Annual Report 2009

BIAFO INDUSTRIES LIMITED

Manufacturers of Tovex® Explosives & Blasting Accessories

CONTENTS

CORPORATE INFORMATION

Board Of Directors:-

Executive Directors	
M. Afzal Khan	Chairman
Khawaja Amanullah Askari	Chief Executive Officer
Maj. Gen. (Ret'd) S.Z.M. Askree	Director
Ms. Shirin Safdar	Director
Non-Executive Directors	
Abdul Maajid Qureshi	Director
S. M. Sibtain	Director
M. Salim Khan	Director
Dr. M. Humayun Khan	Director
M. Zafar Iqbal	Director
M. Zafar Khan	Director
Adnan Aurangzeb	Director

Company Secretary

Khawaja Shaiq Tanveer

Audit Committee

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

Auditors

KMPG Taseer Hadi & Co. Chartered Accountants

Legal Advisors

Chima & Ibrahim, Raja Rashid, Javaid Qureshi

Bankers

Allied Bank of Pakistan	The Royal Bank of Scottland
National Bank of Pakistan	Bank Alfalah Limited
Habib Metropolitan Bank	Standard Chartered Bank
Bank of Khyber	Dubai Islamic Bank

Registered Office & Shares Department

Biafo Industries Limited
Office No. 203-204, 2nd Floor, Muhammad Gulistan Khan House,
82-East, Fazal-ul-Haq Road, Blue Area, Islamabad-Pakistan.
Tel: +92 51 2277358-9, 2829532-3, 2272613, 2802218, Fax +92 51 2274744
Website: www.biafo.com, E-mail: management@biafo.com, biafo@hotmail.com

Factory

Biafo Industries Limited
Plot #70, Phase III, Industrial Estate, Hattar, District Haripur, N.W.F.P - Pakistan.
Tel: +92 995 617312, 617830, Fax: +92 995 617497
Website: www.biafo.com, E-mail: plant@biafo.com

NOTICE OF 21st ANNUAL GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that the 21st Annual General Meeting of Biafo Industries Limited will be held on Thursday 29th October at 11:30 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 20TH Annual General Meeting held on September 25, 2008.
2. To receive and adopt the Audited Accounts of the Company for the year ended June 30, 2009 together with Auditors' report and Directors' report thereon.
3. To approve the payment of final dividend of Rs. 2.50 per share (25%) and also the interim dividend of Rs 1.50 per share (15%) declared on February 13, 2009 making a total of Rs. 4.00 per share (40%) for the year ended June 30, 2009.
4. To appoint Auditors for the year 2009-2010 and to fix their remuneration. Retiring Auditors M/s KPMG Taseer Hadi & Co. Chartered Accountants being eligible offer themselves for reappointment for the year 2009-2010.
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 29, 2009.

NOTES:

1. Share Transfer Books of the Company will remain closed from October 22, 2009 to October 29, 2009 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.

DIRECTORS' REPORT

Your Directors are pleased to present the 21st Annual Report of the Company for the year ended June 2009.

FINANCIAL RESULTS:

In the period under review your company was able to maintain its business growth despite the challenges & economic stress facing the country.

The gross sales of the company increased to Rs.746.178 million and net sales increased by 35.42% to Rs. 581.98 million.

The operating profit for the year increased by 40.74% to Rs. 159.786 million.

Net profit after tax increased by 51.38% to Rs.114.461 million, resulting in EPS of Rs.5.72 against Rs.3.78 for the previous financial year.

Sales in the period under review showed growth in most sectors, barring the distributor/agents business and significant increase was seen in the Oil & Gas exploration sector, exports to the Saindak Export Zone and the large project sector with commencement of supplies to the Neelum-Jehlum Hydropower project and Karakorum Highway Rehabilitation & Widening project.

Your company was able to manage the double shock of substantial increase in prices of raw materials as well as the over 30% devaluation of the rupee against the U.S. Dollar. This is reflected in a slight decline in the gross profit margin. Other costs were also closely monitored & controlled.

The company did not suffer the impact of the significant increase in borrowing costs as it is free of debts.

The net worth of the company for the year under review increased by Rs. 44.46 million to Rs.438.75 million.

Production:

The explosive industry being demand driven was affected by the serious law & order problems of the country, which impacted the distributors/agents business which saw steep decline in demand from this sector resulting in sales declining by 35.97% of Plain Detonators and 13.27% of detonating cord. The plant continued to function satisfactorily in meeting customers demand on timely basis.

Quality System:

Your company continued to maintain its commitment to its customers to improving the quality of its products through implementation of quality systems & training of its personnel. Resources in material, equipment & training continue to be provided and we are in the process of OHSAS certification and Six Sigma system implementation.

DIRECTORS' REPORT

Future Prospects:

The company does not foresee any new major project coming online in the new financial year. Prospects of future business hinge on the finalization of Basha,Kohala & Bunji Dams which are mega projects and on the Rekodek Copper & Gold mining project. We see a serious decline in sales of our accessories business due to the restrictions in operations due to the law & order situation. We expect the raw material prices to remain more stable in the coming year, barring any more major devaluation of the Rupee.

Dividend:

The Board has approved final dividend of Rs. 2.5 Per share (25%) and also interim dividends of Rs. 1.50 per share (15%) declared on 13th February, 2009 making a total of Rs.4.0 Per share (40%) for the year ended June, 2009.

Expenditures are within budgets as approved by the Board of directors and overall expenditures were below the budgeted figures as approved by the Board of directors.

CODE OF CORPORATE GOVERNANCE:

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

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

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

- Financial statement prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flow & changes in equity.
- Proper books of account of the company have been maintained.
- Accounting policies have been consistently applied in the preparation of financial statements and accounting estimates, except for those disclosed in the accounts & accounting estimates are based on reasonable & prudent judgment.
- International accounting standards as applicable in Pakistan have been followed in the preparation of financial statements and any departure there from has been adequately disclosed.

DIRECTORS' REPORT

- The system of internal controls is sound and has been effectively implemented and monitored.
- There is no significant doubt about the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2009 except for those stated in the financial statements.
- No trading other then that disclosed in the report was carried out by the Directors, CEO, and CFO, Company Secretary and their spouses and minor children.
- A statement as to the value of investment of Provident Fund as on June 30,2009 is Rs.7,670,493/-

A total of 4 meetings of the Board of Directors were held during the year (July 2008 to June 2009).The attendance by each Director is given as follows:

NAME ATTENDED		NO OF MEETINGS
Mr. M. Afzal Khan	Chairman	4
Mr. Khawaja Amanullah Askari	CEO	4
Mr. Abdul Maajid Qureshi	Director	4
Mr. S. M. Sibtain	Director	2
Mr. M. Salim Khan	Director	3
Ms. Shirin Safdar	Director	3
Maj. Gen.(Ret'd) S.Z.M.Askree	Director	4
Mr. M. Zafar Khan	Director	4
Dr. M. Humayun Khan	Director	4
Mr. Adnan Aurangzeb	Director	3
Mr. Zafar Iqbal	Director	1

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

DIRECTORS' REPORT

AUDITORS

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

AKNOWLEDGEMENT

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 stake holders, customers, supplier and our Bankers specially Allied Bank Ltd, National Bank of Pakistan, Bank Alfalah Ltd, Royal Bank of Scotland, Standard Chartered and Bank of Khyber.

PATTERN OF SHARE HOLDING

Pattern of share holding is enclosed.

On Behalf of the Board

Askari

Chief Executive

Khawaja Amanullah Askari

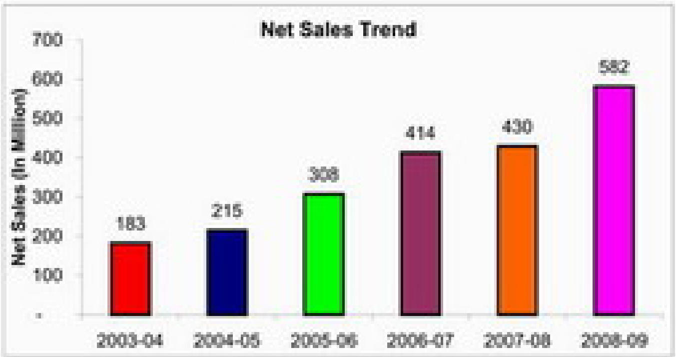
Islamabad: 29 September 2009.

