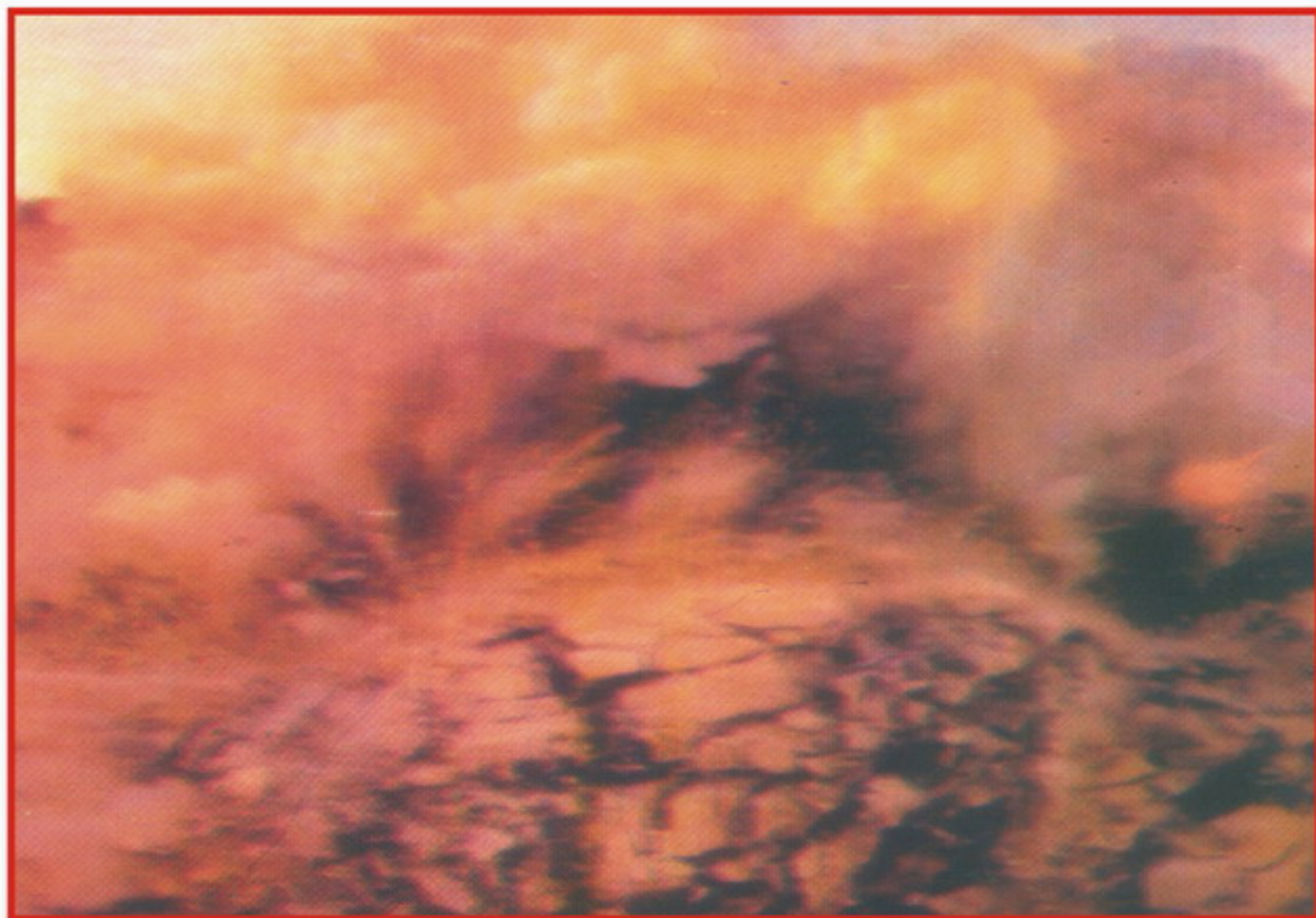


19th Annual Report 2007



BIAFO INDUSTRIES LTD.

Manufacturers of Tovex[®] Explosives & Blasting Accessories



CONTENTS

	Page No
■ Corporate Information	1
■ Notice of Annual General Meeting	2-3
■ Directors' Report	4-6
■ Stakeholders Information	7
■ Statement of Compliance	8-9
■ Review Report to the Members	10
■ Auditors' Report to the Members	11
■ Balance Sheet	12
■ Profit & Loss Account	13
■ Cash Flow Statement	14
■ Statement of Changes in Equity	15
■ Notes to the Financial Statements	16-34
■ Pattern of Shareholding	35-36
■ Form of Proxy	37

CORPORATE INFORMATION

Board of Directors

Executive Directors

M. Afzal Khan	Chairman
Khawaja Amanullah Askari	Chief Executive Officer
Maj. General (Rd.) S. Z. M. Askree	Director
Ms. Shirin Safdar	Director

Non Executive Directors

Abdul Maajid Qureshi	Director
S.M. Sibtain	Director
M. Salim	Director
M. Humayun Khan	Director
M. Zafar Iqbal	Director
M. Zafar Khan	Director
Adnan Aurangzeb	Director

Company Secretary

Khawaja Shaiq Tanveer

Audit Committee

Ms. Shirin Safdar	Chairman
Abdul Maajid Qureshi	Member
Maj. General (Rd.) S. Z. M. Askree	Member
M. Humayun Khan	Member
Adnan Aurangzeb	Member

Auditors

KPMG Taseer Hadi & Co. Chartered Accountants.

Bankers

Bank of Khyber	ABN-Ambro Bank
National Bank of Pakistan	Allied Bank of Pakistan
Habib Bank Limited	Standard Chartered Bank
Bank Alfalah Limited	

Registered Office / Share's Department

Biafo Industries Limited

Office NO: 203-204, 2nd Floor, Muhammad Gulistan Khan House,
82-East, Fazal-Ul-Haq Road, Blue Area, Islamabad-Pakistan.
Tel: +92 51 2277358-9, 2829532-3, 2272613, 2802218 Fax: + 92 51 22774744
Website: www.biafo.com, E-mail: management@biafo.com, biafo@hotmail.com.

Factory

Biafo Industries Limited

Plot No: 70, Phase III, Industrial Estate, Hattar, District Haripur, N.W.F.P - Pakistan
Tel: + 92 995 617312, 617830 Fax: + 92 995 617497
Website: www.biafo.com, E-mail: plant@biafo.com

NOTICE OF ANNUAL GENERAL MEETING

2

Notice is hereby given that the 19th Annual General Meeting of Biafo Industries Limited will be held on Tuesday 30th October 2007 at 11.00 a.m. at # 203,2nd Floor, M. Gulistan Khan House, 82-East Fazal-ul-Haq Road, Blue Area, Islamabad to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the 18th Annual General Meeting held on October 30, 2006.
2. To receive and adopt the Audited Accounts of the Company for the year ended June 30, 2007 together with Auditors' report and Directors' report thereon.
3. To approve the payment of final dividend of Rs. 1.50 Per share (15 %) and also the interim dividends of Rs 0.50 per share (5%) declared on October 05, 2006 and interim dividend of Rs. 0.50 per share (5%) declared on April 17, 2007 making a total of Rs. 2.50 per share (25%) for the year ended June 30, 2007.
4. To appoint Auditors for the year 2007-2008 and to fix their remuneration. Retiring Auditors M/s KPMG Taseer Hadi & Co. Chartered Accountants being eligible offer themselves for reappointment for the year 2007-2008.
5. To elect 10 Directors in accordance with the provisions of the Companies Ordinance 1984

6. SPECIAL BUSINESS

To approve the following resolution

“ Resolved that additional new object clauses be inserted in the Memorandum of Association of the company subject to the approval from Securities & Exchange Commission of Pakistan”.

7. To transact such other business as may be placed before the meeting with the permission of the Chairman

Islamabad
8th October, 2007

By order of the Board



Khawaja Shaiq Tanveer
Company Secretary

NOTES:

1. The Board has fixed the number of Director at 10 and all the 10 retiring Directors being eligible offer themselves for re-election.

1) M. Afzal Khan	2) M. Salim	3) Abdul Maajid Qureshi	4) S.M. Sibtain
5) Maj. Gen @ S.Z.M Askree	6) M. Humayun Khan	7) M. Zafar Iqbal	8) M. Zafar Khan
9) Adnan Aurangzeb	10) Ms. Shirin Safdar		
2. Share Transfer Books of the Company will remain closed from October 24, 2007 to October 30, 2007 both days inclusive.

NOTICE OF ANNUAL GENERAL MEETING

3. A member entitled to attend and vote at the meeting shall be entitled to appoint another person, as his/her and proxy to attend demand or join in demanding a poll, speak and vote instead of his/her and a proxy so appointed shall have such rights, as attending, speaking and voting at the meeting as are available to a member. Proxies in order to be effective must be received at the registered office of the company not later than 48 hours before the meeting duly stamped, signed and witnessed. A proxy need not be a member of the Company.
4. CDC Shareholders or their proxies are required to bring with them their original National Identity cards or Passports along with the Participant's ID numbers and their Account Numbers at the time of attending the Annual General Meeting in order to authenticate their usual documents required for such purposes.
5. Shareholders are requested to promptly notify in writing to the Company of any change in their address.

STATEMENT U/S 160(1) OF THE COMPANIES ORDINANCE 1984

The Board of Directors of the company has recommended that in order to increase the profitability of the company new objects clauses be inserted in the memorandum of association of the company. Currently the company is a single object company and cannot do any other business therefore its is recommended that new object clauses be included in the memorandum so that at any time some other business may be carried on which may conveniently or advantageously be combined with the existing business of the company.

