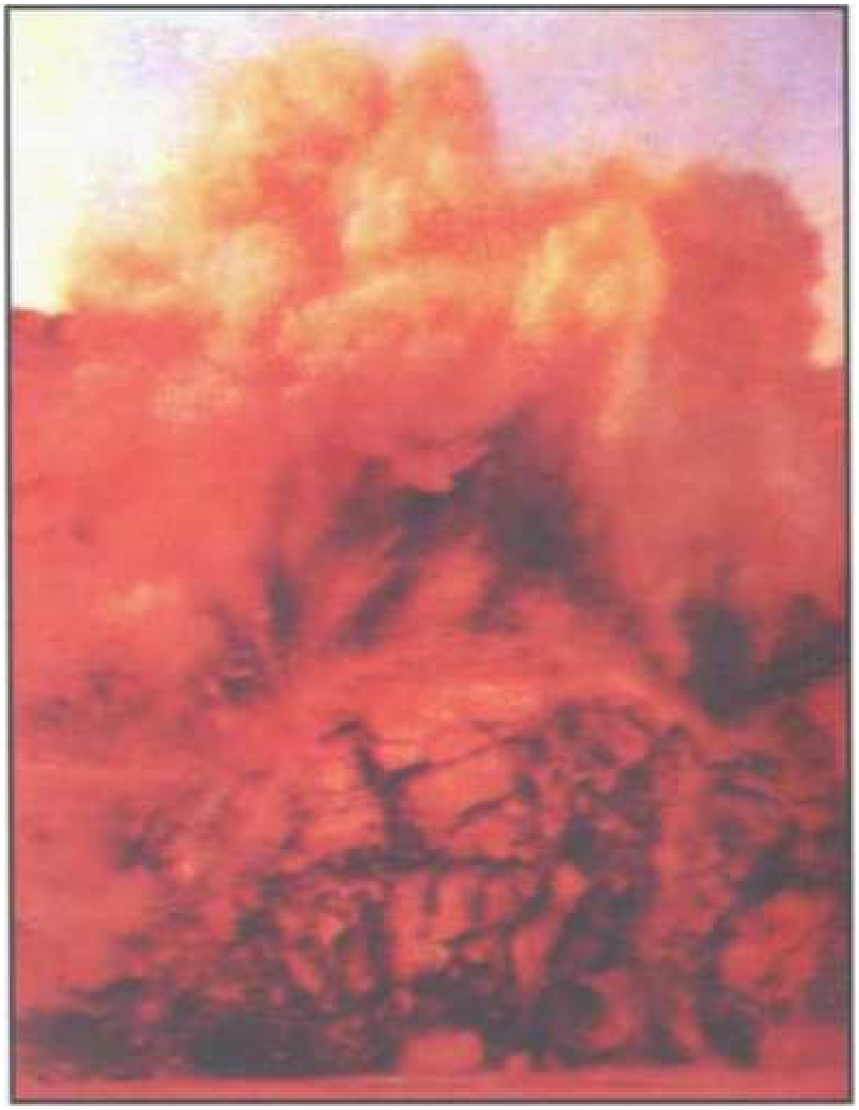
Annual Report

2014



BIAFO INDUSTRIES LIMITED

Manufacturers of Tovex ® Explosives & Blasting Accessories

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Non Executive Directors

Dr. M. Humayun Khan	Chairman
Abdul Maajid Qureshi	Director
M. Salim Khan	Director
M. Zafar Khan	Director
Adnan Aurangzeb	Director
Ms. Shayan Afzal Khan Abbas	Director

Independent Directors

Khwaja Ahmad Hosain	Director
Muhammad Yaqoob	Director

Company Secretary

Khawaja Shaiq Tanveer

Audit Committee

Adnan Aurangzeb	Chairman
Muhammad Yaqoob	Member
Abdul Maajid Qureshi	Member
Ms. Shayan Afzal Khan Abbas	Member
M. Salim Khan	Member

HR & Remuneration Committee

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

Auditors

KPMG Taseer Hadi & Co. Chartered Accountants

Legal Advisors

Chima & Ibrahim, Raja Rashid, Javaid Qureshi

Bankers

Allied Bank of Pakistan
National Bank of Pakistan
Habib Metropolitan Bank
Bank of Khyber
Askari Bank Limited
United Bank Limited
Bank Alfalah Limited
Standard Chartered Bank
Dubai Islamic Bank
Faysal 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 2150263-4, 2150266-7, 2802218-9 Fax: +92 51 2150265
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 2344223-4 Fax: +92 51 2605658

NOTICE OF 26TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that the 26th Annual General Meeting of Biafo Industries Limited will be held on Thursday 23rd October 2014 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 25th Annual General Meeting held on October 25, 2013.

2. To receive and adopt the Audited Accounts of the Company for the year ended June 30, 2014 together with Auditors' report and Directors' report thereon.

3. To approve the payment of final dividend of Rs 5.50 per share (55%) and also the interim dividends of Rs 2.00 per share (20%) declared on October 24, 2013, Rs. 2.50 per share (25%) declared on February 18, 2014 and Rs. 4.00 per share (40%) declared on April 24, 2014 making a total of Rs.14.00 per share (140%) for the year ended June 30, 2014.

4. To appoint Auditors for the year 2014-15 and to fix their remuneration. Retiring Auditors M/s KPMG Taseer Hadi & Co. Chartered Accountants being eligible offer themselves for reappointment for the year 2014-15.

5. 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 24, 2014

NOTES:

1. Share Transfer Books of the Company will remain closed from October 15, 2014 to October 23, 2014 both days inclusive.

2. 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.

3. 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.

4. 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 26th annual report of the company for the year ended June 30, 2014.

SALES AND FINANCIAL RESULTS:

Net local sales value declined by 0.20% to Rs. 1,106.14m while value of export sales declined by 10.12% to Rs. 158.44m resulting in overall net sale value declining by 1.56% to Rs. 1,264.58m in the period under review.

The significant features of the sales was the decline in value of sales to Oil and Gas Exploration sector by 37.67%, due to the completion of planned large scale exploration programs and increase in the value of sales to large projects by 122.13% (Lowari Road tunnel project in Chitral, KKH rehabilitation project and Tarbela 4th extension hydel projects). Exports to the Saindak Copper & Gold Project (EPZ) increased by 16.22% however there were no external exports in the period under review, which affected the export sales by 10.12% as compared to the last financial year. Total net sales value declined by 1.57% to Rs. 1,264.58m for the period under review.

Gross profit margin increased by 6.89% to 42.50% reflecting the efforts of the company in reducing the raw material cost by way of alternative and competitive sources of supply and softening of prices in international market. Operating income of the company increased by 16.94% to Rs. 464.56m. Net profit after tax increased by 11.31% to Rs. 318.64m resulting in EPS of Rs. 15.93 (2013: EPS Rs. 14.31).

Your company was able to increase its investments by Rs. 54.08m to Rs. 351.55m and its income from these assets by Rs. 4.47m to Rs. 23.79m. Finance costs increased by Rs. 4.54m to Rs. 16.75m due to cash flow timing gap.

Net worth of company for the period under review increased by Rs. 68.30m to Rs. 634.35m.

PRODUCTION

Plant production team continued to perform satisfactorily in meeting the timely deliveries of various products of different sectors of the market. The efforts of the plant team to meet the high quality standards of the market is a source of satisfaction.

Your company is continuing to invest in resources for improvement in Production efficiency, Human Resources and safe practices, to enhance the confidence of its users, workforce and stakeholders. Towards this objective your Directors are pleased to advise that the company has attained OHSAS (Occupational Health & Safety Advisory Services) 18001:2007 and the renewal of ISO 9001:2008 Certification.

BIAFO INDUSTRIES LTD.
DIRECTORS' REPORT

FUTURE PROSPECTS

The Government has declared its intention to improve the economy and finances of the country and its focus on and seriousness to address the energy deficiency specially hydroelectric projects like Dasu Dam, Tarbela 5th extension, Bhasha Dam, Munda Dam while hydel projects in private sector like Suki Kinari, Gulpur and Patrind etc should start commencing in 2015-16. The government is also keen for the construction of Lahore-Karachi Motorway and Burhan-Havelian expressway. These projects would create business prospects for your company in the future.

