Annual Report 2012

BIAFO INDUSTRIES LIMITED

Manufacturers of Tovex® Explosives & Blasting Accessories

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Non Executive Directors

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

Company Secretary

Khawaja Shaiq Tanveer

Audit Committee

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

HR & Remuneration Committee

Dr. M. Humayun Khan	Chairman
Adnan Aurangzeb	Member
Mufti M. Hashim Khan	Member
Khawaja Amanullah Askari	Member

Auditors

KPMG Taseer Hadi & Co. Chartered Accountants

Legal Advisors

Chima & Ibrahim, Raja Rashid, Javaid Qureshi

Bankers

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

Registered Office

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

Factory

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

Shares Registrar

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

NOTICE OF 24th ANNUAL GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that the 24th Annual General Meeting of Biafo Industries Limited will be held on Wednesday 26th September 2012 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 23rd Annual General Meeting held on October 24, 2011.
2. To receive and adopt the Audited Accounts of the Company for the year ended June 30, 2012 together with Auditors' report and Directors' report thereon.
3. To approve the payment of final dividend of Rs 3.50 per share (35%) and also the interim dividends of Rs 1.25 per share (12.5%) declared on October 24, 2011, Rs. 1.00 per share (10%) declared on February 23, 2012 and Rs 2.25 per share (22.5%) declared on April 19, 2012 making a total of Rs 8.00 per share (80%) for the year ended June 30, 2012.
4. To appoint Auditors for the year 2012-13 and to fix their remuneration. Retiring Auditors M/s KPMG Taseer Hadi & Co. Chartered Accountants being eligible offer themselves for reappointment for the year 2012-13.
5. To transact such other business as may be placed before the meeting with the permission of the Chairman.

By order of the Board

Khawaja Shaiq Tanveer
Company Secretary

Islamabad: August 28,2012

NOTES:

1. Share Transfer Books of the Company will remain closed from September 18, 2012 to September 26, 2012 both days inclusive.
2. A member entitled to attend and vote at the meeting shall be entitled to appoint another person, as his/her and proxy to attend, demand or join in demanding a poll, speak and vote instead of his/her and a proxy so appointed shall have such rights, as attending, speaking and voting at the meeting as are available to a member. Proxies in order to be effective must be received at the registered office of the company not later than 48 hours before the meeting duly stamped, signed and witnessed. A proxy need not be a member of the Company.

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

BIAFO INDUSTRIES LTD.
DIRECTORS' REPORT

Your directors are pleased to present the 24th Annual Report of the company for the year ended June 30th 2012.

Sales and Financial Results:

Net local Sales increased by 31.53% to Rs. 772.71 m while export sales declined by 38.72%, while overall net sales increased by 9.27% to Rs. 951.07 m in the period under review . Net sales in the six months to June, 2012 increased by 66.29% to Rs. 593.84 m in comparison to the six month period to December 31, 2011 of Rs.357.23 m.

The significant feature of the sales was the substantial increase in sales to the Oil and Gas Exploration sector of 132.2%. However there was a decline in deliveries and export sales to the SAINDAK Copper and Gold Mining Project (EPZ) and Duddar Lead and Zinc Project (EPZ) of 36.95 % due to operational issues at their site.

Site operational issues continue to effect export sales to Saindak Copper and Gold Mining project (EPZ) which declined by 42.75% and Duddar Lead and Zinc project (EPZ) which declined by 32.84%. Apart from the significant and substantial increase in oil and gas exploration sector, the low overall GDP growth of 3.70% was reflected in the weaker demand from the Cement and Construction projects, while large projects suffered due to poor funding in the public sector. The only project which came onstream in the year under review was the Patrind Hydel Project, on which work has commenced only on a section as yet.

The second half of the financial year under review saw significant increase in raw material prices which put the company's gross profit margin under pressure. Product sales price only increased in June, 2012, and this did not adequately cover raw material prices resulting in decline of gross profit margin by 1.89% to 31.28% against the comparable margins of the previous year.

Profit before taxation was similar to that of the previous of the year, however tax increase of 18.6% effected profit for the year which declined by 6.06% to Rs.166.61 m resulting in EPS of Rs. 8.33 as against 2011 EPS (Rs. 8.87). Increase in tax incidence was due to reduced export sales, which are subject to lower tax charge.

Finance:

The company was able to increase its financial assets by Rs. 60.95 m to Rs. 206.93 m and its income from these assets by Rs. 4.46 m to Rs. 14.43 m.

BIAFO INDUSTRIES LTD.
DIRECTORS' REPORT

Finance cost increased by Rs. 2.20 m to Rs. 5.45 m due to cash flow timing gaps.

Net worth of the company for the period under review increased by Rs. 20.60 m to Rs. 522.03 m

Production:

Plant and the production team continued to perform satisfactory, especially in meeting the challenge of the sudden surge in the demand from the oil and gas exploration sector. Demand of this specialized product both for seismic explosives and detonators almost quadrupled in 2nd half of the financial year under review. The efforts of the Plant team to meet the high specs in this specialized quality sector is commendable.

The company continues to make timely deliveries of its products to its customers to their general satisfaction as per feed back from all sectors of the explosives users market. The company continues to invest in resources for improvement in Production Efficiency, Human Resources, and Safety to enhance the confidence of its users and stakeholders.

Future Prospects:

Macro economic situation of country's finances, moderate optimism for future large scale projects for the year 2012-2013. We are hopeful, however for the commencement of the Golen Gol Hydel project, Lowari Road Tunnel expansion project and the Karakarum Highway expansion/remodeling project as well as improved funding for the Neelum Jhelum Hydel Project in 2012-13.

Dividend:

Board has approved final dividend of Rs. 3.50 per share (35%) and also the 1st interim cash dividend of Rs. 1.25 per share (12.5%) declared on October 24, 2011 and 2nd Interim cash dividend of Rs. 1.00 per share (10 %) declared on February 23, 2012 and 3rd Interim cash dividend of Rs. 2.25 per share (22.5 %) declared on April 19, 2012 for the year ended June, 2011, making a total Dividend declaration of Rs. 8.00 (80 %) for the financial year ending 30th June, 2012.

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

BIAFO INDUSTRIES LTD.
DIRECTORS' REPORT

a high standard of good corporate governance. The company is in the process of implementing the provisions set out by Securities & Exchange Commission of Pakistan (SECP) and the accordingly amended listing rules by Stock Exchanges.

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

- Financial statement prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flow & changes in equity.
- Proper books of account of the company have been maintained.
- Accounting policies have been consistently applied in 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, 2012 except for those stated in the financial statements.
- A statement as to the value of investment of Provident Fund as on June 30, 2012 is Rs. 23,543,392/-.

A total of 4 meetings of the Board of Directors were held during year (July 2011 to June 2012). The attendance by each Director is given as follows:

BIAFO INDUSTRIES LTD.
DIRECTORS' REPORT

NAME ATTENDED		NO OF MEETINGS
Mr. M. Afzal Khan	Chairman	04
Mr. Khawaja Amanullah Askari	Managing Director	04
Mr. A. Maajid Qureshi	Director	04
Mr. Khawaja Ahmed Hosain	Director	03
Mr. M. Salim	Director	03
Ms. Shireen Safdar	Director	04
Maj.Gen (Rtd.) S.Z.M. Askree	Director	04
Col. (Rtd.) M. Zafar Khan	Director	04
Dr. Humayun Khan	Director	03
Mr. Adnan Aurangzeb	Director	04
Mr. Zafar Iqbal (Deceased)	Director	01
Mr. Mufti M. Hashim Khan (New)	Director	01

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

AUDITORS

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

ACKNOWLEDGEMENT:

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

BIAFO INDUSTRIES LTD.
DIRECTORS' REPORT

PATTERN OF SHARE HOLDING

Pattern of share holding is enclosed.

