



BAWANYAIR
PRODUCTS LIMITED

THIRTY EIGHT
ANNUAL REPORT
2015-2016

TRIBUTE TO HONORABLE CHAIRMAN YAHYA AHMED BAWANY 1925-2009



This is a small tribute in the honor of Mr. Yahya Ahmed Bawany (SQA). He passed away peacefully on Monday 12th January, 2009 at the age of 84. The first industry of the Bawany Group in Pakistan was set up by Seth Ahmed Ibrahim Bawany of Rangoon Burma (Myanmar) soon after Pakistan's Independence in Karachi, known as Bawany Violin Textile Mills. Thereafter his son Yahya Ahmed Bawany born in 1925 at Rangoon Burma (Myanmar) was instrumental in setting up all the other industries of the Bawany Group from 1953 to 1971 making the group an industrial giant. Some of the industries are listed here. Latif Bawany Jute Mills and Ahmed Bawany Textile Mills (These two industries employed over 10,000 workers), Eastern Chemical Industries, Eastern Tubes (Toshiba), Bella Artifitex, Oriental Water Works (barges and ship lightening), Bawany Tea Estate, Bawany Coconut Estates, ABL Brick Fields, RR Textiles Mills, Khulna Textile Mills. Further he got sanction permission to set up Bawany Sugar Mills in Badin, Balotra Textile Mills, Anoor Textile Mills and Medina Textile Mills in the Mid 1960's. After 1971 and the independence of Bangladesh he set up Al-Ameen Textile Mills, Kotri (The first Toyada Open-end Spinning in Pakistan). Then he acquired Paramount Limited (electric tube lights and bulbs). Yusuf Industries (artificial leather). He then went up to set up his last two industries namely Latif Jute Mills Limited and Bawany Air Products Limited (Industrial gases). Yahya Ahmed Bawany besides being a successful industrialist was also in social and philanthropic work, he established Ahmed Bawany Academy and Bawany High School in Dhaka. Ahmed Bawany Academy and Kaka Bawany Vocational Centre in Karachi. Some of his other achievements are listed below:

- Founder and Former President of All Pakistan Jute Mills Association, East Pakistan.
- Founder and Former President of All Pakistan textile Mills Association, Pakistan.
- Founder and Former President of Dhaka Chamber of Commerce and Industry.
- Founder and Former President Narayanganj Chamber of Commerce.
- Former President Pakistan Memon Educational and Welfare Society.
- Former President of Jetpur Memon Jamat.
- Co-founder and serving President of United Memon Jamat.
- Founder member of Jetpur Memon Relief Society.
- Former Co-founder Trustee and member of World Memon Foundation.
- Former Chairman and Member of Managing Committee of Aisha Bawany Wakf.
- Founder Chairman AAL Bawany Foundation.
- Served as founding member of the Managing Committee of Federation of Pakistan Chamber of Commerce & Industry (FPCCI) representing former East Pakistan.
- Member of Advisory Council Federal Ministry of Commerce, Eastern Wing.
- Member of Advisory Council Federal Ministry of Industry, Eastern Wing.
- Member of Advisory Council Federal Ministry of Finance, Eastern Wing.
- Chairman of refugees Rehabilitation and Finance Corporation Dhaka, Former East Pakistan.
- Chairman of Lal Bagh Madrassa Dhaka.
- Sponsor and Secretary General of Baitul Mukarram Mosque (National Mosque of Bangladesh, Dhaka).
It was built under his personal supervision from inception.
- He was awarded the SITARA-E-QUAID-E-AZAM (SQA) one of the highest Civilian Awards for his social services.

We are grateful to Jetpur Memon Relief Society for announcing of naming of a building of a block of flats in Gulshan-e-Iqbal as "Yahya Ahmed Bawany Building".

Please recite Surah-e-Fateha for his departed soul.



BAWANYAIR

PRODUCTS LIMITED

38th ANNUAL REPORT

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COMPANY INFORMATION

BOARD OF DIRECTORS	Mr. Mohammad Ashraf Mr. M. Hanif Y. Bawany Mrs. Momiza Hanif Bawany Mr. Vali Mohammad M. Yahya Mr. Wazir Ahmed Jogezei 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 National Bank of Pakistan	
SHARE REGISTRAR	C&K Management Associates (Pvt) Ltd. 404, Trade Tower, Abdullah Haroon Road, Karachi Te: 35687839-35685930	
REGISTERED OFFICE	Khasra No. 52/53 R.C.D. Highway, Mouza Pathra, Tehsil Hub, Lasbella District, Balochistan Tel: 0853 - 363289 Fax: 0853 - 363290	
CITY OFFICE	16-C, 2nd Floor, Nadir House, I.I. Chundrigar Road, Karachi Tel: 021-32400440 Fax: 021-32411986	

NOTICE OF MEETING

Notice is hereby given that the Thirty eighth Annual General Meeting of the Company will be held at the registered office Khasra No. 52/53, RCD Highway, Hub, Balochistan on Monday 31st October 2016 at 11:00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the 37th Annual General Meeting held on October 27, 2015.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2016 together with Directors and Auditor's Report thereon.
3. To appoint auditors for the year 2016-2017 and fix their remuneration.
4. Transact any other business with permission of chair.

Karachi
October 07, 2016

By order of the Board
Mohammad Hashim
Company Secretary

NOTES:

1. Transport will be provided. Pick-up point will be at Pakistan Stock Exchange Building and departure will be at 10:00 a.m. sharp on October 31, 2016.
2. The register of members of the Company shall remain closed from October 19, 2016 to November 01, 2016. (Both days inclusive).
3. Proxies in order to be valid must be received at city office of the Company at Room No. 16-C, 2nd floor, Nadir House, I. I. Chundrigar Road, Karachi not later than 48 hours before the meeting.
4. Members are requested not to bring spouse / children or any other accompany.
5. CDC Account Holders will further have to follow the following guidelines:

- **For Attending the Meeting:**

- a) In case of individuals, the account holders or sub-accounts holder shall authenticate their identity by showing original CNIC or original passport at the time of the meeting
- b) For corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.

- **For Appointing the Proxies:**

- a) Individual account holders or sub-account holders shall submit the duly filled proxy form along with attested copies of CNIC cards or passport of the beneficial owners.
- b) For corporate entity, the Board of Directors resolution / power of attorney with specimen signature of the nominee shall be submitted with duly filled Proxy form.
- c) Proxy shall produce original CNIC or passport at the time of the meeting.

CHIEF EXECUTIVE'S REVIEW

In the name of ALLAH the Most Merciful and the Most Benevolent.

Dear Shareholders,

I regret to inform you that my elder brother Mohammad Ashraf Bawany who was also the Company Chairman passed away on 29 June, 2016 (23rd Ramzan, 1437). May Allah grant him highest place in Jannat-ul-firdous. Please recite surae "Fateha" for him.

I would like to start my review of 2016's performance with a positive note. As promised in previous communications, we have finally reached an agreement with Ingersoll Rand and RivAir for overhauling and repairs of compressors and even better news is that all the work will be done by foreign engineers either at plant site or in Italy. We will decide to finalize after consulting with our advisor.

The performance of the Company in 2016 was not encouraging. With sales dropping and bottom line losses, there is inevitable need for the re-commissioning of new plant, for which arrangements are underway. The financing modes are being analyzed as to an optimum solution which is in compliance of corporate requirements as well as business needs of our Company.

The quarterly analysis of financial performance is as follows:

Description	Quarter – 1	Quarter – 2	Quarter – 3	Quarter – 4
Sales	23,388,507	14,055,658	26,073,680	30,919,823
Cost of sales	(21,814,413)	(14,004,528)	(24,322,213)	(29,183,726)
Gross margin	1,574,094	51,130	1,751,467	1,736,097
Net Expenses	(4,977,200)	(5,087,576)	(5,248,145)	(5,018,038)
Finance cost	(672,367)	(617,101)	(571,984)	(582,229)
Tax	(233,885)	(140,557)	(260,736)	632,088
Loss after tax	(4,309,358)	(5,794,194)	(4,329,398)	(3,231,992)

It is apparent from above table that performance in the first 2 quarters was affected due to lower turnover and consequently resulting in higher losses whereas the revenue in last 2 quarters picked up which ultimately improved the situation to some extent. However, considerable efforts are still required to turn the Company back into profit momentum for and this to happen, serious efforts are being taken.

We are very hopeful based on the guarantee and confidence given by the contractors, Ingersoll Rand and RivAir that the repairs and overhauling work will be up to the mark and the Company will be able to resume oxygen and production in near future.

We remain grateful for the support, trust and confidence of all our stakeholders including our shareholders, employees and their families.



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

Date: October 07, 2016

Place: Karachi

DIRECTOR'S REPORT

We are pleased to present the Annual Report of your Company along with the audited financial statements for the year ended June 30, 2016.