If any of the shareholder intend to see the proposed object clauses he/she can obtain it from the Registered office of the company at 203, 2nd Floor Muhammad Gulistan Khan House 82-East Blue Area Islamabad Tel : 051-2277358-9.

DIRECTORS' REPORT

Your Directors are pleased to present the 19th Annual Report of the company for the year ended June 2007.

FINANCIAL RESULTS

The period under review has seen significant achievements as gross sales exceeded Rs. 530 M. and the net sale increased by 34.46% to Rs. 413.585 M. Operating profit of the company increased by 60.27% to Rs. 112.9 M. Profit for the year after taxation increased by 30.36% to Rs. 93.295 M. resulting in EPS of Rs. 4.66 against Rs. 3.58 for the previous financial year.

Your company had to make a provision for, WPPF and WWF it is effective in the year under review, resulting in increase of charge under these head of Rs. 4.380 M. over the previous year.

Sales increased in all sectors including cement, construction and mining, large projects, agency business and exports to Saindak Copper & Gold and Duddar Lead & Zinc projects in Baluchistan.

Your management efforts in maintaining controls on cost continue, despite pressure of price increases reflecting inflationary pressures as well as raw material price increases, reflected in the improved profit margin of the company.

Increased sales and effective cash flow management has enabled the company to pay off its long term liability except one final installment to the Habib Bank Ltd. There was a very small short-term borrowings at the end of the financial year. There was significant reduction in the financial cost of Rs. 5.8 M over the previous year.

The improved cash flow has allowed the company to invest some of the available funds and the company has also purchased a commercial plot of 4800 sq.ft. in G-10/4, Islamabad for its offices at a cost of Rs. 37.018 M.

Tax authorities have accepted past tax losses to be set off against profit of the company and this has resulted in Rs. 175.87 M. assessed as losses on 11-09-06. The set off of losses against the profit will result in tax benefit of Rs. 61.55 million to the company.

PRODUCTION

Details of production are covered in Note 36. Production of explosive increased by 23.48%. Production of Detonating Cord increased by 29.45%. Production of Plain Detonators increased by 21.52%. Electric/Seismic Detonators increased by 123.38% over previous period. The company continues to provide both human and material resources to maintain reliability of production for timely supply to its clients. Training of personnel continuing both in house as well as externally through organizations like National Productivity Organization (NPO) seminar and training both technical and management training services. Production capability are being increased by de-blocking and streamlining of process flows and judicious applications of equipment enhancing production capability in an economic manner to meet increase in future demand.

FUTURE PROSPECTS

Continuing focus on development & improvement of infrastructure will generate investment in Hydel Projects, Mining and Oil & Gas Exploration and Road & Building Construction will continue to increase demand in the larger economy of Pakistan. Your company has signed agreement for supply of explosive to Gomal Zam Dam Hydel Project and Mangla Dam Raising Project.

DIVIDEND:

Board has approved final dividend of Rs. 1.50 per share (15%) and also the interim dividends of Rs. 0.50 per share (5%) declared on October 5, 2006 and interim dividend of Rs. 0.50 per share (5%) declared on April 17, 2007 making a total of Rs. 2.50 per share (25%) for the year ended June 30, 2007

CODE OF CORPORATE GOVERNANCE

We are pleased to report that the company has taken necessary measures to comply with the provision of the code of Corporate Governance as incorporated in listing regulations of the Stock Exchanges.

The Board regularly reviews the company's strategic direction. Business plans and targets are set by the Chairman/Chief Executive & are reviewed by the Board. The Board is committed to maintain a high standard of good corporate governance. The company is in the process of implementing the provisions set out by Securities & Exchange Commission of Pakistan (SECP) and the accordingly amended listing rules by Stock Exchanges.

As required by the Code of Corporate Governance, your directors are pleased to report that:

- Financial statement prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flow & changes in equity.
- Proper books of account of the company have been maintained.
- Accounting policies have been consistently applied in preparation of financial statements and accounting estimates, except for those disclosed in the accounts & accounting estimates are based on reasonable & prudent judgment.
- International accounting standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal controls is sound and has been effectively implemented and monitored.
- There is no significant doubt about the company's ability to continue as a going concern
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2007 except for those stated in the financial statements.
- No trading other than that disclosed in this report was carried out by the Directors, CEO, CFO, Company Secretary and their spouses and their minor children.
- A statement as to the value of investment of Provident Fund as on June 30, 2007 is Rs. 3,500,827/-.

DIRECTORS' REPORT

A total of 5 meetings of the Board of Directors were held during year (July 06 to June 07). The attendance by each Director is given as follows:

<u>NAME ATTENDED</u>		<u>NO. OF MEETINGS</u>
Mr. M. Afzal Khan	Chairman	5
Mr. Khawaja Amanullah Askari	CEO	5
Mr. M. Maajid Qureshi	Director	4
Mr. S. M. Sibtain	Director	2
Mr. M. Salim	Director	0
Ms. Shirin Safdar	Director	4
Mr. Adnan Aurangzeb	Director	3
Mr. Zafar Iqbal	Director	4

Leave of absence is granted in all cases to the Directors.

AUDITORS

The present auditors M/s KPMG Taseer Hadi & Company, Chartered Accountants retire and being eligible offer themselves for reappointment.

ACKNOWLEDGEMENT

Your Board would like to take this opportunity to express its special appreciation to all the employees of the company without whose continued commitment and hard work the challenges of new opportunities could not be achieved. We also acknowledge the support and cooperation of our major share holder, customers, suppliers and our Bankers specially Habib Bank Ltd, Bank of Khyber, ABN AMRO, National Bank of Pakistan, Standard Chartered bank Limited and Bank Alfalah Limited.

PATTERN OF SHARE HOLDING

Pattern of share holding is enclosed.

On Behalf of the Board



Khawaja Amanullah Askari
Chief Executive

Islamabad
8th October, 2007

STAKEHOLDERS INFORMATION

		2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95
Investor Information														
Paid up Capital	Rs. In '000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	140,000	140,000	140,000	140,000
Shareholder Equity	Rs. In '000	368,684	295,388	223,821	164,653	149,350	185,859	181,762	188,654	193,293	55,633	99,041	127,971	88,063
Long Term Debts	Rs. In '000	-	24,913	91,944	102,558	117,852	109,560	123,959	127,849	148,050	214,712	216,489	223,785	206,167
Fixed Assets	Rs. In '000	301,552	281,216	301,640	282,299	292,351	302,010	307,444	312,766	317,025	333,320	350,563	368,750	284,089
Net Sales	Rs. In '000	413,585	307,582	215,236	182,533	99,499	92,911	85,212	78,830	68,374	67,632	56,193	67,546	29,202
Gross Profit / (Loss)	Rs. In '000	140,926	97,847	60,914	56,125	23,320	26,527	19,286	17,669	2,959	1,995	4,490	2,538	(12,905)
Depreciation Charge	Rs. In '000	25,536	25,020	13,260	8,937	7,854	5,483	4,540	6,338	16,388	17,349	18,281	14,595	15,338
Finance Cost	Rs. In '000	3,884	9,104	10,294	17,220	14,941	17,053	17,312	13,440	38,097	36,413	15,259	44,031	32,550
Operating Profit / (Loss)	Rs. In '000	112,897	70,443	33,343	24,792	(557)	4,314	(6,892)	116,090*	(43,069)	(43,407)	(29,415)	(56,224)	(51,936)
WPPF / WFF Paid	Rs. In '000	(7,903)	(3,522)	(1,667)	(1,240)	-	(216)	-	-	-	-	-	-	-
Taxation	Rs. In '000	(11,699)	4,647	(47)	(249)	23	-	-	-	-	-	484	(338)	(146)
Profit / (Loss) after taxation	Rs. In '000	93,295	71,568	31,629	23,303	(534)	4,099	(6,892)	116,090	(43,069)	(43,407)	(28,931)	(56,563)	(51,936)
Accumulated Profit / (Loss)	Rs. In '000	102,583	14,354	(62,547)	(96,689)	(113,766)	(110,611)	(114,709)	(107,871)	(223,906)	(180,837)	(137,430)	(108,499)	(51,936)

Performance Results

Earning Per Share	Rs. 10/Share	4.66	3.58	1.58	1.17	(0.03)	0.01	(0.34)	5.80	(2.15)	(3.10)	(2.07)	(4.04)	(3.71)
Break-up Value	Rs. 10/Share	18.43	14.77	11.19	8.23	7.47	9.29	9.09	9.43	9.66	3.97	7.07	9.14	6.29
Return On Capital Employed	%	46.65	35.78	15.81	11.65	(0.27)	2.05	(3.45)	58.05	(21.53)	(31.01)	(20.67)	(40.40)	(37.10)
Current Ratio	:	3.42	3.02	2.72	1.24	1.19	1.15	1.45	1.34	0.32	0.39	0.51	0.65	1.17
Fixed Asset Turnover Ratio	Times	1.37	1.09	0.71	0.65	0.34	0.31	0.28	0.25	0.22	0.20	0.16	0.18	0.10
Inventory Turnover Ratio	Times	10.23	9.96	9.84	7.78	4.97	5.59	5.80	5.21	5.07	5.56	4.15	4.03	2.32
Debtors Turnover Ratio	Days	46.10	48.06	55.38	60.76	76.19	40.03	29.21	26.43	44.36	69.35	49.13	47.84	60.02
Gross Profit / (Loss) Ratio	%	34.07	31.81	28.30	30.75	23.44	28.55	22.63	22.41	4.33	2.95	7.99	3.76	(44.19)
Profit / (Loss) Ratio for the year	%	27.30	22.90	15.49	13.58	(0.56)	4.64	(8.09)	147.27	(62.99)	(64.18)	(52.35)	(83.24)	(177.85)
Net Profit Ratio After Taxation	%	22.56	23.27	14.70	12.77	(0.54)	4.41	(8.09)	147.27	(62.99)	(64.18)	(51.49)	(83.74)	(177.85)
Share Price-High	Per Share	57.00	34.05	18.40	18.30	10.50	5.65	6.20	24.75	5.00	3.00	2.75	6.00	24.50
Share Price-Low	Per Share	22.15	15.75	8.00	7.35	3.05	2.40	4.00	4.00	1.00	1.00	1.40	2.75	10.00

