



BAWANYAIR
PRODUCTS LIMITED

HALF YEARLY ACCOUNTS
DECEMBER 31, 2013
(UNAUDITED)

CORPORATE INFORMATION

BOARD OF DIRECTORS	Mr. Mohammad Ashraf Mr. M. Hanif Y. Bawany Mrs. Momiza Hanif Bawany Mr. Vali Mohammad M. Yahya Mr. Wazir Ahmed Jogezeai Mr. Zakaria A. Ghaffar Mr. Siraj A. Kadir	Chairman-Non Executive Director Chief Executive Officer Executive Director Non Executive Director Non Executive Director Non Executive Director Independent Director
AUDIT & HR COMMITTEE	Mr. Siraj A. Kadir Mr. Mohammad Ashraf Mr. Zakaria A. Ghaffar Mr. Muhammad Munir	Chairman Member Member Secretary to Audit Committee
HEAD OF INTERNAL AUDIT	Mr. Muhammad Munir	
CHIEF FINANCIAL OFFICER & COMPANY SECRETARY	Mr. Muhammad Hashim	
AUDITORS	Parker Randall-A.J.S. Chartered Accountants	
BANKERS	Faysal Bank Limited United Bank Limited MCB Bank Limited	
SHARE REGISTRAR	C&K Management Associates (Pvt) Ltd. 404, Trade Tower, Abdullah Haroon Road, Karachi Tel: 35687839-35685930	
REGISTERED OFFICE	Khasra No. 52/53 R.C.D. Highway, Mouza Pathra, Tehsil Hub, Lasbella District, Balochistan. Tel : 0853 - 363287-8, 0853 - 363289 Fax: 0853 - 363290	
CITY OFFICE	16-C, 2nd Floor, Nadir House, I.I. Chundrigar Road, Karachi. Tel : 3240-0440 Fax : 3241-1986	

HALF YEARLY REVIEW

ASSALAM-O-ALAIKUM

On behalf of the Board of Directors, I present the Directors' Review for the six months unaudited financial statements of your Company for the period ended December 31, 2013. These financial statements were subject to a limited scope review by the statutory auditors as per the requirements of Code of Corporate Governance.

During the current six months period, our sales were significantly down from last comparative period. However, the management of your Company still achieved considerable revenue targets in order to serve the customers and ensure that the Company keeps on doing the business even in these hard times. A brief overview of the key performance indicators are as follows:

Description	October to December 2013 (three months)	July to December 2013 (six months)
Sales	40,578,831	77,327,666
Gross profit	3,306,508	2,049,607
Profit / (loss) after tax for the period	1,310,818	(6,524,459)
Earnings per share	0.17	(0.87)

As evident from above, the financial performance of the last quarter has improved from first quarter. Management has been strictly monitoring the overheads and other costs so as to remain profitable.

I am pleased to inform you that your management has been successful in repairing and restoring the plant to normal working condition. As highlighted in note 1.2 to the financial statements, one of the components of plant and machinery got damaged during the financial year ended June 2013 due to electricity surge / jerks. Consequently, the production had suffered which resulted in lower sales and margins. Our production, revenues and profits, all were adversely affected due to this temporary shut-down. However, with continuous monitoring, regular follow-ups and above all, the determination to restore and resume the plant, have made this possible.

Mr. Wolfgang Langner from Langner Gmbh Germany visited the plant site and has given very useful advice and quotation for the repairs and overhauling of second hand imported plant. Management is considering different options for this and based on consultation, a major step will be taken in near future to start this project. In this regard our Board has recommended that we do not finance it through bank borrowing instead firmly insisted that we raise equity our selves.

