Annual Report 2010

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
KPMG Taseer Hadi & Co. Chartered Accountants

Legal Advisors
Chima & Ibrahim, Raja Rashid, Javaid Qureshi

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

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

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

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

NOTICE OF 22nd ANNUAL GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that the 22nd Annual General Meeting of Biafo Industries Limited will be held on Tuesday 26 October 2010 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 21st Annual General Meeting held on October 29,2009.
2. To receive and adopt the Audited Accounts of the Company for the year ended June 30, 2010 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 1.00 per share (10%) declared on February 23,2010 and interim dividend of Rs. 1.00 per share (10%) declared on April 27,2010 making a total of Rs.4.50 per share (45%) for the year ended June 30,2010.
4. To appoint Auditors for the year 2010-11 and to fix their remuneration. Retiring Auditors M/s KPMG Taseer Hadi & Co. Chartered Accountants, being eligible offer themselves for reappointment for the year 2010-11.
5. To elect 10 Directors in accordance with the provisions of the Companies Ordinance 1984.

6. SPECIAL BUSINESS

To approve the following resolution
"Resolved that additional new object clauses be inserted in the Memorandum of Association of the company subject to the approval from Securities & Exchange Commission of Pakistan".

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

By order of the Board

Khawaja Shaiq Tanveer
Company Secretary

Islamabad: September 20, 2010

NOTES:

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

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

2. Share Transfer Books of the Company will remain closed from October 19, 2010 to October 26, 2010 both days inclusive.

3. A member entitled to attend and vote at the meeting shall be entitled to appoint another person, as his/her and proxy to attend, demand or join in demanding a poll, speak and vote instead of his/her and a proxy so appointed shall have such rights, as attending, speaking and voting at the meeting as are available to a member. Proxies in order to be effective must be received at the registered office of the company not later than 48 hours before the meeting duly stamped, signed and witnessed. A proxy need not be a member of the Company.

4. CDC Shareholders or their proxies are required to bring with them their original National Identity cards or Passports along with the Participant's ID numbers and their Account Numbers at the time of attending the Annual General Meeting in order to authenticate their usual documents required for such purposes.

5. Shareholders are requested to promptly notify in writing to the Company of any change in their address.

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

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

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

BIAFO INDUSTRIES LTD.
DIRECTORS' REPORT

Your Directors are pleased to present the 22nd Annual Report of the company for the year ended June 2010.

FINANCIAL RESULTS

In the period under review your company had to operate under serious pressure of the changing security situation and the response of the relevant government functionaries both on provincial and federal level.

In the period under review as advised in the our Quarterly/Half Yearly report ending December, 2009, ban on movement of explosives had been placed by the provincial Governments of Khyber Pakhtunkhwa and Punjab which prevented any supplies to the customers in the provinces for approximately 1 month respectively. Further more the Chief Inspector of Explosives suspended the production and sales of the company's products for the period 14th. November, 2009 to 1st. December, 2009. The company's business was seriously affected in two months of this financial year.

We pleased to advise the members that subsequently the Ministry of Industries and Production vide their letter No. 6(1)/2009/Ops-Exp of dated 19-05-2010 stated that the matter regarding commercial explosives, transported to the EPZ's from Tariff area i.e. Pakistan has been settled with approval of competent authorities, which is in line with opinion of the M/O Commerce, EPZ and Ministry of Defence Production etc. The clarification in this regards has also been incorporated in draft Explosives Rules 2009 stating "Commercial explosives transported from Tariff area in Pakistan to EPZ will be considered as an export".

The mentioned letter clarifies and confirms the position taken by Biafo in the incident of the stoppage of two trucks destined for Saindak Export Zone under the Explosives Rules which led to the suspension of licences and closure of the factory.

In the light of the above event the company's gross sales increased by 2.81% to Rs.767.75 m and its net sales by 1.12% to Rs. 588.49 m compared to the previous financial year. Despite the substantial transportation cost increase in the second Half of the financial year under review (due to lower tonnage trucks permitted by the Chief Inspector of Explosive) the company's gross profit increased by 3.13% to Rs. 191.80 m, and gross profit margin was 32.59% in comparison to 31.95% in the previous financial year.

Operating profit and Profit before taxation was marginally lower at Rs. 159.58 m and Rs.148.53 m compared to the previous year, due to increase in distribution costs and administrative expenses.

Net profit after taxation for the year, reduced by 1.86% to Rs.112.33 m, due to higher incident of

BIAFO INDUSTRIES LTD.
DIRECTORS' REPORT

taxation payable, because of reduced exports, as a result of transportation and security issues raised by the Government functionaries, resulting in EPS of Rs. 5.62 (2009 – Rs. 5.72).

Sales in the period under review showed growth in Oil and Gas sector, Construction and Mining Sector and to the Neelum Jhelum Hydel Project. Sales to the export customers at Saindak and Duddar and sales to distributors declined due to security issues.

The year 2009-10 also saw substantial inflationary impact across all expenses although the management kept the situation monitored and controlled where possible. Due to the absence of long term borrowing by the company, financial costs were reduced.

Net worth of the company for the year under review increased by Rs.34.32 m to Rs.473.07 m.

Expenditures are within budget approved by the Board of Directors and over all expenditures were below the budgeted figure as approved by the Board of Directors.

Production :

Production was affected by the closure of the Plant, and the transportation and security issues raised by the Government authorities due to security situation in the country effected our expectation of higher growth in the year under review.

However the Plant performed satisfactorily in meeting demand of the customers on a timely basis. Your company continues its commitment to its customers to improve quality of its products to their satisfaction and requirement, through regular training and application of rigorous quality system. Resources for improvement in products continue to be provided to the Plant for this purpose.

Future Prospects :

We await the commencement of large hydro electric projects like Bhasha, Kohala, Bunji and Munda Dams etc. which are dependent on Government finances and donors support. The effect of large scale flooding in August – September, 2010 will increase demand on financial resources of Government for rehabilitation and recovery, and which in addition to the requirement of Defense expenditure, administrative expenses and debt servicing, will constraint the government finances for development allocation.

Our sales will be affected in the sectors of Distributors, Cement units and Oil and Gas sector where the major exploration of British Petroleum (BP) has been cancelled due to sale of the Pakistan Operations.

BIAFO INDUSTRIES LTD.
DIRECTORS' REPORT

Dividend :

The Board has approved final cash dividend of Rs. 2.50 per share (25%) and also 1st interim cash dividend of Rs. 1.00 per share (10%) declared on 23rd. February, 2010 and 2nd interim cash dividend of Rs. 1.00 per share (10 %) declared on 27th. April, 2010 for the year ended June, 2010.

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.
- 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.

