

Interim Report

for the Six Months Period Ended
31st December 2020


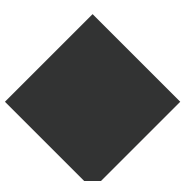


BIAFO INDUSTRIES LTD.
Manufacturers of Tovex[®] Explosives & Blasting Accessories



Contents

| | |
|-------------------------------------|-------|
| Corporate Information | 1 |
| Directors' Report | 2-3 |
| Independent Auditors' Review Report | 4 |
| Statement of Financial Position | 5 |
| Statement of Profit or Loss | 6 |
| Statement of Comprehensive Income | 7 |
| Statement of Cash Flows | 8 |
| Statement of Changes in Equity | 9 |
| Notes to the Financial Statements | 10-18 |





CORPORATE INFORMATION

Corporate Information

Board of Directors

Executive Directors

M. Afzal Khan
Anwar Moin
Maj. Gen. (Ret'd.) S. Z. M. Askree
Ms. Shirin Safdar

Deputy Chairman
Chief Executive Officer
Executive Director
Executive Director

Non Executive Directors

Dr. M. Humayun Khan
M. Zafar Khan
Khawaja Ahmad Hosain
Basit Waheed
Adnan Aurangzeb
Ms. Ayesha Humayun Khan

Chairman
Director
Director
Director
Director
Director

Independent Directors

Ms. Mehreen Hosain
Ehsan Mani
Ms. Syeda Shahbano Abbas
Muhammad Yaqoob

Director
Director
Director
Director

Company Secretary

Khawaja Shaiq Tanveer

Chief Financial Officer

Syed Sajid Hussain Shah

Audit & Risk Management Committee

Ehsan Mani
Dr. M. Humayun Khan
Adnan Aurangzeb
Muhammad Yaqoob
Khawaja Ahmad Hosain
Basit Waheed

Chairman
Member
Member
Member
Member
Member

HR & Remuneration Committee

Ehsan Mani
Anwar Moin
Dr. M. Humayun Khan
Ms. Mehreen Hosain
Ms. Syeda Shahbano Abbas
Ms. Ayesha Humayun Khan

Chairman
Member
Member
Member
Member
Member

Auditors

KPMG Taseer Hadi & Co. Chartered Accountants

Legal Advisors

Chima & Ibrahim, Raza Khalil Abbasi Suhrawardy

Bankers

Allied Bank of Pakistan
National Bank of Pakistan
Bank of Khyber

Bank Alfalah Limited
United Bank Limited
Faysal Bank Limited

Registered Office

Biafo Industries Limited

1st Floor, Biafo House, Plot No. 23, St No. 38-40,
I&T Centre, G-10/4, Islamabad. Pakistan
Tel: +92 51 2353450-53, 2353455-57 Fax: +92 51 2353458
Website: www.biafo.com, E-mail: management@biafo.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, E-mail: plant@biafo.com

Shares Registrar

F.D. Registrar Services (Pvt.) Ltd.

17th Floor, Saima Trade Tower-A, I.I. Chundrigar Road, Karachi.
Tel: +92 21 32271905-6 Fax: +92 21 32621233
E-mail: info@fdregistrar.com | fdregistrar@yahoo.com



DIRECTORS' REPORT

BIAFO INDUSTRIES LTD. DIRECTORS' REPORT FOR THE QUARTER/HALF YEAR ENDED 31 DECEMBER 2020

Your Directors are pleased to submit the un-audited accounts for the quarter/half year ended December 31, 2020.

Net sales value of the Company in the half year under review decreased by 17.72% to Rs. 734.04 M (Dec 2019: Rs. 892.09 M) while net sales value in the quarter to December, 2020 decreased by 12.33% to Rs. 375.02 (Dec 2019: 427.77 M).

For the period under review, supplies to the Oil and Gas decreased because of lesser exploration seismic activity and slow down of activities in the large projects due to the Covid 19 pandemic. However, export sales have shown an appreciable growth as compared to the half year ended December, 2019.

For the period under review, gross profit has decreased by 16.58% to Rs. 284.46 M as compared to previous year's comparable period (Dec., 2019: Rs. 340.99 M). Whereas, net profit after taxation decreased by 26.82% to Rs. 133.42 M as compared to the half year ended Dec., 2019, resulting in an EPS of Rs. 3.48 (EPS Dec., 2019: Rs. 4.76 Restated).

Profitability declined mainly due to decline in sales volume and rising input costs. This situation may improve once the economy revives post COVID-19 pandemic.

Expenses were within budget as approved by the Board of Directors.