Regarding overall country's economy, we are still going through sensitive stages. Post-election scenario has almost been the same as it was before. Experts are of the view that the average inflation for 2014 will exceed the target of 8% for the year as a result of the announced increase in electricity/gas tariff, increase in GST from 16% to 17% and changes in the tax

structure for some goods and services. Similarly, the carried forward issues of power and gas shortfall and the currency devaluation are the main hurdles that our present government has to go through. Despite of all such adverse elements in the economy, the business community is willing to play its pivotal part and has offered favorable conditions to the foreign investors. The KSE 100 index has been rising day by day and foreign investors (including from neighboring countries) are inclined to invest in Pakistan, which is a healthy sign.

Looking forward, we have many challenges coming ahead but with your strong usual support and our mission to succeed, we are very hopeful for a bright future.

On behalf of the Board

Karachi:
Dated: February 27, 2014

M. Hanif Y. Bawany
Managing Director/ Chief Executive Officer

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Bawany Air Products Limited** ("the Company") as at December 31, 2013 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof for the six months period then ended (here-in-after referred to as "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended December 31, 2013 and December 31, 2012 have not been reviewed as we are required to review only the cumulative figures for the six months ended December 31, 2013.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information 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 information is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

Other

The condensed interim financial information of the Company for the half year ended December 31, 2012 and annual audited financial statements of the Company for the year ended June 30, 2013 were reviewed and audited by another firm of chartered accountants whose reports dated February 21, 2013 and October 31, 2013 expressed unqualified conclusion and unqualified opinion thereon respectively. However, the audit report for the year ended June 30, 2013 contained an emphasis of matter paragraph with respect to Company's plant and machinery and the efforts that were being made by the management to restore full production. Subsequent to the Balance Sheet date and before the signing of our review report, the plant has become operational as disclosed in the note 1.2 to the interim financial information. Our opinion is not qualified in respect of this matter.

Karachi:
Dated: February 27, 2014

Parker Randall-A.J.S.
Chartered Accountants
M. Shabbir Kasbati
Audit Engagement Partner:

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2013**

Note	Six months ended		Three months ended	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	----- Rupees -----		----- Rupees -----	
Sales - net	77,327,666	128,881,391	40,578,831	59,937,294
Cost of sales	75,278,059	90,000,719	37,272,323	37,399,015
Gross profit	2,049,607	38,880,672	3,306,508	22,538,279
Profit from trading activities - gases	25,818	305,128	76,058	156,131
Other operating income	2,791,795	3,507	2,207,493	3,399
Unrealized gain on revaluation of other financial assets	26,538	46,583	26,538	46,583
	2,844,151	355,218	2,310,089	206,113
	4,893,758	39,235,890	5,616,597	22,744,392
Distribution cost	2,445,843	3,318,136	1,168,920	886,701
Administrative expenses	7,380,295	7,935,641	3,778,657	4,165,462
Other operating expenses	2,322,366	3,990,125	1,158,636	2,831,268
Finance cost - net	1,832,408	3,008,398	905,039	560,755
	13,980,912	18,252,300	7,011,252	8,444,186
(Loss)/profit before taxation	(9,087,154)	20,983,590	(1,394,655)	14,300,206
Provision for taxation				
Current	(774,213)	(3,867,740)	(590,154)	(3,178,299)
Deferred	3,336,908	(852,096)	3,295,627	(922,790)
	2,562,695	(4,719,836)	2,705,473	(4,101,089)
(Loss)/profit for the period	(6,524,459)	16,263,754	1,310,818	10,199,117
Other comprehensive income	-	-	-	-
Total comprehensive income	(6,524,459)	16,263,754	1,310,818	10,199,117
Earnings per share - basic and diluted	(0.87)	2.17	0.17	1.36

The annexed notes from 1 to 14 form an integral part of these financial statements.

