2016	June 30, 2015 (Rupees in thousand)	June 30, 2016	June 30, 2015
Sales		1,226,659	1,090,872	2,555,054	1,892,271
Cost of sales	9	(943,813)	(817,799)	(2,026,236)	(1,453,493)
Gross profit		282,846	273,073	528,818	438,778
Distribution and marketing expenses		(95,823)	(93,143)	(167,730)	(159,480)
Administrative expenses		(53,276)	(44,181)	(108,314)	(89,293)
Other operating expenses		(13,936)	(14,515)	(22,195)	(19,643)
Other operating income		25,321	3,919	29,652	23,458
Profit from operations		145,132	125,153	260,231	193,820
Finance costs		(8,900)	(11,711)	(20,269)	(19,996)
Profit before taxation		136,232	113,442	239,962	173,824
Taxation	4	(54,109)	(27,102)	(73,712)	(46,424)
Profit for the period		82,123	86,340	166,250	127,400
Earnings per share - basic and diluted	Rupees	6.22	6.54	12.59	9.65

Appropriations have been reflected in the Statement of Changes in Equity.

The annexed notes 1 to 16 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, 2016

	Quarter ended		Half year ended	
	June 30, 2016	June 30, 2015 (Rupees in thousand)	June 30, 2016	June 30, 2015
Profit after taxation	82,123	86,340	166,250	127,400
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	82,123	86,340	166,250	127,400

The annexed notes 1 to 16 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, 2016

		Half year ended	
		June 30, 2016	June 30, 2015
		(Rupees in thousand)	
Note			
Cash flows from operating activities			
	Cash generated from operations	529,498	346,541
	Finance costs paid	(20,064)	(27,195)
	Taxes paid	(27,589)	(28,133)
	Employees' retirement and other benefits paid	(12,840)	(9,112)
	Net increase in long term loans and deposits	(1,048)	(280)
	Net cash from operating activities	467,957	281,821
Cash flows from investing activities			
	Fixed capital expenditure	(28,640)	(56,689)
	Proceeds from sale of property, plant and equipment	2,549	7,500
	Net cash used in investing activities	(26,091)	(49,189)
Cash flows from Financing activities			
	Dividend paid	(91,595)	(63,670)
	Net cash used in financing activities	(91,595)	(63,670)
	Net increase in cash and cash equivalents	350,271	168,962
	Cash and cash equivalents at the beginning of the period	(198,868)	(163,239)
	Cash and cash equivalents at the end of the period	151,403	5,723

The annexed notes 1 to 16 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, 2016

	Share capital	General reserves	Un-appropriated profit	Total
	(Rupees in thousand)			
Balance as at January 1, 2015	132,000	787,000	182,515	1,101,515
Final dividend for the year ended December 31, 2014 Rs 5 per share	-	-	(66,000)	(66,000)
Transfer to general reserve	-	116,000	(116,000)	-
Total comprehensive income for the period	-	-	127,400	127,400
Balance as at June 30, 2015 (unaudited)	132,000	903,000	127,915	1,162,915
Total comprehensive income for the period			147,335	147,335
Balance as at December 31, 2015 (audited)	132,000	903,000	275,250	1,310,250
Final dividend for the year ended December 31, 2015 Rs 7 per share	-	-	(92,400)	(92,400)
Transfer to general reserve	-	182,600	(182,600)	
Total comprehensive income for the period	-	-	166,250	166,250
Balance as at June 30, 2016 (unaudited)	132,000	1,085,600	166,500	1,384,100

The annexed notes 1 to 16 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, 2016 (Un-audited)

1. Legal status and nature of business

KSB Pumps Company Limited (a KSB group company) 'The Company' was incorporated in Pakistan on July 18, 1959 under the Companies Act, 1913 (now the Companies Ordinance, 1984) and is listed on Pakistan Stock Exchange Limited (formerly, Karachi and Lahore Stock Exchanges). The Company is a subsidiary of KSB Aktiengesellschaft and 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 in accordance with the requirements of the International Accounting Standard (IAS) 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 and is being submitted to the shareholders in accordance with Section 245 of Companies Ordinance, 1984. In case where the requirements differ, the provisions of or directives issued by Companies Ordinance, 1984 have been followed. The figures for the half year ended June 30, 2016 have been subjected to limited scope review as required by above-mentioned section of the Companies Ordinance, 1984. This condensed interim financial information does not include all information required for annual financial statements and therefore should be read in conjunction with the annual financial statements for the year ended December 31, 2015.

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, 2015 except as described below:

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

There were certain new standards, amendments to the approved accounting standards and new interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). The amendments and Interpretations which became effective during the year are considered not to be relevant to the Company's operations and therefore are not detailed in these financial statements except for the amendments as explained below:

-Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)

-Annual improvements 2012-2014 cycle (amendments to various standards)

-Disclosure initiative (amendments to IAS 1)

3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after their respective effective dates but the Company has not early adopted them. They are not expected to have a material impact on Company's financial statements.

Standards or interpretations:	Effective date (accounting periods beginning on or after)
IFRS 9, 'Financial Instruments'	January 1, 2018
IFRS 15 'Revenue from contracts with customers'	January 1, 2017

4. Taxation

4.1 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.