DIVIDEND

Your board has approved final dividend of Rs. 5.50 per share (55%) and also the 1st Interim cash dividend of Rs. 2.00 per share (20%) declared on October 24, 2013 and 2nd Interim cash dividend of Rs. 2.50 per share (25%) declared on February 18, 2014 and 3rd Interim cash dividend of Rs. 4.00 per share (40%) declared on April 24, 2014 for the year ended June, 2014 making a total dividend of declaration of Rs. 14 per share (140%) for financial year end 30th. June, 2014.

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 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 Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal controls is sound and has been effectively implemented and monitored.
- There is no significant doubt about the company's ability to continue as a going concern

BIAFO INDUSTRIES LTD.
DIRECTORS' REPORT

- 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, 2014 except for those stated in the financial statements.
- Six Directors of the Company are exempted from Directors Training Program on the basis of their level of education and length of experience as provided in the CCG. Further four of the Directors of the Company have obtained certification under directors training program as required under clause (xi) of the CCG.
- The values of investment of various funds, based on their respective accounts as at 30 June 2014 are as under:

Description	Amount
Provident Fund	Rs. 30,565,675/-
Gratuity Fund	Rs. 18,957,308/-

A total of 05 meetings of the Board of Directors were held during year (July 2013 to June 2014). The attendance by each Director is given as follows:

NAME ATTENDED	DESIGNATION	NO OF MEETINGS
Dr. M. Humayun Khan	Chairman	5
Khawaja Amanullah Askari	MD & CEO	5
M. Afzal Khan	Director	5
Abdul Maajid Qureshi	Director	5
M. Salim Khan	Director	5
M. Zafar Khan	Director	5
Adnan Aurangzeb	Director	5
Maj. Gen. (Ret'd.) S. Z. M. Askree	Director	4
Khwaja Ahmad Hosain	Director	4
Muhammad Yaqoob	Director	3
Ms. Shirin Safdar	Director	2
Ms. Shayan Afzal Khan Abbas	Director	1
(Alternate Director: Ms Mehreen Hosain)		
Mufti M. Hashim Khan (Retired)	Director	2

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

BIAFO INDUSTRIES LTD.
DIRECTORS' REPORT

A total of 04 meetings of Audit Committee were held during year (July 2013 to June 2014). The attendance by each member is given as follows:

NAME ATTENDED	DESIGNATION	NO OF MEETINGS
Adnan Aurangzeb	Chairman	4
Abdul Maajid Qureshi	Member	2
M. Salim Khan	Member	2
Muhammad Yaqoob	Member	2
Dr M. Humayun Khan (Retired)*	Member	2
Maj. Gen ® S. Z. M. Askree (Retired)*	Member	2
Mufti M. Hashim Khan (Retired)	Member	1
Shirin Safdar (Retired)*	Member	0

* These directors retired from Audit Committee

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

A total of 04 meetings of the Human Resource & Remuneration Committee were held during year (July 2013 to June 2014). The attendance by each member is given as follows:

NAME ATTENDED	DESIGNATION	NO OF MEETINGS
Dr. M. Humayun Khan	Chairman	4
Khawaja Amanullah Askari	Member	4
M. Salim Khan	Member	4
Adnan Aurangzeb	Member	4
Khwaja Ahmad Hosain	Member	3
Muhammad Yaqoob	Member	2
Mufti M. Hashim Khan (Retired)	Member	1

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

KEY OPERATING AND FINANCIAL DATA
Key operating and financial data of last six years is enclosed.

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

BIAFO INDUSTRIES LTD.
DIRECTORS' REPORT

ACKNOWLEDGEMENT

Your Board would like to take this opportunity to express its special appreciation to all the employees of the company without whose continued commitment and hard work the challenges of new opportunities could not be achieved. We also acknowledge the support and cooperation of our major stakeholders, customers, suppliers and our Bankers specially Allied Bank Ltd, Faysal Bank Ltd, MCB Bank Ltd, United Bank Ltd, Bank of Khyber, National Bank of Pakistan and Askari Bank Ltd.

PATTERN OF SHARE HOLDING

Pattern of share holding is enclosed.

On Behalf of the Board

Islamabad
24 September, 2014

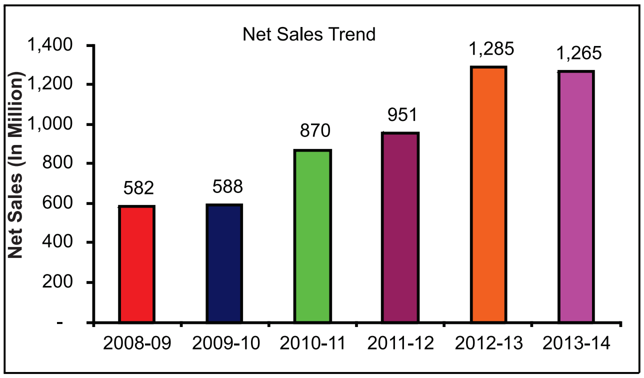
Khawaja Amanullah Askari
Managing Director
&
Chief Executive

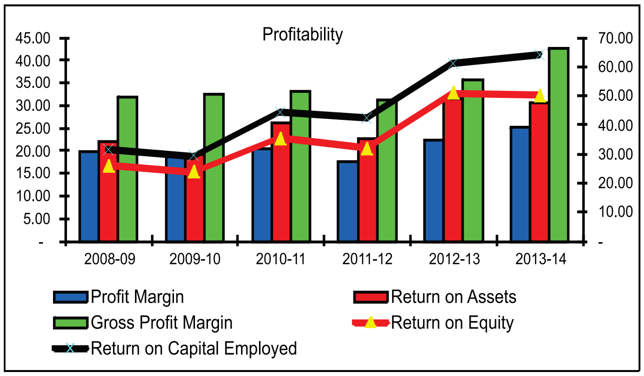
STAKEHOLDERS INFORMATION

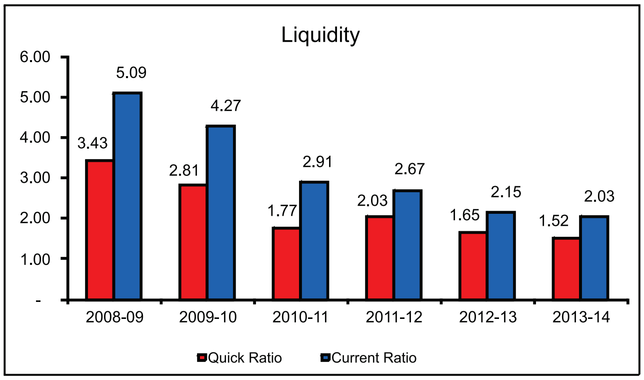
		2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
		(In Thousands, "000")					
BALANCE SHEET							
Paid up Capital	**Rs. In '000**	**200,000**	200,000	200,000	200,000	200,000	200,000
Shareholder Equity*	**Rs. In '000**	**634,347**	566,043	522,035	501,425	473,072	438,755
Fixed Assets	**Rs. In '000**	**283,730**	257,352	257,857	265,807	273,100	275,756
		(In Thousands, "000")					
PROFIT & LOSS ACCOUNT							
Net Sales	**Rs. In '000**	**1,264,579**	1,284,691	951,071	870,365	588,495	581,982
Gross Profit / (Loss)	**Rs. In '000**	**537,456**	457,449	297,448	288,691	191,807	185,973
Operating Profit / (Loss)	**Rs. In '000**	**464,560**	397,251	254,256	254,060	159,586	159,786
EBDIT	**Rs. In '000**	**463,079**	398,405	257,705	255,800	167,736	170,451
Profit / (Loss) after taxation	**Rs. In '000**	**318,641**	286,261	166,610	177,353	112,332	114,462
PROFITABILITY RATIOS							
Gross Profit/(Loss) Margin	**%**	**42.50**	35.61	31.28	33.17	32.59	31.96
Net Profit Margin	**%**	**25.20**	22.28	17.52	20.38	19.09	19.67
Return on Assets	**%**	**30.68**	31.43	22.55	26.24	19.31	21.87
Return on Shareholder Equity*	**%**	**50.23**	50.57	31.92	35.37	23.75	26.09
LIQUIDITY RATIOS							
Current Ratio	**:**	**2.03**	2.15	2.67	2.91	4.27	5.09
Quick Ratio	**:**	**1.52**	1.65	2.03	1.77	2.81	3.43
Cash Generation to Sales	**:**	**98.25**	95.42	97.93	97.55	95.97	100.10
ASSETS MANAGEMENT RATIOS							
Number of Days Stock	**Days**	**78**	54	63	74	86	65
Number of Days Trade Debts	**Days**	**50**	38	37	26	27	36
Operating Cycle	**Days**	**127**	92	101	99	113	100
Fixed Assets Turnover	**Times**	**4.46**	4.99	3.69	3.27	2.15	2.11
Sales /Shareholder Equity*	**Times**	**1.99**	2.27	1.82	1.74	1.24	1.33
DEBTS MANAGEMENT RATIOS							
Total Assets to Total Debts	**Times**	**2.80**	3.01	4.12	4.83	8.06	10.77
Debts to Shareholder Equity *	**%**	**59**	53	34	28	15	11
MARKET RATIOS							
Share Price at year end	**Per Share**	**132.00**	108.85	53.29	51.00	35.39	35.43
Share Price-High	**Per Share**	**149.00**	112.35	79.00	59.20	41.61	42.90
Share Price-Low	**Per Share**	**90.25**	52.00	47.00	31.64	30.25	28.50
Earning Per Share	**Rs. 10/Share**	**15.93**	14.31	8.33	8.87	5.62	5.72
Price Earning Ratio	**Times**	**8.29**	7.60	6.40	5.75	6.30	6.19
Dividend Declared	**Per Share (Rs)**	**14.00**	13.00	8.00	7.75	4.50	4.00
Dividend Yield	**%**	**10.61**	11.94	15.01	15.20	12.72	11.29
Break-up Value	**Rs. 10/Share**	**31.72**	28.30	26.10	25.07	23.65	21.94