On Behalf of the Board

Islamabad
28 August 2012

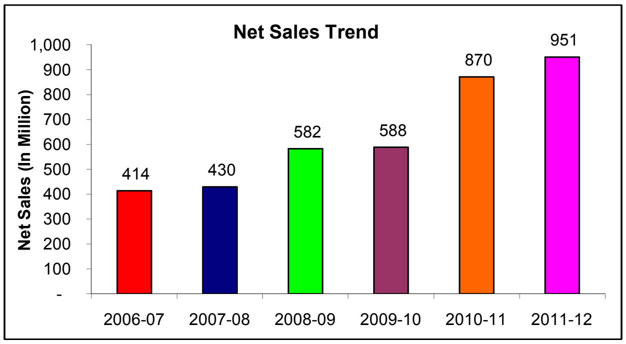
Khawaja Amanullah Askari
Managing Director
&
Chief Executive

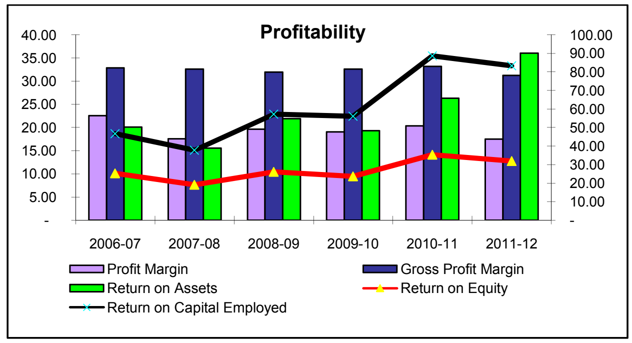
STAKEHOLDERS INFORMATION

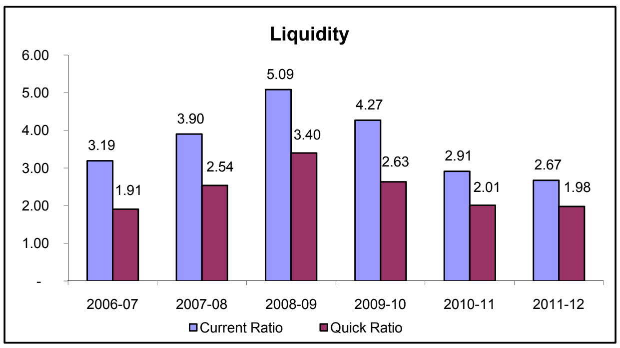
		2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
BALANCE SHEET				(In Thousands, "000")			
Paid up Capital	Rs.	**200,000**	200,000	200,000	200,000	200,000	200,000
Shareholder Equity*	Rs.	**522,035**	501,425	473,072	438,755	394,294	368,684
Fixed Assets	Rs.	**257,857**	265,807	273,100	275,756	282,359	301,552
PROFIT & LOSS ACCOUNT				(In Thousands, "000")			
Net Sales	Rs.	**951,071**	870,365	588,495	581,982	429,759	413,585
Gross Profit / (Loss)	Rs.	**297,448**	288,691	191,807	185,973	140,277	136,039
Operating Profit / (Loss)	Rs.	**254,256**	254,060	159,586	159,786	113,533	112,897
Profit / (Loss) after taxation	Rs.	**166,610**	177,353	112,332	114,462	75,610	93,295
PROFITABILITY RATIOS							
Gross Profit/(Loss) Margin	%	**31.28**	33.17	32.59	31.96	32.64	32.89
Net Profit Margin	%	**17.52**	20.38	19.09	19.67	17.59	22.56
Return on Assets	%	**22.55**	26.24	19.31	21.87	15.52	20.08
Return on Shareholder Equity*	%	**31.92**	35.37	23.75	26.09	19.18	25.30
LIQUIDITY RATIOS							
Current Ratio	:	**2.67**	2.91	4.27	5.09	3.90	3.19
Quick Ratio	:	**1.98**	2.01	2.63	3.40	2.54	1.91
Cash Generation to Sales	:	**96.57**	97.55	95.97	100.10	97.79	98.56
ASSETS MANAGEMENT RATIOS							
Number of Days Stock	Days	**40**	46	55	41	44	34
Number of Days Trade Debts	Days	**37**	38	20	35	50	46
Operating Cycle	Days	**(3)**	13	20	12	11	13
Fixed Assets Turnover	Days	**3.69**	3.27	2.15	2.11	1.52	1.37
Sales /Shareholder Equity*	Times	**1.82**	1.74	1.24	1.33	1.09	1.12
DEBTS MANAGEMENT RATIOS							
Total Assets to Total Debts	Times	**4.12**	4.83	8.06	10.77	9.30	9.12
Debts to Shareholder Equity *	%	**34%**	28%	15%	11%	13%	14%
MARKET RATIOS							
Share Price at year end	Per Share	**53.29**	51.00	35.39	35.43	37.00	49.00
Share Price-High	Per Share	**78.89**	59.20	41.61	42.90	51.00	57.00
Share Price-Low	Per Share	**47.00**	31.64	30.25	28.50	25.70	22.15
Earning Per Share	Rs. 10/Share	**8.33**	8.87	5.62	5.72	3.78	4.66
Price Earning Ratio	Times	**6.40**	5.75	6.30	6.19	9.79	10.50
Dividend Declared	Per Share (Rs)	**8.00**	7.75	4.50	4.00	3.00	2.50
Dividend Yield	%	**15.01**	15.20	12.72	11.29	8.11	5.10
Break-up Value	Rs. 10/Share	**26.10**	25.07	23.65	21.94	19.71	18.43

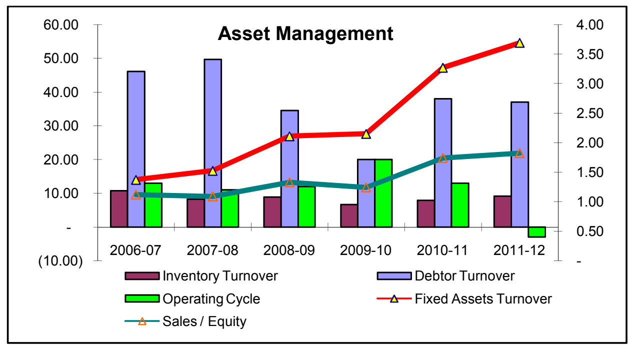
*Shareholder Equity is inclusive of Surplus on Revaluation of Fixed Assets

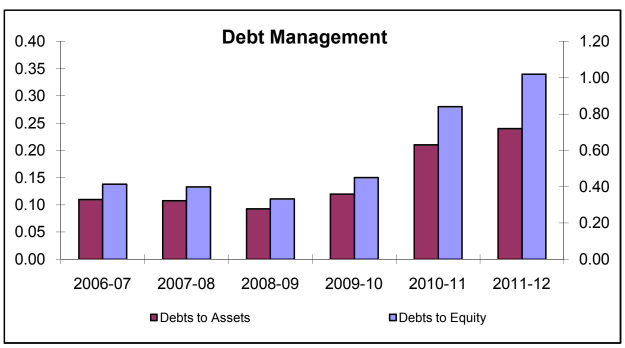
STAKEHOLDERS INFORMATION

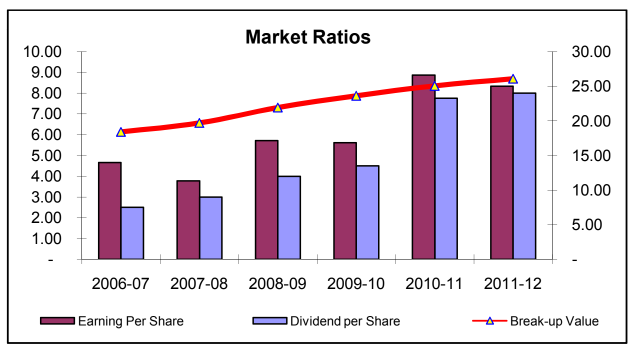


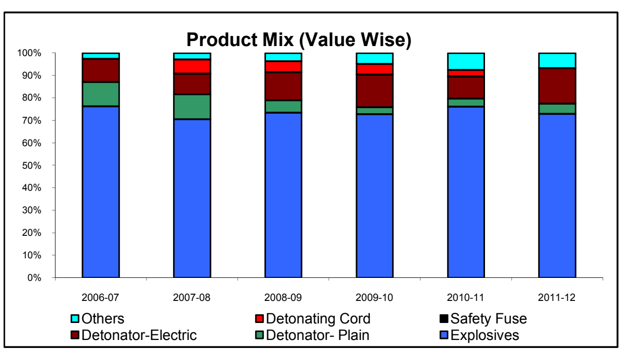


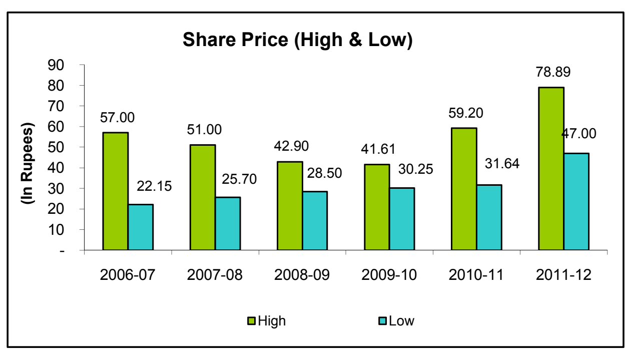












STATEMENT OF COMPLIANCE
WITH THE CODE OF CORPORATE GOVERNANCE TO THE MEMBERS
For the year ended June 30, 2012

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

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

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

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

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

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

4. A casual vacancy occurring on the board on 19 March, 2012 was filled up by the directors within 25 days.

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

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

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

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The board members have not attended any orientation course during the year.

