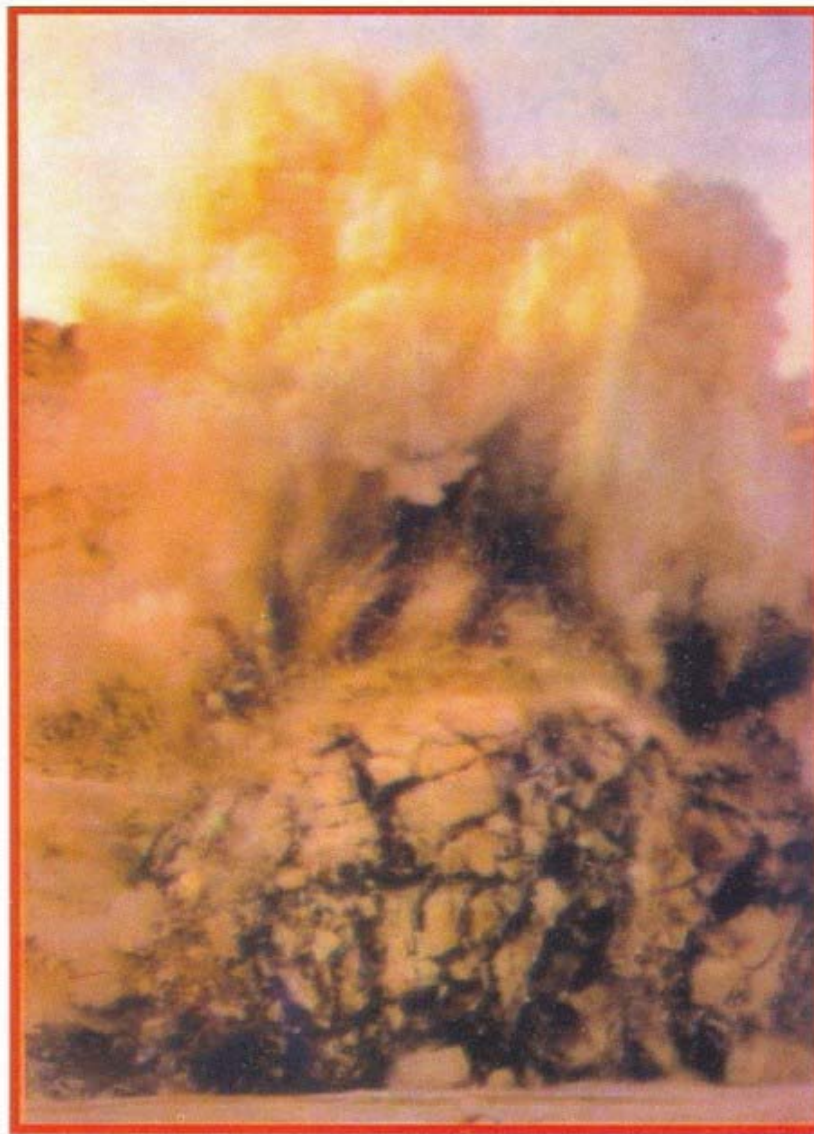


Interim Report
for the Six Months Period Ended
31 December 2011



BIAFO INDUSTRIES LIMITED

Manufacturers of Tovex[®] Explosives & Blasting Accessories

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CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Non Executive Directors

Abdul Maajid Qureshi	Director
M. Salim	Director
Dr. M. Humayun Khan	Director
M. Zafar Iqbal	Director
M. Zafar Khan	Director
Adnan Aurangzeb	Director
Khawaja Ahmad Hosain	Director

Company Secretary

Khawaja Shaiq Tanveer

Audit Committee

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

Auditors

KPMG Taseer Hadi & Co. Chartered Accountants

Legal Advisors

Chima & Ibrahim, Raja Rashid, Javaid Qureshi

Bankers

Allied Bank of Pakistan	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

Interim Report

BIAFO INDUSTRIES LTD. DIRECTORS' REPORT FOR THE QUARTER & HALF YEAR ENDED DECEMBER, 2011

Your Directors are pleased to submit the unaudited accounts for the quarter/half year ended 31st. December, 2011.