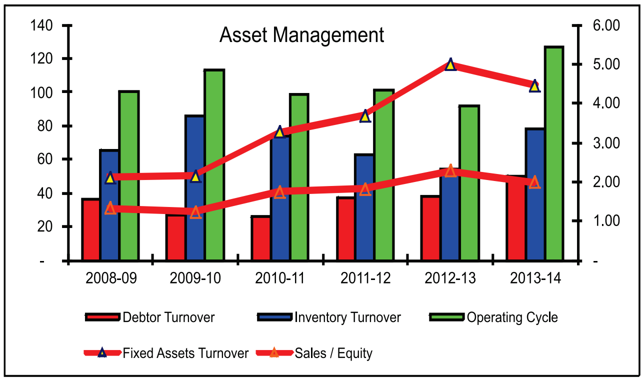
*Shareholder Equity is inclusive of Surplus on Revaluation of Fixed Assets

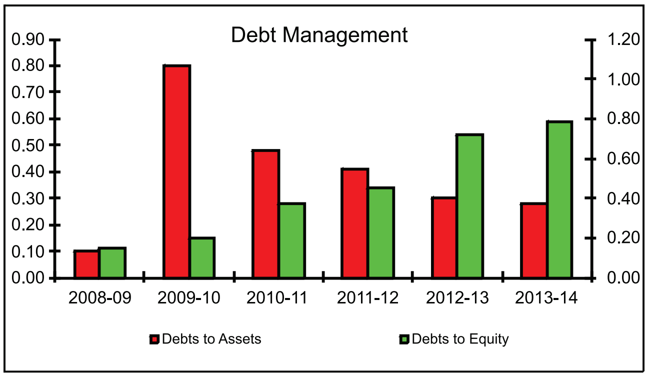
STAKEHOLDERS INFORMATION

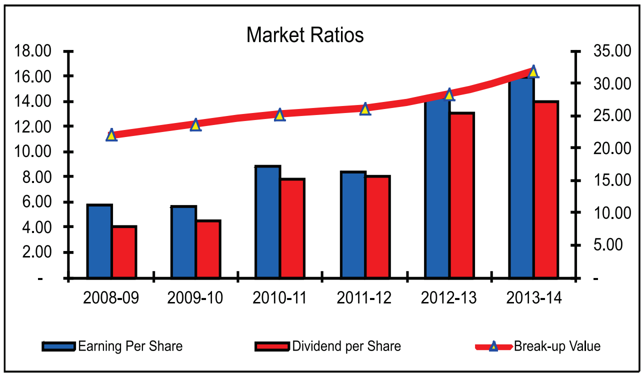


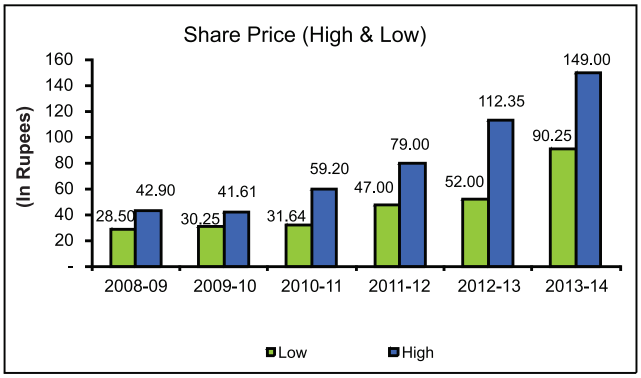


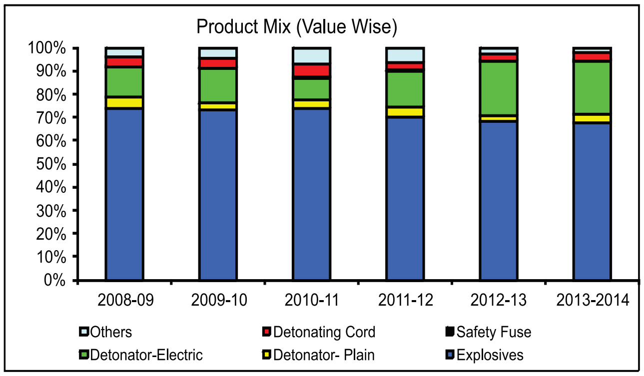












STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE TO THE MEMBERS FOR THE YEAR ENDED JUNE 30, 2014

This statement is being presented to comply with the Code of Corporate Governance in regulations no 35 (XI) of Listing Regulations of Karachi 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:

Category	Names
Independent Directors	Khwaja Ahmad Hosain
	Muhammad Yaqoob
Executive Directors	M. Afzal Khan
	Khawaja Amanullah Askari
	Maj. Gen. (Ret'd.) S. Z. M. Askree
	Ms. Shirin Safdar
Non-Executive Directors	Abdul Maajid Qureshi
	M. Salim Khan
	M. Zafar Khan
	Dr. M. Humayun Khan
	Shayan Afzal Khan Abbas
	Adnan Aurangzeb

The independent Directors meet the criteria of independence under clause i (b) of the CCG.

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. The Board is also in the process of developing a mechanism of its own evaluation of performance which shall be effective in the forthcoming financial year.

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. Six Directors of the Company are exempted from Directors Training Program on the basis of their level of education and length of experience as provided in the CCG. Further four of the Directors of the Company have obtained certification under Directors training program as required under clause (xi) of the CCG.

10. The Board of Directors have approved appointment of CFO and Company secretary, including their remuneration and terms and conditions of employment. Board of Directors have not yet approved the appointment including the remuneration and terms and condition of employment for the Head of Internal Audit. These are expected to be approved in the forthcoming meeting of the Board of directors.

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 4 are non-executive Directors. The Company is in the process of achieving compliance with the CCG of having an independent director as Chairman of the Audit Committee.

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.

17. The Board has formed an HR and Remuneration Committee. It comprises 6 members, of whom 3 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, toward which reasonable progress is being made by the company to seek compliance by the end of next accounting year.

Dr. M. Humayun Khan
Chairman

Islamabad
24 September 2014

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (“the Code”) prepared by the Board of Directors of **Biafo Industries Limited** (“the Company”) for the year ended 30 June 2014 to comply with the requirements of Listing Regulation No 35 (XI) of the Karachi Stock Exchange (Guarantee) Limited and Islamabad Stock Exchange (Guarantee) Limited, where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company’s personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of the 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 of Directors’ 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.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of 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.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company’s compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2014.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph reference where these are stated in the Statement of Compliance:

i. As stated in paragraph 06, the Board of Directors is in the process of developing a mechanism of its own evaluation of performance;

ii. As stated in paragraph 10, the Board of directors have not yet approved the appointment including the remuneration and terms and condition of employment for the Head of Internal Audit; and

iii. As stated in paragraph 15, the Company is in the process of achieving compliance with the Code of having an independent director as Chairman of the Audit Committee.