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

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

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

13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The company has complied with all the corporate and financial reporting requirements of the CCG.

15. The board has formed an Audit Committee. It comprises 4 members, of whom 3 are non-executive directors and the chairman of the committee is a non-executive director.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed an HR and Remuneration Committee. It comprises 4 members, of who 3 are non-executive directors and the chairman of the committee is a non-executive director.

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

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

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

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

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

23. We confirm that all other material principles enshrined in the CCG have been complied with except for the orientation course of directors and certification under any directors' training program, toward which reasonable progress is being made by the company to seek compliance by the end of next accounting year.

Islamabad:
28 August 2012

M. Afzal Khan
Chairman

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

We have reviewed the Statement of Compliance with the best practices ("the Statement") contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of Biafo Industries Limited ("the Company") to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange (Guarantee) Limited and Chapter XI of the Listing Regulations of Islamabad Stock Exchange (Guarantee) Limited, where the Company is listed.

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

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

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

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

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2012.

KPMG Taseer Hadi & Co.

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

Date: 28 August 2012
Islamabad

AUDITORS' REPORT TO THE MEMBERS OF BIAFO INDUSTRIES LIMITED

We have audited the annexed balance sheet of Biafo Industries Limited ("the Company") as at 30 June 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion-

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of Company's affairs as at 30 June 2012 and of the profit, its cashflows and changes in equity for the year then ended; and

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

KPMG Taseer Hadi & Co.

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

Date: 28 August 2012
Islamabad

BALANCE SHEET
AS AT 30 JUNE 2012

	Note	2012 Rupees	2011 Rupees
NON CURRENT ASSETS			
Property, plant and equipment	4	257,856,895	265,806,932
Long term deposits		2,136,754	2,207,103
		259,993,649	268,014,035
CURRENT ASSETS			
Stores, spare parts and loose tools	5	7,119,891	8,821,182
Stock in trade	6	97,475,579	113,373,676
Trade debts - Unsecured	7	118,206,509	101,795,366
Advances - Unsecured	8	5,000,778	2,224,222
Trade deposits and short term prepayments	9	1,491,143	1,551,456
Advance income tax - net	10	3,355,178	-
Other receivables	11	347,794	503,875
Other financial assets	12	206,929,872	145,984,098
Cash and bank balances	13	39,047,848	33,667,946
		478,974,592	407,921,821
CURRENT LIABILITIES			
Trade and other payables	14	132,773,333	96,083,538
Markup accrued		1,301,802	525,114
Short term borrowings - Secured	15	45,429,217	42,666,382
Provision for taxation	10	-	786,399
		179,504,352	140,061,433
NET CURRENT ASSETS		299,470,240	267,860,389
NON CURRENT LIABILITIES			
Deferred employee benefit	16	1,321,393	1,019,689
Deferred tax liability - net	17	36,107,171	33,429,543
		37,428,564	34,449,232
NET ASSETS		**522,035,325**	**501,425,192**
REPRESENTED BY:			
SHARE CAPITAL AND RESERVES			
Share capital	18	200,000,000	200,000,000
Unappropriated profit		260,918,569	237,515,259
		460,918,569	437,515,259
SURPLUS ON REVALUATION OF FIXED ASSETS - Net of tax	19	61,116,756	63,909,933
		522,035,325	**501,425,192**
CONTINGENCIES AND COMMITMENTS	20		

The annexed notes 1 to 36 form an integral part of these financial statements.

Islamabad
28 August 2012

Director

Chief Executive

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 Rupees	2011 Rupees
NET SALES	21	951,070,746	870,365,068
Cost of sales	22	(653,622,890)	(581,674,395)
GROSS PROFIT		297,447,856	288,690,673
Other operating income	23	14,926,970	10,305,437
Distribution cost	24	(8,978,963)	(8,096,615)
Administrative expenses	25	(43,692,324)	(33,591,742)
Finance costs	26	(5,447,858)	(3,247,336)
OPERATING PROFIT		254,255,681	254,060,417
Workers' profit participation fund		(12,712,784)	(12,703,021)
Workers' welfare fund		(4,652,299)	(4,757,082)
PROFIT BEFORE TAXATION		**236,890,598**	**236,600,315**
TAXATION			
Current	27	(67,602,837)	(61,423,880)
Deferred	27	(2,677,628)	2,176,792
		(70,280,465)	(59,247,088)
PROFIT FOR THE YEAR		**166,610,133**	**177,353,226**
EARNINGS PER SHARE - Basic and diluted	28	**8.33**	**8.87**

The annexed notes 1 to 36 form an integral part of these financial statements.

Islamabad
28 August 2012

Director **Chief Executive**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	2012 Rupees	2011 Rupees
Profit for the year	166,610,133	177,353,226
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**166,610,133**	**177,353,226**

The annexed notes 1 to 36 form an integral part of these financial statements.

Islamabad
28 August 2012

Director

Chief Executive

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 Rupees		2011 Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation			236,890,598		236,600,315
Adjustments for:					
Depreciation		16,683,863		17,428,563	
Finance costs		5,447,858		3,247,336	
Provision for Workers' profit participation fund		12,712,784		12,703,021	
Provision for Workers' welfare fund		4,652,299		4,757,082	
Provision for employee benefit		312,543		216,243	
Provision for slow moving stores, spare parts and loose tools		220,000		218,500	
Unrealized gain on remeasurement of investment		(13,032,107)		(9,087,851)	
Gain on disposal of property, plant and equipment		-		(295,457)	
Interest on deposit accounts and TDRs		(1,401,548)		(880,059)	
Exchange gain		(493,315)		(42,070)	
			25,102,377		28,265,308
			261,992,975		264,865,623
Changes in:					
Store, spare parts and loose tools		1,481,291		(3,181,882)	
Stock in trade		15,898,097		(6,960,737)	
Trade debts		(16,470,688)		(64,269,987)	
Advances, deposits, prepayments and other receivables		(2,622,075)		(1,748,911)	
Trade and other payables		36,017,409		15,317,010	
			34,304,034		(60,844,507)
Cash generated from operations			**296,297,009**		**204,021,116**
Finance costs paid		(4,671,170)		(2,752,206)	
Employees benefits paid		(10,839)		(12,403)	
Payments to Workers' profit participation fund		(12,703,021)		(7,979,279)	
Payments to Workers' welfare fund		(4,757,082)		(3,071,554)	
Income taxes paid		(71,744,414)		(60,943,645)	
			(93,886,526)		(74,759,087)
Net cash from operating activities			**202,410,483**		**129,262,029**
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(8,733,825)		(12,337,764)	
Proceeds from disposal of property, plant and equipment		-		2,497,787	
Net investment during the year		(47,360,808)		(34,275,004)	
Interest received on deposit accounts and TDRs		1,533,810		870,868	
Net cash used in investing activities		**(54,560,823)**		**(43,244,113)**	
CASH FLOWS FROM FINANCING ACTIVITIES					
Payment of dividend		(145,232,594)		(146,729,220)	
Net cash used in financing activities		**(145,232,594)**		**(146,729,220)**	
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS			2,617,066		(60,711,304)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR			(8,998,435)		51,712,868
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	29		**(6,381,369)**		**(8,998,436)**

The annexed notes 1 to 36 form an integral part of these financial statements.

Islamabad
28 August 2012

Director

Chief Executive

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	Share capital	Unappropriated profit	Total equity
	Rupees	Rupees	Rupees
Balance at 01 July 2010	200,000,000	206,054,454	406,054,454
Total comprehensive income for the year	-	177,353,226	177,353,226
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year - net of deferred tax	-	3,107,579	3,107,579
	-	**180,460,805**	**180,460,805**
Transactions with members recorded directly in equity			
Distribution to members			
Final dividend of 2010 @ Rs. 2.50 per share	-	(50,000,000)	(50,000,000)
First Interim dividend of 2011 @ Rs. 1.25 per share	-	(25,000,000)	(25,000,000)
Second Interim dividend of 2011 @ Rs. 1.50 per share	-	(30,000,000)	(30,000,000)
Third Interim dividend of 2011 @ Rs. 2.20 per share	-	(44,000,000)	(44,000,000)
Total distribution to members	**-**	**(149,000,000)**	**(149,000,000)**
Balance at 30 June 2011	**200,000,000**	**237,515,259**	**437,515,259**
Balance at 01 July 2011	200,000,000	237,515,259	437,515,259
Total comprehensive income for the year	-	166,610,133	166,610,133
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the year - net of deferred tax	-	2,793,177	2,793,177
	-	**169,403,310**	**169,403,310**
Transactions with members recorded directly in equity			
Distribution to members			
Final dividend of 2011 @ Rs. 2.80 per share	-	(56,000,000)	(56,000,000)
First Interim dividend of 2012 @ Rs. 1.25 per share	-	(25,000,000)	(25,000,000)
Second Interim dividend of 2012 @ Rs. 1.00 per share	-	(20,000,000)	(20,000,000)
Third Interim dividend of 2012 @ Rs. 2.25 per share	-	(45,000,000)	(45,000,000)
Total distribution to members	**-**	**(146,000,000)**	**(146,000,000)**
Balance at 30 June 2012	**200,000,000**	**260,918,569**	**460,918,569**

The annexed notes 1 to 36 form an integral part of these financial statements.

