

**Interim Report  
for the Half Year / Quarter  
Ended December 31 2006**



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

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## **CORPORATE INFORMATION**

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### **Board Of Directors:**

#### **Executive Directors**

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

#### **Non Executive Directors**

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

### **Company Secretary:**

Khawaja Shaiq Tanveer

### **Audit Committee:**

M. Salim	Chairman
Abdul Maajid Qureshi	Member
Ms. Shirin Safdar	Member
Dr. Humayun Khan	Member
Adnan Aurangzeb	Member

### **Auditors:**

KPMG Taseer Hadi & Co. Chartered Accountants.

### **Bankers:**

Bank of Khyber	ABN-Ambro Bank
National Bank of Pakistan	Allied Bank of Pakistan
Habib Bank Limited	Standard Chartered Bank
Bank Alfalah Limited	

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

#### **Biafo Industries Limited**

Office No: 203-204, 2<sup>nd</sup> Floor, Muhammad Gulistan Khan House,  
82-East, Fazal-UI-Haq Raod, Blue Area, Islamabad-Pakistan

Tel: + 92 51 2277358, + 92 51 2277359, 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 No: 70, Phase III, Industrial Estate, Hattar, District Haripur, N.W.F.P -Pakistan

Tel: + 92 995 617312, 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 & HALF YEAR ENDED**  
**DECEMBER 31, 2006**

Your Directors are pleased to submit the unaudited accounts for the quarter/half year ended December 31, 2006.

The net sales of the company for the quarter was Rs. 105.219 million and for the half year was Rs. 191.16 million showing an increase of 76.16% and 50.71% against the comparable quarter and half year of the previous year.

The increase in sales were generated by the Cement sector, Oil and Gas sector and large projects like Lowari Rail Tunnel Project, Hydel Projects, Saindak Copper Project and Duddar Lead & Zinc projects in the period under review. The company achieved and exceeded the sales target set in the period under review.

Profit for the quarter and half year period prior to the WPPF and taxation was Rs. 28.368 million and Rs 51.61 million showing an increase of 212.39% and 118.69% respectively against the comparable previous year quarter and half year figures.

Profit after taxation was Rs. 20.752 million and Rs.42.882 million for the quarter and half year period under view showing an increase 142.37 % and 92.56 % against the comparable previous year periods. The earning per share (EPS) was Rs.1.04 and Rs.2.14 for the quarter and half year under review.

All expenses were within budget approved by the Board of Directors but over all expenditures were under the budget figures and approved by the Board of Directors.

The company continues its efforts to control costs despite inflationary pressure and increase in cost of raw materials.

We expect the Cement Industry to remain active in coming period but do not expect any mega/major projects coming on stream in next six months period.

Your Board takes this opportunity to express its appreciation to all its employees for their hard work and continuing efforts in meeting business challenges.



**Khawaja Amanullah Askari**  
**Chief Executive**

**Islamabad**  
**February 23, 2007**

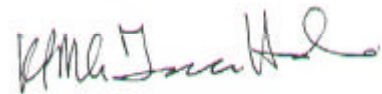
## **REVIEW REPORT TO THE MEMBERS**

We have reviewed the annexed condensed interim balance sheet of Biafo Industries Limited (“the company”) as at December 31, 2006 and the related condensed interim profit and loss Account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the “condensed interim financial statements”) for the half year ended. These interim financial statements are the responsibility of the company’s management. Our responsibility is to issue a report on these condensed interims financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagement 2400. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the condensed interim financial statements are free of material misstatement. A review is limited primarily to inquires of the company’s personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we don’t express an audit opinion.

Based on our review nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statement not presented fairly, in all material respect accordance with approved accounting standard applicable in Pakistan.

The figures of condensed interim profit and loss account for the quarters ended December 31, 2005 and 2006 were not subject to review, as we are required to review only the cumulative figures for the half year ended December 31, 2006.