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

Date: 24 September 2014
Islamabad

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 2014 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 2014 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

Date: 24 September 2014
Islamabad

BALANCE SHEET
AS AT 30 JUNE 2014

	Note	2014 Rupees	2013 Rupees
Property, plant and equipment	4	283,729,557	257,352,265
Long term deposits		1,610,600	1,545,600
		285,340,157	258,897,865
CURRENT ASSETS			
Stores, spare parts and loose tools	5	6,182,582	5,723,201
Stock in trade	6	161,265,019	135,643,593
Trade debts - Unsecured	7	210,614,059	185,158,445
Advances - Unsecured	8	6,821,480	8,901,154
Trade deposits and short term prepayments	9	2,042,733	2,285,036
Other receivables	10	1,304,589	353,252
Other financial assets	11	351,548,450	297,466,793
Cash and bank balances	12	13,463,914	16,432,630
		753,242,826	651,964,104
CURRENT LIABILITIES			
Trade and other payables	13	150,772,860	144,935,172
Markup accrued		3,875,656	2,716,606
Short term borrowings - Secured	14	212,512,765	146,468,480
Provision for taxation		4,371,240	8,629,716
		371,532,521	302,749,974
NET CURRENT ASSETS		381,710,305	349,214,130
NON CURRENT LIABILITIES			
Deferred employee benefits	15	1,823,278	10,381,403
Deferred tax liability - net	16	30,880,433	31,687,722
		32,703,711	42,069,125
NET ASSETS		**634,346,751**	**566,042,870**
REPRESENTED BY:			
SHARE CAPITAL AND RESERVES			
Share capital	17	200,000,000	200,000,000
Unappropriated profit		371,182,991	299,958,841
		571,182,991	499,958,841
SURPLUS ON REVALUATION OF FIXED ASSETS - Net of tax	18	63,163,760	66,084,029
		634,346,751	**566,042,870**
CONTINGENCIES AND COMMITMENTS	19		

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

Islamabad
24 September 2014

Chairman **Chief Executive**

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 Rupees	2013 Rupees
NET SALES / TURNOVER	20	1,264,579,133	1,284,690,774
Cost of sales	21	(727,123,298)	(827,242,174)
GROSS PROFIT		537,455,835	457,448,600
Other income	22	27,982,081	22,316,999
Distribution cost	23	(19,637,343)	(13,443,910)
Administrative expenses	24	(64,493,997)	(56,862,100)
Finance costs	25	(16,746,542)	(12,208,532)
OPERATING PROFIT		464,560,034	397,251,057
Workers' profit participation fund		(23,228,002)	(19,862,553)
Workers' welfare fund		(10,386,200)	(6,304,776)
PROFIT BEFORE TAXATION		**430,945,832**	**371,083,728**
TAXATION			
Current	26	(113,449,240)	(89,219,473)
Deferred	26	1,144,569	4,397,010
		(112,304,671)	(84,822,463)
PROFIT FOR THE YEAR		**318,641,161**	**286,261,265**
EARNINGS PER SHARE - Basic and diluted	27	**15.93**	**14.31**

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

Islamabad
24 September 2014

Chairman

Chief Executive

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	2014 Rupees	2013 Rupees
Profit for the year	318,641,161	286,261,265
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**318,641,161**	**286,261,265**

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

Islamabad
24 September 2014

Chairman

Chief Executive

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 Rupees	2013 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		430,945,832	371,083,728
Adjustments for:			
Depreciation		16,498,741	16,238,764
Finance costs		16,746,542	12,208,532
Provision for Workers' profit participation fund		23,228,002	19,862,553
Provision for Workers' welfare fund		10,386,200	6,304,776
Provision for employee benefit		19,437,865	9,121,177
Provision for slow moving stores, spare parts and loose tools		-	3,170,169
Reversal of provision for doubtful debts		(117,991)	-
Unrealized gain on remeasurement of investment		(21,151,482)	(18,536,920)
Revaluation adjustment		-	7,723,848
Gain on disposal of property, plant and equipment		(1,083,632)	(323,730)
Interest on deposit accounts and TDRs		(1,389,774)	(792,741)
Unrealized exchange loss/ (gain)		3,886,048	(508,516)
		66,440,519	54,467,912
		497,386,351	425,551,640
Changes in:			
Store, spare parts and loose tools		(459,381)	(1,773,479)
Stock in trade		(25,621,426)	(38,168,014)
Trade debts		(24,585,339)	(66,443,427)
Advances, deposits, prepayments and other receivables		2,236,882	(4,193,269)
Trade and other payables		(6,284,325)	1,036,588
		(54,713,589)	(109,541,601)
Cash generated from operations		**442,672,762**	**316,010,039**
Finance costs paid		(15,587,492)	(10,793,728)
Employees benefits paid		(23,368,563)	(61,167)
Payments to Workers' profit participation fund		(19,862,553)	(12,712,784)
Payments to Workers' welfare fund		(7,399,775)	(4,652,299)
Income taxes paid		(117,707,716)	(77,234,579)
		(183,926,099)	(105,454,557)
Net cash from operating activities		**258,746,663**	**210,555,482**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(44,346,628)	(16,561,268)
Proceeds from disposal of property, plant and equipment		2,554,227	1,150,862
Investments made during the year		(37,805,174)	(72,000,001)
Interest received on deposit accounts and TDRs		458,532	877,439
Net cash used in investing activities		**(79,139,043)**	**(86,532,968)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of dividend		(248,620,621)	(247,676,995)
Net cash used in financing activities		**(248,620,621)**	**(247,676,995)**
NET DECREASE IN CASH AND CASH EQUIVALENTS		(69,013,001)	(123,654,481)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		(130,035,850)	(6,381,369)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	28	**(199,048,851)**	**(130,035,850)**

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

Islamabad
24 September 2014

Chairman

Chief Executive

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Share capital	Unappropriated profit	Total equity
	Rupees	Rupees	Rupees
Balance at 01 July 2012	200,000,000	260,918,569	460,918,569
Total comprehensive income for the year			
Profit for the year	-	286,261,265	286,261,265
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
	200,000,000	**549,958,841**	**749,958,841**
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. 2.5 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**
Balance at 01 July 2013	200,000,000	299,958,841	499,958,841
Total comprehensive income for the period			
Profit for the year	-	318,641,161	318,641,161
Total comprehensive income for the period	**-**	**318,641,161**	**318,641,161**
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year - net of deferred tax	-	2,582,989	2,582,989
	200,000,000	**621,182,991**	**821,182,991**
Transactions with members recorded directly in equity			
Distribution to members			
Final dividend of 2013 @ Rs. 4.00 per share	-	(80,000,000)	(80,000,000)
First interim dividend of 2014 @ Rs. 2.00 per share	-	(40,000,000)	(40,000,000)
Second interim dividend of 2014 @ Rs. 2.5 per share	-	(50,000,000)	(50,000,000)
Third interim dividend of 2014 @ Rs. 4.00 per share	-	(80,000,000)	(80,000,000)
Total distribution to members	**-**	**(250,000,000)**	**(250,000,000)**
Balance at 30 June 2014	**200,000,000**	**371,182,991**	**571,182,991**

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

Islamabad
24 September 2014

Chairman

Chief Executive

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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 financial and non financial 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 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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 2014:

– 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. The interpretation have no impact on Company’s financial statements.

– 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. The amendments is not expected to have a significant impact on Company’s financial statements.

– 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. The amendments is not expected to have a significant impact on Company’s financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

– Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria. The amendments has no impact on Company's financial statements.

– Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. The amendments have no impact on Company's financial statements.

– Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments is not expected to have a significant impact on Company's financial statements.

– IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. The amendments is not expected to have a significant impact on Company's financial statements.

– IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

periods beginning on or after 1 January 2016. The amendments is not expected to have a significant impact on Company's financial statements.

– IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The amendments is not expected to have a significant impact on Company's financial statements.

– IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The amendments is not expected to have a significant impact on Company's financial statements.

– Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments is not expected to have a significant impact on Company's financial statements.

– Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.

– Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

a) IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

b) IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

c) IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

d) Amendments to IAS 16'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

e) IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

f) IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

The amendments from a) to f) above are not expected to have a significant impact on the financial statements of the Company.

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 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

to the date it is disposed off. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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.

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 2014

3.4 Investments

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

3.4.1 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. 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.

3.4.2 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 initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

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 directly in equity or in other comprehensive income.

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.

