

Quarterly Report  
for the Period Ended  
30 September 2010



**BIAFO INDUSTRIES LTD.**  
Manufacturers of Tovex<sup>®</sup> Explosives & Blasting Accessories



## **CONTENTS**

<i>Company Information</i>	<i>1</i>
<i>Directors' Report</i>	<i>2</i>
<i>Balance Sheet</i>	<i>3</i>
<i>Profit &amp; Loss Account</i>	<i>4</i>
<i>Statement of Comprehensive Income</i>	<i>5</i>
<i>Cash Flow Statement</i>	<i>6</i>
<i>Statement of Changes in Equity</i>	<i>7</i>
<i>Notes to the Financial Statement</i>	<i>8-11</i>

## CORPORATE INFORMATION

### Board of Directors

#### Executive Directors

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

Chairman  
Chief Executive Officer  
Director  
Director

#### Non Executive Directors

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

Director  
Director  
Director  
Director  
Director  
Director

### Company Secretary

Khawaja Shaiq Tanveer

### Audit Committee

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

Chairman  
Member  
Member  
Member

### Auditors

KPMG Taseer Hadi & Co. Chartered Accountants

### Legal Advisors

Chima & Ibrahim, Raja Rashid, Javaid Qureshi

### Bankers

Allied Bank of Pakistan  
National Bank of Pakistan  
Habib Metropolitan Bank  
Bank of Khyber  
Askari Bank Limited

The Royal Bank of Scotland  
Bank Alfalah Limited  
Standard Chartered Bank  
Dubai Islamic Bank

### Registered Office

#### **Biafo Industries Limited**

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

### Factory

#### **Biafo Industries Limited**

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

### Shares Registrar

#### **Riasat Ishtiaq Consulting (Pvt) Ltd**

Office No. 19-20, 2nd Floor, Hill View Plaza, Jinnah Avenue, Blue Area, Islamabad.  
Tel: +92 51 2272152, 7101536 Fax: +92 51 2273158

# Quarterly Report

## BIAFO INDUSTRIES LIMITED DIRECTORS' REPORT FOR THE QUARTER ENDED SEPTEMBER, 2010

Your Directors are pleased to submit the unaudited accounts for the quarter ended 30th. September, 2010.

The net sales of your company increased by 53.65 % to Rs. 199.89 m against the comparable quarter of last year and an 8.35 % increase compared to quarter ending 30-06-2010.

Sales of the quarter reflects increases in supplies and sale to the small mining entities, construction/mining sector, the oil and gas sector and Saindak and Duddar EPZ projects in Baluchistan, with decline in the supplies to large projects due to floods and landslide at sites of Hydel projects as well as mountainous road construction Projects. Sales increased in value terms, despite the major flood affecting Pakistan - affects of which were reflected in sales in August/September 2010.

Gross profit for the quarter under review increased by 40.61% to Rs. 65.526 m and operating profit by 41.62 % to Rs. 56.517 m against the comparable previous years quarter.

Profit for the year after taxation increased by 64.28% resulting in EPS of 2.30 per share (2009 : Rs. 1.40) due to increase in sales and lower cost of goods sold and lower tax impact due to increase in percentage of export sales.

The company continued to operate within the budget as approved by the Board of Directors and overall expenditures are below the budget for the quarter.

Your Board of Directors have declared a 1st. interim cash dividend of Rs.1.25 per share (12.5%) 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  
19th October, 2010