Islamabad
28 August 2012

Director **Chief Executive**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

1 LEGAL STATUS AND OPERATIONS

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

The Company started its commercial production on 01 July 1994 and is principally engaged in the manufacturing of commercial explosives and blasting accessories including detonators and other materials. The Company's license for manufacturing and sale of explosives is required to be renewed annually. The Company has set up its industrial undertaking at Hattar Industrial Estate, Khyber Pakhtunkhwa, with its registered office located at 203-204, 2nd Floor, M. Gulistan Khan House, 82-E, Fazal-ul-Haq Road, Blue Area, Islamabad, Pakistan.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

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

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

2.3 Functional and presentation currency

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

2.4 Significant estimates

The preparation of financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

Property, plant and equipment

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

Provisions

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

Impairment of assets

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

Taxation

Estimates and judgments occur in the calculation of certain tax liabilities and in the determination of the recoverability of certain deferred tax assets, which arise from temporary differences and carry forwards. The Company takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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

Stores and spares

The Company reviews the stores and spares for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of stores and spares with a corresponding affect on the provision.

Provision against trade debts, advances and other receivables

The Company reviews the recoverability of its trade debts, advances and other receivables to assess amount of bad debts and provision required there against on annual basis.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2012:

– Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Company.

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

– Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.

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

– IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

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

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

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

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

b) IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of ‘property, plant and equipment’ in IAS 16 is now considered in determining whether these items should be accounted for under that standard.

If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property, plant and equipment

3.1.1 Owned

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

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

Surplus arising on revaluation is credited to the surplus on revaluation of fixed asset account. Deficit arising on subsequent revaluation of property, plant and equipment is adjusted against the balance

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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

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

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

3.2 Stock in trade

Stock in trade is measured at lower of cost and net realizable value. Cost is determined as follows:

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

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

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

3.4 Investments

All purchases and sale of investments are recognized using settlement date accounting. Settlement date is the date on which investments are delivered to or by the Company. All investments are

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

derecognized when the right to receive economic benefits from the investments has expired or has been transferred and the Company has transferred substantially all the risks and rewards of ownership.

3.4.1 Investments held to maturity

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

3.4.2 Investment at fair value through profit or loss

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

3.5 Taxation

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

3.5.1 Current tax

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

3.5.2 Deferred tax

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further the Company also recognizes deferred tax liability on surplus on revaluation of depreciable fixed assets which is adjusted against the related surplus. The effect on deferred taxation of the portion of income expected to fall under presumptive tax regime is adjusted in accordance with the requirements of accounting technical release 27 of the Institute of Chartered Accountants of Pakistan.

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

3.6 Employee benefits

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

3.6.1 Accumulating compensated absences

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

3.6.2 Provident fund

The Company has established a recognized provident fund for the management employees. Effective 01 July 2004, the benefit is also available to workers of the Company. Provision is made in the financial statements for the amount payable by the Company to the fund and in this regard contributions are made monthly at the rate of 10% of basic salary equally by the Company and the employee. Obligations for contributions to plan is recognized as an employee benefit expense in profit or loss account when they are due.

3.7 Revenue recognition

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of government levies, trade discounts and commission. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Risk and rewards are transferred to the customer upon delivery / dispatch of goods as appropriate under the terms of agreements with customers.

Services include training, and professional services. Revenue from services is recognized as the services are completed or ratably over the contractual period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

3.8 Foreign currencies

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

3.9 Finance income and cost

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

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

3.10 Financial instruments

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

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

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

3.11 Offsetting

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

3.12 Trade and other payables

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

3.13 Trade and other receivables

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

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

3.14 Provisions

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

3.15 Dividend

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

3.16 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and at bank and short term borrowings that form an integral part of the Company's cash management. Cash and cash equivalents are carried in the balance sheet at cost.

3.17 Impairment

3.17.1 Financial assets

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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

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

3.17.2 Non financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

4 PROPERTY, PLANT AND EQUIPMENT

		Owned										
	Leasehold land	Building on leasehold land	Plant and machinery	Fork lifter	Tools and equipment	Tube well	Office equipment	Furniture and fixtures	Electrical appliances	Vehicles	Capital work in progress	Total
						Rupees						
Cost/ Revalued amount												
Balance as at 01 July 2010	81,433,100	30,027,897	151,093,199	1,993,458	998,926	306,600	2,584,129	1,572,209	679,979	12,517,039	406,160	283,612,696
Additions	-	-	3,977,552	-	-	2,300,000	88,350	40,000	217,231	3,908,322	1,806,309	12,337,764
Disposals	-	-	-	-	-	-	-	-	-	(3,992,391)	-	(3,992,391)
Transfer in/(out)	-	852,800	-	-	-	-	-	-	-	-	(852,800)	-
Balance as at 30 June 2011	**81,433,100**	**30,880,697**	**155,070,751**	**1,993,458**	**998,926**	**2,606,600**	**2,672,479**	**1,612,209**	**897,210**	**12,432,970**	**1,359,669**	**291,958,069**
Balance as at 01 July 2011	81,433,100	30,880,697	155,070,751	1,993,458	998,926	2,606,600	2,672,479	1,612,209	897,210	12,432,970	1,359,669	291,958,069
Additions	-	-	2,946,654	-	-	-	142,921	41,250	143,600	1,224,763	4,234,637	8,733,825
Transfer in/(out)	-	1,637,246	152,933	-	-	-	-	-	2,644,618	-	(4,434,797)	-
Balance as at 30 June 2012	**81,433,100**	**32,517,943**	**158,170,338**	**1,993,458**	**998,926**	**2,606,600**	**2,815,400**	**1,653,459**	**3,685,428**	**13,657,733**	**1,159,509**	**300,691,894**
Depreciation												
Balance as at 01 July 2010	-	-	1,174,133	979,117	823,256	258,492	1,937,442	1,217,421	299,247	3,823,527	-	10,512,634
Charge for the year	-	752,041	15,244,328	101,434	17,567	47,030	128,923	38,734	133,906	964,600	-	17,428,563
On disposals	-	-	-	-	-	-	-	-	-	(1,790,060)	-	(1,790,060)
Balance as at 30 June 2011	**-**	**752,041**	**16,418,461**	**1,080,551**	**840,823**	**305,522**	**2,066,365**	**1,256,155**	**433,153**	**2,998,067**	**-**	**26,151,136**
Balance as at 01 July 2011	-	752,041	16,418,461	1,080,551	840,823	305,522	2,066,365	1,256,155	433,153	2,998,067	-	26,151,136
Charge for the year	-	775,045	14,009,696	91,291	15,810	230,108	138,835	37,671	436,876	948,531	-	16,683,863
Balance as at 30 June 2012	**-**	**1,527,086**	**30,428,157**	**1,171,842**	**856,633**	**535,630**	**2,205,200**	**1,293,826**	**870,029**	**3,946,598**	**-**	**42,834,999**
Carrying amounts - June 2011	81,433,100	30,128,656	138,652,290	912,907	158,103	2,301,078	606,114	356,054	464,057	9,434,903	1,359,669	265,806,932
Carrying amounts - June 2012	**81,433,100**	**30,990,857**	**127,742,181**	**821,616**	**142,293**	**2,070,970**	**610,200**	**359,633**	**2,815,399**	**9,711,135**	**1,159,509**	**257,856,895**
Rates of depreciation per annum	**-**	**2.50%**	**10%**	**10%**	**10%**	**10%**	**10-33.33%**	**10%**	**33.33%**	**10%**	**-**	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 Rupees	2011 Rupees
4.1 Depreciation for the year has been allocated as follows:			
Cost of sales	22	15,359,153	16,420,352
Distribution cost	24	53,504	56,804
Administrative expenses	25	1,271,206	951,407
		16,683,863	**17,428,563**

4.2 Revaluation of land, building, plant and machinery

Leasehold Land, building on leasehold land and plant and machinery of the Company were revalued on 30 June 1996, 30 June 2005 and on 30 June 2010. Valuation in 2010 was carried out by an independent valuer M/S Consultancy Support & Services under the market value basis. This revaluation resulted in net surplus of Rs. 13.518 million. Balance of revaluation surplus net of incremental depreciation included in the book value of these assets as stated in note 19 amounted to Rs. 73.89 million (2011: Rs. 78.18 million) at the year end.