BIAFO INDUSTRIES LTD.
DIRECTORS' REPORT

- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2010 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, 2010 is Rs.11,701,291/-

A total of 5 meeting of the Board of Directors were held during the year (July 2009 to June 2010).The attendance by each Director is given as follows:

NAME ATTENDED		NO OF MEETINGS
Mr. M. Afzal Khan	Chairman	5
Mr. Khawaja Amanullah Askari	MD & CEO	5
Mr. Abdul Maajid Qureshi	Director	5
Mr. S. M.Sibtain	Director	3
Mr. M. Salim Khan	Director	1
Ms. Shirin Safdar	Director	4
Maj. Gen. (Ret'd) S.Z.M.Askree	Director	4
Mr. M. Zafar Khan	Director	4
Mr. M. Humayun Khan	Director	4
Mr. Adnan Aurangzeb	Director	5
Mr. Zafar Iqbal	Director	2

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

AUDITORS

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

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

BIAFO INDUSTRIES LTD.
DIRECTORS' REPORT

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

Islamabad
20 September 2010

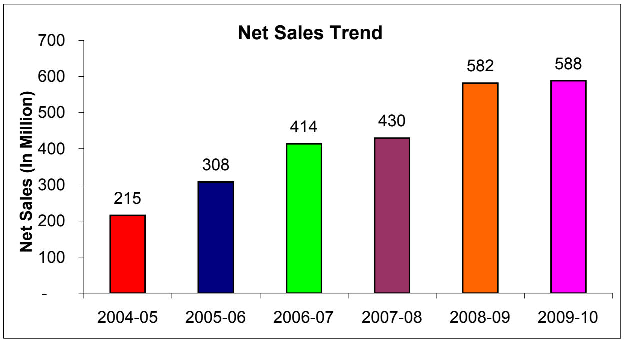
Chief Executive
Khawaja Amanullah Askari

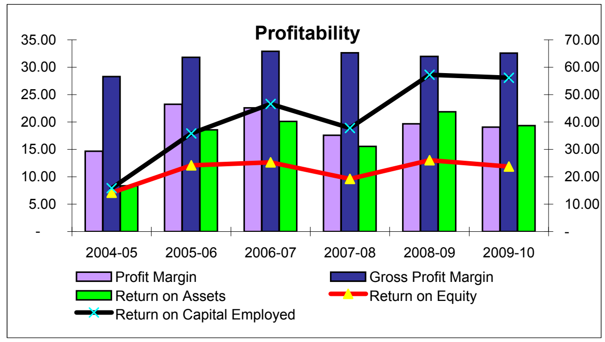
STAKEHOLDERS INFORMATION

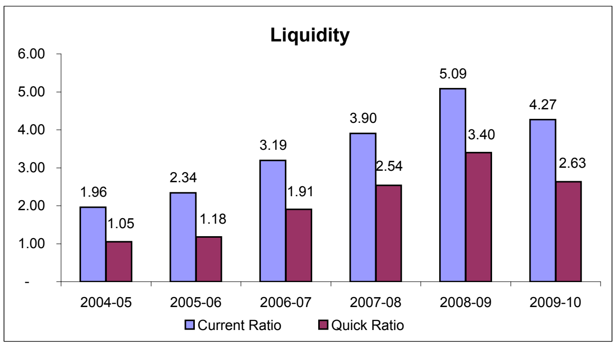
(In Thousands, "000")

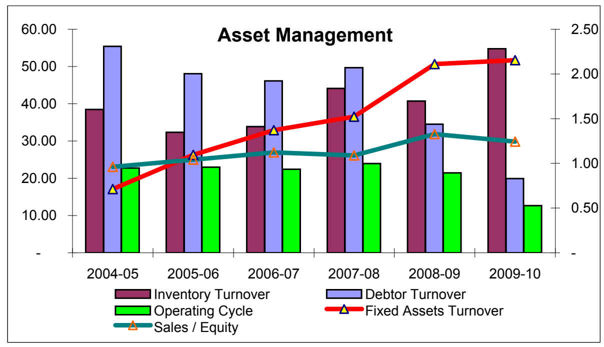
		2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
BALANCE SHEET							
Paid up Capital	Rs. In '000	**200,000**	200,000	200,000	200,000	200,000	200,000
Shareholder Equity	Rs. In '000	**473,072**	438,755	394,294	368,684	295,388	223,821
Fixed Assets	Rs. In '000	**273,100**	275,756	282,359	301,552	281,216	301,640
Long Term Debts	Rs. In '000	**-**	-	-	-	24,913	91,944
Profit & Loss Account							
Net Sales	Rs. In '000	**588,495**	581,982	429,759	413,585	307,582	215,236
Gross Profit / (Loss)	Rs. In '000	**191,807**	185,973	140,277	136,039	97,847	60,914
Operating Profit / (Loss)	Rs. In '000	**159,586**	159,786	113,533	112,897	70,443	33,343
Profit / (Loss) after taxation	Rs. In '000	**112,332**	114,462	75,610	93,295	71,568	31,629
PROFITABILITY RATIOS							
Profit Margin	%	**19.09**	19.67	17.59	22.56	23.27	14.70
Gross Profit / (Loss) Margin	%	**32.59**	31.96	32.64	32.89	31.81	28.30
Return on Assets	%	**19.33**	21.89	15.53	20.10	18.58	8.35
Return on Equity	%	**23.75**	26.09	19.18	25.30	24.23	14.13
Return On Capital Employed	%	**56.17**	57.23	37.80	46.65	35.78	15.81
LIQUIDITY RATIOS							
Current Ratio	:	**4.27**	5.09	3.90	3.19	2.34	1.96
Quick Ratio	:	**2.63**	3.40	2.54	1.91	1.18	1.05
ASSETS MANAGEMENT RATIOS							
Inventory Turnover	Days	**55**	41	44	34	32	38
Debtors Turnover	Days	**20**	35	50	46	48	55
Operating Cycle	Days	**13**	21	27	24	24	29
Fixed Assets Turnover	Days	**2.15**	2.11	1.52	1.37	1.09	0.71
Sales / Equity		**1.24**	1.33	1.09	1.12	1.04	0.96
DEBTS MANAGEMENT RATIOS							
Debts to Assets	Times	**0.12**	0.09	0.11	0.11	0.18	0.35
Debts to Equity	Times	**0.15**	0.11	0.13	0.14	0.23	0.59
Long Term Debts to Equity	%	**-**	-	-	-	0.08	0.41
MARKET RATIOS							
Earning Per Share	Rs. 10/Share	**5.62**	5.72	3.78	4.66	3.58	1.58
Dividend Per Share	Per Share (Rs)	**4.50**	4.00	3.00	2.50	-	-
Break-up Value	Rs. 10/Share	**23.65**	21.94	19.71	18.43	14.77	11.19
Share Price-High	Per Share	**41.61**	42.90	51.00	57.00	34.05	18.40
Share Price-Low	Per Share	**30.25**	28.50	25.70	22.15	15.75	8.00