Production

ExplosivesKgs	4,447,700	3,602,025	2,801,100	2,603,668	1,337,964	739,130	803,621	868,533	834,330	873,390	599,110	762,590	329,980
Detonator- PlainNos	7,789,700	6,410,950	6,452,900	3,700,280	2,920,150	2,213,771	1,908,400	1,857,500	1,860,000	1,358,000	1,047,000	1,092,015	666,000
Detonator-ElectricNos	449,300	201,652	111,710	166,771	43,376	5,700	31,882	16,000	23,000	1,000	39,000	13,329	34,000
Safety FuseMeter	100,900	18,000	261,950	197,535	1,320,650	464,150	141,650	-	-	95,000	150,000	-	-
Detonating CordMeter	2,479,150	1,915,125	1,751,210	2,299,136	1,554,837	813,263	1,054,360	1,309,000	896,000	716,000	351,000	522,920	231,000

* Reversal of accumulated Loss due to Restructuring

STATEMENT OF COMPLIANCE

WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulations of the Karachi, Lahore and Islamabad stock exchanges for the purpose of establishing a framework of good corporate governance, whereby, a listed company is managed in compliance with best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:-

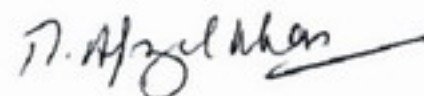
1. The Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes 07 independent non-executive directors out of total strength of 11 members.
2. The directors have confirmed that none of them is serving as a director in ten or more listed companies including this company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or being a member of stock exchange has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board of Directors during the year ended June 30, 2007.
5. The Board has prepared “Statement of Ethics and Business Practices” which has been signed by all the Directors and employees of the Company.
6. The Board has formulated and adopted vision and mission statement.
7. All the powers of the Board have been duly exercised and decision on material transactions including appointment and determination of remuneration and terms and conditions of employment of the CEO and other Executive directors have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board Meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated within thirty days of the respective meeting.
9. All the Directors on the Board are fully conversant with their duties and responsibilities as Director of corporate bodies. It has accordingly not been felt necessary to put them through any orientation.
10. No new appointments of CEO, CFO, Company Secretary have been made during the year. Internal Auditors have been appointed by the CEO as per recommendation of the Board.
11. The Directors' report for this year has been prepared in compliance with requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before the approval of the Board.

STATEMENT OF COMPLIANCE

WITH THE CODE OF CORPORATE GOVERNANCE

13. The Directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises 05 members, out of which 03 members are non-executive directors.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has outsourced the internal audit function to Riasat Khan & Co who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company and they are involved in the internal audit function.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with the them have not been appointed to provide other services except in accordance with the listing regulation and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code of Corporate Governance have been complied with.

Islamabad
8th October, 2007



M. Afzal Khan
Chairman

REVIEW REPORT TO THE MEMBERS

ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF
CODE OF CORPORATE GOVERNANCE

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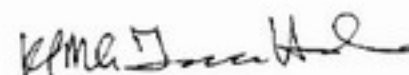
We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Biafo Industries Limited (“the Company”) to comply with the Listing Regulations of the Karachi and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company’s compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board’s Statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company’s compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2007.

Islamabad
8th October, 2007



KPMG Taseer Hadi & Co.
Chartered Accountants

AUDITORS' REPORT

TO THE MEMBERS

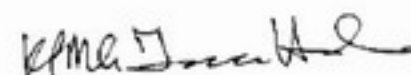
We have audited the annexed balance sheet of Biafo Industries Limited ("the Company") as at 30 June 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained 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 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 consistently applied;
 - 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 year 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 2007 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Islamabad
8th October, 2007



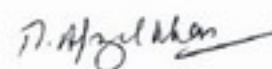
KPMG Taseer Hadi & Co.
Chartered Accountants

BIAFO INDUSTRIES LIMITED
BALANCE SHEET AS AT 30 JUNE 2007

	Note	2007 Rupees	2006 Rupees
NON CURRENT ASSETS			
Fixed assets - Property, plant and equipment	5	301,552,414	281,215,991
Long term deposits		544,749	544,749
		<u>302,097,163</u>	<u>281,760,740</u>
CURRENT ASSETS			
Stores, spare parts and loose tools	6	5,117,592	5,341,982
Stock in trade	7	44,061,251	32,616,292
Trade debts	8	57,451,208	44,689,777
Advances	9	3,255,748	3,052,467
Trade deposits and short term prepayments	10	1,083,085	893,219
Other receivables	11	432,406	241,707
Other financial asset	12	11,061,855	-
Advance tax - net		11,401,311	9,428,490
Cash and bank balances	13	28,695,006	7,733,204
		<u>162,559,462</u>	<u>103,997,138</u>
CURRENT LIABILITIES			
Trade and other payables	14	35,859,358	29,316,090
Markup accrued	15	63,774	384,875
Short term borrowings	16	3,080,323	5,923,568
Current portion of -			
Long term financing	17	8,757,290	7,861,653
Liabilities against assets subject to finance lease	18	3,165,164	890,329
		<u>50,925,909</u>	<u>44,376,515</u>
		<u>111,633,553</u>	<u>59,620,623</u>
NET CURRENT ASSETS			
NON CURRENT LIABILITIES			
Long term financing	17	-	17,051,398
Liabilities against assets subject to finance lease	18	6,250,910	1,971,455
Deferred employee benefit	19	457,164	329,836
Deferred tax liability - net	20	38,338,510	26,639,878
		<u>45,046,584</u>	<u>45,992,567</u>
		<u>368,684,132</u>	<u>295,388,796</u>
CONTINGENCIES AND COMMITMENTS			
	21		
REPRESENTED BY:			
SHARE CAPITAL AND RESERVES			
Share capital	22	200,000,000	200,000,000
Unappropriated profit		102,582,926	14,354,696
		<u>302,582,926</u>	<u>214,354,696</u>
SURPLUS ON REVALUATION OF FIXED ASSETS -net of tax	23	66,101,206	81,034,100
		<u>368,684,132</u>	<u>295,388,796</u>

The annexed notes 1 to 39 form an integral part of these financial statements.

Islamabad
8th October, 2007



Director



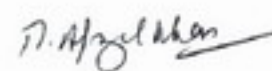
Chief Executive

BIAFO INDUSTRIES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 Rupees	2006 Rupees
GROSS SALES	24	529,968,995	400,141,682
Sales Tax		(41,287,652)	(31,793,976)
Discounts		(75,095,934)	(60,766,102)
Net Sales		<u>413,585,409</u>	<u>307,581,604</u>
Cost of sales	25	(272,659,887)	(209,734,023)
GROSS PROFIT		140,925,522	97,847,581
Other operating income	26	980,338	879,118
Distribution cost	27	(10,037,355)	(7,473,920)
Administrative expenses	28	(15,087,651)	(11,121,652)
Finance costs	29	(3,884,114)	(9,688,218)
OPERATING PROFIT		<u>112,896,740</u>	<u>70,442,909</u>
Workers' profit participation fund		(5,644,837)	(3,522,145)
Workers' welfare fund		(2,257,935)	-
PROFIT BEFORE TAXATION		<u>104,993,968</u>	<u>66,920,764</u>
Taxation	30	(11,698,632)	4,647,109
PROFIT FOR THE YEAR		<u><u>93,295,336</u></u>	<u><u>71,567,873</u></u>
Earnings per share - Basic and diluted	32	<u><u>4.66</u></u>	<u><u>3.58</u></u>

The annexed notes 1 to 39 form an integral part of these financial statements.

Islamabad
8th October, 2007


Director


Chief Executive

BIAFO INDUSTRIES LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 Rupees	2006 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		104,993,968	66,920,764
Adjustments for:			
Depreciation		25,535,537	25,020,313
Finance costs		3,884,114	9,688,218
Provision for Workers' profit participation fund		5,644,837	3,522,145
Provision for Workers' welfare fund		2,257,935	-
Bad debts written off		-	79,174
Provision for employee benefits		176,055	35,836
Unrealized gain on remeasurement of investment at fair value through profit or loss		(236,855)	-
Gain on disposal of property, plant and equipment		(231,703)	(242,524)
		<u>37,029,920</u>	<u>38,103,162</u>
		142,023,888	105,023,926
Working capital changes:			
Decrease in store, spare parts and loose tools		224,390	81,129
Increase in stock in trade		(11,444,959)	(7,245,360)
Increase in trade debts		(12,761,431)	(8,665,834)
Decrease/(increase) in advances, deposits, prepayments and other receivables		916,154	(188,041)
Decrease in trade and other payables		349,624	6,306,155
		<u>(22,716,222)</u>	<u>(9,711,951)</u>
Cash generated from operations		119,307,666	95,311,975
Finance costs paid		(4,205,215)	(10,687,674)
Employee benefits paid		(48,727)	(898,375)
Payments to Workers' profit participation fund		(3,522,145)	(1,667,181)
Income taxes paid		(1,972,821)	(4,844,958)
		<u>(9,748,908)</u>	<u>(18,098,188)</u>
Net cash from operating activities		109,558,758	77,213,787
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(39,112,812)	(4,093,947)
Proceeds from disposal of property, plant and equipment		908,870	1,048,890
Purchase of investment		(10,825,000)	-
Net cash used in investing activities		(49,028,942)	(3,045,057)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of finance lease liabilities		(2,382,025)	(1,202,464)
Repayment of loans from directors and shareholders		-	(9,386,963)
Repayments of loans from banking companies		(16,155,761)	(57,643,583)
Dividends paid		(18,186,983)	(40,986)
Net cash used in financing activities		(36,724,769)	(68,273,996)
NET INCREASE IN CASH AND CASH EQUIVALENTS		23,805,047	5,894,734
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		1,809,636	(4,085,098)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	31	<u>25,614,683</u>	<u>1,809,636</u>

The annexed notes 1 to 39 form an integral part of these financial statements.

