



**BAWANYAIR**  
PRODUCTS LIMITED

**HALF YEARLY ACCOUNTS  
DECEMBER 31, 2014  
(UNAUDITED)**



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## CORPORATE INFORMATION

<b>BOARD OF DIRECTORS</b>	Mr. Mohammad Ashraf Mr. M. Hanif Y. Bawany Mrs. Momiza Hanif Bawany Mr. Vali Mohammad M. Yahya Mr. Wazir Ahmed Jogezai 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
<b>AUDIT &amp; HR COMMITTEE</b>	Mr. Siraj A. Kadir Mr. Mohammad Ashraf Mr. Zakaria A. Ghaffar Mr. Muhammad Munir	Chairman Member Member Secretary to Audit Committee
<b>HEAD OF INTERNAL AUDIT</b>	Mr. Muhammad Munir	
<b>CHIEF FINANCIAL OFFICER &amp; COMPANY SECRETARY</b>	Mr. Abdul Rauf Panja	
<b>AUDITORS</b>	Parker Randall-A.J.S. Chartered Accountants	
<b>BANKERS</b>	National Bank of Pakistan Faysal Bank Limited United Bank Limited MCB Bank Limited	
<b>SHARE REGISTRAR</b>	C&K Management Associates (Pvt) Ltd. 404, Trade Tower, Abdullah Haroon Road, Karachi Tel: 35687839-35685930	
<b>REGISTERED OFFICE</b>	Khasra No. 52/53 R.C.D. Highway, Mouza Pathra, Tehsil Hub, Lasbella District, Balochistan. Tel : 0853 - 363287-8, 0853 - 363289 Fax: 0853 - 363290	
<b>CITY OFFICE</b>	16-C, 2nd Floor, Nadir House, I.I. Chundrigar Road, Karachi. Tel : 32400440 Fax : 32411986	

## HALF YEARLY REVIEW

ASSALAM-O-ALAIKUM

On behalf of the Board of Directors, I am pleased to present the Directors' Review on the half year December 31, 2014 and I also present the un-audited financial statements of your Company for the period then ended. These financial statements were subject to a limited scope review by the statutory auditors as per the requirements of Code of Corporate Governance. The review report is also included in this set of financial statements.

The operational and financial performance of your Company has been restored to some extent however; complete production capacity has not yet been achieved since one of the existing plant is yet to be operational. However, the other existing plants are running smoothly and their production is normal. In addition to this, the management is making up the lost production of oxygen by purchasing it in semi-finished stage from the market, which is being processed further and then it is sold to the customers.

The key financial performance analysis indicators for the six months period ended December 31, 2014 as compared to the corresponding period six months of December 31, 2013 are as follows:

<b>Description</b>	<b>Six months Dec 31, 2014</b>	<b>Six months Dec 31, 2013</b>
Sales	45,748,049	77,327,666
Gross profit	3,874,569	2,049,607
Loss before taxation	(7,940,845)	(9,087,154)

It is evident from above that despite of lower sales, the Company managed to earn healthy gross profit margin in first six months of year 2015. The cash flows of the Company are being monitored very carefully. As a result of stringent efforts of the management, your Company is negotiating with certain outstanding receivable and there has been considerable development in this regards where certain old outstanding (like Winder Industries, etc.) will be recovered In Shaa Allah.

As far as our national economic conditions are concerned, a recent report published by the Department of Economic and Social Affairs (DESA) of the United Nations stated that South Asian economies are expected to grow by 5.4% in 2015. However, commenting specifically about Pakistan, the report said that due to the precarious security situation in the country, and low fixed investment, the macroeconomic fundamentals remain fragile in Pakistan, in spite of the GDP rebounding to an estimated 4.2% in 2014 after robust private and public consumption. The report forecasts economic growth of Pakistan to fall slightly in 2015, but pick up again in 2016.

On a positive side, the market of liquid oxygen is getting stable and the price of liquid oxygen has slightly increased. We hope that this trend continues in future since the price should always be ascertained by the general demand - supply mechanism rather than by intervention

and false tactics such as non sales tax paid deliveries. As the ship breaking industry though declared and registered do not get input claim of sales tax or purchase of liquid oxygen.

On behalf of the Board



**M. Hanif Y. Bawany**

Managing Director/ Chief Executive Officer

Karachi

Dated: February 20, 2015

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## **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, 2014 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, 2014 and December 31, 2013 have not been reviewed as we are required to review only the cumulative figures for the six months ended December 31, 2014.

