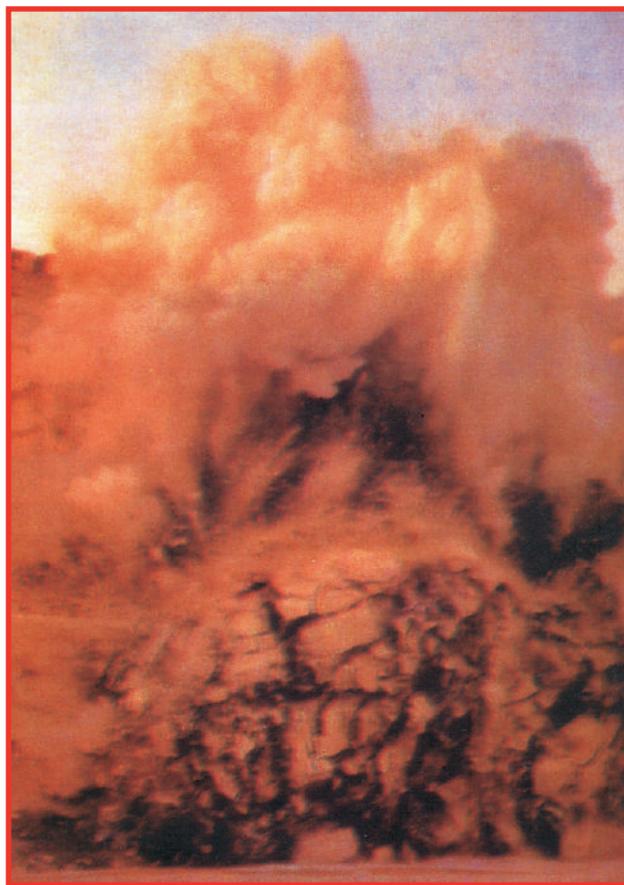


Interim Report
for the Six Months Period Ended
31 December 2018



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

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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
Director
Director

Non Executive Directors

Dr. M. Humayun Khan
M. Zafar Khan
Adnan Aurangzeb
Ms. Ayesha Humayun Khan

Chairman
Director
Director
Director

Independent Directors

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

Director
Director
Director
Director
Director

Company Secretary

Khawaja Shaiq Tanveer

Chief Financial Officer

Syed Sajid Hussain Shah

Audit & Risk Management Committee

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

HR & Remuneration Committee

Khwaja Ahmad Hosain	Chairman
Dr. M. Humayun Khan	Member
Ms. Mehreen Hosain	Member
Anwar Moin	Member
Muhammad Yaqoob	Member
Adnan Aurangzeb	Member
Ms. Shirin Safdar	Member
Ms. Syeda Shahbano Abbas	Member

Auditors

KPMG Taseer Hadi & Co. Chartered Accountants

Legal Advisors

Chima & Ibrahim
Mian Imran Law Associates

Bankers

Allied Bank Limited	Bank Alfalah Limited
National Bank of Pakistan	United Bank Limited
Bank of Khyber	Faysal Bank Limited
Askari Bank Limited	MCB 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, Hattar Industrial Estate, Hattar, Khyber Pakhtunkhwa, Pakistan.
Tel: +92 995 617830 Fax: +92 995 617497
Website: www.biafo.com, Email: plant@biafo.com

Shares Registrar

Riasat Ishtiaq Consulting (Pvt) Ltd.

Office No. 19-20, 2nd Floor, Hill View Plaza, Jinnah Avenue, Blue Area, Islamabad.
Tel: +92 51 2344223-4 Fax: +92 51 2605658

BIAFO INDUSTRIES LIMITED
DIRECTORS' REPORT FOR THE QUARTER / HALF YEAR
ENDED DECEMBER 31, 2018

Your Directors are pleased to submit the un-audited accounts for the quarter/half year ended December 31, 2018.

Net sales value of the company in the half year decreased by 16.48% to Rs. 711.12 M (Dec 17: Rs. 851.41 M) while net sales value in the quarter to December, 2018 decreased by 32.2% to Rs. 327.14 (Dec 17: 482.79 M).

In the period under review supplies to mining sector and large road construction projects have shown decline due to completion of blasting activities whereas sales have improved to the Oil and Gas sector due to increased Seismic Exploration activity.

Gross profit for the half year decreased by 29.23% to Rs. 306.55 M. and for the quarter to December, 18 decreased by 50.14% to Rs. 129.37 M. Net profit after taxation for the half year decreased by 34.25% to Rs. 184.49 M. (EPS December 2018: Rs. 6.99 & EPS December 2017: Rs. 10.63) and for the quarter to December, 2018 decreased by 55.59% to Rs. 77.078 M. (EPS December 2018: Rs. 2.92 & EPS December 2017: Rs. 6.57). The main reasons for this decline were increase in the prices of imported raw materials due to Pak Rupee depreciation and decrease in sales. It may have further impact in the coming period if rupee further depreciates and interest rate increase, leading to inflationary pressures.

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

Your Board of Directors have declared the 2nd interim cash dividend of Rs. 3.25 per share (32.5%) for the period under review.

