

**Quarterly Report  
for the Period Ended  
30 September 2008**



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



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## COMPANY INFORMATION

### BOARD OF DIRECTORS:-

#### **Executive Directors**

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

#### **Non-Executive Directors**

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

#### **Company Secretary**

Khawaja Shaiq Tanveer

#### **Audit Committee**

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

#### **Auditors**

KMPG Taseer Hadi & Co. Chartered Accountants

#### **Bankers**

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

#### **Registered Office & Shares Department**

##### **Biafo Industries Limited**

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

#### **Factory**

##### **Biafo Industries Limited**

Plot #70, Phase III, Industrial Estate, Hattar, District Haripur, N.W.F.P - Pakistan.  
Tel: +92 995 617312, 617830, Fax: +92 995 617497  
Website: [www.biafo.com](http://www.biafo.com), e-mail: [plant@biafo.com](mailto:plant@biafo.com)



## **BIAFO INDUSTRIES LIMITED DIRECTORS' REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2008**

Your Directors are pleased to submit the unaudited accounts for the quarter ended 30<sup>th</sup>. September, 2008.

The net sales of your company in the quarter under review increased by 58.24% to Rs. 141.06 million as compared to the same period of last year.

Gross profit increased by 69.94% to Rs. 44.571 m and operating profit by 81.14% to Rs. 37.829 m against the comparable previous year's quarter. Profit after taxation increased by 69.43% resulting in EPS of Rs. 1.36 per share as against Rs. 0.80 in comparable quarter of the last year.

In the quarter under review the company achieved record net sales of Rs. 141.06 m due to the improvement in sales to the Oil & Gas Exploration Sector and deliveries to Saindak and Duddar Mining Projects, against the sale of the comparable quarter of last year.

The company was able to effects sales and deliveries to its customer in a timely manner, despite the uncertain law and order situation.

The company saw substantial escalation in raw material costs, both local and imports but this was mitigated by judicious increase in the sale prices of its products in the period under review. The substantial devaluation of Pakistani rupee is a cause for concern on the cost of imports of raw materials in the coming period and economic pressure on the country is effecting the confidence of the suppliers of imported raw materials.

The Board takes this opportunity to express its appreciation to all its employees for their hard work.

**Khawaja Amanullah Askari**  
Chief Executive

Islamabad  
28th October, 2008

**BIAFO INDUSTRIES LIMITED**  
**BALANCE SHEET (UNAUDITED)**  
**AS AT 30 SEPTEMBER 2008**

	Note	Sep 2008 Rupees	June 2008 Rupees
<b>NON CURRENT ASSETS</b>			
Fixed assets - Property, plant and equipment	4	278,888,122	282,359,242
Long term deposits		524,749	524,749
		<u>279,412,871</u>	<u>282,883,991</u>
<b>Current Assets</b>			
Stores, spare parts and loose tools		5,543,041	5,946,080
Stock-in-trade		89,258,706	59,806,868
Trade debts	5	69,050,605	64,736,442
Advances		6,739,999	4,433,481
Trade deposits and short-term prepayments		2,453,602	1,247,107
Other receivables		137,070	153,349
Other financial asset		33,095,408	32,179,474
Cash and bank balances		33,837,157	35,919,715
		240,115,588	204,422,516
<b>CURRENT LIABILITIES</b>			
Trade and other payables		49,028,864	46,348,443
Markup accrued		45,912	36,361
Short term borrowings	6	3,075,239	90,776
Current portion of:			
Liabilities against assets subject to finance lease		3,461,956	3,440,538
Provision for taxation		3,151,013	2,463,933
		<u>58,762,984</u>	<u>52,380,051</u>
		181,352,604	152,042,465
<b>NET CURRENT ASSETS</b>			
<b>NON CURRENT LIABILITIES</b>			
Liabilities against assets subject to finance lease		1,952,249	2,809,744
Deferred employee benefit		677,196	677,196
Deferred tax liability - net		36,687,338	37,145,749
		39,316,783	40,632,689
		<u>421,448,691</u>	<u>394,293,767</u>
<b>REPRESENTED BY:</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital		200,000,000	200,000,000
Unappropriated profit		159,982,528	131,976,270
		<u>359,982,528</u>	<u>331,976,270</u>
<b>SURPLUS ON REVALUATION OF FIXED ASSETS-net of tax</b>	7	61,466,163	62,317,497
		<u>421,448,691</u>	<u>394,293,767</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	8		

The annexed notes 1 to 12 form an integral part of these condensed financial statements.