Your Board of Directors have declared an interim cash dividend of Rs. 2.00 per share(20%) for the period under review.

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

For and on behalf of the Board



Anwar Moin
Chief Executive Officer



Dr. M. Humayun Khan
Chairman

Islamabad
23 February 2021

بیافوانڈسٹریز لمیٹڈ

31 دسمبر 2020 کو ختم ہونے والی سہ ماہی / ششماہی کے لئے ڈائریکٹرز رپورٹ

آپ کے ڈائریکٹرز 31 دسمبر 2020 کو اختتام پزیر ہونے والی سہ ماہی / ششماہی کے لئے غیر آڈٹ شدہ اکاؤنٹس پیش کرتے ہوئے نہایت مسرت محسوس کرتے ہیں۔

زیر جائزہ مدت میں کمپنی کی خالص حجم فروخت 17.72 فیصد کی سے 734.04 ملین روپے رہیں (دسمبر 2019، 892.09 ملین روپے) جبکہ دسمبر 2020 کو ختم ہونے والی سہ ماہی میں کمپنی کی خالص حجم فروخت 12.33 فیصد کی سے 375.02 ملین روپے رہیں (دسمبر 2019، 427.77 ملین روپے) زیر جائزہ مدت میں تیل و گیس میں ایکسیپلوریشن سسٹم سرگرمیوں میں کمی اور بڑے تعمیراتی منصوبوں میں کوڈ 19 کی عالمی وباء کے باعث فروخت میں کمی آئی۔ تاہم، برآمدات میں دسمبر 2019 کو ختم ہونے والی ششماہی کے مقابلے میں قابل ستائش اضافہ دیکھنے میں آیا۔

زیر جائزہ مدت میں کمپنی کا مجموعی منافع 16.58 فیصد کی سے 284.46 ملین روپے رہا جبکہ گزشتہ سال اسی عرصہ میں (دسمبر 2019، 340.99 ملین روپے) رہا۔ جبکہ نگیس کنوٹی کے بعد کمپنی کا خالص حجم منافع گزشتہ ششماہی کے مقابلے میں 26.82 فیصد کی کے بعد 133.42 ملین روپے رہا۔ فی شیئر منافع 3.48 روپے رہا (فی شیئر منافع دسمبر 2019، 4.76 روپے)


منافع میں کمی فروخت میں کمی اور لاگت میں اضافہ کے باعث ہوئی۔ کورونا وائرس کی وباء کے خاتمے کے بعد معاشی سرگرمیوں میں اضافے کے ساتھ اس صورتحال میں بہتری آنے کی توقع ہے۔


اخراجات بورڈ آف ڈائریکٹرز کی طرف سے منظور کردہ بجٹ کے اندر تھے۔

آپ کے بورڈ آف ڈائریکٹرز نے زیر جائزہ مدت میں فی شیئر 2.00 روپے (20%) عبوری نقد منافع منقسمہ کا اعلان کیا ہے۔

آپ کا بورڈ اس موقع پر اپنے جملہ ملازمین کا کاروباری چیلنجز کو پورا کرنے کے لئے ان کی سخت محنت اور مسلسل کاوشوں کی نسبت اور اپنے تمام اسٹیک ہولڈرز کے تعاون کی بابت ان کے لئے خصوصی ستائش کا اظہار کرتا ہے۔

بورڈ کی جانب سے


ڈاکٹر اکرام ایم ہمایوں خان
چیئرمین


انور معین
چیف ایگزیکٹو آفیسر

اسلام آباد
23 فروری 2021

INDEPENDENT AUDITORS' REVIEW REPORT

To the members of Biafo Industries Limited Report on Review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Biafo Industries Limited as at 31 December 2020 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements 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 statements 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 an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Other Matter

The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the three months period ended 31 December 2020 and 31 December 2019, have not been reviewed and we do not express conclusion on them.

The engagement partner on the engagement resulting in this independent auditors' review report is Riaz Pesnani.



