

Annual Report 2008



BIAFO INDUSTRIES LIMITED

Manufacturers of Tovex[®] Explosives & Blasting Accessories

CONTENTS

● Corporate Information	1
● Notice of Annual General Meeting	2-3
● Directors' Report	4-7
● Stakeholders Information	8-9
● Statement of Compliance	10-11
● Review Report to the Members	12
● Auditors' Report to the Members	13
● Balance Sheet	14
● Profit & Loss Account	15
● Cash Flow Statement	16
● Statement of Changes in Equity	17
● Notes to the Financial Statements	18-40
● Pattern of Shareholding	41-42
● Form of Proxy	43

CORPORATE INFORMATION

Board Of Directors:-

Executive Directors

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

Chairman
Chief Executive Officer
Director
Director

Non-Executive Directors

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

Director
Director
Director
Director
Director
Director
Director

Company Secretary

Khawaja Shaiq Tanveer

Audit Committee

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

Chairman
Member
Member
Member

Auditors

KMPG Taseer Hadi & Co. Chartered Accountants

Legal Advisors

Chima & Ibrahim, Raja Rashid, Javaid Qureshi

Bankers

Bank of Khyber	Royal Bank of Scotland
National Bank of Pakistan	Allied Bank of Pakistan
Habib Bank Limited	Standard Chartered Bank
Bank Alfalah Limited	Dubai Islamic Bank

Registered Office & Shares Department

Biafo Industries Limited

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

Factory

Biafo Industries Limited

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

NOTICE OF 20TH ANNUAL GENERAL MEETING

Notice is hereby given that the 20th Annual General Meeting of Biafo Industries Limited will be held on Thursday 25th September at 11:00 a.m. at # 203, 2nd Floor, M. Gulistan Khan House, 82-East Fazal-ul-Haq Road, Blue Area, Islamabad to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the 19th Annual General Meeting held on October 30, 2007.
2. To receive and adopt the Audited Accounts of the Company for the year ended June 30, 2008 together with Auditors' report and Directors' report thereon.
3. To approve the payment of final dividend of Rs. 2.00 per share (20%) and also the interim dividend of Rs 1.00 per share (10%) declared on February 15, 2008 making a total of Rs. 3.00 per share (30%) for the year ended June 30, 2008.
4. To appoint Auditors for the year 2008-2009 and to fix their remuneration. Retiring Auditors M/s KPMG Taseer Hadi & Co. Chartered Accountants being eligible offer themselves for reappointment for the year 2008-2009.

5. 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".

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

By order of the Board

Khawaja Shaiq Tanveer
Company Secretary

Islamabad: August 28, 2008.

NOTES:

1. Share Transfer Books of the Company will remain closed from September 19,2008 to September 25, 2008 both days inclusive.
2. A member entitled to attend and vote at the meeting shall be entitled to appoint another person, as his/her and proxy to attend demand or join in demanding a poll, speak and vote instead of his/her and a proxy so appointed shall have such rights, as attending, speaking and voting at the meeting as are available to a member. Proxies in order to be effective must be received at the registered office of the company not later than 48 hours before the meeting duly stamped, signed and witnessed. A proxy need not be a member of the Company.

NOTICE OF 20TH ANNUAL GENERAL MEETING

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

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

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

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

DIRECTORS' REPORT

Your Directors are pleased to present the 20th Annual Report of the company for the year ended June 2008.

FINANCIAL RESULTS

In the period under review the company faced serious challenges in the 1st half of the year in its sales efforts due to the lack of operations by some of the projects due to their concerns about law and order situation in the country. However the company made significant efforts and sales improved in the 2nd half of the year ending June 30, 2008.

The gross sales of the company increased to Rs. 561.821 million and the net sales increased by 3.91% to Rs. 429.758 million. Operating profit of the company saw a marginal increase of 0.56% to Rs. 113.563 million.

The gross profit of the company for the period under review was 32.64% as against 32.89% in previous financial year. The operating profit for the year under review incorporates markup paid of Rs. 4.99 million for HBL's long term loan adjustment.

The profit after tax for the year under review has been impacted by tax for the previous year of Rs. 5.688 million and increase in taxation by Rs. 12.848 million against previous financial year's tax expense of Rs. 11.698 million.

The profit for the year after taxation decreased by 18.96% to Rs. 75.609 million resulting in EPS of Rs. 3.78 against Rs. 4.66 for the previous financial year. Allowing for the payment of old markup to HBL and the previous years tax payment the net profit is close to the figure for last year.

Sales in the period under review increased in most sectors barring Oil and Gas and the large Hydel projects etc. where work was suspended in 1st half of the year under review. Marginal increase occurred in exports to mining sector at Saindak and Duddar whose operations were significantly effected in 1st half of the year due to heavy rain and flooding.

Management maintains its efforts to control cost and margins despite pressure of raw material prices increases.

The company has paid off all its long term liability and is currently completely debt free apart from the small lease finance agreements.

The net worth of the company for the year under review increased by Rs. 25.60 million to Rs. 394.293million.

Production:

Details of production are on note 37 of the accounts. As production is demand based, the year saw decrease in production of explosives by 10.30% Plain Detonator by 11.65%, Electric Detonators by 37.19%. Plant continued to function in a reliable manner and was able to meet substantial increases in market demand in 2nd half year.

The company continues its commitments to provide opportunity for training to personnel and material resources to the Plant to maintain reliability of production and timely supply to its clients.

DIRECTORS' REPORT

Increased production capacities are the constant efforts of management and achieved by deblocking and streamlining of process flow and the judicious application of equipment, enhancing production by significant percentages enabling the company to meet future increase in demand.

Quality System:

Your company in maintaining its commitments towards improved quality has implemented ISO-9000 system, TQM System under which it has implemented, 5-S and Kaizen Quality System. We have now committed ourselves to implement Six Sigma System which will enable us to continually improve our process and productivity to result in improved bottom line profitability. This is a major commitment on part of your management as there are very few companies in Pakistan, if any who have committed to this level of quality vision.

Future Prospects:

The company has committed to increase its business in the explosive market available in Pakistan with greater penetration in the new business prospects and opportunities. The company recently signed agreements for supply of our product to Neelum Jehlum Hydrel Project, Karakoram Highway rehabilitation and widening project and the Jinnah Hydro Power Project. Supply to these projects to commence in 2008-09. The current political uncertainty and pressure on the economy may compel the Government to reduce the PSDP allocation for ongoing and future projects in the coming 18 to 24 months period. The Government has indicated its desire to start Bhasha Dam Project in 2009 if the financial arrangement and commitments are firmed. The company has seen very substantial increase in raw material prices, specially since January, 2008 and this alongwith significant devaluation of the Pakistani rupee and increases in the energy prices is impacting the margins of the company. Your management is committed to finding way to mitigate the pressure on the margins of the company.

Dividend:

The Board has approved final dividend of Rs. 2.00 per share (20%) and also interim dividends of Rs. 1.00 per share (10%) declared on 15th February, 2008 making a total of Rs. 3.00 per share (30%) for the year ended June, 2008.

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

CODE OF CORPORATE GOVERNANCE

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

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

DIRECTORS' REPORT

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

- Financial statement prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flow & changes in equity.
- Proper books of account of the company have been maintained.
- Accounting policies have been consistently applied in preparation of financial statements and accounting estimates, except for those disclosed in the accounts & accounting estimates are based on reasonable & prudent judgment.
- International accounting standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal controls is sound and has been effectively implemented and monitored.
- There is no significant doubt about the company's ability to continue as a going concern
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2008 except for those stated in the financial statements.
- No trading other than that disclosed in this report was carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children.
- A statement as to the value of investment of Provident Fund as on June 30, 2008 is Rs. 5,431,508/-.

A total of 6 meetings of the Board of Directors were held during year (July 07 to June 08). The attendance by each Director is given as follows:

<u>NAME ATTENDED</u>		<u>NO. OF MEETINGS</u>
Mr. M. Afzal Khan	Chairman	6
Mr. Khawaja Amanullah Askari	CEO	6
Mr. Abdul Maajid Qureshi	Director	6
Mr. S. M. Sibtain	Director	2
Mr. M. Salim Khan	Director	5
Ms. Shirin Safdar	Director	2
Maj.Gen. (Ret'd) S.Z.M. Askree	Director	6
Mr. M. Zafar Khan	Director	6
Dr. M. Humayun Khan	Director	5
Mr. Adnan Aurangzeb	Director	4
Mr. Zafar Iqbal	Director	4

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

DIRECTORS' REPORT

AUDITORS

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

ACKNOWLEDGEMENT

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

PATTERN OF SHARE HOLDING

Pattern of share holding is enclosed.

