

# Annual Report

2021



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



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# 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  
Khwaja Ahmad Hosain  
Muhammad 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	Chairman
Dr. M. Humayun Khan	Member
Adnan Aurangzeb	Member
Muhammad Yaqoob	Member
Khwaja Ahmad Hosain	Member
Muhammad Waheed	Member

#### HR & Remuneration Committee

Ehsan Mani	Chairman
Anwar Moin	Member
Dr. M. Humayun Khan	Member
Ms. Mehreen Hosain	Member
Ms. Syeda Shahbano Abbas	Member
Ms. Ayesha Humayun Khan	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.Chundigar Road, Karachi.  
Tel: +92 21 32271905-6 Fax: +92 21 32621233  
E-mail: info@fdregistrar.com | fdregistrar@yahoo.com

## NOTICE OF 33<sup>RD</sup> ANNUAL GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that the 33<sup>rd</sup> Annual General Meeting of Biafo Industries Limited will be held on October 27, 2021 at 11:00 a.m. at 1st Floor, Biafo House, Plot No. 23, St No. 38-40, I&T Centre, G-10/4, Islamabad, to transact the following business:

### ORDINARY BUSINESS

1. To confirm the minutes of Annual General Meeting held on October 27, 2020.
2. To receive and adopt the Audited Accounts of the Company for the year ended June 30, 2021 together with Auditors' report and Directors' report thereon.
3. To approve the bonus shares at 10% declared on 23 September 2021 along with interim cash dividends of Rs. 2.00 per share (20%) declared on February 23, 2021 and Rs. 2.00 per share (20%) declared on April 26, 2021 making a total of Rs. 4.00 per share (40%) cash dividend for the year ended June 30, 2021.
4. To appoint Auditors for the year 2021-22 and to fix their remuneration. The Board of Directors recommends that Yousuf Adil Chartered Accountants, who have given their consent to act as Auditors, be appointed as External Auditors of the Company for the year 2021-22.
5. To transact such other business as may be placed before the meeting with the permission of the Chairman.

By Order of the Board



**Khawaja Shaiq Tanveer**  
Company Secretary

**Islamabad**  
**September 23, 2021**

### NOTES

1. Share Transfer Books of the Company will remain closed from October 19, 2021 to October 27, 2021 both days inclusive.
2. A member entitled to attend and vote at the meeting shall be entitled to appoint another person, as his/her and proxy to attend, demand or join in demanding a poll, speak and vote instead of his/her and a proxy so appointed shall have such rights, as attending, speaking and voting at the meeting as are available to a member. Proxies in order to be effective must be received at the registered office of the company not later than 48 hours before the meeting duly stamped, signed and witnessed. A proxy need not be a member of the Company.
3. CDC Shareholders or their proxies are required to bring with them their original National Identity cards or Passports along with the Participant's ID numbers and their Account Numbers at the time of attending the Annual General Meeting in order to authenticate their usual documents required for such purposes

### For CNIC & Zakat

4. Members are requested to submit a copy of the Computerized National Identity Card (CNIC) to update our records. In case of non-submission of CNIC (copy), all future dividend warrants may be withheld.
5. Members are requested to submit declaration as per Zakat & Ushr Ordinance 1980 for zakat exemption and to advise change in address, if any.

### E-DIVIDEND

As per Section 242 of the Companies Act, 2017, in case of a public listed company, any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders. Therefore, through this notice, all shareholders are requested to update their IBAN details in the Central Depository System through respective participants. In case of physical shares, to provide bank account details to our Share Registrar, M/s F.D. Registrar Services (PVT) Ltd. E-Dividend mandate form is enclosed.

**DEPOSIT OF PHYSICAL SHARES INTO CDC ACCOUNT**

As per Section 72 of the Companies Act, 2017 every existing company shall be required to replace its physical shares with book entry form in a manner as may be specified and from the date notified by the SECP, within a period not exceeding four years from the commencement of the Companies Act, 2017 i.e. May 31, 2017.

The shareholder having physical shareholding may open CDC sub-account with any of the brokers or investor's account directly with the CDC to place their physical shares into scrip-less form. This will facilitate them in many ways including safe custody and sale of shares, any time they want, as the trading of physical shares is not permitted as per existing regulations of the Stock Exchange.

**FILER AND NON FILER STATUS**

- i) In pursuance of Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:
- For filers of income tax returns 15%
  - For non-filers of income tax returns 30%

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 30%, all the shareholders whose names are not entered into the Active Tax payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL on or before the date of approval of cash dividend at the Annual General Meeting on October 27, 2021 otherwise tax on their cash dividend will be deducted @ 30% instead of @ 15%.

Further, according to clarification received from Federal Board of Revenue (FBR), with-holding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as jointholder(s) based on their shareholding proportions, in case of joint accounts. In this regard all shareholders who hold shares jointly are requested to provide shareholding Proportions of Principal shareholders and Joint-holder(s) in respect of shares held by them (only if not already provided) to our Shares Registrar, in writing as follows:

Company Name	Folio/ CDS Account No	Total Shares	Principal Shareholder		Joint Shareholder	
			Name and CNIC No.	Shareholding Proportion (No. of Shares)	Name and CNIC No.	Shareholding Proportion (No. of Shares)

- ii) For any query / problem / information, the investors may contact the Company or the Share Registrar at the following addresses, phone numbers, email addresses:

**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

**F.D. Registrar Services (PVT) Ltd.**

17th Floor, Saima Trade Tower-A, I.I. Chundrigar Road, Karachi

Tel: +92 21 32271905-6

- iii) The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate members having physical shares should send a copy of their NTN certificate to the company or its Share Registrar i.e. M/s F.D. Registrar Services (PVT) Ltd. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

**سی ڈی سی اکاؤنٹ میں فزیکل شیئرز کا ڈیپازٹ**

کمپنیز ایکٹ 2017 کے سیکشن 72 کی روشنی میں ہر موجودہ کمپنی کمپنیز ایکٹ 2017 کے آغاز یعنی 31 مئی 2017 سے چار سال کے اندر ای سی پی میں موجود تفصیل کے مطابق اپنے فزیکل شیئرز بک انٹری فارم میں منتقل کرنے کی پابند ہے۔

فزیکل شیئرز ہولڈنگ کے حامل شیئرز ہولڈرز کسی بروکر یا انویسٹر کا وٹ کے ذریعے سی ڈی سی میں براہ راست سی ڈی سی سب اکاؤنٹ کھلوا سکتے ہیں اور اپنے شیئرز scrip-less فارم میں رکھ سکتے ہیں۔ یہ کئی اعتبار سے سود مند ہے خصوصاً حفاظت اور کسی بھی وقت شیئرز کی فروخت کیلئے کیوں کہ سٹاک ایکسچینج کے موجودہ قواعد کے مطابق فزیکل شیئرز کی ٹریڈنگ کی اجازت نہیں ہے۔

**فائلر اور نان فائلر کا اسٹیٹس**

i- انکم ٹیکس آرڈیننس 2001 کے سیکشن 150 کے مطابق جس میں کمپنیوں کی جانب سے ادا کی جانے والی مالیت پر منافع کے ود ہولڈنگ ٹیکس کی کٹوتی کے نرخ وضع کئے گئے ہیں۔ ٹیکس کے انراخ مندرجہ ذیل ہیں۔

الف۔ انکم ٹیکس ریٹرز فائلرز کیلئے 15 فیصد

ب۔ انکم ٹیکس ریٹرز نان فائلرز کیلئے 30 فیصد

کمپنی کو مالیت کے عوض 30 فیصد کے بجائے 15 فیصد کے حساب سے نقد منافع منقسمہ (Cash Dividend) پر ٹیکس کٹوتی کے قابل بنانے کیلئے ان تمام حصص داران جن کا نام ٹیکس فائلر ہونے کے باوجود، ایف بی آر کی ویب سائٹ پر موجود ایکٹو ٹیکس پیپرسٹ (ATL) میں موجود نہیں ہے، کو یہ بات یقینی بنانے کی ہدایت کی جاتی ہے کہ وہ 27 اکتوبر 2021 کو منعقد ہونے والے سالانہ عمومی اجلاس میں نقد منافع کی منظوری کی تاریخ تک یا اس سے قبل اپنا نام ATL میں درج کروالیں بصورت دیگر نقد منافع پر 15 فیصد کی بجائے 30 فیصد ٹیکس کی کٹوتی کی جائے گی

مزید برآں، فیڈرل بورڈ آف ریونیو کی موصول شدہ وضاحت کے مطابق ود ہولڈنگ ٹیکس کا تعین علیحدہ علیحدہ حصص داران کے فائلر/نان فائلر ہونے کی بنیاد پر کیا جائے گا۔ مشترکہ اکاؤنٹس کی صورت میں بھی حصص کی مناسبت سے یہی طریقہ اختیار کیا جائے گا۔ اس سلسلے میں تمام حصص داران جو مشترکہ طور پر حصص رکھتے ہیں وہ اپنے حصص کے تناسب کے بارے میں ہمارے حصص رجسٹرار کو درج ذیل کے مطابق فراہم کریں (اگر پہلے فراہم نہیں کیا)

Company Name	Folio/ CDS Account No	Total Shares	Principal Shareholder		Joint Shareholder	
			Name and CNIC No.	Shareholding Proportion (No. of Shares)	Name and CNIC No.	Shareholding Proportion (No. of Shares)

ii- کسی بھی قسم کے استفسار یا شکایات یا معلومات کی صورت میں سرمایہ کار کمپنی یا شیئرز رجسٹرار سے مندرجہ ذیل فون نمبر یا ای میل ایڈریس کے ذریعے رابطہ کر سکتا ہے۔

بیا فوائٹسٹریڈ لمیٹڈ

1st فلور، بیا فوائٹس، پلاٹ نمبر 23، گلی نمبر 40-38، آئی اینڈ ٹی سینٹر،

سیکٹر 10/4، اسلام آباد، پاکستان۔

ٹیلیفون 92-51-2353458+ : فیکس: +92-51-2353450-53, 2353455-57

ویب سائٹ: www.biafo.com

ای میل: management@biafo.com

ایف۔ ڈی رجسٹرار سروسز (پرائیویٹ) لمیٹڈ

17th فلور، صائمہ میڈٹاور -A، آئی آئی چندریگر روڈ، کراچی۔

فون: +92 21 32271905-6

iii- سی ڈی سی اکاؤنٹس کے حامل کارپوریٹ حصص داران کیلئے نیشنل ٹیکس نمبر (NTN) ہونا لازمی ہے جو ان کے متعلقہ شرکت کنندہ کے ساتھ اپ ڈیٹ ہو جبکہ فزیکل شیئرز کے حامل کارپوریٹ ممبران اپنے NTN سرٹیفکیٹ کی نقل کمپنی یا اس کے شیئرز رجسٹرار میسرز ایف۔ ڈی رجسٹرار سروسز (پرائیویٹ) لمیٹڈ کو ارسال کرنا ضروری ہے۔ حصص داران اپنا NTN یا NTN سرٹیفکیٹ بھیجتے وقت، کسی بھی صورت میں کمپنی کا نام اور فونو لیو نمبر ضرور درج کریں۔

## شئیر ہولڈرز کے 33 ویں سالانہ اجلاس عام کیلئے ممبران کو نوٹس

بذریعہ نوٹس ہذا مطلع کیا جاتا ہے کہ بیافونڈسٹری لمیٹڈ کا 33واں سالانہ اجلاس عام بتاریخ 27 اکتوبر، 2021 بوقت 11:00 بجے صبح 1st فلور، بیافونڈس، پلاٹ نمبر 23، گل نمبر 38-40، آئی اینڈ ٹی سینٹر، سیکٹر G-10/4، اسلام آباد میں درج ذیل امور کی انجام دہی کیلئے منعقد ہوگا:

### عمومی امور

- 1- سالانہ اجلاس عام منعقدہ 27 اکتوبر 2020 کے منٹس کی توثیق۔
- 2- 30 جون 2021 کو مکمل ہونے والے سال کے آڈٹ شدہ اکاؤنٹس بمع ڈائریکٹرز اور آڈیٹرز کی رپورٹس کی وصولی، زیر غور لانا اور اختیار کرنا۔
- 3- 30 جون 2021 کو مکمل ہونے والے سال کیلئے بونس شیئر 10 فیصد، اعلان کردہ 23 ستمبر 2021 اور عبوری نقد منافع منقسمہ 2.00 روپے فی شیئر (20 فیصد) اعلان کردہ 23 فروری 2021 اور 2.00 روپے فی شیئر (20 فیصد) اعلان کردہ 26 اپریل 2021 مجموعی طور پر 4.0 روپے فی شیئر (40 فیصد) کی ادائیگی کی منظوری۔
- 4- 2021-22 کیلئے آڈیٹرز اور ان کے معاوضے کی تقرری۔ بورڈ آف ڈائریکٹرز نے یوسف عادل چارٹرڈ اکاؤنٹنٹس، جنہوں نے بطور آڈیٹرز اپنے فرائض سرانجام دینے کی خواہش ظاہر کی ہے کو کمپنی کے ایکسٹرنل آڈیٹرز برائے سال 2021-22 مقرر کرنے کی سفارش کی ہے۔
- 5- چیئرمین کی اجازت سے میٹنگ میں رکھے جانے والے کچھ دیگر عمومی امور کی انجام دہی کے لیے۔

### بحکم بورڈ

  
خواجہ شائق تنویر  
کمپنی سیکرٹری

اسلام آباد  
مورخہ: 23 ستمبر، 2021

### نوٹس

- 1- کمپنی کی شیئر منتقلی کی کتب 19 اکتوبر 2021 تا 27 اکتوبر 2021 (بشمول دونوں ایام) بند رہیں گی۔
- 2- اجلاس ہذا میں شرکت اور ووٹ دینے کا استحقاق رکھنے والے ممبر اپنی جگہ پر ووٹ دینے اور شرکت کرنے کے لیے کسی دوسرے ممبر کو اپنا پراکسی مقرر کر سکتا ہے۔ مقررہ شخص کو مطالبہ پول پر بولنے اور ووٹ کرنے کے وہی حقوق حاصل ہوں گے جو کہ ممبر کو حاصل ہوتے ہیں۔ پراکسی کے موثر ہونے کیلئے ضروری ہے کہ ممبر شدہ، دستخط شدہ اور گواہی کے ساتھ پراکسیز (Proxies) کمپنی کے رجسٹرڈ آفس میں میٹنگ شروع ہونے سے 48 گھنٹے قبل پہنچ جانی چاہئیں۔ پراکسی کیلئے کمپنی کا ممبر ہونا ضروری نہیں۔
- 3- سی ڈی سی شیئر ہولڈرز یا ان کے پراکسی، سالانہ اجلاس عام میں شرکت کے وقت اپنے ہمراہ اصل شناختی کارڈ یا پاسپورٹس، یا شرکت کنندہ کے آئی ڈی نمبرز، اکاؤنٹ نمبرز ساتھ لائیں تاکہ ان مقاصد کیلئے ان کی عمومی دستاویزات کی توثیق کی جاسکے۔

### کمپیوٹرائزڈ قومی شناختی کارڈ اور زکوٰۃ

- 4- ممبران سے کمپیوٹرائزڈ قومی شناختی کارڈ کی نقل جمع کرانے کی استدعا کی جاتی ہے تاکہ ریکارڈ کو اپ ڈیٹ کیا جاسکے۔ کمپیوٹرائزڈ قومی شناختی کارڈ کی نقل نہ جمع کرانے کی صورت میں مستقبل کے تمام حصص روک لئے جائیں گے۔
- 5- ممبران سے استدعا کی جاتی ہے کہ وہ زکوٰۃ اور عشر آؤٹس 1980 کے مطابق زکوٰۃ سے استثنیٰ کا بیان جمع کرائیں یا پتہ میں تبدیلی تجویز کریں، اگر ہوتو۔

### ای ڈیوڈنڈ

پبلک لسٹڈ کمپنی ہونے کی صورت میں کمپنیز ایکٹ 2017 کے سیکشن 242 کی رو سے شیئر ہولڈرز اپنے منافع کی نقد ادائیگی صرف الیکٹرانک طریقہ کار کے ذریعے براہ راست اپنے نامزد کردہ بینک اکاؤنٹ میں کر سکتے ہیں۔ اسی لئے نوٹس ہذا کے ذریعے تمام شیئر ہولڈرز سے استدعا کی جاتی ہے کہ بذریعہ متعلقہ شرکت کنندگان سینٹرل ڈیپازٹری سسٹم میں اپنے انٹرنیشنل بینک اکاؤنٹس (IBAN) کی تفصیلات کو اپ ڈیٹ کریں۔ فزیکل شیئرز کی صورت میں اپنے بینک اکاؤنٹ کی تفصیلات ہمارے شیئر رجسٹرار، میسرز ایف۔ ڈی رجسٹرار سروسز (پرائیویٹ) لمیٹڈ کو مہیا کریں۔ (حصص داران کے لئے) ای۔ ڈیوڈنڈ میٹڈ فارمنسلس کیا گیا ہے۔



# CHAIRMANS' REVIEW

**CHAIRMANS' REVIEW**

I am pleased to present the 33rd Annual Report of the Company for the year ended 30th June 2021.

On behalf of the Board and myself I would like to express our appreciation of the performance of the management and all the staff during the year. The Company reported a net turnover of Rs. 1,472.76 million during the period under review compared to Rs. 1,586.56 million during last year. The management team proactively adapted to the challenge emerged from the global pandemic Covid-19.

Blasting activities in some of the existing large construction projects decreased due to completion while other sectors including export sector witnessed increase in sales.

The Company earned a gross profit for the year of Rs. 563.96 million (2019-20: Rs. 563.70 million). Net Profit after tax stood at Rs. 254.04 million resulting in earnings per share of Rs. 6.63 (2019-20: Rs. 6.41 restated). Profitability increased due to reduction in finance cost and cost controls measures.

Your Company is continuing to increase investment for improvement in production efficiency, human capital development and safe practices to enhance the confidence of its customers and stakeholders.

Over the years, the Company has a record of paying high dividends. The Board has recommended 10% bonus shares. This is in addition to the interim cash dividends @ 40% (Rs 4.00 per share) already declared, thus making a total of 40% cash dividend and 10% bonus shares.

The Company incurred significant capital expenditure to the tune of Rs.150.58 million to further strengthen its infrastructure and modernize plant & machinery.

The Board was able to fulfill its responsibilities as it received comprehensive agendas and supporting papers in a timely manner. It was fully involved in the strategic planning process and in developing the vision of the Company.

There has been no material departure from the best practices of code of corporate governance, as detailed in the listing regulations except those disclosed in Statement of Compliance with Listed Companies (Code of Corporate Governance Regulations, 2019).

The Board has put in place comprehensive policies for all relevant areas of the Company's operations and these policies are reviewed and updated from time to time.

The Audit & Risk Management Committee and Human Resources & Remuneration Committee of the Board met regularly to advise the Board. The system of internal control is sound in design and has been effectively implemented and monitored.

Looking forward, the Company will continue to strengthen its position in the market to tap the opportunities emerging from the China Pakistan Economic Corridor (CPEC) and allied infrastructure projects.

In the end, on behalf of the Board, I wish to acknowledge once again, the contribution of all our dedicated employees to the success of the Company. I wish to thank our shareholders, customers, suppliers, bankers and other business partners for their continued confidence and support. I acknowledge the commitment and contribution made by my fellow directors towards the continuing success of the Company.

