Annual Report 2013

BIAFO INDUSTRIES LIMITED

Manufacturers of Tovex® Explosives & Blasting Accessories

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive Directors

M. Afzal Khan	Chairman
Khawaja Amanullah Askari	Chief Executive Officer
Maj. Gen. (Ret'd.) S. Z. M. Askree	Director
Ms. Shirin Safdar	Director

Non Executive Directors

Abdul Maajid Qureshi	Director
M. Salim	Director
M. Zafar Khan	Director
Dr. M. Humayun Khan	Director
Mufti M. Hashim Khan	Director
Adnan Aurangzeb	Director
Khwaja Ahmad Hosain	Director

Company Secretary

Khawaja Shaiq Tanveer

Audit Committee

Adnan Aurangzeb	Chairman
Maj. Gen. (Ret'd.) S. Z. M. Askree	Member
Mufti M. Hashim Khan	Member
Dr. M. Humayun Khan	Member
Ms. Shirin Safdar	Member

HR & Remuneration Committee

Dr. M. Humayun Khan	Chairman
Adnan Aurangzeb	Member
Mufti M. Hashim Khan	Member
Khawaja Amanullah Askari	Member
M. Salim	Member
Khwaja Ahmad Hosain	Member

Auditors

KPMG Taseer Hadi & Co. Chartered Accountants

Legal Advisors

Chima & Ibrahim, Raja Rashid, Javaid Qureshi

Bankers

Allied Bank of Pakistan	Bank Alfalah Limited
National Bank of Pakistan	Standard Chartered Bank
Habib Metropolitan Bank	Dubai Islamic Bank
Bank of Khyber	Faysal Bank Limited
Askari Bank Limited	MCB Bank Limited

Registered Office

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 2274744
Website: www.biafo.com, Email: management@biafo.com, biafo@hotmail.com

Factory

Biafo Industries Limited
Plot No: 70, Phase III, Industrial Estate, Hattar, Distt Haripur,
Khyber Pakhtunkhwa. Pakistan
Tel: +92 995 617830 Fax: +92 995 617497
Website: www.biafo.com, Email: plant@biafo.com

Shares Registrar

Riasat Ishtiaq Consulting (Pvt) Ltd
Office No. 19-20, 2nd Floor, Hill View Plaza, Jinnah Avenue, Blue Area, Islamabad.
Tel: +92 51 2272152,7101536 Fax: +92 51 2273158

NOTICE OF 25th ANNUAL GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that the 25th Annual General Meeting of Biafo Industries Limited will be held on Friday 25th October 2013 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 24th Annual General Meeting held on September 26, 2012.
2. To receive and adopt the Audited Accounts of the Company for the year ended June 30, 2013 together with Auditors' report and Directors' report thereon.
3. To approve the payment of final dividend of Rs 4.00 per share (40%) and also the interim dividends of Rs 3.00 per share (30%) declared on October 22, 2012, Rs. 2.50 per share (25%) declared on February 18, 2013 and Rs 3.50 per share (35%) declared on April 25, 2013 making a total of Rs 13 per share (130%) for the year ended June 30, 2013.
4. To appoint Auditors for the year 2013-14 and to fix their remuneration. Retiring Auditors M/s KPMG Taseer Hadi & Co. Chartered Accountants being eligible offer themselves for reappointment for the year 2013-14.
5. To elect 11 directors in accordance with the provisions of the Companies Ordinance, 1984.
6. To transact such other business as may be placed before the meeting with the permission of the Chairman.

By order of the Board

Khawaja Shaiq Tanveer
Company Secretary

Islamabad: September 18, 2013

NOTES:

1. The Board has fixed the number of Director at 11. All the 10 retiring Directors being eligible offer themselves for re-election.

1) M. Afzal Khan	2) M. Salim	3) Abdul Maajid Qureshi
4) Mufti M. Hashim Khan	5) Maj. Gen (R) S.Z.M Askree	6) M. Humayun Khan
7) Khwaja Ahmad Hosain	8) M. Zafar Khan	9) Adnan Aurangzeb
10) Ms. Shirin Safdar		

2. Share Transfer Books of the Company will remain closed from October 17, 2013 to October 25, 2013 both days inclusive.

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.

BIAFO INDUSTRIES LTD.
DIRECTORS' REPORT

Your Directors are pleased to present the 25th. Annual Report of the company for the year ended June 30th. 2013.

Sales and Financial Results:

Net local Sales value increased by 43.45% to Rs. 1108.41m, while the value of export sales declined by 1.17% to Rs. 176.28m, resulting in overall Net sales increase by 35.08% to Rs. 1284.69m in the period under review.

The significant feature of the sales was the substantial increase in the value of sales to the Oil and Gas Exploration sector by 66.67% and sales to the large project like SAMBU's Golen Gol Hydel and Lowari road tunnel projects in Chitral, and CRBC's project of rehabilitation of the Karakorum Highway in Gilgit Baltistan and Neelum Jhelum Hydel project in AJK.

Gross profit margin increased by 4.33% to 35.61% reflecting the substantial increase in Sales. Operating income of the company increased by 56% to Rs. 397.25m. Net profit after tax increased by 72% to Rs. 286.26m resulting in EPS of Rs. 14.31 (2012 : EPS Rs. 8.33).

Your company was able to increase its financial assets by Rs. 90.53 m to Rs. 297.46 m and its income from these assets by 7.05 m to Rs. 21.47 m. Finance costs increased by Rs. 6.95m to 11.08 m due to cash flow timing gap.

Net worth of company for the period under review increased by Rs. 44.01 m to Rs.566.04m.

Production:

Plant production team continued to perform satisfactorily in meeting the challenges of product demand especially for Oil and Gas Exploration sector. The efforts of the plant team to meet the high specification in this specialized quality product is commendable.

The company continues to make timely deliveries of its products to its customers to their general satisfaction, as per feedback from all sectors of the explosive users market. Your company is continuing to invest in resources for improvement in Production efficiency, Human Resource and safe practices to enhance the confidence of its users, workforce and stakeholders.

Future Prospects:

The new Government has indicated their intent towards improving the economy and finances of

BIAFO INDUSTRIES LTD.
DIRECTORS' REPORT

the country and its seriousness to address the Energy deficiency, specially its focus on the Hydro Electric projects like Diamer Bhasha Hydro Electric, Dassu Hydro Electric, Tarbella Hydro Electric Expansion project, Munda Hydro Electric Project etc. which would create business prospects for your company.

Dividend:

Board has approved final dividend of Rs. 4/- per share 40% and also the 1st. Interim cash dividend of Rs. 3/- per share (30%) declared on October 22, 2012 and 2nd. Interim cash dividend of Rs. 2.50/- per share (25%) declared on February 18, 2013 and 3rd. interim cash dividend 3.50/- per share (35%) declared on April 25, 2013 for the year ended June, 2013 making a total dividend of declaration of Rs. 13/- per share (130 %) for financial year end 30th. June, 2013.

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.

- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates, except for those disclosed in the accounts 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.

BIAFO INDUSTRIES LTD.
DIRECTORS' REPORT

- 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, 2013 except for those stated in the financial statements.
- A statement as to the value of investment of Provident Fund as on June 30, 2013 is Rs. 29,368,962/-

A total of 04 meetings of the Board of Directors were held during year (July 2012 to June 2013). The attendance by each Director is given as follows:

NAME ATTENDED		NO OF MEETINGS
Mr. M. Afzal Khan	Chairman	04
Mr.Khawaja Amanullah Askari	Managing Director	04
Mr.A. Maajid Qureshi	Director	03
Mr. Khawaja Ahmed Hosain	Director	04
Mr. M. Salim	Director	04
Ms. Shireen Safdar	Director	03
Maj.Gen (Rtd.) S.Z.M. Askree	Director	04
Col. (Rtd.) M. Zafar Khan	Director	04
Dr. Humayun Khan	Director	03
Mr.Adnan Aurangzeb	Director	04
Mr. Mufti M. Hashim Khan	Director	04

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

BIAFO INDUSTRIES LTD.
DIRECTORS' REPORT

opportunities could not be achieved. We also acknowledge the support and cooperation of our major stakeholders, customers, suppliers and our Bankers specially Allied Bank Ltd., Bank of Khyber, National Bank of Pakistan, MCB Bank Ltd., Askari Bank Ltd.

PATTERN OF SHARE HOLDING

Pattern of share holding is enclosed.

On Behalf of the Board

Askari

Islamabad
18 September 2013

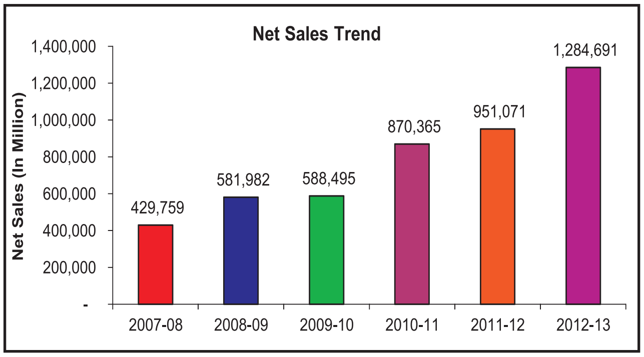
Khawaja Amanullah Askari
Managing Director
&
Chief Executive