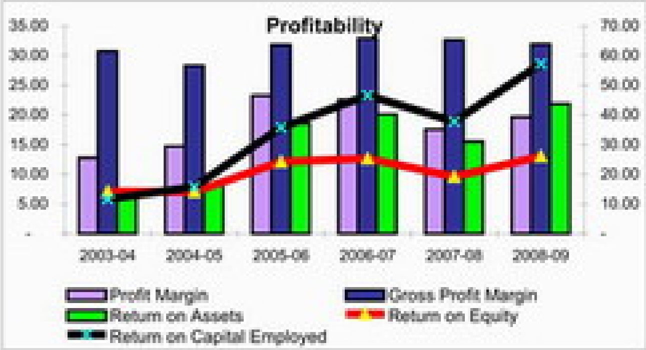
STAKEHOLDERS INFORMATION

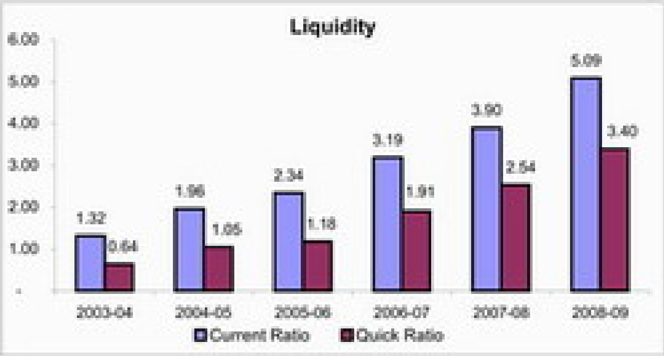
(In Thousands, "000")

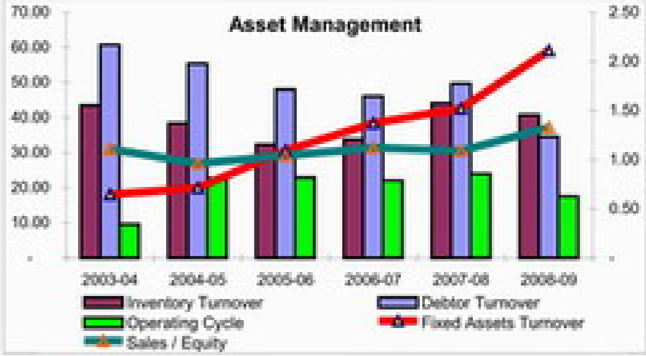
		2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
BALANCE SHEET							
Paid up Capital	Rs. In '000	200,000	200,000	200,000	200,000	200,000	200,000
Shareholder Equity	Rs. In '000	438,755	394,294	368,684	295,388	223,821	164,653
Fixed Assets	Rs. In '000	275,756	282,359	301,552	281,216	301,640	282,299
Long Term Debts	Rs. In '000	-	-	-	24,913	91,944	102,558
Profit & Loss Account							
Net Sales	Rs. In '000	581,982	429,759	413,585	307,582	215,236	182,533
Gross Profit / (Loss)	Rs. In '000	185,973	140,277	136,039	97,847	60,914	56,125
Operating Profit / (Loss)	Rs. In '000	159,786	113,533	112,897	70,443	33,343	24,792
Profit / (Loss) after taxation	Rs. In '000	114,462	75,610	93,295	71,568	31,629	23,303
PROFITABILITY RATIOS							
Profit Margin	%	19.67	17.59	22.56	23.27	14.70	12.77
Gross Profit / (Loss) Margin	%	31.96	32.64	32.89	31.81	28.30	30.75
Return on Assets	%	21.89	15.53	20.10	18.58	8.35	6.58
Return on Equity	%	26.09	19.18	25.30	24.23	14.13	14.15
Return On Capital Employed	%	57.23	37.80	46.65	35.78	15.81	11.65
LIQUIDITY RATIOS							
Current Ratio	:	5.09	3.90	3.19	2.34	1.96	1.32
Quick Ratio	:	3.40	2.54	1.91	1.18	1.05	0.64
ASSETS MANAGEMENT RATIOS							
Inventory Turnover	Days	41	44	34	32	38	43
Debtors Turnover	Days	35	50	46	48	55	61
Operating Cycle	Days	18	24	22	23	23	10
Fixed Assets Turnover	Days	2.11	1.52	1.37	1.09	0.71	0.65
Sales / Equity		1.33	1.09	1.12	1.04	0.96	1.11
DEBTS MANAGEMENT RATIOS							
Debts to Assets	Times	0.09	0.11	0.11	0.18	0.35	0.44
Debts to Equity	Times	0.11	0.13	0.14	0.23	0.59	0.95
Long Term Debts to Equity	%	-	-	-	0.08	0.41	0.62
MARKET RATIOS							
Earning Per Share	Rs. 10/Share	5.72	3.78	4.66	3.58	1.58	1.17
Dividend Per Share	Per Share (Rs)	4.00	3.00	2.50	-	-	0.40
Break-up Value	Rs. 10/Share	21.94	19.71	18.43	14.77	11.19	8.23
Share Price-High	Per Share	42.90	51.00	57.00	34.05	18.40	18.30
Share Price-Low	Per Share	28.50	25.70	22.15	15.75	8.00	7.35

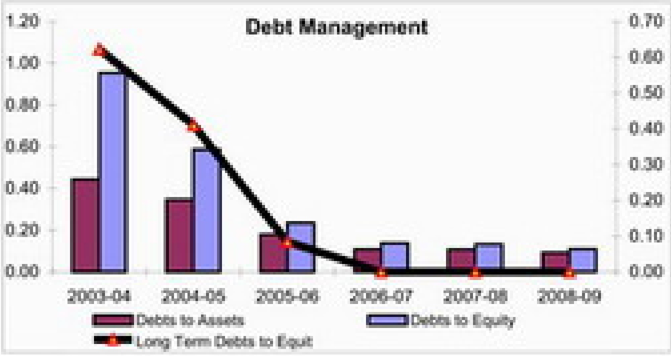
STAKEHOLDERS INFORMATION

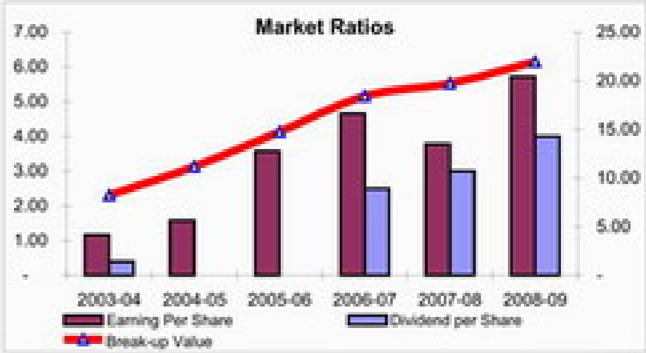


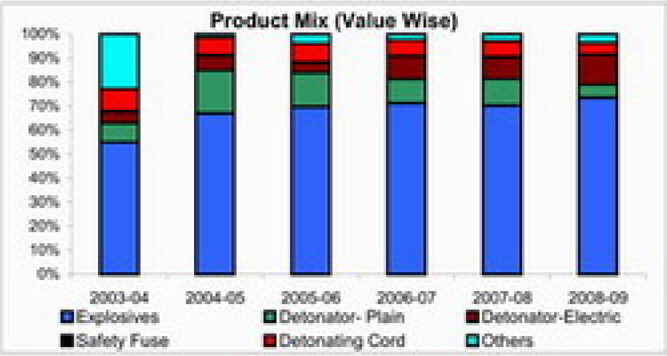












STATEMENT OF COMPLIANCE
WITH THE CODE OF CORPORATE GOVERNANCE TO THE MEMBERS
FOR THE YEAR ENDED JUNE 30, 2009

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

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

1. The Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes 07 independent non-executive directors out of total strength of 11 members.

2. The directors have confirmed that none of them is serving as a director in ten or more listed companies including this company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or being a member of stock exchange has been declared as a defaulter by that stock exchange.

4. There was no casual vacancy during the year.

5. The Board has prepared "Statement of Ethics and Business Practices" which has been signed by all the Directors and employees of the Company.

6. The Board has formulated and adopted vision and mission statement.

7. All the powers of the Board have been duly exercised and decision on material transactions including appointment and determination of remuneration and terms and conditions of employment of the CEO and other Executive directors have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board Meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated within thirty days of the respective meeting.

9. All the Directors on the Board are fully conversant with their duties and responsibilities as Director of corporate bodies. It has accordingly not been felt necessary to put them through any orientation.