Islamabad  
23 September 2021



**Dr. M. Humayun Khan**  
Chairman

## چیئر مین کا جائزہ

میں 30 جون 2021 کو ختم ہونے والے سال کے لیے کمپنی کی 33 ویں سالانہ رپورٹ پیش کرتے ہوئے انتہائی خوشی محسوس کرتا ہوں۔ میں اپنی اور اپنے بورڈ کی جانب سے دوران سال بہترین کارکردگی کا مظاہرہ کرنے پر انتظامیہ اور جملہ ملازمین کو خراج تحسین پیش کرنا چاہتا ہوں۔ کمپنی نے زیر جائزہ عرصہ کے دوران 1,472.76 ملین روپے کا کاروبار کیا جبکہ گزشتہ سال یہ کاروبار 1,586.56 ملین روپے کا تھا۔ انتظامیہ نے کوڈ-19 کی عالمی وباء کے پیش نظر رکاوٹوں سے نبرد آزما ہونے کیلئے بروقت اقدامات اٹھائے۔

کچھ موجودہ بڑے تعمیراتی منصوبوں میں تکمیل کی وجہ سے بلاسٹنگ سرگرمیوں میں کمی واقع ہوئی، جبکہ دیگر شعبہ جات بشمول برآمدی شعبے میں فروخت میں اضافہ دیکھنے میں آیا۔ کمپنی نے اس سال 563.96 ملین روپے کا مجموعی منافع کمایا۔ (سال 2019-20 منافع 563.70 ملین روپے تھا) جبکہ ٹیکس کی ادائیگی کے بعد اصل منافع 254.04 ملین روپے رہا جس کے نتیجے میں فی شیئر آمدن 6.63 روپے رہی۔ (سال 2019-20 6.41 روپے)۔ منافع میں اضافہ لاگت اور شرح سود میں کمی کے باعث ہوا۔ آپ کی کمپنی پیداواری استعداد میں اضافہ، انسانی وسائل کی ترقی اور حفاظتی اقدامات بڑھانے کے لیے سرمایہ کاری کرتی رہے گی تاکہ ہمارے صارفین اور سٹیک ہولڈرز کا کمپنی پر اعتماد برقرار رہے۔

گزشتہ کئی برسوں کے دوران کمپنی اپنی پرفارمنس کی بنیاد پر اپنے شیئرز ہولڈرز کو بیکارڈ منافع منقسمہ ادا کر رہی ہے۔ بورڈ نے 30 جون 2021 کو ختم ہونے والے سال کے لیے کمپنی کے منافع سے بونس شیئرز 10 فیصد کی سفارش کی ہے۔ یہ عبوری نقد منافع منقسمہ 40 فیصد (-/4.00 روپے فی شیئر) جو شیئرز ہولڈرز کو ادا کیا جا چکا ہے سے اضافی ہے۔ اس طرح زیر غور عرصہ کے دوران مجموعی نقد منافع منقسمہ 40 فیصد اور 10 فیصد بونس شیئرز رہا۔

کمپنی نے اپنے انفراسٹرکچر کو مضبوط اور پلانٹ اور مشینری میں جدت لانے کے لیے کثیر رقم 150.58 ملین روپے خرچ کی۔ بورڈ کو میٹنگز کے لیے جامع ایجنڈا اور معاون دستاویزات بروقت موصول ہوئیں ہیں، بورڈ کمپنی کی حکمت عملی اور وژن کو ترتیب دینے میں ہمہ تن مصروف ہے۔ کمپنی نے کوڈ آف کارپوریٹ گورننس جیسا کہ فہرستی ضوابط میں تفصیل سے بیان کیا گیا ہے، کے طے کردہ ضوابط سے کبھی انحراف نہیں کیا ماسوائے اسٹڈ کمپنیز میں موجود تعمیلی بیان کے (کوڈ آف کارپوریٹ گورننس ریگولیشنز، 2019)۔

بورڈ نے کمپنی کے اپریٹرز کیلئے تمام متعلقہ شعبہ جات کیلئے جامع پالیسیاں مرتب کی ہوئیں ہیں جن کا وقت کے ساتھ ساتھ جائزہ لیا جاتا ہے۔ کمپنی کی آڈٹ ورسک مینجمنٹ کمیٹی اور انسانی وسائل و معاوضہ طے کرنے والی کمیٹی کمپنی کے افعال کو بہتر بنانے اور مجموعی طور پر کارکردگی کو جانچنے کے لیے باقاعدگی سے میٹنگز کا انعقاد کرتی ہے۔ کمپنی اندرونی طور پر بہت مضبوط ہے جسے موثر طریقے سے کنٹرول اور مانیٹر کیا جاتا ہے۔

مستقبل میں کمپنی مارکیٹ میں اپنی پوزیشن کو مزید مضبوط بنائے گی تاکہ چین پاکستان اقتصادی راہداری اور دیگر تعمیراتی منصوبوں سے استفادہ حاصل کر سکے۔ آخر میں، میں بورڈ کی جانب سے اپنے تمام محنتی ملازمین کی خدمات کا معترف ہوں کہ جن کی وجہ سے کمپنی کی تمام کامیابیاں ممکن ہو پائی ہیں۔ میں اپنے تمام شیئرز ہولڈرز، صارفین، سپلائرز، بینکرز اور دیگر کاروباری شراکت داروں کا ہم پر اعتماد اور مدد کرنے پر نہایت مشکور ہوں۔ میں اپنے ساتھی ڈائریکٹرز کا بھی مشکور ہوں جن کے عزم اور اعانت نے کمپنی کو کامیابیوں سے ہمکنار کیا۔

ڈاکٹر ایم۔ ہمایوں خان  
چیئر مین

اسلام آباد  
23 ستمبر 2021



# **DIRECTORS' REPORT**

## DIRECTORS' REPORT

The Board of Directors of Biafo Industries Limited are pleased to present the Annual Report 2021 accompanied by the audited financial statements for the year ended 30th June 2021.

### FINANCIAL HIGHLIGHTS

During the year under review, the Company recorded net sales revenue of Rs.1,472.76 million as compared to the previous year's revenue of Rs. 1,586.56 million. Significant increase in supplies were made to cement sector and Saindak Copper & Gold Mining Project while supplies to rest of the sectors decreased due to economic downturn.

Gross profit for the year increased slightly by 0.04% to Rs. 563.96 million (2019-20: Rs. 563.70 million). The Company earned a net profit after tax of Rs. 254.04 million (2019-20: Rs. 245.87 million) resulting in earnings per share of Rs. 6.63 (2019-20: Rs. 6.41 restated). Profitability remained stable despite currency devaluation and high cost of imported raw material. The situation is expected to improve once the economy further stabilizes.

### PRODUCTION:

The production team at the plant performed well by meeting the requirement of customers and effectively fulfilling the demand for various products, despite the pandemic Covid-19.

Biafo is committed to ensuring that only the highest quality products are delivered to all our clientele. The Company continues to invest in improving the product efficiency, human resources, and safe practices to enhance the confidence of its users, workforce and stakeholders.

### HEALTH, SAFETY & ENVIRONMENT

Biafo is committed to protect its employees from any incident and strives to minimize the impact on the environment by ensuring compliance with all HSE Policies.

The Company continued its operations with full compliance of all the required SOPs of Covid-19.

Biafo has renewed OHSAS (Occupational Health and Safety Advisory Services) 18001: 2007 and ISO 9001: 2015 quality certifications. As a result, it has not come across any major incident during the year. The Company is continuing its efforts to ensure that its plant complies with all established environment quality standards.

### PANDEMIC-COVID-19

Biafo proactively managed all the logistics and adopted the SOPs in a stringent manner. Despite the pandemic, the Company managed to continue its operations without any major disruption.

### FUTURE PROSPECTS:

Pakistan has faced the Covid-19 situation effectively, but the effects of third wave are still there, which is hurting the economic environment. The Government has introduced several relief measures to counter the negative impact on the economy and industry specially the construction industry.

We hope that official policies will help effectively revive the economy particularly infrastructure projects in hydel & construction sectors. The Government has started CPEC Phase II and approved/inaugurated large projects such as Kohala Hydro Power Project, ML-1, Munda/Mohmand and Diamer-Bhasha Hydro Power Projects and the East Core body at Saindak. The Company is actively pursuing these projects to generate further opportunities for the Company.

Your Company has always looked towards Market expansion, and we are pleased to report that we have received an export order. Meanwhile, the Company is targeting the African Mining potential in particular and Central Asia etc., in general. Enquiries have been received from several Countries which are under process.

Your Company has invested in a new signal transmission tube manufacturing facility. Total cost of this project is Rs. 392M. This is an import substitution project with excellent margins for the Company. The Company eyes the signal transmission tube sales for not only the local market but to develop an export market also.

### RETURN TO SHAREHOLDERS

The Board has recommended the bonus shares at 10% (1 bonus share for 10 shares held) declared on 23 September 2021 for the year ended June 30, 2021. This is in addition to the interim cash dividends of Rs. 2.00 per share (20%) declared on February 23, 2021 and Rs. 2.00 per share (20%) declared on April 26, 2021 making a total of Rs. 4.00 per share (40%) cash dividend.

## RISK MANAGEMENT

The Company's Risk Management framework seeks to mitigate strategic, operational market and financial risks. An independent Risk Management Department, reports to the Audit & Risk Management Committee which evaluates and oversees the effectiveness of internal controls in place.

## CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility is one of the core values and an integral part of Biafo's overall mission. The Company is a donor to various organizations, hospitals, charitable institutes in the field of healthcare, education, disaster relief, arts and culture.

## COMPOSITION OF THE BOARD

The total number of directors are 14 as per the following:

- a. Male: Ten (10)
- b. Female: Four (4)

The composition of Board is as follows:

i.	Independent Directors	i) Ehsan Mani
		ii) Muhammad Yaqoob
ii.	Non-Executive Directors	i) Dr. M. Humayun Khan
		ii) M. Zafar Khan
		iii) Khwaja Ahmad Hosain
		iv) Adnan Aurangzeb
		v) Muhammad Waheed
iii.	Executive Directors	i) M. Afzal Khan
		ii) Anwar Moin
		iii) Maj. Gen. (Ret'd.) S. Z. M. Askree
iv.	Female Directors	i) Ms. Shirin Safdar (Executive Director)
		ii) Ms. Ayesha Humayun Khan (Non-Executive Director)
		iii) Ms. Mehreen Hosain (Independent Director)
		iv) Ms. Syeda Shahbano Abbas (Independent Director)

As per the Company policy, non-executive directors including independent directors are only paid a meeting fee, which is approved by the Board of Directors.

The Board has set up a formal process of evaluation of the performance of the Board. Furthermore, the Board is in the process of developing the process of evaluation of performance of its Committees as per requirements of Code of Corporate Governance.

## CODE OF CORPORATE GOVERNANCE

We are pleased to report that the Company has taken necessary measures to comply with the Code of Corporate Governance as incorporated in the listing regulations of the Pakistan Stock Exchange.

The Board regularly reviews the Company's strategic direction. Business plans and targets set by the Chief Executive are reviewed by the Board. The Board is committed to maintain a high standard of good corporate governance. 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.
- 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 therefrom has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored. The system itself is also subject to continuous review for enhancement wherever and whenever necessary.
- 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 code of corporate governance, as detailed in the listing regulations except those disclosed in Statement of Compliance with Listed Companies (Code of Corporate Governance Regulations, 2019).
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2021 except for those stated in the financial statements.
- Five directors of the Company are exempt from directors training program on the basis of their level of education and length of experience as provided in the CCG. Further, seven of the directors of the Company have obtained certification under directors training program as required under clause (xi) of the CCG during prior years. None of the directors have attended any training program during the year.
- The values of investment of various funds, based on their respective accounts as at 30 June 2021 are as under:

DESCRIPTION	AMOUNT
Provident Fund	Rs. 140,109,606
Gratuity Fund	Rs. 68,073,181

## BOARD OF DIRECTORS STRUCTURE, ITS COMMITTEES AND MEETINGS

During the year the Board remained actively involved in performing their duties under various laws and the Memorandum and Articles of Association of the Company with the ultimate objective of enhancing the profitability of the Company thus increasing shareholders return. The Board possesses necessary skills, competence, knowledge and experience to deal with various business issues. The Chairman of the Board is a non-executive director. During the year, four meetings of Board of Directors were held for review of periodic Financial Statements as well as for consideration of significant and routine matters including those referred to the Board by its committees.

The Committees of the Board and their composition is as follows:

### Audit Committee

Ehsan Mani	Chairman
Adnan Aurangzeb	Member
Muhammad Yaqoob	Member
Muhammad Waheed	Member
Khwaja Ahmad Hosain	Member
Dr. M. Humayun Khan	Member

### HR & Remuneration Committee

Ehsan Mani	Chairman
Ms. Mehreen Hosain	Member
Dr. M. Humayun Khan	Member
Anwar Moin (CEO)	Member
Ms. Ayesha Humayun Khan	Member
Ms. Syeda Shahbano Abbas	Member

### CSR & HSE Committee

Ms. Ayesha Humayun Khan	Chairperson
M. Zafar Khan	Member
Muhammad Waheed	Member
Ms. Mehreen Hosain	Member

**HUMAN RESOURCE**

The Company seeks to provide a healthy work environment for all employees. Your Company lays great emphasis on the training and development of its personnel.

The Human Resource and Remuneration (HR&R) Committee of the Board reviews the HR related matters. It comprises of six members including three independent Directors, two non-executive Directors and Chief Executive Officer. Chairman of the Committee is an independent Director. The Committee met three times during the year to evaluate policies and procedures.

The Company did not lay off any of its employee during the period despite lower profitability.

**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 the Board of Directors recommends that Yousuf Adil Chartered Accountants, who have given their consent to act as Auditors, be appointed as External Auditors of the Company for the year 2021-22.

**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 met. We also acknowledge the support and cooperation of our major stakeholders, customers, suppliers and our Bankers specially Allied Bank Ltd, United Bank Ltd and Faysal Bank Ltd etc.

**PATTERN OF SHARE HOLDING**

Pattern of shareholding is enclosed.

**For and on behalf of the Board**


**Anwar Moin**  
Chief Executive Officer



**M. Afzal Khan**  
Deputy Chairman

Islamabad  
23 September 2021

## ڈائریکٹرز رپورٹ

جون 2021 کو اختتام پذیر ہونے والے مالی سال کے لئے آڈٹ شدہ فنانشل سٹیٹمنٹ اور سالانہ رپورٹ 2021 پیش کرتے ہوئے بیافو انڈسٹریز لمیٹڈ کے بورڈ آف ڈائریکٹرز انتہائی خوش محسوس کر رہے ہیں۔

## اہم مالیاتی نکات

زیر جائزہ سال کے دوران کمپنی کی سبزلز کے شعبے میں اصل آمدنی 1,472.76 ملین روپے رہی جبکہ گزشتہ سال یہی آمدنی 1,586.56 ملین روپے تھی۔ اس اضافہ کی بنیادی وجہ سینٹ سیکلر اور سینڈک کا پرائیڈ گولڈ مائننگ پراجیکٹ میں سپلائرز کا اضافہ تھا جبکہ معاشی سست روی کی وجہ سے دیگر شعبہ جات میں سپلائی میں کمی واقع ہوئی۔ اس سال کے مجموعی منافع میں 0.04 فیصد کا معمولی اضافہ ہوا جو اس سال 563.96 ملین روپے رہا۔ (سال 2019-20 میں منافع 563.70 ملین روپے تھا)۔ کمپنی کو ٹیکس ادائیگی کے بعد 254.04 ملین روپے خالص منافع حاصل ہوا (سال 2019-20 میں خالص منافع 245.87 ملین روپے تھا)۔ جس کے نتیجے میں فی شیئر 6.63 روپے آمدنی ہوئی۔ (سال 2019-20 میں آمدنی 6.41 روپے تھی)۔ درآمد شدہ خام مال کی قیمتوں میں اضافے اور پاکستانی روپے کی قدر میں گراؤ کے باوجود بھی منافع میں استحکام رہا۔ ملکی معیشت میں مزید استحکام کے ساتھ صورتحال میں بہتری کی امید ہے۔

## پیداوار

پلانٹ پروڈکشن ٹیم نے صارفین کی ضروریات پوری کرنے اور مختلف پروڈکٹس اور سروسز کی طلب کو پورا کرنے کے لئے کوڈ-19 کی عالمی وباء کے باوجود بھی موثر کارکردگی کا مظاہرہ کیا۔ بیافو کارکردگی میں مسلسل بہتری کے فلسفے پر یقین رکھتے ہوئے اپنے تمام معزز صارفین کو پروڈکٹس کا بہترین معیار فراہم کرنے میں مصروف عمل ہے۔ کمپنی پیداواری صلاحیت، قابل افرادی قوت اور محفوظ طرز عمل کو اپناتے ہوئے صارفین، عملے اور سٹیک ہولڈرز کے اعتماد میں اضافہ کر رہی ہے۔

## صحت، حفاظت اور ماحول

بیافو کسی بھی ناگہانی واقعے سے اپنے عملے کو محفوظ رکھنے کے لئے ہر لمحہ پر عزم ہے۔ اسکے علاوہ ادارہ HSE پالیسیز کی پابندی کو یقینی بنا کر ارد گرد کے ماحول پر منفی اثرات میں کمی کیلئے کوشاں ہے۔ کمپنی نے کوڈ-19 کی عالمی وباء کے دوران بھی تمام تر حفاظتی اقدامات کو یقینی بناتے ہوئے کام جاری رکھا۔ کمپنی نے OHSAS 18001: 2007 (پیشہ وارانہ صحت اور تحفظ کی مشاورتی خدمات) اور کوالٹی سٹینڈرڈ ISO 9001: 2015 کی تجدید کو والی ہے۔ جس کے نتیجے میں اس سال کوئی بھی ناگہانی صورت حال پیش نہیں آئی۔ ادارے کی پلانٹ کیلئے طے شدہ ماحولیاتی معیار پر پورا اترنے کو یقینی بنانے کے لئے کی جانے والی کاوشیں جاری و ساری ہیں۔

## کوڈ-19 کی عالمی وباء

بیافو نے تمام تر حفاظتی اقدامات کو یقینی بناتے ہوئے تمام لاجسٹکس کا انتظام کیا ہے۔ عالمی وباء کے باوجود بھی کمپنی بغیر کسی بڑی رکاوٹ کے اپنے تمام اپریٹمنٹس کا میانی سے چلاتی رہی ہے۔

## مستقبل کے امکانات

پاکستان نے کورونا وائرس کی وباء کا میانی سے مقابلہ کیا ہے، لیکن عالمی وباء کی تیسری لہر کا خطرہ ابھی طلحہ نہیں ہے جس کی وجہ سے معاشی ماحول پر منفی اثرات مرتب ہو رہے ہیں۔ حکومت پاکستان نے عالمی وباء کے معیشت و صنعت پر پڑنے والے منفی اثرات سے نمٹنے کے لیے کئی اقدامات اٹھائے ہیں۔ ہم امید کرتے ہیں کہ معاشی ترقی کی حکومتی پالیسیاں بحال ہوگی۔ ہائڈل اور کنسٹرکشن کے شعبے میں انفراسٹرکچر منصوبوں کا آغاز ہوگا۔ حکومت نے سی بیک کے دوسرے مرحلے کا آغاز کر دیا ہے اور کئی بڑے منصوبے جیسا کہ ہالہ ہائڈرو پاور پراجیکٹ، ایم ایل-1، منڈا، مہمند اور دیامر ہائیڈرو پاور پراجیکٹس اور سینڈک کی ایسٹ کور ہاؤسی کی منظوری دے دی ہے۔ یہ منصوبے کمپنی کے لیے مزید مواقع پیدا کریں گے۔

آپ کی کمپنی نے ہمیشہ مارکیٹ کی توسیع کی طرف دیکھا ہے اور ہمیں یہ اطلاع دیتے ہوئے خوشی ہو رہی ہے کہ ہمیں برآمدی آرڈر ملا ہے، درین اثنا، کمپنی بالخصوص افریقن اور بالعموم وسطی ایشیا میں کان کنی کی صلاحیتوں کو نارگٹ کر رہی ہے، کئی ممالک سے انکوائریز موصول ہوئی ہیں جو زیر عمل ہیں۔

آپ کی کمپنی نے ایک نئی سگنل ٹرانسمیشن ٹیوب بنانے کی سہولت میں سرمایہ کاری کی ہے، اس منصوبے کی کل لاگت 392 ملین روپے ہے۔ یہ ایک درآمدی متبادل منصوبہ ہے جس میں کمپنی کے لئے بہترین مارجن ہے۔ کمپنی سگنل ٹرانسمیشن ٹیوب کی فروخت کو نہ صرف مقامی مارکیٹ بلکہ ایکسپورٹ مارکیٹ کی ترقی کے لئے دیکھتی ہے۔

## شیئر ہولڈرز کیلئے منافع

بورڈ کی جانب سے 30 جون 2021 کو ختم ہونے والے سال کیلئے 23 ستمبر 2021 کو اعلان کردہ، 10% بونس شیئر (10 حصص کے لئے 1 بونس شیئر) کی سفارش کی گئی ہے یہ منافع 23 فروری 2021 کو اعلان کردہ 2.00 روپے (20%) اور 26 اپریل 2021 کو اعلان کردہ 2.00 روپے (20%) سے اضافی ہے۔ مجموعی نقد منافع 4 روپے فی شیئر (40%) ہوا۔

## رسک مینجمنٹ

ادارے کا رسک مینجمنٹ کے لئے طے کردہ فریم ورک سٹریٹجک، آپریشنل اور فنانشل رسک کو تحفظ فراہم کرتا ہے۔ ایک خود مختار رسک مینجمنٹ ڈیپارٹمنٹ جو کہ آڈٹ اور رسک مینجمنٹ کمیٹی کو جوابدہ ہے، اندرونی کنٹرول کے موثر ہونے کے لئے اس کا تجزیہ اور نگرانی کرتا ہے۔

**ادارے کی سماجی ذمہ داری**

ادارے کی سماجی ذمہ داری بنیادی اقدار میں شامل ہے اور بیافو کے نصب العین کا اہم ترین حصہ ہے۔ ادارہ کئی ایک اداروں بشمول ہسپتالوں اور صحت عامہ، تعلیم، ناگہانی آفتوں میں ریلیف کی فراہمی، ثقافت اور آرٹ کے شعبوں سے متعلق فلاحی اداروں کو عطیات فراہم کرتا ہے۔

**بورڈ آف ڈائریکٹرز**

ادارے میں مجموعی طور پر 14 ڈائریکٹرز موجود ہیں جن میں سے

مرد : دس (10) خواتین : چار (4)

بورڈ کی ساخت مندرجہ ذیل ہے۔

i.	آزاد ڈائریکٹرز	i - احسان مانی ii - محمد یعقوب
ii.	نان۔ ایگزیکٹو ڈائریکٹرز	i - ڈاکٹر ایم ہمایوں خان ii - ایم ظفر خان iii - خواجہ احمد حسین iv = عدنان اورنگزیب v - محمد وحید
iii.	ایگزیکٹو ڈائریکٹرز	i - ایم افضل خان ii - انور معین iii - جنرل ایس زیڈ ایم عسکری
iv.	خواتین ڈائریکٹرز	i - محترمہ شیریں صفدر (ایگزیکٹو ڈائریکٹر) ii - محترمہ عائشہ ہمایوں خان (نان ایگزیکٹو ڈائریکٹر) iii - محترمہ مہرین حسین (آزاد ڈائریکٹر) iv - محترمہ سیدہ شاہ بانو عباس (آزاد ڈائریکٹر)