Islamabad
8th October, 2007

P. Arif Khan

Director

Q. Iqbal

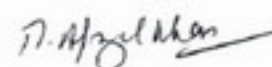
Chief Executive

BIAFO INDUSTRIES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2007

	Share capital	(Accumulated loss)/ Unappropriated profit	Total equity
	Rupees	Rupees	Rupees
Balance at 01 July 2005	200,000,000	(62,547,599)	137,452,401
Changes in equity for the year ended 30 June 2006			
Transfer from surplus on revaluation of fixed assets - net of deferred tax	-	5,334,422	5,334,422
Profit for the year	-	71,567,873	71,567,873
Total recognized income for the year	-	76,902,295	76,902,295
Balance at 30 June 2006	200,000,000	14,354,696	214,354,696
Balance at 01 July 2006	200,000,000	14,354,696	214,354,696
Changes in equity for the year ended 30 June 2007			
First interim dividend 2007: Rs. 0.50 per share	-	(10,000,000)	(10,000,000)
Second interim dividend 2007: Rs. 0.50 per share	-	(10,000,000)	(10,000,000)
Transfer from surplus on revaluation of fixed assets - net of deferred tax	-	14,932,894	14,932,894
Profit for the year	-	93,295,336	93,295,336
Total recognized income for the year	-	108,228,230	108,228,230
Balance at 30 June 2007	200,000,000	102,582,926	302,582,926

The annexed notes 1 to 39 form an integral part of these financial statements.

Islamabad
 8th October, 2007



Director



Chief Executive

1 LEGAL STATUS AND OPERATIONS

Biafo Industries Limited ("the Company") was incorporated in Pakistan on 07 September 1988 as a public limited company under the Companies Ordinance, 1984 and its shares are quoted on the Karachi and Islamabad Stock Exchanges.

The Company started its commercial production on 01 July 1994 and is principally engaged in the manufacturing of commercial explosives and blasting accessories including detonators and other materials. The Company has set up its industrial undertaking in Hattar Industrial Estate N.W.F.P. with its registered office located at 203-204, second floor, Gulistan Khan House, 82-East, Fazal-ul-Haq road, Blue area, Islamabad, Pakistan.

2 STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

2.1 STATEMENT OF COMPLIANCE

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

2.2 SIGNIFICANT ESTIMATES

The preparation of financial statements in conformity with IASs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and 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 judgment about carrying value 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 estimates are revised if the revision affect only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgment made by management in the application of IASs that have significant affect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

2.2.1 FIXED ASSETS- PROPERTY, PLANT AND EQUIPMENT

The Company reviews the useful lives of property, plant and equipment on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment. In addition, the Company is carrying certain property, plant and equipment at revalued amounts determined by an independent valuer. Valuation is sensitive to changes in the underlying assumptions.

2.2.2 TAXATION

The Company takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

2.3 NEW ACCOUNTING STANDARDS AND IFRIC INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following standards, interpretations and amendments in approved accounting standards are only effective for accounting periods beginning on or after 01 July 2007. However, management believes that these standards and IFRICs either do not have any impact on the present transactions of the Company or the Company would be able to comply with these standards, IFRICs and amendments when applicable:

IAS 1 - Presentation of Financial Statements - Amendments Relating to Capital Disclosures;

IAS 23 - Borrowing Costs (as revised);

IAS 41 - Agriculture;

IFRS 2 - Share-based Payments;

IFRS 3 - Business Combinations;

IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations;

IFRS 6 - Exploration for and Evaluation of Mineral Resources;

IFRIC 10 - Interim Financial Reporting and Impairment;

IFRIC 11 - Group and Treasury Share Transactions;

IFRIC 12 - Service Concession Arrangements.

IFRIC 13 - Customer Loyalty Programmes.

IFRIC 14 - The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction.

3 ACCOUNTING CONVENTION

These financial statements have been prepared under the historical cost convention except that certain items of property, plant and equipment have been measured at revalued amounts, investments at fair value through profit or loss and foreign currency bank deposits have been measured at fair value.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 PROPERTY, PLANT AND EQUIPMENT

4.1.1 OWNED

Property, plant and equipment other than leasehold land which is not depreciated, is stated at cost or revalued amount less accumulated depreciation and accumulated impairment losses, if any. Cost in relation to property, plant and equipment comprises acquisition and other directly attributable costs.

Depreciation is provided on the straight line method at the rates specified in note 5 to the financial statements so as to write off the cost of property, plant and equipment over their estimated useful lives. Depreciation is charged from the date the asset is available for use up to the date of its retirement.

Surplus arising on revaluation is credited to the surplus on revaluation of fixed asset account. Deficit arising on subsequent revaluation of property, plant and equipment is adjusted against the balance in the above mentioned surplus account. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets is transferred to equity net of deferred tax.

Subsequent costs are included in the assets' carrying amount when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Carrying amount of the replaced part is recognized. All other repairs and maintenance are charged to income during the year. Gain and losses on disposal of property, plant and equipment are included in the profit and loss account currently except that the related surplus on revaluation of fixed assets net of deferred tax is transferred directly to equity.

4.1.2 LEASED

Leased property, plant and equipment in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets held under finance lease are stated at lower of their fair value or present value of minimum lease payments at the inception of the lease, less accumulated depreciation. The outstanding obligations under the lease agreements are shown as a liability net of finance charges allocable to future periods.

The finance charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of return on the outstanding liability.

Depreciation on assets held under finance lease is charged in a manner consistent with that for depreciable assets which are owned by the Company.

4.2 STOCK IN TRADE

These are principally stated at lower of cost and net realizable value. Cost is determined as follows:

Material in transit:	at material cost plus other charges paid thereon
Raw material:	at moving average cost
Work in process:	at material cost
Finished goods:	at moving average cost and related manufacturing expenses

Cost comprises costs of purchases and other costs incurred in bringing the material to their present location and condition. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale.

4.3 STORES, SPARE PARTS AND LOOSE TOOLS

Stores, spare parts and loose tools are valued at the lower of cost and net realizable value less allowance for slow moving and obsolete items. Cost is determined on the weighted average basis and comprises costs of purchases and other costs incurred in bringing the items to their present location and condition. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale.

The Company reviews the carrying amount of stores and spare parts on a regular basis and provision is made for obsolescence.

4.4 INVESTMENTS

All purchases and sale of investments are recognized using settlement date accounting. Settlement date is the date on which investments are delivered to or by the Company. All investments are derecognized when the right to receive economic benefits from the investments has expired or has been transferred and the Company has transferred substantially all the risks and rewards of ownership.

4.4.1 INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments classified as investments at fair value through profit or loss are initially measured at cost being fair value of consideration given. At subsequent dates these investments are measured at fair value with any resulting gain or loss recognized directly in the profit and loss account. The fair value of such investments is determined on the basis of prevailing market prices.

4.5 TAXATION

Taxation comprises current and deferred tax. Taxation is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, if any, in which case the tax amounts are recognised in equity.

4.5.1 CURRENT

Provision for current taxation is based on taxable income for the year at the applicable tax rates after taking into account tax credit and tax rebates, if any.

4.5.2 DEFERRED

Deferred tax is recognized using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial statements and the corresponding tax bases used in the computation of tax. In addition Company also records deferred tax asset on available tax losses. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset 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. Further the Company also recognizes deferred tax liability on surplus on revaluation of fixed assets which is adjusted against the related surplus.

4.6 EMPLOYEE BENEFITS

4.6.1 PROVIDENT FUND

The Company has established a recognized provident fund for the management employees. Effective 01 July 2004, the benefit is also available to workers of the Company. Provision is made in the financial statements for the amount payable by the Company to the fund and in this regard contributions are made monthly at the rate of 8.33 % of basic salary equally by the Company and the employee.

4.6.2 ACCUMULATING COMPENSATED ABSENCES

The Company also makes provision for compensated un availed absences accumulated by its employees.

4.7 REVENUE RECOGNITION

Revenue is recognized when right to ownership is transferred and there is probable flow of economic resources to the Company usually at the time of delivery of goods to the customers. Interest on bank deposits is recognized on a time proportion basis.

4.8 FOREIGN CURRENCY TRANSACTIONS

Pakistan rupees is the functional currency of the Company. Transactions in foreign currencies are recorded at the rates of exchange ruling on the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated into Pakistan rupees at the rate of exchange ruling on the balance sheet date and exchange differences, if any, are charged to income for the year.

4.9 BORROWING COSTS

Mark up, interest and other charges on borrowings and finance charges of leased assets are charged to income in the period in which they are incurred.

4.10 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instruments. The Company de-recognizes a financial asset or a portion of financial asset when, and only when, the Company loses control of the contractual right that comprise the financial asset or portion of financial asset. While a financial liability or part of financial liability is de-recognized from the balance sheet when, and only when, it is extinguished i.e., when the obligation specified in the contract is discharged, cancelled or expired.

Financial assets mainly comprise long term deposits, trade debts, advances, other receivables, cash and bank balances. Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities are obligations under lease finance, long term loans, creditors, accrued and other liabilities.