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

11. The Directors' report for this year has been prepared in compliance with requirements of the Code and fully describes the salient matters required to be disclosed.

STATEMENT OF COMPLIANCE
WITH THE CODE OF CORPORATE GOVERNANCE TO THE MEMBERS
FOR THE YEAR ENDED JUNE 30, 2009

12. The financial statements of the company were duly endorsed by CEO and CFO before the 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 Code.

15. The Board has formed an audit committee. It comprises 04 members, out of which 02 members are non-executive directors including the Chairman of the 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 Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has outsourced the internal audit function to Riasat Khan & Co who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company and they are involved in the internal audit function.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

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

20. We confirm that all other material principles contained in the Code of Corporate Governance have been compiled with.

21. The related party transactions have been placed before the audit committee and approved by the Board of Directors to comply with the requirements of listing regulation number of 37 of the Karachi Stock Exchange (Guarantee) Limited.

Islamabad:
29 September 2009.

M. Afzal Khan
Chairman

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

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

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub-Regulation (xiii) of Listing Regulations 37 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner : Riaz Akbar Ali Pesnani

Islamabad
29 September 2009

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 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

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

b) in our opinion-

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2009 and of the profit, its cash flows and changes in equity for the year then ended; and

d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

KPMG Taseer Hadi & Co.

Islamabad
29 September 2009

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner : Riaz Akbar Ali Pesnani

BALANCE SHEET
AS AT 30 JUNE 2009

	Note	2009 Rupees	2008 Rupees
NON CURRENT ASSETS			
Property, plant and equipment	4	275,755,538	282,359,242
Long term deposits		523,449	524,749
		276,278,987	282,883,991
CURRENT ASSETS			
Stores, spare parts and loose tools	5	4,851,708	5,946,080
Stock in trade	6	70,146,550	59,806,869
Trade debts	7	61,007,578	64,736,442
Advances	8	3,425,056	4,433,481
Trade deposits and short term prepayments	9	1,036,220	1,247,107
Other receivables	10	1,100,992	153,349
Advance tax	17	1,535,928	-
Other financial asset	11	33,945,507	32,179,474
Cash and bank balances	12	70,014,286	35,919,714
		247,063,825	204,422,516
CURRENT LIABILITIES			
Trade and other payables	13	45,700,177	46,348,443
Markup accrued	14	48,059	36,361
Short term borrowings	15	-	90,776
Current portion of -			
Liabilities against assets subject to finance lease	16	2,837,427	3,440,538
Provision for taxation	17	-	2,463,933
		48,585,663	52,380,051
NET CURRENT ASSETS		198,478,162	152,042,465
NON CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	16	-	2,809,744
Deferred employee benefit	18	794,535	677,196
Deferred tax liability - net	19	35,207,149	37,145,749
		36,001,684	40,632,689
		438,755,465	**394,293,767**
REPRESENTED BY:			
SHARE CAPITAL AND RESERVES			
Share capital	20	200,000,000	200,000,000
Unappropriated profit		180,261,349	131,976,270
		380,261,349	331,976,270
SURPLUS ON REVALUATION OF FIXED ASSETS - net of tax	21	58,494,116	62,317,497
		438,755,465	**394,293,767**
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 38 form an integral part of these financial statements.

Islamabad
29 September 2009

Director **Chief Executive**

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 Rupees	2008 Rupees
GROSS SALES	23	746,178,511	560,821,079
Sales tax		(59,510,017)	(42,970,823)
Special excise duty		(3,719,376)	(2,877,420)
Discounts and commissions		(100,967,382)	(85,213,992)
Net sales		581,981,736	429,758,844
Cost of sales	24	(396,008,948)	(289,481,758)
GROSS PROFIT		185,972,788	140,277,086
Other operating income	25	7,070,965	5,235,284
Distribution cost	26	(5,772,980)	(5,444,455)
Administrative expenses	27	(23,749,654)	(18,116,664)
Finance costs	28	(3,734,911)	(8,418,361)
OPERATING PROFIT		159,786,208	113,532,890
Workers' profit participation fund		(7,989,310)	(5,676,645)
Workers' welfare fund		(3,021,222)	(2,012,505)
PROFIT BEFORE TAXATION		**148,775,676**	**105,843,740**
Taxation	29	(34,313,978)	(30,234,105)
PROFIT FOR THE YEAR		**114,461,698**	**75,609,635**
EARNINGS PER SHARE - Basic and diluted	30	**5.72**	**3.78**

The annexed notes 1 to 38 form an integral part of these financial statements.

Islamabad
29 September 2009

Director | **Chief Executive**

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 Rupees	2008 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		148,775,676	105,843,740
Adjustments for:			
Depreciation		19,981,976	21,138,266
Finance costs		3,734,911	8,418,361
Provision for workers' profit participation fund		7,989,310	5,676,645
Provision for workers' welfare fund		3,021,222	2,012,505
Provision for compensating absences		130,551	225,069
Provision for slow moving stores, spare parts and loose tools		212,426	212,426
Unrealized gain on remeasurement of investment at fair value through profit or loss		(1,766,033)	(1,117,619)
Loss on disposal of property, plant and equipment		47,151	-
Interest income on deposit accounts		(653,758)	(2,930)
Exchange gain		(3,955,825)	(3,413,702)
		28,741,931	33,149,021
		177,517,607	138,992,761
Working capital changes			
Decrease/(increase) in store, spare parts and loose tools		881,946	(1,040,914)
Increase in stock in trade		(10,339,681)	(15,745,618)
Decrease/(increase) in trade debts		7,684,689	(3,871,527)
Decrease/(increase) in advances, deposits, prepayments and other receivables		367,000	(1,042,698)
(Decrease)/increase in trade and other payables		(4,253,704)	10,107,411
		(5,659,750)	(11,593,346)
Cash generated from operations		171,857,857	127,399,415
Finance costs paid		(3,723,214)	(8,445,774)
Compensating absences benefits paid		(13,212)	(5,037)
Payment to workers' profit participation fund		(5,676,645)	(5,644,837)
Payment to workers' welfare fund		(2,134,773)	(2,135,667)
Income taxes paid		(40,252,439)	(17,561,622)
		(51,800,283)	(33,792,937)
Net cash from operating activities		120,057,574	93,606,478
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(13,744,389)	(1,945,093)
Proceeds from disposal of property, plant and equipment		318,966	-
Payments for investment securities		-	(20,000,000)
Interest received on deposit accounts		559,729	2,930
Net cash used in investing activities		(12,865,694)	(21,942,163)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of finance lease liabilities		(3,412,856)	(3,165,798)
Repayment of long term financing - Secured		-	(8,757,290)
Payment of dividends		(69,593,676)	(49,526,972)
Net cash used in financing activities		(73,006,532)	(61,450,060)
NET INCREASE IN CASH AND CASH EQUIVALENTS		34,185,348	10,214,255
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		35,828,938	25,614,683
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	31	**70,014,286**	**35,828,938**

The annexed notes 1 to 38 form an integral part of these financial statements.

Islamabad
29 September 2009

Director **Chief Executive**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

	Share capital	Unappropriated profit	Total equity
	Rupees	Rupees	Rupees
Balance at 01 July 2007	200,000,000	102,582,926	302,582,926
Changes in equity for the year ended 30 June 2008			
Transfer from surplus on revaluation of fixed assets - net of deferred tax	-	3,783,709	3,783,709
Total income recognized directly in equity	-	3,783,709	3,783,709
Profit for the year	-	75,609,635	75,609,635
Total recognized income and expense for the year	-	79,393,344	79,393,344
Final dividend 2007: Rs. 1.50 per ordinary share	-	(30,000,000)	(30,000,000)
First interim dividend 2008: Rs. 1.00 per ordinary share	-	(20,000,000)	(20,000,000)
Balance at 30 June 2008	**200,000,000**	**131,976,270**	**331,976,270**
Balance at 01 July 2008	200,000,000	131,976,270	331,976,270
Changes in equity for the year ended 30 June 2009			
Transfer from surplus on revaluation of fixed assets - net of deferred tax	-	3,823,381	3,823,381
Total income recognized directly in equity	-	3,823,381	3,823,381
Profit for the year	-	114,461,698	114,461,698
Total recognized income and expense for the year	-	118,285,079	118,285,079
Final dividend 2008: Rs. 2.00 per ordinary share	-	(40,000,000)	(40,000,000)
First interim dividend 2009: Rs. 1.50 per ordinary share		(30,000,000)	(30,000,000)
Balance at 30 June 2009	**200,000,000**	**180,261,349**	**380,261,349**

The annexed notes 1 to 38 form an integral part of these financial statements.