On Behalf of the Board



Chief Executive
Khawaja Amanullah Askari

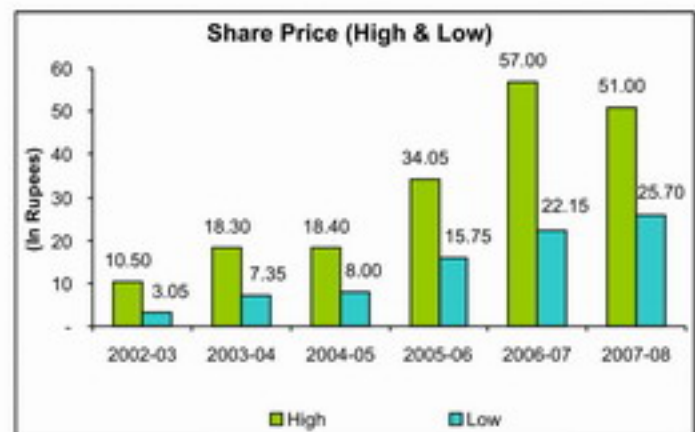
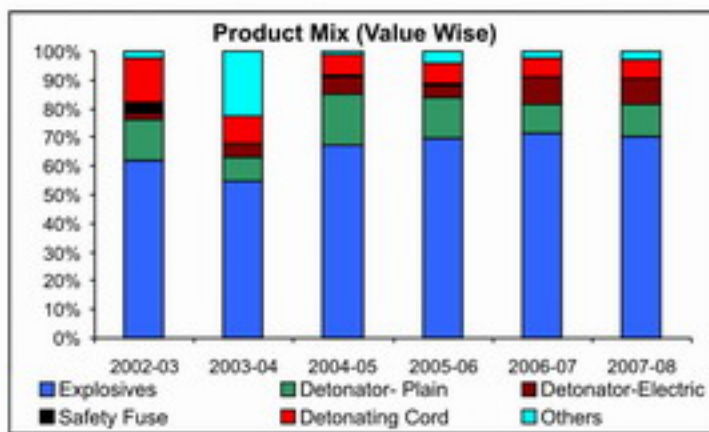
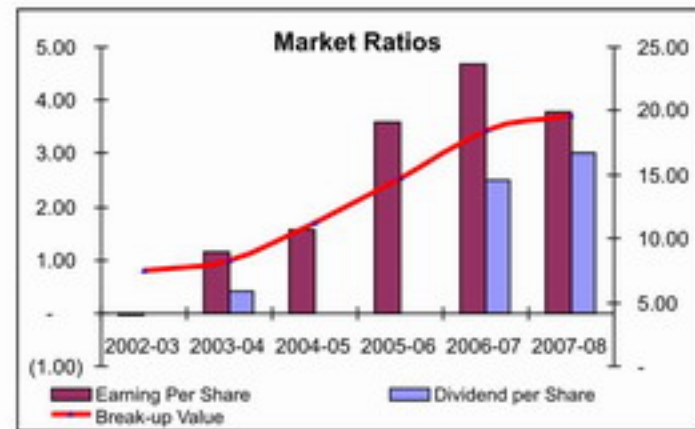
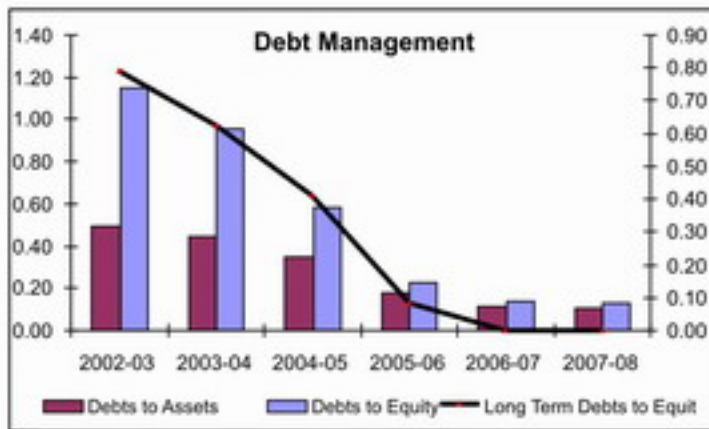
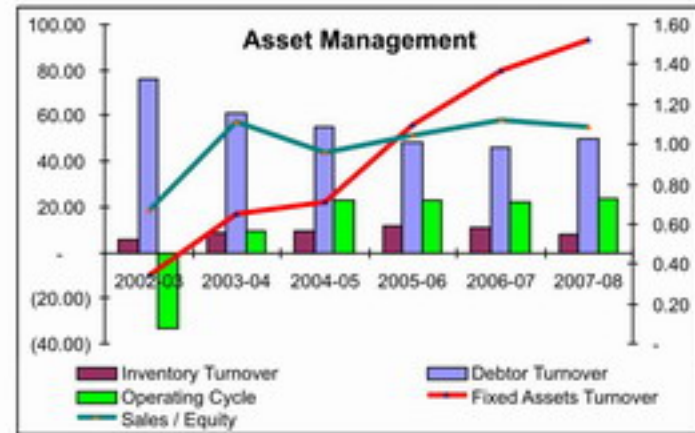
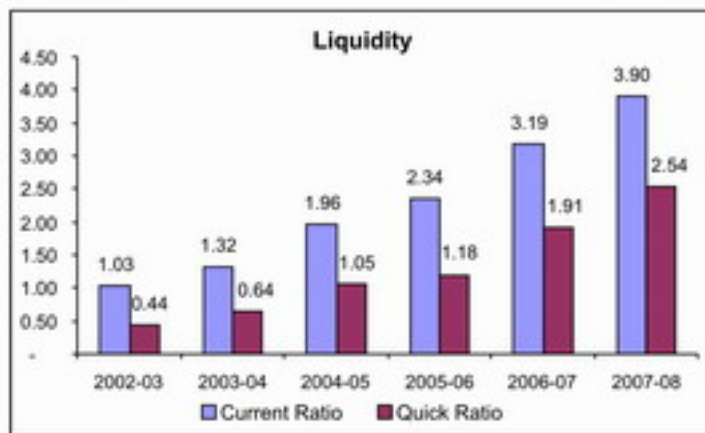
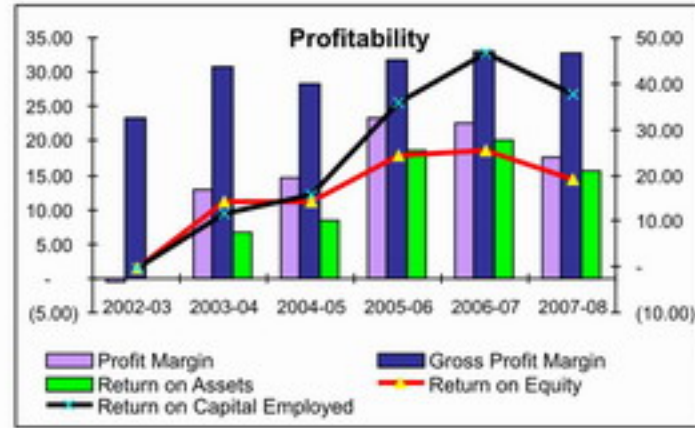
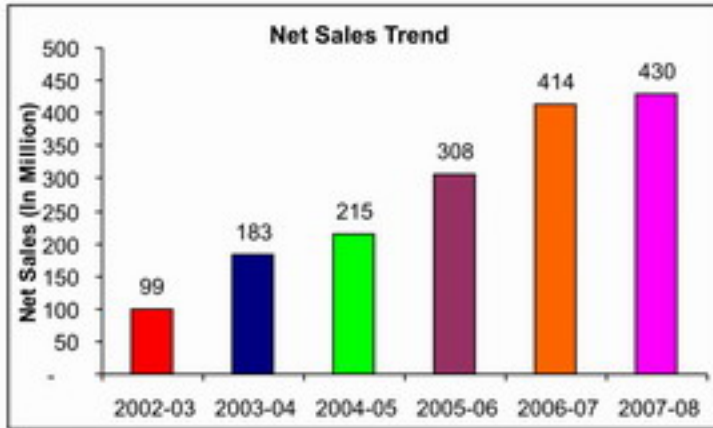
Islamabad: 28th August, 2008

STAKEHOLDERS INFORMATION

(In Thousands, "000")