The Board comprises of 13 members including Chief Executive Officer having 9 male and 4 female members. The composition of Board is as follows:

Category	Names
Independent Directors	Khwaja Ahmad Hosain
	Muhammad Yaqoob
	Ehsan Mani
	Ms. Mehreen Hosain
	Ms. Syeda Shahbano Abbas
Non-Executive Directors	Dr. M. Humayun Khan
	M. Zafar Khan
	Adnan Aurangzeb
	Ms. Ayesha Humayun Khan
Executive Directors	M. Afzal Khan
	Anwar Moin (CEO)
	Maj. Gen. (Ret'd.) S. Z. M. Askree
	Ms. Shirin Safdar

Interim Report



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

Audit Committee

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

HR & Remuneration Committee

Khwaja Ahmad Hosain	Chairman
Ms. Mehreen Hosain	Member
Dr. M Humayun Khan	Member
Anwar Moin	Member
Muhammad Yaqoob	Member
Adnan Aurangzeb	Member
Ms. Shirin Safdar	Member
Ms. Syeda Shahbano Abbas	Member

CSR & HSE Committee

M. Zafar Khan	Chairman
Ms. Syeda Shahbano Abbas	Member
Ms. Mehreen Hosain	Member
Ms. Ayesha Humayun Khan	Member

Your Board takes the opportunity to express its appreciation to the efforts and contributions of outgoing CEO Mr. Khawaja Amanullah Askari towards the growth of the company and welcomes its new CEO Mr. Anwar Moin who has wealth of experience in the corporate sector.

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

Anwar Moin
Chief Executive Officer

Islamabad
25th February, 2019

Interim Report

ایم افضل خان انور مین (چیف ایگزیکٹو آفیسر) میجر جنرل (ریٹائرڈ) ایس ڈی ایم عسکری محترمہ شیریں صفدر	ایگزیکٹو ڈائریکٹرز
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پورڈ کی کمیٹیاں اور ان کی تشکیل حسب ذیل ہے:

آڈٹ کمیٹی	ایچ آر و معاوضہ جاتی کمیٹی
احسان مانی، چیئر مین	خواجہ احمد حسین، چیئر مین
عدنان اورنگزیب، رکن	محترمہ مہرین حسین، رکن
محمد یعقوب، رکن	ڈاکٹر ایم ہمایوں خان، رکن
محترمہ عائشہ ہمایوں خان، رکن	انور مین، رکن
خواجہ احمد حسین، رکن	محمد یعقوب، رکن
ڈاکٹر ایم ہمایوں خان، رکن	عدنان اورنگزیب، رکن
	محترمہ شیریں صفدر، رکن
	محترمہ سیدہ شاہ بانو عباس، رکن

سی ایس آر و ایچ ایس ای کمیٹی
ایم ظفر خان، چیئر مین
محترمہ مہرین حسین، رکن
محترمہ سیدہ شاہ بانو عباس، رکن
محترمہ عائشہ ہمایوں خان، رکن

آپ کا پورڈ اس موقع پر کمیٹی کی ترقی میں سیکورڈش ہونے والے چیف ایگزیکٹو آفیسر جناب خواجہ ایمان اللہ عسکری کی خدمات کا معترف ہے اور نئے چیف ایگزیکٹو آفیسر جناب انور مین، جن کا کارپوریٹ سیکرٹری کا وسیع تجربہ ہے، کو خوش آمدید کہتا ہے۔
آپ کا پورڈ اس موقع پر اپنے جملہ ملازمین کا کاروباری چیلنجز کو پورا کرنے کیلئے ان کی سخت محنت اور مسلسل کوشش کی نسبت، اور اپنے تمام اسٹیک ہولڈرز کے تعاون کی بابت ان کیلئے خصوصی ستائش کا اظہار کرتا ہے۔

Anur
انور مین
چیف ایگزیکٹو آفیسر

اسلام آباد
25 فروری 2019

بیافو انڈسٹریز لمیٹڈ

31 دسمبر 2018 کو ختم ہونے والی سہ ماہی / ششماہی مدت کیلئے ڈائریکٹرز رپورٹ

آپ کے ڈائریکٹرز 31 دسمبر 2018 کو اختتام پذیر ہونے والی سہ ماہی / ششماہی مدت کیلئے غیر آڈٹ شدہ اکاؤنٹس پیش کرتے ہوئے نہایت مسرت محسوس کرتے ہیں۔

کھپنی کی خالص حجم فروخت میں گزشتہ سال کے ششماہی مدت کے مقابلے میں 16.48 فیصد کمی کے بعد مبلغ 711.12 ملین روپے ہوئی (دسمبر 2017: 851.41 ملین روپے)۔ جبکہ دسمبر 2018 تک کی سہ ماہی کے دوران خالص فروخت حجم میں 32.2 فیصد کمی کے ساتھ 327.14 ملین روپے ہو گیا (دسمبر 2017: 482.79 ملین روپے)۔