KPMG Taseer Hadi & Co.
Chartered Accountants

Islamabad
February 26, 2021



FINANCIAL STATEMENTS

BIAFO INDUSTRIES LTD. CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED) AS AT 31 DECEMBER 2020

| | Note | Unaudited 31 Dec 2020 Rupees | Audited 30 June 2020 Rupees |
|--|------|------------------------------------|-----------------------------------|
| NON - CURRENT ASSETS | | | |
| Property, plant and equipment | 4 | 1,078,696,613 | 1,057,817,867 |
| Investment property | | 29,130,616 | 29,499,358 |
| Long - term deposits | | 1,777,650 | 1,777,650 |
| | | <u>1,109,604,879</u> | <u>1,089,094,875</u> |
| CURRENT ASSETS | | | |
| Inventories | | 337,632,179 | 383,602,284 |
| Trade debts | | 403,114,469 | 373,238,956 |
| Short term advances | | 11,179,622 | 11,372,700 |
| Trade deposits, short term prepayments and other receivables | | 16,703,615 | 26,603,135 |
| Short - term investments | 5 | 268,109,500 | 267,619,583 |
| Advance tax - net | | 57,546,193 | 57,704,434 |
| Cash and bank balances | | 45,592,685 | 43,269,280 |
| | | <u>1,139,878,263</u> | <u>1,163,410,372</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 6 | 130,168,267 | 189,505,531 |
| Current portion of long term loan | | 21,547,807 | 10,861,805 |
| Current portion of lease liabilities | | 2,176,280 | 1,984,151 |
| Short-term borrowings | 7 | 409,944,726 | 458,812,389 |
| Unclaimed dividend | | 23,029,521 | 23,029,521 |
| Unpaid dividend | | 13,359,136 | 13,061,372 |
| | | <u>600,225,737</u> | <u>697,254,769</u> |
| | | <u>539,652,526</u> | <u>466,155,603</u> |
| NET CURRENT ASSETS | | | |
| NON - CURRENT LIABILITIES | | | |
| Long term loan | | 21,226,788 | 31,840,182 |
| Employee benefit | | 6,148,449 | 5,182,759 |
| Lease liabilities | | 9,012,817 | 6,060,656 |
| Deferred tax liability - net | 8 | 36,531,658 | 34,397,655 |
| | | <u>72,919,712</u> | <u>77,481,252</u> |
| | | <u>1,576,337,693</u> | <u>1,477,769,226</u> |
| NET ASSETS | | | |
| REPRESENTED BY: | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Share capital | | 383,328,000 | 348,480,000 |
| Revenue reserve - unappropriated profit | | 487,911,754 | 421,955,643 |
| Capital reserve - revaluation surplus on property, plant and equipment - net of tax | | 705,097,939 | 707,333,583 |
| | | <u>1,576,337,693</u> | <u>1,477,769,226</u> |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 9 | | |

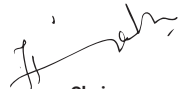
The annexed notes 1 to 16 form an integral part of these interim financial statements.



Chief Financial Officer



Chief Executive Officer



Chairman

BIAFO INDUSTRIES LTD.
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)
FOR THE PERIOD ENDED 31 DECEMBER 2020

| | Note | Three Months Ended | | Six Months Ended | |
|--------------------------------------|------|----------------------|---------------|----------------------|---------------|
| | | 31 Dec 2020 | 31 Dec 2019 | 31 Dec 2020 | 31 Dec 2019 |
| | | Rupees | Rupees | Rupees | Rupees |
| Revenue - net | 10 | 375,025,159 | 427,771,537 | 734,044,703 | 892,092,221 |
| Cost of sales | | (232,299,994) | (280,565,776) | (449,588,243) | (551,102,009) |
| Gross profit | | 142,725,165 | 147,205,761 | 284,456,460 | 340,990,212 |
| Other income | | 2,008,252 | 4,226,694 | 3,553,308 | 4,226,694 |
| Distribution expenses | | (11,918,182) | (14,355,231) | (23,657,149) | (27,652,617) |
| Administrative expenses | | (30,035,322) | (33,321,712) | (63,320,208) | (63,253,670) |
| Allowance for expected credit losses | | - | (6,830,673) | 2,357,666 | (6,830,673) |
| Operating profit | | 102,779,913 | 96,924,839 | 203,390,077 | 247,479,946 |
| Finance costs | | (17,065,918) | (20,462,207) | (30,611,282) | (40,055,123) |
| Finance income | | 3,583,473 | 12,719,611 | 7,084,309 | 17,056,697 |
| Net finance cost | | (13,482,445) | (7,742,596) | (23,526,973) | (22,998,426) |
| Workers' profit participation fund | | (4,464,873) | (4,459,112) | (8,993,155) | (11,224,076) |
| Workers' welfare fund | | (1,750,931) | (1,783,644) | (3,526,728) | (4,489,630) |
| Profit before tax | | 83,081,664 | 82,939,487 | 167,343,221 | 208,767,814 |
| Income tax expense | | (30,897,975) | (14,092,196) | (33,926,754) | (26,466,770) |
| Profit for the period | | 52,183,689 | 68,847,291 | 133,416,467 | 182,301,044 |
| | | | Restated | | Restated |
| Earnings per share | | | | | |
| Basic and diluted | 14 | 1.36 | 1.80 | 3.48 | 4.76 |

The annexed notes 1 to 16 form an integral part of these interim financial statements.