All financial assets and liabilities are initially measured at fair value. These financial assets and liabilities are subsequently measured at fair value, or cost, as the case may be.

4.11 OFFSETTING

Financial assets and liabilities and tax assets and liabilities are set off in the balance sheet, only when 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 assets and settle the liabilities simultaneously.

4.12 TRADE AND OTHER PAYABLES

Liabilities for trade and other payables are carried at cost which is fair value of the consideration to be paid in the future for goods and services received.

4.13 TRADE AND OTHER RECEIVABLES

Trade and other receivable are stated at original invoice amount as reduced by appropriate provision for impairment. Known impaired receivables are written off, while receivables considered doubtful of recovery are fully provided for.

4.14 PROVISIONS

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and if required are adjusted to reflect the current best estimate.

4.15 DIVIDEND

Dividend is recognized as a liability in the period in which it is declared.

4.16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and at bank and short term borrowings that are repayable on demand and form an integral part of the Company's cash management. Cash and cash equivalents are carried in the balance sheet at cost, except for foreign currency deposits which are carried at fair value.

4.17 IMPAIRMENT

The carrying amount of Company's assets are reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

BIAFO INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

5 FIXED ASSETS- PROPERTY, PLANT AND EQUIPMENT

	Owned										Leased				Total	
	Leasehold land	Building on leasehold land	Plant and machinery	Fork lifter	Tools and equipment	Tube well	Office equipment	Furniture and fixtures	Electric appliances	Vehicles	Sub total	Fork lifter	Plant and machinery	Vehicles		Sub Total
	Rupees										Rupees				Rupees	
Cost																
Balance as at 01 July 2005	35,280,000	27,855,850	231,743,892	708,458	998,926	306,600	1,738,353	1,515,309	391,955	2,046,326	302,585,669	-	-	4,365,574	4,365,574	306,951,243
Additions during the year	-	-	2,067,400	-	-	-	331,543	26,900	59,570	64,125	2,549,538	-	-	2,853,409	2,853,409	5,402,947
Disposals	-	-	(60,270)	-	-	-	-	-	-	(1,733,826)	(1,794,096)	-	-	-	-	(1,794,096)
Adjustments	-	-	-	-	-	-	-	-	-	757,500	757,500	-	-	(757,500)	(757,500)	-
Balance as at 30 June 2006	35,280,000	27,855,850	233,751,022	708,458	998,926	306,600	2,069,896	1,542,209	451,525	1,134,125	304,098,611	-	-	6,461,483	6,461,483	310,560,094
Balance as at 01 July 2006	35,280,000	27,855,850	233,751,022	708,458	998,926	306,600	2,069,896	1,542,209	451,525	1,134,125	304,098,611	-	-	6,461,483	6,461,483	310,560,094
Additions during the year	37,018,000	-	380,198	-	-	-	-	-	99,854	1,491,282	38,989,334	1,285,000	4,247,315	2,027,478	7,559,793	46,549,127
Disposals	-	-	-	-	-	-	-	-	-	(1,626,780)	(1,626,780)	-	-	-	-	(1,626,780)
Adjustments	-	-	-	-	-	-	-	-	-	556,780	556,780	-	-	(556,780)	(556,780)	-
Balance as at 30 June 2007	72,298,000	27,855,850	234,131,220	708,458	998,926	306,600	2,069,896	1,542,209	551,379	1,555,407	342,017,945	1,285,000	4,247,315	7,932,181	13,464,496	355,482,441
Depreciation																
Balance as at 01 July 2005	-	-	-	552,083	650,004	214,213	997,140	909,138	152,927	1,129,572	4,605,077	-	-	706,443	706,443	5,311,520
Depreciation charge for the year	-	696,396	23,194,625	22,339	53,973	13,198	219,064	88,910	32,147	120,669	24,441,321	-	-	578,992	578,992	25,020,313
Disposals	-	-	(715)	-	-	-	-	-	-	(987,015)	(987,730)	-	-	-	-	(987,730)
Adjustments	-	-	-	-	-	-	-	-	-	401,235	401,235	-	-	(401,235)	(401,235)	-
Balance as at 30 June 2006	-	696,396	23,193,910	574,422	703,977	227,411	1,216,204	998,048	185,074	664,461	28,459,903	-	-	884,200	884,200	29,344,103
Balance as at 01 July 2006	-	696,396	23,193,910	574,422	703,977	227,411	1,216,204	998,048	185,074	664,461	28,459,903	-	-	884,200	884,200	29,344,103
Depreciation charge for the year	-	696,396	23,409,883	22,339	53,973	13,198	298,364	91,283	37,528	183,185	24,806,149	5,281	70,377	653,730	729,388	25,535,537
Disposals	-	-	-	-	-	-	-	-	-	(949,613)	(949,613)	-	-	-	-	(949,613)
Adjustments	-	-	-	-	-	-	-	-	-	234,409	234,409	-	-	(234,409)	(234,409)	-
Balance as at 30 June 2007	-	1,392,792	46,603,793	596,761	757,950	240,609	1,514,568	1,089,331	222,602	132,442	52,550,848	5,281	70,377	1,303,521	1,379,179	53,930,027
Carrying amounts - 2006	35,280,000	27,159,454	210,557,112	134,036	294,949	79,189	853,692	544,161	266,451	469,664	275,638,708	-	-	5,577,283	5,577,283	281,215,991
Carrying amounts - 2007	72,298,000	26,463,058	187,527,427	111,697	240,976	65,991	555,328	452,878	328,777	1,422,965	289,467,097	1,279,719	4,176,938	6,628,660	12,085,317	301,552,414
Rates of depreciation	-	2.50%	10%	10%	10%	10%	10-33.33%	10%	10%	10%		10%	10%	10%		

	Note	2007 Rupees	2006 Rupees
5.1 Depreciation for the year has been allocated as under:			
Cost of sales	25	24,480,221	24,120,888
Administrative expenses	28	729,369	621,606
Distribution costs	27	325,947	277,819
		<u>25,535,537</u>	<u>25,020,313</u>

5.2 Revaluation of land, building, plant and machinery

Land, building and plant and machinery of the Company were revalued as at 30 June 2005 by an independent professional valuer Asrem (Private) Limited (formerly Resources & Assets Management International). Land and building were revalued on the market basis and plant and machinery under the depreciated replacement cost basis. The previous revaluation was carried out on 20 November 1996.

Had there been no revaluation, related figures of revalued land, building and plant and machinery would have been as follows:

	Net Book Value	
	2007 Rupees	2006 Rupees
Leasehold land	7,015,883	7,015,883
Building on leasehold land	36,420,261	37,378,689
Plant and machinery	114,217,794	128,495,019
	<u>157,653,939</u>	<u>172,889,591</u>

5.3 Details of property, plant and equipment disposed off during the year:

Particulars	Cost	Book Value	Sale Proceeds	Gain/ (Loss)	Mode of Disposal	Name and Address
	Rupees					
Shelzore Truck [IDT-2815]	535,000	185,467	330,435	144,968	Public offer	Mr. Inran Liaquat
Shelzore Truck [IDT-2816]	535,000	185,467	334,783	149,316	Public offer	Mr. Inran Liaquat
Kia Classic IDL-7439]	556,780	306,233	243,652	(62,581)	Public offer	Mr. Inran Liaquat
2007	<u>1,626,780</u>	<u>677,167</u>	<u>908,870</u>	<u>231,703</u>		
2006	<u>1,794,096</u>	<u>806,366</u>	<u>1,048,890</u>	<u>242,524</u>		

6 STORES, SPARE PARTS AND LOOSE TOOLS

	2007 Rupees	2006 Rupees
Stores	906,734	941,607
Spare Parts	4,180,422	4,368,939
Loose Tools	30,436	31,436
	<u>5,117,592</u>	<u>5,341,982</u>

7 STOCK IN TRADE

Raw Materials	26,985,607	25,172,497
Packing Materials	1,323,547	979,265
Work in Process	882,326	746,222
Finished Goods	11,242,357	3,971,380
Goods in Transit	3,627,414	1,746,928
	<u>44,061,251</u>	<u>32,616,292</u>

	Note	2007 Rupees	2006 Rupees
8	TRADE DEBTS		
Unsecured - Considered good		57,451,208	44,689,777
Unsecured - Considered doubtful		1,479,333	1,479,333
		58,930,541	46,169,110
Provision for doubtful debts		(1,479,333)	(1,640,162)
Bad debts written off against provision		-	160,829
		(1,479,333)	(1,479,333)
		<u>57,451,208</u>	<u>44,689,777</u>
9	ADVANCES		
Advances to suppliers	9.1	2,734,216	2,389,013
Advances to employees- Considered good		521,532	663,454
		<u>3,255,748</u>	<u>3,052,467</u>
9.1	Advances to suppliers		
Considered good		2,734,216	2,389,013
Considered doubtful		142,955	142,955
		2,877,171	2,531,968
Provision for doubtful advances		(142,955)	(142,955)
		<u>2,734,216</u>	<u>2,389,013</u>
10	TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
Trade Deposits		392,544	376,544
Prepayments		690,541	516,675
		<u>1,083,085</u>	<u>893,219</u>
10	OTHER RECEIVABLE		
Considered Good		432,406	241,707
Considered Doubtful		11,918	11,918
		444,324	253,625
Provision for doubtful receivables		(11,918)	(11,918)
		<u>432,406</u>	<u>241,707</u>
12	OTHER FINANCIAL ASSET		
	Investment at fair value through profit or loss		

This represents investment made by the Company in NAFA Cash Fund (NCF), an open ended collective scheme. The Company purchased 998,966.43 units of NCF during the year at offer price of Rs. 10.8362 per unit. The investment is stated at fair value at the year end, using the year end redemption price, accordingly the gain amounting to Rs. 236,855 on remeasurement of investments at fair value at the year end has been included in other operating income.