OVERVIEW

The performance of your Company in 2016 is almost similar to 2015. There is no significant variance in performance statistics and numbers of 2015 versus 2016 however; some of the key achievements of 2016 are as follows:

- The documentation and related formalities for overhauling and retrofitting of 2 compressors has been received by us from 2 Companies of Italian origin.
- The technical team and representatives of both Ingersoll Rand and RivAir will come to plant site. Certain parts will go to Italy for balancing and related technical work and rest of the work will be done at plant site by Italian engineers. Local supervision will be done by Pakistan based representative of Ingersoll Rand or RivAir. We will be finalizing between the 2 offers soon.
- There is continuous improvement in gross margin over the period. Year after year, the margins are improving which is mainly due to high demand and better price in the market and effective management of cost components.
- The debt financiers are being paid off over the period. In the current year, the Company paid Rs. 2.7 million for principal and Rs. 2.6 million in respect of interest on borrowings.

The comparative analysis of 2015 and 2016 performance is as follows:

	2016	2015
	Rupees	Rupees
Sales – net	94,437,668	99,632,392
Cost of sales	(89,324,880)	(94,907,015)
Gross profit	5,112,788	4,725,377
Distribution cost	(4,324,987)	(4,052,418)
Administrative expenses	(12,712,156)	(12,805,578)
Other operating expenses	(4,435,702)	(4,741,946)
Other income	1,256,049	1,498,691
Unrealized (loss) / gain on revaluation of other financial assets	(114,163)	34,213
Finance cost	(2,443,681)	(2,961,155)
Loss before taxation	(17,661,852)	(18,302,816)

Provision for taxation	<u>(3,090)</u>	<u>(996,324)</u>
Loss for the year	<u>(17,664,942)</u>	<u>(19,299,140)</u>

As discussed above, the financial performance for the year 2016 witnessed the same trend as in 2015. In-fact there are some indications of improvement such as:

- Increase in gross profit by Rs. 387,411 despite a decrease in sales.
- Administrative and other operating expenses have been curtailed by Rs.93,422 and Rs. 306,244 respectively.
- Finance cost is down by Rs. 517,474
- All the above mentioned factors contributed towards a decrease in bottom line loss by Rs.1,634,198 in 2016 as compared to 2015.

As far as cash flows are concerned, the net cash used in operating activities dropped by Rs. 1,274,256 mainly due to trade and other payables. In the current year, there was heavy deduction in receipts of the Company on account of income tax withheld by the customers. The net income tax paid in 2016 amounted to Rs. 1,656,857.

Cash flow from investing activities was positive by Rs. 2,485,727 on account of disposal of gas cylinders and vehicles.

The Company utilised comparatively less financing in 2016 due to which the cash flow from financing activities was lower by Rs. 2,872,569.

MATERIAL INFORMATION

We draw your attention to the last paragraph of auditors report and note 1.2 to these financial statements in which it has been explained that the Company has incurred a net loss of Rs. 17,664,942 during the year ended June 30, 2016. As at June 30, 2016, the Company had accumulated losses of Rs. 21,247,216 and the Company's current liabilities exceeded its current assets by Rs. 45,930,260.

The production of liquid oxygen has not yet resumed however, the production of compressed oxygen, dissolved acetylene, nitrogen and compressed air is normal and the Company is purchasing semi-finished product from the market to process it further to meet the demand of its customers. Significant development has been made to re-commission the second hand imported plant as the repairs and necessary overhauling vendor are in stage of finalization.

The directors of your Company have also given their consent and have agreed to convert their short term loan into long term.

KEY OPERATING AND FINANCIAL DATA

YEAR	Sales – net	Gross profit	Loss before taxation	Shareholder's equity	Total current assets	Total current liabilities
----- RUPEES IN MILLION -----						
2011	195.25	48.72	22.27	89.34	22.01	50.04
2012	209.97	48.95	15.29	97.56	21.09	48.96
2013	238.60	57.68	21.95	111.06	25.24	38.06
2014	123.79	(1.90)	(28.63)	90.16	20.99	62.49
2015	99.63	4.72	(18.30)	71.15	17.35	59.78
2016	94.43	5.12	(17.66)	53.78	17.82	63.74

WAY FORWARD

With repairs and maintenance contracts executed, your management is very hopeful for a turnaround since the gas and liquid prices are favourable in the market and this is the high time to capitalise from this opportunity.

BOARD OF DIRECTORS

There was no change in the board of directors of the Company during the year ended June 30, 2016.

Very sadly inform our shareholders that my elder brother Mohammad Ashraf Bawany who was also the Company chairman passed away on 29 June, 2016 (23rd Ramazan, 1437). May Allah grant him highest place in Jannat-ul-Firdous. Please recite surae “Fatihah” for him.

AUDITORS

The present auditors, M/s. Parker Randall – A.J.S. Chartered Accountants have retired and being eligible have offered themselves for reappointment as Auditors for the ensuing year.

STATEMENT OF CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- a) The financial statements prepared by the management of the Company present fairly the status of affairs, the result of its operations and cash flows and changes in equity;
- b) Proper books of accounts of the Company have been maintained;
- c) Appropriate accounting policies have been consistently applied in preparation of financial statement and accounting estimates are based on reasonable and prudent judgment;
- d) International accounting standards, as applicable in Pakistan, have been followed in preparation of financial statements;
- e) The system of internal control is sound in design and has been effectively implemented and monitored;
- f) Auditors have shown doubts about the Company’s ability to continue as a going concern whereas the management feels that there is enough strength in the Company to carry on business in future.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations, exceptions, if any have been notified in the Statement of Compliance with the Code of Corporate Governance;
- h) Key operating and financial data for the last ten years have been summarized;

Following amounts were receivable in respect of income tax refundable that was outstanding as at June 30, 2016.

Income tax refundable	Rs. 4.25 million	This represents outstanding refundable income tax for the previous years plus the excess tax deductions for 2016.
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- i) The value of investments of provident fund is Rs. 6.29 million based on latest management accounts of the provident fund
- j) During the year five (5) meetings of the Board of Directors were held. Attendance by each Director is as follows:

Name of the Directors	No. of meetings attended
Mr. M. Hanif Y. Bawany	5
Mrs. Momiza Hanif Bawany	5
Mr. Vali Mohammad M. Yahya	5
Mr. Mohammad Ashraf	5
Mr. Wazir Ahmed Jomezai	1
Mr. Zakaria A. Ghaffar	5
Mr. Siraj A. Kadir	2

Leave of absence was granted to Director(s) who could not attend some of the Board meetings.

- k) The pattern of shareholding is annexed; and
- l) Neither the Chief Executive Officer nor any other Directors have purchased any shares of the Company.

ACKNOWLEDGEMENT

The Board wishes to express appreciation and place on record its gratitude for the faith reposed in and co-operation extended to the Company by the State Government, various Government agencies / Departments, Financial Institutions, Banks, Customers, Suppliers and Investors of the Company. Your Directors place on record their appreciation of the dedicated and sincere services rendered by the Employees of the Company.

We are grateful to our valued shareholders for the continuous support extended to the management.

On behalf of the Board



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

Date: October 07, 2016

Place: Karachi

VISION

Our vision is to be the market leader in the industrial / medical gases industry and provide highest quality products and services to our customers.

MISSION

Our mission is to be a dynamic, professional and growth oriented organization and to always strive for excellence by providing quality services and products with a customer focused strategy.

Our final goal being to produce highest quality products at minimum prices by efficiently integrating all the operations of production, procurement, logistics, financial management, human resources and safety.

Our mission statement and our motto, Best products, Best services and Best prices reflect our strategic goal and core values, may ALLAH help us in achieving this.

STATEMENT OF ETHICS AND BUSINESS PRACTICES

We the directors and staff members of Bawany Air Products Limited adhere to the best practices of business and ethics based on the following principles:

1. Respect of individuals.
2. Fair business practices.
3. Company with all the regulatory requirements and laws of the country.
4. Transparency in transaction and following proper, acceptable accounting procedures as approved by international and national standards and regulations.
5. Anticipate integrity, honesty and responsibility from all the employees in doing business.
6. Safeguarding and proper use of Company's assets.
7. Avoid political affiliations and contributions.

STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the Regulation No. 35 of listing regulations of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent, non-executive directors and directors representing minority interests on its Board of Directors (the Board). At present the Board includes:

Category	Names
Independent Director	Mr. Siraj A. Kadir
Executive Directors	Mr. M. Hanif Y. Bawany (CEO)
	Mrs. Momiza Hanif Bawany
Non – Executive Directors	Late Muhammad Ashraf (Chairman)
	Mr. Wali Mohammad M. Yahya
	Mr. Wazir Ahmed Jomezai
	Mr. Zakaria A. Ghaffer

The independent director meets the criteria of independence under clause (i)(b) of the Code.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loans to a banking company, a DFI or a NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy has occurred on the Board during the year ended June 30, 2016.
5. The Company has prepared a 'Code of Conduct' and has ensured that the appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board/Shareholders.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board of Directors assess their performance in every meeting. The last session of every meeting has been reserved for discussion over the performance of the Board in the last quarter. The tasks undertaken by the Board are reviewed and assessed as to completion in every meeting.
10. In accordance with the criteria specified in clause (xi) of the Code, all directors of the Company are exempt from the requirement of Director's Training Program.
11. The Board has approved the appointment of Chief Financial Officer (CFO) and the Company Secretary, including their remuneration and terms and conditions of employment.
12. The Director's report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The financial statements of the Company were duly endorsed by the CEO and CFO before the approval of the Board.
14. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
15. The Company has complied with all the corporate and financial reporting requirements of Code.
16. The Board has formed an Audit Committee which comprises of three members, of whom all are non-executive directors and the chairman of the committee is an independent director.
17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
18. The Board has formed an HR and Remuneration Committee. It comprises of three members, of whom two are non-executive directors and the chairman of the Committee is an independent director.
19. The Board has Set-up an effective internal audit functions.
20. The statutory auditors of the Company have confirmed that they have been given the satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on the code of ethics as adopted by the ICAP.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and auditors have confirmed that they have observed IFAC guidelines in this regard.
22. The 'closed period', prior to the announcement of interim and final results, and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to directors, employees and stock exchange.
23. Material/price sensitive information, if any, has been disseminated among all market participants at once through Stock Exchange.