Net sales of your company decreased by 15.54% to Rs. 177.74m against the comparable quarter of last year and 12.96 % to Rs. 357.15 m against the comparable half year ending 31st. December, 2010.

Sales in the period under review increased in the Oil and Gas, Construction and Mining sector and demand reduced from the large projects due to slow down of work and government funding problems and from the mining projects of Saindak and Duddar (EPZ) due to technical and operational issues at mine site.

Gross profit reduced by 20.38 % to Rs. 55.382 m and for the half year by 15.04 % to Rs.114.772m against the comparable quarter and half year of the previous year.

Gross profit margin for the quarter ended 31st. December, 2011 decreased by 1.89 % to 31.16 % and for the half year to 31st. December, 2011 by .78 % to 32.14% against previous years comparable period. This was due to reduced net sales as well as the raw material price increases.

Operating profit decreased by 25.62 % to Rs. 45.237 m in the quarter to December, 2011 and 19.2% to Rs. 94.978 m for the half year to 31-12-2011. Net after tax profit in the quarter to December, 2011 decreased by 38.83% to Rs. 25.756 m and by 30.49% to Rs. 61.196 m in the half year to December, 2011 against comparable figure of the previous year. Taxation increased due to lower ratio of export sales against comparable period of previous year, resulting in EPS of 1.29 (quarter to December, 2011) (EPS 2010 : 2.11) and for the half year to December, 2011 EPS of 3.06 (Half year to December, 2010 – EPS 4.40).

The company continues to maintain tight control on cost despite raw material price increases and inflationary pressures in the period under review. Expenses were within the budget approved by the Board of Directors.

No new project came on-stream in the public sector in the period under review, as budgetary allocation /disbursement for PSDP have been substantially reduced, effecting funding for infrastructure projects. However in the past two months sales to the Oil and Gas exploration sector has significantly increased, which will be reflected in improved financial performance of the company in the second half of the financial year ending June, 2012.

Your Board of Directors have declared a 2nd. interim cash dividend of Rs. 1/- per share (10%) for the period under review.

Your Board takes the opportunity to express its appreciation to all its employees for their hard work and continuing efforts in meeting business challenges, and the cooperation of all its stakeholders.



Khawaja Amanullah Askari
Chief Executive

Islamabad
23rd February, 2012

Interim Report

Auditors' Report to the Members on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of Biafo Industries Limited ("the Company") as at 31 December 2011 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six months period then ended (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express and audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

The figures for the three months period 31 December 2011, in the condensed interim profit and loss accounts and condensed interim comprehensive income have not been reviewed and we do not express a conclusion on them.

Islamabad
23 February, 2012



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

Interim Report

BIAFO INDUSTRIES LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE SIX MONTHS ENDED 31 DECEMBER, 2011

	Note	Three Months Ended		Six Months Ended	
		31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
		Rupees	Rupees	Rupees	Rupees
NET SALES	9	177,742,605	210,456,254	357,149,527	410,346,966
Cost of sales		(122,360,803)	(140,900,018)	(242,377,441)	(275,264,229)
GROSS PROFIT		55,381,802	69,556,236	114,772,086	135,082,737
Other operating income		4,344,552	2,364,034	8,315,928	3,857,163
Distribution cost		(2,347,267)	(1,769,837)	(4,388,917)	(3,439,297)
Administrative expenses		(10,522,768)	(8,631,336)	(21,385,796)	(17,074,998)
Finance costs		(1,618,830)	(494,721)	(2,334,559)	(884,135)
OPERATING PROFIT		45,237,489	61,024,376	94,978,742	117,541,469
Workers' profit participation fund		(2,261,874)	(3,051,219)	(4,748,937)	(5,877,073)
Workers' welfare fund		(814,406)	(1,291,909)	(1,722,301)	(2,242,836)
PROFIT BEFORE TAXATION		42,161,209	56,681,248	88,507,504	109,421,560
TAXATION					
Current		(13,351,724)	(15,039,196)	(25,265,619)	(24,736,455)
Deferred		(3,053,665)	466,814	(2,045,485)	3,355,664
		(16,405,389)	(14,572,382)	(27,311,104)	(21,380,791)
PROFIT FOR THE PERIOD		25,755,820	42,108,867	61,196,400	88,040,769
EARNINGS PER SHARE - Basic and diluted		1.29	2.11	3.06	4.40

The annexed notes 1 to 13 form an integral part of these financial statements.