		2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
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	149,350	164,653	223,821	295,388	368,684	394,294
Fixed Assets	Rs. In '000	292,351	282,299	301,640	281,216	301,552	282,359
Long Term Debts	Rs. In '000	117,852	102,558	91,944	24,913	-	-
Profit & Loss Account							
Net Sales	Rs. In '000	99,499	182,533	215,236	307,582	413,585	429,759
Gross Profit / (Loss)	Rs. In '000	23,320	56,125	60,914	97,847	136,039	140,277
Operating Profit / (Loss)	Rs. In '000	(557)	24,792	33,343	70,443	112,897	113,533
Profit / (Loss) before taxation	Rs. In '000	(557)	23,552	31,676	66,921	104,994	105,844
Profit / (Loss) after taxation	Rs. In '000	(534)	23,303	31,629	71,568	93,295	75,610
PROFITABILITY RATIOS							
Profit Margin	%	(0.54)	12.77	14.70	23.27	22.56	17.59
Gross Profit / (Loss) Margin	%	23.44	30.75	28.30	31.81	32.89	32.64
Return on Assets	%	(0.15)	6.58	8.35	18.58	20.10	15.53
Return on Equity	%	(0.36)	14.15	14.13	24.23	25.30	19.18
Return On Capital Employed	%	(0.27)	11.65	15.81	35.78	46.65	37.80
LIQUIDITY RATIOS							
Current Ratio	:	1.03	1.32	1.96	2.34	3.19	3.90
Quick Ratio	:	0.44	0.64	1.05	1.18	1.91	2.54
ASSETS MANAGEMENT RATIOS							
Inventory Turnover	Times	5.43	8.40	9.50	11.29	10.79	8.28
Debtors Turnover	Days	76	61	55	48	46	50
Operating Cycle	Days	(33)	10	23	23	22	24
Fixed Assets Turnover	Days	0.34	0.65	0.71	1.09	1.37	1.52
Sales / Equity		0.67	1.11	0.96	1.04	1.12	1.09
DEBTS MANAGEMENT RATIOS							
Debts to Assets	Times	0.49	0.44	0.35	0.18	0.11	0.11
Debts to Equity	Times	1.15	0.95	0.59	0.23	0.14	0.13
Long Term Debts to Equity	%	0.79	0.62	0.41	0.08	0.00	0.00
MARKET RATIOS							
Earning Per Share	Rs. 10/Share	(0.03)	1.17	1.58	3.58	4.66	3.78
Dividend Per Share	Per Share (Rs)	-	0.40	-	-	2.50	3.00
Break-up Value	Rs. 10/Share	7.47	8.23	11.19	14.77	18.43	19.71
Share Price-High	Per Share	10.50	18.30	18.40	34.05	57.00	51.00
Share Price-Low	Per Share	3.05	7.35	8.00	15.75	22.15	25.70

STAKEHOLDERS INFORMATION



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

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

1. The Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes 07 independent non-executive directors out of total strength of 11 members.
2. The directors have confirmed that none of them is serving as a director in ten or more listed companies including this company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs 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.

**STATEMENT OF COMPLIANCE
WITH THE CODE OF CORPORATE GOVERNANCE**

13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises 04 members, out of which 02 members are non-executive directors including the Chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has outsourced the internal audit function to Riasat Khan & Co who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company and they are involved in the internal audit function..
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with the them have not been appointed to provide other services except in accordance with the listing regulation and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code of Corporate Governance have been complied with.

Islamabad: 28th August, 2008



M. AFZAL KHAN
Chairman

REVIEW REPORT TO THE MEMBERS

On Statement of Compliance with 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's Statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2008.

KPMG Taseer Hadi & Co.

Islamabad: 28th August, 2008

KPMG Taseer Hadi & Co.
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Biafo Industries Limited** ("the Company") as at 30 June 2008 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion-
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2008 and of the profit, its cash flows and changes in equity for the year then ended; and
- a) 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

Islamabad: 28th August, 2008

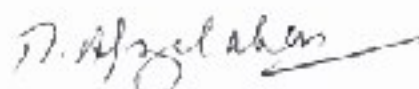
BALANCE SHEET

AS AT 30 JUNE 2008

	Note	2008 Rupees	2007 Rupees
NON CURRENT ASSETS			
Fixed assets - Property, plant and equipment	4	282,359,242	301,552,414
Long term deposits		524,749	544,749
		<u>282,883,991</u>	<u>302,097,163</u>
CURRENT ASSETS			
Stores, spare parts and loose tools	5	5,946,080	5,117,592
Stock in trade	6	59,806,869	44,061,251
Trade debts	7	64,736,442	57,451,208
Advances	8	4,433,481	3,255,748
Trade deposits and short term prepayments	9	1,247,107	1,083,085
Other receivables	10	153,349	432,406
Other financial asset	11	32,179,474	11,061,855
Advance tax - net	18	-	11,401,311
Cash and bank balances	12	35,919,714	28,695,006
		<u>204,422,516</u>	<u>162,559,462</u>
CURRENT LIABILITIES			
Trade and other payables	13	46,348,443	35,859,358
Markup accrued	14	36,361	63,774
Short term borrowings	15	90,776	3,080,323
Current portion of -			
Long term financing	16	-	8,757,290
Liabilities against assets subject to finance lease	17	3,440,538	3,165,164
Provision for taxation	18	2,463,933	-
		<u>52,380,051</u>	<u>50,925,909</u>
NET CURRENT ASSETS		152,042,465	111,633,553
NON CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	17	2,809,744	6,250,910
Deferred employee benefit	19	677,196	457,164
Deferred tax liability - net	20	37,145,749	38,338,510
		<u>40,632,689</u>	<u>45,046,584</u>
		<u>394,293,767</u>	<u>368,684,132</u>
REPRESENTED BY:			
SHARE CAPITAL AND RESERVES			
Share capital	21	200,000,000	200,000,000
Unappropriated profit		131,976,270	102,582,926
		<u>331,976,270</u>	<u>302,582,926</u>
SURPLUS ON REVALUATION OF FIXED ASSETS -net of tax	22	<u>62,317,497</u>	<u>66,101,206</u>
		<u>394,293,767</u>	<u>368,684,132</u>
CONTINGENCIES AND COMMITMENTS			
	23		

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

 Islamabad
 28th August, 2008



Director



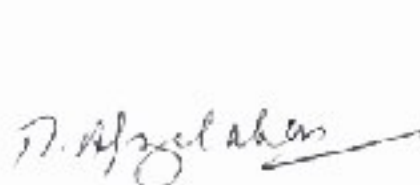
Chief Executive

PROFIT AND LOSS ACCOUNT
 FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 Rupees	2007 Rupees
GROSS SALES	24	560,821,079	529,968,995
Sales tax		(42,970,823)	(41,287,652)
Special excise duty		(2,877,420)	-
Discounts		(85,213,992)	(75,095,934)
Net Sales		<u>429,758,844</u>	<u>413,585,409</u>
Cost of sales	25	(289,481,758)	(277,546,458)
GROSS PROFIT		<u>140,277,086</u>	<u>136,038,951</u>
Other operating income	26	5,235,284	980,338
Distribution cost	27	(5,444,455)	(5,150,784)
Administrative expenses	28	(18,116,664)	(15,087,651)
Finance costs	29	(8,418,361)	(3,884,114)
OPERATING PROFIT		<u>113,532,890</u>	<u>112,896,740</u>
Workers' profit participation fund		(5,676,645)	(5,644,837)
Workers' welfare fund		(2,012,505)	(2,257,935)
PROFIT BEFORE TAXATION		<u>105,843,740</u>	<u>104,993,968</u>
Taxation	30	(30,234,105)	(11,698,632)
PROFIT FOR THE YEAR		<u><u>75,609,635</u></u>	<u><u>93,295,336</u></u>
Earnings per share - Basic and diluted	32	<u><u>3.78</u></u>	<u><u>4.66</u></u>

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

Islamabad
 28th August, 2008



Director



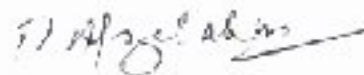
Chief Executive

CASH FLOW STATEMENT
 FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 Rupees	2007 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		105,843,740	104,993,968
Adjustments for:			
Depreciation		21,138,266	25,535,537
Finance costs		8,418,361	3,884,114
Provision for Workers' profit participation fund		5,676,645	5,644,837
Provision for Workers' welfare fund		2,012,505	2,257,935
Provision for employee benefit		225,069	176,055
Provision for slow moving stores, spare parts and loose tools		212,426	-
Unrealized gain on remeasurement of investment at fair value through profit or loss		(1,117,619)	(236,855)
Gain on disposal of property, plant and equipment		-	(231,703)
Exchange gain		(3,413,702)	(511,575)
		<u>33,151,951</u>	<u>36,518,345</u>
		138,995,691	141,512,313
Working capital changes:			
(Increase)/decrease in store, spare parts and loose tools		(1,040,914)	224,390
Increase in stock in trade		(15,745,618)	(11,444,959)
Increase in trade debts		(3,871,527)	(12,249,856)
(Increase)/decrease in advances, deposits, prepayments and other receivables		(1,042,698)	916,154
Increase in trade and other payables		10,107,411	349,624
		<u>(11,593,346)</u>	<u>(22,204,647)</u>
Cash generated from operations		127,402,345	119,307,666
Finance costs paid		(8,445,774)	(4,205,215)
Employee benefit paid		(5,037)	(48,727)
Payments to Workers' profit participation fund		(5,644,837)	(3,522,145)
Payments to Workers' Welfare fund		(2,135,667)	-
Income taxes paid		(17,561,622)	(1,972,821)
		<u>(33,792,937)</u>	<u>(9,748,908)</u>
Net cash from operating activities		93,609,408	109,558,758
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,945,093)	(39,112,812)
Proceeds from disposal of property, plant and equipment		-	908,870
Investment made during the year		(20,000,000)	(10,825,000)
Net cash used in investing activities		(21,945,093)	(49,028,942)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of finance lease liabilities		(3,165,798)	(2,382,025)
Repayments of loan from banking company		(8,757,290)	(16,155,761)
Dividends paid		(49,526,972)	(18,186,983)
Net cash used in financing activities		(61,450,060)	(36,724,769)
NET INCREASE IN CASH AND CASH EQUIVALENTS		10,214,255	23,805,047
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		25,614,683	1,809,636
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	31	<u>35,828,938</u>	<u>25,614,683</u>