CONDENSED INTERIM BALANCE SHEET

	Note	December 31, 2013 (Un-audited)	June 30, 2013 (Audited)
		----- Rupees -----	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
15,000,000 ordinary shares of Rs.10/- each		<u>150,000,000</u>	<u>150,000,000</u>
Issued, subscribed and paid-up capital		75,025,104	75,025,104
Un-appropriated profit		29,670,535	36,039,305
		104,695,639	111,064,409
Surplus on revaluation of property, plant and equipment - net	5	16,731,734	16,887,424
LIABILITIES			
Non current liabilities			
Deferred tax liability	6.	5,317,745	8,654,652
Long-term financing		7,527,617	9,803,859
Long-term deposits		30,801,958	30,801,958
Current liabilities			
Trade and other payables		24,377,979	13,146,829
Interest/mark-up accrued		1,989,283	3,264,946
Short-term borrowings		15,416,651	10,783,013
Current portion of long-term financing		7,495,740	10,873,394
		49,279,653	38,068,182
Total equity and liabilities		<u><u>214,354,346</u></u>	<u><u>215,280,484</u></u>

AS AT DECEMBER 31, 2013

	Note	December 31, 2013 (Un-audited)	June 30, 2013 (Audited)
----- Rupees -----			
ASSETS			
Non current assets			
Property, plant & equipment	4	182,566,462	186,819,834
Long-term deposits		3,215,467	3,215,467
Current assets			
Stores and spares		1,320,976	1,405,692
Stock-in-trade		2,345,917	2,717,983
Trade debts		7,470,166	6,947,148
Loans and advances		3,617,660	1,318,100
Advance tax		55,794	4,597,705
Trade deposits & other receivables		5,884,538	4,185,283
Other financial assets		155,855	146,127
Income tax refundable		7,477,715	3,098,846
Cash and bank balances		243,796	828,299
		28,572,417	25,245,183
Total assets		214,354,346	215,280,484

The annexed notes from 1 to 14 form an integral part of these financial statements.

M. Hanif Y. Bawany
Managing Director/ Chief Executive Officer

SIRAJ A. KADIR
Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2013**

	December 31, 2013	December 31, 2012
Note	----- Rupees -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation	(9,087,154)	20,983,590
Adjustments for:		
Depreciation	3,604,395	3,598,220
Gain on disposal of property, plant and equipment	(2,391,023)	-
Unrealized gain on revaluation of other financial assets	(26,538)	(46,583)
Finance cost	1,832,408	3,008,398
Operating cash flows before working capital changes	(6,067,912)	27,543,625
Working capital changes	11. 7,166,099	(8,039,720)
Net cash generated from operations	1,098,187	19,503,905
Finance cost paid	(3,108,071)	(2,862,619)
Income tax paid	(611,171)	(1,543,114)
Net cash (used in) / generated from operating activities	(2,621,055)	15,098,172
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-	(1,612,055)
Proceeds from disposal of other financial assets - net	(16,810)	-
Proceeds from disposal of property, plant and equipment	3,040,000	-
Net cash generated from / (used in) investing activities	3,056,810	(1,612,055)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term deposits - liabilities - net	-	2,968,000
Repayment of long-term finance	(5,653,896)	(10,197,823)
Short-term borrowings - net	4,633,638	(5,036,712)
Net cash used in financing activities	(1,020,258)	(12,266,535)
Net (decrease) / increase in cash and cash equivalents	(584,503)	1,219,582
Cash and cash equivalents at beginning of the period	828,299	856,836
Cash and cash equivalents at end of the period	243,796	2,076,418

The annexed notes from 1 to 14 form an integral part of these financial statements.

M. Hanif Y. Bawany
Managing Director/ Chief Executive Officer

SIRAJ A. KADIR
Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2013**

	Issued, subscribed and paid-up capital	Un-appropriated profit	Total
	----- Rupees -----		
Balance as at July 1, 2012	75,025,104	22,530,417	97,555,521
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	262,577	262,577
Net profit for the period	-	16,263,754	16,263,754
	-	16,526,331	16,526,331
Balance as at December 31, 2012	75,025,104	39,056,748	114,081,852
Balance as at July 1, 2013	75,025,104	36,039,305	111,064,409
Transfer from surplus on revaluation of property, plant and equipment - net of deferred	-	155,690	155,690
Net loss for the period	-	(6,524,460)	(6,524,460)
	-	(6,368,770)	(6,368,770)
Balance as at December 31, 2013	75,025,104	29,670,535	104,695,639

The annexed notes from 1 to 14 form an integral part of these financial statements.