Islamabad
29 September 2009

Director **Chief Executive**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

1 LEGAL STATUS AND OPERATIONS

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

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

2 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 market value.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

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 of property, plant and equipment on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of assets with a corresponding affect on the depreciation and impairment.

Provisions

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

Impairment of assets

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

2.5 Adoption of approved accounting standard

During current year, the Company adopted IFRS 7- "Financial Instruments" which is applicable for annual periods beginning on or after 01 July 2008. IFRS 7 requires extensive disclosures about the significance of financial instruments for the Company's financial position and performance, and quantitative and qualitative disclosures on the nature and extent of risks. These requirements include many disclosures previously required by International Accounting Standard (IAS) 32- "Financial Instruments : Presentation". The Company has adopted IFRS 7 from the financial year beginning 01 July 2008 and its initial application has led to extensive disclosures in the Company's financial statements.

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

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

Revised IAS 1- "Presentation of financial statements' (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.

Revised IAS 23- "Borrowing costs' (effective for annual periods beginning on or after 1 January 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

Amendments to IAS 32- "Financial instruments: Presentation" and IAS 1 "Presentation of Financial Statements" (effective for annual periods beginning on or after 1 January 2009) – Puttable financial instruments and obligations arising on liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met.

Amendment to IFRS 2- "Share-based Payment' – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations.

Revised IFRS 3- "Business Combinations" (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis.

Amended IAS 27- "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

IFRS 8- "Operating Segments" (effective for annual periods beginning on or after 1 January 2009) introduces the "management approach" to segment reporting. IFRS 8 will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Company's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them.

IFRIC 15- "Agreement for the Construction of Real Estate" (effective for annual periods beginning on or after 01 January 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete.

IFRIC 16- "Hedge of Net Investment in a Foreign Operation" (effective for annual periods beginning on or after 1 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss.

The interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used.

IFRIC 17- "Distributions of Non-cash Assets to Owners" (effective for annual periods beginning on or after 1 July 2009) states that when a Company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement.

IFRIC 18- "Transfers of Assets from Customers" (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009). This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or

The International Accounting Standards Board made certain amendments to existing standards as part of its improvement project. The effective dates for these amendments vary by standard and will be applicable to the Company in ensuing years. These amendments are unlikely to have an impact on the Company's accounts except for the following:

Amendments to IAS 39- "Financial Instruments: Recognition and Measurement" – Eligible hedged Items (effective for annual periods beginning on or after 1 July 2009 clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship.

IAS 27- "Consolidated and separate financial statements" effective for annual periods beginning on or after 1 January 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor.

IFRS 4- "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2009). The IFRS makes limited improvements to accounting for insurance contracts until the Board completes the second phase of its project on insurance contracts. The standard also requires that an entity issuing insurance contracts (an insurer) to disclose information about those contracts.

Amendment to IFRS 7- Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 1 January 2009). These amendments have been made to bring the disclosure requirements of IFRS 7 more closely in line with US standards. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements.

Amendments to IAS 39 and IFRIC 9- Embedded derivatives (effective for annual periods beginning on or after 1 January 2009). Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instrument when financial assets are reclassified out of the fair value.

Amendment to IFRS 2– "Share Based Payment" – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). Currently effective IFRSs requires attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.

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

3.1.1 Owned

Property, plant and equipment other than leasehold land and capital work in progress, is stated at cost or revalued amount less accumulated depreciation and accumulated impairment losses, if any. Leasehold land is stated at cost or revalued amount, as the case may be. 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 reducing balance method at the rates specified in note 4 to the financial statements. Depreciation is charged from the date the asset is acquired or capitalized to the date it is disposed off. Leasehold land is not depreciated.

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

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 cost of the day-to-day servicing of property, plant and equipment is recognised in profit or loss as incurred.

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

3.1.2 Leased

Leased property, plant and equipment in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance charges and the reduction of outstanding liability. The outstanding obligations under the lease agreements are shown as a liability net of finance charges allocable to future periods. The finance charge is allocated to each period using the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leased assets are depreciated over the useful life of the asset using the reducing balance method at the rates given in note 4 to these financial statements.

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 cost and other directly attributable costs
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 costs necessarily to be incurred in order to make a sale.

3.3 Stores, spare parts and loose tools

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

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

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

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

3.5 Taxation

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

3.5.1 Current

Provision for current taxation is based on taxable income for the year at the applicable tax rates after taking into account tax credit and tax rebates, if any and any adjustment to tax payable in respect of previous years.

3.5.2 Deferred

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further the Company also recognizes deferred tax liability on surplus on revaluation of fixed assets which is adjusted against the related surplus. 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 8.33 % of basic salary equally by the Company and the employee. The Company's obligations for contributions to plan is recognised as an employee benefit expense in profit or loss account when they are due

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 recognised 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 revenue can be measured reliably.

Services include training, and professional services. Revenue from services is recognized as the services are rendered.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

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

3.10 Financial instruments

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

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

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

3.11 Offsetting

Financial assets and liabilities and tax assets and liabilities are set off in the balance sheet, only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

3.12 Trade and other payables

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

3.13 Trade and other receivables

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

The allowances for doubtful receivables and debts are 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 Dividend

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

3.16 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand, bank balances 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.

3.17 Impairment

3.17.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised 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 recognised.

3.17.2 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 recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the profit and loss account. Reversal of impairment loss is restricted to the original cost of asset.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

4 PROPERTY, PLANT AND EQUIPMENT

	Owned												Leased				
	Leasehold land	Building on leasehold land	Plant and machinery	Fork lifter	Tools and equipment	Tube well	Office equipment	Furniture an fixtures	Electric appliances	Vehicles	Capital work in progress	Sub total	Fork lifter	Plant and machinery	Vehicles	Sub total	Total
	Rupees												Rupees				Rupees
Cost																	
Balance as at 01 July 2007	72,298,000	27,855,850	234,131,220	708,458	998,926	306,600	2,069,896	1,542,209	551,379	1,555,407	-	342,017,945	1,285,000	4,247,315	7,932,181	13,464,496	355,482,441
Additions	-	-	172,500	-	-	-	111,393	-	-	-	110,700	394,593	-	-	1,550,500	1,550,500	1,945,093
Balance as at 30 June 2008	72,298,000	27,855,850	234,303,720	708,458	998,926	306,600	2,181,289	1,542,209	551,379	1,555,407	110,700	342,412,538	1,285,000	4,247,315	9,482,681	15,014,996	357,427,534
Balance as at 01 July 2008	72,298,000	27,855,850	234,303,720	708,458	998,926	306,600	2,181,289	1,542,209	551,379	1,555,407	110,700	342,412,538	1,285,000	4,247,315	9,482,681	15,014,996	357,427,534
Additions	-	-	12,548,484	-	-	-	311,340	30,000	-	723,790	130,775	13,744,389	-	-	-	-	13,744,389
Disposals	-	-	-	-	-	-	-	-	-	(691,294)	-	(691,294)	-	-	-	-	(691,294)
Transfer in/(out)	-	241,475	-	-	-	-	-	-	-	1,973,780	(241,475)	1,973,780	-	-	(1,973,780)	(1,973,780)	-
Balance as at 30 June 2009	72,298,000	28,097,325	246,852,204	708,458	998,926	306,600	2,492,629	1,572,209	551,379	3,561,683	-	357,439,413	1,285,000	4,247,315	7,508,901	13,041,216	370,480,629
Depreciation																	
Balance as at 01 July 2007	-	1,392,792	46,603,793	596,761	757,950	240,609	1,514,567	1,089,331	222,602	132,442	-	52,550,847	5,281	70,377	1,303,521	1,379,179	53,930,026
Depreciation charge for the year	-	661,576	18,769,993	11,170	24,098	6,599	92,549	45,288	32,878	142,291	-	19,786,442	127,972	417,694	806,158	1,351,824	21,138,266
Balance as at 30 June 2008	-	2,054,368	65,373,786	607,931	782,048	247,208	1,607,116	1,134,619	255,480	274,733	-	72,337,289	133,253	488,071	2,109,679	2,731,003	75,068,292
Balance as at 01 July 2008	-	2,054,368	65,373,786	607,931	782,048	247,208	1,607,116	1,134,619	255,480	274,733	-	72,337,289	133,253	488,071	2,109,679	2,731,003	75,068,292
Depreciation charge for the year	-	648,957	17,655,910	10,053	21,688	5,939	180,581	43,381	29,590	290,625	-	18,886,724	115,175	375,924	604,153	1,095,252	19,981,976
Disposals	-	-	-	-	-	-	-	-	-	(325,177)	-	(325,177)	-	-	-	-	(325,177)
Transfer in/(out)	-	-	-	-	-	-	-	-	-	693,492	-	693,492	-	-	(693,492)	(693,492)	-
Balance as at 30 June 2009	-	2,703,325	83,029,696	617,984	803,736	253,147	1,787,697	1,178,000	285,070	933,673	-	91,592,328	248,428	863,995	2,020,340	3,132,763	94,725,091
Carrying amounts - June 2008	**72,298,000**	**25,801,482**	**168,929,934**	**100,527**	**216,878**	**59,392**	**574,173**	**407,590**	**295,899**	**1,280,674**	**-**	**270,075,249**	**1,151,747**	**3,759,244**	**7,373,002**	**12,283,993**	**282,359,242**
Carrying amounts - June 2009	**72,298,000**	**25,394,000**	**163,822,508**	**90,474**	**195,190**	**53,453**	**704,932**	**394,209**	**266,309**	**2,628,010**	**-**	**265,847,085**	**1,036,572**	**3,383,320**	**5,488,561**	**9,908,453**	**275,755,538**
Rates of depreciation (per annum)	-	2.50%	10%	10%	10%	10%	10% - 33.33%	10%	10%	10%	-		10%	10%	10%		