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

Islamabad
28th August, 2008



Director



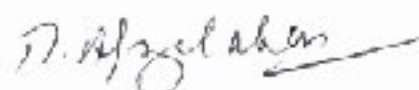
Chief Executive

STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 30 JUNE 2008

	Share capital	Unappropriated profit	Total equity
	Rupees	Rupees	Rupees
Balance at 01 July 2006	200,000,000	14,354,696	214,354,696
Changes in equity for the year ended 30 June 2007			
First interim dividend 2007: Rs. 0.50 per share	-	(10,000,000)	(10,000,000)
Second interim dividend 2007: Rs. 0.50 per share	-	(10,000,000)	(10,000,000)
Transfer from surplus on revaluation of fixed assets - net of deferred tax	-	14,932,894	14,932,894
Profit for the year	-	93,295,336	93,295,336
Total recognized income for the year	-	108,228,230	108,228,230
Balance at 30 June 2007	<u>200,000,000</u>	<u>102,582,926</u>	<u>302,582,926</u>
Balance at 01 July 2007	200,000,000	102,582,926	302,582,926
Changes in equity for the year ended 30 June 2008			
Final dividend 2007: Rs. 1.50 per share	-	(30,000,000)	(30,000,000)
First interim dividend 2008: Rs. 1.00 per share	-	(20,000,000)	(20,000,000)
Transfer from surplus on revaluation of fixed assets - net of deferred tax	-	3,783,709	3,783,709
Profit for the year	-	75,609,635	75,609,635
Total recognized income for the year	-	79,393,344	79,393,344
Balance at 30 June 2008	<u>200,000,000</u>	<u>131,976,270</u>	<u>331,976,270</u>

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

Islamabad
28th August, 2008



Director



Chief Executive

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

1 LEGAL STATUS AND OPERATIONS

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

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standard (IFRS) issued by the International Accounting Standard Board as 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 Initial Application of an accounting standard or an interpretation

Amendment to IAS 1 - "Presentation of Financial Statements - Capital Disclosures", introduces new disclosures about the level of an entity's capital and how it manages capital. Adoption of this amendment has only resulted in additional disclosures given in note 35 to the financial statements.

2.3 Forthcoming changes in approved accounting standards which are not yet effective

The following standards, interpretations and amendments to approved accounting standards introduced up to 30 June 2008 are effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than increase in disclosures in certain cases:

IFRS 2 (amendment)-Share-based payments (effective for annual periods beginning on or after 1 January 2009). IFRS 2 clarifies the vesting conditions and cancellations in the share-based payment arrangement.

IFRS 3 (amendment)- Business Combinations and consequential amendments to IAS 27 - Consolidated and separate financial statements, IAS 28 - Investment in associates and IAS 31- Interest in Joint Ventures. (effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009).

IFRS- 7 – Financial Instruments: Disclosures (applicable for periods beginning from July 01, 2008) requires disclosure of the significance of financial instruments for an entity's financial position and performance. It also requires disclosures of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

risk, liquidity risk and market risk. The qualitative disclosures describe management's objectives, policies and processes for managing those risks and information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel.

IFRS-8- Operating Segment (applicable for periods beginning on or after January 01, 2009) sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers.

Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009). The objective of revising IAS 1 is to aggregate information in the financial statements on the basis of shared characteristics.

Revised IAS 23- Borrowing costs (effective from 1 January 2009). Revised IAS 23 removes the option to expense borrowing costs and requires that an entity capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of the standard is not likely to have an effect on Company's financial statements.

IAS 29- Financial Reporting in Hyperinflationary Economies (applicable for periods beginning from July 01, 2008) requires the financial statements of the entities operating in hyperinflationary economies to restate their financial statements to incorporate the effect of changing prices.

IAS 32 (amendment)-Financial instruments: Presentation and consequential amendment to IAS 1- Presentation of Financial Statements(effective for annual period beginning on or after 1 January 2009). IAS 32 amended classification of Puttable Financial Instruments.

IFRIC 12 – Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008). IFRIC 12 provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private concession arrangements. IFRIC 12 is not relevant to the Company's operations.

IFRIC 13- Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008). IFRIC 13 addresses the accounting by entities that operates, or otherwise participate in, customer loyalty programmes for their customers.

IFRIC 14 IAS 19 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008). IFRIC 14 clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements (MFR) for such asset.

IFRIC 15- Agreement for the Construction of Real Estate (effective for annual period beginning on or after 1 October 2009).

IFRIC 16- Hedge of Net Investment in a Foreign Operation (effective for annual period beginning on or after 1 October 2008).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

2.4 Basis of measurement

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

2.5 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.

2.6 Significant accounting estimates

The preparation of financial statements in conformity with the approved accounting standards require 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 the judgments about carrying values 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 the estimates are revised if the revision affects only that period, or in the period of the revision and future periods.

Judgments and estimates made by the management that may have a risk of material adjustments to the financial statements in subsequent years are as follows:

Fixed assets- Property, plant and equipment

The Company reviews the useful lives of property, plant and equipment on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**Taxation**

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

3 SIGNIFICANT ACCOUNTING POLICIES**3.1 Fixed assets- Property, plant and equipment****3.1.1 Owned**

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

Depreciation on fixed assets is charged at the rates specified in note 4 to the financial statements, from the date the asset is acquired or capitalized to the date it is disposed off. Previously depreciation was being calculated on straight line basis, however, during the year the Company changed its method of calculating depreciation and reducing balance method is being used to charge the depreciation. Such a change has been accounted for prospectively as a change in an accounting estimate in accordance with International Accounting Standard 8 "Accounting Policies, Changes in accounting Estimates and Errors".

Had there been no change in the accounting estimate, the depreciation for the year would have been higher by Rs. 4,913,090, with corresponding decrease in carrying value of fixed assets by the same amount.

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

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

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. Assets held under finance lease are stated at lower of their fair value or present value of minimum lease payments at the inception of the lease, less accumulated depreciation.

Minimum lease payments made under finance leases are apportioned between the finance

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

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 shorter of the lease term and their useful lives.

3.2 Stock in trade

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

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

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

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

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

3.4 Investments

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

3.4.1 Investment at fair value through profit or loss

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

3.5 Taxation

Taxation comprises current and deferred tax. Taxation 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

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.

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.

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 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. Contribution to the fund is charged to income currently.

3.6.2 Accumulating compensated absences

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

3.7 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for services rendered, net of discounts and sales tax. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue, and the associated cost incurred, or to be incurred, can be measured reliably.

Revenue is recognized when right to ownership is transferred and there is probable flow of economic resources to the Company usually at the time of delivery of goods to the customers. Interest income is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

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 Borrowing costs

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

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 loses control of the contractual right that comprise the financial asset or portion of financial asset. While, a financial liability or part of financial liability is de-recognized from the balance sheet when, and only when, it is extinguished i.e., when the obligation specified in the contract is discharged, cancelled or expired.

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

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

3.11 Offsetting

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

3.12 Trade and other payables

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

3.13 Trade and other receivables

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

current best estimate.