M. Hanif Y. Bawany
Managing Director/ Chief Executive Officer

SIRAJ A. KADIR
Director

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE SIX MONTHS ENDED DECEMBER 31, 2013

1. THE COMPANY AND ITS OPERATIONS

- 1.1 Bawany Air Products Limited (the Company) is a public limited Company incorporated in Pakistan on August 16, 1978. The Company is currently listed on the Karachi Stock Exchange. The principal activities of the Company are production and trading of oxygen gas, dissolved acetylene and nitrogen gas. The manufacturing facilities are located at Hub Industrial Estate, Tehsil Hub in the province of Balochistan. The registered office of the Company is situated at Khasra No. 52/53 R.C.D. Highway, Mouza Pathra, Tehsil Hub, Lasbella District, Balochistan.
- 1.2 Due to partial closure of plant on account of damage to one of the component of plant and machinery during the financial year ended June 2013, the production had suffered which resulted in lower sales and margins. However, subsequent to the balance sheet date and by the time accounts are being approved by the Board the plant has become fully operational.

2. BASIS OF PREPARATION

This interim financial information has been prepared in condensed form in accordance with the requirements of International Accounting Standard (IAS) 34 "Interim Financial Reporting" and is being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984 and the listing regulations of the Karachi Stock Exchange. This condensed interim financial information does not include all the information required for annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended June 30, 2013.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates, judgments and methods of computation adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Company for the year ended June 30, 2013.

	Note	December 31, 2013 (Un-audited)	June 30, 2013 (Audited)
----- Rupees -----			
4. PROPERTY, PLANT AND EQUIPMENT			
Operating property, plant and equipment	4.1	<u>182,566,462</u>	<u>186,819,834</u>
4.1 Additions to property, plant and equipment during the period were Rs. Nil (June 30, 2013: Rs. 6,490,970) and disposals there from at net book value were Rs. 648,977 (June 30, 2013: Rs. 144,004).			
5. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net			
Surplus on freehold land		10,754,210	10,754,210
Surplus on building on freehold land	5.1	<u>5,977,524</u>	<u>6,133,214</u>
		<u>16,731,734</u>	<u>16,887,424</u>

Note	December 31, 2013 (Un-audited)	June 30, 2013 (Audited)
	----- Rupees -----	
5.1 Movement of surplus on building on freehold land during the period		
Revaluation surplus as at July 01	9,435,713	16,158,565
Deficit arising on revaluation carried out during the year	-	(5,914,924)
	<u>9,435,713</u>	<u>10,243,641</u>
Transferred to unappropriated profit in respect of incremental depreciation charged during the period, net of deferred tax	(155,690)	(525,153)
Related deferred tax liability of incremental depreciation charged during the period	(80,204)	(282,775)
Revaluation surplus	<u>9,199,819</u>	<u>9,435,713</u>
Less: Related deferred tax liability on:		
Revaluation as at July 1	(3,302,499)	(5,655,497)
Deficit arising on revaluation carried out during the year	-	2,070,223
Incremental depreciation charged during the period transferred to profit and loss account	80,204	282,775
	<u>(3,222,295)</u>	<u>(3,302,499)</u>
	<u>5,977,524</u>	<u>6,133,214</u>
6. DEFERRED TAX LIABILITY		
Deferred debits arising due to:		
Provision for bad debts	(102,319)	(105,329)
Provision for liabilities	(482,371)	(496,558)
Carried forward tax losses	(25,984,969)	(22,849,924)
	<u>(26,569,659)</u>	<u>(23,451,811)</u>
Deferred credit arising due to:		
Accelerated depreciation on property, plant and equipment	28,759,466	28,803,964
Surplus on revaluation of property, plant and equipment	3,127,938	3,302,499
	<u>5,317,745</u>	<u>8,654,652</u>