Islamabad
23 February, 2012



Director



Chief Executive

Interim Report

BIAFO INDUSTRIES LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS ENDED 31 DECEMBER, 2011

	Three Months Ended		Six Months Ended	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
	Rupees	Rupees	Rupees	Rupees
Profit for the period	25,755,820	42,108,867	61,196,400	88,040,769
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>25,755,820</u>	<u>42,108,867</u>	<u>61,196,400</u>	<u>88,040,769</u>

The annexed notes 1 to 13 form an integral part of these financial statements.

Islamabad
23 February, 2012



Director



Chief Executive

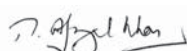
Interim Report

BIAFO INDUSTRIES LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE SIX MONTHS ENDED 31 DECEMBER, 2011

	Note	31 Dec 2011 Rupees	31 Dec 2010 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		88,507,504	109,421,560
Adjustments for:			
Depreciation		8,139,599	8,655,272
Finance costs		2,334,559	884,135
Provision for Workers' profit participation fund		4,748,937	5,877,073
Provision for Workers' welfare fund		1,722,301	2,242,836
Provision for employee benefit		124,450	107,775
Provision for slow moving stores, spare parts and loose tools		110,000	107,500
Unrealized gain on remeasurement of investment		(4,919,287)	(3,269,135)
Interest on deposit accounts and TDRs		(2,780,000)	(452,899)
Exchange gain		(616,640)	(135,127)
		8,863,918	14,017,430
		97,371,423	123,438,990
Changes in:			
Store, spare parts and loose tools		(896,014)	324,736
Stock in trade		(13,844,910)	26,019,338
Trade debts		(17,885,491)	(60,342,313)
Advances, deposits, prepayments and other receivables		(4,842,068)	(8,083,104)
Trade and other payables		(24,998,154)	6,922,163
		(62,466,637)	(35,159,180)
Cash generated from operations		34,904,786	88,279,810
Finance costs paid		(1,863,251)	(871,656)
Employees benefits paid		-	(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		(36,684,356)	(31,803,190)
		(56,007,710)	(43,738,082)
Net cash from operating activities		(21,102,925)	44,541,728
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(3,617,293)	(3,638,930)
Investment redeemed / (made) during the year		37,639,198	(30,000,000)
Interest received on deposit accounts and TDRs		2,883,062	145,334
Net cash used in investing activities		36,904,967	(33,493,596)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of dividend		(79,922,367)	(73,566,436)
Net cash used in financing activities		(79,922,367)	(73,566,436)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(64,120,325)	(62,518,304)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		(8,998,435)	51,712,868
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	10	(73,118,760)	(10,805,436)

The annexed notes 1 to 13 form an integral part of these financial statements.

Islamabad
23 February, 2012



Director



Chief Executive


Interim Report

BIAFO INDUSTRIES LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED 31 DECEMBER, 2011

	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 period	-	88,040,769	88,040,769
Transfer from surplus on revaluation of property, plant and equipment incremental depreciation for the period - net of deferred tax	-	1,682,180	1,682,180
	-	89,722,949	89,722,949
Transactions with members recorded directly in equity			
Distribution to members			
Dividend to members: Final dividend of 2010 @ Rs. 2.50 per share	-	(50,000,000)	(50,000,000)
Dividend to members: First Interim dividend of 2011 @ Rs. 1.25 per share	-	(25,000,000)	(25,000,000)
Total distribution to members	-	(75,000,000)	(75,000,000)
Balance at 31 December 2010	200,000,000	220,777,403	420,777,403
Balance at 01 July 2011	200,000,000	237,515,259	437,515,259
Total comprehensive income for the period	-	61,196,400	61,196,400
Transfer from surplus on revaluation of property, plant and equipment incremental depreciation for the period - net of deferred tax	-	1,396,588	1,396,588
	-	62,592,988	62,592,988
Transactions with members recorded directly in equity			
Distribution to members			
Dividend to members: Final dividend of 2011 @ Rs. 2.80 per share	-	(56,000,000)	(56,000,000)
Dividend to members: First Interim dividend of 2012 @ Rs. 1.25 per share	-	(25,000,000)	(25,000,000)
Total distribution to members	-	(81,000,000)	(81,000,000)
Balance at 31 December 2011	200,000,000	219,108,247	419,108,247

The annexed notes 1 to 13 form an integral part of these financial statements.