کمپنی پالیسی کے مطابق، نان۔ ایگزیکٹو ڈائریکٹرز بشمول خود مختار ڈائریکٹرز کو صرف میٹنگ میں شرکت کی فیس ادا کی جاتی ہے جو کہ بورڈ آف ڈائریکٹرز کی جانب سے منظور شدہ ہے۔ بورڈ نے ایک باضابطہ لائحہ عمل طے کیا ہے تاکہ براہ راست بورڈ کی کارکردگی کا جائزہ لیا جائے۔ اس کے ساتھ ساتھ بورڈ کی جانب سے کوڈ آف کارپوریٹ گورننس کے مطابق کمیٹی ارکان کی کارکردگی کا جائزہ لینے بھی طریقہ کار وضع کیا جا رہا ہے۔

**کوڈ آف کارپوریٹ گورننس**

ہمارے لئے یہ انتہائی خوشی کی بات ہے کہ کمپنی نے کوڈ آف کارپوریٹ گورننس کی پیروی کے لئے اسٹاک ایکسچینج کے فہرستی ضوابط کے مطابق ضروری اقدامات کئے۔

بورڈ باقاعدگی سے کمپنی کی کلیدی سمت کا جائزہ لیتا ہے۔ چیف ایگزیکٹو کی جانب سے اہداف مقرر کئے جاتے ہیں اور بورڈ کی طرف سے ان کا باقاعدگی سے جائزہ لیا جاتا ہے۔ بورڈ اعلیٰ کارپوریٹ گورننس کے معیارات قائم کرنے کیلئے پرعزم ہے۔

جیسا کہ ضابطہ کارپوریٹ گورننس کی رو سے مطلوب ہے، آپ کے ڈائریکٹرز آپ کو اس امر سے آگاہ کرنے میں مسرت محسوس کرتے ہیں کہ:

- کمپنی کی انتظامیہ کی طرف سے تیار کردہ مالیاتی گوشوارے، منصفانہ طور پر کمپنی کی موجودہ حالت، اس کے آپریشنز کے نتائج، کیش فلوا اور ایکویٹی میں تبدیلی کو ظاہر کرتے ہیں۔
- کمپنی کے اکاؤنٹس کے ریکارڈ کو باقاعدہ طور پر منظم کیا جاتا ہے۔
- مالی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسی اختیار کی جاتی ہے اور کھاتوں کا تخمینہ مناسب محتاط طریقوں سے لگا جاتا ہے۔
- مالی گوشواروں کی تیاری میں پاکستان میں لاگو مالیاتی رپورٹنگ کے بین الاقوامی معیارات کی تعمیل کی جاتی ہے اور جہاں کہیں ان سے کوئی بھی انحراف کیا گیا اس کی موزوں طور پر وضاحت دی گئی۔
- اندرونی کنٹرول کا نظام ساخت میں ٹھوس ہے اور اس کا موثر اطلاق اور نگرانی کی جاتی ہے۔ نظام پر از خود بہتری کے لئے جب بھی اور جہاں بھی ضروری ہو مسلسل نظر ثانی کی جاتی ہے۔
- کمپنی کے کاروبار جاری رکھنے کی صلاحیت پر کوئی شک و شبہ نہیں ہے۔
- فہرستی ضوابط میں بھی ان کارپوریٹ گورننس کے بہترین طریقوں سے کوئی بھی انحراف نہیں کیا گیا ماسوائے لسٹڈ کمپنیز میں موجود تعمیلی بیان کے (کوڈ آف کارپوریٹ گورننس ریگولیشنز، 2019)۔
- ٹیکس، ڈیوٹی، لیویز اور چارجز کی مد میں 30 جون 2021 تک بقایا جات میں کوئی بھی قانونی ادائیگی نہیں کرنی ماسوائے ان کے جو مالی گوشواروں میں بیان کی گئی ہیں۔
- کمپنی کے پانچ ڈائریکٹرز اپنی تعلیمی قابلیت اور وسیع تجربے کی بنیاد پر ڈائریکٹرز ٹینگ پروگرام سے متعلق ہیں جیسا کہ ضابطہ کارپوریٹ گورننس کے احکامات میں دیا گیا ہے۔ مزید سادہ ڈائریکٹرز نے گزشتہ سال کے دوران نے ڈائریکٹرز ٹینگ پروگرام کے تحت شوقیہٹ حاصل کر لیا ہے جیسا کہ ضابطہ کارپوریٹ گورننس کی شق (11) کے تحت مطلوب ہے۔ دوران سال کسی بھی ڈائریکٹر نے کسی بھی ٹریننگ پروگرام میں شرکت نہیں کی۔
- 30 جون 2021 کو اپنے متعلقہ اکاؤنٹس کی بنیاد پر مختلف فنڈز کی سرمایہ کاری مالیت حسب ذیل ہے:

رقم	وضاحت
140,109,606/- روپے	پروڈنٹ فنڈ
68,073,181/- روپے	گریجویٹ فنڈ

## بورڈ آف ڈائریکٹرز کی ساخت، کمیٹیاں اور اجلاس

اس سال کے دوران بورڈ نے مختلف قوانین، میمورنڈم اور کمیٹی کے آرٹیکل آف ایسوسی ایشن کے تحت انتہائی فعال انداز میں اپنے فرائض اس مقصد کے لئے انجام دیئے کہ کمپنی اور شیئر ہولڈرز کے منافع میں اضافہ ہو۔ بورڈ کے پاس تمام ضروری مہارتیں، صلاحیتیں، معلومات اور تجربہ موجود ہے جو انہیں مختلف کاروباری امور انجام دینے کے لئے ضروری ہے۔ بورڈ کے چیئرمین نان۔ ایگزیکٹو ڈائریکٹر ہیں۔ اس سال کے دوران بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے تاکہ مخصوص دورانیے کی مالیاتی سٹیٹمنٹ کا جائزہ لیا جاسکے اور اہم اور عمومی نوعیت کے معاملات بشمول ان کے جو کہ بورڈ کمیٹی کو بھیجے گئے، پر غور کیا جاسکے۔

## بورڈ کی کمیٹی اور اس کی ساخت درج ذیل ہے

چیئرمین	احسان مانی	ایچ آر معاوضہ جاتی کمیٹی	آڈٹ کمیٹی
ممبر	محترمہ مہربین حسین	احسان مانی	احسان مانی
ممبر	ڈاکٹر ایم ہمایوں خان	ممبر	عدنان اورنگزیب
ممبر	انور معین (سی ای او)	ممبر	محمد یعقوب
ممبر	محترمہ عائشہ ہمایوں خان	ممبر	محمد وحید
ممبر	محترمہ سیدہ شاہ بانو عباس	ممبر	خواجہ احمد حسین
			ڈاکٹر ایم ہمایوں خان
			سی ایس آر اینڈ ایچ ایس ای کمیٹی
		چیئرمین	محترمہ عائشہ ہمایوں خان
		ممبر	ایم ظفر خان
		ممبر	محمد وحید
		ممبر	محترمہ مہربین حسین

## ہیومن ریورس

کمپنی اپنے تمام ملازمین کے لیے سازگار ماحول کی فراہمی کو یقینی بناتی ہے۔ آپ کی کمپنی تمام ملازمین کی تربیت پر خصوصی توجہ دیتی ہے۔ بورڈ کی ہیومن ریورس اور معاوضہ جاتی کمیٹی (HR&R) ایچ آر سے متعلق معاملات کا جائزہ لیتی ہے۔ یہ کمیٹی 06 ارکان بشمول 03 آزاد ڈائریکٹرز، 02 نان ایگزیکٹو ڈائریکٹرز اور چیف ایگزیکٹو آفیسر پر مشتمل ہے۔ کمیٹی کا چیئرمین آزاد ڈائریکٹر ہے۔ کمیٹی حکمت عملی اور طریقہ کار کی جانچ پڑتال کے لیے اس سال 03 دفعہ اجلاس بلا یا ہے۔ کمپنی نے کم منافع کے باوجود کسی ملازم کو کمپنی سے نہیں نکالا۔

## بنیادی آپریٹنگ اور مالیاتی اعداد و شمار

گزشتہ چھ سال کے بنیادی آپریٹنگ اور مالیاتی اعداد و شمار منسلک ہیں:

## آڈیٹرز

موجودہ آڈیٹرز میسرز کے پی ایم جی تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس سبکدوش ہور ہے ہیں۔ بورڈ آف ڈائریکٹرز نے یوسف عادل چارٹرڈ اکاؤنٹنٹس، جنہوں نے بطور آڈیٹرز اپنے فرائض سر انجام دینے کی خواہش ظاہر کی ہے کہ کمپنی کے ایکٹریٹرز برائے سال 2021-22 مقرر کرنے کی سفارش کی ہے۔

## اعتراف

آپ کا بورڈ اس موقع پر کمپنی کے تمام ملازمین کے لئے خصوصی ستائش کا اظہار کرنا چاہے گا جن کے مسلسل عزم اور سخت محنت کے بغیر نئے مواقعوں کے چیلنج سے نبھنا ممکن نہ تھا۔ ہم اس موقع پر اپنے اہم سٹیک ہولڈرز، صارفین، سپلائرز اور بینکوں خصوصاً الائیڈ بینک لمیٹڈ، یونائیٹڈ بینک لمیٹڈ اور فیصل بینک لمیٹڈ کا ان کی قابل قدر خدمات اور تعاون کا اعتراف کرتے ہیں۔

## شیئر ہولڈنگ کا طریقہ کار

شیئر ہولڈنگ کا طریقہ کار منسلک ہے۔

## بورڈ کی جانب سے

انور معین

ایم افضل خان  
ڈپٹی چیئرمین

انور معین

ایگزیکٹو آفیسر

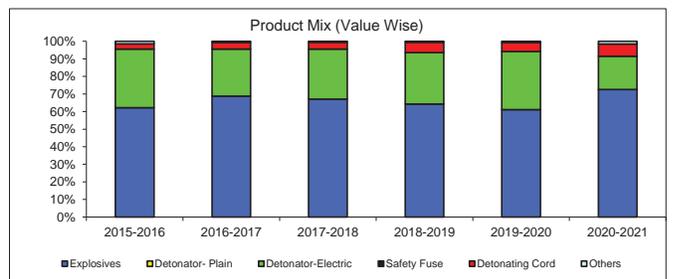
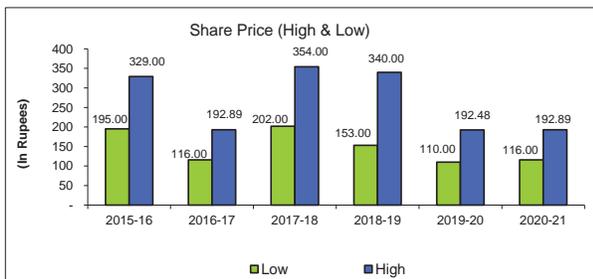
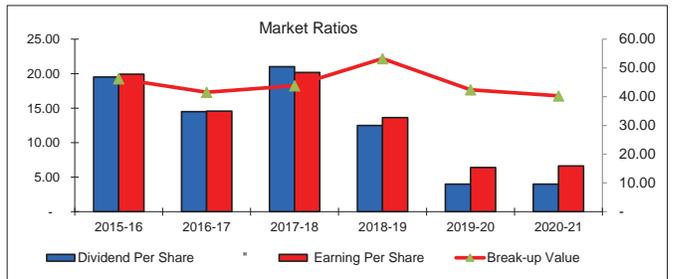
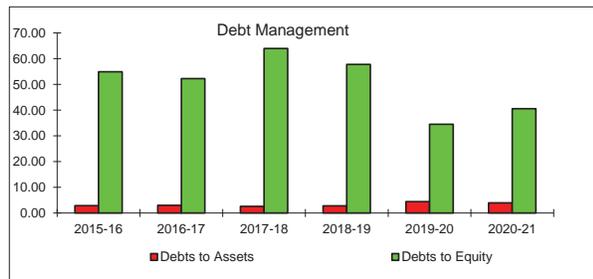
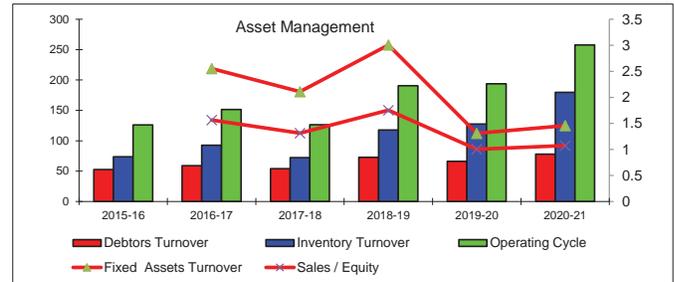
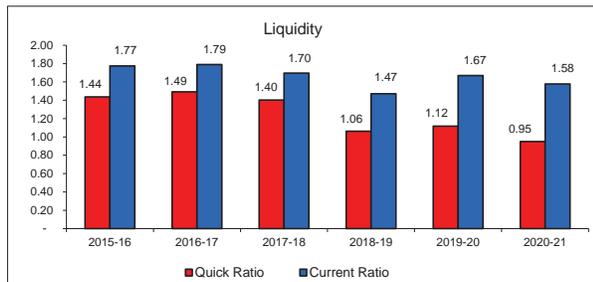
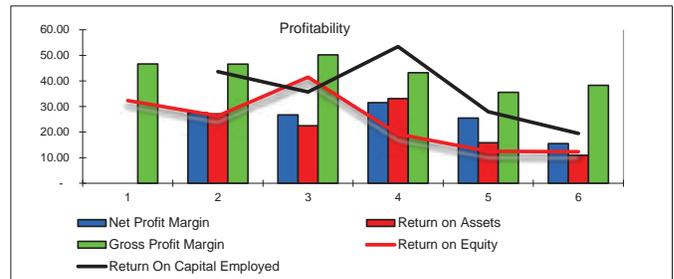
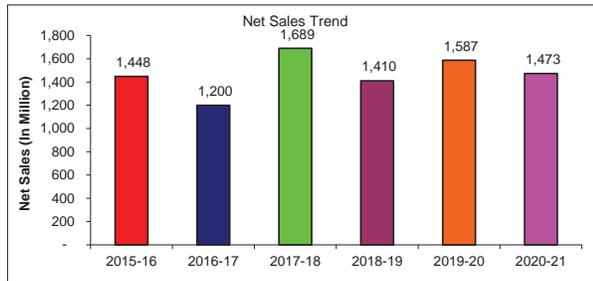
## STAKEHOLDERS INFORMATION

		2020-21	2019-20	2018-19	2017-18	2016-17	2015-16
<b>BALANCE SHEET</b>							
Paid up Capital	Rs. In '000	383,328	348,480	264,000	220,000	220,000	200,000
Shareholder Equity*	Rs. In '000	1,544,246	1,477,769	1,405,240	963,089	913,516	924,547
Fixed Assets	Rs. In '000	1,205,020	1,087,317	1,076,607	562,062	568,771	566,745
Long Term Debts	Rs. In '000	90,619	31,840	-	-	-	-
Fixed Assets Addition	Rs. In '000	150,585	38,022	85,068	17,656	24,739	31,420
<b>Profit &amp; Loss Account</b>							
Net Sales	Rs. In '000	1,472,765	1,586,550	1,409,578	1,689,356	1,199,632	1,447,883
Gross Profit / (Loss)	Rs. In '000	563,956	563,704	608,765	847,650	558,292	675,500
Operating Profit / (Loss)	Rs. In '000	391,260	347,824	451,323	713,366	434,972	558,706
EBDIT	Rs. In '000	410,399	403,346	544,904	708,221	451,398	559,936
Profit / (Loss) after taxation	Rs. In '000	254,039	245,871	359,892	532,610	320,579	398,435
<b>PROFITABILITY RATIOS</b>							
Gross Profit/(Loss) Margin	%	38.29	35.53	43.19	50.18	46.54	46.65
Net Profit Margin	%	17.25	15.50	25.53	31.53	26.72	27.52
Return on Assets	%	10.20	10.92	15.84	33.11	22.50	27.11
Return on Shareholder Equity*	%	16.45	16.64	25.61	55.30	35.09	43.10
<b>LIQUIDITY RATIOS</b>							
Current Ratio	:	1.58	1.67	1.47	1.70	1.79	1.77
Quick Ratio	:	0.95	1.12	1.06	1.40	1.49	1.44
Cash Generation to Sales	:	102.43	94.79	104.65	92.38	101.67	101.09
<b>ASSETS MANAGEMENT RATIOS</b>							
Number of Days Stock	Days	180	127	118	72	93	74
Number of Days Trade Debts	Days	78	66	73	54	59	53
Operating Cycle	Days	258	194	190	126	152	126
Fixed Assets Turnover	Times	1.22	1.46	1.31	3.01	2.11	2.55
Sales /Shareholder Equity*	Times	0.95	1.07	1.00	1.75	1.31	1.57
<b>DEBTS MANAGEMENT RATIOS</b>							
Total Assets to Total Debts	Times	3.98	4.42	2.80	2.61	2.99	2.89
Debts to Shareholder Equity *	%	41	34	58	64	52	55
<b>MARKET RATIOS</b>							
Share Price at year end	Per Share	138.20	143.72	165.00	320.00	250.30	260.00
Share Price-High	Per Share	192.89	192.48	340.00	354.00	192.89	329.00
Share Price-Low	Per Share	116.00	110.00	153.00	202.00	116.00	195.00
Earning Per Share**	Rs. 10/Share	6.63	6.41	10.33	20.17	14.57	19.92
Price Earning Ratio	Times	20.85	22.42	15.98	15.87	17.18	13.05
Dividend Declared	Per Share (Rs)	4.00	4.00	12.50	21.00	14.50	19.50
Bonus Shares	%	10.00	20.00	20.00	20.00	10.00	-
Dividend Payout	%	60.36	62.40	121.04	104.12	99.51	97.89
Dividend Yield	%	2.89	2.78	7.58	6.56	5.79	7.50
Break-up Value	Rs. 10/Share	40.29	42.41	53.23	43.78	41.52	46.23

\*Shareholder Equity is inclusive of Surplus on Revaluation of Fixed Assets (2021: 702.862 M)(2020 : 707.333 M)

\*\*Restated EPS (2020-7.06)

## STAKEHOLDERS INFORMATION



## STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

Name of Company **Biafo Industries Limited**

Year Ended **30th June, 2021**

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 14 as per the following:
  - a. Male: Ten (10)
  - b. Female: Four (4)
2. The composition of Board is as follows:

i.	Independent Directors	i) Ehsan Mani
		ii) Muhammad Yaqoob
ii.	Non-Executive Directors	i) Dr. M. Humayun Khan
		ii) M. Zafar Khan
		iii) Khwaja Ahmad Hosain
		iv) Adnan Aurangzeb
		v) Muhammad Waheed
iii.	Executive Directors	i) M. Afzal Khan
		ii) Anwar Moin
		iii) Maj. Gen. (Ret'd.) S. Z. M. Askree
iv.	Female Directors	i) Ms. Shirin Safdar (Executive Director)
		ii) Ms. Ayesha Humayun Khan (Non-Executive Director)
		iii) Ms. Mehreen Hosain (Independent Director)
		iv) Ms. Syeda Shahbano Abbas (Independent Director)

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company;
4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The Board of directors is in process of developing a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. Five directors of the Company are exempt from directors training program on the basis of their level of education and length of experience as provided in the CCG. Further, seven of the directors of the Company have obtained certification under directors training program as required under clause (xi) of the CCG during prior years. None of the directors have attended any training program during the year.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the board.
12. The Board has formed committees comprising of members given below:
  - a) Audit & Risk Management Committee
    - i) Ehsan Mani (Chairman)
    - ii) Adnan Aurangzeb
    - iii) Muhammad Yaqoob
    - iv) Muhammad Waheed
    - v) Khwaja Ahmad Hosain
    - vi) Dr. M. Humayun Khan
  - b) HR and Remuneration Committee
    - i) Ehsan Mani (Chairman)
    - ii) Anwar Moin
    - iii) Dr. M. Humayun Khan
    - iv) Ms. Mehreen Hosain
    - v) Ms. Ayesha Humayun Khan
    - vi) Ms. Syeda Shahbano Abbas
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the Committee for compliance.
14. The frequency of meetings (quarterly/half yearly/ yearly) of the Committee were as per following:
  - a) Audit & Risk Management Committee (quarterly)
  - b) HR and Remuneration Committee (quarterly)
15. The Board has outsourced the internal audit function to Asad Ijaz & Co who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all requirements of regulations 3, 6\*, 7, 8, 27,32, 33 and 36 of the Regulations have been complied with; and
19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:
  - i. As required under clause 10(5), the Chairman of the Board shall, at the beginning of term of each director, issue letter to directors setting out their role, obligations, powers and responsibilities in

accordance with the Companies Act, 2017 (the Act) and the Company's Articles of Association. The Chairman is in process to issue letters to all the directors.

\* Regulation 6 Number of Directors are 14 and one third is 4.67 and 0.67 was not rounded.