**Islamabad**  
**February 23, 2007**

**KPMG Taseer Hadi & Co**  
**Chartered Accountants**

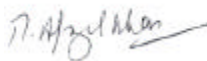
**BIAFO INDUSTRIES LIMITED**  
**BALANCE SHEET**  
**AS AT 31 DECEMBER 2006**

	Note	31 Dec 2006 Un-audited Rupees	30 June 2006 Audited Rupees
<b>NON CURRENT ASSETS</b>			
Property, Plant and Equipment	3	270,699,452	281,215,991
Long term deposits		544,749	544,749
		<u>271,244,201</u>	<u>281,760,740</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		5,580,770	5,341,982
Stock in trade		39,132,353	30,869,364
Trade debts	4	46,649,038	44,689,777
Advances		4,850,908	3,052,467
Trade deposits and short term prepayments		1,499,978	893,219
Income tax - net		9,561,461	9,428,490
Other receivables		624,519	241,707
Cash and bank balances		28,654,386	7,733,204
		<u>136,553,413</u>	<u>102,250,210</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		26,923,497	27,569,162
Accrued markup		45,895	384,875
Short term borrowings		110,508	5,923,568
Current portion of:			
Long term financing	5	8,294,108	7,861,653
Liabilities against assets subject to finance lease		956,185	890,329
		<u>36,330,193</u>	<u>42,629,587</u>
		<b>100,223,220</b>	<b>59,620,623</b>
<b>NET CURRENT ASSETS</b>			
<b>NON CURRENT LIABILITIES</b>			
Long term loans	5	8,757,290	17,051,398
Liabilities against assets subject to finance lease		1,888,366	1,971,455
Provision for staff retirement benefits		393,726	329,836
Deferred taxation	6	32,157,491	26,639,878
		43,196,873	45,992,567
		<u>328,270,548</u>	<u>295,388,796</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
<b>REPRESENTED BY:</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital		200,000,000	200,000,000
Unappropriated profit		49,903,659	14,354,696
		<u>249,903,659</u>	<u>214,354,696</u>
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT -net of tax</b>			
	8	78,366,889	81,034,100
		<u>328,270,548</u>	<u>295,388,796</u>

The annexed notes 1 to 11 form an integral part of these financial statements.

These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on 23rd February 2007.

Islamabad  
23 February 2007



Director



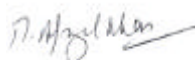
Chief Executive

**BIAFO INDUSTRIES LIMITED**  
**PROFIT AND LOSS ACCOUNT (UN-AUDITED)**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2006**

	Quarter Ended		Six Months Ended	
	31 Dec 2006 Rupees	31 Dec 2005 Rupees	31 Dec 2006 Rupees	31 Dec 2005 Rupees
<b>GROSS SALES</b>	<b>135,958,418</b>	76,080,124	<b>246,043,375</b>	163,458,653
Less: Sales tax	<b>11,236,094</b>	5,153,216	<b>19,800,762</b>	11,781,097
Discount and commission	<b>19,502,992</b>	11,425,969	<b>35,081,992</b>	24,821,704
<b>NET SALES</b>	<b>105,219,332</b>	59,500,939	<b>191,160,621</b>	126,855,852
Less: Cost of sales	<b>69,793,852</b>	41,858,261	<b>127,013,878</b>	89,197,420
<b>GROSS PROFIT</b>	<b>35,425,480</b>	17,642,678	<b>64,146,743</b>	37,658,432
Other operating income	-	-	-	65,618
	<b>35,425,480</b>	17,642,678	<b>64,146,743</b>	37,724,050
Selling and distribution expenses	<b>1,659,955</b>	1,756,370	<b>3,708,482</b>	3,399,707
Administrative expenses	<b>4,613,474</b>	3,391,769	<b>7,068,998</b>	5,457,725
	<b>29,152,051</b>	12,494,539	<b>53,369,263</b>	28,866,618
Finance cost	<b>783,555</b>	3,413,291	<b>1,755,956</b>	5,265,454
<b>PROFIT FOR THE PERIOD</b>	<b>28,368,496</b>	9,081,248	<b>51,613,307</b>	23,601,164
Worker's Profit Participation Fund	<b>1,418,425</b>	454,062	<b>2,580,665</b>	1,180,058
<b>PROFIT BEFORE TAXATION</b>	<b>26,950,071</b>	8,627,186	<b>49,032,642</b>	22,421,106
Taxation				
Current	<b>(36,259)</b>	(429,916)	<b>(633,277)</b>	(882,234)
Deferred	<b>(6,161,115)</b>	365,269	<b>(5,517,613)</b>	730,211
	<b>(6,197,373)</b>	(64,647)	<b>(6,150,889)</b>	(152,023)
<b>PROFIT AFTER TAXATION</b>	<b>20,752,698</b>	8,562,539	<b>42,881,752</b>	22,269,083
<b>EARNINGS PER SHARE - BASIC AND DILUTED</b>	<b>1.04</b>	0.43	<b>2.14</b>	1.11