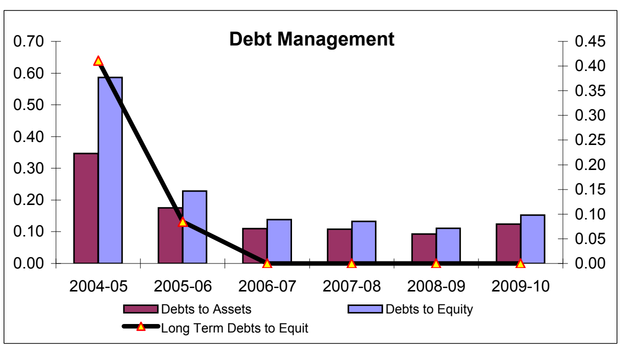
STAKEHOLDERS INFORMATION

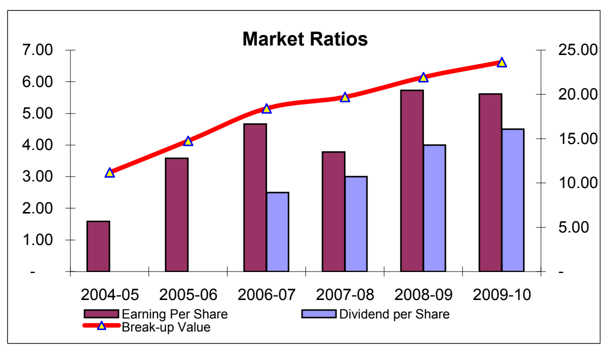


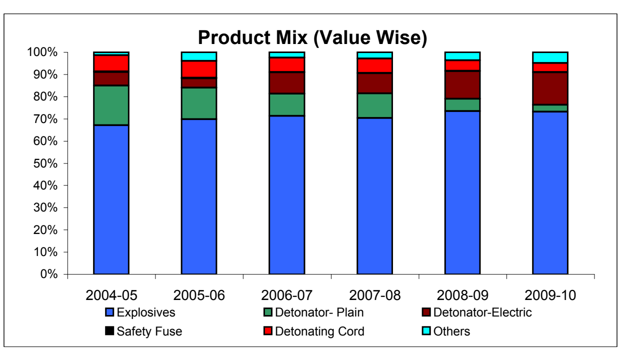


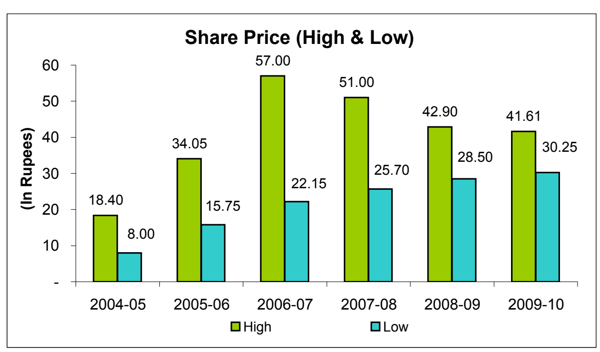












STATEMENT OF COMPLIANCE
WITH THE CODE OF CORPORATE GOVERNANCE TO THE MEMEBERS
For the year ended June 30, 2010

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.

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 is considered suitably qualified and experienced for the purpose and is 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:
20 September 2010

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
Riaz Pesnani

Islamabad
20 September 2010

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 2010 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and 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, except for the change as mentioned in note 2.5 to the financial statements, with which we concur;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2010 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.

KPMG Taseer Hadi & Co.
Chartered Accountants
Riaz Pesnani

Islamabad
20 September 2010

BALANCE SHEET
AS AT 30 JUNE 2010

	Note	2010 Rupees	2009 Rupees
NON CURRENT ASSETS			
Property, plant and equipment	4	273,100,062	275,755,538
Long term deposits		543,449	523,449
		273,643,511	276,278,987
CURRENT ASSETS			
Stores, spare parts and loose tools	5	5,857,800	4,851,708
Stock in trade	6	106,412,939	70,146,550
Trade debts	7	35,712,871	61,007,578
Advances	8	2,573,553	3,425,056
Trade deposits and short term prepayments	9	1,136,712	1,036,220
Advance income tax - net	10	1,661,769	1,535,928
Other receivables	11	474,840	1,100,992
Other financial assets	12	102,423,747	33,945,507
Cash and bank balances	13	51,712,868	70,014,286
		307,967,100	247,063,825
CURRENT LIABILITIES			
Trade and other payables	14	72,086,478	45,700,177
Markup accrued		29,984	48,059
Short term borrowings- secured	15	-	-
Current portion of liabilities against assets subject to finance lease	16	-	2,837,427
		72,116,462	48,585,663
		235,850,638	198,478,162
NET CURRENT ASSETS			
NON CURRENT LIABILITIES			
Deferred employee benefit	17	815,849	794,535
Deferred tax liability - net	18	35,606,334	35,207,149
		36,422,183	36,001,684
		473,071,966	**438,755,465**
REPRESENTED BY:			
SHARE CAPITAL AND RESERVES			
Share capital	19	200,000,000	200,000,000
Unappropriated profit		206,054,454	180,261,349
		406,054,454	380,261,349
SURPLUS ON REVALUATION OF FIXED ASSETS -net of tax	20	67,017,512	58,494,116
		473,071,966	**438,755,465**
CONTINGENCIES AND COMMITMENTS	21		

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

Islamabad
20 September 2010

Director | **Chief Executive**

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 Rupees	2009 Rupees
GROSS SALES	22	767,750,973	746,178,511
Sales tax		(63,123,707)	(59,510,017)
Special excise duty		(3,945,232)	(3,719,376)
Discounts and commissions		(112,187,415)	(100,967,382)
NET SALES		588,494,619	581,981,736
Cost of sales	23	(396,687,968)	(396,008,948)
GROSS PROFIT		191,806,651	185,972,788
Other operating income	24	6,913,633	7,070,965
Distribution cost	25	(7,412,052)	(5,772,980)
Administrative expenses	26	(29,446,508)	(23,749,654)
Finance costs	27	(2,276,147)	(3,734,911)
OPERATING PROFIT		159,585,577	159,786,208
Workers' profit participation fund		(7,979,279)	(7,989,310)
Workers' welfare fund		(3,071,554)	(3,021,222)
PROFIT BEFORE TAXATION		**148,534,745**	**148,775,677**
TAXATION			
Current	28	(37,337,124)	(36,252,579)
Deferred	28	1,134,851	1,938,601
		(36,202,272)	(34,313,978)
PROFIT FOR THE YEAR		**112,332,473**	**114,461,699**
EARNINGS PER SHARE - Basic and diluted	29	**5.62**	**5.72**

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

Islamabad
20 September 2010

Director **Chief Executive**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 Rupees	2009 Rupees
Profit for the year		112,332,473	114,461,699
Other comprehensive income:			
Incremental depreciation of revalued fixed assets		5,324,049	5,882,125
Income tax on other comprehensive income		(1,863,417)	(2,058,744)
Other comprehensive income for the year, net of tax		**3,460,632**	**3,823,381**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**115,793,105**	**118,285,080**

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

Islamabad
20 September 2010

Director **Chief Executive**

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 Rupees	2009 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		148,534,745	148,775,676
Adjustments for:			
Depreciation		18,459,852	19,981,976
Finance costs		2,276,147	3,734,911
Provision for Workers' profit participation fund		7,979,279	7,989,310
Provision for Workers' welfare fund		3,071,554	3,021,222
Provision for employee benefit		22,674	130,551
Provision for slow moving stores, spare parts and loose tools		215,000	212,426
Unrealized gain on remeasurement of investment		(4,318,240)	(1,766,033)
(Gain)/loss on disposal of property, plant and equipment		(1,394)	47,151
Interest on deposit accounts and TDR		(1,077,584)	(653,758)
Exchange gain		(1,516,415)	(3,955,825)
		25,110,873	28,741,931
		173,645,618	177,517,607
Working capital changes:			
(Increase)/decrease in store, spare parts and loose tools		(1,221,092)	881,946
(Increase) in stock in trade		(36,266,389)	(10,339,681)
Decrease in trade debts		26,838,607	7,684,689
Decrease in advances, deposits, prepayments and other receivables		1,357,164	367,000
Increase/(decrease) in trade and other payables		23,807,377	(4,253,704)
		14,515,667	(5,659,750)
Cash generated from operations		188,161,285	171,857,857
Finance costs paid		(2,294,222)	(3,723,214)
Employees benefits paid		(1,360)	(13,212)
Payments to Workers' profit participation fund		(7,989,310)	(5,676,645)
Payments to Workers' welfare fund		(3,021,222)	(2,134,773)
Income taxes paid		(37,462,966)	(40,252,439)
		(50,769,080)	(51,800,283)
Net cash from operating activities		137,392,205	120,057,574
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2,284,715)	(13,744,389)
Proceeds from disposal of property, plant and equipment		12,000	318,966
Investment made during the year		(64,160,000)	-
Interest received on deposit accounts		804,083	559,729
Net cash used in investing activities		(65,628,632)	(12,865,694)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of finance lease liabilities		(2,603,612)	(3,412,856)
Payment of dividend		(87,461,379)	(69,593,676)
Net cash used in financing activities		(90,064,991)	(73,006,532)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(18,301,418)	34,185,348
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		70,014,286	35,828,938
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	30	**51,712,868**	**70,014,286**