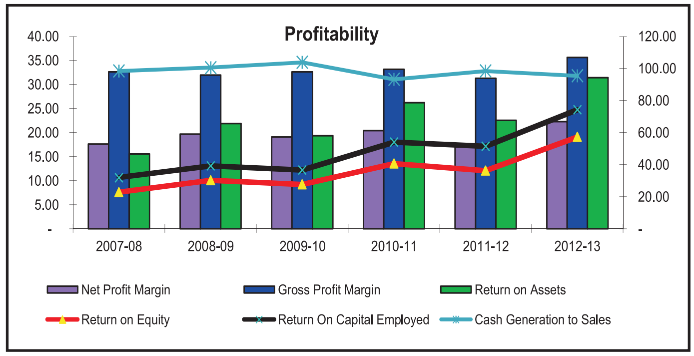
STAKEHOLDERS INFORMATION

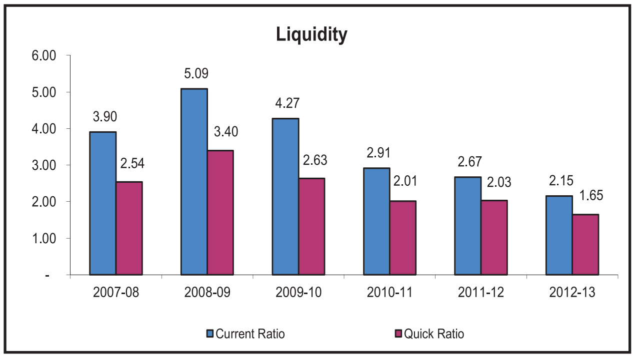
		2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
BALANCE SHEET				(In Thousands, "000")			
Paid up Capital	Rs. In '000	**200,000**	200,000	200,000	200,000	200,000	200,000
Shareholder Equity*	Rs. In '000	**499,959**	460,918	437,515	406,054	380,261	331,977
Fixed Assets	Rs. In '000	**257,352**	257,857	265,807	273,100	275,756	282,359
PROFIT & LOSS ACCOUNT				(In Thousands, "000")			
Net Sales	Rs. In '000	**1,284,691**	951,071	870,365	588,495	581,982	429,759
Gross Profit / (Loss)	Rs. In '000	**457,449**	297,448	288,691	191,807	185,973	140,277
Operating Profit / (Loss)	Rs. In '000	**397,251**	254,256	254,060	159,586	159,786	113,533
Profit / (Loss) after taxation	Rs. In '000	**286,261**	166,610	177,353	112,332	114,462	75,610
PROFITABILITY RATIOS							
Gross Profit/(Loss) Margin	%	**35.61**	31.28	33.17	32.59	31.96	32.64
Net Profit Margin	%	**22.28**	17.52	20.38	19.09	19.67	17.59
Return on Assets	%	**31.43**	22.55	26.24	19.31	21.87	15.52
Return on Shareholder Equity*	%	**57.26**	36.15	40.54	27.66	30.10	22.78
LIQUIDITY RATIOS							
Current Ratio	:	**2.15**	2.67	2.91	4.27	5.09	3.90
Quick Ratio	:	**1.65**	2.03	2.01	2.63	3.40	2.54
Cash Generation to Sales	%	**95.42**	98.47	93.24	103.86	100.58	98.47
ASSETS MANAGEMENT RATIOS							
Number of Days Stock	Days	**51**	59	69	81	60	65
Number of Days Trade Debts	Days	**38**	37	26	27	36	47
Operating Cycle	Days	**19**	16	25	46	42	46
Fixed Assets Turnover	Days	**4.99**	3.69	3.27	2.15	2.11	1.52
Sales /Shareholder Equity*	Times	**2.57**	2.06	1.99	1.45	1.53	1.29
DEBTS MANAGEMENT RATIOS							
Total Assets to Total Debts	Times	**3.01**	4.12	4.83	8.06	10.77	9.30
Debts to Shareholder Equity *	%	**61%**	39%	32%	18%	13%	16%
MARKET RATIOS							
Share Price at year end	Per Share	**108.85**	53.29	51.00	35.39	35.43	37.00
Share Price-High	Per Share	**112.35**	79.00	59.20	41.61	42.90	51.00
Share Price-Low	Per Share	**52.00**	47.00	31.64	30.25	28.50	25.70
Earning Per Share	Rs. 10/Share	**14.31**	8.33	8.87	5.62	5.72	3.78
Price Earning Ratio	Times	**7.60**	6.40	5.75	6.30	6.19	9.79
Dividend Declared	Per Share (Rs)	**13.00**	8.00	7.75	4.50	4.00	3.00
Dividend Yield	%	**11.94**	15.01	15.20	12.72	11.29	8.11
Break-up Value	Rs. 10/Share	**28.30**	26.10	25.07	23.65	21.94	19.71

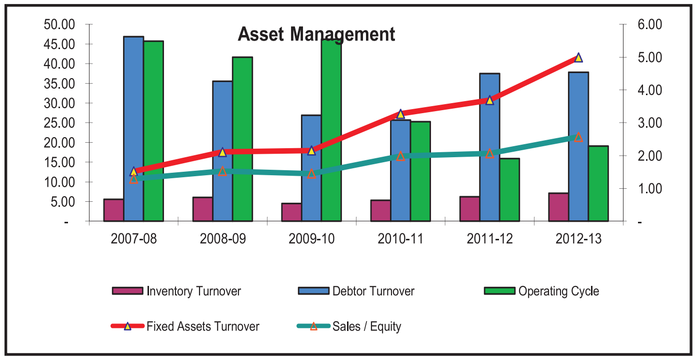
*Shareholder Equity is exclusive of Surplus on Revaluation of Fixed Assets

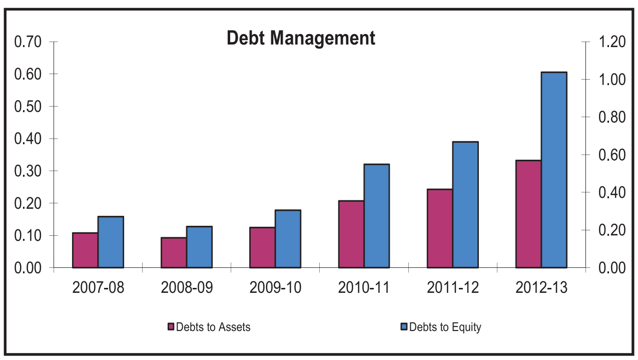
STAKEHOLDERS INFORMATION

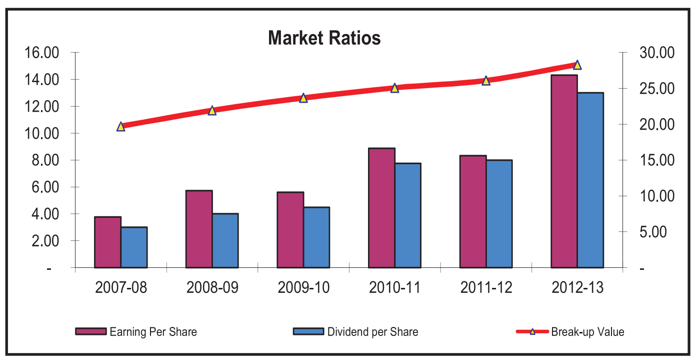


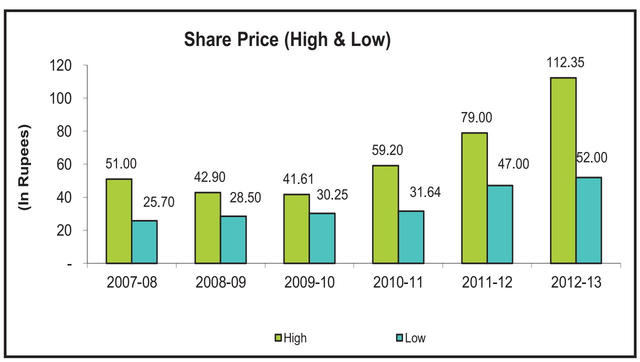


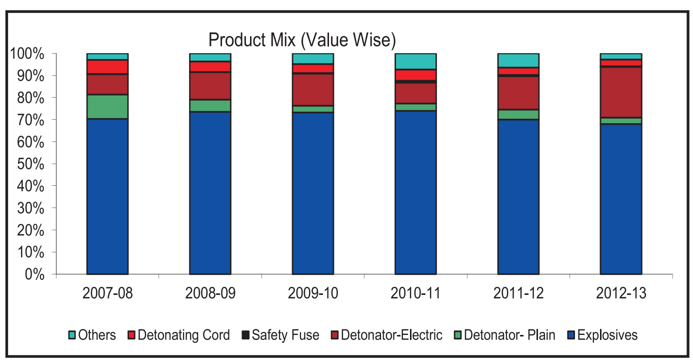












STATEMENT OF COMPLIANCE
WITH THE CODE OF CORPORATE GOVERNANCE TO THE MEMBERS
For the year ended June 30, 2013

This statement is being presented to comply with the Code of Corporate Governance contained in regulations no 35 (XI) of listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Executive Directors	Non Executive Directors
M. Afzal Khan	Abdul Maajid Qureshi
Khawaja Amanullah Askari	M. Salim
Maj. Gen. (Ret'd.) S. Z. M. Askree	M. Zafar Khan
Ms. Shirin Safdar	Dr. M. Humayun Khan
	Mufti M. Hashim Khan
	Adnan Aurangzeb
	Khwaja Ahmad Hosain

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

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 a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy has occurred during the year on the Board of Directors of the Company.

5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose 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 meetings were appropriately recorded and circulated.

9. The board has not arranged any training program for its directors during the year.

10. No new appointments of CEO, CFO, Company Secretary and Internal Auditor have been made during the year.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG 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 approval of the board.

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 CCG.

15. The board has formed an Audit Committee. It comprises 5 members, of whom 3 are non-executive directors and the chairman of the committee is a non-executive director.

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 CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed an HR and Remuneration Committee. It comprises 6 members, of who 5 are non-executive directors and the chairman of the committee is a non-executive director.

18. The board has set up an effective internal audit function/ or has outsourced the internal audit function to Riasat Ishtiaq & Co who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, 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 International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. We confirm that all other material principles enshrined in the CCG have been complied with except for the fact that the Company has not arranged any training program and orientation course for their directors and none of the directors of the Company have obtained certification under any directors' training program. Further, the Company has not determined materiality level. Reasonable progress is being made by the company to seek compliance by the end of next accounting year.