Chief Financial Officer



Chief Executive Officer



Chairman

BIAFO INDUSTRIES LTD.
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE PERIOD ENDED 31 DECEMBER 2020

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|-------------------|--------------------|--------------------|
| | 31 Dec 2020 | 31 Dec 2019 | 31 Dec 2020 | 31 Dec 2019 |
| | Rupees | Rupees | Rupees | Rupees |
| Profit for the period | 52,183,689 | 68,847,291 | 133,416,467 | 182,301,044 |
| Other comprehensive income for the period | - | - | - | - |
| Total comprehensive income for the period | 52,183,689 | 68,847,291 | 133,416,467 | 182,301,044 |

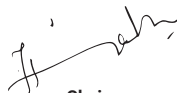
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Chief Financial Officer



Chief Executive Officer



Chairman

BIAFO INDUSTRIES LTD.
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR THE PERIOD ENDED 31 DECEMBER 2020

| | 31 Dec 2020 | 31 Dec 2019 |
|--|----------------------|----------------------|
| Note | Rupees | Rupees |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | 167,343,221 | 208,767,814 |
| Adjustments for: | | |
| Depreciation on property, plant and equipment | 13,120,647 | 12,809,689 |
| Depreciation on investment property | 368,742 | 378,196 |
| Finance costs | 30,611,282 | 40,055,123 |
| Allowance for expected credit losses | (2,357,666) | - |
| Provision for Workers' profit participation fund | 8,993,155 | 11,224,076 |
| Provision for Workers' welfare fund | 1,583,260 | 4,489,630 |
| Provision for gratuity | 4,893,362 | 4,502,753 |
| Provision for compensated leave absences | 965,690 | - |
| Dividend income | (5,536,799) | (16,279,211) |
| Unrealized gain on remeasurement of investment | (293,444) | (9,113,454) |
| Gain on sale of property, plant and equipment | (1,109,840) | - |
| Interest income | (1,247,900) | (1,666,197) |
| Unrealized exchange loss | - | 5,307,500 |
| | <u>49,990,489</u> | <u>51,708,105</u> |
| | 217,333,710 | 260,475,919 |
| Changes in: | | |
| Inventories | 45,970,105 | 79,624,911 |
| Trade debts | (27,517,847) | (124,793,041) |
| Advances, deposits, short term prepayments and other receivables | 9,375,506 | (13,211,815) |
| Trade and other payables | (43,734,505) | 4,295,926 |
| | <u>(15,906,741)</u> | <u>(54,084,019)</u> |
| Cash generated from operating activities | 201,426,969 | 206,391,900 |
| Finance costs paid | (30,538,674) | (32,505,746) |
| Gratuity paid | (10,232,619) | (9,236,246) |
| Payments to Workers' welfare fund | - | (5,485,630) |
| Payments to Workers' profit participation fund | (16,365,530) | (24,280,810) |
| Income taxes paid | (36,108,897) | (49,200,262) |
| | <u>(93,245,720)</u> | <u>(120,708,694)</u> |
| Net cash from operating activities | 108,181,249 | 85,683,206 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property, plant and equipment | (30,372,905) | (13,524,669) |
| Proceeds from sale of property, plant and equipment | 4,577,444 | - |
| Acquisition of investments | (196,473) | (6,220,409) |
| Dividend received | 5,536,799 | 16,279,211 |
| Interest received | 1,247,900 | 1,659,034 |
| Net cash used in investing activities | (19,207,235) | (1,806,833) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Dividend paid | (34,550,236) | (125,796,207) |
| Payment of lease liabilities | (3,232,710) | - |
| Net cash used in financing activities | (37,782,946) | (125,796,207) |
| Net increase / (decrease) in cash and cash equivalents | 51,191,068 | (41,919,834) |
| Cash and cash equivalents at beginning of the period | (415,543,109) | (554,544,547) |
| Cash and cash equivalents at end of the period | <u>(364,352,041)</u> | <u>(596,464,381)</u> |

11

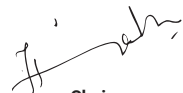
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Chief Financial Officer