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 Rupees	2008 Rupees
4.1 Depreciation for the year has been allocated as follows:			
Cost of sales	24	19,248,150	20,400,902
Distribution cost	26	96,229	210,218
Administrative expenses	27	637,597	527,146
		19,981,976	21,138,266

4.2 Details of property, plant and equipment sold during the year:

	Cost Rupees	Book value Rupees	Sale proceeds Rupees
Shehzore truck sold to Mr. M. Mansha through open bidding	691,294	366,117	318,966

4.3 Revaluation of land, building, plant and machinery

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

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

	Net Book Value	
	2009 Rupees	2008 Rupees
Leasehold land	7,015,883	7,015,883
Building on leasehold land	34,622,010	35,509,754
Plant and machinery	92,516,414	102,796,015
	134,154,307	145,321,652

	Note	2009 Rupees	2008 Rupees
5 STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		979,378	1,337,707
Spare parts		4,267,610	4,790,363
Loose tools		29,572	30,436
		5,276,560	6,158,506
Provision for slow moving stores, spare parts and loose tools		(424,852)	(212,426)
		4,851,708	5,946,080
6 STOCK IN TRADE			
Raw materials		37,722,793	37,713,656
Packing materials		1,240,550	1,229,270
Work in process		2,366,627	1,150,697
Finished goods		14,650,284	12,858,439
Goods in transit		14,166,296	6,854,807
		70,146,550	59,806,869

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

		Note	2009 Rupees	2008 Rupees
7	**TRADE DEBTS**			
	Unsecured - Considered good		61,007,578	64,736,442
	Unsecured - Considered doubtful		1,474,770	1,474,770
			62,482,348	66,211,212
	Provision for doubtful debts		(1,474,770)	(1,479,333)
	Bad debts written off against provision		-	4,563
			(1,474,770)	(1,474,770)
			61,007,578	**64,736,442**
8	**ADVANCES**			
	Advances to suppliers	8.1	2,733,899	3,396,742
	Advances to employees- Considered good		691,157	1,036,739
			3,425,056	**4,433,481**
8.1	**Advances to suppliers**			
	Considered good		2,733,899	3,253,787
	Considered doubtful		-	142,955
			2,733,899	3,396,742
	Provision for doubtful advances		-	(142,955)
	Doubtful advances written off against provision		-	142,955
			-	-
			2,733,899	**3,396,742**
9	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Trade deposits		424,076	609,076
	Prepayments		612,144	638,031
			1,036,220	**1,247,107**
10	**OTHER RECEIVABLES**			
	Considered good:			
	Interest income receivable		94,029	-
	Receivable against cancelled letter of credit		915,359	-
	Others		91,604	153,349
			1,100,992	153,349
	Considered doubtful		-	-
			1,100,992	153,349
	Provision for doubtful receivables		-	(11,918)
	Doubtful receivables written off against provision		-	11,918
			-	-
			1,100,992	**153,349**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

11 OTHER FINANCIAL ASSET

Investment at fair value through profit or loss

This represents investment made by the Company in NAFA Cash Fund (NCF), an open ended collective scheme. The investment is stated at fair value at the year end, using the year end redemption price, accordingly the gain on remeasurement of investments at fair value at the year end has been included in other operating income.

Number of units as at 30 June 2009	Average price	Total investment cost	Price per unit as at 30 June 2009	Fair value as at 30 June 2009	Gain on remeasurement	Gain recognized upto 30 June 2009	Net gain for the year (Note 25)
Number	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
3,362,306.14	9.1678	30,825,000	10.0959	33,945,507	3,120,507	1,354,474	1,766,033

11.1 As explained in note 15.2.3 the investment has been pledged as a security against the running finance facility arranged with National Bank of Pakistan.

12 CASH AND BANK BALANCES

	Note	2009 Rupees	2008 Rupees
Cash at bank:			
Current accounts	12.1	37,296,701	35,734,604
Deposit accounts	12.2	32,706,398	124,329
		70,003,099	35,858,933
Cash in hand		11,187	60,781
		70,014,286	35,919,714

12.1 Current accounts include foreign currency balances amounting to Rs. 2,789,855 (2008: Rs. 22,922,442).

12.2 Included in deposit accounts are foreign currency term deposit receipts (TDRs) amounting USD 400,000 (equivalent Rs. 32,580,000), (2008: nil). These carry interest rate of 3.5% to 4.25% per annum. Other deposit accounts carry interest at the rate of 5% (2008: 1.75% to 5%) per annum.

13 TRADE AND OTHER PAYABLES

	Note	2009 Rupees	2008 Rupees
Creditors		20,757,642	24,885,385
Advances from customers		1,758,775	187,254
Accrued liabilities		3,549,521	3,515,618
Usance letters of credit		-	398,836
Withholding tax payable		310,659	5,296
Sales tax and special excise duty		2,235,466	4,278,721
Insurance		2,415,829	2,416,063
Workers' profit participation fund	13.1	7,989,310	5,676,645
Workers' welfare fund	13.2	3,021,222	2,134,773
Unclaimed dividend		2,765,006	2,358,682
Payable to employees retirement benefit fund		194,970	-
Others		701,777	491,170
		45,700,177	46,348,443

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

		Note	2009 Rupees	2008 Rupees
13.1	**Workers' profit participation fund**			
	Balance at beginning of the year		5,676,645	5,644,837
	Allocation of profit for the year		7,989,310	5,676,645
			13,665,955	11,321,482
	Paid to the fund during the year		(5,676,645)	(5,644,837)
			7,989,310	5,676,645
13.2	**Workers' welfare fund**			
	Balance at beginning of the year		2,134,773	2,257,935
	Allocation of profit for the year		3,021,222	2,012,505
			5,155,995	4,270,440
	Paid to the fund during the year		(2,134,773)	(2,135,667)
			3,021,222	2,134,773
14	**MARKUP ACCRUED**			
	Accrued mark-up on			
	Long term financing - Unsecured		-	29,412
	Short term borrowings - Secured		48,059	6,949
			48,059	36,361
15	**SHORT TERM BORROWINGS - Secured**			
	Running finance facilities from banking companies:			
	Bank of Khyber	15.1	-	37,600
	National Bank of Pakistan	15.2	-	53,176
	Allied Bank Limited	15.3	-	-
			-	90,776

15.1 Bank of Khyber

The Company had running finance and export refinance facilities with the sanctioned limits of Rs. 10 million and Rs. 20 million (2008: Rs. 10 million and Rs. 20 million) respectively. These facilities were secured by first charge on all existing and future assets of the Company for Rs. 14.130 million, second charge on all existing and future assets of the Company for Rs. 21.04 million and first hypothecation charge on the stock of the Company for Rs. 29 million. During the year the Company relinquished these facilities and charges on the assets of the Company have been released.