4.2 Finance Act, 2015 introduced income tax at the rate of 10% on undistributed reserves where such reserves of the company are in excess of its paid up capital and the company derives profits for a tax year but does not distribute requisite cash dividend within six months of the end of the said tax year. Liability in respect of such income tax, if any, is recognised when the prescribed time period for distribution of dividend expires.

5. Trade and other payables

Trade creditors include amount due to holding company of Rs. 55.019 million (December 2015: 58.840 million) and associated undertakings of Rs. 10.962 (December 2015: 32.460 million).

6. Contingencies and commitments

6.1 Contingencies

The company has obtained bank guarantees of Rs. 1,399.71 million (December 2015: Rs 1200.220 million) against the performance of various contracts.

6.2 Commitments

Letters of credit other than for capital expenditure approximately Rs. 75.732 million (December 2015: Rs. 171.715 million).

7. Property, plant and equipment

	Note	June 30, 2016 (Un-audited) (Rupees in thousand)	December 31, 2015 (Audited)
Opening book value		406,779	354,761
Add: Additions during the period	7.1	32,653	125,729
		439,432	480,490
Less: Disposal during the period (at book value)		(2,296)	(11,023)
Depreciation charged during the period		(32,933)	(62,613)
Write off		-	(75)
		(35,229)	(73,711)
		404,203	406,779
7.1 Following is the details of additions during the period			
Additions			
Buildings on Freehold Land		-	19,165
Plant & Machinery		21,583	19,305
Tools, Jigs and Attachments		286	1,367
Patterns		2,140	9,653
Other Equipment		1,013	27,454
Furniture and Fixtures		59	1,757
Office Machine & Appliances		2,009	6,721
Vehicles		5,563	40,307
		32,653	125,729

	June 30, 2016 (Un-audited)	December 31, 2015 (Audited)
	(Rupees in thousand)	
8. Trade debts		
Trade Debts	1,714,988	1,518,070
Less: Provision for doubtful debts	92,742	80,699
	1,622,246	1,437,371

	Quarter ended		Half year ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
	----- Unaudited -----			
	(Rupees in thousand)			
9. Cost of sales				
Raw material consumed	539,532	409,824	1,318,357	697,165
Salaries, wages, amenities and staff welfare	71,802	66,697	147,642	135,128
Staff training	964	357	1,849	473
Electricity and power	30,171	21,811	56,828	45,444
Stores and spares consumed	52,032	103,195	116,675	153,122
Insurance	2,241	1,447	4,470	3,171
Travelling and conveyance	15,021	13,582	29,181	22,305
Postage and telephone	1,464	1,429	2,825	2,446
Printing and stationery	927	1,139	1,397	1,995
Rent, rates and taxes	2,652	1,458	5,235	2,718
Repairs and maintenance	5,343	5,267	9,293	8,919
Legal & Professional charges	3,340	3,034	6,687	6,596
SAP user license fee and other IT services	4,065	3,676	8,566	8,156
Packing expenses	7,439	6,185	15,590	10,629
Outside services	158,846	203,715	312,695	355,343
Depreciation on property, plant and equipment	12,705	11,537	25,397	22,698
Provision for obsolete stores & stocks	1,500	3,500	3,000	5,000
Royalty & Trademark	5,199	4,711	10,497	10,916
Other expenses	2,707	1,509	4,593	2,451
	917,950	864,073	2,080,777	1,494,675
Opening work-in-process	402,793	220,010	321,285	224,275
Less: Closing work-in-process	379,626	269,590	379,626	269,590
(Increase)/decrease in work in process	23,167	(49,580)	(58,341)	(45,315)
Cost of goods manufactured	941,117	814,493	2,022,436	1,449,360
Opening stock of finished goods	17,866	22,107	18,970	22,934
Less: Closing stock of finished goods	15,170	18,801	15,170	18,801
Decrease in finished goods	2,696	3,306	3,800	4,133
	943,813	817,799	2,026,236	1,453,493
Less: Cost of capital assets manufactured	-	-	-	-
	943,813	817,799	2,026,236	1,453,493

9.1 This includes amount of Rs. 5.02 million (June 2015: 5.99 million) charged by the parent company (KSB Aktiengesellschaft) on account of various services provided to the company.

12. Cash and cash equivalents

Cash and cash equivalents comprise the following items:

Cash and bank balances
Short term finances

June 30, 2016	June 30, 2015
----- Unaudited ----- (Rupees in thousand)	
289,197	236,480
(137,794)	(230,757)
151,403	5,723

13. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements as at December 31, 2015.

There have been no changes in the risk management policies since the year end.

14. Date of authorization for issue

This condensed interim financial information was authorized for issue on August 22, 2016 by the Board of Directors of the Company.

15. Events after balance sheet date

No material events have occurred subsequent to June 30, 2016.

16. Corresponding figures

In order to comply with the requirements of International Accounting Standard (IAS) 34 - 'Interim Financial Reporting', the condensed interim balance sheet and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year; whereas, the condensed interim profit and loss account, condensed interim statement of comprehensive income and condensed interim cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. However, no significant rearrangements have been made.



Chairman



Chief Executive

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TO:



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