24. We confirm that all other material principles enshrined in Code have been complied with.

On behalf of the Board of Directors

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

Date: October 07, 2016

Place: Karachi

Review Report to the members on Statement of Compliance with the Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Bawany Air Products Limited** (the Company) for the year ended June 30, 2016 to comply with the requirement of Regulation 5.19 of the Pakistan Stock Exchange where the Company is listed.

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

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for the review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflects the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2016.

Further, we highlight below instances of non-compliances with the requirements of the Code as reflected in paragraphs reference where these are stated in the Statement of Compliance.

- Paragraph 6, complete records of particulars of significant policies along with dates on which they were approved and amended has not been maintained.
- Paragraph 8, written notice for one of the meeting of Board of Directors which is held on February 1st, 2016 was served on January 27th, 2016 which is less than seven days before the meeting.
- Paragraph 9, no mechanism existed in the Company in respect of annual evaluation of performance of Board of Directors.
- Paragraph 19, internal audit function is not effective as no reporting of internal auditor is made to the Audit Committee.

Further, we highlight the following non-compliances with the Code of Corporate Governance:

- Auditors are not invited in any Audit Committee meeting.
- Internal control system is not established and implemented within the Company.



Chartered Accountants

Date: October 07, 2016

Place: Karachi

KEY OPERATING AND FINANCIAL DATA FOR THE DECADE

PARTICULARS	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
						Re-stated	Re-stated	Re-stated		
FINANCIAL POSITION										
Shareholders' equity	53,777,888	71,159,359	90,161,368	111,064,409	97,555,521	89,337,084	72,880,918	22,163,784	31,537,037	36,441,115
Surplus on revolution	21,295,679	16,278,914	16,576,045	16,887,424	19,757,278	20,310,071	20,891,958	-	-	-
Non-current liabilities	48,221,222	44,810,956	33,153,237	49,260,469	50,876,878	66,738,250	74,644,645	49,453,103	75,202,407	99,347,231
Current liabilities	67,973,676	59,389,529	62,487,097	38,068,182	48,959,376	50,044,397	81,597,491	133,411,522	97,552,902	61,814,900
Total Equity and Liabilities	191,268,465	191,638,758	202,377,747	215,280,484	217,149,053	226,429,802	250,015,012	205,028,409	204,292,346	197,603,246
Property, plant and equipment	170,228,692	171,467,821	178,168,918	186,819,834	192,839,499	198,640,179	205,418,500	182,695,197	186,609,105	183,837,067
Long term deposits	3,221,357	3,215,467	3,215,467	3,215,467	3,215,467	3,215,467	3,701,452	3,454,477	3,559,084	1,481,084
Deferred tax asset	-	-	-	-	-	2,566,397	10,335,173	-	-	-
Current assets	17,818,416	16,955,470	20,993,362	25,245,183	21,094,087	22,007,759	30,559,887	18,878,735	14,124,157	12,285,095
Total Assets	191,268,465	191,638,758	202,377,747	215,280,484	217,149,053	226,429,802	250,015,012	205,028,409	204,292,346	197,603,246

FINANCIAL PERFORMANCE

Net sales	94,437,668	99,632,392	123,790,995	238,605,906	210,235,877	195,437,206	210,247,215	99,638,541	69,561,724	66,806,660
Cost of sales	(89,324,880)	(94,907,015)	(125,700,150)	(180,921,043)	(161,153,927)	(146,632,923)	(161,960,041)	(75,307,506)	(61,871,660)	(60,525,855)
Gross (loss) / profit	5,112,788	4,725,377	(1,909,155)	57,684,863	49,081,950	48,804,283	48,287,174	24,331,035	7,690,064	6,280,805
Expenses - net of other income	(20,330,959)	(20,067,038)	(22,556,860)	(26,246,342)	(26,747,221)	(23,057,704)	(25,372,645)	(15,847,335)	(15,586,102)	(14,478,919)
(Loss) / profit before interest and tax	(15,218,171)	(15,341,661)	(24,466,015)	31,438,521	22,334,729	25,746,579	22,914,529	8,483,700	(7,896,038)	(8,198,114)
(Finance cost) / income - net	(2,443,681)	(2,961,155)	(4,165,147)	(9,489,514)	(7,047,695)	(3,473,879)	12,153,851	(17,856,101)	(16,166,362)	(3,646,959)
(Loss) / profit before tax	(17,661,852)	(18,302,816)	(28,631,162)	21,949,007	15,287,034	22,272,700	35,068,380	(9,372,401)	(24,062,400)	(11,845,073)
Tax	(3,090)	(996,324)	7,416,742	(8,965,272)	(7,621,390)	(9,808,653)	15,550,948	(852)	(328,718)	(343,978)
(Loss) / profit after tax	(17,664,942)	(19,299,140)	(21,214,420)	12,983,735	7,665,644	12,464,047	50,619,328	(9,373,253)	(24,391,118)	(12,189,051)

STATISTICS AND RATIO

Gross profit %	5%	5%	(2%)	24%	23%	25%	23%	24%	11%	9%
(Loss) / profit before tax to total sales %	(19%)	(18%)	(23%)	9%	7%	11%	17%	-	-	-
(Loss) / profit after tax to total sales %	(19%)	(19%)	(17%)	5%	4%	6%	24%	-	-	-
Current ratio	26%	29%	34%	66%	43%	44%	37%	14%	14%	20%
Asset turnover ratio	55%	58%	69%	128%	109%	98%	102%	55%	37%	36%
Current Assets Turnover - times	5.43	5.25	5.35	10.30	9.76	7.44	8.51	6.04	5.27	4.99
Long term debt to equity ratio	20%	15%	12%	19%	41%	61%	104%	338%	253%	223%
Return on equity before tax %	(33%)	(26%)	(32%)	20%	16%	25%	48%	-	-	-
Return on equity after tax %	(33%)	(27%)	(24%)	12%	8%	14%	69%	-	-	-
Interest Cover	(6.23)	(5.18)	(5.87)	3.31	3.17	7.41	-	0.48	-	-
Earning per share (Rs.)	(2.35)	(2.57)	(2.83)	1.73	1.02	1.75	7.42	(1.37)	(3.94)	(2.36)
Price earning ratio	(3)	(3)	(3)	9	7	4	2	-	-	-
Market price per share at year end	6.00	6.79	7.40	14.73	7.22	6.75	11.25	6.75	15.64	14.50
Cash dividend	-	-	-	-	-	-	-	-	-	-
Stock dividend	-	-	-	-	-	-	-	-	-	-



**PATTERN OF SHAREHOLDING BY THE SHARE HOLDERS
AS AT JUNE 30, 2016**

NO. OF SHARE HOLDERS	SHAREHOLDING OF SHARES			SHARES HELD
	FROM		TO	
281	1	-	100	6,660
177	101	-	500	58,014
83	501	-	1000	70,571
149	1001	-	5000	400,157
45	5001	-	10000	358,377
18	10001	-	15000	236,796
14	15001	-	20000	266,895
6	20001	-	25000	131,160
7	25001	-	30000	192,800
3	30001	-	35000	95,700
4	35001	-	40000	155,100
2	40001	-	45000	86,105
3	45001	-	50000	149,700
2	50001	-	55000	104,394
2	55001	-	60000	113,500
4	60001	-	65000	251,980
1	65001	-	70000	67,000
2	70001	-	75000	143,814
1	75001	-	80000	78,308
4	95001	-	100000	395,664
1	100001	-	105000	101,000
1	135001	-	140000	139,531
1	145001	-	150000	150,000
1	160001	-	165000	162,110
2	195001	-	200000	399,330
1	220001	-	225000	222,149
1	230001	-	235000	231,500
1	280001	-	285000	281,570
1	330001	-	335000	330,028
1	370001	-	375000	374,001
1	525001	-	530000	525,500
1	1220001	-	1225000	1,223,096
821	Total			7,502,510

S.NO.	CATEGORIES OF SHARE HOLDERS	NUMBER OF SHARE HOLDERS	NUMBER OF SHARES OF RS.10/- EACH	PERCENTAGE OF ISSUED CAPITAL
1	INDIVIDUALS	801	5,994,352	79.90%
2	INVESTMENT COMPANIES	1	100	0.00%
3	INSURANCE COMPANIES	1	16,260	0.22%
4	JOINT STOCK COMPANIES	13	1,154,691	15.39%
5	FINANCIAL INSTITUTIONS	1	42	0.00%
6	CHARITABLE TRUSTS	1	330,028	4.40%
7	TRADING	1	5	0.00%
8	EMPLOYEES PENSION FUND	1	6,794	0.09%
9	EMPLOYEES BENEVOLENT FUND	1	238	0.00%