**Anwar Moin**  
Chief Executive Officer



**M. Afzal Khan**  
Deputy Chairman

Islamabad  
23 September 2021

## INDEPENDENT AUDITORS' REVIEW REPORT

To the members of Biafo Industries Limited

### **Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Biafo Industries Limited for the year ended 30 June 2021 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2021.

Further, we highlight below instances of non - compliance with the requirements of the Regulations as reflected in the paragraph 8 and 19(i) where these are stated in the Statement of Compliance:

	<b>Reference</b>	<b>Description</b>
i	Paragraph 8	As stated in paragraph 8, the Board of Directors is in process of developing a formal policy and transparent procedures for remuneration of directors in accordance with the Act and the Regulations.
ii	Paragraph 19(i)	As stated in paragraph 19(i), the Chairman is in the process to issue letters to all directors for setting out their role, obligations, powers and responsibilities in accordance with the Act and the company's Articles of Association.



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

**Date: 04 October 2021**

## INDEPENDENT AUDITORS' REPORT

### To the members of Biafo Industries Limited Report on the Audit of the Financial Statements

#### Opinion

We have audited the annexed financial statements of Biafo Industries Limited (the Company), which comprise the statement of financial position as at 30 June 2021, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2021 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matter(s):

Sr. No.	Key audit matters	How the matter was addressed in our audit
1	<p><b>Revenue recognition</b></p> <p>Refer note 5.6 and 24 to the Financial statements.</p> <p>The Company is engaged in the production and sale of commercial explosives and blasting accessories including detonators and other materials. The Company recognized revenue from the sales of commercial explosives and blasting accessories amounting to Rs.1,473 million for the year ended 30 June 2021.</p> <p>We identified the recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Company and give rise to an inherent risk that revenue could be subject to misstatement to meet expectations or targets.</p>	<p>Our audit procedures to assess the recognition of revenue, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the process relating to recognition of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue;</li> <li>• Comparing a sample of revenue transactions recorded during the year with sales orders, sales invoices, delivery documents and other relevant underlying documents;</li> <li>• Checking a sample of revenue transactions on either side of the statement of financial position date to assess whether they are recorded in the corrected accounting period.</li> <li>• Testing journal entries relating to revenue recognized during the year based on identified risk criteria;</li> <li>• assessing the appropriateness of accounting policy for revenue recognition in accordance with applicable accounting and reporting standards; and</li> <li>• assessing the adequacy of disclosures related to revenue as required under the accounting and reporting standards as applicable in Pakistan.</li> </ul>

### Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended 30 June 2021 but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion:

- a. proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b. the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c. investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d. zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditors' report is Inam Kakra



**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**  
**Islamabad**  
**Date: 04 October 2021**

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2021**

	Note	30 June 2021 Rupees	30 June 2020 Rupees
<b>NON - CURRENT ASSETS</b>			
Property, plant and equipment	6	1,176,257,970	1,057,817,867
Investment property	7	28,761,874	29,499,358
Long-term deposits		1,777,650	1,777,650
		<b>1,206,797,494</b>	1,089,094,875
<b>CURRENT ASSETS</b>			
Inventories	8	510,745,479	383,602,284
Trade debts	9	333,158,182	373,238,956
Short-term advances	10	34,297,781	11,372,700
Trade deposits, short-term prepayments and other receivables	11	40,892,454	26,603,135
Short-term investments	12	265,638,961	267,619,583
Advance tax - net	13	52,113,062	57,704,434
Cash and bank balances	14	46,665,106	43,269,280
		<b>1,283,511,025</b>	1,163,410,372
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	244,561,240	189,505,531
Current portion of long-term loan	17	21,982,562	10,861,805
Current portion of lease liabilities	19	3,745,156	1,984,151
Short-term borrowings	16	504,188,266	458,812,389
Unclaimed dividend		24,567,634	23,029,521
Unpaid dividend		14,641,304	13,061,372
		<b>813,686,162</b>	697,254,769
		<b>469,824,863</b>	466,155,603
<b>NET CURRENT ASSETS</b>			
<b>NON - CURRENT LIABILITIES</b>			
Long-term loan	17	90,619,127	31,840,182
Employee benefit	18	678,791	5,182,759
Lease liabilities	19	5,715,577	6,060,656
Deferred tax liability - net	20	35,362,872	34,397,655
		<b>132,376,367</b>	77,481,252
		<b>1,544,245,990</b>	1,477,769,226
<b>NET ASSETS</b>			
<b>REPRESENTED BY:</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	21	383,328,000	348,480,000
Revenue reserve - unappropriated profit		458,055,695	421,955,643
Capital reserve - revaluation surplus on property, plant and equipment - net of tax	22	702,862,295	707,333,583
		<b>1,544,245,990</b>	1,477,769,226
<b>CONTINGENCIES AND COMMITMENTS</b>			
	23		

The annexed notes 1 to 41 form an integral part of these financial statements.



Chief Financial Officer



Chief Executive Officer



Director

# ANNUAL REPORT

## STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 30 JUNE 2021

	Note	30 June 2021 Rupees	30 June 2020 Rupees
<b>Revenue - net</b>	24	<b>1,472,764,884</b>	1,586,550,076
Cost of sales	25	<b>(908,809,328)</b>	(1,022,846,086)
<b>Gross profit</b>		<b>563,955,556</b>	563,703,990
Other income	26	<b>7,461,905</b>	5,295,074
Distribution expenses	27	<b>(56,684,243)</b>	(59,851,112)
Administrative expenses	28	<b>(129,550,464)</b>	(128,090,277)
(Allowance)/ Reversal for expected credit losses		<b>6,077,221</b>	(33,233,875)
<b>Operating profit</b>		<b>391,259,975</b>	347,823,800
Finance costs	29	<b>(53,806,200)</b>	(71,602,785)
Finance income	30	<b>13,459,924</b>	51,089,578
<b>Net finance cost</b>		<b>(40,346,276)</b>	(20,513,207)
Workers' profit participation fund		<b>(17,545,685)</b>	(16,365,530)
Workers' welfare fund		<b>(4,740,141)</b>	(6,417,855)
<b>Profit before tax</b>		<b>328,627,873</b>	304,527,208
Income tax expense	31	<b>(74,588,498)</b>	(58,656,561)
<b>Profit for the year</b>		<b>254,039,375</b>	245,870,647
			Restated
<b>Earnings per share</b>			
Basic and diluted	32	<b>6.63</b>	6.41

The annexed notes 1 to 41 form an integral part of these financial statements.



Chief Financial Officer



Chief Executive Officer



Director

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2021**

	<b>30 June 2021</b>	30 June 2020
	<b>Rupees</b>	Rupees
<b>Profit for the year</b>	<b>254,039,375</b>	245,870,647
<b>Other comprehensive income for the year</b>		
<i>Items that will not be reclassified to profit or loss</i>		
Remeasurement of defined benefit plan - net of tax	<b>616,589</b>	-
Tax effect due to change in rate	-	898,875
	<b>616,589</b>	898,875
<b>Total comprehensive income for the year</b>	<b>254,655,964</b>	<b>246,769,522</b>

The annexed notes 1 to 41 form an integral part of these financial statements.



**Chief Financial Officer**



**Chief Executive Officer**



**Director**

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

	Capital Reserve	Revenue Reserve		
Share capital	Revaluation surplus on property, plant and equipment - net of tax	Unappropriated profits	Total equity	
Rupees	Rupees	Rupees	Rupees	
<b>Balance at 01 July 2019</b>	264,000,000	711,255,302	429,984,402	1,405,239,704
<b>Total comprehensive income for the year</b>				
Profit for the year	-	-	245,870,647	245,870,647
Tax effect due to change in rate on revaluation of property, plant and equipment - net of tax	-	898,875	-	898,875
<b>Total comprehensive income for the year transferred to equity</b>	-	898,875	245,870,647	246,769,522
Surplus on revaluation of property, plant and equipment realized through depreciation for the year - net of deferred tax	-	(4,820,594)	-	(4,820,594)
Transferred from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	-	4,820,594	4,820,594
	264,000,000	707,333,583	680,675,643	1,652,009,226
<b>Transactions with owners of the company</b>				
<b>Distributions</b>				
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)
2nd 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)	-
Issue of bonus shares for 2019 @ 10%	31,680,000	-	(31,680,000)	-
<b>Total transactions with owners of the company</b>	84,480,000	-	(258,720,000)	(174,240,000)
<b>Balance at 30 June 2020</b>	348,480,000	707,333,583	421,955,643	1,477,769,226
<b>Balance at 01 July 2020</b>	348,480,000	707,333,583	421,955,643	1,477,769,226
<b>Total comprehensive income for the year</b>				
Profit for the year	-	-	254,655,964	254,655,964
<b>Total comprehensive income for the year transferred to equity</b>	-	-	254,655,964	254,655,964
Surplus on revaluation of property, plant and equipment realized through depreciation for the year - net of deferred tax	-	(4,471,288)	-	(4,471,288)
Transferred from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	-	4,471,288	4,471,288
	348,480,000	702,862,295	681,082,895	1,732,425,190
<b>Transactions with owners of the company</b>				
<b>Distributions</b>				
Final dividend of 2020 @ Rs. 1.00 per share	-	-	(34,848,000)	(34,848,000)
First interim dividend of 2021 @ Rs. 2 per share	-	-	(76,665,600)	(76,665,600)
2nd interim dividend of 2021 @ Rs. 2 per share	-	-	(76,665,600)	(76,665,600)
Issue of bonus shares for 2020 @ 10%	34,848,000	-	(34,848,000)	-
<b>Total transactions with owners of the company</b>	34,848,000	-	(223,027,200)	(188,179,200)
<b>Balance at 30 June 2021</b>	383,328,000	702,862,295	458,055,695	1,544,245,990

The annexed notes 1 to 41 form an integral part of these financial statements.



Chief Financial Officer



Chief Executive Officer



Director

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2021**
**CASH FLOWS FROM OPERATING ACTIVITIES**
**Profit before tax**

Adjustments for:

Depreciation on property, plant and equipment

Depreciation on investment property

Finance costs

Allowance/ (Reversal) for expected credit losses

Provision for Workers' profit participation fund

Provision for Workers' welfare fund net of reversal

Provision for gratuity

Provision for compensated leave absences

Dividend income

Rental Income

Unrealized gain on remeasurement of investment

Gain on sale of property, plant and equipment

Interest income

Exchange loss

**Changes in:**

Inventories

Trade debts

Advances, deposits, short term prepayments and other receivables

Trade and other payables

**Cash generated from operating activities**

Finance costs paid

Contributions to Gratuity fund

Compensated leave absences paid

Payments to Workers' profit participation fund

Income taxes paid

**Net cash from operating activities**
**CASH FLOWS FROM INVESTING ACTIVITIES**

Acquisition of property, plant and equipment

Proceeds from sale of property, plant and equipment

Disposal of investments

Rent received

Dividend received

Interest received

**Net cash used in investing activities**
**CASH FLOWS FROM FINANCING ACTIVITIES**

Dividend paid

Proceeds from long term loan

Payment of long term loan

Payment of lease liabilities

**Net cash used in financing activities**
**Net increase / (decrease) in cash and cash equivalents**
**Cash and cash equivalents at beginning of the year**
**Cash and cash equivalents at end of the year**

Note	30 June 2021 Rupees	30 June 2020 Rupees
	<b>328,627,873</b>	304,527,208
	<b>27,227,124</b>	26,459,324
6	<b>737,484</b>	756,394
7	<b>32,962,600</b>	71,602,785
	<b>(6,077,221)</b>	33,233,875
	<b>17,545,685</b>	16,365,530
	<b>2,796,673</b>	2,191,161
	<b>9,796,698</b>	5,633,576
	<b>(4,503,968)</b>	(227,788)
	<b>(11,792,125)</b>	(34,545,204)
	<b>(1,775,000)</b>	-
	<b>(96,982)</b>	(7,841,575)
	<b>(3,743,437)</b>	96,596
	<b>(1,570,816)</b>	(3,309,743)
	<b>17,746,079</b>	-
	<b>79,252,793</b>	110,414,931
	<b>407,880,666</b>	414,942,139
	<b>(127,143,195)</b>	(52,806,975)
	<b>46,157,995</b>	(126,934,298)
	<b>(37,214,400)</b>	(10,705,505)
	<b>40,337,494</b>	22,250,927
	<b>(77,862,106)</b>	(168,195,851)
	<b>330,018,560</b>	246,746,288
	<b>(36,353,441)</b>	(71,602,785)
	<b>(10,232,619)</b>	(9,225,698)
	<b>(180,000)</b>	(27,967)
	<b>(16,365,530)</b>	(24,280,810)
	<b>(72,758,142)</b>	(112,190,434)
	<b>(135,889,732)</b>	(217,327,694)
	<b>194,128,828</b>	29,418,594
	<b>(142,934,607)</b>	(25,592,391)
	<b>6,904,168</b>	-
	<b>7,475,247</b>	231,840,026
	<b>1,575,000</b>	-
	<b>11,792,125</b>	34,545,204
	<b>1,570,816</b>	3,309,743
	<b>(113,617,250)</b>	244,102,582
	<b>(185,061,155)</b>	(172,836,552)
	<b>80,761,507</b>	42,701,987
	<b>(10,861,805)</b>	-
	<b>(7,330,176)</b>	(4,385,173)
	<b>(122,491,629)</b>	(134,519,738)
	<b>(41,980,051)</b>	139,001,438
	<b>(415,543,109)</b>	(554,544,547)
33	<b>(457,523,160)</b>	(415,543,109)

The annexed notes 1 to 41 form an integral part of these financial statements.



Chief Financial Officer



Chief Executive Officer



Director

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### 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) and its shares are quoted on the Pakistan Stock Exchange Limited.

The Company started its commercial production on 01 July 1994 and is principally engaged in the manufacturing and sale 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 and current license will expire on 31 March 2022.

The Company's production facility is situated at Plot 70, Phase III, 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 STATEMENT OF COMPLIANCE

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

- International Financial Reporting Standards (IFRS Standards) 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 provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

Details of the Company's significant accounting policies are stated in note 5.

### 3 BASIS OF MEASUREMENT

These financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

- Leasehold land, buildings on leasehold land and plant and machinery have been measured at revalued amounts; and
- Liabilities related to defined benefit - gratuity and compensated absences which is stated at present value of the defined benefit liability, determined through actuarial valuation.
- Investments at fair value through profit or loss are measured at fair value.

The methods used to measure fair values are disclosed in the respective policy notes.

#### 3.1 Functional and presentation currency

These financial statements are presented in Pakistan Rupee (PKR), which is the Company's functional currency. All amounts have been rounded to the nearest PKR, unless otherwise indicated.

#### 3.2 Use of judgements and estimates

In preparing these financial statements, management has made judgements and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 5.1.1 useful lives, reassessed values, residual values and depreciation method of property, plant and equipment;
- Note 5.3 recognition of deferred tax liabilities and assets and estimation of income tax provisions;
- Note 5.17.1 measurement of expected credit allowance for trade debts;

### 3.3 Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the approved accounting standards as applicable in Pakistan, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

**Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

## 4 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO THE APPROVED ACCOUNTING 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 July 2021:

- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after 1 January 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met. The amendment is not likely to affect the financial statements of the Company.

- COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard’s previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications.

The practical expedient introduced in the 2020 amendments only applied to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021. In light of persistence of economic challenges posed by the COVID-19 pandemic, the Board has extended the practical expedient for COVID-19 related rent concessions by one year i.e. permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022. The amendment is not likely to affect the financial statements of the Company.

Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  - any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
  - there is no substantive change to the other terms and conditions of the lease.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarify what comprises the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendment is not likely to affect the financial statements of the Company.

- **Annual Improvements to IFRS standards 2018-2020:**

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf, when it applies the ‘10 per cent’ test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after 1 January 2022 clarifies that sales proceeds and costs of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.
- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.
- Classification of liabilities as current or non-current (Amendments to IAS 1) amendments apply retrospectively for the annual periods beginning on or after 1 January 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

- Definition of Accounting Estimates (Amendments to IAS 8) – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) – The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

The above amendments are effective from annual period beginning on or after 1 January 2022 and are not likely to have an impact on the Company's financial statements.

## 5 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except for the changes as indicated below:

### a) IAS 19 'Employee benefits'

The Company operates defined benefit plan comprising an unfunded compensated leave absences scheme covering all eligible employees as specified by the scheme. During the year, the Company has changed its accounting policy with regard to the employee benefits - Compensated absences. Previously, the Company made provision for compensated un-availed absences accumulated by its employees and charge for the year recognized in statement of profit or loss. Under new accounting policy the Company measures provision by way of actuarial valuation using projected unit credit method.

The change in accounting policy is required to be applied retrospectively as per the requirements of the transitional provisions of IAS 19 "Employees Benefits". However, the financial statements have not been restated as the effect of retrospective application of this change in accounting policy is not material.

## 5.1 Property, plant and equipment

### 5.1.1 Owned

#### *Recognition and measurement*

Items included in property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses, except leasehold land, building on leasehold land, plant and machinery and capital work in progress. Leasehold land is stated at revalued amount. Building on leasehold land and plant and machinery is stated at revalued amount less accumulated depreciation. Capital work in progress is stated at cost less accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance expenses are recognised in the statement of profit or loss during the financial period in which they are incurred.

Leasehold land, building on leasehold land and plant and machinery are recognized at revalued amounts

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

based on valuation by external independent valuer. Revaluation surplus on property, plant and equipment is credited to capital reserve in shareholders' equity and presented as a separate line item in statement of financial position.

Increases in the carrying amounts arising on revaluation of property, plant and equipment is recognised in statement of comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposals of property, plant and equipment are recognised in the statement of profit or loss.

### Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

### Depreciation

Leasehold land is not depreciated. Depreciation on other assets is calculated using the reducing balance method except for electric appliances which are depreciated on straight line method to allocate their cost / revalued amount less residual value over their estimated useful lives at the following annual rates:

- Buildings on leasehold land	2.5%
- Plant and machinery	10%
- Fork lifter	10%
- Tools and equipment	10%
- Tube well	10%
- Office equipment	10-33.33%
- Furniture and fixtures	10%
- Electrical appliances	33.33%
- Vehicles - owned and leased	10%

Depreciation on additions to property, plant and equipment is charged from the date at which property, plant and equipment is acquired or capitalized to the date at which property, plant and equipment is disposed off / derecognized.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### 5.1.2 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### Right to use assets

The Company recognises right-of-use assets at the lease commencement date. Right-of-use assets are initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

The right to use assets is subsequently depreciated using the reducing balance method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of lease term or the cost of the right of use asset reflect that the Company will exercise a purchase option. In that case the right of use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of lease liability.

**Lease liability**

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

**Short-term leases and leases of low-value assets**

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e. below Rs 100,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

**5.2 Inventories****5.2.1 Stores, spare parts and loose tools**

Stores, spare parts and loose tools are valued at lower of weighted average cost and net realizable value less impairment, if any. Cost comprises of cost of purchase and other costs incurred in bringing the items to their present location and condition. For items which are slow moving and / or identified as surplus to the Company's requirements, adequate provision is made for any excess book value over estimated net realizable value. The Company reviews the carrying amount of stores, spare parts and loose tools on a regular basis and provision is made for obsolescence, if there is any change in usage pattern or physical form of related stores, spare parts and loose tools.

**5.2.2 Stock in trade**

These are valued at lower of cost and net realizable value. Cost comprises of cost of purchase and other costs incurred in bringing the items to their present location and condition. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make a sale.

Cost is determined as follows:

Material in transit:	at material cost plus other charges paid thereon
Raw material:	at moving average cost
Work in process:	at cost of direct materials and appropriate portion of production overheads
Finished goods:	at moving average standard cost

The Company reviews the carrying amount of stock in trade on a regular basis and provision is made for obsolescence, if there is any change in usage pattern or physical form of related stock in trade.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**5.3 Income tax expense**

Income tax expense comprises current and deferred tax. It is recognized in statement of profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

**5.3.1 Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantially enacted at the reporting date.

Current tax assets and liabilities are offset only if certain criteria is met.

**5.3.2 Deferred tax**

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Taxable temporary difference are adjusted by the portion of income expected to fall under presumptive tax regime in accordance with the requirement of Accounting Technical Release - 27 of the Institute of Chartered Accountants of Pakistan. The effect of the adjustment is charged or credited to income currently.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for the Company and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

The Company takes into account the current income tax laws and decisions taken by the taxation authorities. Instances where the Company's view differs from the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

**5.4 Investment property**

Investment property is the property held either to earn rental or for capital appreciation or for both, but not for sale in ordinary course of business. Investment property is initially measured at cost less accumulated depreciation and impairment loss, if any. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labor, any other costs directly attributable to bringing the investment property to a working condition for its intended use and capitalised borrowing cost.

Depreciation is provided on a reducing balance method and charged to statement of profit or loss to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 7. Depreciation is charged from the month asset is available for use while no depreciation is charged in the month in which the asset is disposed off.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Maintenance and normal repairs are charged to statement of profit or loss as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Gains and losses on disposal of assets are included in statement of profit or loss. Gains and losses on disposal of investment property are determined by comparing the proceeds from disposal with the carrying amount of investment property, and are recognized net within "other income" in statement of profit or loss.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### **5.5 Employee benefits**

#### **5.5.1 Short-term employee benefits:**

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### **5.5.2 Defined contribution plan – provident fund**

The Company has established a recognized provident fund for the eligible employees of the Company. Provision is made in the financial statements for the amount payable by the Company to the fund and in this regard contributions are made monthly at the rate of 10% of basic salary equally by the Company and the employee. Obligations for contributions to plan is recognized as an employee benefit expense in statement of profit or loss when they are due.