3.15 Dividend

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

3.16 Cash and cash equivalents

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

3.17 Impairment

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

4 FIXED ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Owned											Leased				Total	
	Leasehold land	Building on leasehold land	Plant and machinery	Fork lifter	Tools and equipment	Tube well	Office equipment	Furniture and fixtures	Electric appliances	Vehicles	Capital work in progress	Sub total	Fork lifter	Plant and machinery	Vehicles		Sub total
	Rupees																
Cost																	
Balance as at 01 July 2006	35,280,000	27,855,850	233,751,022	708,458	998,926	306,600	2,069,896	1,542,209	451,525	1,134,125	-	304,098,611	-	-	6,461,483	6,461,483	310,560,094
Additions during the year	37,018,000	-	380,198	-	-	-	-	-	99,854	1,491,282	-	38,989,334	1,285,000	4,247,315	2,027,478	7,559,793	46,549,127
Disposals	-	-	-	-	-	-	-	-	-	(1,626,780)	-	(1,626,780)	-	-	-	-	(1,626,780)
Adjustments	-	-	-	-	-	-	-	-	-	556,780	-	556,780	-	-	(556,780)	(556,780)	-
Balance as at 30 June 2007	72,298,000	27,855,850	234,131,220	708,458	998,926	306,600	2,069,896	1,542,209	551,379	1,555,407	-	342,017,945	1,285,000	4,247,315	7,932,181	13,464,496	355,482,441
Balance as at 01 July 2007	72,298,000	27,855,850	234,131,220	708,458	998,926	306,600	2,069,896	1,542,209	551,379	1,555,407	-	342,017,945	1,285,000	4,247,315	7,932,181	13,464,496	355,482,441
Additions during the year	-	-	172,500	-	-	-	111,393	-	-	-	110,700	394,593	-	-	1,550,500	1,550,500	1,945,093
Balance as at 30 June 2008	72,298,000	27,855,850	234,303,720	708,458	998,926	306,600	2,181,289	1,542,209	551,379	1,555,407	110,700	342,412,538	1,285,000	4,247,315	9,482,681	15,014,996	357,427,534
Depreciation																	
Balance as at 01 July 2006	-	696,396	23,193,910	574,422	703,977	227,411	1,216,204	998,048	185,074	664,461	-	28,459,903	-	-	884,200	884,200	29,344,103
Depreciation charge for the year	-	696,396	23,409,883	22,339	53,973	13,198	298,364	91,283	37,528	183,185	-	24,806,149	5,281	70,377	653,730	729,388	25,535,537
Disposals	-	-	-	-	-	-	-	-	-	(949,613)	-	(949,613)	-	-	-	-	(949,613)
Adjustments	-	-	-	-	-	-	-	-	-	234,409	-	234,409	-	-	(234,409)	(234,409)	-
Balance as at 30 June 2007	-	1,392,792	46,603,793	596,761	757,950	240,609	1,514,568	1,089,331	222,602	132,442	-	52,550,847	5,281	70,377	1,303,521	1,379,179	53,930,027
Balance as at 01 July 2007	-	1,392,792	46,603,793	596,761	757,950	240,609	1,514,567	1,089,331	222,602	132,442	-	52,550,847	5,281	70,377	1,303,521	1,379,179	53,930,026
Depreciation charge for the year	-	661,576	18,769,993	11,170	24,098	6,599	92,549	45,288	32,878	142,291	-	19,786,442	127,972	417,694	806,158	1,351,824	21,138,266
Balance as at 30 June 2008	-	2,054,368	65,373,786	607,931	782,048	247,208	1,607,116	1,134,619	255,480	274,733	-	72,337,289	133,253	488,071	2,109,679	2,731,003	75,068,292
Carrying amounts - June 2007	72,298,000	26,463,058	187,527,427	111,697	240,976	65,991	555,328	452,878	328,777	1,422,965	-	289,467,097	1,279,719	4,176,938	6,628,660	12,085,317	301,552,414
Carrying amounts - June 2008	72,298,000	25,801,482	168,929,934	100,527	216,878	59,392	574,173	407,590	295,899	1,280,674	110,700	270,075,249	1,151,747	3,759,244	7,373,002	12,283,993	282,359,242
Rates of depreciation	-	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 2008

	Note	2008 Rupees	2007 Rupees
4.1 Depreciation for the year has been allocated as follows:			
Cost of sales	25	20,400,902	24,549,353
Distribution cost	27	210,218	256,815
Administrative expenses	28	527,146	729,369
		<u>21,138,266</u>	<u>25,535,537</u>

4.2 Revaluation of land, building, plant and machinery

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

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

	Net Book Value	
	2008 Rupees	2007 Rupees
Leasehold land	7,015,883	7,015,883
Building on leasehold land	35,509,754	36,420,261
Plant and machinery	102,796,015	114,217,794
	<u>145,321,652</u>	<u>157,653,938</u>

	Note	2008 Rupees	2007 Rupees
5 STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		1,337,707	906,734
Spare parts		4,790,363	4,180,422
Loose tools		30,436	30,436
		<u>6,158,506</u>	<u>5,117,592</u>
Provision for slow moving stores, spare parts and loose tools	25	(212,426)	-
		<u>5,946,080</u>	<u>5,117,592</u>

	2008 Rupees	2007 Rupees
6 STOCK IN TRADE		
Raw materials	37,713,656	26,985,607
Packing materials	1,229,270	1,323,547
Work in process	1,150,697	882,326
Finished goods	12,858,439	11,242,357
Goods in transit	6,854,807	3,627,414
	<u>59,806,869</u>	<u>44,061,251</u>

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 Rupees	2007 Rupees
7 TRADE DEBTS			
Unsecured - Considered good		64,736,442	57,451,208
Unsecured - Considered doubtful		1,474,770	1,479,333
		66,211,212	58,930,541
Provision for doubtful debts		(1,479,333)	(1,640,162)
Bad debts written off against provision		4,563	160,829
		(1,474,770)	(1,479,333)
		64,736,442	57,451,208
		2008 Rupees	2007 Rupees
8 ADVANCES			
Advances to suppliers	8.1	3,396,742	2,734,216
Advances to employees- Considered good		1,036,739	521,532
		4,433,481	3,255,748
8.1 Advances to suppliers			
Considered good		3,396,742	2,734,216
Considered doubtful		-	142,955
		3,396,742	2,877,171
Provision for doubtful advances		(142,955)	(142,955)
Doubtful advances written off against provision		142,955	-
		-	(142,955)
		3,396,742	2,734,216
		2008 Rupees	2007 Rupees
9 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Trade deposits		609,076	392,544
Prepayments		638,031	690,541
		1,247,107	1,083,085
		2008 Rupees	2007 Rupees
10 OTHER RECEIVABLES			
Considered good		153,349	432,406
Considered doubtful		-	11,918
		153,349	444,324
Provision for doubtful receivables		(11,918)	(11,918)
Doubtful receivables written off against provision		11,918	-
		-	(11,918)
		153,349	432,406

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2008

11 OTHER FINANCIAL ASSET
Investment at fair value through profit or loss

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

No. of units	Average price (Rs.)	Total investment cost (Rs.)	Price per unit as at 30 June 2008 (Rs.)	Fair value as at 30 June 2008 (Rs.)	Gain on remeasurement (Rs.)	Gain upto 30 June 2007 (Rs.)	Net Gain for the year (Note 26)
2,985,967.55	10.3233	30,825,000	10.7769	32,179,474	1,354,474	236,855	1,117,619

- 11.1** As more fully explained in note 15.2.4 the investment has been pledged as a security against the running finance facility arranged with National Bank of Pakistan.

	Note	2008 Rupees	2007 Rupees
12 CASH AND BANK BALANCES			
Cash at bank:			
Current accounts	12.1	35,734,604	28,566,950
Deposit accounts	12.2	124,329	125,866
		35,858,933	28,692,816
Cash in hand		60,781	2,190
		35,919,714	28,695,006

- 12.1** Current accounts include foreign currency balances amounting to Rs. 22,922,442 (2007: Rs. 19,545,565).

- 12.2** Deposit accounts carry markup at the rate of 1.75% to 5% (2007: 1.93%) per annum.

		2008 Rupees	2007 Rupees
13 TRADE AND OTHER PAYABLES			
Creditors		24,885,385	17,029,599
Advances from customers		187,254	63,737
Accrued liabilities		3,515,618	2,653,223
Usance letters of credit		398,836	886,470
Withholding tax payable		5,296	91,143
Sales tax and special excise duty		4,278,721	2,522,083
Insurance		2,416,063	1,955,775
Workers' profit participation fund	13.1	5,676,645	5,644,837
Workers' welfare fund	13.2	2,134,773	2,257,935
Unclaimed dividend		2,358,682	1,885,654
Payable to employees retirement benefit fund		-	108,420
Others		491,170	760,482
		46,348,443	35,859,358

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 Rupees	2007 Rupees
13.1 Workers' profit participation fund			
Balance at beginning of the year		5,644,837	3,522,145
Allocation of profit for the year		5,676,645	5,644,837
		11,321,482	9,166,982
Paid to the fund during the year		(5,644,837)	(3,522,145)
		<u>5,676,645</u>	<u>5,644,837</u>
13.2 Workers' welfare fund			
Balance at beginning of the year		2,257,935	-
Allocation of profit for the year		2,012,505	2,257,935
		4,270,440	2,257,935
Paid to the fund during the year		(2,135,667)	-
		<u>2,134,773</u>	<u>2,257,935</u>
14 MARKUP ACCRUED			
Accrued mark-up on			
Long term financing - Unsecured		29,412	29,412
Short term borrowings - Secured		6,949	34,362
		<u>36,361</u>	<u>63,774</u>
15 SHORT TERM BORROWINGS - Secured			
Running finance			
Bank of Khyber	15.1	37,600	121,453
National Bank of Pakistan	15.2	53,176	2,958,870
		<u>90,776</u>	<u>3,080,323</u>
15.1 Running finance- Bank of Khyber			
15.1.1	The Company has a running finance facility with a sanctioned limit of Rs. 10 million (2007: Rs. 10 million), carries mark up @ 3 months KIBOR plus 500 basic points (bps) with floor of 15% per annum (2007: One year KIBOR plus 400 bps with floor of 14% per annum) payable on quarterly basis.		
15.1.2	The Company also has an export refinance facility with the sanctioned limit of Rs. 20 million (2007: Rs. 20 million) and carries mark up as per the State Bank of Pakistan's prescribed rates. The facility remained unutilized during the year.		
15.1.3	The facilities mentioned above are secured as follows:		
	- First charge on all existing and future assets of the Company for Rs. 14.130 million (2007: Rs. 14.130 million).		
	- Second charge on all the existing and future assets of the Company for Rs. 21.04 million (2007: Rs. 21.04 million).		
	- First exclusive hypothecation charge on the stock of the Company for Rs. 29 million (Rs. 29 million).		