# Quarterly Report

**BIAFO INDUSTRIES LIMITED**  
**CONDENSED INTERIM BALANCE SHEET (UNAUDITED)**  
**AS AT 30 SEPTEMBER 2010**

	<b>Note</b>	<b>30 Sep 2010</b> <b>Rupees</b>	<b>30 June 2010</b> <b>Rupees</b>
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	4	272,187,557	273,100,062
Long term deposits		543,449	543,449
		<u>272,731,006</u>	<u>273,643,511</u>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		6,315,999	5,857,800
Stock in trade		109,512,784	106,412,939
Trade debts	5	98,003,500	35,712,871
Advances		1,393,140	2,573,553
Trade deposits and short term prepayments		2,544,475	1,136,712
Advance income tax - net		6,356,471	1,661,769
Other receivables		269,561	474,840
Other financial assets	6	103,674,481	102,423,747
Cash and bank balances		27,750,982	51,712,868
		<u>355,821,393</u>	<u>307,967,100</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		76,409,837	72,086,478
Markup accrued		16,951	29,984
Short term borrowings- secured	7	-	-
		<u>76,426,788</u>	<u>72,116,462</u>
<b>NET CURRENT ASSETS</b>		<u>279,394,605</u>	<u>235,850,638</u>
<b>NON CURRENT LIABILITIES</b>			
Deferred employee benefit		803,446	815,849
Deferred tax liability - net	8	32,318,296	35,606,334
		33,121,742	36,422,183
		<u>519,003,869</u>	<u>473,071,966</u>
<b>REPRESENTED BY:</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital		200,000,000	200,000,000
Unappropriated profit		252,827,446	206,054,454
		<u>452,827,446</u>	<u>406,054,454</u>
<b>SURPLUS ON REVALUATION OF FIXED ASSETS -net of tax</b>	9	66,176,423	67,017,512
		<u>519,003,869</u>	<u>473,071,966</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	10		

The annexed notes 1 to 15 form an integral part of these financial statements.

Islamabad  
19 October, 2010



Director



Chief Executive

# Quarterly Report

**BIAFO INDUSTRIES LIMITED**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
**FOR THE QUARTER ENDED 30 SEPTEMBER 2010**

	Note	Quarter Ended		Quarter Ended	
		30 Sep	Period to	30 Sep	Period to
		2010	Due Date	2009	Due Date
		Rupees	Rupees	Rupees	Rupees
<b>GROSS SALES</b>	11	252,955,939	252,955,939	164,880,935	164,880,935
Sales tax		(19,597,108)	(19,597,108)	(13,831,056)	(13,831,056)
Special excise duty		(1,110,482)	(1,110,482)	(864,441)	(864,441)
Discounts and commissions		(32,357,637)	(32,357,637)	(20,089,665)	(20,089,665)
<b>NET SALES</b>		199,890,712	199,890,712	130,095,773	130,095,773
Cost of sales		(134,364,211)	(134,364,211)	(83,496,308)	(83,496,308)
<b>GROSS PROFIT</b>		65,526,501	65,526,501	46,599,465	46,599,465
Other operating income		1,493,129	1,493,129	1,633,476	1,633,476
Distribution cost		(1,669,460)	(1,669,460)	(1,486,347)	(1,486,347)
Administrative expenses		(8,443,662)	(8,443,662)	(6,452,390)	(6,452,390)
Finance costs		(389,414)	(389,414)	(386,297)	(386,297)
<b>OPERATING PROFIT</b>		<b>56,517,094</b>	<b>56,517,094</b>	<b>39,907,907</b>	<b>39,907,907</b>
Workers' profit participation fund		(2,825,855)	(2,825,855)	(1,995,395)	(1,995,395)
Workers' welfare fund		(950,927)	(950,927)	(761,299)	(761,299)
<b>PROFIT BEFORE TAXATION</b>		<b>52,740,312</b>	<b>52,740,312</b>	<b>37,151,213</b>	<b>37,151,213</b>
<b>TAXATION</b>					
Current		(9,697,259)	(9,697,259)	(9,069,243)	(9,069,243)
Deferred		2,888,850	2,888,850	(178,408)	(178,408)
		(6,808,409)	(6,808,409)	(9,247,651)	(9,247,651)
<b>PROFIT FOR THE PERIOD</b>		<b>45,931,903</b>	<b>45,931,903</b>	<b>27,903,562</b>	<b>27,903,562</b>
<b>EARNING PER SHARE - Basic and Diluted</b>		<b>2.30</b>	<b>2.30</b>	<b>1.40</b>	<b>1.40</b>

The annexed notes 1 to 15 form an integral part of these financial statements.