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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 Company operates a funded gratuity scheme for all its employees. Provision is made on an annual basis by way of a charge to the profit and loss account, in accordance with the rules of fund approved by Board of Trustees.

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 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

NOTES TO THE FINANCIAL STATEMENTS
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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 assets 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.

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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 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 initially carried at the fair value of the consideration to be paid in future for goods and services received. Subsequent to initial recognition, these are carried at amortised cost.

3.13 Trade and other receivables

Trade and other receivable are initially stated at fair value of consideration to be received. Subsequent to initial recognition these are carried at their amortised cost 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.

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 other than held for trading and carried at 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.

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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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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 4.4)	Total
	Rupees											
Cost/ Revalued amount												
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**
Balance as at 01 July 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
Additions	-	-	1,532,715	-	-	-	24,000	18,000	452,300	11,436,848	30,882,765	44,346,628
Disposals	-	-	-	(708,458)	-	-	-	-	(32,500)	(2,882,376)	-	(3,623,334)
Transfer in/(out)	-	-	8,267,689	-	-	-	-	-	-	-	(8,267,689)	-
Balance as at 30 June 2014	**81,433,100**	**35,564,709**	**170,202,015**	**3,154,690**	**1,025,926**	**2,606,600**	**3,397,677**	**1,671,459**	**4,259,657**	**22,353,377**	**30,952,072**	**356,621,282**
Depreciation												
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	-	42,835,001
Charge for the year	-	788,816	12,818,255	113,409	15,257	207,097	135,974	35,962	1,096,955	1,027,039	-	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**	**2,341,174**	**1,329,788**	**1,966,984**	**4,445,595**	**-**	**58,545,723**
Balance as at 01 July 2013	-	2,315,902	43,246,412	1,285,251	871,890	742,727	2,341,174	1,329,788	1,966,984	4,445,595	-	58,545,723
Charge for the year	-	831,220	11,924,689	252,225	15,404	186,387	261,049	32,367	1,355,214	1,640,186	-	16,498,741
On disposals	-	-	-	(652,806)	-	-	-	-	(26,500)	(1,473,433)	-	(2,152,739)
Balance as at 30 June 2014	**-**	**3,147,122**	**55,171,101**	**884,670**	**887,294**	**929,114**	**2,602,223**	**1,362,155**	**3,295,698**	**4,612,348**	**-**	**72,891,725**
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**	**9,353,310**	**8,336,996**	**257,352,265**
Carrying amounts - June 2014	**81,433,100**	**32,417,587**	**115,030,914**	**2,270,020**	**138,632**	**1,677,486**	**795,454**	**309,304**	**963,959**	**17,741,029**	**30,952,072**	**283,729,557**
Rates of depreciation per annum	**-**	**2.50%**	**10%**	**10%**	**10%**	**10%**	**10-33.33%**	**10%**	**33.33%**	**10%**	**-**	

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	Note	2014 Rupees	2013 Rupees
4.1 Depreciation for the year has been allocated as follows:			
Cost of sales	21	13,701,403	14,252,458
Distribution cost	23	227,168	122,728
Administrative expenses	24	2,570,170	1,863,578
		16,498,741	**16,238,764**

4.2 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.73.89 million (2013: Rs. 77.55 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	
	2014 Rupees	2013 Rupees
Leasehold land	44,033,883	44,033,883
Building on leasehold land	27,781,721	28,494,073
Plant and machinery	83,173,093	81,757,622
	154,988,697	**154,285,578**

4.3 Detail of disposal of property, plant and equipment:

	Cost	Book Value	Sale Proceeds	Gain	Mode of disposal	Sold to
	Rupees					
Toyota fork lifter (JV-185)	708,458	55,652	507,690	452,038	Negotiation	AA crete
Shehzore truck (IDS 4954)	744,083	339,966	596,540	256,574	Negotiation	Lucky transport goods
Shehzore truck (KX 534)	747,199	352,020	596,539	244,519	Negotiation	Lucky transport goods
Toyota corolla (LX-106)	1,391,094	716,957	847,458	130,501	Negotiation	Haseeb tours
Air conditioner	32,500	6,000	6,000	-	Negotiation	Bilal Mansoor
2014	**3,623,334**	**1,470,595**	**2,554,227**	**1,083,632**		
2013	1,355,174	827,132	1,150,862	323,730		

	2014 Rupees	2013 Rupees
4.4 Components of capital work in progress		
Construction work on Head office building including advances	29,455,753	2,146,096
Additional safety fence for security of plant	1,277,432	-
Machinery	218,887	6,190,900
	30,952,072	**8,336,996**

NOTES TO THE FINANCIAL STATEMENTS
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		Note	2014 Rupees	2013 Rupees
5	**STORES, SPARE PARTS AND LOOSE TOOLS**			
	Stores		1,968,351	1,455,351
	Spare parts		8,381,255	8,434,874
	Loose tools		81,497	81,497
			10,431,103	9,971,722
	Provision for slow moving stores, spare parts and loose tools		(4,248,521)	(4,248,521)
			6,182,582	**5,723,201**
6	**STOCK IN TRADE**			
	Raw materials		109,114,018	83,836,062
	Packing materials		3,658,042	3,748,704
	Work in process		1,484,740	6,866,809
	Finished goods		29,983,194	39,482,305
	Goods in transit		17,025,025	1,709,713
			161,265,019	**135,643,593**
7	**TRADE DEBTS - UNSECURED**			
	Unsecured - Considered good		210,614,059	185,158,445
	Unsecured - Considered doubtful		1,474,770	1,592,761
			212,088,829	186,751,206
	Provision for doubtful debts		(1,474,770)	(1,592,761)
			210,614,059	**185,158,445**
8	**ADVANCES - UNSECURED**			
	Advances to suppliers - Considered good		6,176,775	7,570,835
	Advances to employees - Considered good		644,705	1,330,319
			6,821,480	**8,901,154**
9	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Trade deposits		666,576	1,030,230
	Prepayments		1,376,157	1,254,806
			2,042,733	**2,285,036**
10	**OTHER RECEIVABLES**			
	Considered good:			
	Interest income receivable		996,975	65,733
	Others		307,614	287,519
			1,304,589	**353,252**

11 OTHER FINANCIAL ASSETS

Investments: Held for trading	Number of units 2014	Number of units 2013	Note	2014 Rupees	2013 Rupees
NAFA Government Securities Liquid Fund	-	4,487,475.01		-	45,044,825
ABL Income Fund	12,074,191.53	11,194,707.27	11.1	121,235,750	112,016,480
MCB Dynamic Cash Fund	444,011.48	390,903.35	11.1	44,890,893	40,502,474
Faysal Money Market Fund	1,100,054.96	495,137.12	11.1	110,918,542	50,603,014
UBL Liquidity Plus Fund	251,361.41	-	11.1	25,228,265	-
				302,273,450	248,166,793
Loans and receivables - Term deposit receipts			11.2	49,275,000	49,300,000
				351,548,450	**297,466,793**

NOTES TO THE FINANCIAL STATEMENTS
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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 ABL Income Fund, MCB Dynamic Cash Fund, Faysal Money Market Fund and UBL Liquidity Plus Fund (2013: NAFA Government Securities Liquid Fund, ABL Income Fund, MCB Dynamic Cash Fund and Faysal Money Market Fund) are pledged as security against running finance facilities arranged with Allied Bank Limited, MCB Bank Limited, Faysal Bank Limited and United Bank Limited respectively.

11.2 This represents foreign currency term deposit receipts (TDRs) amounting to USD 500,000 (2013: USD 500,000). This carries interest rate at 3.50% (2013: 1.50%) per annum. As stated in note 14, TDRs of USD 500,000 are given as security against running finance facility arranged with Allied Bank Limited.

	Note	2014 Rupees	2013 Rupees
12 CASH AND BANK BALANCES			
Cash at bank:			
Current accounts	12.1	13,422,402	16,383,923
Deposit accounts	12.2	32,525	31,818
		13,454,927	16,415,741
Cash in hand		8,987	16,889
		13,463,914	**16,432,630**

12.1 Current accounts include foreign currency balances amounting to Rs.1,942,752 (US$ 19,713), (2013: Rs.1,359,164)(US$ 13,785).

