

Quarterly Report

for the Period Ended
30 September 2020



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



Contents

Corporate Information	1
Directors' Report	2-5
Statement of Financial Position	6
Statement of Profit or Loss	7
Statement of Comprehensive Income	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Notes to the Financial Statements	11-19



CORPORATE INFORMATION

Corporate Information

Board of Directors

Executive Directors

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

Deputy Chairman
Chief Executive Officer
Executive Director
Executive Director

Non Executive Directors

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

Chairman
Director
Director
Director
Director
Director

Independent Directors

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

Director
Director
Director
Director

Company Secretary

Khawaja Shaiq Tanveer

Chief Financial Officer

Syed Sajid Hussain Shah

Audit & Risk Management Committee

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

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



DIRECTORS' REPORT

BIAFO INDUSTRIES LTD. DIRECTORS' REPORT FOR THE QUARTER PERIOD ENDED 30 SEPTEMBER 2020

Your Directors are pleased to submit the un-audited accounts for the quarter ended 30th September 2020.

Net sales value of the Company, decreased by 22.68% for the quarter, to Rs. 359.02 M (Quarter ending Sept., 19: Rs. 464.32 M)

For the period under review, supplies to the Oil and Gas decreased because of lesser exploration seismic activity and slow down of activities in the big construction projects due to Covid 19. However, supplies to others sectors have shown a slight increase as compared to the quarter ended Sept, 2019.

For the quarter under review, gross profit to sales ratio has decreased by 2.26% to Rs. 141.73 M. as compared to previous year's comparable quarter (Sept., 19: Rs. 193.78 M). Whereas net profit after taxation to sales ratio has decreased by 1.81% to Rs. 113.45 M. as compared to the quarter ended Sept., 2019, resulting in an EPS of Rs. 2.33 (EPS Sept., 2019: Rs. 3.26 Restated).

Profitability declined mainly due to decline in sales volume and impact of currency devaluation. This situation may improve once the economy revives post COVID-19 pandemic.

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

Your Board of Directors have not declared any dividend for the period under review.

The Board comprises of 14 members including the Chief Executive Officer, having 10 male and 4 female members. 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) Basit Waheed
iii.	Executive Directors	i) M. Afzal Khan
		ii) Anwar Moin (CEO)
		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)

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

Audit Committee

Ehsan Mani	Chairman
Adnan Aurangzeb	Member
Muhammad Yaqoob	Member
Basit 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
Ms. Ayesha Humayun Khan	Member
Anwar Moin (CEO)	Member
Ms. Syeda Shahbano Abbas	Member

CSR & HSE Committee

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

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

For and on behalf of the Board



Anwar Moin
Chief Executive Officer



Dr. M. Humayun Khan
Chairman


Islamabad
27 October 2020


بورڈ کی کمیٹیاں اور ان کی تشکیل حسب ذیل ہے۔

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

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

بورڈ کی جانب سے


ڈاکٹر ایم ہمایوں خان
چیئر مین


انور معین
چیف ایگزیکٹو آفیسر

اسلام آباد 27 اکتوبر 2020

بیافوانڈ سٹریٹ لیمیٹڈ 30 ستمبر 2020 کو ختم ہونے والی سہ ماہی کے لئے ڈائریکٹرز رپورٹ

آپ کے ڈائریکٹرز 30 ستمبر 2020 کو اختتام پذیر ہونے والی سہ ماہی کے لئے غیر آڈٹ شدہ اکاؤنٹس پیش کرتے ہوئے نہایت مسرت محسوس کرتے ہیں۔ زیر جائزہ مدت میں کمپنی کی خالص حجم فروخت 22.68 فیصد کی کمی سے 359.02 ملین رہی۔ (ستمبر 19 کو ختم ہونی والی سہ ماہی میں فروخت 464.32 ملین روپے تھی) زیر جائزہ مدت میں تیل و گیس میں ایکسپلوریشن سسٹم سرگرمیوں میں کمی اور بڑے تعمیراتی منصوبوں میں کوڈ 19 کی عالمی وباء کے باعث فروخت میں کمی آئی۔ جبکہ دیگر شعبوں میں ستمبر 2019 کو ختم ہونے والی سہ ماہی کے مقابلے میں سپلائرز میں معمولی بہتری واقع ہوئی