زیر جائزہ مدت میں کان کنی منصوبہ جات اور بڑی شاہراہوں کی تعمیرات میں بلاسٹنگ سرگرمیوں کی تکمیل کی بنا پر سلاٹز میں کمی دیکھنے میں آئی جبکہ تیل گیس کے شعبے میں سسٹم ایکسپلوریشن سرگرمیوں میں اضافے کے باعث فروخت میں بہتری آئی۔

گزشتہ سال کی اسی ششماہی مدت کے مقابلے میں خام منافع 29.23 فیصد کمی کے ساتھ 306.55 ملین روپے ہو گیا جبکہ دسمبر 2018 تک کی سہ ماہی کے لیے مجموعی منافع 50.14 فیصد کمی کے ساتھ 129.37 ملین روپے ہو گیا۔ ششماہی مدت کا خالص منافع بعد ازاں ادا ہوئی لیکس 34.25 فیصد کم ہو کر مبلغ 184.49 ملین روپے ہو گیا (فی حصص منافع دسمبر 2018 تک کی ششماہی 6.99 روپے اور فی حصص منافع دسمبر 2017 تک کی ششماہی 10.63 روپے)۔ دسمبر 2018 سہ ماہی تک کے لیے خالص منافع 55.59 فیصد کمی کے ساتھ 77.078 ملین روپے رہا (فی حصص منافع دسمبر 2018 تک کی سہ ماہی 2.92 روپے اور فی حصص منافع دسمبر 2017 تک کی سہ ماہی 6.57 روپے)۔ منافع کی شرح میں کمی کی بنیادی وجوہات میں پاکستانی روپے کی قدر میں تخفیف کی وجہ سے درآمدی خام مال کی قیمتوں میں اضافہ اور فروخت میں کمی شامل ہے۔ ہمیں روپے کی قدر میں مزید کمی، شرح سود میں اضافہ اور افراط زر کے باعث معیشت پر دباؤ کی وجہ سے آنے والے دنوں میں اپنے شرح منافع پر مزید اثرات کا احتمال ہے۔

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

آپ کے بورڈ آف ڈائریکٹرز نے زیر جائزہ مدت کیلئے دوسرے عبوری نقد منافع مقدمہ فی حصص 3.25 روپے (32.5 فیصد) کا اعلان کیا

ہے۔

بورڈ 13 اراکین پر مشتمل ہے جن میں بشمول چیف ایگزیکٹو آفیسر، 9 مرد اراکین اور 4 خواتین اراکین شامل ہیں۔ بورڈ کی تشکیل حسب ذیل

ہے۔

نام	درجہ
خواجہ احمد حسین محمد یعقوب احسان مانی محترمہ مہرین حسین محترمہ سیدہ شاہ بانو عباس	آزاد ڈائریکٹرز
ڈاکٹر ایم ہمایوں خان ایم ظفر خان عدنان اورنگزیب محترمہ عائشہ ہمایوں خان	نان ایگزیکٹو ڈائریکٹرز

INDEPENDENT AUDITORS' REVIEW REPORT
To the members of Biafo Industries Limited
Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Biafo Industries Limited ("the Company") as at 31 December 2018 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, condensed interim statement of cash flows and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditors of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Other matter

The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarter ended 31 December 2018 have not been reviewed and we do not express a conclusion on them.

The engagement partner on the audit resulting in this independent auditors' report is Atif Zamurrad Malik.



KPMG Taseer Hadi & Co.
Chartered Accountants
Islamabad
25 February 2019

BIAFO INDUSTRIES LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)
AS AT 31 DECEMBER 2018

		Unaudited	Audited
		31 Dec 2018	30 June 2018
		Rupees	Rupees
NON-CURRENT ASSETS	Note		
Property, plant and equipment	4	573,338,489	531,030,305
Investment property		30,643,645	31,031,540
Long-term deposits		1,793,600	1,793,600
		<u>605,775,734</u>	<u>563,855,445</u>
CURRENT ASSETS			
Stores, spare parts and loose tools		9,368,936	4,881,880
Stock in trade		190,717,371	180,984,146
Trade debts		217,294,816	353,437,290
Advances		5,387,311	5,767,595
Trade deposits and short-term prepayments		8,395,067	4,650,777
Advance tax		16,788,683	10,399,824
Other receivables		3,528,180	3,528,181
Short-term investments	5	475,967,234	455,593,056
Cash and bank balances		36,507,850	25,737,248
		<u>963,955,448</u>	<u>1,044,979,997</u>
CURRENT LIABILITIES			
Trade and other payables	6	111,897,918	166,515,956
Short-term borrowings	7	418,402,068	425,190,279
Unclaimed dividend		23,394,365	16,136,061
Unpaid dividend		9,282,012	7,909,501
		<u>562,976,363</u>	<u>615,751,797</u>
NET CURRENT ASSETS		<u>400,979,085</u>	<u>429,228,200</u>
NON-CURRENT LIABILITIES			
Employee benefits		4,595,744	4,256,427
Deferred tax liability - net	8	23,974,566	25,737,772
		<u>28,570,310</u>	<u>29,994,199</u>
NET ASSETS		<u>978,184,509</u>	<u>963,089,446</u>
REPRESENTED BY:			
SHARE CAPITAL AND RESERVES			
Share capital		264,000,000	220,000,000
Unappropriated profit - revenue reserve		444,932,523	472,997,002
Revaluation surplus on property, plant and equipment - net of tax		269,251,986	270,092,444
		<u>978,184,509</u>	<u>963,089,446</u>
CONTINGENCIES AND COMMITMENTS	9		