Islamabad:
18 September , 2013

M. Afzal Khan
Chairman

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices ("the Statement") contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of Biafo Industries Limited ("the Company") to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange (Guarantee) Limited and Chapter XI of the Listing Regulations of Islamabad Stock Exchange (Guarantee) Limited, 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub-Regulation (xiii a) of Listing Regulations 35 notified by Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

As disclosed in point 23 of the Statement, the Company has not made appropriate arrangements to carry out orientation courses for their directors to acquaint themselves with the Code, applicable laws and their duties. Further, none of the directors have obtained certification under directors' training program as required under clause (XI) of the Code of Corporate Governance. Moreover, the board of directors has not defined the level of materiality as required under clause V (g) of the Code of Corporate Governance.

Based on our review, with the exception of the matters described in the preceding paragraph, nothing has come to our attention which causes us to believe that the Statement 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 June 30, 2013.

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner:
Muhammad Rehan Chughtai

Islamabad
18 September 2013

AUDITORS' REPORT TO THE MEMBERS OF BIAFO INDUSTRIES LIMITED

We have audited the annexed balance sheet of Biafo Industries Limited ("the Company") as at 30 June 2013 and the related profit and loss account, statement of comprehensive income, 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 the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion-

  (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies 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, statement of comprehensive income, 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 Company's affairs as at 30 June 2013 and of the profit, its cashflows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under 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.

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner:
Muhammad Rehan Chughtai

Islamabad
18 September 2013

BALANCE SHEET
AS AT 30 JUNE 2013

	Note	2013 Rupees	2012 Rupees
NON CURRENT ASSETS			
Property, plant and equipment	4	257,352,267	257,856,895
Long term deposits		2,147,754	2,136,754
		259,500,021	259,993,649
CURRENT ASSETS			
Stores, spare parts and loose tools	5	5,723,201	7,119,891
Stock in trade	6	135,643,593	97,475,579
Trade debts - Unsecured	7	185,158,445	118,206,509
Advances - Unsecured	8	8,901,154	5,000,778
Trade deposits and short term prepayments	9	1,682,882	1,491,143
Advance income tax - net		-	3,355,178
Other receivables	10	353,250	347,794
Other financial assets	11	297,466,793	206,929,872
Cash and bank balances	12	16,432,630	39,047,848
		651,361,948	478,974,592
CURRENT LIABILITIES			
Trade and other payables	13	144,935,172	132,773,333
Markup accrued		2,716,606	1,301,802
Short term borrowings - Secured	14	146,468,480	45,429,216
Provision for taxation		8,629,716	-
		302,749,974	179,504,352
NET CURRENT ASSETS		348,611,974	299,470,240
NON CURRENT LIABILITIES			
Deferred employee benefits	15	10,381,403	1,321,393
Deferred tax liability - net	16	31,687,722	36,107,171
		42,069,125	37,428,564
NET ASSETS		**566,042,870**	**522,035,325**
REPRESENTED BY:			
SHARE CAPITAL AND RESERVES			
Share capital	17	200,000,000	200,000,000
Unappropriated profit		299,958,841	260,918,569
		499,958,841	460,918,569
SURPLUS ON REVALUATION OF FIXED ASSETS - Net of tax	18	66,084,029	61,116,756
		566,042,870	**522,035,325**
CONTINGENCIES AND COMMITMENTS	19		

The annexed notes 1 to 37 form an integral part of these financial statements.

Islamabad
18 September 2013

Director

Chief Executive

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 Rupees	2012 Rupees
NET SALES / TURNOVER	20	1,284,690,774	951,070,746
Cost of sales	21	(827,242,174)	(653,622,890)
GROSS PROFIT		457,448,600	297,447,856
Other income	22	22,316,999	14,926,970
Distribution cost	23	(13,443,910)	(11,589,269)
Administrative expenses	24	(56,862,100)	(41,082,018)
Finance costs	25	(12,208,532)	(5,447,858)
OPERATING PROFIT		397,251,057	254,255,681
Workers' profit participation fund		(19,862,553)	(12,712,784)
Workers' welfare fund		(6,304,776)	(4,652,299)
PROFIT BEFORE TAXATION		**371,083,728**	**236,890,598**
TAXATION			
Current	26	(89,219,473)	(67,602,837)
Deferred	26	4,397,010	(2,677,628)
		(84,822,463)	(70,280,465)
PROFIT FOR THE YEAR		**286,261,265**	**166,610,133**
EARNINGS PER SHARE - Basic and diluted	27	**14.31**	**8.33**

The annexed notes 1 to 37 form an integral part of these financial statements.

Islamabad
18 September 2013

Director

Chief Executive

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

	2013 Rupees	2012 Rupees
Profit for the year	286,261,265	166,610,133
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**286,261,265**	**166,610,133**

The annexed notes 1 to 37 form an integral part of these financial statements.

Islamabad
18 September 2013

Director

Chief Executive

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 Rupees	2012 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		371,083,728	236,890,598
Adjustments for:			
Depreciation		16,238,764	16,683,863
Finance costs		12,208,532	5,447,858
Provision for Workers' profit participation fund		19,862,553	12,712,784
Provision for Workers' welfare fund		6,304,776	4,652,299
Provision for employee benefit		9,121,177	312,543
Provision for slow moving stores, spare parts and loose tools		3,170,169	220,000
Unrealized gain on remeasurement of investment		(20,692,012)	(13,032,107)
Revaluation adjustment		7,723,848	-
Gain on disposal of property, plant and equipment		(323,730)	-
Interest on deposit accounts and TDRs		(792,741)	(1,401,548)
Exchange gain		(508,516)	(493,315)
		52,312,820	25,102,377
		423,396,548	261,992,975
Changes in:			
Store, spare parts and loose tools		(1,773,479)	1,481,291
Stock in trade		(38,168,014)	15,898,097
Trade debts		(66,443,427)	(16,470,688)
Advances, deposits, prepayments and other receivables		(4,193,269)	(2,622,075)
Trade and other payables		1,036,588	36,017,409
		(109,541,601)	34,304,034
Cash generated from operations		**313,854,947**	**296,297,009**
Finance costs paid		(10,793,728)	(4,671,170)
Employees benefits paid		(61,167)	(10,839)
Payments to Workers' profit participation fund		(12,712,784)	(12,703,021)
Payments to Workers' welfare fund		(4,652,299)	(4,757,082)
Income taxes paid		(77,234,579)	(71,744,414)
		(105,454,557)	(93,886,526)
Net cash from operating activities		**208,400,390**	**202,410,483**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(16,561,268)	(8,733,825)
Proceeds from disposal of property, plant and equipment		1,150,862	-
Investments made during the year		(69,844,909)	(47,360,808)
Interest received on deposit accounts and TDRs		877,439	1,533,810
Net cash used in investing activities		**(84,377,876)**	**(54,560,824)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of dividend		(247,676,995)	(145,232,594)
Net cash used in financing activities		**(247,676,995)**	**(145,232,594)**
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(123,654,481)	2,617,066
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		(6,381,369)	(8,998,435)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	28	**(130,035,850)**	**(6,381,369)**

The annexed notes 1 to 37 form an integral part of these financial statements.

Islamabad
18 September 2013

Director **Chief Executive**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	Share capital	Unappropriated profit	Total equity
	Rupees	Rupees	Rupees
Balance at 01 July 2011	200,000,000	237,515,259	437,515,259
Total comprehensive income for the year	-	166,610,133	166,610,133
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year - net of deferred tax	-	2,793,177	2,793,177
	-	**169,403,310**	**169,403,310**
Transactions with members recorded directly in equity			
Distribution to members			
Final dividend of 2011 @ Rs. 2.80 per share	-	(56,000,000)	(56,000,000)
First interim dividend of 2012 @ Rs. 1.25 per share	-	(25,000,000)	(25,000,000)
Second interim dividend of 2012 @ Rs. 1.00 per share	-	(20,000,000)	(20,000,000)
Third interim dividend of 2012 @ Rs. 2.25 per share	-	(45,000,000)	(45,000,000)
Total distribution to members	-	**(146,000,000)**	**(146,000,000)**
Balance at 30 June 2012	**200,000,000**	**260,918,569**	**460,918,569**
Balance at 01 July 2012	200,000,000	260,918,569	460,918,569
Total comprehensive income for the year	-	286,261,265	286,261,265
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year - net of deferred tax	-	2,779,007	2,779,007
	-	**289,040,272**	**289,040,272**
Transactions with members recorded directly in equity			
Distribution to members			
Final dividend of 2012 @ Rs. 3.50 per share	-	(70,000,000)	(70,000,000)
First interim dividend of 2013 @ Rs. 3.00 per share	-	(60,000,000)	(60,000,000)
Second interim dividend of 2013 @ Rs. 2.50 per share	-	(50,000,000)	(50,000,000)
Third interim dividend of 2013 @ Rs. 3.50 per share	-	(70,000,000)	(70,000,000)
Total distribution to members	-	**(250,000,000)**	**(250,000,000)**
Balance at 30 June 2013	**200,000,000**	**299,958,841**	**499,958,841**

The annexed notes 1 to 37 form an integral part of these financial statements.

Islamabad
18 September 2013

Director **Chief Executive**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

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's license for manufacturing and sale of explosives is required to be renewed annually. The Company has set up its industrial undertaking at Hattar Industrial Estate, Khyber Pakhtunkhwa, with its registered office located at 203-204, 2nd Floor, M. Gulistan Khan House, 82-E, Fazal-ul-Haq Road, Blue Area, Islamabad, Pakistan.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984, shall prevail.

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except for the following;

- certain items of property, plant and equipment are measured at revalued amounts; and
- investment at fair value through profit or loss is measured at fair value.

The methods used to measure fair values are discussed further in their respective policy notes.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupee (PKR), which is the Company's functional currency. All financial information presented in PKR has been rounded off to the nearest of PKR, unless otherwise stated.