Islamabad  
28th October 2008



Director



Chief Executive

**BIAFO INDUSTRIES LIMITED**  
**PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
**FOR THE QUARTER ENDED 30 SEPTEMBER 2008**

	Quarter Ended		Quarter Ended	
	September 2008	Period to date	September 2007	Period to date
	Rupees	Rupees	Rupees	Rupees
<b>GROSS SALES</b>	182,774,177	182,774,177	115,134,087	115,134,087
Sales tax	(14,407,270)	(14,407,270)	(8,755,141)	(8,755,141)
Special Excise Duty	(900,455)	(900,455)	(596,373)	(596,373)
Discounts and Commissions	(26,404,591)	(26,404,591)	(16,639,035)	(16,639,035)
<b>NET SALES</b>	141,061,861	141,061,861	89,143,539	89,143,539
	<u>(96,490,780)</u>	<u>(96,490,780)</u>	<u>(62,914,701)</u>	<u>(62,914,701)</u>
<b>GROSS PROFIT</b>	44,571,081	44,571,081	26,228,838	26,228,838
Other operating income	869,843	869,843	570,623	570,623
Distribution cost	(1,271,284)	(1,271,284)	(1,172,992)	(1,172,992)
Administrative expenses	(5,686,289)	(5,686,289)	(3,577,685)	(3,577,685)
Finance Cost	(654,319)	(654,319)	(1,164,354)	(1,164,354)
<b>OPERATING PROFIT</b>	37,829,032	37,829,032	20,884,429	20,884,429
Workers' profit participation fund	(1,891,452)	(1,891,452)	(1,044,221)	(1,044,221)
Workers' welfare fund	(700,433)	(700,433)	(417,689)	(417,689)
<b>PROFIT BEFORE TAXATION</b>	35,237,147	35,237,147	19,422,519	19,422,519
Taxation	(8,082,223)	(8,082,223)	(3,394,547)	(3,394,547)
<b>PROFIT FOR THE PERIOD</b>	<u>27,154,924</u>	<u>27,154,924</u>	<u>16,027,972</u>	<u>16,027,972</u>
<b>EARNINGS PER SHARE - Basic and diluted</b>	1.36	1.36	0.80	0.80

The annexed notes 1 to 12 form an integral part of these condensed financial statements.