Islamabad
23 February, 2012



Director



Chief Executive

Interim Report

BIAFO INDUSTRIES LIMITED SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX MONTHS ENDED 31 DECEMBER, 2011

1. THE COMPANY AND ITS OPERATIONS

Biafo Industries Limited ("the Company") was incorporated in Pakistan on 07 September 1988 as a public limited company under the Companies Ordinance, 1984 and its shares are quoted on the Karachi and Islamabad Stock Exchanges. The Company started its commercial production on 01 July 1994 and is principally engaged in the manufacturing of commercial explosives and blasting accessories including detonators and other materials. The Company has set up its industrial undertaking in Hattar Industrial Estate, Khyber Pakhtunkhwa with its registered office at 203-204, 2nd Floor, M. Gulistan Khan House, 82-E, Fazal-Ul-Haq Road, Blue Area, Islamabad, Pakistan.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in the condensed interim financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statements for the year ended 30 June 2011. Comparative balance sheet is extracted from annual financial statements as of 30 June 2011 whereas comparative profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity are stated from unaudited condensed interim financial information for the quarter ended 31 December 2010.

The condensed interim financial information is unaudited and is being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984.

3. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The accounting policies and the methods of computation adopted in preparation of this condensed interim unconsolidated financial information are the same as those applied in preparation of financial statements for the year ended 30 June 2011. The following standards, amendments and interpretations of approved accounting standards become effective during the period are either not relevant to the Company's current operations or are not expected to have significant impact on the Company's condensed interim unconsolidated financial information other than certain additional disclosures:

Amendments to IFRS 7 - Financial Instruments: Disclosures (effective 01 July 2011)

4. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2011 the Company acquired property, plant and equipment aggregating Rs.3,617,293 (31 December 2010: Rs. 3,638,930).

	Unaudited 31 Dec 2011 Rupees	Audited 30 June 2011 Rupees
5. TRADE DEBTS - Unsecured		
Considered good	118,520,003	101,795,366
Considered doubtful	1,592,761	1,592,761
	120,112,764	103,388,127
Less: Provision for doubtful debts	(1,592,761)	(1,592,761)
	118,520,003	101,795,366
6. OTHER FINANCIAL ASSETS		
Investments:		
At fair value through profit or loss		
NAFA Government Securities Liquid Fund	39,489,861	107,351,598
MCB Dynamic Cash Fund	35,141,827	-
Held to maturity - Term deposit receipts	40,410,000	38,632,500
	115,041,688	145,984,098

Interim Report

BIAFO INDUSTRIES LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE SIX MONTHS ENDED 31 DECEMBER, 2011

	Note	Unaudited 31 Dec 2011 Rupees	Audited 30 June 2011 Rupees
7. SHORT TERM BORROWINGS			
Short term running finance- Secured			
National Bank of Pakistan (NBP)	7.1	44,094,020	9,980,474
Allied Bank Limited (ABL)	7.2	45,378,285	32,685,908
		<u>89,472,305</u>	<u>42,666,382</u>

7.1 The Company has arranged various facilities with NBP and during the period the Company utilized ERF and Running Finance facilities. The ERF facility has a sanctioned limit of Rs. 10 million (30 June 2011: Rs. 10 million) and carries mark-up at the rate of LIBOR + 2% per annum (30 June 2011: LIBOR + 2% per annum) of the amount utilized. The Running Finance facility has a sanctioned limit of Rs. 25 million against investment in NAFA Government Securities Liquid Fund (30 June 2011: Rs. 25 million) and carries markup at the rate of 3 months KIBOR +2% per annum (30 June 2011 : 3 months KIBOR +2% per annum) payable on quarterly basis.