### **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**

We draw attention to note # 1.2 to the condensed interim financial information related to the status of the Company's plant and machinery and the efforts being made by management to restore full production. Our opinion is not qualified in respect of this matter.



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

Karachi  
Dated: February 20, 2015



**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT - (UN-AUDITED)  
FOR THE QUARTER AND HALF-YEAR ENDED DECEMBER 31, 2014**

	Note	Half-year ended		Quarter ended	
		December 31,	December 31,	December 31,	December 31,
		2014	2013	2014	2013
		----- Rupees -----		----- Rupees -----	
Sales - net		45,748,049	77,327,666	27,215,590	40,578,831
Cost of sales	6	<u>(41,873,480)</u>	<u>(75,278,059)</u>	<u>(23,115,700)</u>	<u>(37,272,323)</u>
<b>Gross profit</b>		<b>3,874,569</b>	<b>2,049,607</b>	<b>4,099,890</b>	<b>3,306,508</b>
Profit from trading activities - gases		-	25,818	-	76,058
Other operating income		414,576	2,791,795	299,362	2,207,493
Unrealized gain on revaluation of other financial assets		12,509	26,538	12,509	26,538
		<u>427,085</u>	<u>2,844,151</u>	<u>311,871</u>	<u>2,310,089</u>
		<b>4,301,654</b>	<b>4,893,758</b>	<b>4,411,761</b>	<b>5,616,597</b>
Distribution cost		<u>(2,072,924)</u>	<u>(2,445,843)</u>	<u>(1,013,060)</u>	<u>(1,168,920)</u>
Administrative expenses		<u>(6,442,923)</u>	<u>(7,380,295)</u>	<u>(3,163,030)</u>	<u>(3,778,657)</u>
Other operating expenses	7	<u>(2,303,937)</u>	<u>(2,322,366)</u>	<u>(1,108,526)</u>	<u>(1,158,636)</u>
Finance cost	8	<u>(1,422,715)</u>	<u>(1,832,408)</u>	<u>(693,070)</u>	<u>(905,039)</u>
		<u>(12,242,499)</u>	<u>(13,980,912)</u>	<u>(5,977,686)</u>	<u>(7,011,252)</u>
<b>Loss before taxation</b>		<b>(7,940,845)</b>	<b>(9,087,154)</b>	<b>(1,565,925)</b>	<b>(1,394,655)</b>
<b>Provision for taxation</b>					
Current	9	<u>(457,480)</u>	<u>(774,213)</u>	<u>(271,779)</u>	<u>(590,154)</u>
Deferred		-	3,336,908	-	3,295,627
		<u>(457,480)</u>	<u>2,562,695</u>	<u>(271,779)</u>	<u>2,705,473</u>
<b>(Loss)/income for the period</b>		<b>(8,398,325)</b>	<b>(6,524,459)</b>	<b>(1,837,704)</b>	<b>1,310,818</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive (loss)/income</b>		<b><u>(8,398,325)</u></b>	<b><u>(6,524,459)</u></b>	<b><u>(1,837,704)</u></b>	<b><u>1,310,818</u></b>
<b>Earnings per share - basic and diluted</b>		<b><u>(1.12)</u></b>	<b><u>(0.87)</u></b>	<b><u>(0.24)</u></b>	<b><u>0.17</u></b>

The annexed notes from 1 to 13 form an integral part of these financial statements.

**M. HANIF Y. BAWANY**  
Managing Director/Chief Executive Officer

**SIRAJ A. KADIR**  
Director



## CONDENSED INTERIM BALANCE SHEET

	Note	December 31, 2014 (Un-audited) ----- Rupees -----	June 30, 2014 (Audited)
<b>ASSETS</b>			
<b>Non current assets</b>			
Property, plant & equipment	4	174,808,210	178,168,918
Long term deposits		3,215,467	3,215,467
<b>Current assets</b>			
Stores and spares		1,270,424	1,282,090
Stock-in-trade		1,400,278	1,846,789
Trade debts		3,811,963	4,454,590
Loans and advances		1,405,103	1,614,062
Trade deposits & other receivables		4,537,996	3,676,263
Other financial assets		152,701	140,192
Income tax refundable		3,940,715	7,477,715
Cash and bank balances		1,011,942	501,661
		17,531,122	20,993,362
<b>Total assets</b>		<b>195,554,799</b>	<b>202,377,747</b>