Islamabad  
19 October, 2010



Director



Chief Executive

# Quarterly Report

**BIAFO INDUSTRIES LIMITED**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE QUARTER ENDED 30 SEPTEMBER 2010**

	Quarter Ended		Quarter Ended	
	30 Sep	Period to	30 Sep	Period to
	2010	Due Date	2009	Due Date
	Rupees	Rupees	Rupees	Rupees
<b>Profit for the period</b>	45,931,903	45,931,903	27,903,562	27,903,562
<b>Other comprehensive income:</b>				
Incremental depreciation of revalued fixed assets	1,293,983	1,293,983	1,195,916	1,195,916
Income tax on other comprehensive income	(452,894)	(452,894)	(418,570)	(418,570)
Other comprehensive income for the period, net of tax	<b>841,089</b>	<b>841,089</b>	<b>777,346</b>	<b>777,346</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b><u>46,772,992</u></b>	<b><u>46,772,992</u></b>	<b><u>28,680,908</u></b>	<b><u>28,680,908</u></b>

The annexed notes 1 to 15 form an integral part of these financial statements.

Islamabad  
 19 October, 2010



Director



Chief Executive

# Quarterly Report

**BIAFO INDUSTRIES LIMITED**  
**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)**  
**FOR THE QUARTER ENDED 30 SEPTEMBER 2010**

	<u>Note</u>	<u>30 Sep 2010</u> <u>Rupees</u>	<u>30 Sep 2009</u> <u>Rupees</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit before taxation</b>		52,740,312	37,151,213
Adjustments for:			
Depreciation		4,282,431	4,628,262
Finance costs		389,414	386,297
Provision for Workers' profit participation fund		2,825,855	1,995,395
Provision for Workers' welfare fund		950,927	761,299
Provision for slow moving stores, spare parts and loose tools		53,106	53,106
Unrealized gain on remeasurement of investment		(1,010,735)	(844,872)
Interest on deposit accounts and TDR		(169,662)	-
Exchange gain		(312,730)	(27,733)
		<u>7,008,606</u>	<u>6,951,754</u>
		59,748,918	44,102,967
<b>Working capital changes:</b>			
(Increase) in store, spare parts and loose tools		(511,305)	(340,153)
(Increase) in stock in trade		(3,099,845)	(7,681,393)
(Increase) in trade debts		(62,673,987)	(13,546,776)
(Increase) in advances, deposits, prepayments and other receivables		(22,071)	(3,198,275)
Increase/(decrease) in trade and other payables		546,578	(9,407,350)
		<u>(65,760,630)</u>	<u>(34,173,948)</u>
<b>Cash generated from operations</b>		(6,011,712)	9,929,019
Finance costs paid		(402,447)	(432,316)
Employees benefits paid		(12,403)	-
Income taxes paid		(14,266,119)	(4,568,625)
		<u>(14,680,969)</u>	<u>(5,000,941)</u>
<b>Net cash from operating activities</b>		(20,692,681)	4,928,078
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(3,369,926)	-
Interest received on deposit accounts		100,721	-
<b>Net cash used in investing activities</b>		(3,269,205)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of finance lease liabilities		-	(870,425)
<b>Net cash used in financing activities</b>		-	(870,425)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		(23,961,886)	4,057,653
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>		51,712,868	70,014,283
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b> 12		<u><u>27,750,982</u></u>	<u><u>74,071,936</u></u>

The annexed notes 1 to 15 form an integral part of these financial statements.

Islamabad  
19 October, 2010



Director



Chief Executive



# Quarterly Report

**BIAFO INDUSTRIES LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE QUARTER ENDED 30 SEPTEMBER 2010**

	<u>Share Capital</u>	<u>Unappropriated Profit</u>	<u>Total Equity</u>
	Rupees	Rupees	Rupees
Balance at 01 July 2009	200,000,000	180,261,349	380,261,349
Total comprehensive income for the period	-	28,680,908	28,680,908
<b>Balance at 30 September 2009</b>	<u><u>200,000,000</u></u>	<u><u>208,942,257</u></u>	<u><u>408,942,257</u></u>
Balance at 01 July 2010	200,000,000	206,054,454	406,054,454
Total comprehensive income for the period	-	46,772,992	46,772,992
<b>Balance at 30 September 2010</b>	<u><u>200,000,000</u></u>	<u><u>252,827,446</u></u>	<u><u>452,827,446</u></u>

The annexed notes 1 to 15 form an integral part of these financial statements.