#### **5.5.3 Defined benefit plans:**

The Company operates the following defined benefit plans:

##### **a) Gratuity**

The Company operates a defined benefit plan comprising an funded gratuity scheme covering all eligible employees completing the minimum qualifying period of service as specified by the scheme.

The Company's net liability in respect of this defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount.

The calculation of defined benefit liability is performed by a qualified actuary using the projected unit credit method (PUC).

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses are recognized immediately in statement of other comprehensive income. The Company determines the net interest expense on the net defined benefit liability for the year by applying the discount rate used to measure the defined benefit liability at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the year as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in statement of profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in statement of profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**b) Compensated leave absences**

The Company operates defined benefit plan comprising an unfunded compensated leave absences scheme covering all eligible employees as specified by the scheme. Liability for unfunded scheme is recognized on the basis of actuarial valuation using the "Projected Unit Credit Method". Provision for the year is charged to profit and loss account. The amount recognized in the statement of financial position represents the present value of defined benefit obligations.

**Compensated leave absences Policy applied before 01 July 2020**

The Company made provision for compensated un-availed absences accumulated by its employees and charge for the year is recognized in statement of profit or loss. Liability based on actuarial valuation has not been recognised in the financial statements as the management believes that the impact of actuarial valuation is immaterial in the context of over all financial statements.

The liability in respect of staff gratuity has been computed by the Company without incorporating the effects of an actuarial valuation, as required under International Accounting Standard (IAS) - 19 "Employee Benefits", as the Company believes that this will not result in any material additional liability.

**5.6 Revenue recognition**

Revenue comprises the invoiced value for the sale of goods net of sales taxes, rebates and discounts, if any. Revenue from the sale of goods is recognised when control of the goods passes to customers and the customers can direct the use of and substantially obtain all the benefits from the goods. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. Revenue is recognised when specific criteria have been met for each of the Company's activities as described below.

**5.6.1 Revenue from contracts with customers****a) Sale of goods**

The Company manufactures and sells commercial explosives and blasting accessories including detonators and other materials. Revenue from sale of goods is recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The Company also considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., right of returns, volume rebates).

The nature and timing of satisfaction of performance obligations in contracts with customers, including significant payment terms and the related revenue recognition policies are as follows:

- i)** Ex-Site - The Company's performance obligation is to deliver the goods to the customers' premises i.e., the Company bears the related freight and insurance expense for transportation and the control of the goods is transferred to the customer at the point in time where goods are delivered to customers' premises, which is the point in time where performance obligation of the contract is met.
- ii)** Ex-Factory - The Company's performance obligation is ex - factory i.e., the customer bears the related freight and insurance expense for transportation and the control of the goods is transferred to the customer at the point in time where goods are loaded in customers' transportation vessel at the Company's factory premises which is the point in time where performance obligation of the contract is met.

The normal credit term is generally 15 to 45 days under both of the above selling terms of the contract.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**b) Contract assets**

The contract assets primarily relate to the Company's rights to consideration for sale of goods provided these are not yet billed at the reporting date. The contract assets are transferred to trade debts when the rights become unconditional.

**c) Contract liabilities**

Contract liability is the obligation of the Company to transfer goods to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Company performs its performance obligations under the contract.

**d) Contract costs**

- i) Costs to obtain a contract – Incremental costs of obtaining a contract i.e., sales commission paid to third parties are accounted for as contract costs and are transferred to profit or loss account based on the systematic pattern of revenue. The Company capitalizes such costs if revenue relating to such contract has not been recognized and the Company expects to recover such costs.
- ii) Costs to full fill a contract – Costs that relate directly to a contract and are specifically identified, generate or enhance resources of the entity and are expected to be recovered i.e., direct transportation and insurance costs are accounted for as contract costs and are transferred to profit or loss account based on the systematic pattern of revenue. The Company capitalizes such costs if revenue relating to such contract has not been recognized.

**5.7 Foreign currency transactions and balances**

Transactions in foreign currencies are translated in PKR (functional and presentation currency) at the exchange rate prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into PKR at the rates of exchange approximating those prevalent at the date of statement of financial position. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss. Transactions in foreign currencies are translated in PKR (functional and presentation currency) at the exchange rate prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into PKR at the rates of exchange approximating those prevalent at the date of statement of financial position. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

**5.8 Finance income and finance costs**

The Company's finance income and cost includes:

- Dividend income
- Gain on remeasurement of investments at fair value through profit or loss
- Interest on investment in TDRs
- Exchange gain - net (non - derivative financial instruments)
- Interest on saving accounts
- Interest expense on short term borrowings
- Interest expense on loans and borrowings
- Interest expense on lease liabilities
- Bank charges

Interest income and expense is recognized using effective interest rate method.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset
- the amortised cost of the financial liability

In calculating interest income and interest expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Income on short term investments, classified as financial assets at fair value through profit or loss, are re-measured to fair value at each reporting date until the assets are de-recognized. The gains and losses arising from changes in fair value are included in the statement of profit or loss in the period in which they occur.

Dividend income is recorded in the statement of profit or loss when the right to receive is established.

### 5.9 Financial instruments

#### i) Recognition and initial measurement

The Company initially recognises financial assets on the date when they are originated. Financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

#### ii) Classification

##### *Financial assets*

On initial recognition, a financial asset is classified as measured at:

- amortized cost;
- fair value through other comprehensive income (FVOCI); or
- fair value through profit or loss (FVTPL)

The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

#### a) Amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL: (i) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### b) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL: (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**c) Fair value through profit or loss (FVTPL)**

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

**iii) Subsequent measurement and gains and losses**

**Financial assets at amortised cost** These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by at amortised impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

**Financial assets at FVTPL** These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

**Debt investments at FVOCI** These assets are subsequently measured at fair value. Interest income calculated using the effective at FVOCI interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.

**Equity investments at FVOCI** These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net at FVOCI gains and losses are recognised in OCI and are never reclassified to profit or loss.

**Financial liabilities - classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

**iv) De-recognition****Financial asset**

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred asset. In these cases, the transferred assets are not derecognised.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**Financial liabilities**

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired. The Company also derecognised a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

**v) Offsetting**

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**5.10 Trade and other receivables**

Trade and other receivables are initially stated at fair value of consideration to be received. Subsequent to initial recognition these are carried at their amortized cost as reduced by appropriate charge for expected credit losses, if any. The Company holds the trade debts with the objective of collecting the contractual cash flows and therefore measures the trade debts subsequently at amortized cost using the effective interest method. Impairment of trade debts and other receivables is described in note 5.17.1.

**5.11 Trade and other payables**

Trade and other payables are initially carried at the fair value of the consideration to be paid in future for goods and services received. Subsequent to initial recognition, these are carried at amortized cost.

**5.12 Provisions**

A provision is recognized in statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessment of time value of money and risk specific to the liability. The unwinding of discount is recognized as finance cost.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

**5.13 Borrowing**

Borrowings are recognized initially at cost being the fair value of consideration received, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost.

**5.14 Share capital**

Incremental cost directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### 5.15 Dividend

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividend is approved by the Company's shareholders at the Annual General Meeting, while interim dividend distributions are recognised in the period in which the dividends are declared by the Board of Directors.

### 5.16 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and short-term borrowings under mark-up arrangements, used by the Company in the management of its short-term commitments. Cash and cash equivalents are carried in the statement of financial position at amortized cost.

### 5.17 Impairment

#### 5.17.1 Financial assets

The Company recognises loss allowance for Expected Credit Losses (ECLs) on financial assets measured at amortised cost. The Company measures loss allowance at an amount equal to lifetime ECLs.

Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

At each reporting date, the Company assesses whether the financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

#### 5.17.2 Non-financial assets

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount for which assets carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Reversals of the impairment losses are restricted to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if impairment losses had not been recognised. An impairment loss or reversal of impairment loss is recognised in the statement of profit or loss.

### 5.18 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### 5.19 Contingent liabilities

Contingent liability is disclosed when the Company has a possible obligation as a result of past events whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent liabilities are not recognised, only disclosed, unless the possibility of a future outflow of resources is considered remote. In the event that the outflow of resources associated with a contingent liability is assessed as probable, and if the size of the outflow can be reliably estimated, a provision is recognised in the financial statements.

### 5.20 Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit and loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

### 5.21 Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions. The management has determined that the Company has a single reportable segment as the Board of Directors views the Company's operations as one reportable segment. The financial statements have been prepared on the basis of a single reportable segment.

- Revenue from external customers for products of the Company is disclosed in note 24.
- Revenue from three major customers of the Company constitutes 52% (2020: 47%) of the total revenue during the year ended 30 June 2021. All the Assets of the Company are based in Pakistan.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**6 PROPERTY, PLANT AND EQUIPMENT**  
**6.1 Reconciliation of carrying amounts**

	Owned											Total	
	Leasehold land	Building on leasehold land	Plant and machinery	Fork lifter	Tools and equipment	Tube well	Office equipment	Furniture and fixtures	Electrical appliances	Vehicles	Capital work in progress (Note 6.5)		Right of use asset
<b>Cost / Revalued amount</b>													
Balance at 01 July 2019	702,665,950	95,577,417	177,000,001	3,154,690	3,270,446	2,606,600	13,135,431	10,809,923	15,903,579	30,973,734	30,266,103	-	1,085,363,874
Additions	-	1,151,520	3,243,625	-	1,078,388	-	1,944,162	1,728,912	1,178,210	1,593,302	23,104,101	3,000,151	38,022,371
Disposals	-	-	(31,384)	-	(492,060)	-	(1,363,131)	(439,373)	(3,413,637)	-	-	-	(6,739,585)
Transfer from CWIP	-	36,416,372	3,430,296	-	-	-	-	-	-	-	(39,846,668)	-	-
Balance at 30 June 2020	702,665,950	133,145,309	183,642,538	3,154,690	3,856,774	2,606,600	13,716,462	12,099,462	13,668,152	32,567,036	13,523,536	3,000,151	1,117,646,661
Balance at 01 July 2020	702,665,950	133,145,309	183,642,538	3,154,690	3,856,774	2,606,600	13,716,462	12,099,462	13,668,152	32,567,036	13,523,536	3,000,151	1,117,646,660
Additions	-	5,790,435	5,488,325	-	-	-	1,789,090	494,367	184,970	87,435	129,099,985	7,649,962	150,584,569
Disposals	-	-	-	-	-	-	(43,487)	-	-	(7,140,758)	(1,756,610)	-	(8,940,855)
Transfer from CWIP	-	12,488,090	2,990,000	-	-	-	-	-	-	-	(25,322,170)	9,844,080	-
Balance at 30 June 2021	702,665,950	151,423,834	192,120,863	3,154,690	3,856,774	2,606,600	15,462,065	12,593,829	13,853,122	25,513,713	115,544,741	20,494,193	1,259,290,374
<b>Accumulated Depreciation</b>													
Balance at 01 July 2019	-	-	-	1,814,266	1,271,882	1,616,062	6,127,182	3,806,436	15,254,614	9,122,016	-	-	39,012,458
Charge for the year	-	2,743,469	18,136,699	134,042	230,856	99,054	1,346,478	795,540	581,331	2,303,905	-	87,950	26,459,324
Disposals	-	-	(3,147)	-	(483,255)	-	(1,329,776)	(413,174)	(3,413,637)	-	-	-	(6,642,989)
Balance at 30 June 2020	-	2,743,469	18,133,552	1,948,308	1,019,483	1,715,116	6,143,884	4,188,802	12,422,308	11,425,921	-	87,950	59,828,793
Balance at 01 July 2020	-	2,743,469	18,133,552	1,948,308	1,019,483	1,715,116	6,143,884	4,188,802	12,422,308	11,425,921	-	87,950	59,828,793
Charge for the year	-	3,460,356	16,827,875	120,638	283,729	89,148	1,530,056	814,692	613,006	1,936,758	-	1,550,865	27,227,124
Disposals	-	-	-	-	-	-	(43,487)	-	-	(3,980,027)	-	-	(4,023,514)
Balance at 30 June 2021	-	6,203,825	34,961,426	2,068,947	1,303,212	1,804,265	7,630,453	5,003,495	13,035,314	9,382,652	-	1,638,814	83,032,403
Carrying amounts													
- 30 June 2020	702,665,950	130,401,840	165,508,986	1,206,382	2,837,291	891,484	7,572,578	7,910,660	1,245,844	21,141,115	13,523,536	2,912,201	1,057,817,867
- 30 June 2021	702,665,950	145,220,009	157,159,437	1,085,743	2,553,562	802,335	7,831,612	7,590,334	817,808	16,131,061	115,544,741	18,855,379	1,176,257,970

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

<b>6.2 Depreciation charge for the year has been allocated as follows:</b>	<b>Note</b>	<b>30 June 2021</b>	<b>30 June 2020</b>
		<b>Rupees</b>	<b>Rupees</b>
Cost of sales	25	<b>21,341,501</b>	20,849,252
Distribution expenses	27	<b>289,922</b>	322,136
Administrative expenses	28	<b>5,595,701</b>	5,287,936
		<b>27,227,124</b>	<b>26,459,324</b>

**6.3 Revaluation of leasehold land, building on leasehold and plant and machinery**

Leasehold land, building on leasehold land and plant and machinery of the Company were revalued on 30 June 1996, 30 June 2005, 30 June 2010, 30 June 2015 and 30 June 2019. Last valuation was carried out by an independent valuer M/s Asrem (Private) Limited on 30 June 2019. Land and building were revalued on the market basis whereas plant and machinery under the depreciated replacement cost basis. Revaluation surplus net of incremental depreciation included in the book value of these assets as stated in note 22 amounted to Rs. 715.10 million (2020: Rs. 720.80 million) at the year end. The fair value when determined falls under level 3 hierarchy. Sensitivity analysis has not been presented since data about observable inputs is not available.

Forced sale values as per revaluation performed on 30 June 2019 were as follows, however, the forced sale values do not include the impact of subsequent additions.

	<b>Rupees</b>
Leasehold land	<b>632,319,000</b>
Building on leasehold land	<b>113,765,000</b>
Plant and machinery	<b>150,450,000</b>

Had there been no revaluations, related figures of revalued leasehold land, building on leasehold and plant and machinery would have been as follows:

	<b>Net book value</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>Rupees</b>	<b>Rupees</b>
Leasehold land	<b>44,033,883</b>	44,033,883
Building on leasehold land	<b>138,721,321</b>	123,713,237
Plant and machinery	<b>107,187,583</b>	110,012,940
	<b>289,942,787</b>	<b>277,760,060</b>

**6.4 Leasehold lands of the Company are located at the following locations:**

<b>Location</b>	<b>Usage</b>	<b>Area</b>
Plot 70, Phase 3, Hattar Industrial Estate, Hattar	Production Plant	29.40 Acres
Plot 23, I&T Centre, G-10/4, Islamabad	Head Office Building	533.33 Sq Yds

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>6.5 Breakup of capital work in progress at the reporting date is as follows:</b>		
Plant and machinery	<b>101,753,883</b>	1,756,610
Vehicles	-	9,844,080
Building on leasehold land	<b>13,790,857</b>	1,922,846
	<b>115,544,740</b>	<b>13,523,536</b>
<b>7 INVESTMENT PROPERTY</b>		
<b>7.1 Reconciliation of carrying amounts</b>		
<b>Cost</b>		
Balance at 01 July	<b>32,848,608</b>	32,848,608
Additions	-	-
Balance at 30 June	<b>32,848,608</b>	32,848,608
<b>Accumulated depreciation</b>		
Balance at 01 July	<b>(3,349,250)</b>	(2,592,856)
Charge for the year	<b>(737,484)</b>	(756,394)
Balance at 30 June	<b>(4,086,734)</b>	(3,349,250)
<b>Carrying amount</b>	<b>28,761,874</b>	29,499,358
Rate of depreciation per annum	<b>2.5%</b>	2.5%

Depreciation charge for the year has been allocated to administrative expenses.

As per latest valuation of investment property, fair value of investment property is Rs. 29,147,401 (2020: Rs. 30,509,595).

The fair value of investment property was determined by external, independent property valuers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The fair value falls in level 3 hierarchy, is measured for disclosure purpose only. Sensitivity analysis has not been presented since data about observable input is not available.

		<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>Note</b>	<b>Rupees</b>	<b>Rupees</b>
<b>8 INVENTORIES</b>			
Stores, spare parts and loose tools	8.1	<b>32,707,590</b>	13,683,722
Stock in trade	8.2	<b>478,037,889</b>	369,918,562
		<b>510,745,479</b>	<b>383,602,284</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	Note	30 June 2021 Rupees	30 June 2020 Rupees
<b>8.1 Stores, spare parts and loose tools</b>			
Mechanical store		23,059,348	11,762,100
Electrical store		12,263,639	5,082,401
General store		1,882,354	1,396,213
Safety equipment		422,820	363,579
		37,628,161	18,604,293
Provision for slow moving stores, spare parts and loose tools		(4,920,571)	(4,920,571)
		<u>32,707,590</u>	<u>13,683,722</u>
<b>8.2 Stock in trade</b>			
Raw materials	8.2.1	336,977,816	334,231,099
Packing materials		18,131,932	10,698,337
Work in process		8,376,890	5,223,559
Finished goods		114,551,251	19,765,567
		478,037,889	369,918,562
		<u>510,745,479</u>	<u>383,602,284</u>
<b>8.2.1</b>	This includes in transit stock amounting to Rs. 49,536,089 (2020: Rs. 47,124,815).		
<b>9 TRADE DEBTS</b>			
Trade debts - unsecured		360,314,836	406,472,831
Less: allowance for expected credit losses		(27,156,654)	(33,233,875)
		<u>333,158,182</u>	<u>373,238,956</u>
<b>10 SHORT TERM ADVANCES</b>			
Advances to suppliers - considered good and unsecured		32,902,100	10,586,315
Advances to employees - interest free, considered good and unsecured		1,395,681	786,385
		<u>34,297,781</u>	<u>11,372,700</u>
<b>11 TRADE DEPOSITS, SHORT TERM PREPAYMENTS AND OTHER RECEIVABLES</b>			
Trade deposits - interest free		7,127,760	2,293,386
Prepayments		4,217,814	15,363,203
Sales tax receivable		27,839,762	7,030,007
Others receivables		1,707,118	1,916,539
		<u>40,892,454</u>	<u>26,603,135</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**12 SHORT - TERM INVESTMENTS**

	30 June 2021	30 June 2020		30 June 2021	30 June 2020
	Number of units		Note	Rupees	Rupees
<b>Investments at fair value through profit or loss:</b>					
Faysal Money Market Fund	-	648,287	12.1	-	66,041,547
UBL Liquidity Plus Fund	<b>1,769,791</b>	1,077,967	12.1	<b>178,786,279</b>	108,830,013
				<b>178,786,279</b>	174,871,560
<b>Amortized cost</b>					
Term deposit receipt (TDR)			12.2	<b>86,790,000</b>	92,537,500
Accrued interest				<b>62,682</b>	210,523
				<b>265,638,961</b>	267,619,583

**12.1** These investments are stated at fair value at the year end, using the year end redemption price. Gain on remeasurement is included in finance income. As stated in note 16, 1,743,362 units in UBL Liquidity Plus Fund) are pledged as security against running finance facilities arranged with United Bank Limited.

**12.2** This represents foreign currency term deposit receipt (TDR) amounting to USD 550,000 (2020: USD 550,000) including accrued mark - up due as at year end. This carries interest rate at 0.70% to 3.55% (2020: 3.15% to 3.55%) per annum. As stated in note 16.1, TDRs of USD 550,000 are given as security against running finance facility arranged with Allied Bank Limited.

	Note	30 June 2021	30 June 2020
		Rupees	Rupees
<b>13 ADVANCE TAX - net</b>			
Balance at 01 July		<b>57,704,434</b>	24,139,827
Income tax expense for the year		<b>(73,875,127)</b>	(73,140,197)
Adjustment of Workers' welfare fund		<b>(4,474,387)</b>	(5,485,630)
Income tax paid during the year		<b>72,758,142</b>	112,190,434
Balance at 30 June		<b>52,113,062</b>	57,704,434

**14 CASH AND BANK BALANCES**

Cash at bank - conventional banking			
Current accounts	14.1	<b>46,544,520</b>	42,184,118
Saving accounts	14.2	<b>25,076</b>	1,003,232
		<b>46,569,596</b>	43,187,350
Cash in hand		<b>95,510</b>	81,930
		<b>46,665,106</b>	43,269,280

**14.1** These include foreign currency balances amounting to Rs. 6,742,903 [USD 42,730.69] (2020: Rs. 5,651,800 [USD 33,591.68]).