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

	Net Book Value	
	2012 Rupees	2011 Rupees
Leasehold land	44,033,883	44,033,883
Building on leasehold land	32,089,735	32,912,549
Plant and machinery	67,603,670	75,115,189
	143,727,288	**152,061,621**

	2012 Rupees	2011 Rupees
5 STORES, SPARE PARTS AND LOOSE TOOLS		
Stores	1,295,737	1,190,063
Spare parts	6,821,009	8,407,109
Loose tools	81,497	82,362
	8,198,243	**9,679,534**
Provision for slow moving stores, spare parts and loose tools	(1,078,352)	(858,352)
	7,119,891	**8,821,182**
6 STOCK IN TRADE		
Raw materials	77,423,349	93,460,473
Packing materials	2,129,628	3,216,142
Work in process	1,051,580	806,932
Finished goods	12,179,082	6,676,781
Goods in transit	4,691,940	9,213,348
	97,475,579	**113,373,676**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 Rupees	2011 Rupees
7 TRADE DEBTS - UNSECURED			
Unsecured - Considered good		118,206,509	101,795,366
Unsecured - Considered doubtful		1,592,761	1,592,761
		119,799,270	103,388,127
Provision for doubtful debts		(1,592,761)	(1,592,761)
		118,206,509	**101,795,366**
8 ADVANCES - UNSECURED			
Advances to suppliers - Considered good		4,008,768	1,325,275
Advances to employees - Considered good		992,010	898,947
		5,000,778	**2,224,222**
9 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Trade deposits		428,076	428,076
Prepayments		1,063,067	1,123,380
		1,491,143	**1,551,456**
10 ADVANCE INCOME TAX- Net			
(Tax payable)/advance tax at beginning of the year		(786,399)	1,661,769
Income tax paid during the year		71,489,124	60,943,645
Adjustment made for opening advance tax		255,290	(1,967,933)
Provision for current taxation	27	(67,602,837)	(61,423,880)
Advance tax /(Tax payable) at end of the year		**3,355,178**	**(786,399)**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 Rupees	2011 Rupees
11 OTHER RECEIVABLES			
Considered good:			
Interest income receivable		150,431	282,693
Others		197,363	221,182
		347,794	**503,875**

12 OTHER FINANCIAL ASSETS

Investments:	Number of units 2012	Number of units 2011	Note	2012 Rupees	2011 Rupees
Held for trading					
NAFA Government Securities Liquid Fund	4,124,427.77	10,646,052.32	12.1	41,459,985	107,351,598
ABL Income Fund	8,674,807.41	-	12.1	86,975,354	-
MCB Dynamic Cash Fund	356,862.19	-	12.1	36,194,533	-
				164,629,872	107,351,598
Held to maturity - Term deposit receipts			12.2	42,300,000	38,632,500
				206,929,872	**145,984,098**

12.1 These investments are stated at fair value at the year end, using the year end redemption price. Gain on remeasurement is included in other operating income. As stated in note 15 investment in NAFA Government Securities Liquid Fund, ABL Income Fund and MCB Dynamic Cash Fund (2011: NAFA Government Securities Liquid Fund) are pledged as security against running finance facilities arranged with National Bank of Pakistan, Allied Bank Limited and MCB Bank Limited respectively.

12.2 This represents foreign currency term deposit receipts (TDRs) amounting to USD 450,000 (2011: USD 450,000). These carry interest rate ranging between 2.00% to 2.25% (2011: 2.15% to 2.60%) per annum. As stated in note 15, these are pledged as security against running finace facility arranged with Allied Bank limited.

	Note	2012 Rupees	2011 Rupees
13 CASH AND BANK BALANCES			
Cash at bank:			
Current accounts	13.1	38,886,779	32,901,279
Deposit accounts	13.2	142,887	757,772
		39,029,666	33,659,051
Cash in hand		18,182	8,895
		39,047,848	**33,667,946**

13.1 Current accounts include foreign currency balances amounting to Rs. 3,436,664 (2011: Rs. 2,078,709).

13.2 These carry interest at the rate of 5% (2011: 5%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 Rupees	2011 Rupees
14 TRADE AND OTHER PAYABLES			
Trade creditors		82,873,252	50,158,191
Advances from customers		4,914,375	2,526,138
Accrued liabilities		9,941,887	8,563,057
Sales tax and special excise duty payable		6,375,242	6,519,168
Insurance		616,755	870,502
Workers' profit participation fund payable	14.1	12,712,784	12,703,021
Workers' welfare fund payable	14.2	4,652,299	4,757,082
Unclaimed dividend		8,341,813	7,574,407
Payable to employees retirement benefit fund		436,216	288,414
Withholding tax payable		172,152	70,143
Others		1,736,558	2,053,415
		132,773,333	**96,083,538**

14.1 Workers' profit participation fund payable

	2012 Rupees	2011 Rupees
Balance at beginning of the year	12,703,021	7,979,279
Charge for the year	12,712,784	12,703,021
	25,415,805	20,682,300
Paid to the fund during the year	(12,703,021)	(7,979,279)
	12,712,784	**12,703,021**

14.2 Workers' welfare fund payable

	2012 Rupees	2011 Rupees
Balance at beginning of the year	4,757,082	3,071,554
Charge for the year	4,652,299	4,757,082
	9,409,381	7,828,636
Payment made during the year	(4,757,082)	(3,071,554)
	4,652,299	**4,757,082**

15 SHORT TERM BORROWINGS - Secured

	Note	2012 Rupees	2011 Rupees
National Bank of Pakistan			
FE-25/Export Refinance	15.1	3,680,520	9,980,474
Allied Bank Limited			
FE-25/Export Refinance	15.2	41,748,696	32,685,908
		45,429,216	**42,666,382**

15.1 This represent utilized amount of FE-25/Export Refinance facility (ERF) with a sanctioned limit of Rs. 10 million (2011: Rs. 10 million). The facility carries mark-up at the rate of LIBOR + 2% (2011: LIBOR + 2%) per annum of the utilized amount. This facility has expired on 30 June 2012, however the Company is in process of renewal.

15.2 This represent utilized amount of FE-25 (sublimit of ERF) with sanctioned limit of Rs. 50 million (2011: Rs. 50 million). The facility carries mark-up at the rate of LIBOR + 2% per annum of the utilized amount (2011: LIBOR + 2% per annum of the utilized amount).

Unavailed facilities

As of 30 June 2012, the Company has following unavailed and unutilized facilities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

15.3 National Bank of Pakistan (NBP)

15.3.1 Running finance facility with a sanctioned limit of Rs. 15 million (2011: Rs. 15 million). The facility carries mark up at the rate of 3 months KIBOR + 2% per annum (2011: 3 months KIBOR + 2% per annum) payable on quarterly basis. This facility has expired on 30 June 2012, however the Company is in process of renewal.

The facilities mentioned in note 15.1 and 15.3.1 are secured by way of pledge of stocks and spares with 25% margin, lien on receivables up to Rs. 22 million and import documents (2011: pledge of stocks with 25% margin and lien on receivables up to Rs. 22 million).

15.3.2 Running finance facility with a maximum sanctioned limit of Rs. 25 million (2011: Rs. 46 million). The facility carries markup at the rate of 3 months KIBOR + 2% per annum (2011: 3 months KIBOR + 2% per annum). The facility is secured against the investment made in the NAFA Government Securities Liquid Fund (NGSLF) of Rs. 38.50 million. The Company can avail the facility upto 65% of the investment value of the NGSLF investment. This facility has expired on 30 June 2012, however the Company is in process of renewal.

15.4 Allied Bank Limited (ABL)

15.4.1 Running finance facility with a sanctioned limit of Rs. 35 million (2011: Rs. 35 million) and carries mark up at the rate of 3 months KIBOR + 1.25% payable on quarterly basis (2011: 3 months KIBOR + 1.25% payable on quarterly basis).

15.4.2 Export Refinance facility (ERF) with sanctioned limit of Rs. 50 million (2011: Rs. 50 million). The facility carries mark-up at the rate of SBP + 1% per annum of the utilized amount (2011: SBP rate + 1% per annum of the utilized amount).