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



Chief Financial Officer



Chief Executive Officer



Chairman

BIAFO INDUSTRIES LIMITED
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)
FOR THE PERIOD ENDED 31 DECEMBER 2018

	Note	Three Months Ended		Six Months Ended	
		31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
		Rupees	Rupees	Rupees	Rupees
NET TURNOVER	10	327,313,717	482,798,476	711,118,280	851,406,278
Cost of sales		(197,943,267)	(223,330,986)	(404,565,288)	(418,262,397)
GROSS PROFIT		129,370,450	259,467,490	306,552,992	433,143,881
Other income		25,195,109	11,829,753	36,661,997	18,959,130
Distribution expenses		(8,692,564)	(7,404,096)	(16,119,278)	(13,642,642)
Administrative expenses		(31,759,808)	(31,639,222)	(61,114,489)	(56,404,952)
Finance costs		(9,863,567)	(5,183,702)	(17,933,469)	(11,370,983)
OPERATING PROFIT		104,249,620	227,070,223	248,047,753	370,684,434
Workers' profit participation fund		(5,212,481)	(11,353,511)	(12,402,388)	(18,534,222)
Workers' welfare fund		(2,084,992)	(4,766,888)	(4,960,955)	(7,413,689)
PROFIT BEFORE TAXATION		96,952,147	210,949,824	230,684,410	344,736,523
TAXATION					
Current		(21,430,823)	(37,482,153)	(48,216,915)	(64,885,645)
Deferred		1,556,949	112,227	2,027,568	753,462
		(19,873,874)	(37,369,926)	(46,189,347)	(64,132,183)
PROFIT FOR THE PERIOD		77,078,273	173,579,898	184,495,063	280,604,340
EARNINGS PER SHARE					
- Basic and diluted		2.92	6.57	6.99	10.63

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



Chief Financial Officer



Chief Executive Officer



Chairman

Interim Report



BIAFO INDUSTRIES LIMITED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE PERIOD ENDED 31 DECEMBER 2018

	Three Months Ended		Six Months Ended	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	Rupees	Rupees	Rupees	Rupees
Profit for the period	77,078,273	173,579,898	184,495,063	280,604,340
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	77,078,273	173,579,898	184,495,063	280,604,340

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

Chief Financial Officer

Chief Executive Officer

Chairman

BIAFO INDUSTRIES LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR THE PERIOD ENDED 31 DECEMBER 2018

	31 Dec 2018	31 Dec 2017
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	Note 230,684,410	344,736,523
Adjustments for:		
Depreciation	10,453,122	10,053,655
Finance costs	17,933,469	11,370,983
Provision for Workers' profit participation fund	12,402,388	18,534,222
Provision for Workers' welfare fund	4,960,955	7,413,689
Provision for employee benefits	5,211,417	4,903,452
Loss / (gain) on remeasurement of investment	13,507,372	(9,237,977)
Loss on disposal of property, plant and equipment	12,335	113,818
Interest income	(874,972)	(591,059)
Unrealized exchange gain	(18,339,496)	(2,695,000)
	45,266,590	39,865,783
	275,951,000	384,602,306
Changes in:		
Stores, spare parts and loose tools	(4,487,056)	169,725
Inventories	(9,733,225)	15,257,671
Trade debts	136,142,474	(92,818,453)
Advances, deposits, prepayments and other receivables	(3,321,048)	(6,957,559)
Trade and other payables	(32,429,234)	(13,425,169)
	86,171,911	(97,773,785)
Cash generated from operations	362,122,911	286,828,521
Finance costs paid	(17,933,469)	(12,100,110)
Payments to Workers' profit participation fund	(35,668,279)	(21,748,612)
Payments to Workers' welfare fund	-	(5,622,371)
Income taxes paid	(54,605,774)	(59,142,732)
	(108,207,522)	(98,613,825)
Net cash from operating activities	253,915,389	188,214,696
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(52,012,438)	(9,114,985)
Proceeds from disposal of property, plant and equipment	14,583	669,739
Net investment during the year	(24,421,550)	(330,000)
Interest received on saving accounts and TDRs	832,015	595,200
Net cash used in investing activities	(75,587,390)	(8,180,046)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of dividend	(160,769,186)	(170,991,654)
Net cash used in financing activities	(160,769,186)	(170,991,654)
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,558,813	9,042,996
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	(399,453,031)	(274,109,649)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	11 (381,894,218)	(265,066,653)