13 CASH AND BANK BALANCES	Note	2007 Rupees	2006 Rupees
Cash at bank:			
Current accounts	13.1	28,566,950	7,545,715
Deposit accounts	13.2	125,866	72,113
		28,692,816	7,617,828
Cash in hand		2,190	115,376
		<u>28,695,006</u>	<u>7,733,204</u>

13.1 Current accounts include foreign currency balances amounting to Rs.19,545,565 (2006: Rs. 5,769,092).

13.2 Deposit accounts carry markup at the rate of 1.93% (2006: 3% to 4%) per annum.

14 TRADE AND OTHER PAYABLES	Note	2007 Rupees	2006 Rupees
Creditors		17,029,599	10,874,706
Advances from customers		63,737	615,326
Accrued liabilities		2,653,223	1,880,280
Usance letters of credit		886,470	8,572,075
Withholding tax payable		91,143	179,478
Sales tax		2,522,083	1,194,207
Insurance		1,955,775	1,950,478
Workers' profit participation fund	14.1	5,644,837	3,522,145
Workers' welfare fund	14.2	2,257,935	-
Unclaimed dividend		1,885,654	72,637
Payable to employees retirement benefit fund		108,420	79,760
Others		760,482	374,998
		<u>35,859,358</u>	<u>29,316,090</u>

14.1 Workers' profit participation fund

Balance at beginning of the year	3,522,145	1,667,181
Allocation of profit for the year	5,644,837	3,522,145
	9,166,982	5,189,326
Paid to the fund during the year	(3,522,145)	(1,667,181)
	<u>5,644,837</u>	<u>3,522,145</u>

14.2 Pursuant to the requirement of Finance Act, 2006 effective from 01 July 2006, the Company has allocated Rs. 2,257,935 to Workers' Welfare Fund on the basis of its accounting profit for the year.

15	MARKUP ACCRUED	Note	2007 Rupees	2006 Rupees
	Accrued mark-up on Long term financing			
	- Secured		-	319,621
	- Unsecured		29,412	29,412
	Short term borrowings - Secured		29,412	349,033
			34,362	35,842
			<u>63,774</u>	<u>384,875</u>
16	SHORT TERM BORROWINGS - Secured			
	Bank of Khyber:			
	Running finance	16.1	121,453	-
	Export refinance		-	2,506,940
			121,453	2,506,940
	National Bank of Pakistan:			
	Running finance	16.2	2,958,870	3,416,628
			<u>3,080,323</u>	<u>5,923,568</u>

16.1 The running finance facility has a sanctioned limit of Rs. 10 million (2006: Rs. 10 million) and carries mark up @ one year KIBOR plus 400 basic points (bps) with floor of 14% per annum (2006: six months KIBOR plus 400 bps with floor of 14% per annum) payable on quarterly basis. The facility is secured by 1st charge ranking pari pasu with HBL on all existing and future assets of the Company for Rs. 14.130 million. 2nd charge on all existing and future assets of the Company for Rs. 21.041 million. 1st exclusive hypothecation charge on the stocks of the Company for Rs. 29 million.

16.2 The running finance facility has a sanctioned limit of Rs. 15 million (2006: Rs. 15 million) and carries mark up @ 6 months KIBOR + 2% p.a. with floor of 11.5% p.a. (2006: 6 months KIBOR + 2% pa with floor of 8% p.a.) payable on quarterly basis. The facility is secured by way of pledge of stocks with 25% margin and lien on receivables up to Rs. 22 million.

17 LONG TERM FINANCING

	2007	2006
	Rupees	Rupees
Loans from banking companies - Secured		
Habib Bank Limited		
Balance at beginning of the year		
Demand Finance - I	19,555,916	30,523,457
Demand Finance - II	5,357,135	8,928,565
	24,913,051	39,452,022
Repayments during the year	(16,155,761)	(14,538,971)
Current maturity shown under current liabilities	(8,757,290)	(7,861,653)
	(24,913,051)	(22,400,624)
	-	17,051,398

- 17.1 As a result of restructuring agreement with Habib Bank Limited dated 26 August 1999, the loan aggregating Rs. 300.729 million has been reclassified into Demand Finance - I and Demand Finance -II, amounting to Rs. 70 million and Rs. 25 million, respectively.

The marked up price of the above loans is Rs. 144.485 million, calculated on the basis of a mark up @ 14.235% per annum. The loan is repayable in sixteen half yearly installments commencing July 2000.

These facilities are secured by way of:

- First prior charge (equitable mortgage) on all the present and future fixed assets of the Company;
- First prior floating hypothecation charge on all the moveable and immovable properties and assets of the Company;
- Personal guarantees of sponsor directors;
- Pledge of shares (Sponsors: 3 million shares, Orient Trading Company Limited: 6 million shares)

18 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

These represent finance leases entered into with Orix Leasing Pakistan Limited for lease of vehicles and plant and machinery. The liability represents total of minimum lease payments discounted at rates ranging between 12.98 % to 17.76 % (2006: 10.5 % to 17.25%) per annum, being the rate implicit in the lease arrangement. Under the lease agreements the purchase option is available to the Company on payment of lease installments and surrender of key deposit money. The cost of operating and maintaining the leased assets is borne by the Company.

The amount of future minimum lease payments, present value of minimum lease payments and periods during which they become due are as follows:

	2007	2006
	Rupees	Rupees
Minimum lease payments:		
Not later than one year	4,369,360	1,247,460
Later than one year but not later than five years	7,147,715	2,343,650
	11,517,075	3,591,110
Finance charges relating to future periods	(2,101,001)	(729,326)
Principal outstanding	9,416,074	2,861,784
Current portion shown under current liabilities	(3,165,164)	(890,329)
	6,250,910	1,971,455

19 DEFERRED EMPLOYEE BENEFIT

Accumulating compensated absences

Obligation at beginning of the year	329,836	327,850
Charge for the year	176,055	1,986
	505,891	329,836
Benefits paid	(48,727)	-
Obligation at end of the year	457,164	329,836

20 DEFERRED TAX LIABILITY	2007	2006
	Rupees	Rupees
The net balance of deferred tax is in respect of the following major temporary differences:		
Accelerated depreciation on property, plant and equipment	21,564,170	27,306,672
Unused tax losses	(944,010)	(27,708,147)
Obligation under finance lease	(2,175,113)	(690,009)
Retirement benefits	(105,605)	(115,443)
Provision for doubtful debts, advances and receivables	(374,749)	(567,801)
Surplus on revaluation of property, plant and equipment	20,373,817	28,414,606
	<u>38,338,510</u>	<u>26,639,878</u>

Deferred tax liability has been calculated at the enacted tax rate of 35% (2006: 35%) per annum.

21 CONTINGENCIES AND COMMITMENTS

21.1 CONTINGENCIES

21.1.1 Industrial Estate Hattar of Sarhad Development Authority (NWFP) has raised an additional demand of Rs. 6,203,400 against the Company relating to additional payment to be made to original owners of the land for which lease was signed and full payment was made in 1991. The Company has not acknowledged the claim and has filed an appeal against the demand before the Civil Judge, Hæripur. The court has stayed the demand and the matter is currently pending for adjudication. Pending the outcome of the appeal, no provision has been provided in these financial statements for such demand as management is confident that appeal will be decided in the Company's favour.

21.1.2 Federation of Pakistan has filed a petition in Supreme Court of Pakistan against the order of Lahore High Court through written petition number 439/2003 regarding second payment of refund of import license fee amounting to Rs. 1,569,809 which was refunded by Export Promotion Bureau to the Company in the light of order of Lahore High Court. The matter is currently pending adjudication and management is confident of a favourable outcome of this case.

21.2 COMMITMENTS

21.2.1 Letters of credit issued by a bank on behalf of the Company for the import of raw materials, outstanding at the year end amounted to Rs. 17,016,000 (2006: Rs. 20,900,000) at the year end.

22 SHARE CAPITAL

22.1 AUTHORIZED SHARE CAPITAL

This represents 25,000,000 (2006: 25,000,000) Ordinary shares of Rs. 10 each.

22.2 ISSUED, SUBSCRIBED AND FULLY PAID UP CAPITAL

2007	2006		2007	2006
Numbers	Numbers		Rupees	Rupees
14,000,000	14,000,000	Ordinary shares of Rs. 10 each issued for cash	140,000,000	140,000,000
6,000,000	6,000,000	Ordinary shares of Rs. 10 each issued in lieu of restructuring arrangement with the lender	60,000,000	60,000,000
<u>20,000,000</u>	<u>20,000,000</u>		<u>200,000,000</u>	<u>200,000,000</u>