821	7,502,510	100.00%
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**DETAIL OF PATTERN OF SHAREHOLDING
AS PER REQUIREMENT OF CODE OF CORPORATE GOVERNANCE**

NIT/ICP

National Bank of Pakistan, Trustee Wing	7,074
Investment Corporate of Pakistan	100

DIRECTOR, CEO AND THEIR SPOUSE

Mr. M. Hanif Y. Bawany	Director/Chief Executive Officer	1,223,096
Mr. Vali Mohammad M. Yahya	Director	338,861
Mr. Siraj A. Kadir	Director	500
Mr. Zakaria Abdul Ghaffar	Director	3,581
Mrs. Momiza Hanif Bawany	Director	443,680
Mr. Wazir Ahmed Jomezai	Director	3,581
Mr. Mohammad Ashraf	Director/Chairman	78,308

EXECUTIVE Nil

PUBLIC SECTOR COMPANIES & CORPORATION Nil

**BANK DEVELOPMENT FINANCE INSTITUTES,
NON BANKING FINANCIAL INSTITUTION,
INSURANCE COMPANIES, MODARABAS AND
MUTUAL FUNDS** Nil

SHAREHOLDERS HOLDING 5% MORE

Mr. M. Hanif Y. Bawany	16.30%
Mr. Mohammad Aslam Motiwala	7.00%
Mrs. Momiza Hanif Bawany	5.91%

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of **BAWANY AIR PRODUCTS LIMITED** (the Company) as at June 30, 2016 and the related profit and loss account, statement of comprehensive income, cash flows statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with accounting standards and requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conduct our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements.

We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of comprehensive income, cash flows statement and the statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2016 and of the loss, its comprehensive loss, cash flows and changes in equity and for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Without qualify our opinion, we draw attention to the note 1.2 to the financial statements which indicates that the Company incurred net losses of Rs.17.655 million during the year ended June 30, 2016. As at June 30, 2016, the Company had accumulated losses of Rs.21.247 million and the Company's current liabilities exceeded its current assets by Rs.45.930 million. These conditions, along with other matters as set forth in note 1.2, indicate the existence of a material uncertainty they may cast significant doubt about Company's ability to continue as a going concern.



Chartered Accountants

**Audit Engagement Partner:
Muhammad Shabbir Kasbati**

Date: October 07, 2016

Place: Karachi

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2016

	Note	June 30, 2016	June 30, 2015
		----- Rupees -----	
ASSETS			
Non current assets			
Property, plant and equipment	4	170,228,692	171,467,821
Long-term deposits		3,221,357	3,215,467
Current assets			
Stores and spares	5	1,053,370	1,239,081
Stock-in-trade	6	896,412	1,305,658
Trade debts	7	3,665,142	3,426,603
Loans and advances	8	2,683,134	2,956,037
Other receivables	9	4,622,924	3,662,641
Other financial assets	10	39,493	174,406
Taxation - net	11	4,257,682	3,545,202
Cash and bank balances	12	600,259	645,842
		17,818,416	16,955,470
Total assets		191,268,465	191,638,758

	Note	June 30, 2016	June 30, 2015
----- Rupees -----			
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital 15,000,000 (2015: 15,000,000) ordinary shares of Rs.10/- each		150,000,000	150,000,000
Issued, subscribed and paid-up capital	13	75,025,104	75,025,104
Loans from directors		4,225,000	-
Accumulated loss		(21,247,216)	(3,865,745)
		58,002,888	71,159,359
Surplus on revaluation of property, plant & equipment - net	14	21,295,679	16,278,914
Non current liabilities			
Long-term financing	15	706,927	3,932,817
Long-term deposits	16	47,514,295	40,878,139
Deferred tax liability	17	-	-
		48,221,222	44,810,956
Current liabilities			
Trade and other payables	18	22,626,100	19,911,768
Interest / mark-up accrued	19	183,440	375,888
Short-term borrowings	20	37,220,819	35,898,510
Current portion of long-term financing	15	3,718,317	3,203,363
		63,748,676	59,389,529
Contingencies and commitments	21		
Total equity and liabilities		191,268,465	191,638,758

The annexed notes from 1 to 42 form an integral part of these financial statements.

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

SIRAJ A. KADIR
Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2016

	Note	June 30, 2016	June 30, 2015
----- Rupees -----			
Sales - net	22	94,437,668	99,632,392
Cost of sales	23	(89,324,880)	(94,907,015)
Gross profit		5,112,788	4,725,377
Distribution cost	24	(4,324,987)	(4,052,418)
Administrative expenses	25	(12,712,156)	(12,805,578)
Other operating expenses	26	(4,435,702)	(4,741,946)
Unrealized (loss) / gain on revaluation of other financial assets		(114,163)	34,213
		(21,587,008)	(21,565,729)
Other income	27	1,256,049	1,498,691
		(20,330,959)	(20,067,038)
Operating loss		(15,218,171)	(15,341,661)
Finance cost	28	(2,443,681)	(2,961,155)
Loss before taxation		(17,661,852)	(18,302,816)
Taxation	29	(3,090)	(996,324)
Loss for the year		(17,664,942)	(19,299,140)
Loss per share - basic and diluted	30	(2.35)	(2.57)

The annexed notes from 1 to 42 form an integral part of these financial statements.

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

SIRAJ A. KADIR
Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2016

	June 30,	June 30,
	2016	2015
	----- Rupees -----	
Net loss for the year	(17,664,942)	(19,299,140)
Other comprehensive income	-	-
Total comprehensive loss	<u><u>(17,664,942)</u></u>	<u><u>(19,299,140)</u></u>

The annexed notes from 1 to 42 form an integral part of these financial statements.

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

SIRAJ A. KADIR
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

	June 30, 2016	June 30, 2015
Note	----- Rupees -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(17,661,852)	(18,302,816)
Adjustments for:		
Depreciation	6,102,896	6,735,597
Gain on disposal of property, plant and equipment	(978,604)	(1,500)
Dividend income	(701)	(3,029)
Unrealized loss/(gain) on revaluation of other financial assets	114,163	(34,214)
Gain on disposal of financial assets	(113,806)	-
Finance cost	2,443,681	2,961,155
Operating cash flows before working capital changes	(10,094,223)	(8,644,807)
Working capital changes		
Stores and spares	185,711	43,009
Stock-in-trade	409,246	541,131
Trade debts	(238,539)	1,027,987
Loans and advances	272,903	(1,341,975)
Other receivables	(960,283)	13,622
Trade and other payables	2,714,332	(3,730,092)
	2,383,370	(3,446,318)
Net cash used in operations	(7,710,853)	(12,091,125)
Finance cost paid	(2,636,129)	(3,527,478)
Income tax paid	(1,656,857)	2,340,508
Net cash used in operating activities	(12,003,839)	(13,278,095)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	2,494,584	32,000
Purchase of property, plant & equipment	(138,224)	(65,000)
Long-term deposits - assets	(5,890)	-
Proceeds from disposal of other financial asset	134,556	-
Dividend income received	701	3,029
Net cash generated from / (used in) investing activities	2,485,727	(29,971)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term deposits - liabilities - net	6,636,156	10,345,885
Repayment of long-term finance	(2,710,936)	(3,764,096)
Loans from directors	4,225,000	-
Short-term borrowings	2,430,000	6,871,000
Net cash generated from financing activities	10,580,220	13,452,789
Net increase in cash and cash equivalents	1,062,108	144,723
Cash and cash equivalents at beginning of the year	(9,322,668)	(9,467,391)
Cash and cash equivalents at end of the year	(8,260,560)	(9,322,668)

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The annexed notes from 1 to 42 form an integral part of these financial statements.

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

SIRAJ A. KADIR
Director



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2016

	Issued, subscribed and paid-up capital	Loans from directors	Accumulated loss	Total
	----- Rupees -----			
Balance as at July 01, 2014	75,025,104	-	15,136,264	90,161,368
Total comprehensive loss for the year ended June 30, 2015	-	-	(19,299,140)	(19,299,140)
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	297,131	297,131
Balance as at June 30, 2015	75,025,104	-	(3,865,745)	71,159,359
Total comprehensive loss for the year ended June 30, 2016	-	-	(17,664,942)	(17,664,942)
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	283,471	283,471
Transfer from short term borrowings	-	4,225,000	-	4,225,000
Balance as at June 30, 2016	75,025,104	4,225,000	(21,247,216)	58,002,888

The annexed notes from 1 to 42 form an integral part of these financial statements.

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

SIRAJ A. KADIR
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

1. GENERAL INFORMATION

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 Pakistan 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 Going Concern Assumption

The financial statements for the year ended June 30, 2016 reflect loss after taxation of Rs. 17.665 million and as of that date it has accumulated losses of Rs. 21.247 million. The Company is facing adverse liquidity position, as its current liabilities exceeds its current assets by Rs. 45.930 million. The operations of the Company have been suffering due to breakdown of one of the key components of its plant that has resulted in stoppage of production of liquid oxygen.