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2008

15.2 Running finance- National Bank of Pakistan

- 15.2.1** The Company has a running finance facility with National Bank of Pakistan, with the sanctioned limit of Rs. 15 million (2007: Rs. 15 million) and carries mark up @ 3 months KIBOR + 2% per annum (2007: 6 months KIBOR + 2% per annum with floor of 11.5% per annum) payable on quarterly basis.
- 15.2.2** The Company also has a FE-25 facility with National Bank of Pakistan with sanctioned limit of Rs.10 million (2007: Rs.10 million). The facility carries mark-up @ LIBOR + 2 % per annum of the utilized amount.
- 15.2.3** The facilities mentioned above are secured by way of pledge of stocks with 25% margin and lien on receivables up to Rs. 22 million (2007: pledge of stocks with 25% margin and lien on receivables up to Rs. 22 million).
- 15.2.4** During the year the Company also obtained a running finance facility with the maximum sanctioned limit of Rs. 70 million. The facility is secured against the investment made in the NAFA Cash funds (NCF). The Company can avail the facility upto 70% of the investment value of the NCF investment, subject to maximum of Rs. 70 million.

16 LONG TERM FINANCING - Secured

This represents demand finance facility obtained from the Habib Bank Limited. The facility which was relinquished during the year carried mark up @ 14.235% per annum. The facility was secured against first prior charge (equitable mortgage) on all present and future assets, first prior floating hypothecation charge on all the movable and immovable properties and assets, personal guarantees of sponsor directors and pledge of shares. During the year, the Company paid off the last outstanding installment of the facility and charges on assets of the Company have been released.

17 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

These represent finance leases entered into with Orix Leasing Pakistan Limited for lease of vehicles and plant and machinery. The liability represents total of minimum lease payments discounted at rates ranging between 12.98 % to 17.00 % (2007: 12.98 % to 17.76 %) per annum, being the rate implicit in the lease arrangement. Under the lease agreements the purchase option is available to the Company on payment of lease installments and surrender of key deposit money. The cost of operating and maintaining the leased assets is borne by the Company.

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

	2008 Rupees	2007 Rupees
Minimum lease payments:		
Not later than one year	4,160,825	4,369,360
Later than one year but not later than five years	3,004,940	7,147,715
	7,165,765	11,517,075
Finance charges relating to future periods	(915,483)	(2,101,001)
Principal outstanding	6,250,282	9,416,074
Current portion shown under current liabilities	(3,440,538)	(3,165,164)
	2,809,744	6,250,910

	2008 Rupees	2007 Rupees
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18 PROVISION FOR TAXATION

Advance tax at beginning of the year	(11,401,311)	(9,428,490)
Income tax paid during the year	(17,561,622)	(1,972,821)
Provision for current taxation	31,426,866	-
Tax payable/(advance tax) at end of the year	2,463,933	(11,401,311)

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2008

		2008 Rupees	2007 Rupees
19	DEFERRED EMPLOYEE BENEFIT		
	Accumulating compensated absences		
	Obligation at beginning of the year	457,164	329,836
	Charge for the year	225,069	176,055
		682,233	505,891
	Benefits paid during the year	(5,037)	(48,727)
	Obligation at end of the year	<u>677,196</u>	<u>457,164</u>

		2008 Rupees	2007 Rupees
20	DEFERRED TAX LIABILITY		
	The net balance of deferred tax is in respect of the following major temporary differences:		
	Accelerated depreciation on property, plant and equipment	20,814,379	21,564,170
	Unused tax losses	-	(944,010)
	Obligation under finance lease	(1,454,753)	(2,175,113)
	Retirement benefits	(157,617)	(105,605)
	Provision for doubtful debts, advances and receivables	(343,253)	(374,749)
	Provision for slow moving stores, spare parts and loose tools	(49,442)	-
	Surplus on revaluation of property, plant and equipment	18,336,435	20,373,817
		<u>37,145,749</u>	<u>38,338,510</u>

Deferred tax liability has been calculated at the enacted tax rate of 35% (2007: 35%) per annum.

21 SHARE CAPITAL
21.1 Authorized share capital

This represents 25,000,000 (2007: 25,000,000) Ordinary shares of Rs. 10 each.

21.2 Issued, subscribed and fully paid up capital

	2008 Numbers	2007 Numbers		2008 Rupees	2007 Rupees
	14,000,000	14,000,000	Ordinary shares of Rs. 10 each issued for cash	140,000,000	140,000,000
	6,000,000	6,000,000	Ordinary shares of Rs. 10 each issued in lieu of restructuring arrangement with the lender	60,000,000	60,000,000
	<u>20,000,000</u>	<u>20,000,000</u>		<u>200,000,000</u>	<u>200,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2008

	2008 Rupees	2007 Rupees
22 SURPLUS ON REVALUATION OF FIXED ASSETS -net of tax		
Surplus on revaluation at 01 July	86,475,023	109,448,706
Transferred to equity in respect of incremental depreciation - net of deferred tax	(3,783,709)	(14,932,894)
Related deferred tax liability of incremental depreciation	(2,037,382)	(8,040,789)
	<u>(5,821,091)</u>	<u>(22,973,683)</u>
	80,653,932	86,475,023
Related deferred tax liability on:		
Revaluation as at 01 July	(20,373,817)	(28,414,606)
Incremental depreciation charged on revalued assets	2,037,382	8,040,789
	<u>(18,336,435)</u>	<u>(20,373,817)</u>
	<u>62,317,497</u>	<u>66,101,206</u>

23 CONTINGENCIES AND COMMITMENTS
23.1 Contingencies

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

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

23.2 Commitments

23.2.1 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. 32,627,827 (2007: Rs. 17,016,000).

	Note	2008 Rupees	2007 Rupees
24 GROSS SALES			
Local		416,911,215	387,569,864
Exports	24.1	143,909,864	142,399,131
		<u>560,821,079</u>	<u>529,968,995</u>

24.1 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 2008

	Note	2008 Rupees	2007 Rupees
25 COST OF SALES			
Materials consumed	25.1	214,231,509	210,074,996
Stores and spare parts consumed		3,407,685	2,037,299
Packing materials consumed		6,738,569	6,631,173
Fuel and power		4,103,214	4,711,890
Salaries, wages and other benefits	25.2	20,764,090	17,325,720
Insurance		1,484,100	1,052,662
Repairs and maintenance		1,453,431	2,358,550
Provision for slow moving stores, spare parts and loose tools	5	212,426	-
Depreciation	4.1	20,400,902	24,549,353
Vehicle running and maintenance		816,551	774,087
Travelling and conveyance		540,503	538,330
Water charges		42,600	46,200
Telephone, telex and postage		206,598	178,368
Legal and professional charges		77,202	71,410
Printing and stationery		163,058	228,572
Canteen		368,653	353,154
Transportation charges		12,645,801	10,188,936
Fees and subscription		369,005	321,830
Miscellaneous expenses		3,340,314	3,511,008
		<u>291,366,211</u>	<u>284,953,539</u>
Work in process:			
Opening		882,326	746,222
Closing		(1,150,697)	(882,326)
		<u>(268,371)</u>	<u>(136,104)</u>
Cost of goods manufactured		<u>291,097,840</u>	<u>284,817,435</u>
Finished goods:			
Opening		11,242,357	3,971,380
Closing		(12,858,439)	(11,242,357)
		<u>(1,616,082)</u>	<u>(7,270,977)</u>
		<u>289,481,758</u>	<u>277,546,458</u>
25.1 Materials consumed			
Opening stock		26,985,607	25,172,497
Purchases during the year		224,959,559	211,888,106
		<u>251,945,166</u>	<u>237,060,603</u>
Closing stock		(37,713,657)	(26,985,607)
		<u>214,231,509</u>	<u>210,074,996</u>