2.4 Significant estimates

The preparation of financial statements in conformity with the approved accounting standards 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 affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by the management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

Property, plant and equipment

The Company reviews the useful lives and residual value of property, plant and equipment on each reporting date. Any change in estimates in future years might affect the carrying amounts of the respective items of assets with a corresponding affect on the depreciation charge and impairment.

Provisions

Estimates of the amount of provisions recognized are based on current legal and constructive obligations. Because actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes.

Impairment of assets

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. Any change in the estimates in future years might affect the carrying amounts of the respective assets with a corresponding affect on the impairment.

Taxation

Estimates and judgments occur in the calculation of certain tax liabilities and in the determination of the recoverability of certain deferred tax assets, which arise from temporary differences and carry forwards. 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.

The Company regularly reviews the trend of proportion of incomes between Presumptive Tax Regime and Normal Tax Regime and the change in proportions, if significant, is accounted for in the year of change.

Stores, spare parts and loose tools and stock in trade

The Company reviews the carrying value of stores, spare parts and loose tools and stock in trade for possible impairment on an annual basis. Any change in estimate in future years might affect the carrying amounts of the respective items of stores, spares and loose tools and stock in trade with a corresponding affect on the provision. Net realisable value is determined with reference to estimated selling price less estimated cost of completion and estimated expenditure to make the sales.

Provision against trade debts, advances and other receivables

The Company regularly reviews the recoverability of its trade debts, advances and other receivables to assess amount of bad debts and provision.

2.5 New accounting standards and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2013:

– IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments have no impact on financial statements of the Company.

– IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

– IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

– Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

– Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

– Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations.

a) IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

b) IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

c) IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

d) IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

The amendments from a) to d) above have no impact on the financial statements of the Company.

– IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

– IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

– IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

– Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Property, plant and equipment

Property, plant and equipment other than leasehold land and capital work in progress, is stated at cost or revalued amount less accumulated depreciation and accumulated impairment losses, if any. Leasehold land is stated at cost or revalued amount. Capital work in progress is stated at cost less accumulated impairment losses, if any, and is transferred to the respective item of property, plant and equipment when available for intended use. Cost in relation to property, plant and equipment comprises acquisition and other directly attributable costs.

Depreciation is recognized in profit or loss account on a reducing balance method except for electric appliances which are depreciated on straight line method at the rates specified in note 4 to the financial statements. Depreciation is charged from the date the asset is acquired or capitalized to the date it is disposed off. Leasehold land is not depreciated.

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 or charged to profit and loss account in the absence of any surplus therein. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets (net of deferred tax) is transferred to unappropriated profit.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within “other operating income” in profit or loss account. When revalued asset is sold, the amount included in the surplus on revaluation of fixed assets net of deferred tax is transferred directly to equity.

3.2 Stock in trade

Stock in trade is measured 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 and related manufacturing cost
Finished goods:	at moving average cost and related manufacturing expenses

Cost comprises of purchase 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 estimated cost of completion and selling expenses necessarily to be incurred to make a sale.

3.3 Stores, spare parts and loose tools

These are valued at lower of weighted average cost and net realisable value less impairment. Cost is determined on a weighted average basis and comprises costs of purchase and other costs incurred in bringing the items to their present location and condition. Provision is made for slow moving items where necessary and is recognised in the profit and loss account. 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

3.4.1 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.

3.4.2 Investment at fair value through profit or loss

An investment is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, are recognised in profit or loss.

3.4.3 Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to intial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise bank balances, trade debts, advances, deposits, other receivables and term deposit receipts.

3.5 Taxation

Taxation for the year comprises current and deferred tax. Taxation is recognized in the profit and loss account except to the extent that it relates to items recognized outside profit and loss account (whether in other comprehensive income or directly in equity), if any, in which case the tax amounts are recognized outside profit and loss account.

3.5.1 Current tax

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 and any adjustment to tax payable in respect of previous years.

3.5.2 Deferred tax

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 depreciable fixed assets which is adjusted against the related surplus. The effect on deferred taxation of the portion of income expected to fall under presumptive tax regime is adjusted in accordance with the requirements of accounting technical release 27 of the Institute of Chartered Accountants of Pakistan.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

3.6 Employee benefits

Salaries, wages and benefits are accrued in the period in which the associated services are rendered by employees of the Company and measured on an undiscounted basis. The accounting policy for employee retirement benefits is described below;

3.6.1 Accumulating compensated absences

The Company makes provision for compensated un-availed absences accumulated by its employees and charge for the year is recognized in profit and loss account.

3.6.2 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 10% of basic salary equally by the Company and the employee. Obligations for contributions to plan is recognized as an employee benefit expense in profit or loss account when they are due.

3.6.3 Gratuity

The Chairman of the Company is entitled to gratuity on the basis of one month last drawn gross salary and number of years served as Chairman. Charge is included in profit and loss account.

3.7 Revenue recognition

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of government levies, trade discounts and commission. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Risk and rewards are transferred to the customer upon delivery / dispatch of goods as appropriate under the terms of agreements with customers.

3.8 Foreign currencies

PKR 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 PKR at the rate of exchange ruling on the balance sheet date and exchange differences, if any, are charged to income for the year.

3.9 Finance income and cost

Finance income comprises interest income on funds invested, exchange gain and changes in the fair value of financial asset at fair value through profit or loss. Income on bank deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return. Foreign currency gains and losses are reported on a net basis.

Finance cost comprises interest expense on borrowings and bank charges. Borrowing costs incurred for the construction of any qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss account.

3.10 Financial instruments

Financial asets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company classifies financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. Financial assets mainly comprise long and short term deposits, trade debts, advances, investments, other receivables and cash and bank balances.

The particular recognition and subsequent measurement methods adopted for significant financial assets are disclosed in the individual policy statements associated with them.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Significant financial liabilities are obligations under short term borrowings, creditors, accrued and other liabilities.

The particular recognition and subsequent measurement methods adopted for significant financial liabilities are disclosed in the individual policy statements associated with them.

3.11 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.

3.12 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.

3.13 Trade and other receivables

Trade and other receivable are stated at original invoice amount as reduced by appropriate provision for impairment, if any. Bad debts are written off when identified.

The allowance for doubtful accounts is based on the Company's assessment of the collectability of counterparty accounts. The Company regularly reviews its debts and receivables that remain outstanding past their applicable payment terms and establishes allowance and potential write-offs by considering factors such as historical experience, credit quality, age of the accounts receivable balances, and current economic conditions that may affect a customer's ability to pay.

3.14 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.

3.15 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost being the fair value of consideration received, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost less subsequent repayments.

3.16 Dividend

Dividend distribution to the Company's members is recognized as a liability in the period in which the dividends are approved.

3.17 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 form an integral part of the Company's cash management. Cash and cash equivalents are carried in the balance sheet at cost.

3.18 Impairment

3.18.1 Financial assets

A financial asset not classified as fair value is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the company on terms that the company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

All impairment losses are recognized in profit or loss account. An impairment loss is reversed in the profit and loss account if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

3.18.2 Financial assets measured at amortised cost

The Company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held-to-maturity financial assets) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

NOTES TO THE FINANCIAL STATEMENTS
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In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3.18.3 Non financial assets

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In the absence of any information about the fair value of a cash-generating unit, the recoverable amount is deemed to be the value in use. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses in respect of cash-generating units are allocated to the carrying amounts of assets in the cash-generating unit group on pro-rata basis. An impairment loss is reversed only to the extent that the asset carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.19 Earnings per share

The Company presents basic and diluted earnings per share (EPS). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

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FOR THE YEAR ENDED 30 JUNE 2013

4 PROPERTY, PLANT AND EQUIPMENT

		Owned										
	Leasehold land	Building on leasehold land	Plant and machinery	Fork lifter	Tools and equipment	Tube well	Office equipment	Furniture and fixtures	Electrical appliances	Vehicles	Capital work in progress (Note 4.1)	Total
	Rupees											
Cost/ Revalued amount												
Balance as at 01 July 2011	81,433,100	30,880,697	155,070,751	1,993,458	998,926	2,606,600	2,672,479	1,612,209	897,210	12,432,970	1,359,669	291,958,069
Additions	-	-	2,946,654	-	-	-	142,921	41,250	143,600	1,224,763	4,234,637	8,733,825
Transfer in/(out)	-	1,637,246	152,933	-	-	-	-	-	2,644,618	-	(4,434,797)	-
Balance as at 30 June 2012	**81,433,100**	**32,517,943**	**158,170,338**	**1,993,458**	**998,926**	**2,606,600**	**2,815,400**	**1,653,459**	**3,685,428**	**13,657,733**	**1,159,509**	**300,691,894**
Balance as at 01 July 2012	81,433,100	32,517,943	158,170,338	1,993,458	998,926	2,606,600	2,815,400	1,653,459	3,685,428	13,657,733	1,159,509	300,691,894
Additions	-	225,907	1,884,088	1,869,690	27,000	-	558,277	-	154,429	1,496,346	10,345,531	16,561,268
Disposals	-	-	-	-	-	-	-	-	-	(1,355,174)	-	(1,355,174)
Transfer in/(out)		2,820,859	347,185	-	-	-	-	-	-	-	(3,168,044)	-
Balance as at 30 June 2013	**81,433,100**	**35,564,709**	**160,401,611**	**3,863,148**	**1,025,926**	**2,606,600**	**3,373,677**	**1,653,459**	**3,839,857**	**13,798,905**	**8,336,996**	**315,897,988**
Depreciation												
Balance as at 01 July 2011	-	752,041	16,418,461	1,080,551	840,823	305,522	2,066,365	1,256,155	433,153	2,998,067	-	26,151,136
Charge for the year	-	775,045	14,009,696	91,291	15,810	230,108	138,835	37,671	436,876	948,531	-	16,683,863
Balance as at 30 June 2012	**-**	**1,527,086**	**30,428,157**	**1,171,842**	**856,633**	**535,630**	**2,205,200**	**1,293,826**	**870,029**	**3,946,598**	**-**	**42,834,999**
Balance as at 01 July 2012	-	1,527,086	30,428,157	1,171,842	856,633	535,630	2,205,200	1,293,826	870,029	3,946,598	-	42,834,999
Charge for the year	-	788,816	12,818,255	113,409	15,257	207,097	135,975	35,963	1,096,955	1,027,037	-	16,238,764
On disposals	-	-	-	-	-	-	-	-	-	(528,042)	-	(528,042)
Balance as at 30 June 2013	**-**	**2,315,902**	**43,246,412**	**1,285,251**	**871,890**	**742,727**	**2,341,175**	**1,329,789**	**1,966,984**	**4,445,593**	**-**	**58,545,721**
Carrying amounts - June 2012	81,433,100	30,990,857	127,742,181	821,616	142,293	2,070,970	610,200	359,633	2,815,399	9,711,135	1,159,509	257,856,895
Carrying amounts - June 2013	**81,433,100**	**33,248,807**	**117,155,199**	**2,577,897**	**154,036**	**1,863,873**	**1,032,503**	**323,671**	**1,872,873**	**9,353,312**	**8,336,996**	**257,352,267**
Rates of depreciation per annum	**-**	**2.50%**	**10%**	**10%**	**10%**	**10%**	**10-33.33%**	**10%**	**33.33%**	**10%**	**-**	