زیر جائزہ سہ ماہی میں خام منافع 2.26 فیصد کی کمی سے 141.73 ملین روپے رہا جبکہ گزشتہ سال اسی مدت (ستمبر 19 میں منافع 193.78 ملین روپے) رہا۔ گزشتہ سال اسی مدت ستمبر 2019 کے مقابلے میں ٹیکس کٹوتی کے بعد خالص منافع 1.81 فیصد کی کمی سے 113.45 ملین روپے رہا۔ منافع فی شیئر 2.33 روپے رہا (منافع فی شیئر ستمبر 2019، 3.26 روپے)۔

منافع میں کمی فروخت کے حجم میں کمی اور پاکستانی روپے کی قدر میں گراؤ کی وجہ سے ہوئی۔ اس صورتحال میں کورونا وائرس کی وباء کے بعد ملک کی مجموعی معاشی صورتحال کی بحالی سے بہتری واقع ہو سکتی ہے۔

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

آپ کے بورڈ آف ڈائریکٹرز نے زیر جائزہ مدت کے لئے کسی منافع منقسمہ کا اعلان نہیں کیا ہے۔

بورڈ 14 اراکین پر مشتمل ہے جن میں بشمول چیف ایگزیکٹو آفیسر، 10 مرد اراکین اور 4 خواتین اراکین شامل ہیں۔ بورڈ کی تشکیل حسب ذیل ہے۔

i.	آزاد ڈائریکٹرز	(i) احسان مانی (ii) محمد یعقوب
ii.	نان ایگزیکٹو ڈائریکٹرز	(i) ڈاکٹر اکرم ہمایوں خان (ii) ایم ظفر خان (iii) خواجہ احمد حسین (iv) عدنان اورنگزیب (v) باسط وحید
iii.	ایگزیکٹو ڈائریکٹرز	(i) ایم افضل خان (ii) انور معین (چیف ایگزیکٹو آفیسر) (iii) میجر جنرل (ریٹائرڈ) ایس زید 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)

BIAFO INDUSTRIES LTD. CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED) AS AT 30 SEPTEMBER 2020

	Note	Unaudited 30 Sep 2020 Rupees	Audited 30 June 2020 Rupees
NON - CURRENT ASSETS			
Property, plant and equipment	4	1,053,417,630	1,057,817,867
Investment property		29,314,987	29,499,358
Long - term deposits		1,777,650	1,777,650
		<u>1,084,510,267</u>	<u>1,089,094,875</u>
CURRENT ASSETS			
Inventories		392,789,147	383,602,284
Trade debts		417,674,002	373,238,956
Short term advances		15,170,494	11,372,700
Trade deposits, short term prepayments and other receivables		23,907,281	26,603,135
Short - term investments	5	269,454,884	267,619,583
Advance tax - net		67,971,938	57,704,434
Cash and bank balances		42,601,950	43,269,280
		<u>1,229,569,696</u>	<u>1,163,410,372</u>
CURRENT LIABILITIES			
Trade and other payables	6	166,402,147	189,505,531
Current portion of long term loan		16,297,719	10,861,805
Current portion of lease liabilities		2,119,003	1,984,151
Short-term borrowings	7	465,107,055	458,812,389
Unclaimed dividend		23,029,521	23,029,521
Unpaid dividend		13,024,543	13,061,372
		<u>685,979,988</u>	<u>697,254,769</u>
NET CURRENT ASSETS		543,589,708	466,155,603
NON - CURRENT LIABILITIES			
Long term loan		26,533,487	31,840,182
Employee benefit		5,182,759	5,182,759
Lease liabilities		5,439,825	6,060,656
Deferred tax liability - net	8	31,941,900	34,397,655
		<u>69,097,971</u>	<u>77,481,252</u>
NET ASSETS		1,559,002,004	1,477,769,226
REPRESENTED BY:			
SHARE CAPITAL AND RESERVES			
Share capital		348,480,000	348,480,000
Revenue reserve - unappropriated profit		504,274,101	421,955,643
Capital reserve - revaluation surplus on property, plant and equipment - net of tax		706,247,903	707,333,583
		<u>1,559,002,004</u>	<u>1,477,769,226</u>
CONTINGENCIES AND COMMITMENTS			
	9		

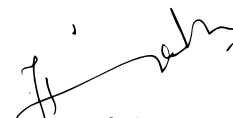
The annexed notes 1 to 16 form an integral part of these financial statements.