Chief Executive Officer



Chairman

BIAFO INDUSTRIES LTD.
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE PERIOD ENDED 31 DECEMBER 2020

| | Capital reserve Revaluation surplus on property, plant and equipment - net of tax | Revenue Reserve Unappropriated profits | Total equity |
|---|--|--|--------------------------------|
| | Rupees | Rupees | Rupees |
| Balance at 01 July 2019 | 264,000,000 | 711,255,302 | 429,984,402 1,405,239,704 |
| Total comprehensive income for the period | | | |
| Profit for the period | - | - | 182,301,044 182,301,044 |
| Total comprehensive income for the period transferred to equity | - | - | 182,301,044 182,301,044 |
| Surplus on revaluation of property, plant and equipment realized through depreciation for the year - net of deferred tax | - | (2,387,882) | - |
| Transferred from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax | - | - | 2,387,882 2,387,882 |
| | 264,000,000 | 708,867,420 | 614,673,328 1,587,540,748 |
| Transactions with owners of the company | | | |
| Distributions | | | |
| Final dividend of 2019 @ Rs. 3.00 per share | - | - | (79,200,000) (79,200,000) |
| First interim dividend of 2020 @ Rs. 1.5 per share | - | - | (47,520,000) (47,520,000) |
| Issue of bonus shares for 2019 @ 20% | 52,800,000 | - | (52,800,000) - |
| Total transactions with owners of the company | 52,800,000 | - | (179,520,000) (126,720,000) |
| Balance at 31 December 2019 | 316,800,000 | 708,867,420 | 435,153,328 1,460,820,748 |
| Balance at 01 July 2020 | 348,480,000 | 707,333,583 | 421,955,643 1,477,769,226 |
| Total comprehensive income for the period | | | |
| Profit for the period | - | - | 133,416,467 133,416,467 |
| Total comprehensive income for the year transferred to equity | - | - | 133,416,467 133,416,467 |
| Surplus on revaluation of property, plant and equipment realized through depreciation for the year - net of deferred tax | - | (2,235,644) | - |
| Transferred from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax | - | - | 2,235,644 2,235,644 |
| | 348,480,000 | 705,097,939 | 557,607,754 1,611,185,693 |
| Transactions with owners of the company | | | |
| Distributions | | | |
| Final dividend of 2020 @ Rs. 1.00 per share | - | - | (34,848,000) (34,848,000) |
| Issue of bonus shares for 2020 @ 10% | 34,848,000 | - | (34,848,000) - |
| Total transactions with owners of the company | 34,848,000 | - | (69,696,000) (34,848,000) |
| Balance at 31 December 2020 | 383,328,000 | 705,097,939 | 487,911,754 1,576,337,693 |

The annexed notes 1 to 16 form an integral part of these interim financial statements.



Chief Financial Officer



Chief Executive Officer



Chairman

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE PERIOD ENDED 31 DECEMBER 2020

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 (now the Companies Act, 2017). Previously, the shares of the Company were quoted on Karachi and Islamabad Stock Exchanges of Pakistan. However, due to integration of these Stock Exchanges into Pakistan Stock Exchange, effective 11 January 2016, the shares of the Company are now quoted on Pakistan Stock Exchange. 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's license for manufacturing and sale of explosives is required to be renewed annually. The Company's production facility is situated at Hattar Industrial Estate, Khyber Pakhtunkhwa, with its registered office located at 1st Floor, Biafo House, Plot No. 23, Street No. 38-40, I & T Centre, G-10/4, Islamabad, Pakistan.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

The disclosures in these interim financial statements do not include the information that was reported for full annual audited financial statements and should therefore be read in conjunction with the annual audited financial statements of the Company for the year ended 30 June 2020. Comparative condensed interim statement of financial position is extracted from the annual audited financial statements as of 30 June 2020, whereas comparative condensed interim statement of profit or loss, comparative condensed interim statement of comprehensive income, comparative condensed interim statement of cash flows and comparative condensed interim statement of changes in equity are extracted from unaudited interim financial statements for six months period ended 31 December 2019.

These interim financial statements are unaudited and are being submitted to the members as required under Section 237 of the Companies Act, 2017 and the Listing Regulations of the Pakistan Stock Exchange Limited.

3 SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The accounting policies, significant judgments made in the application of accounting policies, key sources of estimations, the methods of computation adopted in preparation of these condensed interim financial statements and financial risk management policy are the same as those applied in preparation of audited annual financial statements for the year ended 30 June 2020.