The annexed notes 1 to 11 form an integral part of these financial statements.

Islamabad  
23 February 2007



Director



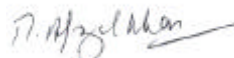
Chief Executive

**BIAFO INDUSTRIES LIMITED**  
**CASH FLOW STATEMENT (UN-AUDITED)**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2006**

	Six Months Ended	
	31 Dec 2006	31 Dec 2005
Note	Rupees	Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	49,032,642	22,421,106
Adjustments for:		
Depreciation	12,697,781	6,647,202
Finance cost	1,755,956	5,265,454
Provision for Workers Profit Participation Fund (WPPF)	2,580,665	1,180,057
Provision for staff retirement benefits	97,161	33,850
Gain on disposal of fixed assets	-	(65,618)
	<u>17,131,563</u>	<u>13,060,945</u>
Operating profit before working capital changes	66,164,205	35,482,051
Working capital changes		
(Increase) / decrease in store, spares and loose tools	(238,788)	253,024
Increase in stock in trade	(8,262,989)	(6,166,093)
Increase in trade debts	(1,959,261)	(4,304,296)
Increase in advances	(1,798,441)	(407,972)
Increase in trade deposits and short term prepayments	(606,759)	(436,528)
Increase in other receivables	(382,812)	-
Increase in trade and other payables	295,815	1,699,431
	<u>(12,953,235)</u>	<u>(9,362,434)</u>
Cash generated from operations	53,210,970	26,119,617
Finance cost paid	(2,094,936)	(5,656,655)
Retirement benefits paid	(33,271)	(500,025)
WPPF Paid	(3,522,145)	-
Taxes paid	(766,247)	(2,047,032)
	<u>(6,416,600)</u>	<u>(8,203,712)</u>
Net cash from operating activities	46,794,370	17,915,905
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(1,671,242)	(2,129,100)
Proceeds from disposal/sale of property, plant and equipment	-	305,250
Net cash used in investing activities	(1,671,242)	(1,823,850)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of finance lease liabilities	(527,233)	(409,131)
Payment of long term loans during the period - net	(7,861,653)	(22,576,154)
Dividend paid	(10,000,000)	-
Net cash used in financing activities	(18,388,886)	(22,985,285)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>26,734,242</b>	<b>(6,893,230)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>1,809,636</b>	<b>(4,085,098)</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>9 28,543,878</b>	<b>(10,978,328)</b>

The annexed notes 1 to 11 form an integral part of these financial statements.