Islamabad  
28th October 2008



Director



Chief Executive

**BIAFO INDUSTRIES LIMITED**  
**CASH FLOW STATEMENT (UN-AUDITED)**  
**FOR THE QUARTER ENDED 30 SEPTEMBER 2008**

CASH FLOW FROM OPERATING ACTIVITIES	Note	September 2008 Rupees	September 2007 Rupees
<b>Profit before taxation</b>		35,237,147	19,422,519
Adjustments for:			
Depreciation		4,801,282	6,568,087
Financial cost		654,319	1,164,355
Provision for Workers' profit participation fund		1,891,452	1,044,221
Provision for Worker's welfare fund		700,433	417,689
Provision for show moving stores, spare parts and loose tools		53,106	-
Unrealized gain on remeasurement of investment at fair value through profit or loss		(915,934)	(238,984)
Loss on disposal of property, plant and equipment		47,150	-
		<u>7,231,808</u>	<u>8,955,368</u>
		42,468,955	28,377,887
<b>Working capital changes</b>			
(Increase)/decrease in store, spare parts and loose tools		349,933	(110,669)
(Increase) in stock in trade		(29,451,839)	(6,889,843)
((Increase)/decrease) in trade debts		(4,314,163)	2,817,418
(Increase) in advances, deposits, prepayments and other receivables		(3,496,734)	(1,314,616)
Increase in trade and other payables		88,536	(1,772,175)
		<u>(36,824,266)</u>	<u>(7,269,885)</u>
		5,644,689	21,108,002
<b>Cash generated from operations</b>			
Finance costs paid		(644,768)	(934,788)
Income taxes paid		(7,853,553)	(1,126,662)
		<u>(8,498,321)</u>	<u>(2,061,450)</u>
		(2,853,632)	19,046,552
<b>Net Cash from operating activities</b>		<u>(2,853,632)</u>	<u>19,046,552</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(1,696,277)	(500,450)
Proceeds from disposal of property, plant and equipment		318,961	-
<b>Net Cash used in investing activities</b>		<u>(1,377,316)</u>	<u>(500,450)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of finance lease liabilities		(836,072)	(960,180)
<b>Net cash used in financing activities</b>		<u>(836,072)</u>	<u>(960,180)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		(5,067,020)	17,585,922
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>		35,828,938	25,614,683
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	9	<u><b>30,761,918</b></u>	<u><b>43,200,605</b></u>

The annexed notes 1 to 12 form an integral part of these condensed financial statements.

Islamabad  
28th October 2008



Director



Chief Executive

**BIAFO INDUSTRIES LIMITED**  
**STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**FOR THE QUARTER ENDED 30 SEPTEMBER 2008**

	Share Capital	Unappropriated profit	Total equity
	Rupees	Rupees	Rupees
<b>Balance at 01 July 2007</b>	200,000,000	102,582,926	302,582,926
<b>Changes in equity for the period ended 30 September 2007</b>			
Transfer from surplus on revaluation of fixed assets-net of deferred tax	-	1,333,605	1,333,605
Profit for the period	-	16,027,972	16,027,972
Total recognized income for the period	-	17,361,577	17,361,577
<b>Balance at 30 September 2007</b>	<b>200,000,000</b>	<b>119,944,503</b>	<b>319,944,503</b>
Balance at 01 July 2008	200,000,000	131,976,270	331,976,270
<b>Changes in equity for the period ended 30 September 2008</b>			
Transfer from surplus on revaluation of fixed assets-net of deferred tax	-	851,334	851,334
Profit for the period	-	27,154,924	27,154,924
Total recognized income for the period	-	28,006,258	28,006,258
<b>Balance at 30 September 2008</b>	<b>200,000,000</b>	<b>159,982,528</b>	<b>359,982,528</b>

The annexed notes 1 to 12 form an integral part of these condensed financial statements.

Islamabad  
28th October, 2008



Director



Chief Executive



**BIAFO INDUSTRIES LIMITED**  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE QUARTER ENDED 30TH SEPTEMBER 2008**

**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 N.W.F.P. with its registered office at 2nd Floor, Gulistan Khan House, 82-E Fazal-Ul-Haq Road, Islamabad, Pakistan..

**2. BASIS OF PREPARATION**

**2.1** These condensed financial statements are 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".

**2.2** This condensed financial statement should be read in conjunction with annual financial statements for the year ended 30 June 2008. Comparative balance sheet is extracted from annual financial statements for the year ended 30 June 2008 whereas comparative profit and loss account, statement of changes in equity and cash flow statement are stated from unaudited condensed financial statements for the quarter ended 30 September 2007.

**3. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES**

The accounting policies, related judgments, estimates and assumptions adopted for preparation of this condensed financial statements are the same as those applied in the preparation of annual financial statements of the Company for the year ended 30 June 2008.