3.1 Standards, interpretations and amendments to approved accounting and reporting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2021:

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE PERIOD ENDED 31 DECEMBER 2020

- Amendments to IFRS 16: COVID-19 related rent concessions (effective 01 January 2021)
- Amendments to IAS 37: Onerous Contracts - Cost of fulfilling a contract (effective 01 January 2021)
- Amendments to IAS 16: Property, plant and equipment - Proceeds before intended use (effective 01 January 2021)
- Amendments to IFRS 03: Reference to the Conceptual Framework (effective 01 January 2021)
- Amendments to IAS - 01: Classification of liabilities as current or non-current (effective 01 January 2021)
- Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associates or joint venture (effective 01 January 2021)
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest rate benchmark reform (effective 01 January 2021)

The above amendments are not likely to have an impact on the Company's interim financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

During six months period ended 31 December 2020, the Company acquired property, plant and equipment aggregating to Rs. 37,466,997 (31 Dec 2019: Rs. 13,524,669). Assets with a carrying amount of Rs. 3,467,604 were disposed off (31 December 2019: Rs. Nil). Depreciation charge for the period amounts to Rs. 13,489,389 (31 Dec 2019: Rs. 12,809,690).

| | Unaudited | Audited |
|-------------------------------------|---------------------------|--------------------|
| | 31 Dec 2020 | 30 June 2020 |
| | Rupees | Rupees |
| 5 SHORT - TERM INVESTMENTS | | |
| Equity securities - at FVTPL | 179,896,499 | 174,871,560 |
| Debt securities - at amortized cost | 88,213,001 | 92,748,023 |
| | <u>268,109,500</u> | <u>267,619,583</u> |

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED 31 DECEMBER 2020**

| | Unaudited 31 Dec 2020 | Audited 30 June 2020 |
|--|----------------------------------|---------------------------------|
| Note | Rupees | Rupees |
| 6 TRADE AND OTHER PAYABLES | | |
| Trade creditors | 62,188,644 | 91,645,975 |
| Contract liability - unsecured | 3,310,515 | 1,207,189 |
| Accrued liabilities | 11,068,681 | 35,836,033 |
| Sales tax payable - net | 5,212,616 | - |
| Insurance payable | 666,630 | 648,039 |
| Workers' profit participation fund payable | 8,993,155 | 16,365,530 |
| Workers' welfare fund payable | 3,526,728 | 6,417,855 |
| Payable to staff gratuity fund | 294,319 | 5,633,576 |
| Payable to employees' provident fund | 1,465,580 | 1,376,084 |
| Withholding tax payable | - | 66,312 |
| Other payables | 33,441,399 | 30,308,938 |
| | <u>130,168,267</u> | <u>189,505,531</u> |

7 SHORT - TERM BORROWINGS

| | | |
|---------------------------|---------------------------|---------------------------|
| Allied Bank Limited (ABL) | 365,563,831 | 309,341,695 |
| Faysal Bank Limited (FBL) | 42,903,201 | 51,023,219 |
| United Bank Limited (UBL) | 1,477,694 | 98,447,475 |
| 7.1 | <u>409,944,726</u> | <u>458,812,389</u> |

7.1 The facility limits, securities offered and markup rates of these short term borrowings are the same as disclosed in the annual audited interim financial statements for the year ended 30 June 2020.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED 31 DECEMBER 2020**

| | Unaudited 31 Dec 2020 Rupees | Audited 30 June 2020 Rupees |
|---|---|--|
| 8 DEFERRED TAX LIABILITY- net | | |
| The net balance of deferred tax is in respect of the following major temporary differences: | | |
| Accelerated depreciation of property, plant and equipment | 31,041,481 | 28,460,410 |
| Leases | 1,771,538 | 942,102 |
| Surplus on revaluation of property, plant and equipment | 12,861,723 | 13,483,132 |
| Employee benefits | (1,401,302) | (2,352,553) |
| Trade debts | (6,715,575) | (7,228,368) |
| Stores, spares and loose tools | (1,070,224) | (1,070,224) |
| Short term investments | 44,017 | 2,163,156 |
| | <u>36,531,658</u> | <u>34,397,655</u> |

9 CONTINGENCIES AND COMMITMENTS

There is no change in the contingent liabilities as reported in the annual financial statements for the year ended 30 June 2020.

Letters of credit issued by banks on behalf of the Company for the import of raw materials and Plant & Machinery amounted to Rs. 269,709,195 at 31 December 2020 (30 June 2020: Rs. 5,137,204).

Letter of guarantee issued by Allied Bank Limited on behalf of the Company for the issuance of performance bond to secure the contracts with different government and private entities outstanding at 31 December 2020 amounted to Rs. 17,071,182 (30 June 2020: Rs. 17,071,182).