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

Islamabad
20 September 2010

Director **Chief Executive**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

	Share capital	Unappropriated profit	Total equity
	Rupees	Rupees	Rupees
Balance at 01 July 2008	200,000,000	131,976,270	331,976,270
Total comprehensive income for the year	-	118,285,079	118,285,079
Transactions with members recorded directly in equity			
Distribution to members			
Dividend to members: Final dividend of 2008 @ Rs. 2.00 per share	-	(40,000,000)	(40,000,000)
Dividend to members: 1st Interim Dividend of 2009 @ Rs. 1.50 per share	-	(30,000,000)	(30,000,000)
Total distribution to members	**-**	**(70,000,000)**	**(70,000,000)**
Balance at 30 June 2009	**200,000,000**	**180,261,349**	**380,261,349**
Balance at 01 July 2009	200,000,000	180,261,349	380,261,349
Total comprehensive income for the year	-	115,793,105	115,793,105
Transactions with members recorded directly in equity			
Distribution to members			
Dividend to members: Final dividend of 2009 @ Rs. 2.50 per share	-	(50,000,000)	(50,000,000)
Dividend to members: First Interim dividend of 2010 @ Rs. 1.00 per share	-	(20,000,000)	(20,000,000)
Dividend to members: Second Interim dividend of 2010 @ Rs. 1.00 per share	-	(20,000,000)	(20,000,000)
Total distribution to members	**-**	**(90,000,000)**	**(90,000,000)**
Balance at 30 June 2010	**200,000,000**	**206,054,454**	**406,054,454**

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

Islamabad
20 September 2010

Director

Chief Executive

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

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, Khyber Pakhtoonkhwa, with its registered office located at 203-204, 2nd Floor, Gulistan Khan House, 82-E, Fazal-ul-Haq Road, Blue Area, Islamabad, Pakistan.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

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

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

2.3 Functional and presentation currency

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

2.4 Significant estimates

The preparation of financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Property, plant and equipment

The Company reviews the useful lives 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 Change in accounting policy

The Company applied revised IAS 1 "Presentation of Financial Statements", which became effective from 01 January 2009. Accordingly all owners' changes in equity are presented in the statement of changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income.

Comparative information has been re-presented in conformity with the revised standard. The change in accounting policy impacts presentation only without any impact on earnings per share.

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;

IFRS 2 (amendments relating to group cash-settled share-based Payment transactions) - Share-based Payment (effective for annual periods beginning on or after 01 January 2010).

IFRS 5 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Non-Current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 01 January 2010).

IFRS 8 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Operating Segments (effective for annual periods on or after 01 January 2010).

IFRS 9 - (Classification and Measurement) - Financial Instruments (effective for annual periods beginning on or after 01 January 2010).

IAS 1 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Presentation of Financial Statements (effective for annual periods beginning on or after 01 January 2010).

IAS 7 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Statement of Cash Flows (effective for annual periods beginning on or after 01 January 2010).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

IAS 17 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Leases (effective for annual periods beginning on or after 01 January 2010).

IAS 24 (revised definition of related parties) - Related Party Disclosures (effective for annual periods beginning on or after 01 January 2011).

IAS 32 (amendments relating to classification of right issue) - Financial Instruments: Presentation (effective for annual periods beginning on or after 01 January 2010).

IAS 36 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Impairment of Assets (effective for annual periods beginning on or after 01 January 2010).

IAS 39 (amendments resulting from April 2009 Annual Improvements to IFRSs) - Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 01 January 2010).

IFRIC 14 (IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction), amendment with respect to voluntary prepaid contributions is effective for annual periods beginning on or after 01 January 2011.

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 01 July 2010.

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 financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained in note 2.5 which addresses change in accounting policy.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

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 a 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 with any remaining loss recognised immediately in profit or loss.

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

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

3.1.2 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
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 Investments held to maturity

Investments with fixed or determinable payments and fixed maturity and where the Company has positive intent and ability to hold investments to maturity are classified as investments held to maturity. These are initially recognized at cost inclusive of transaction costs and are subsequently carried at amortized cost using the effective interest rate method, less any impairment losses.

3.4.2 Investment at fair value through profit or loss

An investment is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's investment strategy. All 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, determined on the basis of prevailing market prices, with any resulting gain or loss recognized directly in the profit and loss account.

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.

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. 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 completed or ratably over the contractual period.

3.8 Foreign currencies

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

3.9 Finance income and cost

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

Finance cost comprises interest expense on borrowings, finance charge on leased assets and bank charges. Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed in the profit and loss account 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, long term loans, creditors, accrued and other liabilities.

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

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

3.12 Trade and other payables

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

3.13 Trade and other receivables

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

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

3.14 Provisions

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

3.15 Dividend

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

3.16 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and at bank and short term borrowings that 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

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 2010

4 PROPERTY, PLANT AND EQUIPMENT

		Owned												Leased				
	Note	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/ Revalued amount																		
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
Balance as at 01 July 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
Additions		-	-	200,000	-	-	-	91,500	-	152,800	1,446,455	406,160	2,296,915	-	-	-	-	2,296,915
Revaluation surplus/(deficit)	4.2 & 21	9,135,100	5,388,355	(1,005,389)	-	-	-	-	-	-	-	-	13,518,066	-	-	-	-	13,518,066
Disposals		-	-	-	-	-	-	-	-	(24,200)	-	-	(24,200)	-	-	-	-	(24,200)
Transfer in/(out)		-	-	4,247,315	1,285,000	-	-	-	-	-	7,508,901	-	13,041,216	(1,285,000)	(4,247,315)	(7,508,901)	(13,041,216)	-
Balance as at 30 June 2010		81,433,100	33,485,680	250,294,130	1,993,458	998,926	306,600	2,584,129	1,572,209	679,979	12,517,039	406,160	386,271,410	-	-	-	-	386,271,410
Depreciation																		
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	-	72,337,288	133,253	488,071	2,109,679	2,731,003	75,068,291
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
On 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	2,020,339	3,132,762	94,725,090
Balance as at 01 July 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	2,020,339	3,132,762	94,725,090
Charge for the year		-	754,458	16,171,235	17,686	19,519	5,345	149,745	39,421	27,771	464,406	-	17,649,586	95,019	310,138	405,109	810,266	18,459,852
On disposals		-	-	-	-	-	-	-	-	(13,594)	-	-	(13,594)	-	-	-	-	(13,594)
Transfer in/(out)		-	-	1,174,133	343,447	-	-	-	-	-	2,425,448	-	3,943,028	(343,447)	(1,174,133)	(2,425,448)	(3,943,028)	-
Balance as at 30 June 2010		-	3,457,783	100,375,064	979,117	823,255	258,492	1,937,442	1,217,421	299,247	3,823,527	-	113,171,348	-	-	-	-	113,171,348
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	5,488,562	9,908,454	275,755,539
Carrying amounts - June 2010		**81,433,100**	**30,027,897**	**149,919,066**	**1,014,341**	**175,671**	**48,108**	**646,687**	**354,788**	**380,732**	**8,693,512**	**406,160**	**273,100,062**	**-**	**-**	**-**	**-**	**273,100,062**
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 2010

	Note	2010 Rupees	2009 Rupees
4.1 Depreciation for the year has been allocated as follows:			
Cost of sales	23	17,660,013	19,248,150
Distribution cost	25	86,606	96,229
Administrative expenses	26	713,233	637,597
		18,459,852	**19,981,976**

4.2 Revaluation of land, building, plant and machinery

Leasehold land, building, plant and machinery of the Company were revalued on 07 Aug 2009 by an independent professional valuer M/s Consultancy Support & Services while a part of land was revalued on 29 June 2010. Land and building were revalued on the market basis and plant and machinery under the depreciated replacement cost basis. Accordingly net surplus on revaluation amounting to Rs. 13,518,066 was recognized during the year. The previous revaluation was carried out on 30 June 2005.