25.2 This includes Rs. 469,936 (2007: Rs. 384,123) charged on account of defined contribution plan.

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 Rupees	2007 Rupees
26 OTHER OPERATING INCOME			
From financial assets			
Gain on remeasurement of investment at fair value through profit or loss	11	1,117,619	236,855
Exchange gain		3,413,702	511,575
Interest on deposit accounts		2,930	205
		4,534,251	748,635
From non-financial assets			
Gain on disposal of vehicles		-	231,703
Services provided		701,033	-
		701,033	231,703
		5,235,284	980,338
		2008 Rupees	2007 Rupees
27 DISTRIBUTION COST			
Salaries, wages and other benefits	27.1	3,366,541	2,899,594
Staff traveling and conveyance		660,250	943,805
Telephone, telex and postage		96,125	84,661
Entertainment		47,387	48,741
Printing and stationary		38,341	43,389
Vehicle running and maintenance		619,450	440,270
Insurance		51,474	67,452
Other charges		354,669	366,057
Depreciation	4.1	210,218	256,815
		5,444,455	5,150,784
27.1	This include Rs. 105,756 (2007: Rs.96,423) charged on account of defined contribution plan.		
		2008 Rupees	2007 Rupees
28 ADMINISTRATIVE EXPENSES			
Directors' remuneration		7,113,124	5,501,960
Salaries, wages and other benefits	28.1	3,402,868	3,099,413
Directors' traveling and conveyance		2,604,767	1,346,973
Staff traveling and conveyance		-	2,500
Electricity, gas and water		252,056	242,863
Telephone, telex and postage		640,722	609,549
Rent, rates and taxes		980,382	1,081,765
Legal and professional charges		483,000	492,434
Donations		-	100,000
Auditors' remuneration	28.2	325,000	250,000
Printing and stationery		260,600	280,315
Entertainment		153,108	116,706
Other expenses	28.3	1,373,891	1,233,804
Depreciation	4.1	527,146	729,369
		18,116,664	15,087,651
28.1	This includes Rs.118,876 (2007: Rs.89,320) charged on account of defined contribution plan.		

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2008

	2008 Rupees	2007 Rupees
28.2 Auditors' remuneration		
Annual audit fee	195,000	150,000
Half yearly review	65,000	50,000
Other certifications	65,000	50,000
	<u>325,000</u>	<u>250,000</u>
28.3 Other expenses		
Insurance	123,794	90,442
Advertisements	127,880	75,780
Vehicle running and maintenance	576,383	399,314
Repair and maintenance	398,693	388,081
General expenses	147,141	280,187
	<u>1,373,891</u>	<u>1,233,804</u>
	2008	2007
	Rupees	Rupees
29 FINANCE COSTS		
Mark up on long term financing - secured	5,613,085	2,351,329
Mark up on loan from directors	400,000	-
Finance charge on leased assets	1,203,581	521,103
Mark up on short term borrowings - secured	341,253	87,559
Bank charges	860,442	924,123
	<u>8,418,361</u>	<u>3,884,114</u>
	2008	2007
	Rupees	Rupees
30 TAXATION		
Current -		
Prior	5,688,171	-
For the year	25,738,695	-
	31,426,866	-
Deferred	(1,192,761)	11,698,632
	<u>30,234,105</u>	<u>11,698,632</u>
30.1 Reconciliation of tax expense/ (income) with tax on accounting profit:		
Profit before taxation	105,843,740	104,993,968
Tax rate	35%	35%
Tax on accounting profit	37,045,309	36,747,889
Tax effect of business losses	(1,211,839)	(11,021,589)
Tax effect of lower tax rate on certain income	(11,287,536)	(14,027,668)
Tax effect of prior years taxation	5,688,171	-
	<u>30,234,105</u>	<u>11,698,632</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

30.2 Tax returns filed for Tax Years 2003 to 2007 (income years ended 30 June 2003 to 2007) 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.

	Note	2008 Rupees	2007 Rupees
31 CASH AND CASH EQUIVALENTS			
Cash and bank balances	12	35,919,714	28,695,006
Short term borrowings	15	(90,776)	(3,080,323)
		<u>35,828,938</u>	<u>25,614,683</u>
32 EARNINGS PER SHARE - Basic and diluted			
Profit for the year (Rupees)		<u>75,609,635</u>	<u>93,295,336</u>
Average number of shares outstanding during the year (Number)		<u>20,000,000</u>	<u>20,000,000</u>
Earnings per share (Rupees)		<u>3.78</u>	<u>4.66</u>

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

33 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2008				2007			
	Chief Executive (Rupees)	Directors (Rupees)	Executives (Rupees)	Total (Rupees)	Chief Executive (Rupees)	Directors (Rupees)	Executives (Rupees)	Total (Rupees)
Managerial remuneration	2,064,000	3,734,500	1,740,000	7,538,500	1,584,000	2,540,000	-	4,124,000
Employee benefits	114,624	-	96,636	211,260	87,960	-	-	87,960
Bonus	700,000	500,000	145,000	1,345,000	800,000	490,000	-	1,290,000
Total	<u>2,878,624</u>	<u>4,234,500</u>	<u>1,981,636</u>	<u>9,094,760</u>	<u>2,471,960</u>	<u>3,030,000</u>	<u>-</u>	<u>5,501,960</u>
Number of persons	<u>1</u>	<u>3</u>	<u>2</u>		<u>1</u>	<u>3</u>		

The aggregate amount charged in these financial statements in respect of meeting fee paid to other than Chief Executive and three Directors (2007: Three) was Rs. 215,000 (2007: Rs. 124,000).

Chief Executive and Directors are provided with Company maintained cars.

Executive means an employee whose basic salary exceeds Rs. 500,000 per year.

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2008

34 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES
34.1 Interest rate risk exposure

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

	Effective interest rates	Interest/mark-up bearing			
		Maturity up to one year	In more than one year but not later than two years	In more than two year but not later than three years	In more than three year but not later than four years
Financial assets					
Long term deposits		-	-	-	-
Trade debts		-	-	-	-
Advances		-	-	-	-
Trade deposits		-	-	-	-
Other receivables		-	-	-	-
Other financial asset		-	-	-	-
Cash and bank balances	1.95%	124,329	-	-	-
		<u>124,329</u>	-	-	-
Financial liabilities					
Recognized:					
Liabilities against assets subject to finance lease	12.98%-17.00%	3,440,538	2,809,744	-	-
Short term borrowings	11.09%-15.03%	90,776	-	-	-
Trade and other payables		-	-	-	-
Mark - up accrued		-	-	-	-
		<u>3,531,313</u>	<u>2,809,744</u>	-	-
On balance sheet gap		<u>(3,406,984)</u>	<u>(2,809,744)</u>	-	-
Unrecognized:					
Contingencies and commitments		-	-	-	-
Off balance sheet gap		<u>(3,406,984)</u>	<u>(2,809,744)</u>	-	-
		Interest/mark-up bearing			
		Maturity up to one year	In more than one year but not later than two years	In more than two year but not later than three years	In more than three year but not later than four years
Financial assets					
Long term deposits		-	-	-	-
Trade debts		-	-	-	-
Advances		-	-	-	-
Trade deposits		-	-	-	-
Other receivables		-	-	-	-
Investment in NAFA Cash Funds		-	-	-	-
Cash and bank balances	1.95%	125,866	-	-	-
		<u>125,866</u>	-	-	-
Financial liabilities					
Recognized:					
Long term financing	14.24%	8,757,290	-	-	-
Liabilities against assets subject to finance lease	12.98%-17.76%	3,165,164	3,445,234	2,805,677	-
Short term borrowings	9%-14%	3,080,323	-	-	-
Trade and other payables		-	-	-	-
Mark - up accrued		-	-	-	-
		<u>15,002,777</u>	<u>3,445,234</u>	<u>2,805,677</u>	-
On balance sheet gap		<u>(14,876,911)</u>	<u>(3,445,234)</u>	<u>(2,805,677)</u>	-
Unrecognized:					
Contingencies and commitments		-	-	-	-
Off balance sheet gap		<u>(14,876,911)</u>	<u>(3,445,234)</u>	<u>(2,805,677)</u>	-