15.2 National Bank of Pakistan

15.2.1 The Company has arranged following facilities from National Bank of Pakistan;

- Running finance facility with the sanctioned limit of Rs. 15 million (2008: Rs. 15 million) and carries mark up at the rate of 6 months KIBOR + 2% per annum with floor of 11.5% per annum (2008: 3 months KIBOR + 2% per annum) payable on quarterly basis.
- FE-25 facility with sanctioned limit of Rs.10 million (2008: Rs.10 million). The facility carries mark-up at the rate of LIBOR + 2% (2008: LIBOR + 2%) per annum of the utilized amount.

15.2.2 The facilities mentioned above are secured by way of pledge of stocks and spares with 25% margin, lien on receivables up to Rs. 22 million and import documents (2008: pledge of stocks with 25% margin and lien on receivables up to Rs. 22 million).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

15.2.3 The Company also has a running finance facility with the maximum sanctioned limit of Rs. 70 million and carries markup at the rate of 3 months KIBOR + 1.5% per annum. The facility is secured against the investment made in the NAFA Cash funds (NCF). The Company can avail the facility upto 70% of the investment value of the NCF investment, subject to maximum of Rs. 70 million.

15.3 Allied Bank Limited

15.3.1 During the year the Company obtained following facilities from Allied Bank Limited;

- Running finance facility with the sanctioned limit of Rs. 35 million (2008: Nil) and carries mark up at the rate of 3 months KIBOR + 125 BPS payable on quarterly basis.
- ERF facility with sanctioned limit of Rs. 50 million (2008: Nil). The facility carries mark-up at the rate of SBP rate + 1% per annum of the utilized amount.
- FE-25 facility (sublimit of ERF) with sanctioned limit of Rs. 50 million (2008: Nil). The facility carries mark-up at the rate of LIBOR + 2% per annum of the utilized amount.
- LC sight/DA-90 days facility with sanctioned limit of Rs. 45 million (2008: Nil) for import of raw materials and a LG facility of Rs. 5 million for the issuance of bid bonds and performance bonds.

15.3.2 The above mentioned facilities are secured by way of first charge on all present and future current assets (excluding receivables) and fixed assets of the Company with 25% margin duly insured with banks clause and lien on valid import documents of the Company.

16 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

These represent finance leases entered into with Orix Leasing Pakistan Limited for lease of vehicles and plant and machinery. The liability represents total of minimum lease payments discounted at rates ranging between 12.98% to 19.01% (2008: 12.98% to 17.00%) per annum, being the rate implicit in the lease arrangement. Under the lease agreements the purchase option is available to the Company on payment of lease installments and surrender of key deposit money. The cost of operating and maintaining the leased assets is borne by the Company.

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

	Note	2009 Rupees	2008 Rupees
Minimum lease payments:			
Not later than one year		3,064,585	4,160,825
Later than one year but not later than five years		-	3,004,940
		3,064,585	7,165,765
Finance charges relating to future periods		(227,158)	(915,483)
Principal outstanding		2,837,427	6,250,282
Current portion shown under current liabilities		(2,837,427)	(3,440,538)
		-	**2,809,744**

17 ADVANCE TAX/ PROVISION FOR TAXATION

	Note	2009 Rupees	2008 Rupees
Tax payable/(advance tax) at beginning of the year		2,463,933	(11,401,311)
Income tax paid during the year		(40,252,439)	(17,561,622)
Provision for current taxation	29	36,252,579	31,426,866
(Advance tax)/tax payable at end of the year		**(1,535,928)**	**2,463,933**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	2009 Rupees	2008 Rupees
18 DEFERRED EMPLOYEE BENEFIT		
Accumulating compensated absences		
Obligation at beginning of the year	677,196	457,164
Charge for the year	130,551	225,069
	807,747	**682,233**
Benefits paid during the year	(13,212)	(5,037)
Obligation at end of the year	**794,535**	**677,196**

Actuarial valuation of accumulating compensated absences has not been carried out as required by IAS 19- "Employee Benefits" as the amount involved is deemed immaterial.

	2009 Rupees	2008 Rupees
19 DEFERRED TAX LIABILITY		
The net balance of deferred tax is in respect of the following major temporary differences:		
Accelerated depreciation on property, plant and equipment	20,162,677	20,814,379
Obligation under finance lease	(632,580)	(1,454,753)
Retirement benefits	(177,135)	(157,617)
Provision for doubtful debts, advances and receivables	(328,787)	(343,253)
Provision for slow moving stores, spare parts and loose tools	(94,717)	(49,442)
Surplus on revaluation of property, plant and equipment	16,277,691	18,336,435
	35,207,149	**37,145,749**

Deferred tax liability has been calculated at the enacted tax rate of 35% (2008: 35%) per annum. Based on the Company's estimate of future export sales, adjustment of Rs. 30.796 million has been made in the taxable temporary differences at the year end. This resulted in increasing the after tax profit by Rs. 10.778 million with corresponding decrease in deferred tax liability by the same amount.

20 SHARE CAPITAL

20.1 Authorized share capital

This represents 25,000,000 (2008: 25,000,000) Ordinary shares of Rs. 10 each.

20.2 Issued, subscribed and fully paid up capital

2009 Numbers	2008 Numbers		2009 Rupees	2008 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**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	2009 Rupees	2008 Rupees
21 SURPLUS ON REVALUATION OF FIXED ASSETS -net of tax		
Surplus on revaluation at 01 July	80,653,932	86,475,023
Transferred to equity in respect of incremental depreciation - net of deferred tax	(3,823,381)	(3,783,709)
Related deferred tax liability of incremental depreciation	(2,058,744)	(2,037,382)
	(5,882,125)	(5,821,091)
	74,771,807	80,653,932
Related deferred tax liability on:		
Revaluation as at 01 July	(18,336,435)	(20,373,817)
Incremental depreciation charged on revalued assets	2,058,744	2,037,382
	(16,277,691)	(18,336,435)
	58,494,116	**62,317,497**

22 CONTINGENCIES AND COMMITMENTS

22.1 Contingencies

22.1.1 Industrial Estate Hattar of Sarhad Development Authority (N.W.F.P) 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 during the year the case has been transferred from Senior Civil Judge to Chairman Sarhad Development Authority (N.W.F.P) for arbitration. Pending the outcome of the appeal, no provision has been provided in these financial statements for such demand as the management is confident that the appeal will be decided in the Company's favour.

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

22.2 Commitments

22.2.1 Letters of credit issued by banks on behalf of the Company for the import of raw materials, outstanding at the year end amounted to Rs. 7,558,867 (2008: Rs. 32,627,827).

	Note	2009 Rupees	2008 Rupees
23 GROSS SALES			
Local		534,904,932	416,911,215
Exports	23.1	211,273,579	143,909,864
		746,178,511	**560,821,079**

23.1 The export sales represent sales made to Saindak and Dudder projects in Balochistan, Pakistan which has been declared as Export Processing Zone by the Government of Pakistan (GoP).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

		Note	2009 Rupees	2008 Rupees
24	**COST OF SALES**			
	Materials consumed	24.1	312,184,177	214,231,510
	Stores and spare parts consumed		2,604,074	2,907,685
	Packing materials consumed		7,948,596	6,738,569
	Fuel and power		3,674,858	4,103,214
	Salaries, wages and other benefits	24.2	22,877,831	20,764,090
	Insurance		2,533,363	1,484,100
	Repairs and maintenance		4,580,467	1,453,431
	Provision for slow moving stores, spare parts and loose tools		212,426	212,426
	Depreciation	4.1	19,248,149	20,400,902
	Vehicle running and maintenance		1,962,665	1,316,551
	Travelling and conveyance		557,508	540,503
	Water charges		43,050	42,600
	Telephone, telex and postage		230,086	206,598
	Legal and professional charges		36,000	77,202
	Printing and stationery		230,815	163,058
	Canteen		411,788	368,653
	Transportation charges		14,625,640	12,645,801
	Fees and subscription		976,160	369,005
	Vehicle rent		616,000	526,000
	Security charges		1,323,732	867,876
	Saindak expenses		1,790,223	1,708,163
	Miscellaneous expenses		349,115	238,275
			399,016,723	291,366,212
	Work in process:			
	Opening stock as at 01 July		1,150,697	882,326
	Closing stock as at 30 June		(2,366,627)	(1,150,697)
			(1,215,930)	(268,371)
	Cost of goods manufactured		397,800,793	291,097,840
	Finished goods:			
	Opening stock as at 01 July		12,858,439	11,242,357
	Closing stock as at 30 June		(14,650,284)	(12,858,439)
			(1,791,845)	(1,616,082)
			396,008,948	**289,481,758**
24.1	**Materials consumed**			
	Opening stock as at 01 July		37,713,657	26,985,607
	Purchases during the year		312,193,312	224,959,559
			349,906,969	251,945,166
	Closing stock as at 30 June		(37,722,792)	(37,713,657)
			312,184,177	**214,231,509**