BIAFO INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 Rupees	2006 Rupees
23 SURPLUS ON REVALUATION OF FIXED ASSETS -net of tax			
Surplus on revaluation at 01 July		109,448,706	117,655,509
Transferred to equity in respect of incremental depreciation - net of Related deferred tax liability of incremental depreciation		(14,932,894) (8,040,789) <u>(22,973,683)</u>	(5,334,422) (2,872,381) <u>(8,206,803)</u>
		86,475,023	109,448,706
Related deferred tax liability on: Revaluation as at 01 July Incremental depreciation charged on revalued assets		(28,414,606) 8,040,789 <u>(20,373,817)</u>	(31,286,987) 2,872,381 <u>(28,414,606)</u>
		<u>66,101,206</u>	<u>81,034,100</u>
24 GROSS SALES			
Local		387,569,864	300,546,942
Exports	24.1	142,399,131 <u>529,968,995</u>	99,594,740 <u>400,141,682</u>
24.1	The export sales represent sales made to Saindak and Dudder projects in Balochistan, Pakistan which is declared as Export Processing Zone by the Government of Pakistan (GoP).		
24 COST OF SALES	Note	2007 Rupees	2006 Rupees
Materials consumed	25.1	210,074,996	147,286,816
Stores and spares consumed		2,639,552	1,920,153
Packing materials consumed		6,631,173	6,280,970
Fuel and power		4,711,890	4,536,511
Salaries, wages and other benefits	25.2	15,520,662	12,807,793
Insurance		664,047	646,222
Repairs and maintenance		2,247,474	1,667,379
Other production expenses		13,096,953	10,221,622
Depreciation	5.1	24,480,221 <u>280,066,968</u>	24,120,888 <u>209,488,354</u>
Work in process :			
Opening		746,222	944,517
Closing		(882,326) <u>(136,104)</u>	(746,222) <u>198,295</u>
Cost of goods manufactured		279,930,864	209,686,649
Finished goods:			
Opening		3,971,380	4,018,754
Closing		(11,242,357) <u>(7,270,977)</u>	(3,971,380) <u>47,374</u>
		<u>272,659,887</u>	<u>209,734,023</u>

BIAFO INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

		2007	2006
		Rupees	Rupees
25.1	Materials consumed		
	Opening stock	25,172,497	16,105,652
	Purchases during the year	211,888,106	156,353,661
		<u>237,060,603</u>	<u>172,459,313</u>
	Closing stock	(26,985,607)	(25,172,497)
		<u>210,074,996</u>	<u>147,286,816</u>
25.2	This includes Rs. 384,123 (2006: Rs. 321,053) charged on account of defined contribution plan.		
		2007	2006
		Rupees	Rupees
26	OTHER OPERATING INCOME		
	From financial assets		
	Gain on remeasurement of investment at fair value through profit or loss	236,855	-
	Exchange gain	511,575	584,268
	Interest on deposit accounts	205	152
		<u>748,635</u>	<u>584,420</u>
	From non-financial assets		
	Gain on disposal of vehicles	231,703	242,524
	Services provided	-	52,174
		<u>231,703</u>	<u>294,698</u>
		<u>980,338</u>	<u>879,118</u>
27	DISTRIBUTION COST		
	Salaries, wages and other benefits	27.1 4,340,866	3,442,098
	Staff traveling and conveyance	1,095,855	871,117
	Transportation charges	1,958,287	655,372
	Telephone, telex and postage	84,661	63,956
	Entertainment	48,741	6,552
	Printing and stationary	43,389	49,744
	Vehicle running and maintenance	569,898	559,022
	Insurance	456,067	466,675
	Bad debts written off	-	79,174
	Other charges	1,113,644	1,002,391
	Depreciation	5.1 325,947	277,819
		<u>10,037,355</u>	<u>7,473,920</u>
27.1	This include Rs. 96,423 (2006: Rs. 74,622) charged on account of defined contribution plan.		
28	ADMINISTRATIVE EXPENSES		
	Directors' remuneration	5,501,960	2,810,840
	Salaries, wages and other benefits	28.1 3,099,413	2,341,175
	Directors' traveling and conveyance	1,346,973	1,339,537
	Staff traveling and conveyance	2,500	139,587
	Electricity, gas and water	242,863	213,010
	Telephone, telex and postage	609,549	601,093
	Rent, rates and taxes	1,081,765	892,873
	Legal and professional charges	492,434	583,040
	Donations	28.2 100,000	230,000
	Auditors' remuneration	28.3 250,000	250,000
	Printing and stationery	280,315	234,384
	Entertainment	116,706	71,733
	Other expenses	1,233,804	792,774
	Depreciation	5.1 729,369	621,606
		<u>15,087,651</u>	<u>11,121,652</u>

28.1 This includes Rs.89,320 (2006: Rs.67,689) charged on account of defined contribution plan.

28.2 Donations do not include any amount paid to any person or organization in which a Director or his/her spouse had any interest.

	2007	2006
	Rupees	Rupees
28.3 Auditors' remuneration		
Annual audit fee	150,000	150,000
Half yearly review	50,000	50,000
Other certifications	50,000	50,000
	250,000	250,000

29 FINANCE COSTS

Mark up on long term financing - Secured	2,351,329	6,114,008
Mark up on loan from directors and shareholders - Unsecured	-	598,388
Finance charge on leased assets	521,103	430,456
Mark up on short term borrowings - Secured	87,559	1,988,047
Bank charges	924,123	557,319
	3,884,114	9,688,218

30 TAXATION

Deferred tax	(11,698,632)	4,647,109
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30.1 Reconciliation of tax expense/ (income) with tax on accounting profit:

Profit before taxation	104,993,968	66,920,764
Tax rate	35%	35%
Tax on accounting profit	36,747,889	23,422,267
Tax effect of temporary differences	15,692,837	854,500
Tax effect of business losses	(26,714,426)	(19,558,342)
Tax effect of lower tax rate on certain income	(14,027,668)	(9,365,534)
	11,698,632	4,647,109

30.2 The Company has not provided for minimum tax under section 113 of the Income Tax Ordinance 2001, as management is of the view that minimum tax payment will be available for adjustment against future tax liabilities in terms of section 113 (1) (c) of the Income Tax Ordinance 2001.

30.3 Assessments of the Company for the assessment years 1999-2000, 2001-2002 and 2002-2003 are still pending adjudication. Tax returns filed for Tax Years 2003 to 2006 (income years ended 30 June 2003 to 2006) stand assessed in terms of section 120 of the Income Tax Ordinance 2001. However, tax authorities are empowered to open or amend the assessments within five years of the date of assessment.

	2007	2006
	Rupees	Rupees
31 CASH AND CASH EQUIVALENTS		
Cash and bank balances	28,695,006	7,733,204
Short term borrowings	(3,080,323)	(5,923,568)
	25,614,683	1,809,636

	2007	2006
32 EARNINGS PER SHARE - Basic and diluted		
Profit for the year (Rupees)	93,295,336	71,567,873
Average number of shares outstanding during the year (Number)	20,000,000	20,000,000
Earnings per share (Rupees)	4.66	3.58

There is no dilutive effect on the basic earnings per share of the Company.

33 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2007		2006	
	Chief Executive	Directors	Chief Executive	Directors
	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Managerial remuneration	1,584,000	2,540,000	984,000	1,584,000
Employee benefits	87,960	-	49,680	-
Bonus	800,000	490,000	193,160	-
Total	2,471,960	3,030,000	1,226,840	1,584,000
Number of persons	1	3	1	2

The aggregate amount charged in these financial statements in respect of meeting fee paid to Directors was Rs. 124,000 (2006: 21,100)

Chief Executive and Directors are provided with Company maintained cars.

There is no employee whose basic salary exceeded Rs. 500,000 during the year.

34 RELATED PARTY TRANSACTIONS

Related parties comprise the associated undertakings, directors, key management personnel, entities over which the directors are able to exercise influence and employees' fund. Transactions with related parties and balances outstanding at the year end are as follows:

	2007	2006
	Rupees	Rupees
Associated undertaking - sole proprietorship concern of a director of the Company		
Sale of explosives	5,812,719	2,624,358
Balance payable at the year end	13,737	282,659
Associated company		
Payments of consultancy charges	-	3,278,000
Payment of dividend	5,400,000	-
Payment of markup	230,865	-
Directors and shareholders		
Repayment of loans to directors and shareholders	-	9,386,963
Markup on loans from directors and shareholders	-	598,388
Markup accrued at the year end	29,412	29,412
Employee fund		
Contribution towards employees' provident fund	657,826	476,170

BIAFO INDUSTRIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

35 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

35.1 Interest rate risk exposure

The Company's exposure to interest rate risk and the effective rates on its financial assets and liabilities as of 30 June are as follows:

	Effective interest rates	Interest/mark-up bearing						Non-interest/mark-up bearing			2007	
		Maturity up to one year	In more than one year but not later than two years	In more than two year but not later than three years	In more than three year but not later than four year	In more than four year but not later than five years	Maturity after five year	Sub total	Maturity up to one year	Maturity after one year	Sub total	Total (Expens.)
Financial assets												
Long term deposits	-	-	-	-	-	-	-	-	544,740	544,740	544,740	
Trade debts	-	-	-	-	-	-	-	57,451,208	-	57,451,208	57,451,208	
Advances	-	-	-	-	-	-	-	521,532	-	521,532	521,532	
Trade deposits	-	-	-	-	-	-	-	302,544	-	302,544	302,544	
Other receivables	-	-	-	-	-	-	-	444,324	-	444,324	444,324	
Other financial asset	-	-	-	-	-	-	-	11,061,855	-	11,061,855	11,061,855	
Cash and bank balances	1.96%	125,866	-	-	-	-	125,866	28,569,140	-	28,569,140	28,695,006	
		125,866	-	-	-	-	125,866	98,440,203	544,740	98,985,352	99,111,218	
Financial liabilities												
Recognized												
Long term financing	14.24%	8,757,290	-	-	-	-	8,757,290	-	-	-	8,757,290	
Liabilities against assets subject to finance lease	12.98% - 17.76%	3,165,164	3,445,234	2,805,677	-	-	9,416,074	-	-	-	9,416,074	
Short term borrowings	9% - 14%	3,000,323	-	-	-	-	3,000,323	-	-	-	3,000,323	
Trade and other payables	-	-	-	-	-	-	-	33,182,395	-	33,182,395	33,182,395	
Mark - up accrued	-	-	-	-	-	-	-	63,774	-	63,774	63,774	
		15,002,777	3,445,234	2,805,677	-	-	21,253,687	33,246,169	-	33,246,169	54,499,856	
On balance sheet gap		(14,876,911)	(3,445,234)	(2,805,677)	-	-	(21,127,821)	65,194,434	544,740	65,739,183	44,611,362	
Cumulative interest/markup sensitivity gap		(14,876,911)	(18,322,145)	(21,127,821)	(21,127,821)	(21,127,821)	(21,127,821)	65,194,434	65,739,183	65,739,183	44,611,362	
2006												
	Effective interest rates	Maturity up to one year	In more than one year but not later than two years	In more than two year but not later than three years	In more than three year but not later than four year	In more than four year but not later than five years	Maturity after five year	Sub total	Maturity up to one year	Maturity after one year	Sub total	Total (Expens.)
Financial assets												
Long term deposits	-	-	-	-	-	-	-	-	-	544,740	544,740	544,740
Trade debts	-	-	-	-	-	-	-	-	44,609,777	-	44,609,777	44,609,777
Advances	-	-	-	-	-	-	-	-	663,454	-	663,454	663,454
Trade deposits	-	-	-	-	-	-	-	-	376,544	-	376,544	376,544
Other receivables	-	-	-	-	-	-	-	-	241,707	-	241,707	241,707
Other financial asset	-	-	-	-	-	-	-	-	-	-	-	-
Cash and bank balances	2% - 3%	72,113	-	-	-	-	72,113	7,661,091	-	7,661,091	7,733,204	
		72,113	-	-	-	-	72,113	53,632,573	544,740	54,177,322	54,249,436	
Financial liabilities												
Recognized												
Long term financing	10% - 14.24%	7,861,653	8,294,108	8,757,290	-	-	24,913,051	-	-	-	24,913,051	
Liabilities against assets subject to finance lease	10.7% - 17.5%	890,328	845,243	746,649	379,563	-	2,861,783	-	-	-	2,861,783	
Short term borrowings	3.5% - 14%	5,923,568	-	-	-	-	5,923,568	-	-	-	5,923,568	
Trade and other payables	-	-	-	-	-	-	-	25,590,151	-	25,590,151	25,880,161	
Mark - up accrued	-	-	-	-	-	-	-	384,875	-	384,875	384,875	
		14,675,549	9,139,351	9,503,939	379,563	-	33,698,402	25,965,026	-	25,965,026	59,663,428	
On balance sheet gap		(14,603,436)	(9,139,351)	(9,503,939)	(379,563)	-	(33,626,289)	27,667,547	544,740	28,212,296	(6,413,993)	
Cumulative interest/markup sensitivity gap		(14,603,436)	(23,742,787)	(33,246,726)	(33,626,289)	(33,626,289)	(33,626,289)	27,667,547	28,212,296	28,212,296	(6,413,993)	

35.2 Fair value of financial assets and liabilities

The carrying value of all the financial assets and liabilities reflected in the financial statements approximate their fair values.

35.3 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transaction with foreign buyers and suppliers. As at year end, the Company is not exposed to significant currency risk.

35.4 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulties in funds to meet commitments associated with financial instruments. The Company believes that it is not exposed to any significant level of liquidity risk.

35.5 Concentration of Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. All the financial assets, except cash in hand, are subject to credit risk. The Company believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk, the Company applies credit limit to its customers and deals with variety of major banks and financial institutions.

36 CAPACITY AND PRODUCTION

Product	Units	Rated Production capacity	2007	2006
			Actual production	
Tovex water gell and powder explosives	Kgs	6,000,000	4,447,700	3,602,025
Detonator - plain	Nos.	8,000,000	7,789,700	6,410,950
Detonator - electric	Nos.	450,000	449,300	201,652
Safety fuse	Meter	500,000	100,900	18,000
Detonating cord	Meter	2,500,000	2,479,150	1,915,125

The shortfall in production of certain products is due to the gap between market demand and the available capacity. Due to certain modifications made to the plant, the actual capacity has been enhanced over and above the rated capacity.

37 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on October 08, 2007.

38 CORRESPONDING FIGURES

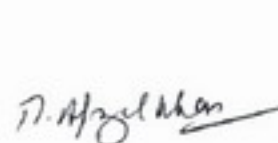
Previous figures have been rearranged and/or reclassified, wherever necessary, for the purpose of comparison in the financial statements. For better presentation reclassifications made in the financial statements were as follows:

Reclassification from component	Reclassification to component	Amount Rupees
Trade and other payables (Usance letter of credits)	Stock in trade (Goods in transit)	1,746,928
Trade and other payables (Usance letter of credits)	Trade and other payables (Creditors)	1,319,743
Finance costs (Exchange gain)	Other operating income (Exchange gain)	584,268

39 GENERAL

Figures have been rounded off to the nearest of rupees, unless otherwise stated.

Islamabad
 8th October, 2007



Director



Chief Executive

PATTERN OF SHAREHOLDING

AS AT JUNE 30TH, 2007

NO. OF SHAREHOLDERS	SHARE HOLDING		TOTAL NUMBER OF SHARES HELD
	FROM	TO	
15	1	100	754
162	101	500	75,145
58	501	1,000	57,001
95	1,001	5,000	260,000
25	5,001	10,000	214,700
12	10,001	15,000	158,500
4	15,001	20,000	79,300
3	20,001	25,000	67,200
3	25,001	30,000	80,000
4	30,001	35,000	131,600
3	35,001	45,000	132,500
2	45,001	50,000	100,000
7	55,001	65,000	420,000
2	65,001	70,000	136,500
2	65,001	80,000	159,500
1	80,001	85,000	83,000
2	85,001	90,000	180,000
1	90,001	95,000	94,300
6	95,001	100,000	600,000
1	115,001	130,000	127,500
1	135,001	140,000	140,000
2	145,001	150,000	300,000
1	165,001	170,000	167,500
4	195,001	200,000	800,000
1	225,001	230,000	230,000
1	255,001	260,000	255,500
1	270,001	275,000	272,500
1	295,001	300,000	300,000
2	300,001	320,000	610,500
1	320,001	350,000	322,500
1	350,001	400,000	368,000
1	435,001	440,000	440,000
1	525,001	530,000	530,000
1	820,001	825,000	822,500
1	895,001	900,000	895,500
1	995,001	1,000,000	1,000,000
1	1,495,001	1,500,000	1,500,000
1	1,885,001	1,890,000	1,888,000
1	5,995,001	6,000,000	6,000,000
<u>432</u>			<u>20,000,000</u>
SHAREHOLDER'S CATEGORY	NUMBERS OF SHAREHOLDERS	NUMBERS OF SHARE HELD	PERCENTAGE
INDIVIDUALS	407	12,142,100	61%
JOINT STOCK COMPANIES	23	7,756,800	39%
INSURANCE COMPANIES	1	100,000	1%
OTHERS	1	1,100	0%
	<u>432</u>	<u>20,000,000</u>	<u>100.00</u>

PATTERN OF SHAREHOLDING

AS AT JUNE 30TH, 2007

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARES HELD	% AGE
Directors, CEO & their Spouse and Minor Children			
M. Zafar Iqbal	1	532,500	2.66
M. Salim	1	310,000	1.55
Mrs. Ishrat Askari w/o Kh.Amanullah Askari	1	294,300	1.47
Abdul Maajid Qureshi	1	201,000	1.01
Mrs. Zahida Qureshi w/o Abdul Maajid Qureshi	1	200,000	1.00
M. Afzal Khan	1	150,000	0.75
Adnan Aur anzeb	1	100,000	0.50
M. Zafar Khan	1	887,500	4.44
M. Humayun Khan	1	60,000	0.30
Ms. Shirin Safdar	1	45,000	0.23
S. M. Sibtain	1	20,200	0.10
Khawaja Amanullah Askari	1	5,700	0.03
Syed Zafar Mehdi Askari	1	2,500	0.01
Banks, Development Finance Institutions, Non Banking Finance Institutions, Insurance Companies, Modarba & Mutual Funds			
	24	1,857,900	9.29
Other Individuals			
	394	9,333,400	46.67
Shareholders holding 10% or more shares in the company:			
Orient Trading Ltd.	1	6,000,000	30.00
TOTAL	432	20,000,000	100.00

Details of trading in the shares by the Directors, CEO, CFO, Company Secretary and their Spouses and minor Children:

Mr. Zafar Iqbal sold 467,500 Shares and Mr. Zafar Khan purchased 797,500 Shares of the Company.

FORM OF PROXY

The Secretary

Biafo Industries Limited

Office No: 203-204, 2nd Floor,
Mohammad Gulistan Khan House
Fazal-e-Haq Road, Blue Area,
Islamabad.

I/We _____ Of _____
being member of BIAFO INDUSTRIES LIMITED and holder of _____ Ordinary Shares as per Share Register Folio
(Number) _____ and / or CDC Participant I.D.No. _____ and Sub Account No. _____ hereby appoint
_____ of _____ (Name)

as my/our proxy to vote for me/us and on my/our behalf at the 19th Annual General Meeting of the Company to be held at its
registered office, 203, 2nd floor M. Gulistan Khan House, 82 East Fazal ul Haq road Blue area Islamabad on October 08, 2007 and
any adjournment thereof.

Signed _____ day of _____ 2007

Signature

(Signature should agree with the
specimen signature registered with the
Company)

WITNESSES:

1. Signature _____
Name _____
Address _____

NIC or _____
Passport No. _____

2. Signature _____
Name _____
Address _____

NIC or _____
Passport No. _____

Note:

1. A member entitled to be present and vote at the Meeting may appoint a proxy to attend and vote for him/her. A proxy need not be a member of the Company.
2. Proxies' in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the Meeting.
3. CDC Shareholders and their Proxies must each attach an attested photocopy of their National identity Card or Passport with this proxy form.