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

	Net Book Value	
	2010 Rupees	2009 Rupees
Leasehold land	44,033,883	7,015,883
Building on leasehold land	33,756,460	34,622,010
Plant and machinery	83,461,321	92,516,414
	161,251,664	**134,154,307**

	2010 Rupees	2009 Rupees
5 STORES, SPARE PARTS AND LOOSE TOOLS		
Stores	1,017,543	979,378
Spare parts	5,450,537	4,267,610
Loose tools	29,572	29,572
	6,497,652	5,276,560
Provision for slow moving stores, spare parts and loose tools	(639,852)	(424,852)
	5,857,800	**4,851,708**

	2010 Rupees	2009 Rupees
6 STOCK IN TRADE		
Raw materials	81,442,393	37,722,793
Packing materials	1,475,292	1,240,550
Work in process	1,603,157	2,366,627
Finished goods	21,298,397	14,650,284
Goods in transit	593,700	14,166,296
	106,412,939	**70,146,550**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 Rupees	2009 Rupees
7 TRADE DEBTS			
Unsecured - Considered good		35,712,871	61,007,578
Unsecured - Considered doubtful		1,592,761	1,474,770
		37,305,632	62,482,348
Provision for doubtful debts		(1,592,761)	(1,474,770)
		35,712,871	**61,007,578**

	2010 Rupees	2009 Rupees
8 ADVANCES		
Advances to suppliers	1,659,009	2,733,899
Advances to employees- Considered good	914,544	691,157
	2,573,553	**3,425,056**

	2010 Rupees	2009 Rupees
9 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
Trade deposits	424,076	424,076
Prepayments	712,636	612,144
	1,136,712	**1,036,220**

	Note	2010 Rupees	2009 Rupees
10 ADVANCE INCOME TAX- Net			
Advance tax/(tax payable) at beginning of the year		1,535,927	(2,463,933)
Income tax paid during the year		37,462,966	40,252,439
Provision for current taxation	28	(37,337,124)	(36,252,579)
Advance tax at end of the year		**1,661,769**	**1,535,927**

	2010 Rupees	2009 Rupees
11 OTHER RECEIVABLES		
Considered good:		
Interest income receivable	273,502	94,029
Receivable against cancelled letter of credit	-	915,359
Others	201,338	91,604
	474,840	**1,100,992**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 Rupees	2009 Rupees
12 OTHER FINANCIAL ASSETS			
Investments:			
At fair value through profit or loss - NAFA units	12.1	68,263,747	33,945,507
Held to maturity- Term deposit receipts	12.2	34,160,000	-
		102,423,747	**33,945,507**

12.1 Investment at fair value through profit or loss

This represents investment made by the Company in NAFA Cash Fund and NAFA Government Securities Liquid Fund, open ended collective schemes. The investments are 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.

Type of fund	No. of units as at 30 June 2010	Cost of investment	Price per unit as at 30 June 2010	Fair value of investment as at 30 June 2010	Accumulated gain on remeasurement upto 30 June 2010	Accumulated gain on remeasurement upto 30 June 2009	Net gain on remeasurement for the year (Note 24)
	Number	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
NAFA Cash Fund	3,639,537.4179	30,825,000	9.8692	35,919,323	5,094,323	3,120,507	1,973,816
NAFA Government Securities Liquid Fund	3,148,120.9025	30,000,000	10.2742	32,344,424	2,344,424	-	2,344,424
Total				68,263,747			4,318,240

12.1.1 As more fully explained in note 15.1.3 the investment in NAFA Cash Fund has been pledged as security against the running finance facility arranged with National Bank of Pakistan.

12.2 This represents foreign currency term deposit receipts (TDRs) amounting USD 400,000 (equivalent Rs. 34,160,000). These carry interest rate of 2.35% to 3.60% per annum.

	Note	2010 Rupees	2009 Rupees
13 CASH AND BANK BALANCES			
Cash at bank:			
Current accounts	13.1	51,156,787	37,296,701
Deposit accounts	13.2	543,909	32,706,398
		51,700,696	70,003,099
Cash in hand		12,172	11,187
	30	**51,712,868**	**70,014,286**

13.1 Current accounts include foreign currency balances amounting to Rs. 1,933,778 (2009: Rs. 2,789,855).

13.2 These carry interest at the rate of 5% (2009: 3.25%-5%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 Rupees	2009 Rupees
14 TRADE AND OTHER PAYABLES			
Trade creditors		37,823,907	20,757,642
Advances from customers		5,492,686	1,758,775
Accrued liabilities		5,354,211	3,549,521
Sales tax and special excise duty payable		4,795,442	2,235,466
Insurance		1,362,038	2,415,829
Workers' profit participation fund payable	14.1	7,979,279	7,989,310
Workers' welfare fund payable	14.2	3,071,554	3,021,222
Unclaimed dividend		5,303,627	2,765,006
Payable to employees retirement benefit fund		232,574	194,970
Withholding tax payable		32,208	310,659
Others		638,953	701,777
		72,086,478	**45,700,177**

	2010 Rupees	2009 Rupees
14.1 Workers' profit participation fund payable		
Balance at beginning of the year	7,989,310	5,676,645
Charge for the year	7,979,279	7,989,310
	15,968,589	13,665,955
Paid to the fund during the year	(7,989,310)	(5,676,645)
	7,979,279	**7,989,310**
14.2 Workers' welfare fund payable		
Balance at beginning of the year	3,021,222	2,134,773
Charge for the year	3,071,554	3,021,222
	6,092,776	5,155,995
Paid to the fund during the year	(3,021,222)	(2,134,773)
	3,071,554	**3,021,222**

15 SHORT TERM BORROWINGS - Secured

At the year end the Company has following unavailed facilities arranged from National Bank of Pakistan and Allied Bank Limited;

15.1 National Bank of Pakistan (NBP)

15.1.1 The Company had arranged following facilities from NBP. These facilities expired on 30 June 2010, however, have been renewed by NBP on 07 July 2010.

Running finance facility with a sanctioned limit of Rs. 15 million (2009: Rs. 15 million). The facility carried mark up at the rate of 3 months KIBOR + 2% per annum (2009: 3 months KIBOR + 2% per annum) payable on quarterly basis.

FE-25 facility with a sanctioned limit of Rs. 10 million (2009: Rs. 10 million). The facility carried mark-up at the rate of LIBOR + 2% (2009: LIBOR + 2%) per annum of the utilized amount.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

15.1.2 The above mentioned facilities were secured by way of pledge of stocks and spares with 25% margin, lien on receivables up to Rs. 22 million and import documents (2009: pledge of stocks with 25% margin and lien on receivables up to Rs. 22 million).