Chief Financial Officer



Chief Executive Officer



Chairman

BIAFO INDUSTRIES LTD.
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

	Note	Quarter Ended		Quarter Ended	
		30 Sep 2020	Period to Due Date	30 Sep 2019	Period to Due Date
		Rupees	Rupees	Rupees	Rupees
Revenue - net	10	359,019,544	359,019,544	464,320,684	464,320,684
Cost of sales		(217,288,249)	(217,288,249)	(270,536,233)	(270,536,233)
Gross profit		141,731,295	141,731,295	193,784,451	193,784,451
Other income		1,545,056	1,545,056	-	-
Distribution expenses		(11,738,967)	(11,738,967)	(13,297,386)	(13,297,386)
Administrative expenses		(33,284,886)	(33,284,886)	(29,931,958)	(29,931,958)
Allowance for expected credit losses		2,357,666	2,357,666	-	-
Operating profit		100,610,164	100,610,164	150,555,107	150,555,107
Finance costs		(13,545,364)	(13,545,364)	(28,748,872)	(28,748,872)
Finance income		3,500,836	3,500,836	13,493,042	13,493,042
Net finance cost / income		(10,044,528)	(10,044,528)	(15,255,830)	(15,255,830)
Workers' profit participation fund		(4,528,282)	(4,528,282)	(6,764,964)	(6,764,964)
Workers' welfare fund		(1,775,797)	(1,775,797)	(2,705,986)	(2,705,986)
Profit before tax		84,261,557	84,261,557	125,828,327	125,828,327
Income tax expense		(3,028,779)	(3,028,779)	(12,374,574)	(12,374,574)
Profit for the year		81,232,778	81,232,778	113,453,753	113,453,753
Earnings per share				Restated	Restated
Basic and diluted		2.33	2.33	3.26	3.26

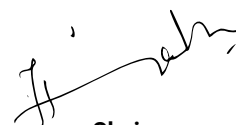
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Chief Financial Officer



Chief Executive Officer



Chairman

BIAFO INDUSTRIES LTD.
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

	Quarter Ended		Quarter Ended	
	30 Sep 2020	Period to Due Date	30 Sep 2019	Period to Due Date
	Rupees	Rupees	Rupees	Rupees
Profit for the year	81,232,778	81,232,778	113,453,753	113,453,753
Other comprehensive income for the year - net of tax	-	-		
Total comprehensive income for the year	81,232,778	81,232,778	113,453,753	113,453,753

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



Chief Financial Officer



Chief Executive Officer



Chairman

BIAFO INDUSTRIES LTD.
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

	Share capital	Capital reserve Revaluation surplus on property, plant and equipment - net of tax	Revenue Reserve Unappropriated profits	Total equity
	Rupees	Rupees	Rupees	Rupees
Balance at 01 July 2019, as previously reported	264,000,000	711,255,302	429,984,402	1,405,239,704
Total comprehensive income for the period				
Profit for the period	-	-	113,453,753	113,453,753
Comprehensive income for the year transferred to equity	-	-	113,453,753	113,453,753
Surplus on revaluation of property, plant and equipment realized through depreciation for the year - net of deferred tax	-	(1,267,038)	-	(1,267,038)
Transferred from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	-	1,267,038	1,267,038
Balance at 30 September 2019	<u>264,000,000</u>	<u>709,988,264</u>	<u>544,705,193</u>	<u>1,518,693,457</u>
Balance at 01 July 2020	348,480,000	707,333,583	421,955,643	1,477,769,226
Total comprehensive income for the year				
Profit for the year	-	-	81,232,778	81,232,778
Tax effect due to change in rate on revaluation of property, plant and equipment - net of tax	-	-	-	-
	-	-	81,232,778	81,232,778
Total comprehensive income for the year transferred to equity	-	-	81,232,778	81,232,778
Surplus on revaluation of property, plant and equipment realized through depreciation for the year - net of deferred tax	-	(1,085,680)	-	(1,085,680)
Transferred from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	-	1,085,680	1,085,680
Balance at 30 September 2020	<u>348,480,000</u>	<u>706,247,903</u>	<u>504,274,101</u>	<u>1,559,002,004</u>