4.1 This mainly includes construction work on head office building G-10 amounting to Rs. 2,146,096 and purchase of components of distillation unit for Nitric Acid amounting to Rs. 5,918,907.

NOTES TO THE FINANCIAL STATEMENTS
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4.2 Depreciation for the year has been allocated as follows:

	Note	2013 Rupees	2012 Rupees
Cost of sales	21	14,252,458	15,359,153
Distribution cost	23	122,728	53,504
Administrative expenses	24	1,863,578	1,271,206
		16,238,764	**16,683,863**

4.3 Revaluation of land, building, plant and machinery

Leasehold Land, building on leasehold land and plant and machinery of the Company were revalued on 30 June 1996, 30 June 2005 and on 30 June 2010. Valuation in 2010 was carried out by an independent valuer M/S Consultancy Support & Services under the market value basis. This revaluation resulted in net surplus of Rs. 13.518 million. Balance of revaluation surplus net of incremental depreciation included in the book value of these assets as stated in note 18 amounted to Rs. 77.55 million (2012: Rs. 73.89 million) at the year end.

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

	Net Book Value	
	2013 Rupees	2012 Rupees
Leasehold land	44,033,883	44,033,883
Building on leasehold land	28,494,073	33,832,979
Plant and machinery	81,757,622	88,411,539
	154,285,578	**166,278,401**

4.4 Detail of disposal of property, plant and equipment:

	Cost	Book Value	Sale Proceeds
		Rupees	
Suzuki Cultus [Ne-508]	723,790	475,724	620,690
Suzuki Cultus [Lc-260]	631,384	351,408	530,172
2013	**1,355,174**	**827,132**	**1,150,862**
2012	-	-	-

These vehicles were sold through public tender to RS Motors Islamabad.

5 STORES, SPARE PARTS AND LOOSE TOOLS

	2013 Rupees	2012 Rupees
Stores	1,455,351	1,295,737
Spare parts	8,434,874	6,821,009
Loose tools	81,497	81,497
	9,971,722	8,198,243
Provision for slow moving stores, spare parts and loose tools	(4,248,521)	(1,078,352)
	5,723,201	**7,119,891**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

		Note	2013 Rupees	2012 Rupees
6	**STOCK IN TRADE**			
	Raw materials		83,836,062	77,423,349
	Packing materials		3,748,704	2,129,628
	Work in process		6,866,809	1,051,580
	Finished goods		39,482,305	12,179,082
	Goods in transit		1,709,713	4,691,940
			135,643,593	**97,475,579**
7	**TRADE DEBTS - UNSECURED**			
	Unsecured - Considered good		185,158,445	118,206,509
	Unsecured - Considered doubtful		1,592,761	1,592,761
			186,751,206	119,799,270
	Provision for doubtful debts		(1,592,761)	(1,592,761)
			185,158,445	**118,206,509**
8	**ADVANCES - UNSECURED**			
	Advances to suppliers - Considered good		7,570,835	4,008,768
	Advances to employees - Considered good		1,330,319	992,010
			8,901,154	**5,000,778**
9	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Trade deposits		428,076	428,076
	Prepayments		1,254,806	1,063,067
			1,682,882	**1,491,143**
10	**OTHER RECEIVABLES**			
	Considered good:			
	Interest income receivable		65,733	150,431
	Others		287,517	197,363
			353,250	**347,794**

11 OTHER FINANCIAL ASSETS

Investments:	Number of units 2013	Number of units 2012	Note	2013 Rupees	2012 Rupees
Held for trading					
NAFA Government Securities Liquid Fund	4,487,475.01	4,124,427.77	11.1	45,044,825	41,459,985
ABL Income Fund	11,194,707.27	8,674,807.41	11.1	112,016,480	86,975,354
MCB Dynamic Cash Fund	390,903.35	356,862.19	11.1	40,502,474	36,194,533
Faysal Money Market Fund	495,137.12	-	11.1	50,603,014	-
				248,166,793	164,629,872
Loans and receivables - Term deposit receipts			11.2	49,300,000	42,300,000
				297,466,793	**206,929,872**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

11.1 These investments are stated at fair value at the year end, using the year end redemption price. Gain on remeasurement is included in other operating income. As stated in note 14 units in NAFA Government Securities Liquid Fund, ABL Income Fund, MCB Dynamic Cash Fund and Faysal Money Market Fund (2012: NAFA Government Securities Liquid Fund, ABL Income Fund and MCB Dynamic Cash Fund) are pledged as security against running finance facilities arranged with National Bank of Pakistan, Allied Bank Limited, MCB Bank Limited and Faysal Bank Limited respectively.

11.2 This represents foreign currency term deposit receipts (TDRs) amounting to USD 500,000 (2012: USD 450,000). These carry interest rate ranging between 1.00% to 2.00% (2012: 2.00% to 2.25%) per annum. As stated in note 14, TDRs of USD 450,000 are given as security against running finace facility arranged with Allied Bank limited.

	Note	2013 Rupees	2012 Rupees
12 CASH AND BANK BALANCES			
Cash at bank:			
Current accounts	12.1	16,383,923	38,886,779
Deposit accounts	12.2	31,818	142,887
		16,415,741	39,029,666
Cash in hand		16,889	18,182
		16,432,630	**39,047,848**

12.1 Current accounts include foreign currency balances amounting to Rs.1,359,164 (US$ 13,785), (2012: Rs.3,436,664)(US$ 36,560).

12.2 These carry interest at the rate of 5% (2012: 5%) per annum.

	Note	2013 Rupees	2012 Rupees
13 TRADE AND OTHER PAYABLES			
Trade creditors		83,242,295	82,873,252
Advances from customers		3,274,692	4,914,375
Accrued liabilities		12,663,566	9,941,887
Sales tax payable - net		5,146,347	6,375,242
Insurance		332,633	616,755
Workers' profit participation fund payable		19,862,553	12,712,784
Workers' welfare fund payable		6,304,776	4,652,299
Unclaimed dividend		10,664,818	8,341,813
Payable to employees provident fund - unsecured		533,400	436,216
Withholding tax payable		386,988	172,152
Others		2,523,104	1,736,558
		144,935,172	**132,773,333**
14 SHORT TERM BORROWINGS - Secured			
National Bank of Pakistan			
Running Finance		-	3,680,520
Allied Bank Limited			
FE-25/Export Refinance	14.1	49,652,319	41,748,696
Running Finance	14.2	68,090,679	-
MCB Bank Limited			
Running Finance	14.3	28,725,482	-
		146,468,480	**45,429,216**

14.1 This represents utilized amount of FE-25 with a sanctioned limit of Rs. 50 million (2012: Rs. 50 million). The facility carries mark-up at the rate of LIBOR + 2% (2012: LIBOR + 2%) per annum of the utilized amount.

NOTES TO THE FINANCIAL STATEMENTS
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14.2 This represents utilized amount of running finance facilities with cumulative sanctioned limit of Rs. 162.8 million. These facilities include running finance facility - RF I with sanctioned limit of Rs. 35 million carrying mark-up at the rate of 3 months average KIBOR + 1.25% of the utilized amount, running finance facility - RF II with a maximum sanctioned limit of Rs. 95 million carrying markup at the rate of 3 months average KIBOR + 1% per annum of the utilitzed amount and secured against investment in units of ABL Income Fund (refer note 11) with 5% margin, and running finance facility - RF III with maximum sanctioned limit of Rs. 32.8 million carrying markup at the rate of 3 months average KIBOR + 1% of the utilitzed amount and secured against the investment made in the ABL Term Deposit Receipts of USD 450,000 (refer note 11).

14.3 This represents utilized amount of running finance facility with a sanctioned limit of Rs. 31.415 million (2012: Rs. 31.415 million) and carries mark up at the rate of 3 months KIBOR + 1% per annum payable on quarterly basis. The facility is secured against investment in units of MCB Dynamic Cash Fund having face value of Rs. 33.962 million. Refer note 11.

Unavailed facilities

As of 30 June 2013, the Company has following unavailed and unutilized facilities.

14.4 National Bank of Pakistan (NBP)

14.4.1 Running finance facility with a maximum sanctioned limit of Rs. 25 million (2012: Rs. 25 million). The facility carries markup at the rate of 6 months KIBOR + 1.35% per annum (2012: 3 months KIBOR + 2% per annum). The facility is secured against investment in units of NAFA Government Securities Liquid Fund (NGSLF) of Rs. 38.087 million with 15% margin. The Company can avail the facility upto 85% of the investment value of the NGSLF investment. This facility has expired on 30 June 2013, however the Company is in process of negotiating the bank for renewal.