**14.2** These carry interest at the rate of 5.50% (2020: 6.50%) per annum.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

15	TRADE AND OTHER PAYABLES	Note	30 June 2021	30 June 2020
			Rupees	Rupees
	Trade creditors		168,474,934	91,645,975
	Contract liability - unsecured		5,183,847	1,207,189
	Accrued liabilities		4,270,389	35,836,033
	Insurance payable		847,718	648,039
	Workers' profit participation fund payable	15.1	17,545,685	16,365,530
	Workers' welfare fund payable	15.2	4,740,141	6,417,855
	Payable to staff gratuity fund	15.3	4,329,223	5,633,576
	Payable to employees' provident fund		1,706,627	1,376,084
	Withholding tax payable		-	66,312
	Others		37,462,676	30,308,938
			<b>244,561,240</b>	<b>189,505,531</b>
<b>15.1</b>	<b>Workers' profit participation fund payable</b>			
	Balance at 01 July		16,365,530	24,280,810
	Charge for the year		17,545,685	16,365,530
	Payment during the year		(16,365,530)	(24,280,810)
	Balance at 30 June		<b>17,545,685</b>	<b>16,365,530</b>
<b>15.2</b>	<b>Workers' welfare fund payable</b>			
	Balance at 01 July		6,417,855	9,712,324
	Charge for the year		4,740,141	6,417,855
	Adjustment during the year		(6,417,855)	(9,712,324)
	Balance at 30 June		<b>4,740,141</b>	<b>6,417,855</b>
<b>15.3</b>	<b>Defined benefit obligation - gratuity</b>			
<b>15.3.1</b>	<b>The amounts recognized in the statement of financial position are as follows:</b>			
	Present value of defined benefit obligation		72,998,605	58,614,775
	Fair value of plan assets		(68,669,382)	(52,981,199)
	Liability		<b>4,329,223</b>	<b>5,633,576</b>
<b>15.3.2</b>	<b>Amount recognised in the profit or loss is as follows:</b>			
	Current service cost		9,750,147	3,202,712
	Net interest cost		46,551	2,430,864
			<b>9,796,698</b>	<b>5,633,576</b>
<b>15.3.3</b>	<b>The movement in the present value of defined benefit obligation is as follows:</b>			
	Present value of defined benefit obligation at beginning		58,614,775	49,289,422
	Current service cost		9,750,147	3,202,712
	Interest cost		5,275,330	6,122,641
	Benefits paid		-	-
	Re-measurement of defined benefit obligation		(641,647)	-
	Present value of defined benefit obligation at end		<b>72,998,605</b>	<b>58,614,775</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	30 June 2021 Rupees	30 June 2020 Rupees
<b>15.3.4 The movement in fair value of plan assets:</b>		
Fair value of plan assets at beginning	52,981,199	40,063,724
Expected return on plan assets	5,228,776	3,691,777
Contributions	10,232,619	9,225,698
Benefits paid	-	-
Re-measurement of plan assets	226,788	-
Fair value of plan assets at end	<u>68,669,382</u>	<u>52,981,199</u>
<b>15.3.5 Contributions expected to be paid to the plan during the next year</b>	<u>4,329,223</u>	<u>10,454,344</u>
<b>15.3.6 Plan assets comprise of:</b>		
National Savings	47,122,201	51,929,479
Mutual Funds	20,899,209	-
Cash and cash equivalents	647,972	1,051,720
	<u>68,669,382</u>	<u>52,981,199</u>
<b>15.3.7 Principal actuarial assumptions used in the actuarial valuations are as follows:</b>		
Discount rate	10%	9%
Salary growth rate	9%	8%

### 15.3.8 Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to assumptions set out above. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of a change in respective assumptions by one percent.

	2021 Defined benefit obligation	
	Effect of 1 percent increase	Effect of 1 percent increase
	Rupees	
Discount rate	(6,870,306)	8,036,937
Future salary growth	7,805,853	(6,774,927)

### 15.3.9 Significant risk associated with the staff retirement benefit scheme:

- Longevity Risks:** The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.
- Salary Increase Risk:** The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.
- Withdrawal Risk:** The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

16	<b>SHORT - TERM BORROWINGS</b>	Note	30 June 2021 Rupees	30 June 2020 Rupees
	<b>Allied Bank Limited</b>			
	- Running finance / ERF	16.1	389,755,417	309,341,695
	<b>Faysal Bank Limited</b>			
	- Running finance	16.2	-	51,023,219
	<b>United Bank Limited</b>			
	- Running finance	16.3	114,432,849	98,447,475
			<u>504,188,266</u>	<u>458,812,389</u>

- 16.1** This represents utilized amount of running finance facilities with cumulative sanctioned limit of Rs. 475 million (2020: Rs. 625 million) to meet the working capital requirements of the Company. These facilities include running finance facility- RF I with sanctioned limit of Rs. 300 million carrying mark-up at the rate of 3 months KIBOR + 1.00% of the utilized amount, running finance facility- RF III with maximum sanctioned limit of Rs. 100 million carrying markup at the rate of 3 months KIBOR + 0.75% per annum of the utilized amount and secured against the investment made in the ABL term deposit receipts of USD 550,000 with 5% margin. Also refer note 12.2

RF I has sub limit of letter of credit - usance (foreign) and letter of guarantees (LGs) secured against cash and cash equivalents with a margin of 10% along with a facility of Letter of Credit Foreign amounting to Rs. 50 million. Further, the Company has facilities aggregating to Rs. 75 million (2020: Rs. 75 million) for Export Re-finance-I and Export Re-finance-II.

These facilities are further secured by way of first charge amounting to Rs. 870 million on all present and future current assets (excluding financial assets) and fixed assets (excluding head office building) of the Company including equitable mortgage over industrial property of the Company, lien on valid import and export documents of the Company and corporate guarantee of the Company for each letter of guarantee in addition to the securities mentioned above.

- 16.2** This represents utilized amount of running finance facility to meet the working capital requirements of the Company with a sanctioned limit of Rs. 150 million (2020: Rs. 150 million) and carried mark up at the rate of 3 months KIBOR + 1% per annum payable on quarterly basis. The facility was secured against investment in units of Faysal Money Market Fund with a 5% margin and was finished during the period. Refer note 12.
- 16.3** This represents utilized amount of running finance facility of Rs. 200 million (2020: Rs. 200 million) for financing working capital requirements of the Company. The facility carries markup at the rate of 1 month KIBOR + 0.75% per annum. The facility is secured against investment in units of UBL Liquidity Plus Fund with 5% margin. Refer note 12.1

17	<b>LONG TERM LOAN - SECURED</b>	30 June 2021 Rupees	30 June 2020 Rupees
	Loan under refinancing schemes	111,845,919	42,453,578
	Less: current portion of long term loans	(21,226,792)	(10,613,396)
		<u>90,619,127</u>	<u>31,840,182</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

		30 June 2021	30 June 2020
	Note	Rupees	Rupees
<b>Current portion</b>			
Current portion of long term loans		21,226,792	10,613,396
Markup accrued		755,770	248,409
		<u>21,982,562</u>	<u>10,861,805</u>
<b>Allied Bank Limited</b>			
Loan for Salary and Wages	17.1	31,840,181	42,453,578
Loan for acquisition of Property, Plant and Equipment	17.2	80,005,738	-
		<u>111,845,919</u>	<u>42,453,578</u>

**17.1** This represents utilized amount of long term finance facilities under SBP's refinance scheme for payment of salaries and wages with cumulative sanctioned limit of Rs. 45 million (2020: Rs. 45 M). The facility carries mark-up at the rate of SBP subsidized rate 3.00% of the utilized amount. The tenor of the facility is 2.5 years repayable in 08 equal quarterly installments starting from January 2021. The facility is secured by way of first charge on all present and future current assets (excluding financial assets) and fixed assets of the Company along with equitable mortgage over plot # 70 Phase III industrial Estate Hattar measuring 29.4 Acres.

**17.2** This represents utilized amount of long term finance facilities under SBP's temporary economic refinance scheme for import of plant and machinery with cumulative sanctioned limit of Rs. 250 million (2020: Rs. Nil). The facility carries mark-up at the rate of SBP rate + 4.00% of the utilized amount. The tenor of the facility is 5 years repayable in 16 equal quarterly installments starting from July 2022. The facility is secured by way of first charge on all present and future current assets (excluding financial assets) and fixed assets of the Company along with equitable mortgage over plot # 70 Phase III industrial Estate Hattar measuring 29.4 Acres.

		30 June 2021	30 June 2020
		Rupees	Rupees
<b>18 EMPLOYEE BENEFIT</b>			
<b>Accumulated compensated absences</b>			
Balance at 01 July		5,182,759	5,438,514
Charge for the year		858,791	(227,788)
Reversal of opening provisions		(5,182,759)	-
Benefits paid during the year		(180,000)	(27,967)
Balance at 30 June		<u>678,791</u>	<u>5,182,759</u>

### 19 LEASE LIABILITIES

Lease liabilities		9,460,733	8,044,807
Less: Current portion		(3,745,156)	(1,984,151)
Long term portion		<u>5,715,577</u>	<u>6,060,656</u>

**19.1** Maturity analysis of undiscounted lease payments that will be paid after the reporting date is as follow:

		30 June 2021	30 June 2020
	Note	Rupees	Rupees
Less than one year		4,584,427	2,972,644
One to five years		6,377,649	7,231,581
		<u>10,962,076</u>	<u>10,204,225</u>

### Amounts recognized in the profit or loss

Interest on lease liabilities	29	1,096,140	254,481
Depreciation	6	1,550,865	87,950
		<u>2,647,005</u>	<u>342,431</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**20 DEFERRED TAX LIABILITY - net**

	Balance at 01 July 2020	Recognized in		Net balance at 30 June 2021
		Profit or loss	OCI/Equity	
<b>2021</b>				
<b>Rupees</b>				
<b>Taxable temporary difference</b>				
Property, plant and equipment	28,460,410	804,197	-	29,264,607
Right of use assets	942,102	1,101,233	-	2,043,335
<b>Deductible temporary difference</b>				
Employee benefits	(2,352,553)	892,119	-	(1,460,434)
Trade debts	(7,228,368)	1,321,796	-	(5,906,572)
Stores, spare parts and loose tools	(1,070,224)	-	-	(1,070,224)
Surplus on revaluation of property, plant and equipment	13,483,132	(1,242,818)	-	12,240,314
Post Retirement employee benefits	-	-	251,846	251,846
Unrealised gains	2,163,156	(2,163,156)	-	-
	<b>34,397,655</b>	<b>713,371</b>	<b>251,846</b>	<b>35,362,872</b>

	Balance at 01 July 2019	Recognized in		Net balance at 30 June 2020
		Profit or loss	OCI	
<b>2020</b>				
<b>Rupees</b>				
<b>Taxable temporary difference</b>				
Property, plant and equipment	38,680,311	(10,219,901)	-	28,460,410
Right of use assets	-	942,102	-	942,102
<b>Deductible temporary difference</b>				
Retirement benefits	(3,655,175)	1,302,622	-	(2,352,553)
Trade debts	-	(7,228,368)	-	(7,228,368)
Stores, spare parts and loose tools	(1,141,572)	71,348	-	(1,070,224)
Surplus on revaluation of property, plant and equipment	1,5896,602	-	(2,413,470)	13,483,132
Unrealised gains	-	2,163,156	-	2,163,156
	<b>49,780,166</b>	<b>(12,969,041)</b>	<b>(2,413,470)</b>	<b>34,397,655</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**20.1** Based on the Company's estimate of future export sales, adjustment of Rs. 5.2 million (2020: Rs. 38.81 million) has been made in the taxable temporary differences at the year end. This has resulted in increased after tax profit by Rs. 1.5 million (2020: Rs. 11.07 million) with corresponding decrease in deferred tax liability by the same amount.

### 21 SHARE CAPITAL

#### 21.1 Authorized share capital

60,000,000 (2020: 60,000,000) ordinary shares of Rs. 10 each.

#### 21.2 Issued, subscribed and paid up capital

Number of Shares			Rupees	
2021	2020		2021	2020
20,000,000	20,000,000	Ordinary shares of Rs. 10 each issued for cash	200,000,000	200,000,000
18,332,800	14,848,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	183,328,000	148,480,000
<b>38,332,800</b>	<b>34,848,000</b>		<b>383,328,000</b>	<b>348,480,000</b>

**21.2.1** These include 18,825,624 i.e. 49.11% (2020: 22,330,975 i.e. 64.08%) ordinary shares of Rs. 10 each held by the Directors of the Company.

**21.2.2** The Company through Board resolution dated 22 September 2020 issued 3,484,800 bonus shares.

**21.2.3** All ordinary share holders have same rights regarding voting, board election, right of first refusal and block voting.

#### 21.3 Capital management

The Company's objective when managing capital is to safeguard the company's ability to continue as a going concern so that it can continue to provide returns for share holders and benefits for other stake holders, and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to share holders and/or issue new shares. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirement.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

<b>22 REVALUATION SURPLUS ON PROPERTY, PLANT AND EQUIPMENT - net of tax</b>	<b>30 June 2021</b> <b>Rupees</b>	<b>30 June 2020</b> <b>Rupees</b>
<b>Revaluation surplus - gross</b>		
Balance at 01 July	720,816,715	727,151,904
Surplus on revaluation for the year - gross		-
	<u>720,816,715</u>	<u>727,151,904</u>
Transferred to equity in respect of incremental depreciation - net of deferred tax	<b>(4,471,288)</b>	(4,820,594)
Related deferred tax on incremental depreciation	<b>(1,242,818)</b>	(1,514,595)
Incremental depreciation charged to statement of profit or loss	<b>(5,714,106)</b>	(6,335,189)
Balance at 30 June	<u>715,102,609</u>	<u>720,816,715</u>
<b>Related deferred tax liability</b>		
Balance at 01 July	<b>(13,483,132)</b>	(15,896,602)
Reversed in statement of profit or loss on incremental depreciation	<b>1,242,818</b>	1,514,595
Movement due to change in rate	-	898,875
Balance at 30 June	<u><b>(12,240,314)</b></u>	<u>(13,483,132)</u>
	<u><b>702,862,295</b></u>	<u>707,333,583</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### 23 CONTINGENCIES AND COMMITMENTS

#### 23.1 Contingencies

**23.1.1** Industrial Estate Hattar of Khyber Pakhtunkhwa Economic Zone Development and Management Company (formally Sarhad Development Authority), Khyber Pakhtunkhwa has raised an additional demand of Rs. 6,203,400 against the Company relating to additional payment to be made to the original owners of the land for which lease was signed and full payment was made in 1991. The Company has not acknowledged the claim and has filed an appeal against the demand before the Civil Judge, Haripur on 02 May 2002. The Court has stayed the demand for settlement through arbitration. The Company contacted the Sarhad Development Authority several times for appointment of arbitrator but received no response in this regard. The Company has now filed an application for the appointment of arbitrator in the Court of Senior Civil Judge, Haripur. Pending the outcome of the appeal, no provision has been made in these financial statements for such demand as the management is confident that the appeal will be decided in the Company's favour.

**23.1.2** For contingencies relating to tax matters refer note 31 to the financial statements.

#### 23.2 Commitments

**23.2.1** Letters of credit issued by Allied Bank Limited on behalf of the Company for import of raw materials and acquisition of Fixed Assets, outstanding at the year end amounted to Rs. 174,486,769 (2020: Rs. 5,137,204). The Letter of Credit is secured by way of lien over valid import documents.

**23.2.2** The Company has commitments to purchase Property, Plant and Equipment amounting to Rs 349 million at year end (2020: Nil)

**23.2.3** 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 the year end amounted to Rs. 17,071,182 (2020: Rs. 17,071,182). Letter of Guarantees are secured by 10% cash margin, counter guarantee of Biafo Industries Limited for each LG and Hypothecation charge/ mortgage on property as under RF-1 facility.

24 REVENUE - net	Note	30 June 2021 Rupees	30 June 2020 Rupees
Revenue from contracts with customers		1,213,876,508	1,440,366,796
Sales tax		(177,910,224)	(210,682,209)
<b>Local sales-net</b>		<b>1,035,966,284</b>	1,229,684,587
<b>Export sales</b>	24.1	<b>436,798,600</b>	356,865,489
	24.2 & 24.3	<b>1,472,764,884</b>	1,586,550,076

**24.1** Export sales includes sales made through contracts with customers for Saindak and Dudder (2020: Saindak and Dudder) projects in Balochistan, Pakistan which has been declared as Export Processing Zone by the Government of Pakistan (GoP).

24.2	Disaggregation of revenue based on product categories:	30 June 2021 Rupees	30 June 2020 Rupees
	Tovex water gel explosives	840,112,417	881,861,809
	Powder explosives	222,588,258	84,327,894
	Accessories	386,451,296	608,120,031
	Other finished goods	23,612,913	12,240,342
		<b>1,472,764,884</b>	1,586,550,076

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

24.3	Disaggregation of revenue based on customer segmentation:	30 June 2021	30 June 2020
		Rupees	Rupees
	Cement sector	227,881,188	180,787,999
	Oil and gas sector	231,694,215	264,579,963
	Construction sector	241,356,796	222,577,420
	Large projects	286,897,945	521,228,454
	Export sector	436,798,600	356,865,489
	Others	48,136,139	40,510,751
		<b>1,472,764,884</b>	<b>1,586,550,076</b>

24.4 Revenue is recognised at point in time when goods are delivered to the customers.

24.5 Revenue amounting to Rs. 157,189 included in the opening contract liability has been recognized during the year.

25	COST OF SALES	Note	30 June 2021	30 June 2020
			Rupees	Rupees
	Materials consumed	25.1	691,967,436	690,480,599
	Stores, spare parts and loose tools consumed		19,864,930	14,901,093
	Packing materials consumed		26,288,455	24,848,561
	Fuel and power expenses		18,265,288	17,015,973
	Salaries, wages and other benefits	25.2	136,305,820	140,526,247
	Cost to fulfill a contract - insurance		5,033,046	5,280,929
	Repairs and maintenance		5,688,622	6,635,555
	Depreciation	6.2	21,341,501	20,849,252
	Vehicle running and maintenance		4,852,331	2,322,214
	Travelling and conveyance		733,637	4,927,004
	Water charges		96,000	96,020
	Telephone, telex and postage		260,718	233,437
	Printing and stationery		553,916	196,886
	Canteen		1,925,610	1,587,497
	Cost to fulfill a contract - transportation		52,198,462	45,087,284
	Fees and subscription		1,284,202	982,197
	Vehicle rent		2,933,204	3,069,594
	Security charges		6,792,468	5,662,168
	Saindak expenses		4,778,310	3,552,195
	Other manufacturing expenses		5,584,388	4,032,045
			<b>1,006,748,343</b>	<b>992,286,750</b>
	Work in process:			
	at beginning of the year		5,223,559	7,507,482
	at end of the year		(8,376,890)	(5,223,559)
			<b>(3,153,331)</b>	<b>2,283,923</b>
	<b>Cost of goods manufactured</b>		<b>1,003,595,012</b>	<b>994,570,673</b>
	Finished goods:			
	at beginning of the year		19,765,567	48,040,980
	at end of the year		(114,551,251)	(19,765,567)
			<b>(94,785,684)</b>	<b>28,275,413</b>
			<b>908,809,328</b>	<b>1,022,846,086</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

<b>25.1 Materials consumed</b>	<b>30 June 2021</b> <b>Rupees</b>	<b>30 June 2020</b> <b>Rupees</b>
Balance at 01 July	334,231,099	258,205,057
Purchases during the year	694,714,155	766,506,641
	<b>1,028,945,254</b>	<b>1,024,711,698</b>
Balance at 30 June	<b>(336,977,816)</b>	<b>(334,231,099)</b>
	<b>691,967,438</b>	<b>690,480,599</b>

**25.2** This includes an amount of Rs. 10,232,909 (2020: Rs. 11,881,383) charged on account of employees' retirement benefits.