						Non-interest/mark-up bearing			2008
		In more than four year but not later than five years	Maturity after five years	Sub total	Maturity up to one year	Maturity after one year	Sub total	Total	
									(Rupees)
		-	-	-	-	524,749	524,749	524,749	
		-	-	-	64,736,442	-	64,736,442	64,736,442	
		-	-	-	1,036,739	-	1,036,739	1,036,739	
		-	-	-	609,076	-	609,076	609,076	
		-	-	-	131,731	-	131,731	131,731	
		-	-	-	32,179,474	-	32,179,474	32,179,474	
		-	-	124,329	35,795,385	-	35,795,385	35,919,714	
		-	-	<u>124,329</u>	<u>134,488,847</u>	<u>524,749</u>	<u>135,013,596</u>	<u>135,137,925</u>	
		-	-	6,250,282	-	-	-	6,250,282	
		-	-	90,776	-	-	-	90,776	
		-	-	-	41,882,468	-	41,882,468	41,882,468	
		-	-	-	36,361	-	36,361	36,361	
		-	-	<u>6,341,057</u>	<u>41,918,829</u>	-	<u>41,918,829</u>	<u>48,259,887</u>	
		-	-	<u>(6,216,728)</u>	<u>92,570,019</u>	<u>524,749</u>	<u>93,094,767</u>	<u>86,878,039</u>	
		-	-	-	40,401,036	-	40,401,036	40,401,036	
		-	-	<u>(6,216,728)</u>	<u>52,168,983</u>	<u>524,749</u>	<u>52,693,731</u>	<u>46,477,003</u>	
						Non-interest/mark-up bearing			2007
		In more than four year but not later than five years	Maturity after five years	Sub total	Maturity up to one year	Maturity after one year	Sub total	Total	
									(Rupees)
		-	-	-	-	544,749	544,749	544,749	
		-	-	-	57,451,208	-	57,451,208	57,451,208	
		-	-	-	521,532	-	521,532	521,532	
		-	-	-	392,544	-	392,544	392,544	
		-	-	-	444,324	-	444,324	444,324	
		-	-	-	11,061,855	-	11,061,855	11,061,855	
		-	-	125,866	28,569,140	-	28,569,140	28,695,006	
		-	-	<u>125,866</u>	<u>98,440,603</u>	<u>544,749</u>	<u>98,985,352</u>	<u>99,111,218</u>	
		-	-	8,757,290	-	-	-	8,757,290	
		-	-	9,416,075	-	-	-	9,416,075	
		-	-	3,080,323	-	-	-	3,080,323	
		-	-	-	33,182,395	-	33,182,395	33,182,395	
		-	-	-	63,774	-	63,774	63,774	
		-	-	<u>21,253,688</u>	<u>33,246,169</u>	-	<u>33,246,169</u>	<u>54,499,857</u>	
		-	-	<u>(21,127,822)</u>	<u>65,194,434</u>	<u>544,749</u>	<u>65,739,183</u>	<u>44,611,361</u>	
		-	-	-	24,789,209	-	24,789,209	24,789,209	
		-	-	<u>(21,127,822)</u>	<u>40,405,225</u>	<u>544,749</u>	<u>40,949,974</u>	<u>19,822,152</u>	

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2008

34.2 Fair value of financial assets and liabilities

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

34.3 Currency risk

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

34.4 Foreign currency risk

Financial assets include Rs. 22,922,442 (2007: Rs. 19,545,565) in foreign currency which were subject to exchange risk.

34.5 Concentration of Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. All the financial assets except cash in hand, are subject to credit risk. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. To manage exposure to credit risk, the Company applies credit limit to its customers and deals with variety of major banks and financial institutions.

35 CAPITAL RISK 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 return for shareholders and benefits for other stakeholders, and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure 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 or issue new shares.

36 RELATED PARTY TRANSACTIONS

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

	2008 Rupees	2007 Rupees
Sponsors and directors		
Markup paid on loan	400,000	-
Markup accrued at the year end	29,412	29,412
Associated undertakings		
Maajid Enterprises - sole proprietorship concern of a director of the Company		
Sale of explosives	3,487,387	5,812,719
Balance payable at the year end	93,870	13,737
Orient Trading Limited		
Payment of dividend	13,500,000	5,400,000
Payment of markup	-	230,865
Other related parties		
Remuneration including benefits and perquisites of key management personnel	9,094,760	5,501,960
Contribution towards employees provident fund	809,192	657,826

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2008

37 CAPACITY AND PRODUCTION

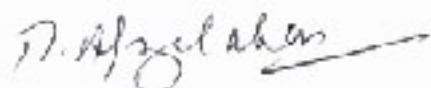
Product	Units	Rated Production capacity	2008	2007
			Actual production	
Tovex water gell and powder explosives	Kgs	6,000,000	3,989,375	4,447,700
Detonator - plain	Nos.	8,000,000	6,976,983	7,789,700
Detonator - electric	Nos.	450,000	282,256	449,300
Safety fuse	Meter	500,000	43,000	100,900
Detonating cord	Meter	2,500,000	2,457,029	2,479,150

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

38 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE OF AUTHORIZATION FOR ISSUE

38.1 The Board of Directors proposed final dividend at the rate of Rs. 2 per share in their meeting held on 28 August 2008.

38.2 These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on 28 August 2008.



Director



Chief Executive

PATTERN OF SHAREHOLDING
 AS AT 30 JUNE 2008

NO. OF SHAREHOLDERS	SHARE HOLDING		TOTAL NUMBER OF SHARES HELD
	FROM	TO	
29	1	100	1,987
162	101	500	74,714
99	501	1,000	96,099
128	1,001	5,000	362,500
28	5,001	10,000	223,200
13	10,001	15,000	171,500
4	15,001	20,000	79,300
2	20,001	25,000	41,200
2	25,001	30,000	52,500
2	30,001	35,000	62,500
2	35,001	40,000	73,800
3	40,001	45,000	132,500
1	45,001	50,000	49,500
1	50,001	55,000	55,000
6	55,001	60,000	360,000
2	65,001	70,000	136,500
1	70,001	75,000	71,500
2	75,001	80,000	159,500
1	85,001	90,000	90,000
4	95,001	100,000	400,000
1	140,001	145,000	142,800
1	145,001	150,000	145,900
1	155,001	160,000	158,800
1	160,001	165,000	161,800
1	170,001	175,000	173,400
1	195,001	200,000	200,000
3	201,000	250,000	670,000
1	290,001	295,000	294,300
1	420,001	425,000	424,000
1	845,001	850,000	850,000
1	920,001	925,000	920,500
1	995,001	1,000,000	1,000,000
1	1,120,001	1,125,000	1,123,700
1	1,215,001	1,220,000	1,218,000
1	1,495,001	1,500,000	1,500,000
1	1,885,001	1,890,000	1,888,000
1	6,430,001	6,435,000	6,435,000
511			20,000,000

SHAREHOLDER'S CATEGORY	NUMBERS OF SHAREHOLDERS	NUMBERS OF SHARE HELD	PERCENTAGE
INDIVIDUALS	478	9,255,200	46.28%
INSURANCE COMPANIES	2	159,800	0.80%
INVESTMENT COMPANIES	1	35,500	0.18%
JOINT STOCK COMPANIES	29	10,548,400	52.73%
OTHERS	1	1,100	0.01%
	511	20,000,000	100.00

PATTERN OF SHAREHOLDING
 AS AT 30 JUNE 2008

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARES HELD	% AGE
Directors, CEO & their Spouse and Minor Children			
M. Zafar Khan	1	1,547,700	7.74
Mrs. Ishrat Askari w/o Khawaja Amanullah Askari	1	294,300	1.47
M. Afzal Khan	1	210,000	1.05
M. Salim	1	210,000	1.05
M. Zafar Iqbal & Sherbano Iqbal	1	145,300	0.73
Adnan Auranzeb	1	100,000	0.50
Dr. 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
Khawaja Amanullah Askari	1	5,700	0.03
Maj Gen. (Ret'd) S.Z.M. Askree	1	5,000	0.03
Abdul Maajid Qureshi	1	1,000	0.01
Banks, Development Finance Institutions, Non Banking Finance Institutions, Insurance Companies, Modarba & Mutual Funds	32	4,309,800	21.55
Other Individuals	465	6,600,000	33.00
Shareholders holding 10% or more shares in the company:			
Orient Trading Ltd.	1	6,435,000	32.18
TOTAL	511	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	660,200	-
2. M. Afzal Khan	60,000	-
3. M. Salim	-	100,000
4. Maj Gen. (Ret'd) S.Z.M. Askree	2,500	-
5. M. Zafar Iqbal & Sherbano Iqbal	-	387,200
6. Mrs. Zahida Qureshi w/o Abdul Maajid Qureshi	11,000	200,000
7. Abdul Maajid Qureshi	-	200,000

FORM OF PROXY

The Secretary

Biafo Industries Limited

Office No: 203-204, 2nd Floor,
 Muhammad Gulistan Khan House,
 Fazal-UI-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 20th Annual General Meeting of the Company to be held at its registered office, 203, 2nd Floor, M. Gulistan Khan House, 82 East Fazal-UI-Haq Road, Blue Area, Islamabad on September 25th, 2008 and any adjournment thereof.

Signed _____ day of _____ 2008

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.