14.5 Allied Bank Limited (ABL)

14.5.1 RF limit of aggregate amount of Rs. 162.8 million as mentioned in note 14.2 has sub limit of Letter of credit - sight (foreign), Letter of credit - usance (foreign), Export Refinance and FCEF of RF 1 and RF 11 and Letter of Guarantee facility, and FE-25 facility as mentioned in note 14.1 has sub limit of FCEF.

14.5.2 The facilities mentioned in note 14.1, 14.2 and 14.5.1 are secured by way of first charge on all present and future current assets (excluding receivables) and fixed assets of the Company including equitable mortgage over industrial property of the company with 25% margin duly insured with bank's clause, lien on valid import documents of the Company and corporate guarantee of the Company in addition to security mentioned in note 14.2.

14.6 Faysal Bank Limited (FBL)

14.6.1 Running finance facility of Rs. 47.5 million (2012: NIL) for financing working capital requirements of the Company. The facility carries markup at the rate of 3 months KIBOR + 1.00% per annum. The facility is secured against investment in units of Money Market Funds worth Rs. 50 million placed with Faysal Asset Management Limited with 5% margin.

	2013 Rupees	2012 Rupees
15 DEFERRED EMPLOYEE BENEFIT		
Gratuity	9,000,000	-
Accumulating compensated absences		
Obligation at beginning of the year	1,321,393	1,019,689
Charge for the year	121,177	312,543
	1,442,570	1,332,232
Benefits paid during the year	(61,167)	(10,839)
Obligation at end of the year	**10,381,403**	**1,321,393**

Actuarial valuation of accumulating compensated absences and gratuity has not been carried out as the impact of such valuation is deemed immaterial.

NOTES TO THE FINANCIAL STATEMENTS
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	2013 Rupees	2012 Rupees
16 DEFERRED TAX LIABILITY - Net		
The net balance of deferred tax is in respect of the following major temporary differences:		
Accelerated depreciation on property, plant and equipment	24,853,422	24,471,496
Retirement benefits	(2,964,929)	(375,752)
Provision for doubtful debts, advances and receivables	(454,893)	(452,918)
Provision for slow moving stores, spare parts and loose tools	(1,213,378)	(306,641)
Surplus on revaluation of property, plant and equipment	11,467,500	12,770,981
	31,687,722	**36,107,171**

Deferred tax liability has been calculated at the enacted tax rate of 34% (2012: 35%) per annum. Based on the Company's estimate of future export sales, adjustment of Rs. 17.752 million (2012: Rs. 15.391 million) has been made in the taxable temporary differences at the year end. This has resulted in increase in after tax profit by Rs. 3.851 million (2012: Rs. 5.387 million) with corresponding decrease in deferred tax liability by the same amount.

17 SHARE CAPITAL

17.1 Authorized share capital

This represents 25,000,000 (2012: 25,000,000) Ordinary shares of Rs. 10 each.

17.2 Issued, subscribed and fully paid up capital

2013 Numbers	2012 Numbers		2013 Rupees	2012 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
20,000,000	**20,000,000**		**200,000,000**	**200,000,000**

	2013 Rupees	2012 Rupees
18 SURPLUS ON REVALUATION OF FIXED ASSETS- Net of tax		
Surplus on revaluation at 01 July	73,887,737	78,184,933
Transferred to equity in respect of incremental depreciation- net of deferred tax	(2,779,007)	(2,793,177)
Revaluation adjustment	7,723,848	-
Related deferred tax liability of incremental depreciation	(1,281,049)	(1,504,019)
	3,663,792	(4,297,196)
	77,551,529	73,887,737
Related deferred tax liability on:		
Surplus on revaluation as at 01 July	(12,770,981)	(14,275,000)
Incremental depreciation charged on revalued assets	1,281,049	1,504,019
Revaluation adjustment	(2,703,347)	-
Adjustment including effect of change in tax rate	2,725,778	-
	(11,467,500)	(12,770,981)
	66,084,029	**61,116,756**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

19 CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

19.1.1 Industrial Estate Hattar of Sarhad Development Authority, Khyber Pakhtunkhwa 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, Haripur. The court has stayed the demand and currently the case is with the Chairman Sarhad Development Authority, Khyber Pakhtunkhwa for arbitration. Pending the outcome of the appeal, no provision has been made in these financial statements for such demand as the management is confident that the appeal will be decided in the Company's favour.

19.1.2 For contingencies relating to tax matters refer note 26.2 to the financial statements.

19.2 Commitments

19.2.1 Letters of credit issued by banks on behalf of the Company for import of raw materials, outstanding at the year end amounted to Rs. 13,527,568 (2012: Rs. 45,544,882).

	Note	2013 Rupees	2012 Rupees
20 NET SALES / TURNOVER			
Turnover		1,612,956,559	1,182,728,108
Sales tax		(178,357,211)	(119,999,477)
Discounts and commissions		(326,188,598)	(290,022,965)
Net Local Sales		1,108,410,750	772,705,666
Net Export Sales	20.1	176,280,024	178,365,080
		1,284,690,774	**951,070,746**

20.1 Export sales include an amount of Rs. 144,767,094 (2012: Rs. 167,099,700) representing sales made to Saindak and Dudder projects in Balochistan, Pakistan which has been declared as Export Processing Zone by the Government of Pakistan (GoP).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 Rupees	2012 Rupees
21 COST OF SALES			
Materials consumed	21.1	715,838,092	535,079,112
Stores, spare parts and loose tools consumed		5,219,279	6,740,573
Packing materials consumed		15,678,234	11,433,897
Fuel and power		6,250,418	5,427,212
Salaries, wages and other benefits	21.2	47,356,879	39,345,410
Insurance		3,698,766	3,379,997
Repairs and maintenance		2,428,369	3,116,802
Provision for slow moving stores, spare parts and loose tools		3,170,169	220,000
Depreciation	4.2	14,252,458	15,359,153
Vehicle running and maintenance		1,060,060	1,448,386
Travelling and conveyance		423,321	263,084
Water charges		60,900	60,900
Telephone, telex and postage		167,020	209,183
Legal and professional charges		72,000	72,950
Printing and stationery		403,406	446,798
Canteen		842,705	686,772
Transportation and freight forwarding charges		27,493,126	28,215,444
Fees and subscription		811,964	1,009,095
Vehicle rent		1,634,700	1,435,121
Security charges		2,003,368	2,108,155
Saindak expenses		2,367,408	1,996,678
Revaluation adjustment		7,723,848	-
Miscellaneous expenses		1,404,136	1,315,117
		860,360,626	659,369,839
Work in process:			
Opening		1,051,580	806,932
Closing		(6,866,809)	(1,051,580)
		(5,815,229)	(244,648)
Cost of goods manufactured		854,545,397	659,125,191
Finished goods:			
Opening		12,179,082	6,676,781
Closing		(39,482,305)	(12,179,082)
		(27,303,223)	(5,502,301)
		827,242,174	**653,622,890**

21.1 Materials consumed

	2013 Rupees	2012 Rupees
Opening stock as at 01 July	77,423,165	93,460,474
Purchases during the year	722,250,991	519,041,803
	799,674,156	612,502,277
Closing stock as at 30 June	(83,836,064)	(77,423,165)
	715,838,092	**535,079,112**

21.2 This includes Rs. 1,726,871 (2012: Rs. 1,290,685) charged on account of defined contribution plan and employees compensated absences.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 Rupees	2012 Rupees
22 OTHER INCOME			
From financial assets			
Gain on remeasurement of investment at fair value through profit or loss		20,692,012	13,032,107
Interest on investment in TDRs		780,961	1,391,576
Exchange gain- net		508,516	493,315
Interest on deposit accounts		11,780	9,972
		21,993,269	14,926,970
From non-financial assets			
Gain on disposal of property, plant and equipment		323,730	-
		323,730	-
		22,316,999	**14,926,970**

	Note	2013 Rupees	2012 Rupees
23 DISTRIBUTION COST			
Salaries, wages and other benefits	23.1	10,289,000	8,542,076
Staff traveling and conveyance		2,019,919	1,915,921
Telephone, telex and postage		174,244	242,200
Entertainment		85,449	80,321
Printing and stationary		61,170	90,887
Vehicle running and maintenance		452,940	513,639
Insurance		73,065	56,718
Other charges		165,395	94,003
Depreciation	4.2	122,728	53,504
		13,443,910	**11,589,269**

23.1 This include Rs.438,167 (2012: Rs. 371,008) charged on account of defined contribution plan and employees compensated absences.

	Note	2013 Rupees	2012 Rupees
24 ADMINISTRATIVE EXPENSES			
Chief Executive and Directors' remuneration		36,357,914	23,466,582
Salaries, wages and other benefits	24.1	6,371,974	5,701,798
Directors' traveling and conveyance		3,741,138	2,722,748
Staff traveling		35,612	8,800
Electricity, gas and water		358,419	355,071
Telephone, telex and postage		771,147	640,247
Rent, rates and taxes		2,039,600	1,372,417
Legal and professional charges		1,357,311	1,458,086
Donation	24.2	200,000	225,000
Auditors' remuneration	24.3	550,000	500,000
Printing and stationery		512,141	302,389
Entertainment		115,995	277,325
Insurance		173,980	178,569
Advertisements		83,928	142,500
Vehicle running and maintenance		1,599,380	1,532,499
Repair and maintenance		563,349	806,852
General expenses		166,634	119,929
Depreciation	4.2	1,863,578	1,271,206
		56,862,100	**41,082,018**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

24.1 This includes Rs. 9,187,186 (2012: Rs.1,062,127) charged on account of gratuity, defined contribution plan and employees compensated absences.