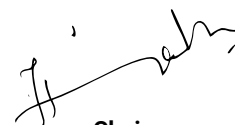
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Chief Financial Officer



Chief Executive Officer



Chairman

BIAFO INDUSTRIES LTD. CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED) FOR THE PERIOD ENDED 30 SEPTEMBER 2020

	Note	30 Sep 2020 Rupees	30 Sep 2019 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		84,261,557	125,828,327
Adjustments for:			
Depreciation on property, plant and equipment		6,490,356	6,552,882
Depreciation on investment property		184,371	-
Finance costs		13,545,364	19,592,916
Provision for Workers' profit participation fund		4,528,282	6,764,964
Provision for Workers' welfare fund		1,775,797	2,705,986
Provision for gratuity		2,813,301	2,520,405
Allowance for expected credit losses		(2,357,666)	-
Dividend income		(2,655,005)	(7,710,804)
Unrealized (gain) / loss on remeasurement of investment		(114,249)	(5,214,996)
Loss / (gain) on sale of property, plant and equipment		(1,109,840)	-
Interest income		(866,798)	(765,925)
Unrealized exchange gain		-	795,967
		22,233,914	25,241,395
		106,495,471	151,069,722
Changes in:			
Inventories		(9,186,863)	73,375,365
Trade debts		(44,435,046)	(115,132,383)
Advances, deposits, short term prepayments and other receivables		(1,101,940)	(1,740,229)
Trade and other payables		(7,773,887)	(3,140,786)
		(62,497,736)	(46,638,033)
Cash generated from operating activities		43,997,735	104,431,690
Finance costs paid		(11,870,738)	(14,304,323)
Gratuity paid		(10,232,619)	(9,236,246)
Compensated leave absences paid		-	(24,280,810)
Payments to workers' profit participation fund		(16,000,000)	-
Income taxes paid		(13,296,284)	(34,021,938)
		(51,399,641)	(81,843,317)
Net cash generated from operating activities		(7,401,906)	22,588,373
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(3,801,114)	(10,231,521)
Proceeds from sale of property, plant and equipment		3,385,000	-
Proceeds from sale / acquisition of investments		-	(7,710,804)
Dividend received		2,655,005	7,710,804
Rent Received		300,000	-
Interest received		249,465	-
Net cash generated from / (used in) investing activities		2,788,356	(10,231,521)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(36,829)	(29,768)
Payment of lease liabilities		(2,311,618)	-
Net cash used in financing activities		(2,348,447)	(29,768)
Net increase / (decrease) in cash and cash equivalents		(6,961,996)	12,327,084
Cash and cash equivalents at beginning of the year		(415,543,109)	(554,544,547)
Cash and cash equivalents at end of the year	11	(422,505,105)	(542,217,463)

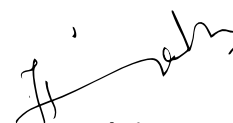
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Chief Financial Officer



Chief Executive Officer



Chairman

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE PERIOD ENDED 30 SEPTEMBER 2020