15.1.3 The Company also had a running finance facility with a maximum sanctioned limit of Rs. 20 million (2009: Rs. 70 million). The facility carried markup at the rate of 3 months KIBOR + 2% per annum (2009: 3 months KIBOR + 1.5% per annum). The facility was secured against the investment made in the NAFA Cash fund (NCF) of Rs. 32 million. The Company can avail the facility upto 70% of the investment value of the NCF investment, subject to maximum of Rs. 20 million (2009: Rs. 70 million).

15.2 Allied Bank Limited (ABL)

15.2.1 The Company has arranged following facilities from ABL;

Running finance facility with the sanctioned limit of Rs. 35 million (2009: Rs. 35 million) and carries mark up at the rate of 3 months KIBOR + 125 BPS payable on quarterly basis (2009: 3 months KIBOR + 125 BPS payable on quarterly basis).

ERF facility with sanctioned limit of Rs. 50 million (2009: Rs. 50 million). The facility carries mark-up at the rate of SBP rate + 1% per annum of the utilized amount (2009: SBP rate + 1% per annum of the utilized amount).

FE-25 facility (sublimit of ERF) with sanctioned limit of Rs. 50 million (2009: Rs. 50 million) for export of the Company's products. The facility carries mark-up at the rate of LIBOR + 2% per annum of the utilized amount (2009: LIBOR + 2% per annum of the utilized amount).

LC sight/DA-90 days facility with sanctioned limit of Rs. 45 million (2009: Rs. 45 million) for import of raw materials and a LG facility of Rs. 5 million for the issuance of bid bonds and performance bonds against counter guarantee of the Company with 10% cash margin.

15.2.2 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, lien on valid import documents of the Company and corporate guarantee of the Company. These facilities will expiry on 30 August 2010 and are subject to annual renewal by ABL.

16 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

These represented finance leases entered into with Orix Leasing Pakistan Limited for lease of vehicles and plant and machinery. The liability represented total of minimum lease payments discounted at rates ranging between 13.51% to 19.01% (2009: 12.98% to 19.01%) per annum, being the rate implicit in the lease arrangement.

Under the lease agreements the purchase option was available to the Company on payment of lease installments and surrender of key deposit money. During the year the Company paid final installments under the lease agreements and accordingly related assets have been transferred in the name of the Company.

	2010 Rupees	2009 Rupees
Minimum lease payments:		
Not later than one year	-	3,064,585
Later than one year but not later than five years	-	-
	-	3,064,585
Finance charges relating to future periods	-	(227,158)
Principal outstanding	-	2,837,427
Current portion shown under current liabilities	-	(2,837,427)
	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

17 DEFERRED EMPLOYEE BENEFIT

	2010 Rupees	2009 Rupees
Accumulating compensated absences		
Obligation at beginning of the year	794,535	677,196
Charge for the year	22,674	130,551
	817,209	807,747
Benefits paid during the year	(1,360)	(13,212)
Obligation at end of the year	**815,849**	**794,535**

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.

18 DEFERRED TAX LIABILITY- Net

The net balance of deferred tax is in respect of the following major temporary differences:

	2010 Rupees	2009 Rupees
Accelerated depreciation on property, plant and equipment	20,369,882	20,162,677
Obligation under finance lease	-	(632,580)
Retirement benefits	(190,512)	(177,135)
Provision for doubtful debts, advances and receivables	(371,932)	(328,787)
Provision for slow moving stores, spare parts and loose tools	(149,415)	(94,717)
Surplus on revaluation of property, plant and equipment	15,948,312	16,277,691
	35,606,334	**35,207,149**

Deferred tax liability has been calculated at the enacted tax rate of 35% (2009: 35%) per annum. Based on the Company's estimate of future export sales, adjustment of Rs. 28.055 million (2009: Rs. 30.796 million) has been made in the taxable temporary differences at the year end. This resulted in an increase in the after tax profit by Rs. 9.82 million (2009: Rs. 10.778 million) with corresponding decrease in deferred tax liability by the same amount.

19 SHARE CAPITAL

19.1 Authorized share capital

This represents 25,000,000 (2009: 25,000,000) Ordinary shares of Rs. 10 each.

19.2 Issued, subscribed and fully paid up capital

2010 Numbers	2009 Numbers		2010 Rupees	2009 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**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 Rupees	2009 Rupees
20 SURPLUS ON REVALUATION OF FIXED ASSETS- Net of tax			
Surplus on revaluation at 01 July		74,771,807	80,653,932
Surplus on revaluation during the year- net		13,518,066	-
		88,289,873	80,653,932
Transferred to equity in respect of incremental depreciation- net of deferred tax		(3,460,632)	(3,823,381)
Related deferred tax liability of incremental depreciation		(1,863,417)	(2,058,744)
		(5,324,049)	(5,882,125)
		82,965,824	74,771,807
Related deferred tax liability on:			
Surplus on revaluation as at 01 July		(16,277,691)	(18,336,435)
Surplus on revaluation during the year		(1,534,038)	-
Incremental depreciation charged on revalued assets		1,863,417	2,058,744
		(15,948,312)	(16,277,691)
		67,017,512	**58,494,116**

21 CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

21.1.1 Industrial Estate Hattar of Sarhad Development Authority, Khyber Pakhtoonkhwa has raised an additional demand of Rs. 6,203,400 against the Company relating to additional payment to be made to original owners of the land for which lease was signed and full payment was made in 1991. The Company has not acknowledged the claim and has filed an appeal against the demand before the Civil Judge, Haripur. The court has stayed the demand and currently the case is with the Chairman Sarhad Development Authority, Khyber Pakhtoonkhwa 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.

21.2 Commitments

21.2.1 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. 2,962,611 (2009: Rs. 7,558,867).

	Note	2010 Rupees	2009 Rupees
22 GROSS SALES			
Local		571,890,263	534,904,932
Exports	22.1	195,860,710	211,273,579
		767,750,973	**746,178,511**

22.1 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 2010

	Note	2010 Rupees	2009 Rupees
23 COST OF SALES			
Materials consumed	23.1	303,236,683	312,184,177
Stores and spare parts consumed		3,980,247	2,604,074
Packing materials consumed		6,324,029	7,948,596
Fuel and power		3,182,202	3,674,858
Salaries, wages and other benefits	23.2	25,282,373	22,877,831
Insurance		1,073,196	2,533,363
Repairs and maintenance		2,529,385	4,580,467
Provision for slow moving stores, spare parts and loose tools		215,000	212,426
Depreciation	4.1	17,660,013	19,248,149
Vehicle running and maintenance		1,131,684	1,962,665
Travelling and conveyance		578,507	557,508
Water charges		42,000	43,050
Telephone, telex and postage		209,830	230,086
Legal and professional charges		18,000	36,000
Printing and stationery		272,759	230,815
Canteen		420,390	411,788
Transportation charges		30,636,395	14,625,640
Fees and subscription		503,965	976,160
Vehicle rent		1,022,557	616,000
Security charges		1,520,978	1,323,732
Saindak expenses		2,025,667	1,790,223
Miscellaneous expenses		706,751	349,115
		402,572,611	399,016,723
Work in process:			
Opening		2,366,627	1,150,697
Closing		(1,603,157)	(2,366,627)
		763,470	(1,215,930)
Cost of goods manufactured		403,336,081	397,800,793
Finished goods:			
Opening		14,650,284	12,858,439
Closing		(21,298,397)	(14,650,284)
		(6,648,113)	(1,791,845)
		396,687,968	**396,008,948**