7.2 The Company has arranged various facilities with ABL and during the period the Company utilized FE-25 and Running Finance facilities. This FE-25 facility has a sanctioned limit of Rs. 50 million (30 June 2011: Rs. 50 million) for export of the Company's products. The facility carries mark-up at the rate of LIBOR + 2% per annum (30 June 2011: LIBOR + 2% per annum) of the amount utilized. The Running Finance facility has a sanctioned limit of Rs. 35 million (30 June 2011: Rs. 35 million) and carries mark-up at the rate of 3 months KIBOR + 1.25 % per annum (30 June 2011 : 3 months KIBOR + 1.25 % per annum) payable on quarterly basis.

8. CONTINGENCIES AND COMMITMENTS

There is no change in the contingent liabilities as reported in the annual financial statements for the year ended 30 June 2011.

There is no change in the commitments as reported in the annual financial statements for the year ended 30 June 2011, except that the letters of credit issued by a bank on behalf of the Company for the import of raw materials amount to Rs. 1.787 million at the period end (30 June 2011: Rs. 4.038 million).

	Quarter Ended		Six Months Ended	
	Unaudited 31 Dec 2011 Rupees	Unaudited 31 Dec 2010 Rupees	Unaudited 31 Dec 2011 Rupees	Unaudited 31 Dec 2010 Rupees
9. SALES - Net				
Gross Local Sales	232,526,838	198,665,886	401,274,900	357,963,097
Sales tax	(23,681,845)	(23,480,281)	(40,852,527)	(43,077,389)
Special excise duty	-	(1,381,193)	-	(2,491,675)
Discounts and commissions	(52,256,033)	(35,701,856)	(86,705,480)	(68,059,492)
Net Local Sales	<u>156,588,960</u>	<u>138,102,556</u>	<u>273,716,893</u>	<u>244,334,541</u>
Net Export Sales	<u>21,153,645</u>	<u>72,353,698</u>	<u>83,432,634</u>	<u>166,012,425</u>
	<u><u>177,742,605</u></u>	<u><u>210,456,254</u></u>	<u><u>357,149,527</u></u>	<u><u>410,346,966</u></u>

Interim Report

BIAFO INDUSTRIES LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE SIX MONTHS ENDED 31 DECEMBER, 2011

	Six Months Ended	
	Unaudited 31 Dec 2011 Rupees	Unaudited 31 Dec 2010 Rupees
10. CASH AND CASH EQUIVALENTS		
For the purpose of cash flow statement cash and cash equivalents comprise of:		
Cash and bank balances	16,353,545	28,127,204
Short term borrowings- secured	<u>(89,472,305)</u>	<u>(38,932,640)</u>
	<u>(73,118,760)</u>	<u>(10,805,436)</u>

11. RELATED PARTY TRANSACTIONS

Related parties comprise directors, key management personnel, major shareholders, entities over which the directors are able to exercise influence and employees' fund. Transactions with related parties during the period are as follows:

	Six Months Ended	
	Unaudited 31 Dec 2011 Rupees	Unaudited 31 Dec 2010 Rupees
Associated undertaking- sole proprietorship concern of a director of the Company		
Sale of explosives	1,464,036	8,010,134
Advance received during the period	1,464,036	8,009,841
Balance receivable/payable at the period end	-	294
Other related parties		
Remuneration including perquisites of Chief Executive	4,757,490	3,821,003
Remuneration including perquisites of Directors	4,100,000	3,000,000
Remuneration including perquisites of Executives	2,099,454	1,773,300
Payment to employees' provident fund	1,100,529	874,923


12. NON ADJUSTING EVENT AFTER BALANCE SHEET DATE AND DATE OF AUTHORIZATION FOR ISSUE

- 12.1 The Board of Directors of the Company in their meeting held on 23 February, 2012 proposed interim cash dividend of Rs. 1.00 per share.
- 12.2 The condensed interim financial information was authorized for issue by the Board of Directors of the Company in their meeting held on 23 February, 2012.

13. GENERAL

Figures in the condensed interim financial information have been rounded off to the nearest rupee.

Islamabad
23 February, 2012



Director



Chief Executive