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



Chief Financial Officer



Chief Executive Officer



Chairman

Interim Report



BIAFO INDUSTRIES LIMITED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE PERIOD ENDED 31 DECEMBER 2018

	Share capital	Revaluation surplus on property, plant and equipment - net of tax	Revenue Reserve	
			Unappropriated profits	Total equity
	Rupees	Rupees	Rupees	Rupees
Balance at 01 July 2017	220,000,000	271,087,143	422,429,334	913,516,477
Total comprehensive income for the period				
Profit for the period	-	-	280,604,340	280,604,340
Comprehensive income for the year transferred to equity	-	-	280,604,340	280,604,340
Surplus on revaluation of property, plant and equipment realized through depreciation for the year - net of deferred tax	-	(918,058)	-	(918,058)
Transferred from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	-	918,058	918,058
	220,000,000	270,169,085	703,951,732	1,194,120,817
Transactions with members recorded directly in equity				
Distribution to members				
Final dividend of 2017 @ Rs. 6.00 per share	-	-	(132,000,000)	(132,000,000)
First interim dividend of 2018 @ Rs. 2.50 per share	-	-	(55,000,000)	(55,000,000)
Total distribution to members	-	-	(187,000,000)	(187,000,000)
Balance at 31 December 2017	220,000,000	270,169,085	516,951,732	1,007,120,817
Balance at 01 July 2018	220,000,000	270,092,444	472,997,002	963,089,446
Total comprehensive income for the period				
Profit for the period	-	-	184,495,063	184,495,063
Comprehensive income for the year transferred to equity	-	-	184,495,063	184,495,063
Surplus on revaluation of property, plant and equipment realized through depreciation for the year - net of deferred tax	-	(840,458)	-	(840,458)
Transferred from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	-	840,458	840,458
	220,000,000	269,251,986	658,332,523	1,147,584,509
Transactions with members recorded directly in equity				
Distribution to members				
Final dividend of 2018 @ Rs. 5.00 per share	-	-	(110,000,000)	(110,000,000)
First interim dividend of 2019 @ Rs. 2.25 per share	-	-	(59,400,000)	(59,400,000)
Issue of bonus shares for 2018 @ 20%	44,000,000	-	(44,000,000)	-
Total distribution to members	44,000,000	-	(213,400,000)	(169,400,000)
Balance at 31 December 2018	264,000,000	269,251,986	444,932,523	978,184,509

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

Chief Financial Officer

Chief Executive Officer

Chairman

BIAFO INDUSTRIES LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED 31 DECEMBER 2018

1. THE COMPANY AND ITS OPERATIONS

Biafo Industries Limited ("the Company") was incorporated in Pakistan on 07 September 1988 as a public limited company under the Companies Ordinance, 1984 (now the Companies Act, 2017). Previously, the shares of the Company were quoted on Karachi and Islamabad Stock Exchanges of Pakistan. However, due to integration of these Stock Exchanges into Pakistan Stock Exchange, effective 11 January 2016, the shares of the Company are now quoted on Pakistan Stock Exchange. The Company started its commercial production on 01 July 1994 and is principally engaged in the manufacturing of commercial explosives and blasting accessories including detonators and other materials. The Company's license for manufacturing and sale of explosives is required to be renewed annually. The Company's production facility is situated at Hattar Industrial Estate, Khyber Pakhtunkhwa, with its registered office located at 1st Floor, Biafo House, Plot No. 23, St No. 38-40, I&T Centre, G-10/4, Islamabad - Pakistan.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

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

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

The disclosures in these interim financial statements do not include the information that was reported for full annual audited financial statements and should therefore be read in conjunction with the annual audited financial statements of the Company for the year ended 30 June 2018. Comparative condensed interim statement of financial position is extracted from the annual audited financial statements as of 30 June 2018, whereas comparative condensed interim statement of profit or loss, comparative condensed interim statement of comprehensive income, comparative condensed interim statement of cash flows and comparative condensed interim statement of changes in equity are extracted from unaudited interim financial statements for six months period ended 31 December 2017.

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

3. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

- 3.1 The accounting policies, significant judgments made in the application of accounting policies, key sources of estimations, the methods of computation adopted in preparation of these interim financial statements and financial risk management policy are the same as those applied in preparation of audited annual financial statements for the year ended 30 June 2018 except for the changes as indicated below:

3.1.1 IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15 Revenue from Contracts with Customers ("IFRS 15") in May 2014. This IFRS replaces IAS 18 Revenue, IAS 11 Construction Contracts and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework which

BIAFO INDUSTRIES LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED 31 DECEMBER 2018

requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. IFRS 15 became applicable to the Company on 01 July 2018 and the Company used the modified retrospective approach to adopt the standard. Under this transitional provision, the cumulative effect of initially applying IFRS 15 is recognized on the date of initial application as an adjustment to retained earnings. No adjustment to retained earnings was required upon adoption of IFRS 15. The Company has reviewed its revenue stream i.e. sale of commercial explosives and blasting accessories and underlying contracts with customers and, as result of this review, the adoption of IFRS 15 did not have a material impact on the Company's condensed interim statement of profit or loss, condensed interim statement of comprehensive income and condensed interim statement of financial position.

Revenue associated with the sale of commercial explosives and blasting accessories is measured based on the consideration specified in customer order forms. Revenue from contracts with customers is recognized when or as the Company satisfies a performance obligation by transferring a promised good or service to a customer. Goods or services are transferred when the customer obtains control of those goods or services. The transfer of control of commercial explosives and blasting accessories coincides with title passing to the customer and the customer taking physical possession. The Company principally satisfies its performance obligations at a point in time and the amounts of revenue are recognized relating to performance. For sale of commercial explosives and blasting accessories, the transfer of control usually occurs on delivery of goods to the customer.

