

## **DIRECTORS' REPORT**

Your Directors are pleased to present the 28th Annual Report of the Company for the year ended June 30th 2016.

### **SALES AND FINANCIAL RESULTS:**

Net local Sales value increased by 3.39% to Rs. 1291.5m, while the value of export sales increased by 2.29% to Rs. 156.38m, resulting in overall net sales value increase by 3.27% to Rs.1447.88 m in the period under review.

The significant feature of our sales was increase in the value of sales to the Oil and Gas Exploration sector by 34.23%. However all other sectors have shown a decline on reducing demand in large projects/sectors because of maturing/completion of existing projects in construction and mining sector and in the distributorship sector due to regulatory/security reviews. Sales to the Duddar Lead and Zinc project saw significant increase after recommencement of operations after two and half years. Sales to Saindak Copper & Gold Mining project continues to decline due to maturing of the mine site extraction operations.

No new project came onstream in the period under review.

Gross profit margin increased by 2.23% to 46.65% reflecting increased Sales of higher value products to Oil and Gas Exploration sector as a proportion of net sales and the company's efforts in reducing raw material cost by way of alternative competitive price sourcing.

Operating income of the company increased by 2.33% to Rs. 558.71m. Net profit after tax increased by 1.5% to Rs. 398.43m resulting in EPS of Rs. 19.92 (2015 : EPS Rs. 19.63).

Your company was able to increase its financial assets/investment by Rs. 52.52m to Rs.439.43m, however income from the assets declined by Rs. 9.18 m to Rs. 25.62 m due to decline in the rate of return on the investment in mutual funds.

Financial cost declined by Rs. 0.93 m to Rs. 21.04 m due to the declining interest rate. Net worth of your Company for the period under review increased by Rs. 8.43 m to Rs. 924.54 m.

### **PRODUCTION:**

Plant production team continued to perform satisfactorily in meeting the demand of the various products on timely basis to the customers.

Your company continues to invest resources to improving Production Capacity, Human Resource and Safe practices to enhance the confidence of its users, workforce and stakeholders.

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The company has renewed OHSAS (Occupational Health and Safety Advisory Services) 18001 : 2007 and ISO 9001 : 2008 Certifications.

### **FUTURE PROSPECTS:**

While the Government of Pakistan and China have committed themselves to significant investment in Pakistan in Energy, Communication and Infrastructure sector of Pakistan, progress has not been rapid as need of the country. Work on the Hydel projects like Dasu, Suki Kinari, Karot, Mahl, and Tarbella 5th Extension is still to commence while progress on Bhasha, Munda Dam, Kohala Dam and Bunji Dam etc. has not taken concrete shape yet. Progress on the Road network is behind schedule, but we are hopeful it will speed-up in the next financial year.

The Cement sector has also indicated additional units in the next 3 to 4 years to add approximately 6-8 million metric tons additional capacity in expectation of CPEC business opportunities and local demand. We are hopeful the Oil and Gas Exploration sector will continue to remain active in the coming years.

### **DIVIDEND:**

Board has approved of Rs. 7.50 per share 75% and also the 1st Interim cash dividend of Rs. 2.50 per share (25%) declared on October 27, 2015 and 2nd Interim cash dividend of Rs. 4.00 per share (40%) declared on February 18, 2016 and 3rd Interim cash dividend of Rs. 5.50 per share (55%) declared on April 22, 2016 for the year ended June, 2016 making a total dividend of declaration of Rs. 19.50 per share (195%) for financial year end 30th June, 2016.

### **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 Chief Executive & are reviewed by the Board. The Board is committed to maintain a high standard of good corporate governance. The company is in the process of implementing the provisions set out by Securities & Exchange Commission of Pakistan (SECP) and the accordingly amended listing rules by Stock Exchanges.

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

- Financial statements prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flow & changes in equity.