<b>26 OTHER INCOME</b>	<b>Note</b>	<b>30 June 2021</b> <b>Rupees</b>	<b>30 June 2020</b> <b>Rupees</b>
Rental income		1,775,000	700,000
Reversal of workers' welfare fund		1,943,468	4,226,694
Reversal of trade debt		-	380,876
Interest on bad debts recovered		-	84,100
(Loss) / gain on sale of property, plant and equipment		3,743,437	(96,596)
		<b>7,461,905</b>	<b>5,295,074</b>

### **27 DISTRIBUTION EXPENSES**

Salaries, wages and other benefits	27.1	28,204,286	27,391,814
Incremental cost of obtaining a contract - sales commission		9,000,245	21,261,039
Staff travelling and conveyance		10,487,849	3,407,650
Fees and subscription		150,000	-
Telephone and postage		151,103	237,096
Entertainment		14,893	15,441
Printing and stationery		236,698	179,939
Vehicle running and maintenance		1,877,260	1,588,089
Insurance		100,660	110,208
Other charges		6,171,327	5,337,700
Depreciation	6.2	289,922	322,136
		<b>56,684,243</b>	<b>59,851,112</b>

**27.1** This include an amount of Rs. 3,187,995 (2020: Rs. 2,550,162) charged on account of employees' retirement benefits.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

28	ADMINISTRATIVE EXPENSES	Note	30 June 2021	30 June 2020
			Rupees	Rupees
	Chief Executive Officer and Directors' remuneration	28.1	40,311,251	39,669,623
	Salaries, wages and other benefits	28.1	41,637,810	39,637,631
	Directors' travelling and conveyance		13,438,609	17,174,642
	Staff travelling		275,247	835,100
	Electricity, gas and water charges		1,547,116	1,757,119
	Telephone, telex and postage		924,461	997,048
	Rent, rates and taxes		184,902	227,836
	Legal and professional charges		7,402,044	7,005,661
	Donation		2,510,000	-
	Auditors' remuneration	28.2	2,250,000	2,108,000
	Printing and stationery		1,277,893	1,057,716
	Entertainment		636,492	402,382
	Insurance		447,864	378,996
	Advertisements		507,923	415,863
	Vehicle running and maintenance		3,037,849	2,716,505
	Repair and maintenance		3,432,008	2,488,037
	Security charges		1,096,832	1,198,512
	General expenses		2,298,978	3,975,276
	Depreciation on investment property	7	737,484	756,394
	Depreciation	6.2	5,595,701	5,287,936
			<b>129,550,464</b>	<b>128,090,277</b>

28.1 These include Rs. 3,576,434 (2020: Rs. 3,347,314) charged on account of retirement benefits.

28.2	Auditors' remuneration	30 June 2021	30 June 2020
		Rupees	Rupees
	Annual audit fee	1,500,000	1,400,000
	Half year review	300,000	300,000
	Other certifications	450,000	408,000
		<b>2,250,000</b>	<b>2,108,000</b>

## 29 FINANCE COSTS

Mark up on short term borrowings	29,461,384	68,463,261
Mark up on long term loans	2,405,076	248,409
Interest on lease liabilities	1,096,140	254,481
Bank charges	3,097,521	2,636,634
Exchange Loss	17,746,079	-
	<b>53,806,200</b>	<b>71,602,785</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	30 June 2021 Rupees	30 June 2020 Rupees
<b>30 FINANCE INCOME</b>		
Dividend income	11,792,125	34,545,204
Gain on remeasurement of investments at fair value through profit or loss	96,982	7,841,575
Exchange gain - net	-	5,393,056
Interest on investment in TDRs	1,563,882	3,130,452
Interest on saving accounts	6,935	179,291
	<b>13,459,924</b>	<b>51,089,578</b>
<b>31 INCOME TAX EXPENSE</b>		
Current tax expense	73,875,127	73,140,197
Deferred tax (income) / expense	713,371	(14,483,636)
	<b>74,588,498</b>	<b>58,656,561</b>
<b>31.1 Reconciliation of tax expense for the year</b>		
Profit before tax	<b>328,627,873</b>	<b>304,527,208</b>
Tax rate	29%	29%
Tax on accounting profit	95,302,083	88,312,890
Tax effect of income charged under final tax regime	(23,983,853)	(22,169,284)
Tax effect of income charged at lower tax rate	(1,650,898)	(5,934,149)
Tax effect of change in FTR restrictions	-	(3,111,260)
Others	4,921,165	1,558,364
	<b>74,588,498</b>	<b>58,656,561</b>

**31.2** Tax assessments up to and including tax year 2020 have been finalized. However, the tax authorities are empowered to reopen these assessments within five years from the end of the financial year in which the returns were filed.

**31.3** The Officer Inland Revenue (OIR), LTU Islamabad while issuing appeal effect under order section 124 of the Income Tax Ordinance, 2001 for the Tax Year 2009, made some mistakes. Disallowed admissible deduction comprising of notional income aggregating to Rs. 1,766,063 and disallowed tax deposited / paid on exports amounting to Rs. 2,112,736. As a result of the above mistake tax refund has been restricted to Rs. 11,114,986. The Company has filed an application for rectification before OIR, LTU, Islamabad under section 221 of the Income Tax Ordinance, 2001, which is pending with OIR, LTU, Islamabad. Based on tax consultant's advise management expects favourable outcome in this regard.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

- 31.4** The Officer Inland Revenue (OIR), LTU Islamabad while issuing appeal effect under order section 124 of the Income Tax Ordinance, 2001 for the Tax Year 2010, made some mistakes. Disallowed admissible deduction comprising of notional income aggregating to Rs. 4,318,240 and disallowed salaries amounting to Rs. 6,878,798. As a result of the above mistake tax refund has been restricted to Rs. 8,853,548. The Company has filed an application for rectification before OIR, LTU, Islamabad under section 221 of the Income Tax Ordinance, 2001, which is pending with OIR, LTU, Islamabad. Based on tax consultant's advise management expects favourable outcome in this regard.
- 31.5** The tax authority while issuing appeal effect order under section 124 of the Income Tax Ordinance, 2001 [the "Ordinance"] for the Tax Year 2012 disallowed expenses amounting to Rs. 28,226,385 relating to Salaries, WPPF, donations and expenses relating to Final Tax Regime (FTR). Further, the tax credit has only been allowed to the extent of tax demand determined so there is no outstanding tax liability based on the appeal effect order. Being aggrieved with the order of CIR(A), the Company has filed an appeal before Appellate Tribunal and to date no hearing notice has been issued. Based on tax consultant's advise management expects favourable outcome in this regard.
- 31.6** The Add CIR. LTU. Islamabad had issued show cause notice u/s 122(5A) of the ITO 2001 relating to tax year 2014 and the Company has duly responded to the notices and provided the details/documents requested however. the Add CIR. LTU. Islamabad had issued an order u/s 122(5A) of the ITO 2001 dated 27 June 2020 wherein alleged tax demand of Rs. 340,682,982 has been determined. The Company is in the process of filing of appeal with CIR(A), Islamabad. Further, based on tax consultant's advise management expects favourable outcome in this regard.
- 31.7** The tax authority has issued letter contending short fall of Rs. 61,401,195 in advance tax paid by the Company for the Tax Year 2017. On writ petition filed by the Company, the Islamabad High Court has granted stay against recovery of tax demand till the next date of hearing. Based on tax consultant's advise management expects favourable outcome in this regard.

**32 EARNINGS PER SHARE - basic and diluted**

	<u>30 June 2021</u>	<u>30 June 2020</u>
Profit for the year (Rupees)	<u>254,039,375</u>	<u>245,870,647</u>
Average number of shares outstanding during the year (Number)	<u>38,332,800</u>	Restated <u>38,332,800</u>
Earnings per share (Rupees)	<u>6.63</u>	<u>6.41</u>

- 32.1** Comparative for earnings per share has been restated to incorporate the impact of bonus shares issued during the year.

**33 CASH AND CASH EQUIVALENTS**

	Note	<u>30 June 2021</u>	<u>30 June 2020</u>
		Rupees	Rupees
Cash and bank balances	14	<u>46,665,106</u>	43,269,280
Short-term borrowings	16	<u>(504,188,266)</u>	(458,812,389)
		<u>(457,523,160)</u>	<u>(415,543,109)</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### 34 RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities			Total
	Lease liabilities	Long term loan	Unpaid and unclaimed dividend	
	Rupees			
<b>Balance at 01 July 2020</b>	8,044,807	42,701,987	36,090,893	86,837,687
<b>Changes from financing cash flows</b>				
Dividend paid	-	-	(185,061,155)	(185,061,155)
Loans and borrowings	-	69,899,702	-	69,899,702
Lease liability paid	(7,330,176)	-	-	(7,330,176)
	(7,330,176)	69,899,702	(185,061,155)	(122,491,629)
<b>Other changes</b>				
Dividend announced	-	-	188,179,200	188,179,200
New leases	8,746,102	-	-	8,746,102
<b>Balance at 30 June 2021</b>	<b>9,460,733</b>	<b>112,601,689</b>	<b>39,208,938</b>	<b>161,271,360</b>
<b>Balance at 01 July 2019</b>	-	-	34,687,445	34,687,445
<b>Changes from financing cash flows</b>				
Dividend paid	-	-	(172,836,552)	(172,836,552)
Loans and borrowings	-	42,701,987	-	42,701,987
Lease liability paid	(4,385,173)	-	-	(4,385,173)
	(4,385,173)	42,701,987	(172,836,552)	(134,519,738)
<b>Other changes</b>				
Dividend announced	-	-	174,240,000	174,240,000
New leases	12,429,980	-	-	12,429,980
<b>Balance at 30 June 2020</b>	<b>8,044,807</b>	<b>42,701,987</b>	<b>36,090,893</b>	<b>52,150,242</b>

### 35 REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	Chief Executive Officer	Executive Directors	Executives	Total
	Rupees			
<b>2021</b>				
Managerial remuneration	17,125,000	22,140,000	96,295,512	135,560,512
Employee benefits	-	-	12,003,349	12,003,349
Bonus	1,500,000	1,845,000	8,024,626	11,369,626
<b>Total</b>	<b>18,625,000</b>	<b>23,985,000</b>	<b>116,323,487</b>	<b>158,933,487</b>
<b>Number of persons</b>	<b>1</b>	<b>3</b>	<b>43</b>	
<b>2020</b>				
Managerial remuneration	15,625,000	21,480,000	76,581,600	113,686,600
Employee benefits	-	-	9,154,442	9,154,442
Bonus	2,750,000	3,690,000	12,763,600	19,203,600
<b>Total</b>	<b>18,375,000</b>	<b>25,170,000</b>	<b>98,499,642</b>	<b>142,044,642</b>
<b>Number of persons</b>	<b>1</b>	<b>3</b>	<b>33</b>	

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

- 35.1** The aggregate amount charged in the financial statements in respect of meeting fee paid to other than Chief Executive Officer and Executive Directors was Rs. 11,875,000 (2020: Rs. 12,500,000).
- 35.2** Chief Executive Officer, Executive Directors, Chief Operating Officer, General Manager (Technical) and Chief Financial Officer are provided with the Company maintained vehicles.
- 35.3** Number of persons include those who worked part of the year.

**36 RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties comprise of associated undertakings, directors, key management personnel, entities over which the directors are able to exercise influence, employees' provident fund and gratuity fund. Transactions with related parties and balances outstanding at the year end are as follows:

	30 June 2021 Rupees	30 June 2020 Rupees
Dividend to non - executive directors	79,616,726	102,717,043
<b>Other related parties</b>		
Remuneration including benefits and perquisites of key management personnel	42,610,000	43,545,000
Dividend to key management personnel (Executive directors)	12,797,133	1,721,161
Bonus share issued during the year	17,115,140	50,639,720
Contribution towards employees' provident fund	8,836,257	7,774,028
Contribution towards employees' gratuity fund	10,232,619	9,225,698
Expenses incurred on behalf of associated company	-	635,355
<b>Balances</b>		
Payable to Employees Provident Fund	1,706,627	1,376,084
Payable to Employees Gratuity Fund	4,329,223	5,633,576

- 36.1** Following are the related parties with whom the Company had entered into transactions during the year:

Associated company	Basis of relationship	Number of shares held in the Company	Aggregate %age shareholding in the Company
Auxin Biafo Chemicals (Private) Limited	Common Directorship	Nil	Nil
Related Party	Basis of relationship	Number of shares held in the Company	Aggregate %age shareholding in the Company
M. Humayun Khan	Chairman	114,998	0.30%
M. Afzal Khan	Deputy Chairman	2,489,531	6.49%
Anwar Moin	Chief Executive Officer	379	0.00%
Syed Zaffar Mehdi Askree	Director	30,665	0.08%
Shirin Safdar	Director	86,248	0.22%
Ayesha Humayun Khan	Director	2,228,171	5.81%
Mehreen Hosain	Director	23,077	0.06%
Muhammad Zafar Khan	Director	11,482,314	29.95%
Ehsan Mani	Director	152,372	0.40%
Adnan Aurangzeb	Director	178,089	0.46%
Syeda Shahbano Abbas	Director	1,583,841	4.13%
Khwaja Ahmad Hosain	Director	453,024	1.18%
Muhammad Yaqoob	Director	1,916	0.00%
Muhammad Waheed	Director	1,000	0.00%
Employees Provident Fund	Staff retirement fund	Nil	Nil
Employees Gratuity Fund	Staff retirement fund	Nil	Nil

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### 37 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**37.1 Fair value of financial assets and liabilities**

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy:

	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		Rupees					
<b>30 June 2021</b>								
<b>Financial assets measured at fair value</b>								
Short term investments	-	178,786,279	-	178,786,279	178,786,279	-	-	178,786,279
	-	178,786,279	-	178,786,279	178,786,279	-	-	178,786,279
<b>Financial assets not measured at fair value</b>								
Trade debts	333,158,182	-	-	333,158,182	-	-	-	-
Advances to employees	1,395,681	-	-	1,395,681	-	-	-	-
Other receivables	1,707,118	-	-	1,707,118	-	-	-	-
Short-term investments	86,852,682	-	-	86,852,682	-	-	-	-
Bank balances	46,569,596	-	-	46,569,596	-	-	-	-
Trade deposits	7,127,760	-	-	7,127,760	-	-	-	-
Long - term deposits	1,777,650	-	-	1,777,650	-	-	-	-
<b>Total financial assets</b>	<b>478,588,669</b>	<b>178,786,279</b>	<b>-</b>	<b>657,374,948</b>	<b>178,786,279</b>	<b>-</b>	<b>-</b>	<b>178,786,279</b>
<b>Financial liabilities not measured at fair value</b>								
Short-term borrowings	-	-	504,188,266	504,188,266	-	-	-	-
Unclaimed dividend	-	-	24,567,634	24,567,634	-	-	-	-
Unpaid dividend	-	-	14,641,304	14,641,304	-	-	-	-
Long term loans	-	-	112,601,689	112,601,689	-	-	-	-
Lease liabilities	-	-	9,460,733	9,460,733	-	-	-	-
Trade and other payables	-	-	244,561,240	244,561,240	-	-	-	-
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>910,020,866</b>	<b>910,020,866</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**37.1 Fair value of financial assets and liabilities (continued)**

	Carrying amount		Fair value				
	Amortized cost	Fair value through profit or loss	Total	Level 1	Level 2	Level 3	Total
	Rupees						
<b>30 June 2020</b>							
<b>Financial assets and liabilities</b>							
<b>Financial assets measured at fair value</b>							
Short-term investments	-	174,871,560	-	174,871,560	-	-	174,871,560
	-	174,871,560	-	174,871,560	-	-	174,871,560
<b>Financial assets not measured at fair value</b>							
Trade debts	373,238,956	-	-	-	-	-	-
Advances to employees	786,385	-	-	-	-	-	-
Other receivables	1,916,539	-	-	-	-	-	-
Short-term investments	92,748,023	-	-	-	-	-	-
Bank balances	43,187,350	-	-	-	-	-	-
Trade deposits	2,293,386	-	-	-	-	-	-
Long - term deposits	1,777,650	-	-	-	-	-	-
<b>Total financial assets</b>	515,948,289	174,871,560	-	690,819,849	174,871,560	-	174,871,560
<b>Financial liabilities not measured at fair value</b>							
Short-term borrowings	-	-	458,812,389	-	-	-	-
Unclaimed dividend	-	-	23,029,521	-	-	-	-
Unpaid dividend	-	-	13,061,372	-	-	-	-
Long term loans	-	-	42,701,987	-	-	-	-
Lease liabilities	-	-	8,044,807	-	-	-	-
Trade and other payables	-	-	189,505,531	-	-	-	-
<b>Total financial liabilities</b>	-	-	735,155,607	-	-	-	-

**37.1.1** The Company has not disclosed the fair values of financial assets and liabilities which are either short term in nature or reprise periodically.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**37.2 Financial risk management**

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Auditor. Internal Auditor undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

**37.2.1 Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade debts from customers.

The carrying amount of financial assets represent the maximum credit exposure.

Expected credit losses on financial assets are recognised in statement of profit or loss are as follows.

	<b>30 June 2021</b>	30 June 2020
	<b>Rupees</b>	Rupees
Allowance/(reversal) for expected credit loss on trade debts	<b>(6,077,221)</b>	33,233,875
	<b>(6,077,221)</b>	33,233,875

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

## i) Trade debts

The Company's exposure to credit risk is influenced mainly by the individual's characteristics of each customer. However, management also considers the factors that may influence the credit risk of customer base, including the default risk associated with the industry and the region in which the customers operate. Detail of concentration of revenue are included in note 24.2 and 24.3.

The risk management committee has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references. Credit limits are established for each customer and are reviewed regularly. Any sales exceeding those limits require approval from the risk management committee.

The Company limits its exposure to credit risk from trade debts by establishing a maximum payment period for corporate customer based on the assessment of risk management committee.

Maximum of the Company's customers have been transacting with the Company for many years and none of these customers' balances have been written off or are credit-impaired at the reporting date. In monitoring customer credit risk, customers are grouped according to their credit characteristics, their geographical location, industry, trading history with the Company and existence of previous financial difficulties.

The Company has no collateral in respect of financial assets exposed to credit risk.

At reporting date, the exposure to credit risk for trade debts by type of customers is as follows.

	<b>30 June 2021</b>	30 June 2020
	<b>Rupees</b>	Rupees
Cement manufacturers	20,674,675	20,002,067
Oil and gas exploration service providers	60,765,627	56,756,967
Construction and mining entities	278,874,534	329,713,797
	<b>360,314,836</b>	406,472,831

A summary of the Company's exposure to credit risk for trade debts is as follows.

	<b>30 June 2021</b>	30 June 2020
	<b>Rupees</b>	Rupees
Customers without external credit rating	43,515,230	45,212,467
Customers with external credit rating	316,799,606	361,260,364
Gross carrying amount	360,314,836	406,472,831
Allowance for expected credit losses	(27,156,654)	(33,233,875)
	<b>333,158,182</b>	373,238,956

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

The aging of trade debts at the reporting date is as follows:

	<b>30 June 2021</b> Rupees	30 June 2020 Rupees
Not past due	<b>91,756,086</b>	132,621,826
Past due 0-30 days	<b>49,642,768</b>	94,927,200
Past due 31-60 days	<b>117,236,457</b>	51,804,818
Past due 61-90 days	<b>40,438,631</b>	27,256,419
Past due 91-365 days	<b>61,240,894</b>	99,862,568
	<b>360,314,836</b>	406,472,831

**Expected credit loss assessment for customers as at 01 July 2020 and 30 June 2021**

The Company allocates each exposure to a credit risk based on data that is determined to be predictive of the loss (including but not limited to external ratings, audited financial statements, management accounts, cash flow projection and available press information about customers) and applying experienced credit judgment. Credit risk are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definition from agencies (Rating agencies Pakistan Credit Rating Agency (PACRA) and JCR - VIS).

Exposure within each credit risk are segmented by geographical region and an ECL rate is calculated for each segment based on delinquency status and actual credit loss experience over the two years. These rates are multiplied by scalar factors to reflect the difference between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the trade debts.

The Company uses an allowance matrix to measure the ECLs of trade debts.

Loss rates are calculated using "roll rate" method based on the probability of a trade debt progressive through successive stages of delinquency to calculate the weighted average loss rate. Roll rates are calculated separately for exposure in different segments based on following common characteristics - geographic region and age of customer relationship.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

The following table provides information about the exposure to credit risk and ECL for trade debts on non-government at 30 June 2021

	Weighted average loss rate	Gross carrying amount	Allowance for expected credit losses	Credit impaired
	Percentage		Rupees	
Not past due	0.03%	52,015,446	14,297	No
Past due 0-30 days	0.02%	38,376,991	8,572	No
Past due 31-60 days	0.13%	79,722,306	100,979	No
Past due 61-90 days	0.59%	33,017,201	196,251	No
Past due 91-120 days	1.80%	6,651,854	119,758	No
Past due 121-150 days	4.51%	5,560,968	250,816	No
Past due 151-180 days	14.63%	-	-	-
Past due 181-210 days	38.09%	285,480	108,748	No
Over 210 days	58.70%	1,125,433	660,640	No
Over 210 days (loss)	100.00%	25,696,593	25,696,593	Yes
Due from non-government		242,452,272	27,156,654	
Due from government		117,862,565	-	
Total trade debts		<b>360,314,837</b>	<b>27,156,654</b>	

### Movement in the allowance for expected credit losses in respect of trade debts

The movement in the allowance for expected credit losses in respect of trade debts during the year was as follows.

	30 June 2021 Rupees	30 June 2020 Rupees
Balance at 01 July	33,233,875	-
Remeasurement of loss allowance	(6,077,221)	33,233,875
Balance as at 30 June	<b>27,156,654</b>	<b>33,233,875</b>

SECP wide S.R.O 985 (I)/2019 dated 2nd September, 2019, notified that in respect of Companies holding financial assets due from Government of Pakistan, the requirement contained in IFRS 9 with respect to application of Expected Credit Losses Method shall not be applicable till 30 June 2021. Accordingly the impact of ECL is not taken for Trade receivables due from Government of Pakistan.

### ii) Short term investments

The Company holds short term investments with the mutual funds and Banks. The credit ratings of the counterparties as per JCR-VIS and PCRA are as follows.

Impairment on short term investments has been measured on 12 month expected loss basis and reflect the short maturities of the exposures. The Company considers that its short term investments have low credit risk based on external credit rating of the counterparties.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	Short term Rating	Long term Rating	30 June 2021 Rupees	30 June 2020 Rupees
<b>Fair value through profit or loss</b>				
Faysal Money Market Fund	-	AA	-	66,041,547
UBL Liquidity Plus Fund	-	AA	<b>178,786,279</b>	108,830,013
			<b>178,786,279</b>	<b>174,871,560</b>
<b>Amortized cost</b>				
Term deposit receipts	A1+	AAA	<b>86,852,682</b>	92,748,023
			<b>86,852,682</b>	<b>92,748,023</b>

**iii) Bank balances**

The Company holds cash at various banks. The credit ratings of the banks as per JCR-VIS and PCRA are as follows.

Impairment on cash at bank has been measured on 12 month expected loss basis and reflect the short maturities of the exposures. The Company considers that its cash at bank have low credit risk based on external credit rating of the counterparties.