These conditions indicate existence of material uncertainty which may cast significant doubt about the Company's ability to continue as going concern, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. These financial statements have been prepared using the going concern assumption as the management is confident that all these conditions are temporary, and would reverse in foreseeable future due to the reasons given below:

- After a series of continuous meetings and successful negotiations, the management has shortlisted RivAir/Ingersoll Rand to undertake the overhauling and repairs work of the two compressors. In the year under review, all the necessary and requisite documentation including the related formalities for overhauling and retrofitting of two compressors has been finalized.
- The management has also appointed a team of financial consultants "Core Advisors and Tamkeen Capital" to act as financial consultants for project financing. The financial consultants have assessed the financial requirement and are positive that they will be able to arrange the financing requirement of the Company.
- Loans from directors of Rs. 4.225 million are transferred to equity during the year as it is agreed between the directors and the Company that the same will be repaid at the discretion of the Company.

The results of the above efforts, activities and actions are expected to contribute significantly towards the profitability, cost reduction, cash flows and equity position of the Company and mitigate the risks involved, therefore, the preparation of financial statements on going concern assumption is justified.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except that 'other financial assets' are stated at fair value and freehold land and building thereon are stated at revalued amounts.

These financial statements are prepared following accrual basis of accounting except for cash flow information.

2.3 Functional and presentation currency

Items included in the financial statement of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). These financial statements are presented in Pakistan Rupee (Rs), which is the Company's functional and presentation currency.

2.4 Critical judgments and accounting estimates in applying the accounting policies

The preparation of financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas where assumptions and estimates are significant to the Company's financial statements or where judgement is exercised in application of accounting policies are as follows:

- (i) Revaluation of freehold land and building and review of useful life and residual value of property, plant and equipment (note 3.5 and 4);
- (ii) Provision for impairment of trade debts and other receivable (note 3.9 and 7);
- (iii) Impairment of assets (note 3.11); and
- (iv) Provision for taxation (note 3.15 and 29)

2.5 Standards, amendments and interpretations to the published approved accounting standards adopted during the year

Following standards and amendments to published accounting standards are effective for the current year which are either not relevant or do not have any material effect on the Company's financial statements.

IFRS 10	Consolidated Financial Statements
IFRS 10, 12 & IAS 27	Investment Entities (Amendments)
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurements

2.6 Standards, interpretations and amendments to published accounting standards that are not yet effective and have not been early adopted by the Company.

The following standards, interpretations and amendments to published accounting standards would be effective from the dates mentioned below against the respective standards or interpretations:

Standards/Amendments/Interpretations		Effective Date (accounting periods beginning on or after)
IFRS 2	Share-Based Payment (Amendments)	January 01, 2018
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	January 01, 2016
IFRS 7	Financial Instruments: Disclosures	January 01, 2016
IFRS 16	Leases	January 01, 2019
IFRS 10, 12 & IAS 28	Investment Entities: Applying the Consolidation Exception	January 01, 2016
IFRS 10 & IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)	January 01, 2016
IFRS 11	Accounting for Acquisition of Interest in Joint Operation (Amendments)	January 01, 2016
IAS 1	Disclosure Initiative (Amendments)	January 01, 2016
IAS 7	Statement of Cash Flows	January 01, 2017
IAS 12	Income Taxes (Amendments)	January 01, 2017
IAS 19	Employee Benefits (Amendments)	January 01, 2016
IAS 16 & 38	Clarification of Acceptable Method of Depreciation and Amortisation	January 01, 2016
IAS 16 & 41	Agriculture Bearer Plants	January 01, 2016
IAS 27	Equity Method in Separate Financial Statements (Amendments)	January 01, 2016
IAS 34	Interim Financial Reporting	January 01, 2016

The management anticipates that, the adoption of the above standards and amendments in future periods will not affect materially the Company's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards

- IFRS 1 First-Time Adoption of International Financial Reporting Standards
- IFRS 9 Financial Instruments: Classification and Measurement
- IFRS 14 Regulatory Deferral Accounts
- IFRS 15 Revenue from Contracts with Customers

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below and have been consistently applied to all years presented.

3.1 Employee benefits

Defined contribution plan

The Company operates a recognised provident fund for all its eligible employees. Equal monthly contributions are made by the Company and the employees at the rate of 10% of the basic salary. The Company's required contribution to the fund is charged to profit and loss account.

Compensated absences

The Company account for these benefits in the period in which the absences are earned. A provision is made for the estimated liability for annual leave as a result of services rendered by employee upto the date of statement of financial position.

3.2 Trade and other payables

Liabilities for creditors and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

3.3 Provisions

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.4 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently at amortised cost. Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

3.5 Property, plant and equipment

Operating fixed assets - owned

These are stated at cost less accumulated depreciation and impairment losses, if any, except freehold land and building thereon. Freehold land is stated at revalued amount and building on freehold land is stated at revalued amount less accumulated depreciation. Cost includes expenditure, related overheads, markup and borrowing costs (note 3.4) that are directly attributable to the acquisition of asset.

Subsequent costs, if reliably measureable, are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the cost will flow to the Company. Normal repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

Assets useful lives and residual values that are significant in relation to the total cost of the assets are reviewed, and adjusted if appropriate, at each date of statement of financial position.

Depreciation is charged to the profit and loss account applying the reducing balance method after taking into account the residual value, if any, whereby the depreciable amount of an asset is written off over estimated useful life at the rates mentioned in note 4 to these financial statements. Depreciation on additions is charged from the month the asset is available for use upto the month prior to disposal.

Surplus on revaluation of freehold land and building is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of incremental depreciation charged on revalued assets, the related surplus on revaluation (net of deferred taxation) is transferred directly to retained earnings / unappropriated profit.

Gains or losses on disposal of property, plant and equipment are recognised in the profit and loss account, and the related surplus on revaluation of property, plant and equipment, if any, is transferred directly to retained earnings / unappropriated profit.

Capital work-in-progress

Capital work in progress is stated at cost less impairment loss, if any and consists of expenditure incurred and advances made in the course of their construction and installation. These are transferred to specific assets as and when these assets are available for intended use.

3.6 Investments

Regular way purchase or sale of investments

All purchase and sale of investments that require delivery within the time frame established by regulations or market convention are recognised at trade date. Trade date is the date on which the Company commits to purchase or sell the investments.

Financial assets at fair value through profit or loss

These are investments which are acquired principally for the purpose of generating profit from short-term fluctuations in prices, interest rate movement or dealer's margin. These are initially recognised at fair value and the transaction costs associated with the investments are taken directly to the profit and loss account. Subsequent to initial recognition, these investments are marked to market using the closing market rates and are carried at these values on the date of statement of financial position being their fair value. Net gains and losses arising on changes in fair values of the investments are taken to the profit and loss account in the period in which they arise.

Derecognition

All investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

3.7 Stores and spares

These are stated at lower of cost and net realisable value. Cost is determined using moving average cost method. Items in transit are stated at cost, comprising invoice values and other related charges incurred up to the date of the statement of financial position.

3.8 Stock-in-trade

These are valued at the lower of cost and net realisable value. Cost is determined as follows:

- | | |
|------------------|----------------------------|
| - Raw material | Weighted average cost |
| - Finished goods | Average manufacturing cost |

Average manufacturing cost in relation to finished goods comprises of direct materials and where applicable, direct labor cost and those overheads that have been incurred in bringing the inventories to their present location and condition. Stock in transit are stated at invoice price plus other charges paid thereon up to the date of statement of financial position.

Net realisable value represents the estimated selling price in the ordinary course of business less estimated cost of completion and estimated costs necessary to make the sale.

3.9 Trade debts and other receivables

Trade debts and other receivables are recognised initially at fair value and subsequently measured at amortized cost less provision for impairment, if any. A provision for impairment is established when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

3.10 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of statement of cash flow, cash and cash equivalents include cash in hand, current and deposit accounts held with banks and bank overdraft / short term borrowings.

3.11 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Non-financial assets

The Company assesses at each date of statement of financial position whether there is any indication that assets except inventories and deferred tax asset may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's 'fair value less costs to sell' and 'value in use'.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised. Reversal of impairment loss is recognised as income.

3.12 Financial instruments

All the financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished i.e., when the obligation specified in the contract is discharged, cancelled, or expired. All financial assets and liabilities are initially recognized at fair value plus transaction costs other than financial assets and liabilities carried at fair value through profit or loss. Financial assets and liabilities carried at fair value through profit or loss are initially recognized at fair value, and transaction cost are charged to income for that year. These are subsequently measured at fair value, amortized cost or cost, as the case may be. Any gains or losses on derecognition of financial assets and financial liabilities are taken to profit and loss account currently.

3.13 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position, if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.14 Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards of ownership are transferred to buyer, that is, when goods are delivered.

Interest income is recognised on a time-proportioned basis using the effective rate of return.

Dividend income is recognised when the right to receive payment is established.

3.15 Taxation

The tax expense for the year comprises of current and deferred income tax, and is recognized in income for the year, except to the extent that it relates to items recognized directly in other comprehensive income, in which case the related tax is also recognized in other comprehensive income.

Current

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the date of the statement of financial position. Management periodically evaluates positions taken in tax returns, with respect to situations in which applicable tax regulation is subject to interpretation, and establishes provisions, where appropriate, on the basis of amounts expected to be paid to tax authorities.

Deferred

Deferred income tax is recognized, using the balance sheet ability method, on all temporary differences arising at the date of statement of financial position between the tax base of assets and liabilities and their carrying amounts of financial reporting purposes. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the assets can be utilized. Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

3.16 Dividend and appropriation to reserves

Dividend distribution to the Company's shareholders and appropriation to reserves are recognised in the financial statements in the period in which these are approved.