<b>4. PROPERTY, PLANT AND EQUIPMENT</b>	<b>Unaudited 30 Sep 2008 Rupees</b>	<b>Audited 30 June 2008 Rupees</b>
Carrying value at beginning of the period	282,359,242	301,552,414
Additions during the period	1,696,277	1,945,093
	<u>284,055,519</u>	<u>303,497,507</u>
Depreciation for the period	(4,801,282)	(21,138,266)
Disposal during the period	(366,116)	-
Carrying value at the end of the period	<u><b>278,888,120</b></u>	<u><b>282,359,241</b></u>

**5. TRADE DEBTS - Unsecured**

Considered good	69,050,605	64,736,442
Considered doubtful	1,474,770	1,474,770
	70,525,375	66,211,212
Less: Provision for doubtful debts	(1,474,770)	(1,474,770)
	<u><b>69,050,605</b></u>	<u><b>64,736,442</b></u>

**6. SHORT TERM BORROWINGS**

Bank of Khyber-Running finance facility	6.1	1,565	37,600
National Bank of Pakistan-Running finance facility	6.2	3,073,674	53,176
		<u><b>3,075,239</b></u>	<u><b>90,776</b></u>

**6.1** The Company has running finance facility with Bank of Khyber, with the sanctioned limit of Rs. 10 million (June 2008: Rs. 10 million), carries mark up @ 3 month KIBOR plus 500 basic points (bps) with floor of 15% per annum payable on quarterly basis.

**6.2** The Company has a running finance facility with National Bank of Pakistan, with the sanctioned limit of Rs. 15 million (June 2008: Rs. 15 million) and carries mark up @ 3 months KIBOR + 2% per annum payable on quarterly basis.

*BIAFO INDUSTRIES LIMITED*  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE QUARTER ENDED 30 SEPTEMBER 2008**

	<b>Unaudited 30 Sep 2008 Rupees</b>	<b>Audited 30 June 2008 Rupees</b>
<b>7. SURPLUS ON REVALUATION OF FIXED ASSETS-net of deferred tax</b>		
Surplus on revaluation at 01 July	80,653,932	86,475,023
Transferred to equity in respect of incremental depreciation - net of deferred tax	(851,334)	(3,783,709)
Related deferred tax liability of incremental depreciation	(458,411)	(2,037,382)
	<b>79,344,187</b>	<b>80,653,932</b>
Related deferred tax liability on:		
Surplus on revaluation at 01 July	(18,336,435)	(20,373,817)
Incremental depreciation charged on revalued assets	458,411	2,037,382
	<b>(17,878,024)</b>	<b>(18,336,435)</b>
	<b>61,466,163</b>	<b>62,317,797</b>

**8. CONTINGENCIES AND COMMITMENTS**

There is no change in the commitments as reported in the annual financial statements for the year ended 30 June 2008, except that the letters of credit issued by a bank on behalf of the Company for the import of raw materials amount to Rs. 4.123 million at the period end (30 June 2008: Rs. 32.627 million.)

	<b>Unaudited 30 Sep 2008 Rupees</b>	<b>Unaudited 30 Sep 2007 Rupees</b>
<b>9. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	33,837,157	43,200,605
Short term borrowings-secured	(3,075,239)	-
	<b>30,761,918</b>	<b>43,200,605</b>

**10. 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:

	<b>Quarter ended</b>	
	<b>Unaudited 30 Sep 2008 Rupees</b>	<b>Unaudited 30 Sep 2007 Rupees</b>
<b>Associated undertaking-sole proprietorship concern of a director of the Company</b>		
Sale of explosives	1,231,725	229,256
Balance payable at the period end	93,870	708,381
<b>Director</b>		
Payment of markup	-	400,000
<b>Other related parties</b>		
Payment to employees' provident fund	279,822	199,044
Remuneration including perquisites of Chief Executive	1,104,104	481,323
Remuneration including perquisites of Director	1,325,000	735,000

*BIAFO INDUSTRIES LIMITED*  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE QUARTER ENDED 30 SEPTEMBER 2008**

**11. DATE OF AUTHORIZATION FOR ISSUE**

The condensed financial statements was authorized for issue by the Board of Directors of the Company in their meeting held on 28th October 2008.

**12. GENERAL**

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

Islamabad  
28th October, 2008



Director



Chief Executive

# **BOOK POST**

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*If undelivered, please return to:*

## ***BIAFO INDUSTRIES LTD.***

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