	Short term Rating	Long term Rating	30 June 2021 Rupees	30 June 2020 Rupees
Bank of Khyber	A1	A	<b>1,033,153</b>	1,739,205
National Bank of Pakistan	A1+	AAA	<b>1,081,796</b>	674,549
Askari Commercial Bank	A1+	AA+	<b>25,147</b>	25,147
Allied Bank Limited	A1+	AAA	<b>7,326,890</b>	7,615,002
United Bank Limited	A1+	AAA	<b>36,954,473</b>	32,130,215
Bank Al Falah Limited	A1+	AA+	<b>25,076</b>	1,003,232
Faysal Bank Limited	A1+	AA	<b>112,367</b>	-
Meezan Bank Limited	A1+	AAA	<b>6,100</b>	-
Sindh Bank Limited	A1	A+	<b>4,594</b>	-
			<b>46,569,596</b>	<b>43,187,350</b>

**iv) Long term deposits**

The Company holds long term deposits of Rs. 1.77 million at 30 June 2021 (2020: Rs. 1.77 million). These long term deposits are recoverable from Department of Explosives, WAPDA and others.

Impairment on long term deposits has been measured on 12 month expected loss basis and reflect the short maturities of the exposures. The Company considers that its long term advances have low credit risk based on recovery of these deposits from the Government institutions.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### v) Trade deposits and other receivables

The Company holds trade deposit and other receivables of Rs. 8.83 million as at 30 June 2021 (2020: Rs. 4.21 million). These trade deposits and other receivables are recoverable from the Companies which are rated AAA to A, based on PACRA and JCR - VIS rating.

Impairment on trade deposits and other receivables have been measured on 12 month expected loss basis and reflect the short maturities of the exposures. The Company considers that its trade deposits and other receivables have low credit risk based on external credit rating of the counterparties.

### vi) Advances to employees

The Company holds advances to employees of Rs. 1.43 million as at 30 June 2021 (2020: Rs. 0.78 million). These long term advances are recoverable from the employees of the Company.

Impairment on advances to employees has been measured on 12 month expected loss basis and reflect the short maturities of the exposures. The Company considers that its advances to employees have low credit risk based on recovery of these advances from the final settlement of employees in case of default.

### 37.2.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market positions due to dynamic nature of the business. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

There were no defaults on loans payable during the year.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

The maturity profile of the Company's financial liabilities based on the contractual amounts is as follows:

	Carrying amount	Contractual cash flows			
		Contractual cash flows	Maturity up to one year	Maturity after one year and up to five years	Maturity after five years
<b>30 June 2021</b>					
	Rupees				
<b>Maturity upto one year</b>					
Short-term borrowings	504,188,266	504,188,266	504,188,266	-	-
Unclaimed dividend	24,567,634	24,567,634	24,567,634	-	-
Unpaid dividend	14,641,304	14,641,304	14,641,304	-	-
Long term loan	112,601,689	112,601,689	21,982,562	90,619,127	-
Lease liabilities	9,460,733	10,962,076	4,584,427	6,377,649	-
Trade and other payables	244,561,240	244,561,240	244,561,240	-	-
	<u>910,020,866</u>	<u>911,522,209</u>	<u>814,525,433</u>	<u>96,996,776</u>	-
	<u>910,020,866</u>	<u>911,522,209</u>	<u>814,525,433</u>	<u>96,996,776</u>	-
<b>30 June 2020</b>					
<b>Maturity upto one year</b>					
Short-term borrowings	458,812,389	477,167,047	477,167,047	-	-
Unpaid dividend	23,029,521	23,029,521	23,029,521	-	-
Unpaid dividend	13,061,372	13,061,372	13,061,372	-	-
Long term loan	42,701,987	42,701,987	10,861,805	31,840,182	-
Lease liabilities	8,044,807	10,204,225	2,972,644	7,231,581	-
Trade and other payables	189,505,531	189,505,531	189,505,531	-	-
	<u>735,155,607</u>	<u>755,669,683</u>	<u>716,597,920</u>	<u>39,071,763</u>	-
	<u>735,155,607</u>	<u>755,669,683</u>	<u>716,597,920</u>	<u>39,071,763</u>	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

The contractual cash flows relating to loans and borrowings have been determined on the basis of expected markup rates.

### 37.2.3 Market risk

Market risk is the risk that changes in market prices e.g. foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market price management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### a) Foreign currency risk management

The Pakistan Rupee (PKR) is the functional currency of the Company and as a result currency exposures arise from transactions and balances in currencies other than PKR. The Company's potential foreign currency exposure comprise:

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

- Transactional exposure in respect of non functional currency monetary items.
- Transactional exposure in respect of non functional currency expenditures and revenues

The potential currency exposures are discussed below:

### **Transactional exposure in respect of non - functional currency monetary items**

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to PKR equivalent, and the associated gain or loss is taken to the profit or loss. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

### **Transactional exposure in respect of non - functional currency expenditure and revenues**

Certain operating and capital expenditures is incurred by the Company in currencies other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Company. These currency risks are managed as part of overall risk management strategy. The Company does not enter into forward exchange contracts.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**Exposure to foreign currency risk on year end monetary balances**

The Company's exposure to foreign currency risk was as follows based on following amounts:

	<b>2021</b>	2020
	<b>USD</b>	USD
Trade debts	<b>346,907</b>	522,108
Bank balances	<b>42,731</b>	33,592
Investments	<b>550,000</b>	550,000
Trade creditors	<b>204,018</b>	134,762
	<b><u>1,143,656</u></b>	<u>1,240,462</u>

The significant exchange rates applied during the year were:

	<b>Average rate</b>		<b>Reporting date - closing rate</b>	
	<b>2021</b>	2020	<b>2021</b>	2020
	<b>Rupees</b>	Rupees	<b>Rupees</b>	Rupees
<b>USD 1</b>	<b><u>163.03</u></b>	<u>168.25</u>	<b><u>157.80</u></b>	<u>168.25</u>

**Sensitivity analysis**

A 10 percent weakening of the PKR against the USD at 30 June would have increased profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	<b>2021</b>	2020
	<b>Rupees</b>	Rupees
Statement of profit or loss	<b><u>11,608,077</u></b>	<u>16,336,030</u>

A 10 percent strengthening of the PKR against the USD at 30 June would have had the equal but opposite effect on USD to the amounts shown above, on the basis that all other variables remain constant.

**b) Interest rate risk**

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. The Company has long term and short term Pakistan Rupees based loans and borrowing arrangements at variable rates. The local currency loans and borrowings have variable rate pricing that is dependent on the Karachi Inter Bank Offer Rate (KIBOR).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**Profile**

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	2021 %	2020 %	2021 Rupees	2020 Rupees
<b>Fixed rate instruments</b>				
<b>Financial assets</b>				
Term deposit receipt	1.00	3.15	86,852,682	92,748,023
Bank balances - saving accounts	5.50	6.50	25,076	1,003,232
			<b>86,877,758</b>	<b>93,751,255</b>
<b>Financial liabilities</b>				
Long term loan	3.00-5.00	3	112,601,689	-
			<b>112,601,689</b>	<b>-</b>
	<b>Effective interest rate</b>		<b>Carrying amounts</b>	
	2021	2020	2021	2020
	%	%	Rupees	Rupees
<b>Variable rate instruments</b>				
<b>Financial liabilities</b>				
	<b>1 Month to 3 Months KIBOR plus Margin</b>	1 Month to 3 Months KIBOR plus Margin	504,188,266	458,812,389
Short-term borrowings			<b>504,188,266</b>	<b>458,812,389</b>

**Fair value sensitivity analysis for fixed rate instruments**

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not have derivatives as hedging instruments recognized under fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

**Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points in interest rates would have increased / (decreased) profit or loss by Rs. 5,041,883 (2020: Rs. 4,588,131).

**c) Price risk**

The Company is exposed to price risk because of investment in marketable securities held by the Company in Faysal Money Market Fund and UBL Liquidity Plus Fund. These investments are classified as investments at fair value through profit or loss. The Company makes investment in securities in accordance with the Board of Directors' approval.

**Sensitivity analysis – equity price risk**

A change of Rs. 1 in value of investment at fair value through profit or loss would have increased / decreased profit or loss by Rs. 1,769,791 (2020: Rs. 1,726,254).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**37.3 Determination of fair values**

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods:

**Investment in fair value through profit or loss**

The fair value of held for trading investment is determined by reference to their quoted closing repurchase price at the reporting date.

**Non - derivative financial assets**

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

**Non - derivative financial liabilities**

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

**38 CAPACITY AND PRODUCTION**

Products	Units	Rated production capacity	2021	2020
			Actual production	
Tovex water gel and powder explosives	Kgs	6,000,000	<b>3,746,000</b>	3,204,400
Detonator - plain / electric	Nos	9,000,000	<b>980,537</b>	1,944,629
Detonating cord	Meters	2,500,000	<b>2,952,720</b>	2,276,100

The shortfall in production of certain products is due to the gap between market demand and the available capacity.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**39 DISCLOSURE REQUIREMENTS FOR SHARIAH COMPLIANT COMPANIES**

Following information has been disclosed with reference to circular No. 14 of 2015 dated 21 April 2016, issued by the Securities and Exchange Commission of Pakistan relating to " All Shares Islamic Index".

Description	2021 Rupees	2020 Rupees
i) Loans / advances obtained as per Islamic mode	<b>5,183,847</b>	1,207,189
ii) Shariah compliant bank deposits / bank balances	<b>46,544,520</b>	42,184,118
iii) Profit earned from shariah compliant bank deposits / bank balances	-	-
iv) Net revenue earned from a shariah compliant business segment	<b>1,472,764,884</b>	1,586,550,076
v) Gain/loss or dividend earned from shariah compliant investments	-	-
vi) Exchange gain /(loss) earned	<b>(11,448,579)</b>	5,393,056
vii) Markup paid on Islamic mode of financing	-	-
viii) Profits earned or interest paid on any conventional loan or advance: For profits earned on conventional investments and finance cost on conventional short-term running finance facilities, refer notes 30 and 29 respectively.	-	-
ix) Relationship with shariah compliant banks:		

**40 EMPLOYEES PROVIDENT FUND TRUST**

All the investments in collective investment schemes and debt securities out of provident fund trust and contributory gratuity fund trust have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and rules formulated for this purpose.

**41 GENERAL**

**41.1** Figures have been rounded off to the nearest rupee.

**41.2** Corresponding figures have been re-arranged and re-classified, where necessary, for the purpose of better presentation and comparison.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

**41.3 Non - adjusting events after reporting date**

The Board of Directors proposed final cash dividend at the rate of Rs. Nil per share and bonus shares at 10% (01 bonus shares for 10 shares held) in its meeting held on September 23, 2021.

**41.4 Number of persons employed**

	<u>2021</u>	<u>2020</u>
Employees on year end (number)	219	215
Average employees during the year (number)	217	213

**41.5 Date of authorization for issue**

These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on September 23, 2021.


**Chief Financial Officer**

**Chief Executive Officer**

**Director**

# ANNUAL REPORT

## PATTERN OF SHAREHOLDING AS AT 30 JUNE 2021

NO. OF SHAREHOLDERS	SHARE HOLDING		TOTAL NUMBER OF SHARES HELD
	FROM	TO	
308	1	100	14,881
429	101	500	125,919
346	501	1,000	293,867
469	1,001	5,000	1,106,934
117	5,001	10,000	848,308
27	10,001	15,000	332,302
19	15,001	20,000	338,621
11	20,001	25,000	243,660
14	25,001	30,000	393,870
4	30,001	35,000	126,916
3	35,001	40,000	112,199
1	40,001	45,000	40,790
4	50,001	60,000	226,352
2	60,001	70,000	124,331
2	70,001	80,000	142,200
3	80,001	90,000	251,574
1	90,001	100,000	100,000
4	100,001	125,000	461,128
3	125,001	150,000	405,630
2	150,001	175,000	310,420
4	175,001	200,000	742,917
1	225,001	250,000	227,764
1	250,001	275,000	258,362
1	325,001	350,000	344,995
1	425,001	450,000	435,930
1	450,001	475,000	453,024
1	550,001	575,000	573,249
1	1,000,001	1,500,000	1,149,984
2	1,500,001	2,000,000	3,165,069
2	2,000,000	2,500,000	4,717,702
2	4,000,001	5,000,000	8,781,589
1	11,000,001	12,000,000	11,482,313
<b>1787</b>			<b>38,332,800</b>

SHAREHOLDER'S CATEGORY	NUMBERS OF SHAREHOLDERS	NUMBERS OF SHARE HELD	PERCENTAGE
INDIVIDUALS	1,758	37,940,180	98.98%
JOINT STOCK COMPANIES	21	92,374	0.24%
INSURANCE COMPANIES	3	265,853	0.69%
OTHERS	2	31,400	0.08%
MUTUAL FUNDS	3	2,993	0.01%
	<b>1,787</b>	<b>38,332,800</b>	<b>100.00%</b>

**PATTERN OF SHAREHOLDING  
AS AT 30 JUNE 2021**

<b>CATEGORIES OF SHAREHOLDERS</b>	<b>NUMBER</b>	<b>SHARES HELD</b>	<b>% AGE</b>
Directors, CEO & their Spouse and Minor Children			
Muhammad Zafar Khan	1	11,482,313	29.95
M. Afzal Khan	1	2,489,531	6.49
Ayesha Humayun Khan	1	2,228,171	5.81
Syeda Shahbano Abbas	1	1,583,841	4.13
Khwaja Ahmad Hosain	1	453,024	1.18
Adnan Aurangzeb	1	178,089	0.46
Ehsan Mani	1	152,372	0.40
M. Humayun Khan	1	114,998	0.30
Shirin Safdar	1	86,248	0.22
Syed Zaffar Mehdi Askree	1	30,665	0.08
Mehreen Hosain	1	23,077	0.06
Muhammad Yaqoob / Maliha Yaqoob	1	1,916	0.00
Muhammad Waheed	1	1,000	0.00
Anwar Moin	1	379	0.00
Banks, Development Finance Institutions, Non Banking Finance Institutions, Insurance Companies, & Modarba	3	265,853	0.69
Mutual Funds:			
CDC - Trustee AKD Opportunity Fund	1	2,439	0.01
CDC - Trustee Alfalah GHP Stock Fund	1	415	0.00
CDC - Trustee Pakistan Pension Fund - Equity Sub Fund	1	139	0.00
Other Individuals	1,765	10,456,741	27.28
Shareholders holding 5% or more shares in the Company:			
Yasmin Hosain	1	4,542,589	11.85
Basit Waheed	1	4,239,000	11.06
<b>TOTAL</b>	<b>1,787</b>	<b>38,332,800</b>	<b>100.00</b>

Details of transactions in the shares by the Director, CEO, CFO, Company Secretary and their Spouses and minor children:

	<b>Shares Purchased/ Transferred In</b>	<b>Shares Sold / Transferred Out</b>
Ayesha Humayun Khan	-	6,386,390
Muhammad Zafar Khan	3,000,000	-
M. Afzal Khan	2,025,610	-
Adnan Aurangzeb	-	9,000
Mehreen Hosain	1,916	-

**PROXY FORM**

The Secretary  
Biafo Industries Limited  
1st Floor, Biafo House,  
Plot No. 23, St No. 38-40  
I&T Centre, G-10/4,  
Islamabad.

I/We \_\_\_\_\_ of \_\_\_\_\_

being member of BIAFO INDUSTRIES LIMITED and Holder of \_\_\_\_\_ Ordinary Shares as per Share

Register Folio (Number) \_\_\_\_\_ and/ or CDC Participant I.D. No. \_\_\_\_\_ and Sub

Account No. \_\_\_\_\_ hereby appoint \_\_\_\_\_ of \_\_\_\_\_ (Name)

as my/our proxy to vote for me/us and on my/our behalf at the 33rd Annual General Meeting of the Company to be held at its registered office, 1st Floor, Biafo house, Plot No. 23, St No. 38-40, I&T Centre, G-10/4, Islamabad on October 27, 2021 at 11:00 am and any adjournment thereof.

Signed \_\_\_\_\_ day of \_\_\_\_\_ 2021

Signature

(Signature should agree with the specimen signature registered with the Company)

**WITNESSES:**

1. Signature \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

NIC or \_\_\_\_\_

Passport No. \_\_\_\_\_

2. Signature \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

NIC or \_\_\_\_\_

Passport No. \_\_\_\_\_

**Note:**

1. A member entitled to be present and vote at the Meeting may appoint a proxy to attend and vote for him/her. A proxy need not be a member of the Company.
2. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the Meeting.
3. CDC Shareholders and their Proxies must each attach an attested photocopy of their National Identity Card or Passport with the proxy form.

## Proxy فارم

جناب سیکرٹری

بیا فوائڈ سٹریٹ لیمیٹڈ

فسٹ فلور، بیا فوائڈ سٹریٹ نمبر 23، سٹریٹ نمبر 38-40،

آئی اینڈ ٹی مرکز، جی ٹین فور، اسلام آباد۔

میں رہم۔ بحیثیت رکن بیا فوائڈ سٹریٹ لیمیٹڈ اور شیئرز رجسٹرڈ فولیو (نمبر) \_\_\_\_\_ کے مطابق

\_\_\_\_\_ عمومی شیئرز کا حامل ہوں/کے حامل ہیں اور/یا سی ڈی سی پارٹیسپنٹ (Participant) شناختی کارڈ نمبر \_\_\_\_\_

اور ذیلی کھاتہ نمبر \_\_\_\_\_ بذریعہ ہذا \_\_\_\_\_ کو \_\_\_\_\_ (نام) کو مقرر کرتا ہوں۔

جیسا کہ میرے/ہمارے Proxy نے کمپنی کے 33 ویں سالانہ عمومی اجلاس میں میرے/ہمارے حوالے سے ووٹ دینا ہے جو اس کے رجسٹرڈ دفتر پہلی

منزل، بیا فوائڈ سٹریٹ نمبر 23، سٹریٹ نمبر 38-40، آئی اینڈ ٹی مرکز، جی ٹین فور، اسلام آباد میں 27 اکتوبر، 2021ء 11:00 am اور کسی بھی اس

کے التواء کے منعقد ہوگا۔

دستخط \_\_\_\_\_ مورخہ \_\_\_\_\_ 2021 کو کئے گئے

دستخط

(دستخطی اس نمونہ جاتی سے متفق ہونا چاہیے جو کمپنی کے پاس مندرج شدہ ہیں)

گواہان

۱- دستخط \_\_\_\_\_ ۲- دستخط \_\_\_\_\_

نام \_\_\_\_\_ نام \_\_\_\_\_

پتہ \_\_\_\_\_ پتہ \_\_\_\_\_

\_\_\_\_\_

سی این آئی سی یا \_\_\_\_\_ سی این آئی سی یا \_\_\_\_\_

پاسپورٹ نمبر \_\_\_\_\_ پاسپورٹ نمبر \_\_\_\_\_

نوٹ:

۱- کوئی بھی رکن جو اجلاس میں شرکت کرنے اور ووٹ دینے کا حقدار ہو وہ اجلاس میں اپنی جگہ شرکت اور ووٹ دینے کے لیے کسی کو Proxy مقرر کر سکے گا۔ Proxy کو کمپنی کا رکن

ہونے کی ضرورت نہیں ہے۔

۲- بغرض موثریت Proxy فارم، کمپنی کے رجسٹرڈ آفس میں اجلاس سے کم از کم 48 گھنٹے قبل موصول ہو جانا چاہیے۔

۳- جملہ سی ڈی سی شیئرز ہولڈرز اور ان کے Proxies کو قومی شناختی کارڈ یا پاسپورٹ کی نقل بمعہ Proxy فارم کے ساتھ منسلک کرنا لازمی ہے۔

**E-DIVIDEND MANDATE FORM****The Secretary****Biafo Industries Limited**

1st Floor, Biafo House,  
Plot No. 23, St No. 38-40,  
I&T Centre, G-10/4,  
Islamabad.

**Bank account details for payment of Dividend through Electronic Mode**

Dear Sir,

I/We/Messrs. \_\_\_\_\_,  
being shareholder(s) of Biafo Industries Limited hereby authorize the Company to directly credit cash dividends declared by it, in my bank account as detailed below:

<b>(i) Shareholder's details:</b>	
Name of the Shareholder	
CDC Participant ID & Sub-Account No. /CDC IAS	
CNIC/NICOP/Passport/NTN No. (please attach copy)	
Contact Number (Landline & Cell Nos.)	
Shareholder's Address	
<b>(ii) Shareholder's Bank account details:</b>	
Title of Account	
IBAN *	
Bank's Name	
Branch Name & Code No.	
Branch Address	

It is stated that the above particulars given by me are correct and I shall keep the Company informed in case of any changes in the said particulars in future.

Yours truly,

\_\_\_\_\_  
**Signature of Shareholder**

(Please affix company stamp in case of corporate entity)

**Notes:**

- \* Please provide complete IBAN, after checking with your concerned branch to enable electronic credit directly into your bank account.
- \*\* This letter must be sent to shareholder's participant/CDC Investor Account Services which maintains his/her CDC account for incorporation of bank account details for direct credit of cash dividend declared by the Company from time to time.

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\*Mobile apps are also available for download for android and ios devices

# BIAFO INDUSTRIES LTD.

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Email: [management@biafo.com](mailto:management@biafo.com), [www.biafo.com](http://www.biafo.com)