24.2 This includes Rs. 640,598 (2008: Rs. 469,936) charged on account of defined contribution plan.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

		Note	2009 Rupees	2008 Rupees
25	**OTHER OPERATING INCOME**			
	From financial assets			
	Gain on remeasurement of investment at fair value through profit or loss	11	1,766,033	1,117,619
	Interest income on TDRs		648,396	-
	Interest on other deposit accounts		5,362	2,930
	Exchange gain		4,698,325	3,413,702
			7,118,116	4,534,251
	From non-financial assets			
	Loss on disposal of vehicle		(47,151)	-
	Services provided		-	701,033
			(47,151)	701,033
			7,070,965	5,235,284

		Note	2009 Rupees	2008 Rupees
26	**DISTRIBUTION COST**			
	Salaries, wages and other benefits	26.1	3,775,935	3,366,541
	Staff traveling and conveyance		850,595	660,250
	Telephone, telex and postage		77,885	96,125
	Entertainment		51,944	47,387
	Printing and stationary		93,446	38,341
	Vehicle running and maintenance		432,428	619,450
	Insurance		21,209	51,474
	Miscellaneous expenses		373,309	354,669
	Depreciation	4.1	96,229	210,218
			5,772,980	5,444,455

26.1 This includes Rs. 109,662 (2008: Rs. 105,756) charged on account of defined contribution plan.

		Note	2009 Rupees	2008 Rupees
27	**ADMINISTRATIVE EXPENSES**			
	Directors' remuneration		10,762,674	7,113,124
	Salaries, wages and other benefits	27.1	4,283,787	3,402,868
	Directors' traveling and conveyance		2,514,838	2,604,767
	Electricity, gas and water		312,259	252,056
	Telephone, telex and postage		751,632	640,722
	Rent, rates and taxes		1,018,355	980,382
	Legal and professional charges		571,100	483,000
	Donation	27.2	500,000	-
	Auditors' remuneration	27.3	341,000	325,000
	Printing and stationery		350,230	260,600
	Entertainment		41,132	153,108
	Other expenses	27.4	1,665,050	1,373,891
	Depreciation	4.1	637,597	527,146
			23,749,654	18,116,664

27.1 This includes Rs. 158,640 (2008: Rs. 118,876) charged on account of defined contribution plan.

27.2 Donation was given to Sarhad Rural Support Programme for their activities related to internally displaced people. Donation did not include any amount paid to any person or organization in which a director or his spouse had any interest.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 Rupees	2008 Rupees
27.3 Auditors' Remuneration			
Annual audit fee		205,000	195,000
Half yearly review		68,000	65,000
Other certifications		68,000	65,000
		341,000	325,000

	Note	2009 Rupees	2008 Rupees
27.4 Other expenses			
Insurance		131,829	123,794
Advertisements		126,370	127,880
Vehicle running and maintenance		800,871	576,383
Repair and maintenance		394,799	398,693
General expenses		211,181	147,141
		1,665,050	1,373,891

	Note	2009 Rupees	2008 Rupees
28 FINANCE COSTS			
Mark up on long term financing - secured		-	5,613,085
Mark up on loan from directors		-	400,000
Finance charge on leased assets		810,905	1,203,581
Mark up on short term borrowings - secured		1,693,089	341,253
Bank charges		1,230,917	860,442
		3,734,911	8,418,361

	Note	2009 Rupees	2008 Rupees
29 TAXATION			
Current -			
Prior		753,723	5,688,171
For the year		35,498,856	25,738,695
	17	36,252,579	31,426,866
Deferred		(1,938,601)	(1,192,761)
		34,313,978	30,234,105

29.1 Reconciliation of tax expense/ (income) with tax on accounting profit:

	2009 Rupees	2008 Rupees
Profit before taxation	148,775,676	105,843,740
Tax rate	35%	35%
Tax on accounting profit	52,071,487	37,045,309
Tax effect of business losses	-	(1,211,839)
Tax effect of export income charged at lower tax rate	(18,903,221)	(11,275,439)
Tax effect of prior years	753,723	5,688,171
Tax effect of permanent differences	(672,812)	(391,167)
Tax effect of deferred tax reversed at different restricted rate	1,064,800	379,070
	34,313,978	30,234,105

29.2 Tax returns filed for tax years 2003 to 2008 (income years ended 30 June 2003 to 2008) stand assessed in terms of section 120 of the Income Tax Ordinance 2001. However, tax authorities are empowered to open or amend the assessments within five years of the date of assessment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

30 **EARNINGS PER SHARE - Basic and diluted**

	2009	2008
Profit for the year (Rupees)	114,461,698	75,609,635
Average number of shares outstanding during the year (Number)	20,000,000	20,000,000
Basic earnings per share (Rupees)	5.72	3.78

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

31 **CASH AND CASH EQUIVALENTS**

	2009 Rupees	2008 Rupees
Cash and bank balances	70,014,286	35,919,714
Short term borrowings	-	(90,776)
	70,014,286	35,828,938

32 **REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

	2009				2008			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	4,550,000	4,950,000	2,282,400	11,782,400	2,064,000	3,734,500	1,740,000	7,538,500
Employee benefits	252,674	-	126,744	379,418	114,624	-	96,636	211,260
Bonus	385,000	625,000	190,200	1,200,200	700,000	500,000	145,000	1,345,000
Total	5,187,674	5,575,000	2,599,344	13,362,018	2,878,624	4,234,500	1,981,636	9,094,760
Number of persons	1	3	2		1	3	2	

The aggregate amount charged in these financial statements in respect of meeting fee paid to other than Chief Executive and three Directors (2008: Three) was Rs. 145,000 (2008: Rs. 215,000).

Chief Executive and Directors are provided with Company maintained cars.

33 **RELATED PARTY TRANSACTIONS**

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

	Note	2009 Rupees	2008 Rupees
Sponsors and directors			
Markup paid on loan		-	400,000
Markup accrued at the year end		-	29,412
Associated undertakings			
Maajid Enterprises - sole proprietorship concern of a director of the Company			
Sale of explosives		2,392,401	3,487,387
Balance payable at the year end		-	93,870
Orient Trading Limited			
Payment of dividend		20,341,665	13,500,000
Other related parties			
Remuneration including benefits and perquisites of key management personnel	33.1	13,361,618	9,094,760
Contribution towards employees provident fund		966,604	809,192
Payable to employees provident fund		194,970	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

33.1 Key management personnel

Key management personnel comprises Chief Executive, Directors, Deputy General Manager Operations and Manager Plant of the Company:

	2009 Rupees	2008 Rupees
Managerial remuneration	11,782,000	7,538,500
Employee benefits	379,418	211,260
Bonus	1,200,200	1,345,000
	13,361,618	9,094,760

34 FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

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

34.1 Credit risk

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

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

Counterparties

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

Trade debts

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

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

Bank balances and investments

The Company maintains its bank balances and makes investments in money market funds with financial institutions of high credit ratings. The investment made in a NAFA Cash fund is exposed to minimal credit risk as it is an open-ended collective scheme, while deposits held with banks can either be redeemed upon demand or have a short term maturity of three 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;

	2009 Rupees	2008 Rupees
Trade debts	61,007,578	64,736,442
Advances	3,425,056	4,433,481
Trade deposits	424,076	609,076
Other receivables	1,100,992	153,349
Other financial assets	33,945,507	32,179,474
Bank balances	70,003,099	35,858,933
	169,906,308	**137,970,755**

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

	2009 Rupees	2008 Rupees
Cement manufacturers	10,404,317	14,017,924
Oil and gas exploration service providers	7,106,002	6,770,100
Construction and mining entities	43,431,937	42,472,339
Agents	1,540,092	2,950,849
	62,482,348	**66,211,212**

NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

The Company's most significant customer is MCC Resource Development Co. (Sandik) which accounts for Rs. 26,946,104 of the trade debts carrying amount as at 30 June 2009 (2008: Rs. 25,108,355).