## DIRECTORS' REPORT

- Proper books of account of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable & prudent judgment.
- International Financial Reporting 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 control is sound in design 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, 2016 except for those stated in the financial statements.
- Six directors of the Company are exempted from Directors Training Program on the basis of their level of education and length of experience as provided in the CCG. Further four of the directors of the Company have obtained certification under Directors training program as required under clause (xi) of the CCG. None of the Directors had attended any training program during the year.
- The values of investment of various funds, based on their respective accounts as at 30 June 2016 are as under:

Description	Amount
Provident Fund	Rs. 48,362,818/-
Gratuity Fund	Rs. 32,429,852/-

A total of 04 meetings of the Board of Directors were held during year (July 2015 to June 2016). The attendance by each Director is given as follows:

<u>NAME ATTENDED</u>	<u>DESIGNATION</u>	<u>NO. OF MEETINGS</u>
Dr. M. Humayun Khan	Chairman	4
Khawaja Amanullah Askari	MD & CEO	4
M. Afzal Khan	Director	4

## DIRECTORS' REPORT

Abdul Maajid Qureshi	Director	3
M. Salim Khan	Director	4
M. Zafar Khan	Director	4
Adnan Aurangzeb	Director	3
Maj. Gen. (Ret'd.) S. Z. M. Askree	Director	4
Khwaja Ahmad Hosain	Director	4
Muhammad Yaqoob	Director	4
Ms. Shirin Safdar	Director	3
Ms. Zishan Afzal Khan	Director	3
(Alternate Director: Ms Mehreen Hosain)		1

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

A total of 04 meetings of Audit Committee were held during the year (July 2015 to June 2016). The attendance by each member is given as follows:

<u>NAME ATTENDED</u>	<u>DESIGNATION</u>	<u>NO. OF MEETINGS</u>
Muhammad Yaqoob	Chairman	4
Abdul Maajid Qureshi	Member	3
M. Salim Khan	Member	4
Adnan Aurangzeb	Member	3
Dr. M. Humayun Khan	Member	4
Khwaja Ahmad Hosain	Member	4

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

A total of 04 meetings of the Human Resource & Remuneration Committee were held during year (July 2015 to June 2016). The attendance by each member is given as follows:

<u>NAME ATTENDED</u>	<u>DESIGNATION</u>	<u>NO. OF MEETINGS</u>
Dr. M. Humayun Khan	Chairman	4
Khawaja Amanullah Askari	Member	4
M. Salim Khan	Member	4
Adnan Aurangzeb	Member	3
Khwaja Ahmad Hosain	Member	3
Muhammad Yaqoob	Member	4

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

## **DIRECTORS' REPORT**

### **KEY OPERATING AND FINANCIAL DATA**

Key operating and financial data of last six years is enclosed.

### **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, Faysal Bank Ltd, MCB Bank Ltd, United Bank Ltd, Bank of Khyber, National Bank of Pakistan.

The Chief Executive collected on behalf of the company Pakistan Stock Exchange's "**TOP 25 COMPANIES AWARD 2014-2015**" from His Excellency Muhammad Nawaz Sharif, Prime Minister of the Islamic Republic of Pakistan on 8th September, 2016 in Karachi, see attached page 10) with these fresh award Biafo Industries Ltd has now been awarded "**TOP 25 COMPANIES AWARD**" for 4 consecutive years (2012-2015) by Pakistan (Karachi) Stock Exchange. This is a reflection of the spirit of dedication and hard work of team members of Biafo.

### **PATTERN OF SHARE HOLDING**

Pattern of share holding is enclosed.

On Behalf of the Board



**Khawaja Amanullah Askari**  
Managing Director  
&  
Chief Executive Officer

Islamabad  
23 September, 2016



**TOP 25 COMPANIES AWARDS** 2014-2015

**RECOGNIZING THE CORPORATE LEADERS  
WHO ARE CONTRIBUTING TO PAKISTAN'S  
GROWTH, SHAREHOLDER VALUE AND  
SOCIETY'S WELFARE**

**PRESENTED TO**

**BIAFO INDUSTRIES LIMITED**

**FOR THE YEAR 2014 & 2015**

**BY**

**MR. MUHAMMAD NAWAZ SHARIF**

**HONORABLE PRIME MINISTER OF THE ISLAMIC REPUBLIC OF PAKISTAN**

**AT THE CEREMONY**

**HELD ON SEPTEMBER 8, 2016 AT PAF MUSEUM, FUNCTION HALL,  
SHAHRAH-E-FAISAL, KARACHI.**

**PAKISTAN STOCK EXCHANGE LIMITED**

**(FORMERLY: KARACHI STOCK EXCHANGE LIMITED)**