12.2 These carry interest at the rate of 7% (2013: 5%) per annum.

	Note	2014 Rupees	2013 Rupees
13 TRADE AND OTHER PAYABLES			
Trade creditors		62,878,742	83,564,662
Advances from customers		7,918,242	3,274,692
Accrued liabilities		16,204,379	13,303,566
Sales tax payable - net		8,531,606	5,146,347
Insurance		1,002,856	332,633
Workers' profit participation fund payable		23,228,002	19,862,553
Workers' welfare fund payable		9,291,201	6,304,776
Unclaimed dividend		12,044,197	10,664,818
Payable to staff gratuity fund - unsecured	13.1	4,591,325	-
Compensated absences - current portion		36,102	-
Payable to employees' provident fund - unsecured		441,354	533,400
Withholding tax payable		1,216,085	386,988
Others		3,388,769	1,560,737
		150,772,860	**144,935,172**

13.1 Payable to staff gratuity fund - unsecured

	2014	2013
Balance at the beginning of the year	-	-
Provision made during the year	18,957,308	-
Contribution made to the fund during the year	(14,365,983)	-
Balance at the end of the year	**4,591,325**	-

NOTES TO THE FINANCIAL STATEMENTS
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		Note	2014 Rupees	2013 Rupees
14	**SHORT TERM BORROWINGS - Secured**			
	Allied Bank Limited			
	FE-25/Export Refinance	14.1	73,127,208	49,652,319
	Running Finance	14.2	78,194,545	68,090,679
	Faysal Bank Limited			
	Running Finance	14.3	61,191,012	-
	MCB Bank Limited			
	Running Finance	14.4	-	28,725,482
			212,512,765	**146,468,480**

14.1 This represents utilized amount of FE-25 with a sanctioned limit of Rs. 85 million including Rs. 35 million sublimit of running finance facility - RF 1 (note 14.2) (2013: Rs. 50 million). The facility carries mark-up at the rate of LIBOR + 2% (2013: LIBOR + 2%) per annum of the utilized amount.

14.2 This represents utilized amount of running finance facilities with cumulative sanctioned limit of Rs. 193.75 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. 108.40 million carrying markup at the rate of 3 months average KIBOR + 1% per annum of the utilized 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. 50.35 million carrying markup at the rate of 3 months average KIBOR + 1% of the utilized amount and secured against the investment made in the ABL Term Deposit Receipts of USD 500,000 (refer note 11).

RF 1 has sub limit of Letter of credit - sight (foreign), Letter of credit - usance (foreign), Export Refinance and FCEF.

14.3 This represents utilized amount of running finance facility with a sanctioned limit of Rs. 100 million (2013: Rs. 47.5 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 Faysal Money Market Fund having face value of Rs. 105.263 million. Refer note 11.

14.4 This represents unutilized amount of running finance facility with a sanctioned limit of Rs. 37.740 million (2013: 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. 40.809 million. Refer note 11.

14.5 The facilities mentioned in note 14.1 and 14.2 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, 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 United Bank Limited (UBL) - (Unavailed facility)

The Company has unutilized running finance facility of Rs.100.00 million (2013: NIL) for financing working capital requirements of the Company. The facility carries markup at the rate of 1 month KIBOR + 0.75% per annum. The facility is secured against investment in units of UBL Liquidity Plus Funds worth Rs. 25 million with 5% margin.

NOTES TO THE FINANCIAL STATEMENTS
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15 DEFERRED EMPLOYEE BENEFIT

	2014 Rupees	2013 Rupees
Gratuity		
Obligation at beginning of the year	9,000,000	-
Charge for the year	-	9,000,000
	9,000,000	9,000,000
Benefits paid during the year	(9,000,000)	-
Obligation at end of the year	-	9,000,000
Accumulating compensated absences		
Obligation at beginning of the year	1,381,403	1,321,393
Charge for the year	480,557	121,177
	1,861,960	1,442,570
Compensated absences - current portion	(36,102)	-
Benefits paid during the year	(2,580)	(61,167)
Obligation at end of the year	**1,823,278**	**10,381,403**

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

16 DEFERRED TAX LIABILITY- Net

	2014 Rupees	2013 Rupees
The net balance of deferred tax is in respect of the following major temporary differences:		
Accelerated depreciation on property, plant and equipment	23,730,443	24,853,422
Retirement benefits	(1,896,507)	(2,964,929)
Provision for doubtful debts, advances and receivables	(433,582)	(454,893)
Provision for slow moving stores, spare parts and loose tools	(1,249,065)	(1,213,378)
Surplus on revaluation of property, plant and equipment	10,729,144	11,467,500
	30,880,433	**31,687,722**

Based on the Company's estimate of future export sales, adjustment of Rs. 16.805 million (2013: Rs. 17.752 million) has been made in the taxable temporary differences at the year end. This has resulted in increased after tax profit by Rs. 3.838 million (2013: Rs. 3.851 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 (2013: 25,000,000) Ordinary shares of Rs. 10 each.

17.2 Issued, subscribed and fully paid up capital

2014 Numbers	2013 Numbers		2014 Rupees	2013 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**

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17.2.1 These include 6,904,000 (2013: 5,166,300) ordinary shares of Rs 10 each held by the Directors of the Company and 6,544,100 (2013: 6,544,100) ordinary shares held by an associated company.

	2014 Rupees	2013 Rupees
18 SURPLUS ON REVALUATION OF FIXED ASSETS- Net of tax		
Surplus on revaluation at 01 July	77,551,529	73,887,737
Transferred to equity in respect of incremental depreciation- net of deferred tax	(2,582,989)	(2,779,007)
Revaluation adjustment	-	7,723,848
Related deferred tax liability of incremental depreciation	(1,075,636)	(1,281,049)
	(3,658,625)	3,663,792
	73,892,904	77,551,529
Related deferred tax liability on:		
Surplus on revaluation as at 01 July	(11,467,500)	(12,770,981)
Incremental depreciation charged on revalued assets	1,075,636	1,281,049
Revaluation adjustment	-	(2,703,347)
Adjustment including effect of change in tax rate	(337,280)	2,725,779
	(10,729,144)	(11,467,500)
	63,163,760	**66,084,029**

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. 11,928,246 (2013: Rs. 13,527,568).

19.2.2 The commitment in respect of construction of office building is Rs. 23,887,323.

	Note	2014 Rupees	2013 Rupees
20 NET SALES / TURNOVER			
Turnover		1,560,912,811	1,612,956,559
Sales tax		(189,877,543)	(178,357,211)
Discounts and commissions		(264,892,727)	(326,188,598)
Net Local Sales		1,106,142,541	1,108,410,750
Net Export Sales	20.1	158,436,592	176,280,024
		1,264,579,133	**1,284,690,774**

20.1 Export sales include an amount of Rs. 158,436,592 (2013: Rs. 144,767,094) representing sales made to Saindak (2013: 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
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		Note	2014 Rupees	2013 Rupees
21	**COST OF SALES**			
	Materials consumed	21.1	557,630,450	715,838,094
	Stores, spare parts and loose tools consumed		6,227,354	5,219,279
	Packing materials consumed		16,635,092	15,678,234
	Fuel and power		7,541,966	6,250,418
	Salaries, wages and other benefits	21.2	62,855,491	47,356,879
	Insurance		3,800,259	3,698,766
	Repairs and maintenance		4,171,306	2,428,369
	Provision for slow moving stores, spare parts and loose tools		-	3,170,169
	Depreciation	4.1	13,701,403	14,252,458
	Vehicle running and maintenance		1,053,026	1,060,060
	Travelling and conveyance		640,796	423,321
	Water charges		65,760	60,900
	Telephone, telex and postage		238,329	167,020
	Legal and professional charges		72,000	72,000
	Printing and stationery		617,052	403,406
	Canteen		856,694	842,705
	Transportation		27,003,840	27,493,126
	Fees and subscription		970,255	811,964
	Vehicle rent		1,741,285	1,634,700
	Security charges		2,593,979	2,003,368
	Saindak expenses		2,827,920	2,367,408
	Revaluation adjustment		-	7,723,848
	Miscellaneous expenses		997,861	1,404,134
			712,242,118	860,360,626
	Work in process			
	Opening		6,866,809	1,051,580
	Closing		(1,484,740)	(6,866,809)
			5,382,069	(5,815,229)
	Cost of goods manufactured		717,624,187	854,545,397
	Finished goods:			
	Opening		39,482,305	12,179,082
	Closing		(29,983,194)	(39,482,305)
			9,499,111	(27,303,223)
			727,123,298	**827,242,174**
21.1	Materials consumed			
	Opening stock as at 01 July		83,836,062	77,423,165
	Purchases during the year		582,908,406	722,250,991
			666,744,468	799,674,156
	Closing stock as at 30 June		(109,114,018)	(83,836,062)
			557,630,450	**715,838,094**

21.2 This includes Rs. 10,577,510 (2013: Rs. 1,726,871) charged on account of gratuity, defined contribution plan and employees compensated absences.