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED 31 DECEMBER 2020

| | Three Months Ended | | Six Months Ended | |
|------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | Unaudited 31 Dec 2020 | Unaudited 31 Dec 2019 | Unaudited 31 Dec 2020 | Unaudited 31 Dec 2019 |
| | Rupees | Rupees | Rupees | Rupees |
| 10 REVENUE- net | | | | |
| Gross local sales | 336,216,572 | 420,524,363 | 584,023,100 | 809,732,365 |
| Sales tax | (49,172,747) | (61,763,021) | (85,601,036) | (118,407,071) |
| Net local sales | 287,043,825 | 358,761,342 | 498,422,064 | 691,325,294 |
| Net export sales | 87,981,334 | 69,010,195 | 235,622,639 | 200,766,927 |
| | <u>375,025,159</u> | <u>427,771,537</u> | <u>734,044,703</u> | <u>892,092,221</u> |

10.1 Revenue from sales of goods is recognised at point in time.

| | Six Months Ended | |
|---|--------------------------|--------------------------|
| | Unaudited 31 Dec 2020 | Unaudited 31 Dec 2019 |
| | Rupees | Rupees |
| 11 CASH AND CASH EQUIVALENTS | | |
| For the purpose of cash flow statement cash and cash equivalents comprise of: | | |
| Cash and bank balances | 45,592,685 | 42,710,179 |
| Short term borrowings | (409,944,726) | (639,174,560) |
| | <u>(364,352,041)</u> | <u>(596,464,381)</u> |

12 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise of 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 and balances at the reporting date are as follows:

| | Six Months Ended | |
|--|--------------------------|--------------------------|
| | Unaudited 31 Dec 2020 | Unaudited 31 Dec 2019 |
| | Rupees | Rupees |
| Directors and key management personnel | | |
| Dividend to non executive directors | 21,986,744 | 74,691,087 |
| Issue of bonus shares to non executive directors | 21,986,744 | 31,121,286 |
| Share capital held as of the reporting date by non executive directors | 241,854,188 | 186,727,718 |
| Dividend to executive directors | 344,231 | 1,251,754 |
| Issue of bonus shares to executive directors | 344,231 | 521,564 |
| Share capital held as of the reporting date by executive directors | 3,786,545 | 3,129,384 |
| Remuneration including perquisites to Chief Executive Officer | 8,483,750 | 6,573,333 |
| Remuneration including perquisites to Directors | 10,147,500 | 10,473,790 |
| Remuneration including perquisites to key management personnel | 17,682,000 | 18,062,500 |
| Other related parties | | |
| Payment to employees' provident fund | 4,580,061 | 3,698,576 |
| Payable to employees' provident fund - unsecured | 1,465,580 | 1,263,490 |
| Payable to staff retirement gratuity fund - unsecured | 294,319 | 5,062,311 |

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE PERIOD ENDED 31 DECEMBER 2020

13 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount that would be received on sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Company is current bid price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurements' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED 31 DECEMBER 2020

| | Carrying amount | | Fair value | | | | | |
|---|--------------------|-----------------------------------|---|--------------------|--------------------|----------|------------------|--------------------|
| | Amortized cost | Fair value through profit or loss | Financial liabilities at amortized cost | Total | Level 1 | Level 2 | Level 3 | Total |
| 31 Dec 2020 | Rupees | | Rupees | | | | | |
| Financial assets measured at fair value | | | | | | | | |
| Short - term investments | - | 179,896,499 | - | 179,896,499 | 179,896,499 | - | - | 179,896,499 |
| Trade deposits | - | 7,519,720 | - | 7,519,720 | - | - | 7,519,720 | 7,519,720 |
| Long - term deposits | - | 1,777,650 | - | 1,777,650 | - | - | 1,777,650 | 1,777,650 |
| | - | 189,193,869 | - | 189,193,869 | 179,896,499 | - | 9,297,370 | 189,193,869 |
| Financial assets not measured at fair value | | | | | | | | |
| Trade debts | 403,114,469 | - | - | 403,114,469 | - | - | - | - |
| Advances to employees | 498,290 | - | - | 498,290 | - | - | - | - |
| Other receivables | 1,707,118 | - | - | 1,707,118 | - | - | - | - |
| Short - term investments | 88,213,001 | - | - | 88,213,001 | - | - | - | - |
| Bank balances | 45,502,969 | - | - | 45,502,969 | - | - | - | - |
| Total financial assets | 539,035,847 | 189,193,869 | - | 728,229,716 | 179,896,499 | - | 9,297,370 | 189,193,869 |
| Financial liabilities not measured at fair value | | | | | | | | |
| Short-term borrowings | - | - | 409,944,726 | 409,944,726 | - | - | - | - |
| Unclaimed dividend | - | - | 23,029,521 | 23,029,521 | - | - | - | - |
| Unpaid dividend | - | - | 13,359,136 | 13,359,136 | - | - | - | - |
| Long term loans | - | - | 42,774,595 | 42,774,595 | - | - | - | - |
| Lease liabilities | - | - | 11,189,097 | 11,189,097 | - | - | - | - |
| Trade and other payables | - | - | 107,365,354 | 107,365,354 | - | - | - | - |
| Total financial liabilities | - | - | 607,662,429 | 607,662,429 | - | - | - | - |