24.2 Donation was given to The Citizens Foundation for its work in the field of education. Donation did not include any amount paid to any person or organization in which a director or his/her spouse had any interest.

	2013 Rupees	2012 Rupees
24.3 Auditors' Remuneration		
Annual audit fee	350,000	325,000
Half yearly review	120,000	100,000
Other certifications	80,000	75,000
	550,000	**500,000**

25 FINANCE COSTS

Mark up on short term borrowings - secured	11,082,159	4,130,402
Bank charges	1,126,373	1,317,456
	12,208,532	**5,447,858**

26 TAXATION

Current -		
Prior year	(13,505,177)	-
For the year	102,724,650	67,602,837
	89,219,473	67,602,837
Deferred	(4,397,010)	2,677,628
	84,822,463	**70,280,465**

26.1 Reconciliation of tax expense with tax on accounting profit:

Profit before taxation	371,083,728	236,890,598
Tax rate	35%	35%
Tax on accounting profit	129,879,305	82,911,709
Tax effect of export income charged at lower tax rate	(28,824,192)	(13,461,029)
Tax effect of prior year	(13,505,177)	786,399
Tax effect of permanent differences	(4,538,857)	(4,561,237)
Deferred tax due to change in proportion of export sales	781,263	3,910,540
Tax effect of change in tax rate	(707,991)	-
Others	1,738,112	694,083
	84,822,463	**70,280,465**

26.2 The Company has filed tax returns upto and including tax year 2012. The assessments for the tax years 2009 and 2010 were however amended by the ACIR, LTU whereby the allocation of cost to final tax regime and normal tax regime receipts was changed. The Company filed an appeal before the CIR (Appeals), Islamabad who directed the ACIR to re-examine the records and rephrase the assessments. The reassessments are awaited.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
27 EARNINGS PER SHARE - Basic and diluted		
Profit for the year (Rupees)	286,261,265	166,610,133
Average number of shares outstanding during the year (Number)	20,000,000	20,000,000
Earnings per share (Rupees)	14.31	8.33

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

		2013 Rupees	2012 Rupees
28 CASH AND CASH EQUIVALENTS			
Cash and bank balances	12	16,432,630	39,047,848
Short term borrowings	14	(146,468,480)	(45,429,217)
		(130,035,850)	**(6,381,369)**

29 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2013				2012			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Managerial remuneration	10,952,258	10,200,000	5,004,000	26,156,258	8,922,581	8,600,000	3,978,000	21,500,581
Employee benefits	995,656	9,000,000	333,600	10,329,256	744,001	-	243,054	987,055
Bonus	3,510,000	1,700,000	1,669,000	6,879,000	2,550,000	2,650,000	663,000	5,863,000
Total	**15,457,914**	**20,900,000**	**7,006,600**	**43,364,514**	**12,216,582**	**11,250,000**	**4,884,054**	**28,350,636**
Number of persons	1	3	2		1	3	2	

The aggregate amount charged in these financial statements in respect of meeting fee paid to other than Chief Executive and three Directors (2012: Three) was Rs. 1,195,500 (2012: Rs. 500,430).

Chief Executive, Directors and General Manager Operations are provided with the Company's maintained cars.

30 RELATED PARTY TRANSACTIONS

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 Rupees	2012 Rupees
Associated undertakings			
Sole proprietorship concern of a director of the Company			
Advance received for supply of explosives		3,111,888	1,464,036
Sale of explosives		3,111,888	1,464,036
Orient Trading Limited			
Payment of dividend		81,801,250	47,771,930
Share capital		65,441,000	65,441,000
Other related parties			
Remuneration including benefits and perquisites of key management personnel	29	43,364,514	28,350,636
Contribution towards employees' provident fund		3,231,047	2,411,277
Payable to employees' provident fund		533,400	436,216

31 FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

31.1 Credit risk

Credit risk refers to the risk that the counterparty will fail to perform or fail to pay amounts due, resulting in financial loss to the Company. The primary activities of the Company are manufacturing and sale of commercial explosives. The Company is exposed to credit risk from its operation and certain investing activities.

The Company's credit risk exposures are categorised under the following headings:

Counterparties

In relation to the Company's exposure to credit risk, trade debtors, financial institutions are major counterparties and the Company's policies to manage risk in relation to these counter parties are explained in the following paragraphs.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Trade debts

Credit risk with respect to trade debts is diversified due to the number of entities comprising the Company's customer base. Trade debts are essentially due from the entities engaged in cement manufacturing, construction, mining, oil and gas exploration service providers and agents. The Company has a credit policy that governs the management of credit risk, including the establishment of counterparty credit repayment timeline and specific transaction approvals. The Company limits credit risk by assessing creditworthiness of potential counterparties before entering into transactions with them and continuing to evaluate their creditworthiness after transactions have been initiated. Further the Company for all major customers enters into a written agreement, and amongst the provisions agreed are product rates, discount levels and repayment terms. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Collectability is assessed based on the creditworthiness of the customer as determined by credit checks and the customer's payment history to the Company. The Company establishes a provision for doubtful debts in respect of trade debts and historically such losses have been within management's expectations.

Bank balances and investments

The Company maintains its bank balances and makes investments in money market funds with financial institutions of high credit ratings. The investment made in NAFA Government Securities Liquid Fund, ABL Income Fund, MCB Dynamic Cash Fund and Faysal Money Market Fund is exposed to minimal credit risk as these are open-ended collective schemes, while deposits held with banks can either be redeemed upon demand or have a short term maturity of six months and therefore also bear minimal risk.

Exposure to credit risk

The carrying amount of financial assets of the Company represents the maximum credit exposure. The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics and the maximum financial exposure due to credit risk on the Company's financial assets as at 30 June was;

	2013 Rupees	2012 Rupees
Trade debts- net	185,158,445	118,206,509
Advances	8,901,154	5,000,778
Trade deposits	428,076	428,076
Other receivables	353,250	347,794
Other financial assets	297,466,793	206,929,872
Long term deposits	2,147,754	2,136,754
Bank balances	16,415,741	39,029,666
	510,871,213	**372,079,449**

The maximum exposure to credit risk for trade debts at the reporting date by type of customer was:

	2013 Rupees	2012 Rupees
Cement manufacturers	12,185,080	17,664,198
Oil and gas exploration service providers	95,469,693	50,567,357
Construction and mining entities	77,503,672	49,974,955
	185,158,445	**118,206,509**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Impairment losses

The aging of trade debts at the reporting date was:

	2013		2012	
	Gross debts	Impairment	Gross debts	Impairment
	Rupees	Rupees	Rupees	Rupees
Not past due	65,620,821	-	80,064,012	-
Past due 0-30 days	51,803,722	-	21,518,441	-
Past due 31-60 days	67,733,902	-	16,624,056	-
Past due 61-90 days	-	-	-	-
Past due 91-365 days	-	-	-	-
Over 365 days	1,592,761	1,592,761	1,592,761	1,592,761
	186,751,206	**1,592,761**	**119,799,270**	**1,592,761**

The management constantly evaluates the creditworthiness of the customers and considers the historical payment record of customers. In relation to the trade debts that are past due the management believes that counterparties will discharge their obligations and accordingly no additional allowance for impairment is required.

The allowance account in respect of other receivables is used to record impairment losses, when no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off by the Company.

31.2 Liquidity risk

Liquidity risk results from the Company's potential inability to meet its financial liabilities, e.g. settlement of borrowings and paying its suppliers. The responsibility for liquidity risk management rests with the Board of Directors of the Company and their approach in this regard is to ensure that the Company always has sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation. Beyond effective net working capital and cash management, the Company mitigates liquidity risk by arranging short term financing from highly rated financial institutions.

The maturity profile of the Company's financial liabilities based on the contractual amounts is as follows:

	2013		2012	
	Carrying amount	Contractual cash flows	Carrying amount	Contractual cash flows
	Rupees		Rupees	
Maturity upto one year				
Short term borrowings	146,468,480	146,468,480	45,429,216	45,556,999
Markup accrued	2,716,606	2,716,606	1,301,802	1,301,802
Trade and other payables	109,959,816	109,959,816	103,946,481	101,715,846
	259,144,902	259,144,902	150,677,499	148,574,647
	259,144,902	**259,144,902**	**150,677,499**	**148,574,647**

31.3 Market risk

Market fluctuations may result in cash flow and profit volatility risk for the Company. The Company's operating activities as well as its investment and financing activities are affected by changes in foreign exchange rates, interest rates and security prices. To optimize the allocation of the financial resources as well as secure an optimal return for its shareholders, the Company identifies, analyzes and proactively manages the associated financial market risks. The Company seeks to manage and control these risks primarily through its regular operating and financing activities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Foreign currency risk management

PKR is the functional currency of the Company and exposure arises from transactions and balances in currencies other than PKR as foreign exchange rate fluctuations may create unwanted and unperdicticable earnings and cash flow volatility. The Company's potential currency exposure comprise;

- Transactional exposure in respect of non functional currency monetary items.
- Transactional exposure in respect of non functional currency expenditure and revenues.

The potential currency exposures are discussed below;

Transactional exposure in respect of non functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to PKR equivalent, and the associated gain or loss is taken to the profit and loss account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

Transactional exposure in respect of non functional currency expenditure and revenues

Certain operating and capital expenditure is incurred by the Company in currency other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Company. These currency risks are managed as a part of overall risk management strategy. The Company does not enter into forward exchange contracts.