Impairment losses

The aging of trade debts at the reporting date was:

	2009		2008	
	Gross debts	Impairment	Gross debts	Impairment
	Rupees	Rupees	Rupees	Rupees
Not past due	42,152,707	-	28,871,185	
Past due 0-30 days	13,584,178	-	28,377,564	-
Past due 31-60 days	-	-	6,849,120	-
Past due 61-90 days	-	-	161,660	-
Over 90 days	6,745,463	1,474,770	1,951,683	1,474,770
	62,482,348	1,474,770	66,211,212	1,474,770

The movement in the allowance for impairment in respect of trade debts during the year was as follows:

	2009	2008
	Rupees	Rupees
Balance at 01 July	1,474,770	1,479,333
Impairment loss recognised	-	-
Provision used to cover write off	-	(4,563)
Balance at 30 June	1,474,770	1,474,770

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 movement in the allowance for impairment in respect of other receivables during the year was as follows:

	2009	2008
	Rupees	Rupees
Balance at 01 July	-	11,918
Impairment loss recognised	-	-
Provision used to cover write off	-	(11,918)
Balance at 30 June	-	-

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.

NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

34.2 Liquidity risk

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

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

	2009		2008	
	Carrying amount	Contractual cash flows	Carrying amount	Contractual cash flows
	Rupees		Rupees	
Maturity upto one year				
Liabilities against assets subject to finance lease	2,837,427	2,610,269	3,440,538	2,525,055
Short term borrowings	-	-	90,776	90,776
Markup accrued	48,059	48,059	36,361	36,361
Trade and other payables	30,500,433	30,500,433	34,071,050	34,071,050
	33,385,919	33,158,761	37,638,725	36,723,242
Maturity after one year and upto two years				
Liabilities against assets subject to finance lease	-	-	2,809,744	2,809,744
	33,385,919	33,158,761	40,448,469	39,532,986

34.3 Market risk

Market fluctuations may result in cashflow 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 unperdicticable earnings and cashflow 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.

NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

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:

	2009 USD	2008 USD
Trade debts	330,830	368,807
Bank balances	434,252	333,994
Trade and other payables	-	-
	765,082	702,801

The significant exchange rates applied during the year were:

	Average rate		Reporting date mid spot rate	
	2009 Rupees	2008 Rupees	2009 Rupees	2008 Rupees
USD 1	75.03	64.57	81.45	68.6

Sensitivity analysis

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

	2009 Rupees	2008 Rupees
Profit and loss account	6,231,511	4,821,146

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.

NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

Profile

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

	2009 Interest %	2008 Interest %	2009 Rupees	2008 Rupees
Financial assets				
Bank balances- Deposit accounts	3.50 - 5.00	1.75 - 5.0	32,966,398	124,329
Financial liabilities				
Liabilities against assets subject to finance lease	12.98 - 19.01	12.98 - 17.0	2,837,427	6,250,282
Short term borrowings	5.08 - 17.7	11.09 - 15.03	-	90,776
			2,837,427	6,341,058

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.

A change of 100 basis points in interest rates would have increased or decreased equity by Rs. 301,289 (2008 : Rs. 62,167).

Price risk

The Company is exposed to equity security price risk because of investment held by the Company in the NAFA Cash Fund and classified as "at fair value through profit or loss'. The Company is not exposed to commodity price risk. The Company makes investment in securities in accordance with the Board of Directors approval.

Sensitivity analysis - equity price risk

A change of Rs. 1 in value of investment at fair value through profit and loss would increase/decrease profit by Rs. 3,362,306 (2008: Rs. 2,985,967).

34.4 Fair value of financial assets and liabilities

The carrying value of financial assets and liabilities approximate their fair values at the year end.

35 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.

NOTE TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

36 CAPACITY AND PRODUCTION

Product	Units	Rated Production capacity	2009 Actual production	2008 Actual production
Tovex water gell and powder explosives	Kgs	6,000,000	4,075,260	3,989,375
Detonator - plain	Nos.	8,000,000	4,468,330	6,976,983
Detonator - electric	Nos.	450,000	274,831	282,256
Safety fuse	Meter	500,000	60,500	43,000
Detonating cord	Meter	2,500,000	2,131,058	2,457,029

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

37 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors proposed final dividend at the rate of Rs. 2.5 per share in its meeting held on 29 September 2009.

38 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 29 September 2009.

Islamabad
29 September 2009

Director

Chief Executive

PATTERN OF SHAREHOLDING
AS AT 30 JUNE 2009

NO. OF SHAREHOLDERS	SHARE HOLDING FROM	SHARE HOLDING TO	TOTAL NUMBER OF SHARES HELD
36	1	100	2,187
147	101	500	68,614
85	501	1,000	82,500
108	1,001	5,000	299,699
22	5,001	10,000	180,400
10	10,001	15,000	129,600
6	15,001	20,000	111,600
1	20,001	25,000	20,200
2	25,001	30,000	56,500
2	30,001	35,000	62,500
2	35,001	40,000	73,900
3	40,001	45,000	132,500
5	50,001	60,000	300,000
1	60,001	70,000	70,000
1	70,001	80,000	79,500
1	80,001	90,000	90,000
5	90,001	100,000	490,200
1	145,001	150,000	150,000
1	155,001	160,000	158,800
1	195,001	200,000	200,000
1	200,001	210,000	210,000
1	290,001	300,000	300,000
2	500,001	550,000	1,045,600
2	900,001	1,000,000	1,999,500
1	1,120,001	1,125,000	1,123,700
1	1,215,001	1,220,000	1,218,000
2	2,400,001	2,500,000	4,920,500
1	5,900,001	6,500,000	6,424,000
451			20,000,000

SHAREHOLDER'S CATEGORY	NUMBERS OF SHAREHOLDERS	NUMBERS OF SHARE HELD	PERCENTAGE
INDIVIDUALS	423	9,593,600	48%
INSURANCE COMPANIES	2	159,800	1%
INVESTMENT COMPANIES	1	2,700	0%
JOINT STOCK COMPANIES	24	10,242,800	51%
OTHERS	1	1,100	0%
	451	20,000,000	100.00

PATTERN OF SHAREHOLDING
AS AT 30 JUNE 2009

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARES HELD	% AGE
Directors, CEO & their Spouse and Minor Children			
M. Zafar Khan	1	4,047,700	20.24
Mrs. Ishrat Askari w/o Khawaja Amanullah Askari	1	294,300	1.47
M. Salim	1	210,000	1.05
M. Afzal Khan	1	150,000	0.75
M. Zafar Iqbal & Sherbano Iqbal	1	100,000	0.50
Adnan Auranzeb	1	100,000	0.50
M. Humayun Khan	1	60,000	0.30
Ms. Shirin Safdar	1	45,000	0.23
S. M. Sibtain	1	20,200	0.10
Mrs. Zhaida Qureshi w/o Abdul Maajid Qureshi	1	11,000	0.06
Khawaja Amanullah Askari	1	5,700	0.03
Maj Gen. (Ret'd) S.Z. M. Askree	1	10,000	0.05
Abdul Maajid Qureshi	1	1,000	0.01
Banks, Development Finance Institutions, Non Banking Finance Institutions, Insurance Companies, Modarba & Mutual Funds	27	3,765,000	18.83
Other Individuals	409	2,218,200	11.09
Shareholders holding 10% or more shares in the company:			
Orient Trading Ltd.	1	6,541,400	32.71
AKD Securities Ltd	1	2,420,500	12.10
TOTAL	451	20,000,000	100.00

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

	Shares Purchased	Shares Sold
1. M. Zafar Khan	2,500,000	-
2. M. Afzal Khan	-	60,000
3. Syed Zafar Mehdi Askree	5,000	-
4. M. Zafar Iqbal & Sherbano Iqbal	-	45,300

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 21st Annual General Meeting of the Company to be held at its registered office, 203, 2nd Floor, M. Gulistan Khan House, 82 East Fazal-Ul-Haq Road, Blue Area, Islamabad on October 29, 2009 and any adjournment thereof.

Signed ______________________ day of ______________________ 2009

Signature

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

WITNESSES:

1. Signature ______________________
   Name ______________________
   Address ______________________
   ____
   NIC or ______________________
   Passport No.______________________

2. Signature ______________________
   Name ______________________
   Address ______________________
   ____
   NIC or ______________________
   Passport No.______________________

Note:

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

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