Islamabad  
23 February 2007



Director



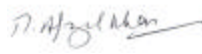
Chief Executive

**BIAFO INDUSTRIES LIMITED**  
**STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2006**

	<b>Issued, subscribed and paid up capital</b>	<b>Accumulated Profit /(loss)</b>	<b>Total</b>
	<b>(Rupees)</b>	<b>(Rupees)</b>	<b>(Rupees)</b>
<b>Balance as at 01 July 2005</b>	<b>200,000,000</b>	<b>(62,547,599)</b>	<b>137,452,401</b>
Net profit for the period	-	22,269,083	22,269,083
Incremental depreciation on surplus on revaluation of property, plant and equipment during the period - net of deferred tax	-	1,356,107	1,356,107
<b>Balance as at 31 December 2005</b>	<b>200,000,000</b>	<b>(38,922,409)</b>	<b>161,077,591</b>
<b>Balance as at 01 July 2006</b>	<b>200,000,000</b>	<b>14,354,696</b>	<b>214,354,696</b>
Net profit for the period	-	42,881,752	42,881,752
Incremental depreciation on surplus on revaluation of property, plant and equipment during the period - net of deferred tax	-	2,667,211	2,667,211
Dividend: First Interim 2007: Rs.0.50 per share	-	(10,000,000)	(10,000,000)
<b>Balance as at 31 December 2006</b>	<b>200,000,000</b>	<b>49,903,659</b>	<b>249,903,659</b>

The annexed notes 1 to 11 form an integral part of these financial statements.

Islamabad  
23 February 2007



**Director**



**Chief Executive**

**BIAFO INDUSTRIES LIMITED**  
**SELECTED NOTES TO THE FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2006**

**1. 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 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 financial statements have been prepared in condensed form in accordance with the requirements of International Accounting Standard 34 "Interim Financial Reporting".
- 2.2** These financial statements are un-audited and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984.
- 2.3** The accounting policies and method of computation adopted for the preparation of these financial statements are the same as those applied in the preparation of annual financial statements of the Company for the preceding year ended 30 June 2006.

	Note	Six months ended	
		31 Dec 2006 Rupees	31 Dec 2005 Rupees
<b>3. PROPERTY, PLANT AND EQUIPMENT</b>			
Opening book value		281,215,991	301,639,723
Add: Additions during the period	3.1	2,181,242	3,112,687
		<u>283,397,233</u>	<u>304,752,410</u>
Less: Disposals during the period at book value	3.2	-	306,917
Depreciation		12,697,781	6,647,202
		<u>12,697,781</u>	<u>6,954,119</u>
Closing book value		<u><u>270,699,452</u></u>	<u><u>297,798,291</u></u>
<b>3.1 ADDITIONS</b>			
Plant and machinery		64,960	158,000
Office equipment		-	37,153
Vehicles		2,116,282	2,917,534
		<u>2,181,242</u>	<u>3,112,687</u>
<b>3.2 DISPOSALS</b>			
Plant and machinery		-	67,285
Vehicles		-	239,632
		<u>-</u>	<u>306,917</u>
		<b>31 Dec 2006</b>	<b>30 June 2006</b>
		<b>Rupees</b>	<b>Rupees</b>
Considered good		46,649,038	44,689,777
Considered doubtful		1,479,333	1,479,333
		48,128,371	46,169,110
Less: Provision for doubtful debts		(1,479,333)	(1,479,333)
		<u><u>46,649,038</u></u>	<u><u>44,689,777</u></u>

**BIAFO INDUSTRIES LIMITED**  
**SELECTED NOTES TO THE FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2006**

	31 Dec 2006 Rupees	30 June 2006 Rupees
<b>5. LONG TERM LOANS</b>		
Loans from financial institutions - secured	17,051,398	24,913,051
Less: Amount payable within 12 months shown under current portion	8,294,108	7,861,653
	<u>8,757,290</u>	<u>17,051,398</u>

**5.1 Movement in the account during the period is as follows.**

	Six months ended	
	31 Dec 2006 Rupees	31 Dec 2005 Rupees
Opening balance	24,913,051	91,943,596
Repayments made during the period	<u>(7,861,653)</u>	<u>(22,576,154)</u>
Closing balance	<u>17,051,398</u>	<u>69,367,442</u>