15.4.3 Letter of credit on sight/DA-90 days facility with sanctioned limit of Rs. 45 million (2011: Rs. 45 million) for import of raw materials and a Letter of Guarantee facility of Rs. 5 million for the issuance of bid bonds and performance bonds against counter guarantee of the Company with 10% cash margin.

The facilities mentioned in note 15.2, 15.4.1, 15.4.2 and 15.4.3 are secured by way of first charge on all present and future current assets (excluding receivables) and fixed assets of the Company with 25% margin duly insured with banks clause, lien on valid import documents of the Company and corporate guarantee of the Company.

15.4.4 Running finance facility with a maximum sanctioned limit of Rs. 95 million. The facility carries markup at the rate of 3 months KIBOR + 1% per annum . The facility is secured against the investment made in the ABL Income Fund of Rs. 100 million. Refer note 12.

15.4.5 Running finance facility with a maximum sanctioned limit of Rs. 32.80 million (2011: NIL). The facility carries markup at the rate of 3 months KIBOR + 1% per annum . The facility is secured against the investment made in the ABL Term Deposit Receipts of USD 450,000. Refer note 12

15.5 MCB Bank Ltd (MCB)

Running finance facility with a sanctioned limit of Rs. 31.415 million (2011: NIL) and carries mark up at the rate of 3 months KIBOR + 1% per annum payable on quarterly basis. The facility is secured against the investment made in MCB Dynamic Cash Fund of Rs. 35 million. Refer note 12

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

16 DEFERRED EMPLOYEE BENEFIT

	2012 Rupees	2011 Rupees
Accumulating compensated absences		
Obligation at beginning of the year	1,019,689	815,849
Charge for the year	312,543	216,243
	1,332,232	1,032,092
Benefits paid during the year	(10,839)	(12,403)
Obligation at end of the year	**1,321,393**	**1,019,689**

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

17 DEFERRED TAX LIABILITY- Net

	2012 Rupees	2011 Rupees
The net balance of deferred tax is in respect of the following major temporary differences:		
Accelerated depreciation on property, plant and equipment	24,471,496	19,974,484
Retirement benefits	(375,752)	(240,891)
Provision for doubtful debts, advances and receivables	(452,918)	(376,273)
Provision for slow moving stores, spare parts and loose tools	(306,641)	(202,777)
Surplus on revaluation of property, plant and equipment	12,770,986	14,275,000
	36,107,171	**33,429,543**

Deferred tax liability has been calculated at the enacted tax rate of 35% (2011: 35%) per annum. Based on the Company's estimate of future export sales, adjustment of Rs. 15.391 million (2011: Rs. 26.354 million) has been made in the taxable temporary differences at the year end. This resulted in an increase in the after tax profit by Rs. 5.387 million (2011: Rs. 9.22 million) with corresponding decrease in deferred tax liability by the same amount.

18 SHARE CAPITAL

18.1 Authorized share capital

This represents 25,000,000 (2011: 25,000,000) Ordinary shares of Rs. 10 each.

18.2 Issued, subscribed and fully paid up capital

2012 Numbers	2011 Numbers		2012 Rupees	2011 Rupees
14,000,000	14,000,000	Ordinary shares of Rs. 10 each issued for cash	140,000,000	140,000,000
6,000,000	6,000,000	Ordinary shares of Rs. 10 each issued in lieu of restructuring arrangement with the lender	60,000,000	60,000,000
20,000,000	**20,000,000**		**200,000,000**	**200,000,000**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

19 SURPLUS ON REVALUATION OF FIXED ASSETS- Net of tax

	2012 Rupees	2011 Rupees
Surplus on revaluation at 01 July	78,184,933	82,965,824
Transferred to equity in respect of incremental depreciation- net of deferred tax	(2,793,177)	(3,107,579)
Related deferred tax liability of incremental depreciation	(1,504,019)	(1,673,312)
	(4,297,196)	(4,780,891)
	73,887,737	78,184,933
Related deferred tax liability on:		
Surplus on revaluation as at 01 July	(14,275,000)	(15,948,312)
Incremental depreciation charged on revalued assets	1,504,019	1,673,312
	(12,770,981)	(14,275,000)
	61,116,756	**63,909,933**

20 CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

20.1.1 Industrial Estate Hattar of Sarhad Development Authority, Khyber Pakhtunkhwa has raised an additional demand of Rs. 6,203,400 against the Company relating to additional payment to be made to original owners of the land for which lease was signed and full payment was made in 1991. The Company has not acknowledged the claim and has filed an appeal against the demand before the Civil Judge, Haripur. The court has stayed the demand and currently the case is with the Chairman Sarhad Development Authority, Khyber Pakhtunkhwa for arbitration. Pending the outcome of the appeal, no provision has been made in these financial statements for such demand as the management is confident that the appeal will be decided in the Company's favour.

20.1.2 For contingencies relating to tax matters refer note 27.2 to the financial statements.

20.2 Commitments

20.2.1 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. 45,544,882 (2011: Rs. 4,038,219).

21 NET SALES

	Note	2012 Rupees	2011 Rupees
Gross Local Sales		1,182,728,108	873,320,470
Sales tax		(119,999,477)	(98,619,055)
Special excise duty		-	(8,894,102)
Discounts and commissions		(290,022,965)	(178,337,230)
Net Local Sales		772,705,666	587,470,083
Net Export Sales	21.1	178,365,080	282,894,985
		951,070,746	**870,365,068**

21.1 The export sales includes an amount of Rs. 167,099,700 (2011: Rs. 282,894,985) 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 2012

	Note	2012 Rupees	2011 Rupees
22 COST OF SALES			
Materials consumed	22.1	535,079,112	430,716,356
Stores, spare parts and loose tools consumed		6,740,573	4,719,007
Packing materials consumed		11,433,897	9,814,645
Fuel and power		5,427,212	5,023,178
Salaries, wages and other benefits	22.2	39,345,410	31,814,863
Insurance		3,379,997	3,670,532
Repairs and maintenance		3,116,802	3,069,058
Provision for slow moving stores, spare parts and loose tools		220,000	218,500
Depreciation	4.1	15,359,153	16,420,352
Vehicle running and maintenance		1,448,386	2,446,831
Travelling and conveyance		263,084	251,931
Water charges		60,900	80,300
Telephone, telex and postage		209,183	168,857
Legal and professional charges		72,950	66,950
Printing and stationery		446,798	382,585
Canteen		686,772	535,323
Transportation charges		28,215,444	50,048,620
Fees and subscription		1,009,095	622,190
Vehicle rent		1,435,121	1,205,079
Security charges		2,108,155	1,810,144
Security Consultancy & Support		-	214,837
Saindak expenses		1,996,678	2,037,367
Miscellaneous expenses		1,315,117	919,049
		659,369,839	566,256,554
Work in process:			
Opening		806,932	1,603,157
Closing		(1,051,580)	(806,932)
		(244,648)	796,225
Cost of goods manufactured		659,125,191	567,052,779
Finished goods:			
Opening		6,676,781	21,298,397
Closing		(12,179,082)	(6,676,781)
		(5,502,301)	14,621,616
		653,622,890	**581,674,395**

22.1 Materials consumed

	2012 Rupees	2011 Rupees
Opening stock as at 01 July	93,460,474	81,442,393
Purchases during the year	519,041,803	442,734,437
	612,502,277	524,176,830
Closing stock as at 30 June	(77,423,165)	(93,460,474)
	535,079,112	**430,716,356**

22.2 This includes Rs. 1,129,358 (2011: Rs. 842,514) charged on account of defined contribution plan.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 Rupees	2011 Rupees
23 OTHER OPERATING INCOME			
From financial assets			
Gain on remeasurement of investment at fair value through profit or loss		13,032,107	9,087,851
Interest on investment in TDRs		1,391,576	871,837
Exchange gain- net		493,315	42,070
Interest on deposit accounts		9,972	8,222
		14,926,970	10,009,980
From non-financial assets			
Gain on disposal of property, plant and equipment		-	295,457
		-	295,457
		14,926,970	**10,305,437**

	Note	2012 Rupees	2011 Rupees
24 DISTRIBUTION COST			
Salaries, wages and other benefits	24.1	5,931,770	5,172,782
Staff traveling and conveyance		1,915,921	1,770,131
Telephone, telex and postage		242,200	292,729
Entertainment		80,321	70,754
Printing and stationary		90,887	300,457
Vehicle running and maintenance		513,639	339,892
Insurance		56,718	58,121
Other charges		94,003	34,945
Depreciation	4.1	53,504	56,804
		8,978,963	**8,096,615**

24.1 This includes Rs.193,002 (2011: Rs. 126,887) charged on account of defined contribution plan.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

		Note	2012 Rupees	2011 Rupees
25	**ADMINISTRATIVE EXPENSES**			
	Chief Executive and Directors' remuneration		23,466,582	16,343,619
	Salaries, wages and other benefits	25.1	8,312,104	6,906,464
	Directors' traveling and conveyance		2,722,748	2,880,530
	Staff traveling		8,800	2,000
	Electricity, gas and water		355,071	336,260
	Telephone, telex and postage		640,247	497,897
	Rent, rates and taxes		1,372,417	1,200,000
	Legal and professional charges		1,458,086	708,813
	Donation	25.2	225,000	540,000
	Auditors' remuneration	25.3	500,000	450,000
	Printing and stationery		302,389	368,054
	Entertainment		277,325	175,881
	Insurance		178,569	162,136
	Advertisements		142,500	186,841
	Vehicle running and maintenance		1,532,499	1,349,187
	Repair and maintenance		806,852	227,772
	General expenses		119,929	304,881
	Depreciation	4.1	1,271,206	951,407
			43,692,324	**33,591,742**

25.1 This includes Rs. 344,916 (2011: Rs. 227,676) charged on account of defined contribution plan.

25.2 Donation was given to the Layton Rehmantulla Benevolent Trust for its work against eye diseases and Behbud Association of Pakistan for their work on basic healthcare and education in rural areas. Donation did not include any amount paid to any person or organization in which a director or his/her spouse had any interest.