Generally for such sales, the customer has no right of return. The Company does not have any obligations for return of commercial explosives and blasting accessories.

For credit sales collection of revenue associated with the sale of commercial explosives and blasting accessories is due on average of 30 days following sale while for other sales, advance receipts from customers are obtained prior to satisfaction of performance obligation i.e. transfer of promised goods or services.

3.1.2 IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments ("IFRS 9") that replaces IAS 39 Financial Instruments: recognition and measurement ("IAS 39") and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments: classification & measurement, impairment and hedge accounting. IFRS 9 introduces a single approach to determining whether a financial asset is measured at amortized cost or fair value and replaces the multiple rules in IAS 39. The three principal classification categories under the new standard for financial instruments are: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). The classification of financial instruments under IFRS 9 is generally based on the business model in which a financial instrument is managed and its contractual cash flow characteristics. The previous categories under IAS 39 of held to maturity, loans and receivables and available for sale have been removed. For financial liabilities, IFRS 9 retains most of the requirements of IAS 39; however, where the fair value option is applied to financial liabilities, any change in fair value resulting from an entity's own credit risk is recorded in other comprehensive income.

The Company has early adopted IFRS 9 with a date of application from 01 July 2018. This standard is applicable in Pakistan for reporting period / year ending on or after 30 June 2019. The adoption of this standard did not result in any significant impact on these interim financial statements. However, changes due to this change in accounting policy are explained below:

Long term deposits, trade debts, trade deposits, other receivables, cash and bank balances, trade creditors, accrued liabilities, other payables, investment in debt securities, short term borrowings, unclaimed dividend and unpaid dividend continue to be measured at amortized cost and are now classified as "amortized cost".

BIAFO INDUSTRIES LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED 31 DECEMBER 2018

Investment in equity securities continue to be measured at fair value through profit or loss and are now classified as "FVTPL".

Following presentation changes have been made upon adoption of IFRS 9, the balances are now classified as "amortized cost":

Interest accrued has been represented as "cash and bank balances".

Markup accrued has been represented as short term borrowings.

Further, IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected loss" model. The new impairment model applies to financial instruments measured at amortized cost, and contract assets and debt investments measured at FVOCI. Under IFRS 9, credit losses will be recognized earlier than under IAS 39. The standard also provides a simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade receivables. The credit loss model groups receivables based on similar credit risk characteristics and days past due in order to estimate bad debts. The adoption of IFRS 9 did not result in a material impact to the Company's interim financial statements.

3.2 The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2019:

- IFRS 16: Leases	(effective 01 January 2019)
- IFRIC 23: Uncertainty over Income Tax Treatments	(effective 01 January 2019)
- Amendments to IFRS 9: Prepayment Features with Negative Compensation	(effective 01 January 2019)
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	(effective 01 January 2019)
- Amendment to IAS 28: Investments in Associates and Joint Ventures - Long Term Interests in Associates and Joint Ventures	(effective 01 January 2019)
- Amendments to IFRS 3: Business Combinations	(effective 01 January 2020)
- Amendments to IAS 1: Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	(effective 01 January 2020)

Annual improvements to IFRS Standards 2015 - 2017 cycle:

- IFRS 3: Business Combinations and IFRS 11 Joint Arrangement	(effective 01 January 2019)
- Amendments to IAS 12: Income Taxes	(effective 01 January 2019)
- Amendments to IAS 23: Borrowing Costs	(effective 01 January 2019)

'The amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on the Company's interim financial statements except for IFRS 16 'Leases', for which the Company is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard, and IFRIC 23 'Uncertainty over Income Tax Treatments'.

4. PROPERTY, PLANT AND EQUIPMENT

During six months period ended 31 December 2018, the Company acquired property, plant and equipment aggregating to Rs. 52,012,438 (31 December 2017: Rs. 9,114,985). Depreciation charge for the period amounts to Rs. 9,677,333 (31 December 2017: Rs. 9,655,814). Written down value of disposals for the period amounts to Rs. 26,921 (31 December 2017: Rs. 783,557).

BIAFO INDUSTRIES LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED 31 DECEMBER 2018

	Note	Unaudited	Audited
		31 Dec 2018	30 June 2018
		Rupees	Rupees
5. SHORT TERM INVESTMENTS			
Equity securities - held for trading		-	388,823,056
Equity securities - at FVTPL		399,737,234	-
Debt securities - held to maturity		-	66,770,000
Debt securities - at amortised cost		76,230,000	-
		<u>475,967,234</u>	<u>455,593,056</u>
6. TRADE AND OTHER PAYABLES			
Trade creditors		41,150,265	58,873,898
Advances from customers		3,090,008	8,560,158
Accrued liabilities		19,825,894	26,201,036
Sales tax payable - net		3,812,417	9,319,573
Workers' profit participation fund payable		12,402,388	35,668,279
Workers' welfare fund payable		13,579,381	17,344,386
Payable to staff gratuity fund		4,872,100	-
Payable to employees' provident fund		1,045,894	-
Withholding tax payable		841,314	30,839
Others		11,278,257	10,517,787
		<u>111,897,918</u>	<u>166,515,956</u>
7. SHORT TERM BORROWINGS			
Allied Bank Limited (ABL)	7.1	298,403,864	207,153,624
Faysal Bank Limited (FBL)	7.2	20,002,476	87,836,760
United Bank Limited (UBL)	7.3	99,995,728	130,199,895
		<u>418,402,068</u>	<u>425,190,279</u>