	Six months ended		Three months ended	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
	----- Rupees -----		----- Rupees -----	
7 COST OF SALES				
Raw material consumed	61,684,484	34,959,790	33,494,294	12,576,002
Salaries, wages and benefits	5,024,822	8,262,400	2,173,577	2,511,748
Power, fuel and water	3,371,853	38,807,026	827,108	17,104,218
Stores and spares	295,982	1,921,325	183,051	981,951
Repairs, maintenance and handling	3,184,844	4,889,628	849,724	2,430,830
Insurance	911,808	782,422	455,904	413,373
Vehicles running and maintenance	150,894	224,723	75,990	87,715
Depreciation	777,842	1,085,491	385,523	540,647
Others	1,136,365	1,795,290	619,761	358,713
Maintenance & other charges recovered	(512,766)	(747,726)	(203,732)	(363,927)
	76,026,128	91,980,369	38,861,200	36,641,270
Finished goods				
Opening stock	1,256,121	291,753	415,313	3,029,148
Closing stock	(2,004,190)	(2,271,403)	(2,004,190)	(2,271,403)
	(748,069)	(1,979,650)	(1,588,877)	757,745
	75,278,059	90,000,719	37,272,323	37,399,015
8. OTHER OPERATING EXPENSES				
Worker's welfare fund	-	539,267	-	539,267
Worker's profit participation fund	-	1,127,638	-	1,127,638
Depreciation on idle plant & related assets	2,307,366	2,307,620	1,148,636	1,148,763
Others	15,000	15,600	10,000	15,600
	2,322,366	3,990,125	1,158,636	2,831,268
9 FINANCE COST - NET				
Interest/markup on				
Long-term financing	1,169,412	2,658,074	526,072	374,631
Short-term borrowings				
Bank	507,397	252,528	254,118	130,481
Related party	144,223	79,361	116,093	37,208
	651,620	331,889	370,211	167,689
Bank charges	11,376	18,435	8,756	18,435
	1,832,408	3,008,398	905,039	560,755

10. TAXATION

Charge for the current taxation represents higher of taxable income charged to tax at the rate of 34% or turnover tax @ 1% under section 113 of the Income Tax Ordinance, 2001.

	December 31, 2013 (Un-audited)	December 31, 2012 (Un-audited)
	----- Rupees -----	
11. WORKING CAPITAL CHANGES		
(Increase)/decrease in current assets		
Stores and spares	84,716	(265,303)
Stock-in-trade	372,066	(1,636,474)
Trade debts	(523,018)	(4,787,850)
Loans and advances	(2,299,560)	569,152
Trade deposits and other receivables	(1,699,255)	(1,460,352)
(Decrease)/increase in current liabilities		
Trade and other payables	11,231,150	(458,893)
	<u>7,166,099</u>	<u>(8,039,720)</u>

12. TRANSACTIONS WITH RELATED PARTIES

The associated undertaking and related parties comprise associated companies, directors and key management personnel. The transactions with related parties are as follows:

Associated undertakings		
Organization charges paid	74,782	199,596
Long-term loan repaid to associated undertaking	-	900,000
Long-term loan taken from associated undertaking	4,100,000	-
Transactions with key management personnel		
Salaries, benefits and other allowances	1,754,504	1,551,750
Other related parties		
Contribution made by the Company to retirement benefit plan	871,654	603,094
Mark-up accrued on loan from retirement benefits	77,391	79,361