NOTES TO THE FINANCIAL STATEMENTS
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		Note	2014 Rupees	2013 Rupees
22	**OTHER INCOME**			
	From financial assets			
	Gain on remeasurement of investment at fair value through profit or loss		22,446,850	18,536,920
	Interest on investment in TDRs		1,345,972	780,961
	Exchange gain- net		1,497,905	2,663,608
	Technical services		1,445,929	-
	Reversal of provision of doubtful debts		117,991	-
	Interest on deposit accounts		43,802	11,780
			26,898,449	21,993,269
	From non-financial assets			
	Gain on disposal of property, plant and equipment		1,083,632	323,730
			1,083,632	323,730
			27,982,081	**22,316,999**
23	**DISTRIBUTION COST**			
	Salaries, wages and other benefits	23.1	15,949,515	10,289,000
	Staff traveling and conveyance		1,398,595	2,019,919
	Telephone and postage		231,837	174,244
	Entertainment		122,963	85,449
	Seminar on commercial explosives		800,320	-
	Printing and stationary		115,958	61,170
	Vehicle running and maintenance		433,454	452,940
	Insurance		86,728	73,065
	Other charges		270,805	165,395
	Depreciation	4.1	227,168	122,728
			19,637,343	**13,443,910**

23.1 This include Rs. 3,696,922 (2013: Rs. 438,167) charged on account of gratuity, defined contribution plan and employees compensated absences.

		Note	2014 Rupees	2013 Rupees
24	**ADMINISTRATIVE EXPENSES**			
	Chief Executive and Directors' remuneration	24.1	37,089,995	36,357,914
	Salaries, wages and other benefits	24.1	7,985,309	6,371,974
	Directors' traveling and conveyance		5,051,338	3,741,138
	Staff traveling		3,050	35,612
	Electricity, gas and water		355,696	358,419
	Telephone, telex and postage		845,706	771,147
	Rent, rates and taxes		2,171,337	2,039,600
	Legal and professional charges		2,114,711	1,357,311
	Donation	24.2	1,000,000	200,000
	Auditors' remuneration	24.3	700,000	550,000
	Printing and stationery		541,535	512,141
	Entertainment		155,902	115,995
	Insurance		294,112	173,980
	Advertisements		146,069	83,928
	Vehicle running and maintenance		2,839,058	1,599,380
	Repair and maintenance		471,804	563,349
	General expenses		158,205	166,634
	Depreciation	4.1	2,570,170	1,863,578
			64,493,997	**56,862,100**

NOTES TO THE FINANCIAL STATEMENTS
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24.1 This includes Rs. 7,974,017 (2013: Rs.9,187,186) charged on account of gratuity, defined contribution plan and employees compensated absences.

24.2 Donation was given to Al-Shifa Trust for its work against eye diseases and Sanjan Nagar Public Education Trust 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.

	2014 Rupees	2013 Rupees
24.3 Auditors' Remuneration		
Annual audit fee	500,000	350,000
Half yearly review	120,000	120,000
Other certifications	80,000	80,000
	700,000	**550,000**
25 FINANCE COSTS		
Mark up on short term borrowings - secured	15,634,244	11,082,159
Bank charges	1,112,298	1,126,373
	16,746,542	**12,208,532**
26 TAXATION		
Current -		
Prior year	-	(13,505,177)
For the year	113,449,240	102,724,650
	113,449,240	89,219,473
Deferred	(1,144,569)	(4,397,010)
	112,304,671	**84,822,463**
26.1 Reconciliation of tax expense with tax on accounting profit:		
Profit before taxation	430,945,832	371,083,728
Tax rate	34%	35%
Tax on accounting profit	146,521,583	129,879,305
Tax effect of export income charged at lower tax rate	(25,666,674)	(28,824,192)
Tax effect of prior year	-	(13,505,177)
Tax effect of exempt income and permanent differences	(8,453,501)	(4,538,857)
Deferred tax due to change in proportion of export sales	-	781,263
Tax effect of change in tax rate	-	(707,991)
Others	(96,737)	1,738,112
	112,304,671	**84,822,463**

26.2 The Company has filed tax returns upto and including tax year 2013. The assessments for the tax years 2009, 2010 & 2012 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
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27 EARNINGS PER SHARE - Basic and diluted

	2014	2013
Profit for the year (Rupees)	318,641,161	286,261,265
Average number of shares outstanding during the year (Number)	20,000,000	20,000,000
Earnings per share (Rupees)	15.93	14.31

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

28 CASH AND CASH EQUIVALENTS

	Note	2014 Rupees	2013 Rupees
Cash and bank balances	12	13,463,914	16,432,630
Short term borrowings	14	(212,512,765)	(146,468,480)
		(199,048,851)	**(130,035,850)**

29 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2014				2013			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Managerial remuneration	12,647,742	11,433,871	19,474,567	43,556,180	10,952,258	10,200,000	11,100,000	32,252,258
Employee benefits	6,728,382	-	6,383,951	13,112,333	995,660	9,000,000	740,000	10,735,660
Bonus	3,180,000	3,100,000	3,943,333	10,223,333	3,150,000	1,700,000	2,627,000	7,477,000
Total	**22,556,124**	**14,533,871**	**29,801,851**	**66,891,846**	**15,097,918**	**20,900,000**	**14,467,000**	**50,464,918**
Number of persons	**1**	**3**	**18**		**1**	**3**	**9**	

The aggregate amount charged in these financial statements in respect of meeting fee paid to other than Chief Executive and three Directors (2013: Three) was Rs. 2,636,500 (2013: Rs. 1,195,500).

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

NOTES TO THE FINANCIAL STATEMENTS
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30 RELATED PARTY TRANSACTIONS

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

	Note	2014 Rupees	2013 Rupees
Associated undertakings			
Sole proprietorship concern of a Director of the Company			
Advance received for supply of explosives		1,402,017	3,111,888
Sale of explosives		1,402,017	3,111,888
Orient Trading Limited			
Payment of dividend		81,801,250	81,801,250
Share capital		65,441,000	65,441,000
Dividend to non executive directors		79,975,000	58,253,750
Other related parties			
Remuneration including benefits and perquisites of key management personnel	29	66,891,846	50,464,918
Dividend to key management personnel (executive directors)		6,325,000	6,325,000
Contribution towards employees' provident fund		2,813,164	3,231,047
Payable to employees' provident fund		441,354	533,400
Contribution towards employees' gratuity fund		14,365,983	-
Payable to staff retirement gratuity fund		4,591,325	-

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 Auditor. Internal Auditor 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.

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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.

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 distributors. 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 ABL Income Fund, MCB Dynamic Cash Fund, Faysal Money Market Fund and UBL Liquidity Plus 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;

	2014 Rupees	2013 Rupees
Trade debts- net	210,614,059	185,158,445
Advances	644,705	1,330,319
Trade deposits	666,576	1,030,230
Other receivables	1,304,589	353,252
Other financial assets	351,548,450	297,466,793
Long term deposits	1,610,600	1,545,600
Bank balances	13,454,927	16,415,741
	579,843,906	**503,300,380**

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

	2014 Rupees	2013 Rupees
Cement manufacturers	10,846,092	12,185,080
Oil and gas exploration service providers	66,361,560	95,469,693
Construction and mining entities	133,406,407	77,503,672
	210,614,059	**185,158,445**

NOTES TO THE FINANCIAL STATEMENTS
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Impairment losses

The aging of trade debts at the reporting date was:

	2014		2013	
	Gross debts	Impairment	Gross debts	Impairment
	Rupees	Rupees	Rupees	Rupees
Not past due	102,052,053	-	65,620,821	-
Past due 0-30 days	52,354,727	-	51,803,722	-
Past due 31-60 days	27,609,225	-	67,733,902	-
Past due 61-90 days	11,519,878	-	-	-
Past due 91-365 days	17,078,176	-	-	-
Over 365 days	1,474,770	1,474,770	1,592,761	1,592,761
	212,088,829	**1,474,770**	**186,751,206**	**1,592,761**

The movement in impairment in respect of trade receivables during the year was as follows:

	2014 Rupees	2013 Rupees
Balance at the beginning of the year	1,592,761	1,592,761
Reversal of impairment loss	(117,991)	-
Balance at the end of the year	**1,474,770**	**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 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:

	2014		2013	
	Carrying amount	Contractual cash flows	Carrying amount	Contractual cash flows
	Rupees		Rupees	
Maturity upto one year				
Short term borrowings	212,512,765	212,512,765	146,468,480	146,468,480
Markup accrued	3,875,656	3,875,656	2,716,606	2,716,606
Trade and other payables	100,551,622	100,551,622	109,959,816	109,959,816
	316,940,043	316,940,043	259,144,902	259,144,902
	316,940,043	**316,940,043**	**259,144,902**	**259,144,902**

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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.