1 The Company and its operations

Biafo Industries Limited ("the Company") was incorporated in Pakistan on 07 September 1988 as a public limited company under the Companies Ordinance, 1984 (now the Companies Act, 2017). Previously, the shares of the Company were quoted on Karachi and Islamabad Stock Exchanges of Pakistan. However, due to integration of these Stock Exchanges into Pakistan Stock Exchange, effective 11 January 2016, the shares of the Company are now quoted on Pakistan Stock Exchange. The Company started its commercial production on 01 July 1994 and is principally engaged in the manufacturing of commercial explosives and blasting accessories including detonators and other materials. The Company's license for manufacturing and sale of explosives is required to be renewed annually. The Company's production facility is situated at Hattar Industrial Estate, Khyber Pakhtunkhwa, with its registered office located at 1st Floor, Biafo House, Plot No. 23, 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 2020. Comparative condensed interim statement of financial position is extracted from the annual audited financial statements as of 30 June 2020, whereas comparative condensed interim statement of profit or loss, comparative condensed interim statement of comprehensive income, comparative condensed interim statement of cash flows and comparative condensed interim statement of changes in equity are extracted from unaudited interim financial statements for three months period ended 30 September 2020.

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

3 SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

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

- #### 3.1
- 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 2020:

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED 30 SEPTEMBER 2020**

Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

Amendments to IAS 1 - Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future.. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the condensed interim financial statements of the Company.

IFRS 14 Regulatory Deferral Accounts - (effective for annual periods beginning on or after 1 July 2019) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated – i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and/or approved by an authorized body. The term 'regulatory deferral account balance' has been chosen as a neutral descriptor for expense (income) or variance account that is included or is expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers and would not otherwise be recognized as an asset or liability under other IFRSs. The standard is not likely to have any effect on the Company's condensed interim financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

During three months period ended 30 September 2020, the Company acquired property, plant and equipment aggregating to Rs. 3,801,114 (30 Sep 2019: Rs. 10,231,521). Depreciation charge for the period amounts to Rs. 6,674,727 (30 Sep 2019: Rs. 6,552,882).

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED 30 SEPTEMBER 2020**

		Unaudited 30 Sep 2020 Rupees	Audited 30 June 2020 Rupees
5. SHORT - TERM INVESTMENTS	Note		
Equity securities - at FVTPL		177,267,779	174,871,560
Debt securities - at amortized cost		92,187,105	92,748,023
		269,454,884	267,619,583
6. TRADE AND OTHER PAYABLES			
Trade creditors		57,019,046	91,645,975
Contract liability - unsecured		1,207,178	1,207,189
Accrued liabilities		49,950,574	35,836,033
Insurance payable		651,849	648,039
Workers' profit participation fund payable		4,893,812	16,365,530
Workers' welfare fund payable		8,193,652	6,417,855
Payable to staff gratuity fund		-	5,633,576
Payable to employees' provident fund		1,428,020	1,376,084
Withholding tax payable		-	66,312
Others		43,058,016	30,308,938
		166,402,147	189,505,531
7. SHORT - TERM BORROWINGS			
Allied Bank Limited (ABL)	7.1	361,345,787	309,341,695
Faysal Bank Limited (FBL)	7.2	50,898,067	51,023,219
United Bank Limited (UBL)	7.3	52,863,201	98,447,475
		465,107,055	458,812,389

7.1 This represents utilized amount of running finance facilities with cumulative sanctioned limit of Rs. 625 million (30 June 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 II with a maximum sanctioned limit of Rs. 150 million carrying markup at the rate of 3 months KIBOR + 0.75% per annum of the utilized amount and 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.

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 (30 June 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. 500 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE PERIOD ENDED 30 SEPTEMBER 2020

- 7.2** 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 (30 June 2020: Rs. 150 million) and carries mark up at the rate of 3 months KIBOR + 1% per annum payable on quarterly basis. The facility is secured against investment in units of Faysal Money Market Fund with a 5% margin.
- 7.3** This represents utilized amount of running finance facility of Rs. 200 million (30 June 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.