23.1 Materials consumed

	2010 Rupees	2009 Rupees
Opening stock as at 01 July	37,722,792	37,713,657
Purchases during the year	346,956,284	312,193,312
	384,679,076	349,906,969
Closing stock as at 30 June	(81,442,393)	(37,722,792)
	303,236,683	**312,184,177**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

23.1.1 Material consumed is net of sale of scrap material amounting to Rs. 2,693,059 (2009: Rs. 1,800,159).

23.2 This includes Rs. 755,618 (2009: Rs. 640,598) charged on account of defined contribution plan.

	Note	2010 Rupees	2009 Rupees
24 OTHER OPERATING INCOME			
From financial assets			
Gain on remeasurement of investment at fair value through profit or loss	12	4,318,240	1,766,033
Interest on investment in TDR		1,067,436	648,396
Exchange gain- net		1,516,415	4,698,325
Interest on deposit accounts		10,148	5,362
		6,912,239	7,118,116
From non-financial assets			
Gain/(loss) on disposal of property, plant and equipment		1,394	(47,151)
		1,394	(47,151)
		6,913,633	**7,070,965**

	Note	2010 Rupees	2009 Rupees
25 DISTRIBUTION COST			
Salaries, wages and other benefits	25.1	4,652,572	3,775,935
Staff traveling and conveyance		1,441,567	850,595
Telephone, telex and postage		152,895	77,885
Entertainment		52,790	51,944
Printing and stationary		54,936	93,446
Vehicle running and maintenance		462,090	432,428
Insurance		40,458	21,209
Other charges		468,138	373,309
Depreciation	4.1	86,606	96,229
		7,412,052	**5,772,980**

25.1 This include Rs.121,524 (2009: Rs. 109,662) charged on account of defined contribution plan.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 Rupees	2009 Rupees
26 ADMINISTRATIVE EXPENSES			
Chief Executive and Directors' remuneration		15,130,430	10,762,674
Salaries, wages and other benefits	26.1	5,382,452	4,283,787
Directors' traveling and conveyance		2,241,413	2,514,838
Staff traveling		8,240	-
Electricity, gas and water		354,883	312,259
Telephone, telex and postage		772,629	751,632
Rent, rates and taxes		1,200,320	1,018,354
Legal and professional charges		718,118	571,100
Donation		-	500,000
Auditors' remuneration	26.2	392,800	341,000
Printing and stationery		480,440	350,230
Entertainment		92,101	41,132
Insurance		121,545	131,829
Advertisements		85,755	126,370
Vehicle running and maintenance		1,181,961	800,871
Repair and maintenance		289,239	394,799
General expenses		280,949	211,181
Depreciation	4.1	713,233	637,597
		29,446,508	**23,749,653**

26.1 This includes Rs. 196,704 (2009: Rs. 158,640) charged on account of defined contribution plan.

	2010 Rupees	2009 Rupees
26.2 Auditors' Remuneration		
Annual audit fee	250,000	205,000
Half yearly review	71,400	68,000
Other certifications	71,400	68,000
	392,800	**341,000**

	2010 Rupees	2009 Rupees
27 FINANCE COSTS		
Finance charge on leased assets	233,815	810,905
Mark up on short term borrowings - secured	741,565	1,693,089
Bank charges	1,300,767	1,230,919
	2,276,147	**3,734,913**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 Rupees	2009 Rupees
28 TAXATION			
Current -			
Prior year		(270,459)	753,723
For the year	10	37,607,583	35,498,856
		37,337,124	36,252,579
Deferred		(1,134,851)	(1,938,601)
		36,202,272	**34,313,978**

28.1 Reconciliation of tax expense with tax on accounting profit:

	2010 Rupees	2009 Rupees
Profit before taxation	148,534,745	148,775,677
Tax rate	35%	35%
Tax on accounting profit	51,987,161	52,071,487
Tax effect of export income charged at lower tax rate	(15,447,208)	(18,903,221)
Tax effect of prior year	(270,459)	753,723
Tax effect of permanent differences	(1,511,384)	(672,812)
Tax effect of deferred tax reversed at different restricted rate	1,444,163	1,064,800
	36,202,272	**34,313,978**

28.2 Tax returns filed for tax years 2003 to 2009 (income years ended 30 June 2003 to 2009) 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.

	2010	2009
29 EARNINGS PER SHARE - Basic and diluted		
Profit for the year (Rupees)	112,332,473	114,461,699
Average number of shares outstanding during the year (Number)	20,000,000	20,000,000
Earnings per share (Rupees)	5.62	5.72

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

	Note	2010 Rupees	2009 Rupees
30 CASH AND CASH EQUIVALENTS			
Cash and bank balances	13	51,712,868	70,014,286
Short term borrowings		-	-
		51,712,868	**70,014,286**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

31 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2010				2009			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Managerial remuneration	5,770,000	5,850,000	2,916,000	14,536,000	4,550,000	4,950,000	2,282,400	11,782,400
Employee benefits	320,430	-	161,928	482,358	252,674	-	126,744	379,418
Bonus	1,615,000	1,575,000	444,000	3,634,000	385,000	625,000	190,200	1,200,200
Total	**7,705,430**	**7,425,000**	**3,521,928**	**18,652,358**	**5,187,674**	**5,575,000**	**2,599,344**	**13,362,018**
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 (2009: Three) was Rs. 315,000 (2009: Rs. 145,000).

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

32 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:

	2010 Rupees	2009 Rupees
Associated undertakings		
Maajid Enterprises - sole proprietorship concern of a director of the Company		
Advance received for supply of explosives	995,596	2,392,401
Sale of explosives	995,596	2,392,401
Orient Trading Limited		
Payment of dividend	29,448,450	20,341,665
Other related parties		
Remuneration including benefits and perquisites of key management personnel	18,652,358	13,361,618
Contribution towards employees' provident fund	1,394,276	966,604
Payable to employees' provident fund	232,574	194,970

32.1 Key management personnel

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

	2010 Rupees	2009 Rupees
Managerial remuneration	14,536,000	11,782,000
Employee benefits	482,358	379,418
Bonus	3,634,000	1,200,200
	18,652,358	**13,361,618**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

33 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.

33.1 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

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 and NAFA Government Securities Liquid Fund is exposed to minimal credit risk as these are open-ended collective schemes, while deposits held with banks can either be redeemed upon demand or have a short term maturity of six months and therefore also bear minimal risk.