**AS AT DECEMBER 31, 2014**

Note	December 31, 2014 (Un-audited) ----- Rupees -----	June 30, 2014 (Audited)
<b>EQUITY AND LIABILITIES</b>		
<b>Share capital and reserves</b>		
<b>Authorised capital</b>		
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	6,884,287	15,136,264
	81,909,391	90,161,368
Surplus on revaluation of property, plant and equipment - net	5 16,429,697	16,576,045
<b>Non current liabilities</b>		
Long term financing	22,274,000	2,620,983
Long term deposits	33,207,212	30,532,254
<b>Current liabilities</b>		
Trade and other payables	20,792,431	23,641,860
Interest/mark-up accrued	740,218	942,211
Short term borrowings	10,618,510	29,028,052
Current portion of long term financing	8,906,497	8,279,293
Provision for taxation - net	676,843	595,681
	41,734,499	62,487,097
<b>Total equity and liabilities</b>	<u>195,554,799</u>	<u>202,377,747</u>

The annexed notes from 1 to 13 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 - (UN-AUDITED)  
FOR THE HALF-YEAR ENDED DECEMBER 31, 2014**

	December 31, 2014	December 31, 2013
Note	----- Rupees -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(7,940,845)	(9,087,154)
<b>Adjustments for:</b>		
Depreciation	3,330,208	3,604,395
Gain on disposal of property, plant and equipment	(1,500)	(2,391,023)
Unrealized gain on revaluation of other financial assets	(12,509)	(26,538)
Finance cost	1,422,715	1,832,408
<b>Operating cash flows before working capital changes</b>	<b>(3,201,931)</b>	<b>(6,067,912)</b>
Working capital changes	10 (2,401,399)	7,166,099
<b>Net cash (used in)/generated from operations</b>	<b>(5,603,330)</b>	<b>1,098,187</b>
Finance cost	(1,624,708)	(3,108,071)
Income tax refund/(paid)	3,160,682	(611,171)
<b>Net cash used in operating activities</b>	<b>(4,067,356)</b>	<b>(2,621,055)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment in other financial assets	-	16,810
Proceeds from disposal of property, plant and equipment	32,000	3,040,000
<b>Net cash generated from investing activities</b>	<b>32,000</b>	<b>3,056,810</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long-term deposits - liabilities - net	2,674,958	-
Repayment of long-term finance	1,221,221	(5,653,896)
Short-term borrowings	649,458	4,633,638
<b>Net cash generated from/(used in) financing activities</b>	<b>4,545,637</b>	<b>(1,020,258)</b>
Net increase/(decrease) in cash and cash equivalents	510,281	(584,503)
Cash and cash equivalents at beginning of the period	501,661	828,299
<b>Cash and cash equivalents at end of the period</b>	<b>1,011,942</b>	<b>243,796</b>

The annexed notes from 1 to 13 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 - (UN-AUDITED)  
FOR THE HALF-YEAR ENDED DECEMBER 31, 2014**

	<b>Issued subscribed &amp; paid-up capital</b>	<b>Un- appropriated profit</b>	<b>Total</b>
	----- (Rupees) -----		
<b>Balance as at July 1, 2013</b>	75,025,104	36,039,305	111,064,409
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	155,690	155,690
Total comprehensive loss for the period	-	(6,524,460)	(6,524,460)
	-	(6,368,770)	(6,368,770)
<b>Balance as at December 31, 2013</b>	<b><u>75,025,104</u></b>	<b><u>29,670,535</u></b>	<b><u>104,695,639</u></b>
<b>Balance as at July 1, 2014</b>	<b>75,025,104</b>	<b>15,136,264</b>	<b>90,161,368</b>
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	146,348	146,348
Total comprehensive loss for the period	-	(8,398,325)	(8,398,325)
	-	(8,251,977)	(8,251,977)
<b>Balance as at December 31, 2014</b>	<b><u>75,025,104</u></b>	<b><u>6,884,287</u></b>	<b><u>81,909,391</u></b>

The annexed notes from 1 to 13 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 FOR THE QUARTER AND HALF-YEAR ENDED DECEMBER 31, 2014

### 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 Pathara, Tehsil Hub, Lasbella District, Balochistan.
- 1.2** After going in to operations in February 2014, the Company faced another breakdown in March 2014. Due to these frequent breakdowns, the management has decided to move forward with overhauling and re-commissioning of the imported plant lying idle with the Company. The plant is expected to be operational by the end of the current financial year and management is hopeful that once operational, it will bring efficiencies in the operations in future.