Islamabad  
19 October, 2010



Director



Chief Executive

**BIAFO INDUSTRIES LIMITED**  
**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR THE QUARTER ENDED 30 SEPTEMBER 2010**

**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 2nd Floor, M. Gulistan Khan House, 82-E, Fazal-Ul-Haq Road, Blue Area, Islamabad, Pakistan.

**2. BASIS OF PREPARATION**

This condensed interim financial information is unaudited and is being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984 and has been prepared in accordance with the requirements of International Accounting Standard (IAS) 34 "Interim Financial Reporting".

This condensed interim financial information does not include all the information required for full annual financial statements of the Company and should be read in conjunction with annual financial statements for the year ended 30 June 2010. Comparative balance sheet is extracted from annual financial statements for the year ended 30 June 2010 whereas comparative profit and loss account, statement of changes in equity and cash flow statement are stated from unaudited condensed interim financial information for the quarter ended 30 September 2009.

**3 SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES**

Except as described below, the accounting policies and estimates applied by the Company for the preparation of this condensed interim financial information are the same as those applied by the Company in preparation of financial statements for the year ended 30 June 2010.

**3.1 Change in accounting policy**

The Company adopted revised IAS 1 "Presentation of Financial Statements", which became effective as of 01 January 2009. As a result, the Company presents in the condensed interim statement of changes in equity all owner related changes in equity, whereas all non-owner related changes in equity are presented in the statement of comprehensive income. This presentation has been applied in this condensed interim financial information as of and for the quarter ended 30 September 2010.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the changes in accounting policy only impacts presentation aspects, there is no impact on earnings per share of the Company.

# Quarterly Report

**BIAFO INDUSTRIES LIMITED**  
**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR THE QUARTER ENDED 30 SEPTEMBER 2010**

	<b>Unaudited 30 Sep 2010 Rupees</b>	<b>Audited 30 June 2010 Rupees</b>
<b>4. PROPERTY, PLANT AND EQUIPMENT</b>		
Carrying value at beginning of the period	273,100,062	275,755,539
Additions during the period	3,369,926	2,296,915
Surplus on revaluation of fixed assets	-	13,518,066
	276,469,988	291,570,520
Depreciation for the period	(4,282,431)	(18,459,852)
Written down value of disposals during the period	-	(10,606)
Carrying value at end of the period	272,187,557	273,100,062
	<b>Unaudited 30 Sep 2010 Rupees</b>	<b>Audited 30 June 2010 Rupees</b>
<b>5. TRADE DEBTS - Unsecured</b>		
Considered good	98,003,500	35,712,871
Considered doubtful	1,592,761	1,592,761
	99,596,261	37,305,632
Less: Provision for doubtful debts	(1,592,761)	(1,592,761)
	98,003,500	35,712,871
	<b>Unaudited 30 Sep 2010 Rupees</b>	<b>Audited 30 June 2010 Rupees</b>
<b>6. OTHER FINANCIAL ASSETS</b>		
Investments:		
At fair value through profit or loss - NAFA Units	69,274,481	68,263,747
Held to maturity - Term deposit receipts	34,400,000	34,160,000
	103,674,481	102,423,747
	<b>Unaudited 30 Sep 2010 Rupees</b>	<b>Audited 30 June 2010 Rupees</b>
<b>7. SHORT TERM BORROWINGS</b>		
Short term running finance- Secured		
Allied Bank Limited	-	-
National Bank of Pakistan	-	-
	-	-
	<b>Unaudited 30 Sep 2010 Rupees</b>	<b>Audited 30 June 2010 Rupees</b>
<b>8. DEFERRED TAX LIABILITY- Net</b>		
The net balance of deferred tax is in respect of the following major temporary differences:		
Accelerated depreciation of property, plant and equipment	17,397,485	20,369,881
Deferred employee benefit	(149,447)	(190,512)
Provision for doubtful debts, advances and receivables	(296,265)	(371,932)
Provision for slow moving stores, spare parts and loose tools	(128,895)	(149,415)
Surplus on revaluation of fixed assets	15,495,418	15,948,312
	32,318,296	35,606,334