Exposure to foreign currency risk

The Company's exposure to foreign currency risk was as follows based on following amounts:

	2013 USD	2012 USD
Trade debts	408,276	281,144
Bank balances and investments	513,785	486,560
	922,061	**767,704**

The significant exchange rates applied during the year were:

	Average rate		Reporting date mid spot rate	
	2013 Rupees	2012 Rupees	2013 Rupees	2012 Rupees
USD 1	96.30	89.93	98.60	94.00

Sensitivity analysis

A 10 percent weakening of the PKR against the USD at 30 June would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2013 Rupees	2012 Rupees
Profit and loss account	9,091,518	7,216,418

A 10 percent strengthening of the PKR against the USD at 30 June would have had the equal but opposite effect on USD to the amounts shown above, on the basis that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Interest rate risk

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature in a given period. The Company adopts a policy to ensure that interest rate risk arising on its financial assets is minimized by investing in fixed rate investments like TDRs.

Profile

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	2013 %	2012 %	2013 Rupees	2012 Rupees
Financial assets				
Other financial assets- Term deposit receipts	1.00 - 2.00	2.00 - 2.25	49,300,000	42,300,000
Bank balances- Deposit accounts	5.0	5.0	31,818	142,887
			49,331,818	**42,442,887**
Financial liabilities				
Short term borrowings	2.523 - 13.41	3.73 - 15.53	146,468,480	45,429,216
			146,468,480	**45,429,216**

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not have derivatives as hedging instruments recognized under fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased /decreased profit or loss by Rs. 1,411,836 (2012: Rs. 113,494).

Price risk

The Company is exposed to price risk because of investment in marketable securities held by the Company in NAFA Government Securities Liquid Fund, ABL Income Fund, MCB Dynamic Cash Fund and Faysal Money Market Fund. These investments are classified as "investments at fair value through profit or loss held for trading. The Company makes investment in securities in accordance with the Board of Directors approval.

Sensitivity analysis – Equity price risk

A change of Rs. 1 in value of investment at fair value through profit and loss would increase/decrease profit by Rs. 3,114,314 (2012: Rs. 11,238,625).

31.4 Fair value of financial assets and liabilities

The financial assets and liabilities are presented by class in the tables below at their carrying values, which generally approximate to the fair values.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Financial assets and liabilities	Loans and receivables	Held at fair value through profit or loss	Other financial assets and liabilities at amortized cost	Total
30 June 2013			Rupees	
Trade debts- net	185,158,445	-	-	185,158,445
Advances	8,901,154	-	-	8,901,154
Trade deposits	428,076	-	-	428,076
Other receivables	353,250	-	-	353,250
Other financial assets	49,300,000	248,166,793	-	297,466,793
Bank balances	16,432,630	-	-	16,432,630
Total financial assets	260,573,555	248,166,793	-	508,740,348
Non financial assets				402,121,621
Total assets				910,861,969
Financial liabilities				
Short term borrowings	-	-	146,468,480	146,468,480
Markup accrued	-	-	2,716,606	2,716,606
Trade and other payables	-	-	109,959,816	109,959,816
Total Financial liabilities	-	-	259,144,902	259,144,902
Non financial liabilities				91,339,080
Total liabilities				350,483,982

Financial assets and liabilities	Loans and receivables	Held at fair value through profit or loss	Other financial assets and liabilities at amortized cost	Total
30 June 2012			Rupees	
Trade debts- net	118,206,509	-	-	118,206,509
Advances	5,000,778	-	-	5,000,778
Trade deposits	428,076	-	-	428,076
Other receivables	347,794	-	-	347,794
Other financial assets	42,300,000	164,629,872	-	206,929,872
Bank balances	39,047,848	-	-	39,047,848
Total financial assets	205,331,005	164,629,872	-	369,960,877
Non financial assets				369,007,364
Total assets				738,968,241
Financial liabilities				
Short term borrowings	-	-	45,429,216	45,429,216
Markup accrued	-	-	1,301,802	1,301,802
Trade and other payables	-	-	103,946,481	103,946,481
Total Financial liabilities	-	-	150,677,499	150,677,499
Non financial liabilities				68,486,051
Total liabilities				219,163,550

The basis for determining fair values is as follows:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. Since the majority of the financial assets other than at fair value are fixed rate instruments, there is no significant difference in market rate and the rate of instrument and accordingly fair value significantly approximates to carrying value.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3
	Rupees '000		
30 June 2013			
Assets carried at fair value			
Investments at fair value through profit and loss account	248,166,793	-	-
30 June 2012			
Assets carried at fair value			
Investments at fair value through profit and loss account	164,629,872	-	-

Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

Investment in fair value through profit and loss account - held for trading

The fair value of held for trading investment is determined by reference to their quoted closing repurchase price at the reporting date.

Non - derivative financial assets

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

32 CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders and/or issue new shares. There were no changes to Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirement.

33 CAPACITY AND PRODUCTION

Product	Units	Rated Production capacity	2013	2012
			Actual production	
Tovex water gell and powder explosives	Kgs	6,000,000	4,161,835	3,809,145
Detonator - plain	Nos.	8,000,000	3,934,005	3,849,100
Detonator - electric	Nos.	1,000,000	932,363	529,211
Safety fuse	Meter	500,000	-	72,000
Detonating cord	Meter	2,500,000	1,662,627	1,283,500

The shortfall in production of certain products is due to the gap between market demand and the available capacity.

34 EMPLOYEES PROVIDENT FUND TRUST (As required by revised fourth schedule)

	2013 Rupees	2012 Rupees
Size of the Fund	31,363,580	22,832,176
Cost of investments made	29,368,962	22,250,834
Percentage of investments made	93.64%	97.45%
Fair value of investments	29,368,962	22,250,834

Breakup of investments is as follows:	2013		2012	
	Rupees	% of full	Rupees	% of full
National Saving Certificates	17,300,000	55.16	14,800,000	64.82
NAFA Government Securities Liquid Fund	12,068,962	38.48	7,450,834	32.63

All the investments out of provident fund trust have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

35 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors proposed final dividend at the rate of Rs 4.00 per share in its meeting held on 18 September 2013.

36 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company in its meeting held on 18 September 2013.

37 GENERAL

37.1 Figures have been rounded off to the nearest rupee.

37.2 Number of persons employed (As required by revised fourth schedule)

	2013	2012
Employees on year end (Number)	135	119
Average employees during the year (Number)	134	120

Islamabad
18 September 2013

Director **Chief Executive**

PATTERN OF SHAREHOLDING
AS AT 30 JUNE 2013

NO. OF SHAREHOLDERS	SHARE HOLDING FROM	SHARE HOLDING TO	TOTAL NUMBER OF SHARES HELD
59	1	100	1,559
152	101	500	71,308
76	501	1,000	72,605
108	1,001	5,000	313,911
18	5,001	10,000	149,528
10	10,001	15,000	130,725
9	15,001	20,000	161,598
3	20,001	25,000	65,264
2	25,001	30,000	60,000
1	30,001	35,000	32,000
1	35,001	40,000	35,800
3	40,001	45,000	132,500
1	45,001	50,000	47,688
5	50,001	60,000	300,000
2	70,001	80,000	150,814
1	80,001	90,000	90,000
3	90,001	100,000	300,000
1	120,001	125,000	125,000
1	145,001	150,000	150,000
1	155,001	160,000	158,800
1	200,001	210,000	210,000
1	225,001	230,000	226,800
1	290,001	300,000	300,000
1	350,001	400,000	400,000
2	400,001	450,000	857,600
1	450,001	500,000	500,000
1	500,001	600,000	600,000
1	900,001	1,000,000	973,200
1	1,000,001	1,100,000	1,040,000
1	1,500,001	2,000,000	1,740,200
1	4,000,001	4,500,000	4,059,000
1	6,000,001	7,000,000	6,544,100
470			20,000,000

SHAREHOLDER'S CATEGORY	NUMBERS OF SHAREHOLDERS	NUMBERS OF SHARES HELD	PERCENTAGE
INDIVIDUALS	445	10,483,342	52%
INSURANCE COMPANIES	1	158,000	1%
JOINT STOCK COMPANIES	22	8,733,658	44%
FINANCIAL INSTITUTIONS	2	625,000	3%
	470	20,000,000	100

PATTERN OF SHAREHOLDING
AS AT 30 JUNE 2013

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARES HELD	% AGE
Directors, CEO & their Spouse and Minor Children			
M. Zafar Khan	1	4,059,000	20.30
Khawaja Amanullah Askari & Mrs. Ishrat Askari	1	300,000	1.50
Khwaja Ahmad Hosain	1	226,800	1.13
M. Salim	1	210,000	1.05
M. Afzal Khan	1	150,000	0.75
Adnan Aurangzeb	1	100,000	0.50
M. Humayun Khan	1	60,000	0.30
Ms. Shirin Safdar	1	45,000	0.23
Maj Gen. (Ret'd) S. Z. M. Askree	1	11,000	0.06
Mufti M. Hashim Khan	1	3,500	0.02
Abdul Maajid Qureshi	1	1,000	0.01
"Banks, Development Finance Institutions, Non Banking Finance Institutions, Insurance Companies, Modarba & Mutual Funds"	23	1,932,558	9.66
Other Individuals	433	3,576,842	17.88
Shareholders holding 5% or more shares in the company:			
Aqeel Karim Dhedhi Securities (Pvt) Ltd	1	1,040,000	5.20
Shayan Afzal Khan	1	1,740,200	8.70
Orient Trading Ltd	1	6,544,100	32.72
TOTAL	470	20,000,000	100.00

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

	Shares Purchased	Shares Sold
1. M. Zafar Khan	5,000	-
2. Mufti M. Hashim Khan	-	5,000

FORM OF PROXY

The Secretary
Biafo Industries Limited
Office No: 203-204, 2nd Floor,
Muhammad Gulistan Khan House,
Fazal-Ul-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 25th 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 25, 2013 and any adjournment thereof.

Signed ____________________ day of ____________________ 2013

Signature

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

WITNESSES:

1. Signature ____________________	2. Signature ____________________
Name ____________________	Name ____________________
Address ____________________	Address ____________________
____________________	____________________
NIC or ____________________	NIC or ____________________
Passport No.____________________	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 the proxy form.