7.1 The Company has arranged various facilities with ABL and during the period the Company utilized Running Finance Facilities as follows:

- The Running Finance facility with a sanctioned limit of Rs. 200 million (30 June 2018: Rs. 140 million) and carries mark-up at the rate of 3 months Kibor + 1% per annum of the amount utilized. The facility is secured against first equitable mortgage over industrial property of the Company amounting to Rs. 366.66 million and charge over current assets (excluding financial assets) and fixed assets (excluding headoffice building) of the Company.
- The Running Finance facility with a sanctioned limit of Rs. 150 million (30 June 2018: Rs. 90 million) and carries mark-up at the rate of 3 months Kibor + 0.75% per annum of the amount utilized. The facility is secured against the investment made in ABL cash fund with 5% margin.

BIAFO INDUSTRIES LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED 31 DECEMBER 2018

- The Running Finance facility with a sanctioned limit of Rs. 75 million (30 June 2018: Rs. 54.34 million) and carries mark-up at the rate of 3 months Kibor + 0.75% per annum of the amount utilized. The facility is secured against the investment made in the ABL Term Deposit Receipts of USD with 5% margin.
- 7.2 This represents utilized amount of running finance facility with a sanctioned limit of Rs. 150 million (30 June 2018: Rs. 150 million) and carries mark-up at the rate of 3 month Kibor + 1% per annum of the amount utilized, payable on quarterly basis. The facility is secured against investment in units of Faysal Money Market Fund with 5% margin.
- 7.3 This represents utilized amount of running finance facility with a sanctioned limit of Rs. 200 million (30 June 2018: 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 UBL Liquidity Plus Funds with 5% margin.

	Unaudited	Audited
	31 Dec 2018	30 June 2018
	Rupees	Rupees
8. DEFERRED TAX LIABILITY- net		
The net balance of deferred tax is in respect of the major temporary differences:		
Accelerated depreciation of property, plant and equipment	21,789,962	22,338,035
Obligation under finance lease	-	-
Deferred employee benefits	(2,135,443)	(864,522)
Provision for doubtful debts, advances and	-	-
Provision for slow moving stores, spares and loose tools	(1,099,015)	(1,234,926)
Surplus on revaluation of fixed assets	5,419,062	5,499,185
	<u>23,974,566</u>	<u>25,737,772</u>

9. CONTINGENCIES AND COMMITMENTS

There is no change in the contingent liabilities as reported in the annual financial statements for the year ended 30 June 2018.

Letters of credit issued by banks on behalf of the Company for the import of raw materials amount to Rs. 31.24 million at 31 December 2018 (30 June 2018: Rs. 40.30 million).

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 amounts to Rs. 17,071,182 (30 June 2018: Rs. 17,071,182).

BIAFO INDUSTRIES LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED 31 DECEMBER 2018

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>Unaudited</u> <u>31 Dec 2018</u> <u>Rupees</u>	<u>Unaudited</u> <u>31 Dec 2017</u> <u>Rupees</u>	<u>Unaudited</u> <u>31 Dec 2018</u> <u>Rupees</u>	<u>Unaudited</u> <u>31 Dec 2017</u> <u>Rupees</u>
10. NET SALES / TURNOVER				
Gross local sales	300,330,047	392,415,666	628,547,223	667,578,997
Sales tax	(44,117,228)	(57,241,116)	(92,584,653)	(97,340,740)
Commissions	(1,991,997)	(3,880,130)	(3,734,377)	(5,209,217)
Net local sales	254,220,822	331,294,420	532,228,193	565,029,040
Net export sales	73,092,895	151,504,056	178,890,087	286,377,238
	327,313,717	482,798,476	711,118,280	851,406,278

	<u>Six Months Ended</u>	
	<u>Unaudited</u> <u>31 Dec 2018</u> <u>Rupees</u>	<u>Unaudited</u> <u>31 Dec 2017</u> <u>Rupees</u>
11. CASH AND CASH EQUIVALENTS		
For the purpose of cash flow statement cash and cash equivalents comprise of:		
Cash and bank balances	36,507,850	45,765,415
Short term borrowings - secured	(418,402,068)	(310,832,068)
	(381,894,218)	(265,066,653)

12. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise of directors, key management personnel, major shareholders, entities over which the directors are able to exercise influence and employees' fund. Transactions with related parties during the period and balances at the reporting date are as follows:

	<u>Six Months Ended</u>	
	<u>Unaudited</u> <u>31 Dec 2018</u> <u>Rupees</u>	<u>Unaudited</u> <u>31 Dec 2017</u> <u>Rupees</u>
Directors and key management personnel		
Dividend to non executive directors	81,150,576	43,112,866
Issue of bonus shares to non executive directors	2,107,807	-
Share capital held as of the reporting date by non executive directors	12,646,843	50,749,960
Dividend to executive directors	4,204,970	4,641,850
Issue of bonus shares to executive directors	109,220	-
Share capital held as of the reporting date by executive directors	6,553,200	5,461,000
Remuneration including perquisites to Chief Executive	14,250,000	12,500,000
Remuneration including perquisites to Directors	11,760,000	10,300,000
Remuneration including perquisites to key management personnel	17,594,503	15,300,000
Other related parties		
Payment to employees' provident fund	5,229,452	2,262,047
Donations	150,000	500,000
Payable to employees' provident fund - unsecured	1,045,894	910,308
Payable to staff retirement gratuity fund - unsecured	4,872,100	4,343,700

BIAFO INDUSTRIES LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED 31 DECEMBER 2018

13 FAIR VALUE OF FINANCIAL INSTRUMENTS

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. 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 are current bid prices.

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).

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

BIAFO INDUSTRIES LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED 31 DECEMBER 2018

	Carrying amount		Fair value				
	Fair value through profit or loss	Amortized cost	Total	Level 1	Level 2	Level 3	Total
	Rupees		Rupees				
Financial assets and liabilities							
31 December 2018							
Financial assets measured at fair value							
Short term investments	399,737,234	-	399,737,234	399,737,234	-	-	399,737,234
Financial assets not measured at fair value							
Trade debts	-	217,294,816	217,294,816	-	-	-	-
Trade deposits	-	1,671,592	1,671,592	-	-	-	-
Other receivables	-	1,459,673	1,459,673	-	-	-	-
Short term investments	-	76,230,000	76,230,000	-	-	-	-
Long term deposits	-	1,793,600	1,793,600	-	-	-	-
Cash and bank balances	-	36,507,850	36,507,850	-	-	-	-
Total financial assets	399,737,234	334,957,531	734,694,765	399,737,234	-	-	399,737,234
Financial liabilities not measured at fair value							
Short term borrowings	-	418,402,068	418,402,068	-	-	-	-
Trade and other payables	-	78,172,410	78,172,410	-	-	-	-
Unclaimed dividend	-	23,394,365	23,394,365	-	-	-	-
Unpaid dividend	-	9,282,012	9,282,012	-	-	-	-
Total financial liabilities	-	529,250,855	529,250,855	-	-	-	-

BIAFO INDUSTRIES LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED 31 DECEMBER 2018

Financial assets and liabilities	Carrying amount		Fair value				
	Fair value through profit or loss	Amortized cost	Total	Level 1	Level 2	Level 3	Total
30 June 2018	Rupees		Rupees				
Financial assets measured at fair value							
Short term investments	388,823,056	-	388,823,056	388,823,056	-	-	388,823,056
Financial assets not measured at fair value							
Trade debts		353,437,290	353,437,290	-	-	-	-
Trade deposits		2,032,071	2,032,071	-	-	-	-
Other receivables		1,502,630	1,502,630	-	-	-	-
Short term investments		66,770,000	66,770,000	-	-	-	-
Long term deposits		1,793,600	1,793,600	-	-	-	-
Cash and bank balances		25,737,248	25,737,248	-	-	-	-
Total financial assets	388,823,056	451,272,839	840,095,895	388,823,056	-	-	388,823,056
Financial liabilities not measured at fair value							
Short term borrowings	-	425,190,279	425,190,279	-	-	-	-
Trade and other payables	-	95,592,721	95,592,721	-	-	-	-
Unclaimed dividend	-	16,136,061	16,136,061	-	-	-	-
Unpaid dividend	-	7,909,501	7,909,501	-	-	-	-
Total financial liabilities	-	544,828,562	544,828,562	-	-	-	-

BIAFO INDUSTRIES LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED 31 DECEMBER 2018

		Three Months Ended		Six Months Ended	
		Unaudited 31 Dec 2018	Unaudited 31 Dec 2017 Restated	Unaudited 31 Dec 2018	Unaudited 31 Dec 2017 Restated
14. EARNING PER SHARE					
	<i>- Basic and diluted</i>				
Profit for the period	Rupees	<u>77,078,273</u>	<u>173,579,898</u>	<u>184,495,063</u>	<u>280,604,340</u>
Weighted average number of ordinary shares	Numbers	<u>26,400,000</u>	<u>26,400,000</u>	<u>26,400,000</u>	<u>26,400,000</u>
Earning per share	Rupees	<u>2.92</u>	<u>6.57</u>	<u>6.99</u>	<u>10.63</u>

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

15.1 The Board of Directors of the Company in their meeting held on 25th February 2019 proposed 2nd interim cash dividend of Rs. 3.25 per share.

15.2 These interim financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on 25th February 2019.

16. GENERAL

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



Chief Financial Officer



Chief Executive Officer



Chairman

BOOK POST

(UNDER POSTAL CERTIFICATE)

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