### 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, 2014.

### 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, 2014.

	Note	December 31, 2014 (Un-audited)	June 30, 2014 (Audited)
----- Rupees -----			
<b>4. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating property, plant and equipment	4.1	<b>174,808,210</b>	<b>178,168,918</b>
<b>4.1</b> Additions to property, plant and equipment during the period were Rs. Nil (June 30, 2014: Rs. Nil) and disposal there from at net book value was Rs. 30,500 (June 30, 2014: Rs. 1,496,311).			
<b>5. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET</b>			
Surplus on freehold land		<b>10,754,210</b>	10,754,210
Surplus on building on freehold land	5.1	<b>5,675,487</b>	5,821,835
		<b>16,429,697</b>	<b>16,576,045</b>



Note	December 31, 2014 (Un-audited)	June 30, 2014 (Audited)
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----- Rupees -----

### 5.1 Movement of surplus on building on freehold land

Revaluation surplus as at July 01, 2014	<b>8,869,570</b>	9,435,713
Restatement of opening liability due to change in tax rate	-	(94,357)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year, net of deferred tax	<b>(146,348)</b>	(311,379)
Related deferred tax liability of incremental depreciation charged during the year	<b>(73,174)</b>	(160,407)
<b>Revaluation surplus</b>	<b>8,650,048</b>	<b>8,869,570</b>
<b>Less: Related deferred tax liability on:</b>		
Revaluation surplus as at July 1, 2014	<b>(3,047,735)</b>	(3,302,499)
Difference arising due to change in rate of tax	-	94,357
Incremental depreciation charged during the year on related assets transferred to profit and loss account	<b>73,174</b>	160,407
	<b>(2,974,561)</b>	(3,047,735)
	<b>5,675,487</b>	<b>5,821,835</b>



	Half-year ended		Quarter ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	----- Rupees -----		----- Rupees -----	
<b>6. COST OF SALES</b>				
Raw material consumed	34,250,767	61,684,484	18,305,379	33,494,294
Salaries, wages and benefits	2,496,778	5,024,822	1,243,587	2,173,577
Power, fuel and water	1,194,530	3,371,853	611,713	827,108
Stores and spares	196,966	295,982	127,394	183,051
Repairs, maintenance and handling	1,034,405	3,184,844	633,008	849,724
Insurance	451,846	911,808	65,839	455,904
Vehicles running and maintenance	288,817	150,894	113,357	75,990
Depreciation	729,938	777,842	362,402	385,523
Others	740,042	1,136,365	382,409	619,761
Maintenance & other charges recovered	(319,031)	(512,766)	(133,119)	(203,732)
	<b>41,065,058</b>	<b>76,026,128</b>	<b>21,711,969</b>	<b>38,861,200</b>
<b>Finished goods</b>				
Opening stock	1,187,817	1,256,121	1,783,126	415,313
Closing stock	(379,395)	(2,004,190)	(379,395)	(2,004,190)
	808,422	(748,069)	1,403,731	(1,588,877)
	<b>41,873,480</b>	<b>75,278,059</b>	<b>23,115,700</b>	<b>37,272,323</b>
<b>7. OTHER OPERATING EXPENSES</b>				
Depreciation on idle plant & related assets	2,226,753	2,307,366	1,108,526	1,148,636
Others	77,184	15,000	-	10,000
	<b>2,303,937</b>	<b>2,322,366</b>	<b>1,108,526</b>	<b>1,158,636</b>
<b>8. FINANCE COST</b>				
<b>Interest/markup on</b>				
Long-term financing	625,479	1,169,412	278,866	526,072
<b>Short-term borrowings</b>				
Bank	661,745	507,397	331,924	254,118
Related party	128,844	144,223	76,526	116,093
	790,589	651,620	408,450	370,211
Bank charges	6,647	11,376	5,754	8,756
	<b>1,422,715</b>	<b>1,832,408</b>	<b>693,070</b>	<b>905,039</b>



**9. TAXATION**

The tax charged for the quarter and half year ended December 31, 2014 consists of tax charged under minimum tax calculated on turnover as adjusted by movement in deferred tax.