3.17 Foreign currencies

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into the functional currency using the exchange rate prevailing on the date of statement of financial position. Exchange differences arising from the settlement of such transactions, and from the translation of monetary items at the end of the year exchange rates, are charged to profit and loss account.



June 30, June 30,
2016 2015
----- Rupees -----

Note

4.1 170,228,692 171,467,821

4. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets

4.1 Operating fixed assets

Particulars	Note	Cost			Accumulated depreciation			Net book value as at June 30, 2016	Rate of depreciation %		
		As at July 1, 2015	Additions/ (Disposals)	Revaluation surplus	As at June 30, 2016	As at July 1, 2015	Charge for the year/ (Adjustment)			Revaluation adjustment	As at June 30, 2016
Land - freehold land	4.1.2	11,100,000	-	3,300,000	14,400,000	-	-	-	14,400,000	-	
Factory building on freehold land	4.1.2	26,363,778	-	-	26,363,778	5,811,392	795,509	(2,941,523)	3,665,378	22,698,400	2.5 % - 5 %
Plant and machinery		225,658,005	-	-	225,658,005	92,781,003	4,648,466	-	97,429,469	128,228,536	3.33 % - 5 %
Gas cylinders		7,673,955	-	-	6,552,054	6,686,763	97,714	-	5,773,123	778,931	10%
Electric installation		9,244,070	(1,121,901)	-	9,382,294	7,402,383	197,991	-	7,600,374	1,781,920	10%
Furniture and fixture		2,343,158	-	-	2,343,158	1,274,068	106,909	-	1,380,977	962,181	10%
Office equipment		2,851,131	-	-	2,851,131	2,062,677	78,846	-	2,141,523	709,608	10%
Vehicles		5,141,296	-	-	2,480,674	2,889,286	177,461	-	1,811,558	669,116	20%
			(2,660,622)				(1,255,189)				
		290,375,393	138,224	3,300,000	290,031,094	118,907,572	6,102,896	(2,941,523)	119,802,402	170,228,692	
			(3,782,523)				(2,266,543)				



The statement of operating fixed assets for the last year is as follows:

Particulars	Cost		Accumulated depreciation					Rate of depreciation %		
	As at July 1, 2014	Additions/ (Disposals)	Revaluation surplus	As at June 30, 2015	As at July 1, 2014	Charge for the year/ (Adjustment)	Revaluation adjustment		As at June 30, 2015	Net book value as at June 30, 2015
Land - freehold land	11,100,000	-	-	11,100,000	-	-	-	-	11,100,000	-
Factory building on freehold land	26,363,778	-	-	26,363,778	4,980,280	831,112	-	5,811,392	20,552,386	2.5 % - 5 %
Plant and machinery	225,593,005	65,000	-	225,658,005	87,960,234	4,820,769	-	92,781,003	132,877,002	3.33 % - 5 %
Gas cylinders	7,673,955	-	-	7,673,955	6,577,075	109,688	-	6,686,763	987,192	10%
Electric installation	9,244,070	-	-	9,244,070	7,197,751	204,632	-	7,402,383	1,841,687	10%
Furniture and fixture	2,343,158	-	-	2,343,158	1,155,280	118,788	-	1,274,068	1,069,090	10%
Office equipment	2,851,131	-	-	2,851,131	1,975,071	87,606	-	2,062,677	788,454	10%
Vehicles	5,185,856	-	-	5,141,296	2,340,344	563,002	-	2,889,286	2,252,010	20%
		(44,560)				(14,060)				
	290,354,953	65,000	-	290,375,393	112,186,035	6,735,597	-	118,907,572	171,467,821	
		(44,560)				(14,060)				

4.1.1 The following assets were disposed off during the year

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain/(loss) on disposal	Mode of disposal	Particulars of buyers
Vehicle							
Toyota Allion	2,134,715	859,579	1,275,136	1,717,000	441,864	Negotiation	Mr. Ali Raza Kazmi, Karachi
Suzuki Alto	425,906	317,630	108,276	295,000	186,724	Negotiation	Mr. Majid Khan, Karachi
Toyota Crown	100,000	77,980	22,020	100,000	77,980	Negotiation	Mr. Asher Hayat, Karachi
	2,660,621	1,255,189	1,405,432	2,112,000	706,568		
Gas cylinders							
100 cylinders	544,054	489,485	54,569	84,034	29,465	Negotiation	Ms. Qamar Sons, Karachi
100 cylinders	538,856	484,808	54,048	84,035	29,987	Negotiation	Mr. Syed Kamran, Karachi
50 cylinders	38,750	36,843	1,907	213,675	211,768	Negotiation	Ms. Prime Gas, Karachi
1 cylinder	242	218	24	840	816	Negotiation	Ms. Khawaja Sons, Karachi
	1,121,902	1,011,354	110,548	382,584	272,036		
June 30, 2016	3,782,523	2,266,543	1,515,980	2,494,584	978,604		



4.1.2 During the year, freehold land and building thereon were revalued. by or independent valuer, 'Luckyhiya Associates (Private) Limited' resulting in surplus of Rs. 6.242 million, over book value. Freehold land and building thereon, have been stated at revalued amounts and the related surplus has been credited (net of deferred taxation) to 'Surplus on revaluation of property, plant and equipment - net - (refer note 14).

Had the revaluation not been carried out, cost and written down values of freehold land and building thereon would have been as follows:

	Cost	Accumulated depreciation	Written down value
	-----Rupees -----		
Freehold land	345,790	-	345,790
Building on freehold land	9,056,260	6,320,022	2,736,238
June 30, 2016	9,402,050	6,320,022	3,082,028
June 30, 2015	9,402,050	6,157,810	3,244,240
		June 30, 2016	June 30, 2015
	Note	----- Rupees -----	

4.1.3 Depreciation for the year has been allocated as under:

Cost of sales	23	1,409,979	1,494,354
Administrative expenses	25	363,215	755,336
Other operating expenses	26	4,329,702	4,485,907
		6,102,896	6,735,597

4.1.4 The carrying amount of temporarily idle property, plant and equipment as at June 30, 2016 is Rs. 125.627 (2015: Rs. 130.194) million.

5. STORES AND SPARES

Stores	441,249	621,288
Spares	612,121	617,793
	1,053,370	1,239,081

6. STOCK-IN-TRADE

Raw materials	351,100	351,100
Finished goods	545,312	954,558
	896,412	1,305,658



	Note	June 30, 2016	June 30, 2015
		----- Rupees -----	
7. TRADE DEBTS			
Unsecured			
Considered good		3,665,142	3,426,603
Considered doubtful		300,939	300,939
		3,966,081	3,727,542
Provision for doubtful debts		(300,939)	(300,939)
		3,665,142	3,426,603

7.1 As at June 30, 2016, the ageing analysis of unimpaired trade debts is as follows:

Neither past due nor impaired

0-30 days		554,618	543,873
<u>Past due but not impaired</u>			
31-90 days		520,147	1,426,159
91-180 days		777,300	291,071
180-365 days		825,046	526,074
Over 365 days		988,031	639,426
		3,665,142	3,426,603

Management considers that no provision required against overdue amounts based on previous history of the parties.

8. LOANS AND ADVANCES

Considered good

Due from employees		1,000	-
Advances to suppliers		2,682,134	2,956,037
		2,683,134	2,956,037

9. OTHER RECEIVABLES

Receivable from related party	9.1	3,536,068	3,536,068
Others		1,086,856	126,573
		4,622,924	3,662,641

9.1 This represents payment made by Company for purchase of land on behalf of Winder Industries (Private) Limited.



	Note	June 30, 2016	June 30, 2015
----- Rupees -----			
14. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT -			
Surplus on freehold land	14.1	14,054,210	10,754,210
Surplus on building on freehold land	14.2	7,241,469	5,524,704
Balance as at June 30		21,295,679	16,278,914
14.1 Movement of surplus on freehold land			
Revaluation surplus as at July 01		10,754,210	10,754,210
Surplus arising on revaluation carried out during the year		3,300,000	-
Balance as at June 30		14,054,210	10,754,210
14.2 Movement of surplus on building on freehold land			
Revaluation surplus as at July 01		8,337,395	8,869,570
Surplus arising on revaluation carried out during the year		2,941,523	-
		11,278,918	8,869,570
Restatement of opening liability due to change in tax rate		(83,374)	(88,696)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year, net of deferred tax		(283,471)	(297,131)
Related deferred tax liability of incremental depreciation charged during the year		(133,398)	(146,348)
Revaluation surplus as at June 30		10,778,675	8,337,395
Less: Related deferred tax on:			
Revaluation as at July 01		(2,812,691)	(3,047,735)
Surplus arising on revaluation during the year		(941,287)	-
Difference arising due to change in rate		83,374	88,696
Incremental depreciation charged during the year, transferred to profit and loss account		133,398	146,348
		(3,537,206)	(2,812,691)
		7,241,469	5,524,704
15. LONG-TERM FINANCING			
Secured - from financial institution			
Orix Leasing Pakistan Limited	15.1	4,425,244	7,136,180
Current portion			
Overdue installments	15.2	(492,427)	(424,231)
Installments due in next 12 months		(3,225,890)	(2,779,132)
		(3,718,317)	(3,203,363)
		706,927	3,932,817



15.1 The rescheduled loan amount carries mark-up at the rate of 15% per annum and is repayable in 31 equal monthly installments starting from March 2015. This loan is secured by way of first ranking pari passu charge over land and all construction thereon. In addition, personal guarantees and indemnities executed by the Chief Executive in favour of Orix Leasing Pakistan Limited shall remain valid as securities till the repayment of rescheduled loan amount.