	Unaudited 30 Sep 2020 Rupees	Audited 30 June 2020 Rupees
8. DEFERRED TAX LIABILITY- net		
The net balance of deferred tax is in respect of the following major temporary differences:		
Accelerated depreciation of property, plant and equipment	29,148,184	28,460,410
Leases	(1,593,578)	942,102
Surplus on revaluation of fixed assets	13,172,428	13,483,132
Deferred employee benefits	(999,335)	(2,352,553)
Loss allowance for Expected credit losses	(6,715,575)	(7,228,368)
Provision for slow moving stores, spares and loose tools	(1,070,224)	(1,070,224)
Unrealized Gains	-	2,163,156
	<u>31,941,900</u>	<u>34,397,655</u>

9 CONTINGENCIES AND COMMITMENTS

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

Letters of credit issued by banks on behalf of the Company for the import of raw materials amount to Rs. 4,130,637 at 30 September 2020 (30 June 2020: Rs. 5,137,204).

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED 30 SEPTEMBER 2020**

	Three Months Ended	
	Unaudited 30 Sep 2020 Rupees	Unaudited 30 Sep 2019 Rupees
10. REVENUE- net		
Gross local sales	247,806,528	389,208,002
Sales tax	(36,428,289)	(56,644,050)
Net local sales	211,378,239	332,563,952
Net export sales	147,641,305	131,756,732
	359,019,544	464,320,684

11. CASH AND CASH EQUIVALENTS

For the purpose of cash flow statement cash and cash equivalents comprise of:

Cash and bank balances	42,601,950	79,392,767
Short term borrowings - secured	(465,107,055)	(621,610,230)
	(422,505,105)	(542,217,463)

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:

	Three Months Ended	
	Unaudited 30 Sep 2020 Rupees	Unaudited 30 Sep 2019 Rupees
Directors and key management personnel		
Share capital held as of the reporting date by non executive directors	183,982,764	126,458,430
Share capital held as of the reporting date by executive directors	3,442,314	2,607,820
Remuneration including perquisites to Chief Executive	5,733,750	2,158,333
Remuneration including perquisites to Directors	6,457,500	4,200,000
Remuneration including perquisites to key management personnel	8,420,000	9,031,250
Other related parties		
Payment to employees' provident fund	2,827,071	1,785,701
Payable to employees' provident fund - unsecured	1,428,020	1,304,370
Payable to staff retirement gratuity fund - unsecured	-	2,520,405

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED 30 SEPTEMBER 2020****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.

30 June 2020

Financial assets measured at fair value

Short - term investments	-	174,871,560	-	174,871,560	-	174,871,560
Trade deposits	-	2,293,386	-	2,293,386	-	2,293,386
Long - term deposits	-	1,777,650	-	1,777,650	-	1,777,650
	-	178,942,596	-	178,942,596	-	178,942,596

Financial assets not measured at fair value

Trade debts	373,238,956	-	-	373,238,956	-	-	-
Advances to employees	786,385	-	-	786,385	-	-	-
Other receivables	1,916,539	-	-	1,916,539	-	-	-
Short - term investments	92,748,023	-	-	92,748,023	-	-	-
Cash and bank balances	43,187,350	-	-	43,187,350	-	-	-
Total financial assets	511,877,253	178,942,596	-	690,819,849	174,871,560	-	178,942,596

Financial liabilities not measured at fair value

Short-term borrowings	-	458,812,389	458,812,389	-	-
Unclaimed dividend	-	23,029,521	23,029,521	-	-
Unpaid dividend	-	13,061,372	13,061,372	-	-
Long term loans	-	42,701,987	42,701,987	-	-
Lease liabilities	-	8,044,807	8,044,807	-	-
Trade and other payables	-	165,448,645	165,448,645	-	-
Total financial liabilities	-	711,098,721	711,098,721	-	-

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED 30 SEPTEMBER 2020**

14. EARNING PER SHARE

- Basic and diluted

		Three Months Ended	
		Unaudited 30 Sep 2020	Unaudited 30 Sep 2019 Restated
Profit for the period	Rupees	81,232,778	113,453,753
Weighted average number of ordinary shares	Numbers	34,848,000	34,848,000
Earning per share	Rupees	2.33	3.26

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 27 October 2020 proposed an interim cash dividend of Rs. Nil 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 27 October 2020.

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)

If undelivered, please return to:

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