	<b>December 31, 2014 (Un-audited)</b>	<b>December 31, 2013 (Un-audited)</b>
	----- Rupees -----	
<b>10. WORKING CAPITAL CHANGES</b>		
<b>(Increase)/decrease in current assets</b>		
Stores and spares	11,666	84,716
Stock-in-trade	446,511	372,066
Trade debts	642,627	(523,018)
Loans and advances	208,959	(2,299,560)
Trade deposits and other receivables	(861,733)	(1,699,255)
<b>(Decrease)/increase in current liabilities</b>		
Trade and other payables	(2,849,429)	11,231,150
	<u>(2,401,399)</u>	<u>7,166,099</u>

**11. TRANSACTIONS WITH RELATED PARTIES**

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

**Associated undertakings**

Organization charges paid	210,344	74,782
Long-term loan taken from associated undertaking	3,215,000	4,100,000

**Transactions with key management personnel**

Salaries, benefits and other allowances	1,158,000	1,754,504
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**Other related parties**

Contribution made by the Company to retirement benefit plan	339,264	871,654
Mark-up accrued on loan from retirement benefits plan	121,578	77,391

**12. DATE OF AUTHORIZATION FOR ISSUE**

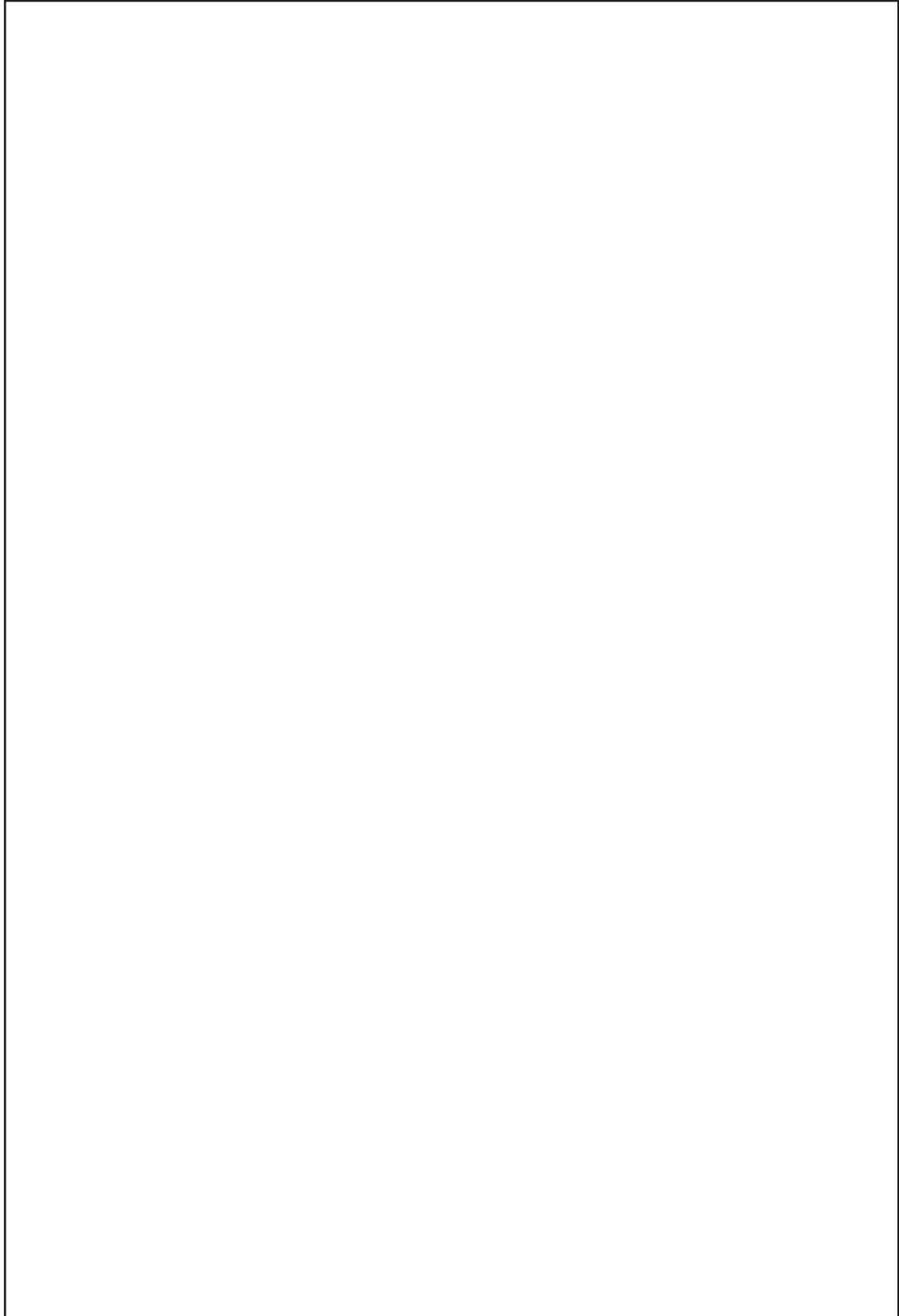
This condensed interim financial information was authorised for issue on February 20, 2015 by the board of directors of the Company.