**6. DEFERRED TAXATION**

The net balance of deferred tax is in respect of the following major temporary differences:

Accelerated depreciation	(20,922,721)	(27,306,672)
Unused tax losses	14,542,345	27,708,147
Obligation under finance lease	495,696	690,009
Retirement benefits	137,804	115,443
Provision for doubtful debts, advances and receivables	567,801	567,801
Surplus on revaluation of property, plant and equipment	<u>(26,978,416)</u>	<u>(28,414,606)</u>
	<u>(32,157,491)</u>	<u>(26,639,878)</u>

**7. CONTINGENCIES AND COMMITMENTS**

Change in status of contingencies and commitments since the last annual balance sheet is as follows:

- 7.1** Outstanding Letters of credit opened by a bank on behalf of the Company for import of raw materials amounting to Rs. 18.32 million (30 June 2006: Rs. 20. 9 million) at the period end.

**7.2 PROVISION FOR TAXATION**

- 7.2.1** There is no change in tax status of the Company as reported in audited financial statements for the year ended 30 June 2006. The Company has filed its return for tax year 2006 (year ended 30 June 2006) that stands assessed in terms of section 120 of the Income Tax Ordinance 2001.

	Six months ended	
	31 Dec 2006 Rupees	31 Dec 2005 Rupees
<b>8. SURPLUS ON REVALUATION OF PROPERTY PLANT AND EQUIPMENT</b>		
Opening Balance	109,448,706	117,655,509
Transferred to accumulated profit /(loss) in respect of incremental depreciation charged during the period/year - net of deferred tax	<u>(2,667,211)</u>	<u>(1,356,107)</u>
Related deferred tax liability	<u>(1,436,190)</u>	<u>(730,211)</u>
	<u>(4,103,401)</u>	<u>(2,086,318)</u>
	105,345,305	115,569,191
Less: Provision for deferred taxation on depreciable surplus	<u>(26,978,416)</u>	<u>(30,556,777)</u>
	<u>78,366,889</u>	<u>85,012,414</u>

**9. CASH AND CASH EQUIVALENTS**

Cash and bank balances	28,654,386	4,610,242
Short term borrowings	<u>(110,508)</u>	<u>(15,588,570)</u>
	<u>28,543,878</u>	<u>(10,978,328)</u>

**BIAFO INDUSTRIES LIMITED**  
**SELECTED NOTES TO THE FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2006**

**10 TRANSACTIONS WITH RELATED PARTIES**

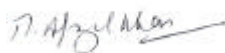
Related parties comprise directors, key management personnel, major shareholders, entities over which the directors are able to exercise influence and employees' fund. The Company has a policy whereby all transactions with related parties are entered into at arm's length prices generally determined under the "Comparable Uncontrolled Price Method". Transactions with related parties during the period and their balances are as follows:

	<b>Six months ended</b>	
	<b>31 Dec 2006</b>	<b>31 Dec 2005</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>Major share holder</b>		
Guarantee fee	-	417,605
Consultancy charges payable	-	1,614,750
<b>Associated undertaking - sole proprietorship concern of a director of the Company</b>		
Sale of explosives during the period	<b>2,344,710</b>	726,249
Balance payable at the period end	<b>229,780</b>	522,308
<b>Directors and shareholders</b>		
Mark up on loans	-	458,333
Repayment of loan	-	3,706,963
<b>Payment to employees' provident fund</b>	<b>307,904</b>	266,839
<b>Remuneration including perquisites of chief executive</b>	<b>1,175,984</b>	728,000
<b>Remuneration including perquisites of Directors</b>	<b>1,370,000</b>	1,248,481

**11 GENERAL**

Figures have been rounded off to the nearest Rupee.

**Isl: Islamabad**  
 23 February 2007



**Director**



**Chief Executive**