15.2 As at June 30, 2016, the Company has delayed two installments of Orix Leasing Pakistan Limited amounting to Rs.492,427. The overdue principal is included in the current maturity.

16. LONG-TERM DEPOSITS

These deposits for storage tanks and cylinders are non-interest bearing and are repayable to customers on return of tanks / cylinders or on termination of sale agreement.

Note	June 30, 2016	June 30, 2015
	----- Rupees -----	

17. DEFERRED TAX LIABILITY

Deferred debits arising due to:

Provision for bad debts	(96,300)	(99,310)
Provision for liabilities	(245,693)	(300,719)
Carried forward tax losses	(35,138,808)	(32,516,700)
	<u>(35,480,891)</u>	<u>(32,916,729)</u>

Deferred credits arising due to:

Accelerated depreciation on property, plant and equipment	30,127,813	30,104,038
Surplus on revaluation of property, plant and equipment	5,353,078	2,812,691
	<u>35,480,891</u>	<u>32,916,729</u>
	<u>-</u>	<u>-</u>

18. TRADE AND OTHER PAYABLES

Creditors		2,467,170	2,111,412
Accrued liabilities		10,150,590	9,292,661
Advance from customers		634,018	297,452
Payable to provident fund	18.1	4,978,895	3,189,226
Provision for compensated absences		767,790	911,270
Sales tax payable		1,177,610	1,239,713
Unclaimed dividend		1,217,407	1,217,407
Withholding income taxes		1,232,620	1,652,627
		<u>22,626,100</u>	<u>19,911,768</u>

18.1 This represents equal contribution by the Company and the employees.



	Long-term loans	Short-term borrowings	Total
	----- Rupees -----		
19. INTEREST / MARK-UP ACCRUED			
Balance as at June 30, 2015	175,769	200,119	375,888
Mark-up accrued during the year	820,868	1,038,965	1,859,833
Mark-up paid during the year	(889,064)	(1,163,217)	(2,052,281)
Balance as at June 30, 2016	107,573	75,867	183,440

	Note	June 30, 2016	June 30, 2015
		----- Rupees -----	
20. SHORT-TERM BORROWINGS			

Running finance from bank - secured	20.1	8,860,819	9,968,510
Associated undertaking - Bawany Management (Private) Limited	20.2	27,210,000	24,105,000
Loan from provident fund	20.3	1,150,000	650,000
Directors	20.4	-	1,175,000
		37,220,819	35,898,510

20.1 This represents short term running finance facility availed from a commercial bank. The limit of running finance facility is Rs. 10 million (2015: Rs. 10 million) and is secured against first pari passu hypothecation charge over plant and machinery of the Company and first hypothecation charge over stocks and receivables of the Company and personal guarantee of all sponsor's directors of the Company. The mark-up rate is three months KIBOR + 4 % per annum (2015: three months KIBOR + 4 %).

20.2 This represents the short term loan obtained by the Company from an associated undertaking. This is interest free and payable within a period of 12 months.

20.3 Interest is charged at 9% (2015: 12%) per annum on the funds utilized by the Company.

20.4 The short term loans obtained by the Company from directors are transferred to equity during the year as it is agreed between the directors and the Company that the same will be repaid at the discretion of the Company.



21. CONTINGENCIES AND COMMITMENTS

Contingencies

The Company was selected for sales tax audit for the period from July 2012 to June 2013. The assessing officer issued impugned order on 21-09-2015 wherein the Appellant was ordered to pay sales tax amount to Rs. 22,541,878 along with default surcharge and penalty.

Being aggrieved with the order, the Company preferred the instant appeal contesting on the point of input tax and that the Deputy Commissioner Inland Revenue passed the order without proper jurisdiction over the appellant's case.

The management and tax advisor of the Company are confident about the favourable outcome of the matter and hence, no provision has been made in these financial statement on this account.

Commitments

There were no commitments as at June 30, 2016 (2015:Nil)

	Note	June 30, 2016	June 30, 2015
----- Rupees -----			
22. SALES - NET			
Sales		110,589,993	116,613,186
Less: Sales tax		(16,152,325)	(16,980,794)
		94,437,668	99,632,392
23. COST OF SALES			
Raw material consumed	23.1	76,217,420	81,003,598
Salaries, wages and other benefits	23.2	4,680,238	4,830,220
Electricity and water		1,668,387	2,131,914
Stores and spares consumed		365,251	384,713
Repairs, maintenance and handling		2,357,860	2,156,897
Insurance		720,094	1,131,813
Vehicles running and maintenance		326,681	443,194
Depreciation	4.1.3	1,409,979	1,494,354
Others		1,584,738	1,674,588
		89,330,648	95,251,291
Maintenance & other charges recovered		(415,014)	(577,535)
Cost of goods manufactured		88,915,634	94,673,756
Finished goods - opening		954,558	1,187,817
Finished goods - closing	6	(545,312)	(954,558)
		409,246	233,259
		89,324,880	94,907,015
23.1 Raw material consumed			
Opening stock		351,100	613,512
Purchases		76,217,420	80,741,186
		76,568,520	81,354,698
Closing stock	6	(351,100)	(351,100)
		76,217,420	81,003,598

23.2 This includes Rs. 176,314 (2015: 174,666) charge in respect of employees retirement benefits.



	Note	June 30, 2016	June 30, 2015
----- Rupees -----			
24. DISTRIBUTION COST			
Salaries and other benefits	24.1	3,759,609	3,452,719
Vehicles running and maintenance		394,823	525,293
Cooly and cartage		2,500	34,000
Insurance		116,354	40,406
Others		51,701	-
		4,324,987	4,052,418

24.1 This includes Rs. 218,213 (2015: 174,619) charge in respect of employees retirement benefits.

25. ADMINISTRATIVE EXPENSES

Directors' remuneration and meeting fees		3,457,146	3,408,958
Salaries and other benefits	25.1	5,541,482	5,391,638
Electricity, gas and water		259,559	255,322
Repairs and maintenance		172,025	171,115
Insurance		145,986	87,446
Rent, rates and taxes		574,157	510,356
Traveling and conveyance		261,157	180,910
Vehicles running and maintenance		387,175	534,110
Entertainment		69,305	29,407
Communication		257,449	299,516
Printing and stationery		138,147	134,123
Legal and professional charges		85,872	136,103
Auditors' remuneration	25.2	291,000	463,000
Fees, subscription and periodicals		540,867	389,587
Advertisement		56,453	30,640
Donation	25.3	-	11,000
Depreciation	4.1.3	363,215	755,336
Others		111,161	17,011
		12,712,156	12,805,578

25.1 This includes Rs. 306,786 (2015: 277,241) charge in respect of employees retirement benefits.

25.2 Auditors' remuneration

Statutory audit fee	216,000	318,000
Half year review fee	55,000	105,000
Out of pocket expenses	20,000	40,000
	291,000	463,000

25.3 None of directors or their spouses had any interest in the donee.

26. OTHER OPERATING EXPENSES

Depreciation of idle plant	4.1.3	4,329,702	4,485,907
Bad debts written-off		-	133,855
Penalties		106,000	122,184
		4,435,702	4,741,946



	Note	June 30, 2016	June 30, 2015
----- Rupees -----			
27. OTHER INCOME			
From financial assets:			
Dividend income		701	3,029
Interest income on PLS account		14	-
Gain on disposal of other financial assets		113,806	-
From other than financial assets:			
Gain on disposal of property, plant and equipment		978,604	1,500
Insurance claim received		-	1,083,140
Other income		162,924	411,022
		1,256,049	1,498,691
28. FINANCE COST			
Interest / mark-up on:			
Long-term financing		820,868	1,295,795
Short -term borrowings:			
- Bank		1,038,965	1,285,015
- Provident fund		526,612	332,921
Bank charges		57,236	47,424
		2,443,681	2,961,155
29. TAXATION			
Current	29.1	944,377	996,324
Deferred		(941,287)	-
		3,090	996,324

29.1 The relationship between income tax expense and accounting profit has not been presented in these financial statements as the provision for taxation for the current year is based on minimum tax on turnover under section 113 of the Income Tax Ordinance, 2001.

Income tax assessments of the Company have been finalised up to and including the tax year 2015 and are deemed to be assessment order u/s 120 of the Income Tax Ordinance, 2001.