**13. GENERAL**

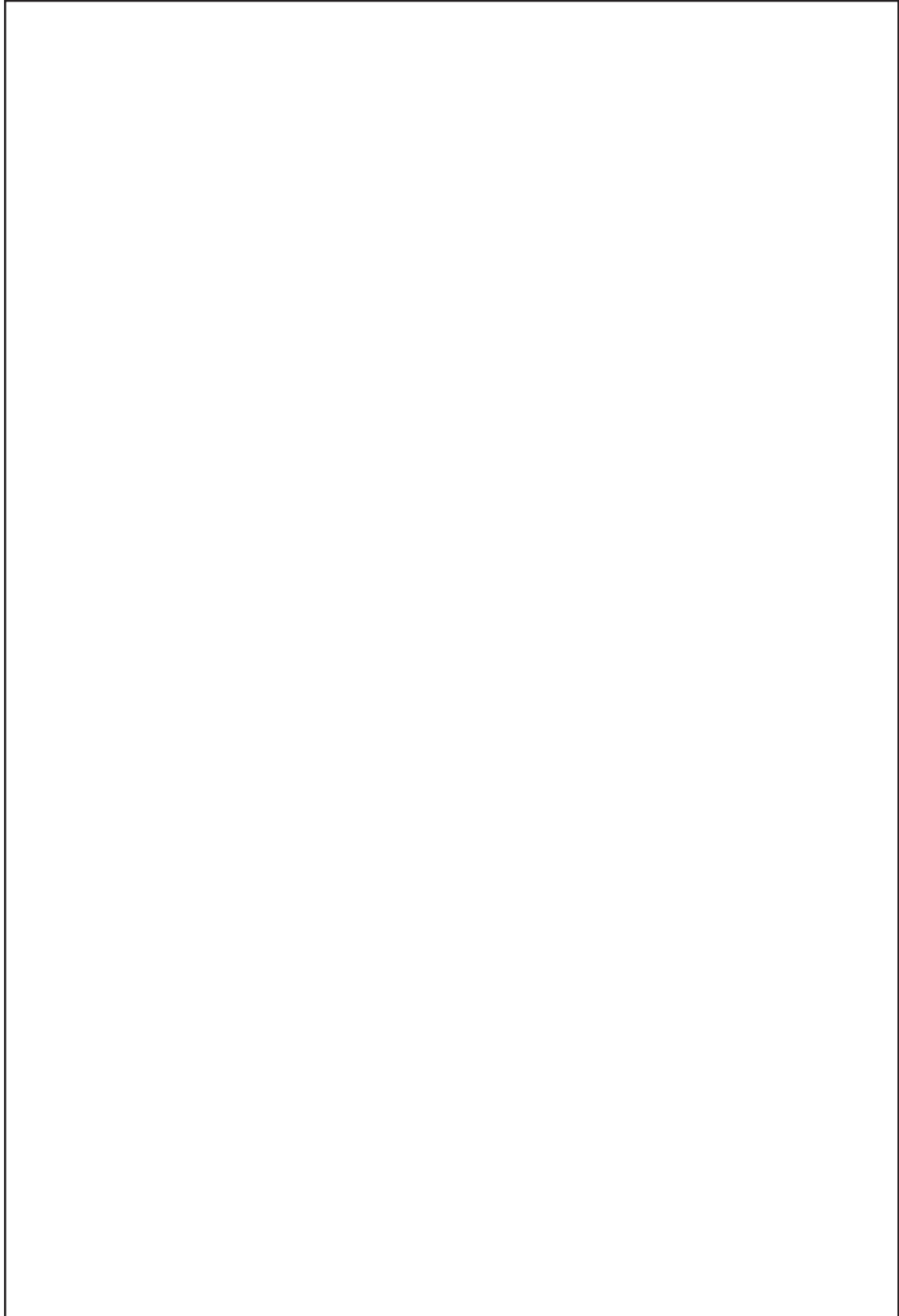
Figures presented in these interim condensed financial statement have been rounded off to the nearest rupee, unless otherwise stated.

**M. HANIF Y. BAWANY**  
Managing Director/Chief Executive Officer

**SIRAJ A. KADIR**  
Director









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