		2012 Rupees	2011 Rupees
25.3	**Auditors' Remuneration**		
	Annual audit fee	325,000	300,000
	Half yearly review	100,000	75,000
	Other certifications	75,000	75,000
		500,000	**450,000**
26	**FINANCE COSTS**		
	Mark up on short term borrowings - secured	4,130,402	1,770,695
	Bank charges	1,317,456	1,476,641
		5,447,858	**3,247,336**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 Rupees	2011 Rupees
27 TAXATION			
Current -			
Prior year		-	-
For the year	10	67,602,837	61,423,880
		67,602,837	61,423,880
Deferred		2,677,628	(2,176,792)
		70,280,465	**59,247,088**

27.1 Reconciliation of tax expense with tax on accounting profit:

		2012 Rupees	2011 Rupees
Profit before taxation		236,890,598	236,600,315
Tax rate		35%	35%
Tax on accounting profit		82,911,709	82,810,110
Tax effect of export income charged at lower tax rate		(13,461,029)	(23,684,649)
Tax effect of prior year		786,399	(144,618)
Tax effect of permanent differences		(4,561,237)	(3,180,748)
Tax effect of donations at average tax rate		-	(142,625)
Effect of flood tax surcharge		-	3,239,555
Deferred tax reversed beacause of depletion in rates		3,910,540	350,063
Others		694,083	-
		70,280,465	**59,247,088**

27.2 Tax returns filed for tax years 2003 to 2011 (income years ended 30 June 2003 to 2011) 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.

Tax Year 2009

Last year, the Deputy Commissioner Inland Revenue has amended the assessment for Tax Year 2009 on the issue of allocation of expenses between export and local sales and WWF thereby creating a demand of Rs 7,988,533. The Company has filed an appeal before the Commissioner Inland Revenue (CIR) which is pending for orders. The Company also had filed a rectification application for the grant of tax credit at source which was granted vide rectification orders dated 28 February 2011. Consequently, the demand was reduced to Rs 6,138,961. The Company has filed a second appeal before Appellate Tribunal Inland Revenue, Islamabad (ATIR). The learned ATIR vide its order dated 22 February 2012 has remanded the case to the concerned assessing officer for fresh consideration. Hence, above stated demand has been set aside however, set aside proceedings has not been started as yet by the department.

Tax Year 2010

Last year, the Deputy Commissioner Inland Revenue has amended the assessment for Tax Year 2010 on the issue of allocation of expenses between export and local sales and add back of certain expenses thereby creating a demand of Rs 7,941,923. The Company has filed an appeal before the CIR. CIR has confirmed the issue of allocation of expenses and granted a tax credit of Rs 1,849,961. The Company has filed a second appeal before Appellate Tribunal Inland Revenue, Islamabad (ATIR). The learned ATIR vide its order dated 22 February 2012 has remanded the case to the concerned assessing officer for fresh consideration. Hence, above stated demand has been set aside however, set aside proceedings has not been started as yet by the department.

Subsequent to year end, the Company has filed miscellaneous application under section 221 of the Income Tax Ordinance, 2001 against the remand back of the above cases, which is pending for hearing. The Company based on the opinion of the tax consultant is confident of the favourable outcome of the cases for both years.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
28 EARNINGS PER SHARE - Basic and diluted		
Profit for the year (Rupees)	166,610,133	177,353,226
Average number of shares outstanding during the year (Number)	20,000,000	20,000,000
Earnings per share (Rupees)	8.33	8.87

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

	Note	2012 Rupees	2011 Rupees
29 CASH AND CASH EQUIVALENTS			
Cash and bank balances	13	39,047,848	33,667,946
Short term borrowings	15	(45,429,217)	(42,666,382)
		(6,381,369)	**(8,998,436)**

30 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2012				2011			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Managerial remuneration	8,922,581	8,600,000	3,978,000	21,148,581	7,148,387	6,150,000	3,360,000	16,658,387
Employee benefits	744,001	-	243,054	987,055	545,232	-	186,600	731,832
Bonus	2,550,000	2,650,000	663,000	5,863,000	1,400,000	1,100,000	700,000	3,200,000
Total	**12,216,582**	**11,250,000**	**4,884,054**	**28,350,636**	**9,093,619**	**7,250,000**	**4,246,600**	**20,590,219**
Number of persons	**1**	**3**	**2**		**1**	**3**	**2**	

The aggregate amount charged in these financial statements in respect of meeting fee paid to other than Chief Executive and three Directors (2011: Three) was Rs. 500,430 (2011: Rs. 450,000).

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

31 RELATED PARTY TRANSACTIONS

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 Rupees	2011 Rupees
Associated undertakings			
Sole proprietorship concern of a director of the Company			
Advance received for supply of explosives		1,464,036	11,521,885
Sale of explosives		1,464,036	11,521,885
Orient Trading Limited			
Payment of dividend		47,771,930	48,753,545
Other related parties			
Remuneration including benefits and perquisites of key management personnel	30	28,350,636	20,590,219
Contribution towards employees' provident fund		2,411,277	1,742,309
Payable to employees' provident fund		436,216	288,414

32 FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

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

32.1 Credit risk

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

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

Counterparties

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

Trade debts

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

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

Bank balances and investments

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

Exposure to credit risk

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

	2012 Rupees	2011 Rupees
Trade debts- net	118,206,509	101,795,366
Advances	5,000,778	2,224,222
Trade deposits	428,076	428,076
Other receivables	347,794	503,875
Other financial assets	206,929,872	145,984,098
Bank balances	39,029,666	33,659,051
	369,942,695	**284,594,688**

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

	2012 Rupees	2011 Rupees
Cement manufacturers	17,664,198	23,875,595
Oil and gas exploration service providers	50,567,357	23,978,220
Construction and mining entities	51,567,716	55,534,312
	119,799,271	**103,388,127**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

Impairment losses

The aging of trade debts at the reporting date was:

	2012		2011	
	Gross debts	Impairment	Gross debts	Impairment
	Rupees	Rupees	Rupees	Rupees
Not past due	80,064,012	-	65,229,911	-
Past due 0-30 days	21,518,441	-	18,738,763	-
Past due 31-60 days	16,624,056	-	17,826,693	-
Past due 61-90 days	-	-	-	-
Past due 91-365 days	-	-	-	-
Over 365 days	1,592,761	1,592,761	1,592,761	1,592,761
	119,799,270	**1,592,761**	**103,388,128**	**1,592,761**

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

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

32.2 Liquidity risk

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

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

	2012		2011	
	Carrying amount	Contractual cash flows	Carrying amount	Contractual cash flows
	Rupees		Rupees	
Maturity upto one year				
Short term borrowings	45,429,216	45,556,999	42,666,382	42,666,382
Markup accrued	1,301,802	1,301,802	525,114	525,114
Trade and other payables	101,715,846	101,715,846	68,234,476	68,234,476
	148,446,864	148,574,647	111,425,972	111,425,972
	148,446,864	**148,574,647**	**111,425,972**	**111,425,972**

32.3 Market risk

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

Foreign currency risk management

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

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

The potential currency exposures are discussed below;

Transactional exposure in respect of non functional currency monetary items

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

Transactional exposure in respect of non functional currency expenditure and revenues

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

Exposure to foreign currency risk

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

	2012 USD	2011 USD
Trade debts	281,144	270,178
Bank balances	486,560	474,213
	767,704	**744,391**

The significant exchange rates applied during the year were:

	Average rate		Reporting date mid spot rate	
	2012 Rupees	2011 Rupees	2012 Rupees	2011 Rupees
USD 1	89.93	85.72	94.00	85.85

Sensitivity analysis

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

	2012 Rupees	2011 Rupees
Profit and loss account	7,216,418	6,390,600

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

Interest rate risk

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

Profile

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

	2012 %	2011 %	2012 Rupees	2011 Rupees
Financial assets				
Other financial assets- Term deposit receipts	2.00 - 2.25	2.15 - 2.60	42,300,000	38,632,500
Bank balances- Deposit accounts	5.0	5.0	142,887	757,772
			42,442,887	**39,390,272**
Financial liabilities				
Short term borrowings	3.73 - 5.55	3.71 - 4.46	45,429,216	42,666,382
			45,429,216	**42,666,382**

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased or decreased profit or loss by Rs. 17,092 (2011: Rs. 29,855).