30. LOSS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic loss per share of the Company, which is based on:

	Note	2016	2015
Loss for the year - Rupees		(17,664,942)	(19,299,140)
Weighted average number of ordinary shares		7,502,510	7,502,510
Loss per share - Rupees		(2.35)	(2.57)

31. CASH & CASH EQUIVALENT

Cash and bank balances	12	600,259	645,842
Short term borrowings - running finance	19	(8,860,819)	(9,968,510)
		(8,260,560)	(9,322,668)

32. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVE

	Chief Executive		Director		Executive	
	2016	2015	2016	2015	2016	2015
	----- Rupees -----					
Remuneration	967,742	967,742	1,045,161	1,045,161	1,060,645	967,742
House rent	435,484	435,484	470,322	470,322	477,290	435,484
Utilities	96,774	96,774	104,516	104,516	106,065	96,774
	1,500,000	1,500,000	1,619,999	1,619,999	1,644,000	1,500,000
Number of persons	1	1	1	1	1	1

The Chief Executive and the Director are provided with free use of company maintained vehicles, residential utility and telephone bills, the monetary value of which is Rs. 681,098 (2015: Rs. 813,185).

The aggregate amount charged in the financial statements for the year as fee paid to 7 directors (2015: 7 directors), is Rs. 81,000 (2015: 72,000) for attending the Board of Directors meetings.

33. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated undertakings, directors of the Company, key management personnel and staff retirement fund. The Company carries out transactions with various related parties in the normal course of business. Remuneration of directors and key management personnel is disclosed in note 32. Other significant transactions with related parties are as follows:

Relationship with the Company	Nature of Transactions	June 30, 2016	June 30, 2015
		----- Rupees -----	
Associated undertakings	Rent charges paid to Ebrhaimyan Enterprises	459,535	465,872
	Loan obtained from Bawany Management (Private) Limited - net	3,105,000	6,221,000
Employees retirement benefit plan	Contribution to Provident Fund - Bawany Air Products Limited	200,000	31,500
	Loan from Provident Fund - Bawany Air Products Limited	500,000	650,000
Key management personnel	Loan from directors	3,050,000	-

34. PROVIDENT FUND

The following information is based on latest financial statements of the fund:

	Note	(Un-audited)	Audited
		----- Rupees -----	
Size of the fund - Total assets		6,290,331	5,238,914
Cost of the investment made		6,290,526	4,910,347
Percentage of investments made		100%	93.73%
Fair value of investments	34.1	6,290,526	4,910,347

34.1 The break-up of fair value of investments is:

Bank balances/deposits	164,252	312,355
	3%	6%
Barkat monthly income certificate	-	1,000,000
	0%	20%
Receivable from Bawany Air Products Limited	6,126,274	3,825,874
	97%	78%

34.2 As at June 30, 2016, Investments out of provident fund have not been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

	June 30, 2016	June 30, 2015
	----- Rupees -----	
35. FINANCIAL RISK MANAGEMENT		
35.1 Financial instruments by category		
FINANCIAL ASSETS		
Loans and receivables		
Long-term deposits	3,221,357	3,215,467
Trade debts	3,665,142	3,426,603
Other receivables	4,622,924	3,662,641
Cash and bank balances	600,259	645,842
	<u>12,109,682</u>	<u>10,950,553</u>
Fair value through profit or loss		
Other financial assets	39,493	174,406
	<u>12,149,175</u>	<u>11,124,959</u>
FINANCIAL LIABILITIES		
At amortized cost		
Long-term deposits	47,514,295	40,878,139
Long-term financing	4,425,244	7,136,180
Trade and other payables	19,581,852	16,721,976
Interest / mark-up accrued	183,440	375,888
Short-term borrowings	37,220,819	35,898,510
	<u>108,925,650</u>	<u>101,010,693</u>

35.2 Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's financial risk management. The responsibility includes developing and monitoring the Company's risk management policies. To assist the Board in discharging its oversight responsibility, management has been made responsible for identifying, monitoring and managing the Company's financial risk exposures. The Company's exposure to the risks associated with the financial instruments and the risk management policies and procedures are summarised as follows:

35.2.1 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

a) Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The Company is not exposed to foreign currency risk as transactions in foreign currencies are not significant.

b) Interest rate risk

The interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not have significant interest bearing assets. Majority of the interest rate risk arises from Company's long-term debt and short-term borrowings from financial institutions. At the date of statement of financial position the interest rate profile of the Company's interest bearing financial liabilities is:

	June 30, 2016	June 30, 2015
	----- Rupees -----	
Fixed rate instruments		
Long-term financing	4,425,244	7,136,180
Variable rate instruments		
Short-term borrowings	8,860,819	9,968,510

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rate at the reporting date would not affect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by Rs. 88,608 (2015: Rs. 99,685). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2015.

c) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not significantly exposed to equity securities price risk because it has very small quantum of investment in equity securities that has been classified as fair value through profit or loss and have already been marked to market.

35.2.2 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. The Company does not have any significant exposure to a single customer.

Credit risk of the Company arises principally from long-term deposits and trade debts. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2016	2015
	----- Rupees -----	
Long-term deposits	3,221,357	3,215,467
Trade debts	3,665,142	3,426,603
Trade deposits	4,622,924	3,662,641
Bank balances	350,986	613,159
	11,860,409	10,917,870

The trade debts are due from local customers for sale of liquid oxygen, nitrogen and dissolved acetylene. Management assesses the credit quality of customers, taking into account their financial position, past experience and other factors and limits significant exposure to any individual customer by obtaining advance from customers in certain cases. A significant amount of Company's sales are to ship breaking industry in the area of Gadani, Pakistan, however, the Company is not exposed to concentration of credit risk from these sales as the recovery of receivables from these customers is faster than other customers.

Aging of past due but not impaired trade debts are disclosed in note 7.1.

35.2.3 Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet commitments. The Company manages liquidity risk by maintaining sufficient cash and bank balances and the availability of financing through banking arrangements. As disclosed in note 15.1 to the financial statements, during prior year, the Company had entered into various restructuring and settlement agreements with financial institutions to manage the liquidity. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Within 1 year	1 - 5 years	over 5 years	Total
----- Rupees -----				
June 30, 2016				
Long-term financing	3,718,317	706,927	-	4,425,244
Long-term deposits	-	-	47,514,295	47,514,295
Trade and other payables	19,581,852	-	-	19,581,852
Interest / mark-up accrued	183,440	-	-	183,440
Short-term borrowings	37,220,819	-	-	37,220,819
	60,704,428	706,927	47,514,295	108,925,650
	Within 1 year	1 - 5 years	over 5 years	Total
----- Rupees -----				
June 30, 2015				
Long-term financing	3,203,363	3,932,817	-	7,136,180
Long-term deposits	-	-	40,878,139	40,878,139
Trade and other payables	16,721,976	-	-	16,721,976
Interest / mark-up accrued	375,888	-	-	375,888
Short-term borrowings	35,898,510	-	-	35,898,510
	56,199,737	3,932,817	40,878,139	101,010,693

36. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction other than in a forced or liquidation sale.

The carrying values of all the financial assets and liabilities reported in the financial statements approximate their fair value.

Fair value hierarchy

The following table provided an analysis of financial instrument that are measured subsequent to initial recognition at fair value, grouped into level 1 to 3 based on the degree to which the fair value is observable.

- **Level 1** fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2** fair value measurement are those derived from inputs other than quoted prices included inputs for the asset or liability that are not based on observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3** fair value measurement are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at June 30, 2016, other financial assets were categorised in level 1.

There were no transfers between Level 1 and 2 in the year.

37. CAPITAL RISK MANAGEMENT

The objective of the Company in managing capital, i.e., its shareholders' equity is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares. There is no requirement on the Company to maintain minimum amount of capital.

38. PLANT CAPACITY AND ACTUAL PRODUCTION

Production capacity (Triple Shift)

	June 30, 2016	June 30, 2015
Oxygen	4,233,000	4,233,000
Nitrogen	252,000	252,000
Dissolved acetylene	144,000	144,000
	4,629,000	4,629,000

Actual production

Oxygen	2,399,984	2,541,690
Nitrogen	4,396	4,846
Dissolved acetylene	-	10,264
	2,404,380	2,556,800

Under utilization of available capacity of oxygen, nitrogen and dissolved acetylene is due to lack of market share because of competitive prices offered by other manufacturers.

39. NUMBER OF EMPLOYEES

The numbers of employees at the year ended were 27 (2015: 26) and average number of employees during the year were 26 (2015: 27).

40. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and reclassified, where necessary, for the purpose of comparisons, the effect of which is not material.

41. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved on **October 07, 2016** by the Board of Directors of the Company.

42. GENERAL

Figures in these financial statements have been made off to the nearest rupee, unless otherwise stated.

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

SIRAJ A. KADIR
Director



BAWANYAIR
PRODUCTS LIMITED

FORM OF PROXY

The Director,
BAWANY AIR PRODUCTS LIMITED
City Office,
16-C, 2nd floor, Nadir House,
I.I.Chundrigar

Please quote Folio No.

No. of Shares. _____

I/We _____

of _____

member(s) of Bawany Air Products limited do hereby appoint _____

of _____

(or failing him) _____

of _____

Who is also a member of the Company as a proxy to vote on my/our behalf at the 38th Annual General Meeting of the Company to be held on October 31, 2016 at 11:00 a.m. and at any adjournment thereof.

Signed this _____ day of _____ 2016.

Witness _____

Signature Across
Revenue Stamp

IMPORTANT: Instruments of Proxy will not be considered as valid unless they are at the Company's city office at least 48 hours before the time of holding the meeting.



BAWANYAIR
PRODUCTS LIMITED

16-C, 2nd Floor, Nadir House, I.I. Chundrigar Road, Karachi

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