Exposure to credit risk

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

	2010 Rupees	2009 Rupees
Trade debts- net	35,712,871	61,007,578
Advances	2,573,553	3,425,056
Trade deposits	424,076	424,076
Other receivables	474,840	1,100,992
Other financial assets	102,423,747	33,945,507
Bank balances	51,712,868	70,003,099
	193,321,956	**169,906,308**

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

	2010 Rupees	2009 Rupees
Cement manufacturers	13,426,676	10,404,317
Oil and gas exploration service providers	6,798,500	7,106,002
Construction and mining entities	15,605,686	43,431,937
Agents	1,474,770	1,540,092
	37,305,632	**62,482,348**

Impairment losses

The aging of trade debts at the reporting date was:

	2010		2009	
	Gross debts Rupees	Impairment Rupees	Gross debts Rupees	Impairment Rupees
Not past due	26,618,933	-	42,152,707	-
Past due 0-30 days	1,701,358	-	13,584,178	-
Past due 31-60 days	1,044,225	-	-	-
Past due 61-90 days	-	-	-	-
Past due 91-365 days	6,348,355	-	5,152,702	-
Over 365 days	1,592,761	1,592,761	1,592,761	1,474,770
	37,305,632	**1,592,761**	**62,482,348**	**1,474,770**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

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

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

33.2 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:

	2010		2009	
	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
Short term borrowings	-	-	-	-
Markup accrued	29,984	29,984	48,059	48,059
Trade and other payables	50,006,758	50,006,758	30,500,433	30,500,433
	50,036,742	50,036,742	33,385,919	33,158,761
Maturity after one year and upto two years				
Liabilities against assets subject to finance lease	-	-	-	-
	50,036,742	**50,036,742**	**33,385,919**	**33,158,761**

33.3 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

The potential currency exposures are discussed below;

Transactional exposure in respect of non functional currency monetary items

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

Transactional exposure in respect of non functional currency expenditure and revenues

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

Exposure to foreign currency risk

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

	2010 USD	2009 USD
Trade debts	-	330,830
Bank balances	697,653	434,252
Advance from customer	(38,673)	-
	658,980	**765,082**

The significant exchange rates applied during the year were:

	Average rate		Reporting date mid spot rate	
	2010 Rupees	2009 Rupees	2010 Rupees	2009 Rupees
USD 1	83.38	78.82	85.59	81.45

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.

	2010 Rupees	2009 Rupees
Profit and loss account	5,640,211	6,231,593

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

Profile

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

	2010 %	2009 %	2010 Rupees	2009 Rupees
Financial assets				
Other financial assets- Term deposit receipts	2.35 - 3.6	-	34,160,000	-
Bank balances- Deposit accounts	5.0	3.5 - 5.0	543,909	32,706,398
			34,703,908	**32,706,398**
Financial liabilities				
Liabilities against assets subject to finance lease	13.51 - 19.01	12.98 - 19.01	-	2,837,427
Short term borrowings	3.19 - 4.45	5.08 - 17.70	-	-
			-	**2,837,427**

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 profit or loss by Rs. 347,039 (2009: Rs. 301,289).

Price risk

The Company is exposed to equity security price risk because of investment held by the Company in the NAFA Cash Fund and NAFA Government Securities Liquid Fund. These investments are classified as "investments at fair value through profit or loss'. 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. 6,826,375 (2009: Rs. 3,362,306).

33.4 Fair value of financial assets and liabilities

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

34 CAPITAL MANAGEMENT

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

35 CAPACITY AND PRODUCTION

Product	Units	Rated Production capacity	2010	2009
			Actual production	
Tovex water gell and powder explosives	Kgs	6,000,000	3,365,705	4,075,260
Detonator - plain	Nos.	8,000,000	2,625,100	4,468,330
Detonator - electric	Nos.	450,000	260,281	274,831
Safety fuse	Meter	500,000	-	60,500
Detonating cord	Meter	2,500,000	1,362,300	2,131,058

During the year the factory remained closed from 14 November 2009 to 01 December 2009 due to suspension of licenses of the Company by the Chief Inspector of Explosives, Ministry of Industries and Production, Government of Pakistan. This was purportedly based on the stoppage of two explosives trucks dispatched by Biafo, for MRDL's project, Saindak Copper and Gold Mining project at Saindak Export Processing Zone by DG Khan Police Check post. All documents as per the Export Rules and permission from the Export Processing Zone Authority and Ministry of Defence Production under the existing laws were available. The authority claimed that appropriate documents were not available for these consignments. The Company made appropriate representations, with necessary documentation under the existing laws with the Ministry of Industries and Production on which basis suspension of licences was lifted and the factory resumed production and supplies w.e.f. 4th December 2009.

Subsequently the Ministry of Industries & Production vide their letter No. 6(1)/2009/Ops-Exp dated 19 May, 2010 stated that the matter regarding the commercial explosives, transported to the EPZ's from Tariff area i.e. Pakistan has been settled with the approval of the competent authority, which is inline with the opinion of Ministry of Commerce, EPZ and Defence production etc. The clarification in this regard has also been incorporated in the Draft Explosives Rules, 2009, stating "The Commercial Explosives transported from Tariff area i.e. Pakistan to EPZ will be considered as an export".

36 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 20 September 2010.

37 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 20 September 2010.

Islamabad
20 September 2010

Director **Chief Executive**

PATTERN OF SHAREHOLDING
AS AT 30 JUNE 2010

NO. OF SHAREHOLDERS	SHARE HOLDING FROM	SHARE HOLDING TO	TOTAL NUMBER OF SHARES HELD
44	1	100	2,078
132	101	500	62,068
74	501	1,000	71,720
103	1,001	5,000	296,990
19	5,001	10,000	155,764
14	10,001	15,000	183,001
6	15,001	20,000	113,600
1	20,001	25,000	20,200
3	25,001	30,000	86,500
1	30,001	35,000	32,000
1	35,001	40,000	38,300
3	40,001	45,000	132,500
1	45,001	50,000	47,688
5	50,001	60,000	300,000
2	60,001	70,000	134,553
1	70,001	80,000	79,500
1	80,001	90,000	90,000
3	90,001	100,000	300,000
1	145,001	150,000	150,000
1	155,001	160,000	158,800
1	200,001	210,000	210,000
1	290,001	300,000	300,000
1	400,001	450,000	425,338
1	500,001	550,000	504,200
3	900,001	1,000,000	2,998,900
2	1,200,001	1,300,000	2,508,200
1	4,000,001	4,500,000	4,054,000
1	6,000,001	7,000,000	6,544,100
427			20,000,000

SHAREHOLDER'S CATEGORY	NUMBERS OF SHAREHOLDERS	NUMBERS OF SHARES HELD	PERCENTAGE
INDIVIDUALS	397	11,539,539	58%
INSURANCE COMPANIES	1	158,800	1%
JOINT STOCK COMPANIES	28	8,300,561	42%
OTHERS	1	1,100	0%
	427	20,000,000	100.00

PATTERN OF SHAREHOLDING
AS AT 30 JUNE 2010

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARES HELD	% AGE
Directors, CEO & their Spouse and Minor Children			
M. Zafar Khan	1	4,054,000	20.27
Khawaja Amanullah Askari & Mrs. Ishrat Askari	1	300,000	1.50
M. Salim	1	210,000	1.05
M. Afzal Khan	1	150,000	0.75
M. Zafar Iqbal & Sherbano Iqbal	1	47,688	0.24
Adnan Aurangzeb	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. Zahida Qureshi w/o Abdul Maajid Qureshi	1	11,000	0.06
Maj Gen. (Ret'd) S.Z. M. Askree	1	11,000	0.06
Abdul Maajid Qureshi	1	1,000	0.01
Banks, Development Finance Institutions, Non Banking Finance Institutions, Insurance Companies, Modarba & Mutual Funds	30	2,460,461	12.30
Other Individuals	384	5,985,551	29.93
Shareholders holding 10% or more shares in the company:			
Orient Trading Ltd.	1	6,544,100	32.72
TOTAL	427	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	6,300	-
2. Maj Gen. (Ret'd) S.Z. M. Askree	1,000	-
3. M. Zafar Iqbal & Sherbano Iqbal	-	52,312

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 22nd 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 26, 2010 and any adjournment thereof.

Signed _________________________ day of _________________________ 2010

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.