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED 31 DECEMBER 2020

| | Carrying amount | | Fair value | | | | | |
|---|---|-----------------------------------|---|--------------------|--------------------|----------|------------------|--------------------|
| | Amortized cost | Fair value through profit or loss | Financial liabilities at amortized cost | Total | Level 1 | Level 2 | Level 3 | Total |
| | Rupees | | | | | | | |
| 30 June 2020 | Rupees | | | | | | | |
| Financial assets measured at fair value | Financial assets measured at fair value | | | | | | | |
| Short - term investments | - | 174,871,560 | - | 174,871,560 | 174,871,560 | - | - | 174,871,560 |
| Trade deposits | - | 2,293,386 | - | 2,293,386 | - | - | 2,293,386 | 2,293,386 |
| Long - term deposits | - | 1,777,650 | - | 1,777,650 | - | - | 1,777,650 | 1,777,650 |
| | - | 178,942,596 | - | 178,942,596 | 174,871,560 | - | 4,071,036 | 178,942,596 |
| Financial assets not measured at fair value | Financial assets not measured at fair value | | | | | | | |
| Trade debts | 373,238,956 | - | - | 373,238,956 | - | - | - | - |
| Advances to employees | 786,385 | - | - | 786,385 | - | - | - | - |
| Other receivables | 1,916,539 | - | - | 1,916,539 | - | - | - | - |
| Short - term investments | 92,748,023 | - | - | 92,748,023 | - | - | - | - |
| Bank balances | 43,187,350 | - | - | 43,187,350 | - | - | - | - |
| Total financial assets | 511,877,253 | 178,942,596 | - | 690,819,849 | 174,871,560 | - | 4,071,036 | 178,942,596 |
| Financial liabilities not measured at fair value | Financial liabilities not measured at fair value | | | | | | | |
| Short-term borrowings | - | - | 458,812,389 | 458,812,389 | - | - | - | - |
| Unclaimed dividend | - | - | 23,029,521 | 23,029,521 | - | - | - | - |
| Unpaid dividend | - | - | 13,061,372 | 13,061,372 | - | - | - | - |
| Long term loans | - | - | 42,701,987 | 42,701,987 | - | - | - | - |
| Lease liabilities | - | - | 8,044,807 | 8,044,807 | - | - | - | - |
| Trade and other payables | - | - | 158,438,985 | 158,438,985 | - | - | - | - |
| Total financial liabilities | - | - | 704,089,061 | 704,089,061 | - | - | - | - |

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED 31 DECEMBER 2020**

| | | Three Months Ended | | Six Months Ended | |
|-----------|--|--------------------------|--------------------------------------|--------------------------|--------------------------------------|
| | | Unaudited 31 Dec 2020 | Unaudited 31 Dec 2019 Restated | Unaudited 31 Dec 2020 | Unaudited 31 Dec 2019 Restated |
| 14 | EARNINGS PER SHARE | | | | |
| | <i>- Basic and diluted</i> | | | | |
| | Profit for the period | Rupees | | | |
| | | 52,183,689 | 68,847,291 | 133,416,467 | 182,301,044 |
| | Weighted average number of ordinary shares | Numbers | | | |
| | | 38,332,800 | 38,332,800 | 38,332,800 | 38,332,800 |
| | Earnings per share | Rupees | | | |
| | | 1.36 | 1.80 | 3.48 | 4.76 |

14.1 During the period, the Company issued 01 bonus share for every 10 shares held by shareholders i.e. 10%, accordingly, the corresponding figure of weighted average number of shares outstanding and earnings per share have been restated to include the effect of bonus shares issued by the Company.

15 NON ADJUSTING EVENTS AFTER REPORTING DATE AND DATE OF AUTHORIZATION FOR ISSUE

- 15.1** The Board of Directors of the company in their meeting held on 23rd February 2021 proposed an interim cash dividend of Rs. 2.00 per share.
- 15.2** These interim financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on 23rd February 2021.

16 GENERAL

16.1 Figures in these interim financial statements have been rounded off to the nearest rupee.



Chief Financial Officer



Chief Executive Officer



Chairman

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