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 unpredictable 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:

	2014 USD	2013 USD
Trade debts	382,958	408,276
Bank balances and investments	519,713	513,785
Trade creditors	(80,267)	(32,609)
	822,404	**889,452**

The significant exchange rates applied during the year were:

	Average rate		Reporting date mid spot rate	
	2014 Rupees	2013 Rupees	2014 Rupees	2013 Rupees
USD 1	98.58	96.30	98.55	98.60

Sensitivity analysis

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

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	2014 Rupees	2013 Rupees
Profit and loss account	8,104,791	8,769,997

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.

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:

	2014 %	2013 %	2014 Rupees	2013 Rupees
Financial assets				
Fixed rate instrument				
Other financial assets- Term deposit receipts	3.50	1.50	49,275,000	49,300,000
Variable rate instrument				
Bank balances- Deposit accounts	7.00	5.00	32,525	31,818
			49,307,525	**49,331,818**
Financial liabilities				
Variable rate instrument				
Short term borrowings	4.50 - 11.43	3.73 - 10.78	212,512,765	146,468,480
			212,512,765	**146,468,480**

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. 1,829,928 (2013: Rs. 1,411,836).

Price risk

The Company is exposed to price risk because of investment in marketable securities held by the Company in ABL Income Fund, MCB Dynamic Cash Fund, Faysal Money Market Fund and UBL Liquidity Plus 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 Re. 1 in value of investment at fair value through profit and loss would increase/decrease profit by Rs. 13,869,619 (2013: Rs. 16,568,223).

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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.

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 2014	Rupees			
Trade debts- net	210,614,059	-	-	210,614,059
Advances	644,705	-	-	644,705
Trade deposits	666,576	-	-	666,576
Other receivables	1,304,589	-	-	1,304,589
Other financial assets	49,275,000	302,273,450	-	351,548,450
Long term deposits	1,610,600	-	-	1,610,600
Cash and bank balances	-	-	13,463,914	13,463,914
Total financial assets	264,115,529	302,273,450	13,463,914	579,852,893
Non financial assets				458,730,090
Total assets				1,038,582,983
Financial liabilities				
Short term borrowings	-	-	212,512,765	212,512,765
Markup accrued	-	-	3,875,656	3,875,656
Trade and other payables	-	-	100,551,622	100,551,622
Total Financial liabilities	-	-	316,940,043	316,940,043
Non financial liabilities				87,296,189
Total liabilities				404,236,232

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	1,330,319	-	-	1,330,319
Trade deposits	1,030,230	-	-	1,030,230
Other receivables	353,252	-	-	353,252
Other financial assets	49,300,000	248,166,793	-	297,466,793
Long term deposits	1,545,600	-	-	1,545,600
Bank balances	-	-	16,432,630	16,432,630
Total financial assets	238,717,846	248,166,793	16,432,630	503,317,269
Non financial assets				407,544,700
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				85,674,197
Total liabilities				344,819,099

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

The basis for determining fair values is as follows:

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	
30 June 2014			
Assets carried at fair value			
Investments at fair value through profit and loss account	302,273,450	-	-
30 June 2013			
Assets carried at fair value			
Investments at fair value through profit and loss account	248,166,793	-	-

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

33 CAPACITY AND PRODUCTION

Product	Units	Rated Production capacity	2014 Actual production	2013 Actual production
Tovex water gell and powder explosives	Kgs	6,000,000	3,645,180	4,161,835
Detonator - plain	Nos.	8,000,000	3,582,270	3,934,005
Detonator - electric	Nos.	1,000,000	553,998	932,363
Safety fuse	Meter	500,000	-	-
Detonating cord	Meter	2,500,000	1,418,700	1,662,627

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

34 EMPLOYEES PROVIDENT FUND TRUST

	2014 Rupees	2013 Rupees
Size of the Fund	30,565,675	31,363,580
Investments made	30,099,241	29,368,962
Percentage of investments made	98.47%	93.64%
Fair value of investments	30,099,241	29,368,962
Cost of investment made	28,243,969	28,265,000

Breakup of investments is as follows:	2014		2013	
	Rupees	Total	Rupees	Total
National Saving Certificates	21,300,000	69.69	17,300,000	55.16
NAFA Government Securities Liquid Fund	443,803	1.45	12,068,962	38.48
NAFA Assets Allocation Fund	2,029,857	6.64	-	-
NAFA Money Market Fund	1,487,330	4.87	-	-
Meezan Sovereign Fund	4,838,251	15.83	-	-
	30,099,241		29,368,962	

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 2014

35 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors proposed final dividend at the rate of Rs. 5.50 per share in its meeting held on 24 September 2014.

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 24 September 2014.

37 GENERAL

37.1 Figures have been rounded off to the nearest rupee.

37.2 Number of persons employed

	2014	2013
Employees on year end (Number)	142	135
Average employees during the year (Number)	139	134

Islamabad
24 September 2014

Chairman

Chief Executive

PATTERN OF SHAREHOLDING
AS AT 30 JUNE 2014

NO. OF SHAREHOLDERS	SHARE HOLDING FROM	SHARE HOLDING TO	TOTAL NUMBER OF SHARES HELD
70	1	100	2,211
170	101	500	79,553
101	501	1,000	97,545
128	1,001	5,000	360,161
19	5,001	10,000	155,178
9	10,001	15,000	117,300
7	15,001	20,000	121,100
4	20,001	25,000	85,764
7	25,001	30,000	201,900
2	30,001	35,000	67,000
3	40,001	45,000	132,500
1	45,001	50,000	47,688
5	50,001	60,000	300,000
1	70,001	80,000	79,500
1	80,001	90,000	90,000
3	90,001	100,000	300,000
2	145,001	150,000	300,000
1	155,001	160,000	158,800
1	200,001	210,000	210,000
1	225,001	230,000	226,800
1	245,001	250,000	249,900
1	290,001	300,000	300,000
2	400,001	450,000	860,600
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
547			20,000,000

SHAREHOLDER'S CATEGORY	NUMBERS OF SHAREHOLDERS	NUMBERS OF SHARES HELD	PERCENTAGE
INDIVIDUALS	519	10,427,956	52%
JOINT STOCK COMPANIES	22	8,181,844	41%
FINANCIAL INSTITUTIONS	1	500,000	3%
INSURANCE COMPANIES	2	159,800	1%
MUTUAL FUNDS	3	730,400	4%
	547	20,000,000	100

PATTERN OF SHAREHOLDING
AS AT 30 JUNE 2014

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARES HELD	% AGE
Directors, CEO & their Spouse and Minor Children			
M. Zafar Khan	1	4,059,000	20.30
Ms. Shayan Afzal Khan Abbas	1	1,740,200	8.70
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
Abdul Maajid Qureshi	1	1,000	0.01
Muhammad Yaqoob & Maliha Yaqoob	1	1,000	0.01
"Banks, Development Finance Institutions, Non Banking Finance Institutions, Insurance Companies, Modarba & Mutual Funds"	27	3,027,944	15.14
Other Individuals	506	2,483,956	12.42
Shareholders holding 5% or more shares in the company:			
Orient Trading Ltd	1	6,544,100	32.72
Aqeel Karim Dhedhi Securities (Pvt) Ltd	1	1,040,000	5.20
TOTAL	547	20,000,000	100.00

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 26th Annual General Meeting of the Company to be held at its registered office, 203-204, 2nd Floor, M. Gulistan Khan House, 82 East, Fazal-Ul-Haq Road, Blue Area, Islamabad on October 23, 2014 and any adjournment thereof.

Signed ____________________ day of ____________________ 2014

Signature

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

WITNESSES:

1.		2.	
	Signature ____________________		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.