# Quarterly Report

## BIAFO INDUSTRIES LIMITED

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE QUARTER ENDED 30 SEPTEMBER 2010

	Unaudited 30 Sep 2010 Rupees	Audited 30 June 2010 Rupees
<b>9. SURPLUS ON REVALUATION OF FIXED ASSETS - Net of tax</b>		
Surplus on revaluation at 01 July	82,965,824	74,771,807
Surplus on revaluation during the year- net	-	13,518,066
	<u>82,965,824</u>	<u>88,289,873</u>
Transferred to equity in respect of incremental depreciation - net of deferred tax	(841,089)	(3,460,632)
Related deferred tax liability of incremental depreciation	(452,894)	(1,863,417)
	<u>(1,293,983)</u>	<u>(5,324,049)</u>
Related deferred tax liability on:	81,671,841	82,965,824
Surplus on revaluation	(15,948,312)	(16,277,691)
Revaluation during the period	-	(1,534,038)
Incremental depreciation charged on revalued assets	452,894	1,863,417
	<u>(15,495,418)</u>	<u>(15,948,312)</u>
	<u>66,176,423</u>	<u>67,017,512</u>

### 10. CONTINGENCIES AND COMMITMENTS

There is no change in the contingent liabilities as reported in the annual financial statements for the year ended 30 June 2010.

There is no change in the commitments as reported in the annual financial statements for the year ended 30 June 2010, except that the letters of credit issued by a bank on behalf of the Company for the import of raw materials amount to Rs. 27.491 million at the period end (30 June 2010: Rs. 2.963 million.)

	Quarter Ended	
	Unaudited 30 Sep 2010 Rupees	Unaudited 30 Sep 2009 Rupees
<b>11. GROSS SALES</b>		
Local	159,297,212	120,722,676
Exports	93,658,727	44,158,259
	<u>252,955,939</u>	<u>164,880,935</u>
<b>12. CASH AND CASH EQUIVALENTS</b>		
For the purpose of cash flow statement cash and cash equivalents comprise of:		
Cash and bank balances	27,750,982	74,071,936
Short term borrowings- secured	-	-
	<u>27,750,982</u>	<u>74,071,936</u>

# Quarterly Report

**BIAFO INDUSTRIES LIMITED**  
**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR THE QUARTER ENDED 30 SEPTEMBER 2010**

### 13. 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:

	<u>Quarter Ended</u>	
	<u>Unaudited 30 Sep 2010 Rupees</u>	<u>Unaudited 30 Sep 2009 Rupees</u>
<b>Associated undertaking-sole proprietorship concern of a director of the Company</b>		
Sale of explosives	-	-
Advance received during the period	761,534	356,265
Balance Recievable/(Payable)at the period end	(761,534)	(356,265)
<b>Other related parties</b>		
Remuneration including perquisites of Chief Executive	2,084,695	1,834,140
Remuneration including perquisites of Directors	1,500,000	2,465,000
Remuneration including perquisites of Executives	1,166,650	763,618
Payment to employees' provident fund	438,936	613,680

### 14. DATE OF AUTHORIZATION FOR ISSUE

The condensed interim financial information was authorized for issue by the Board of Directors of the Company in their meeting held on 19 October 2010.

### 15. GENERAL

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

Islamabad  
19 October, 2010



Director



Chief Executive

# BOOK POST

(UNDER POSTAL CERTIFICATE)

*If undelivered, please return to:*

## BIAFO INDUSTRIES LTD.

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](http://www.biafo.com), e-mail: [management@biafo.com](mailto:management@biafo.com), [biafo@hotmail.com](mailto:biafo@hotmail.com)