13. DATE OF AUTHORIZATION FOR ISSUE

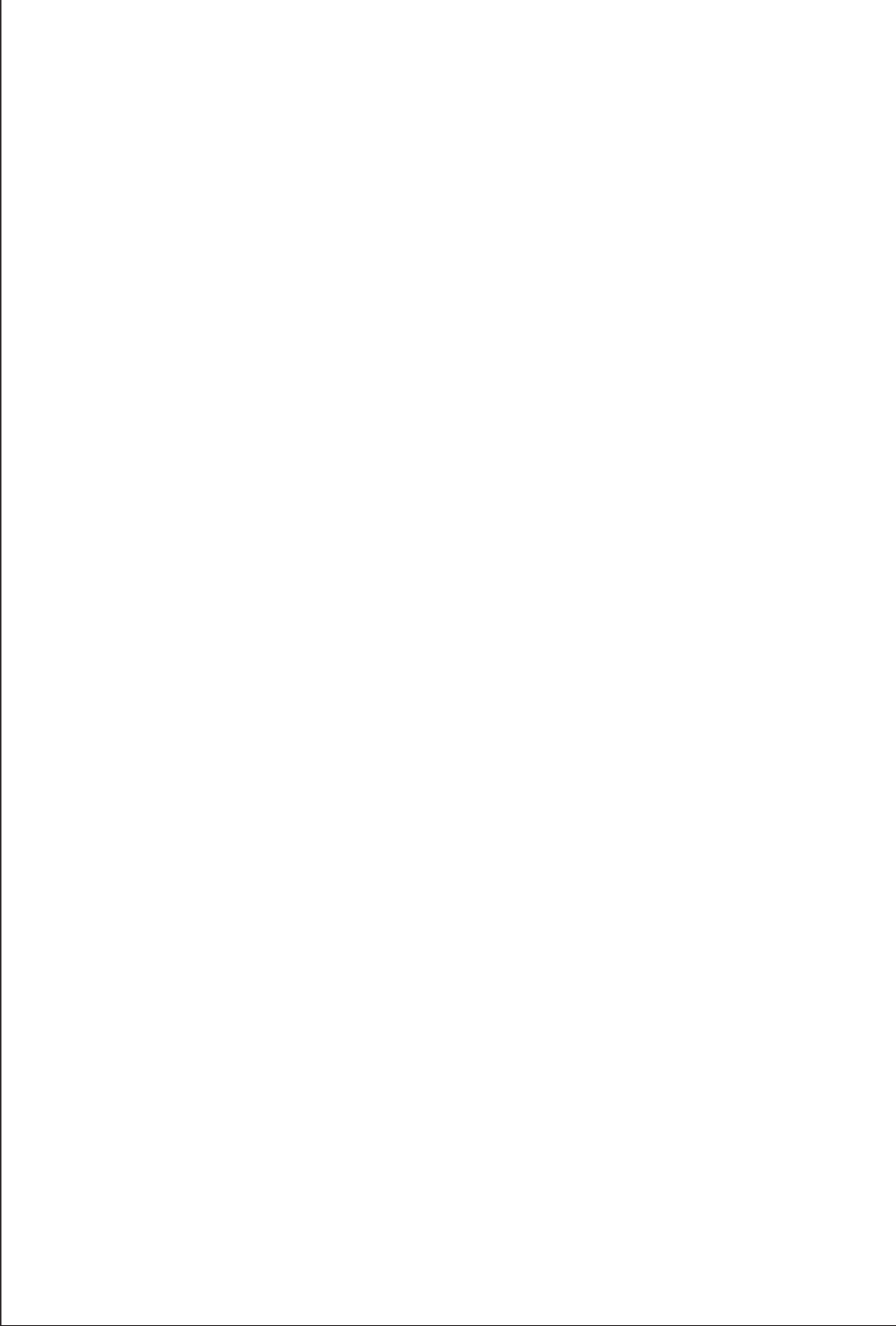
This condensed interim financial information was authorised for issue on February 27, 2014 by the Board of Directors of the Company.

14. GENERAL

Figures presented in these interim condensed financial statement have been rounded off to the nearest rupee, unless otherwise stated.

M. Hanif Y. Bawany
Managing Director/ Chief Executive Officer

SIRAJ A. KADIR
Director





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