Price risk

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

Sensitivity analysis – equity price risk

A change of Rs. 1 in value of investment at fair value through profit and loss would increase/decrease profit by Rs. 11,238,625 (2011: Rs. 10,748,787).

32.4 Fair value of financial assets and liabilities

All financial assets and financial liabilities are initially recognized at the fair value of consideration paid or received, net of transaction costs as appropriate, and subsequently carried at fair value or amortized cost, as indicated in the tables below.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

Financial assets and liabilities	Loans and receivables	Held at fair value through profit or loss	Other financial assets and liabilities at amortized cost	Total
	Rupees			
Trade debts- net	-	-	118,206,509	118,206,509
Advances	5,000,778	-	-	5,000,778
Trade deposits	428,076	-	-	428,076
Other receivables	347,794	-	-	347,794
Other financial assets	-	164,629,872	42,300,000	206,929,872
Bank balances	-	-	39,047,848	39,047,848
Total financial assets	5,776,648	164,629,872	199,554,357	369,960,877
Non financial assets				369,007,364
Total assets				738,968,241
Financial liabilities				
Short term borrowings	-	-	45,429,216	45,429,216
Markup accrued	-	-	1,301,802	1,301,802
Trade and other payables	-	-	101,715,846	101,715,846
Total Financial liabilities	-	-	148,446,864	148,446,864
Non financial liabilities				68,486,051
Total liabilities				216,932,915

Financial assets and liabilities	Loans and receivables	Held at fair value through profit or loss	Other financial assets and liabilities at amortized cost	Total
	Rupees			
Trade debts- net	-	-	101,795,366	101,795,366
Advances	2,224,222	-	-	2,224,222
Trade deposits	428,076	-	-	428,076
Other receivables	503,875	-	-	503,875
Other financial assets	-	107,351,598	38,632,500	145,984,098
Bank balances	-	-	33,667,946	33,667,946
Total financial assets	3,156,173	107,351,598	174,095,812	284,603,583
Non financial assets				391,332,273
Total assets				675,935,856
Financial liabilities				
Short term borrowings	-	-	42,666,382	42,666,382
Markup accrued	-	-	525,114	525,114
Trade and other payables	-	-	68,234,476	68,234,476
Total Financial liabilities	-	-	111,425,972	111,425,972
Non financial liabilities				63,084,693
Total liabilities				174,510,665

The basis for determining fair values is as follows:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

Interest rates used for determining fair value

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

Fair value hierarchy

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

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

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

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

	Level 1	Level 2	Level 3
		Rupees '000	
30 June 2012			
Assets carried at fair value			
Investments at fair value through profit and loss account	164,629,872	-	-
30 June 2011			
Assets carried at fair value			
Investments at fair value through profit and loss account	107,351,598	-	-

Determination of fair values

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

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

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

Non - derivative financial assets

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

Non-derivative financial liabilities

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

33 CAPITAL MANAGEMENT

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

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

34 CAPACITY AND PRODUCTION

Product	Units	Rated Production capacity	2012 Actual production	2011 Actual production
Tovex water gell and powder explosives	Kgs	6,000,000	3,809,145	4,266,350
Detonator - plain	Nos.	8,000,000	3,849,100	2,778,396
Detonator - electric	Nos.	450,000	529,211	503,069
Safety fuse	Meter	500,000	72,000	65,750
Detonating cord	Meter	2,500,000	1,283,500	2,545,573

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

35 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors proposed final dividend at the rate of Rs. 3.50 per share in its meeting held on 28 August 2012.

36 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company in its meeting held on 28 August 2012.

Islamabad
28 August 2012

Director

Chief Executive

PATTERN OF SHAREHOLDING
AS AT 30 JUNE 2012

NO. OF SHAREHOLDERS	SHARE HOLDING FROM	SHARE HOLDING TO	TOTAL NUMBER OF SHARES HELD
70	1	100	2,032
141	101	500	64,527
78	501	1,000	74,439
103	1,001	5,000	298,801
17	5,001	10,000	139,328
10	10,001	15,000	135,037
8	15,001	20,000	144,307
1	20,001	25,000	20,200
2	25,001	30,000	60,000
1	30,001	35,000	32,000
1	35,001	40,000	38,300
3	40,001	45,000	132,500
1	45,001	50,000	47,688
5	50,001	60,000	300,000
2	70,001	80,000	151,314
2	80,001	90,000	179,827
3	90,001	100,000	300,000
1	120,001	125,000	125,000
1	145,001	150,000	150,000
1	155,001	160,000	158,800
1	200,001	210,000	210,000
1	225,001	230,000	226,800
1	290,001	300,000	300,000
1	350,001	400,000	400,000
2	400,001	450,000	857,600
1	450,001	500,000	500,000
1	1,000,001	1,100,000	1,040,000
2	1,500,001	2,000,000	3,313,400
1	4,000,001	4,500,000	4,054,000
1	6,000,001	7,000,000	6,544,100
463			20,000,000

SHAREHOLDER'S CATEGORY	NUMBERS OF SHAREHOLDERS	NUMBERS OF SHARES HELD	PERCENTAGE
INDIVIDUALS	435	11,511,229	58%
INSURANCE COMPANIES	1	158,800	1%
JOINT STOCK COMPANIES	26	8,204,971	41%
FINANCIAL INSTITUTIONS	1	125,000	1%
	463	20,000,000	100.00

PATTERN OF SHAREHOLDING
AS AT 30 JUNE 2012

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARES HELD	% AGE
Directors, CEO & their Spouse and Minor Children			
M. Zafar Khan	1	4,054,000	20.27
Khawaja Amanullah Askari & Mrs. Ishrat Askari	1	300,000	1.50
Khwaja Ahmad Hosain	1	226,800	1.13
M. Salim	1	210,000	1.05
M. Afzal Khan	1	150,000	0.75
Adnan Aurangzeb	1	100,000	0.50
M. Humayun Khan	1	60,000	0.30
Ms. Shirin Safdar	1	45,000	0.23
Maj Gen. (Ret'd) S. Z. M. Askree	1	11,000	0.06
Mufti M. Hashim Khan	1	8,500	0.04
Abdul Maajid Qureshi	1	1,000	0.01
"Banks, Development Finance Institutions, Non Banking Finance Institutions, Insurance Companies, Modarba & Mutual Funds"	25	1,323,771	6.62
Other Individuals	423	2,612,429	13.06
Shareholders holding 5% or more shares in the company:			
Orient Trading Ltd	1	6,544,100	32.72
Shayan Afzal Khan	1	1,740,200	8.70
Syed Farrukh Abbas	1	1,573,200	7.87
Aqeel Karim Dhedhi Securities (Pvt) Ltd	1	1,040,000	5.20
TOTAL	463	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. Khwaja Ahmad Hosain	156,800	-
2. Mrs. Zahida Qureshi w/o Abdul Maajid Qureshi	-	1,000

FORM OF PROXY

The Secretary
Biafo Industries Limited
Office No: 203-204, 2nd Floor,
Muhammad Gulistan Khan House,
Fazal-Ul-Haq Road, Blue Area,
Islamabad.

I/We ________________________ Of ________________________ being member of BIAFO INDUSTRIES LIMITED and Holder of __________ Ordinary Shares as per Share Register Folio (Number) __________ and/ or CDC Participant I.D. No. __________ and Sub Account No. __________ hereby appoint ________________________ of ________________________(Name)

as my/our proxy to vote for me/us and on my/our behalf at the 24th Annual General Meeting of the Company to be held at its registered office, 203, 2nd Floor, M. Gulistan Khan House, 82 East Fazal-Ul-Haq Road, Blue Area, Islamabad on September 26, 2012 at 11:00 a.m. and any adjournment thereof.

Signed ________________________ day of ________________________ 2012

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.