



**BAWANYAIR**  
**PRODUCTS LIMITED**

**HALF YEARLY ACCOUNTS**  
**DECEMBER 31, 2015**  
**(UNAUDITED)**

## CORPORATE INFORMATION

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

## HALF YEARLY REVIEW

ASSALAM-O-ALAIKUM

On behalf of the Board of Directors, I am pleased to present the Directors' Review on the half year December 31, 2015 and I also present the un-audited financial statements of your Company for the period then ended.

These financial statements were subject to a limited scope review by the statutory auditors as per the requirements of Code of Corporate Governance. The review report is also included in this set of financial statements.

First six months of 2016 were challenging for the Company. With lower revenues and squeezed margins, the management is working very hard to revive the financial health of the Company. The expenses are being carefully monitored and are restricted to minimum possible level.

All focus is towards restoration of liquid oxygen plant and in this regards, an important update is that a renowned technical and engineering expert Mr. Danillo Patruno from RivAir s.r.l., Milan, Italy has visited the plant site to advice on previously operated compressors. He has thoroughly checked the compressors and other equipment and is expected to deliver his report on repairs and related technical matters shortly. We are also working on the possibility of setting-up an in-house power generation facility to avail the benefit of low oil prices.

Top management is determined to pay-off the loan and as a result, Rs. 1.3 million was paid in these 6 months to debt financier.

The key financial performance analysis indicators for the six months period ended December 31, 2015 as compared to the corresponding period six months of December 31, 2014 are as follows:

<b>Description</b>	<b>Six months Dec 31, 2015</b>	<b>Six months Dec 31, 2014</b>
Sales	37,444,165	45,748,049
Gross profit	1,625,224	3,874,569
Loss before taxation	(9,748,844)	(7,940,845)

The above stats clearly depict that the decrease in revenues has resulted in lower margins and increase in loss before taxation.

Overall national economy of Pakistan is gradually getting stable. Owing to boom in business activity due to progress in China Pakistan Economic Corridor (CPEC) projects, loan draw-downs from IMF and political stability are all positive indicators.

The healthy aspect for our Company is that ships breaking business at Gadani is gradually picking up. Moreover the selling price of liquid oxygen has also been stable since last few months. From January 2016, the overall business conditions is favorable and as a result sales

and gross profit have increased. In Sha Allah the financial results of third quarter 2016 are expected to be better than the previous quarters.

On behalf of the Board



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

Karachi  
Dated: February 22, 2016

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

### **Introduction**

We have reviewed the accompanying condensed interim balance sheet of **Bawany Air Products Limited** ("the Company") as at December 31, 2015 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof for the six months period then ended (here-in-after referred to as "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended December 31, 2015 and December 31, 2014 have not been reviewed as we are required to review only the cumulative figures for the six months ended December 31, 2015.

### **Scope of review**

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

### **Conclusion**

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

### **Other**

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



**Parker Randall-A.J.S.**

Chartered Accountants

M. Shabbir Kasbati

Audit Engagement Partner:

Karachi

Dated: February 22, 2016

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT - (UN-AUDITED)  
FOR THE QUARTER AND HALF-YEAR ENDED DECEMBER 31, 2015**

Note	Half-year ended		Quarter ended	
	December 31,	December 31,	December 31,	December 31,
	2015	2014	2015	2014
	----- Rupees -----		----- Rupees -----	
Sales - net	37,444,165	45,748,049	14,055,658	27,215,590
Cost of sales	6 (35,818,941)	(41,873,480)	(14,004,528)	(23,115,700)
<b>Gross profit</b>	<b>1,625,224</b>	<b>3,874,569</b>	<b>51,130</b>	<b>4,099,890</b>
Other operating income	628,648	414,576	186,784	299,362
Unrealized gain / (loss) on revaluation of other financial assets	(12,259)	12,509	(126,065)	12,509
	616,389	427,085	60,719	311,871
	<b>2,241,613</b>	<b>4,301,654</b>	<b>111,849</b>	<b>4,411,761</b>
Distribution cost	(2,076,618)	(2,072,924)	(980,527)	(1,013,060)
Administrative expenses	(6,433,521)	(6,442,923)	(3,085,343)	(3,163,030)
Other operating expenses	7 (2,190,850)	(2,303,937)	(1,082,425)	(1,108,526)
Finance cost	8 (1,289,468)	(1,422,715)	(617,191)	(693,070)
	(11,990,457)	(12,242,499)	(5,765,486)	(5,977,686)
<b>Loss before taxation</b>	<b>(9,748,844)</b>	<b>(7,940,845)</b>	<b>(5,653,637)</b>	<b>(1,565,925)</b>
<b>Provision for taxation</b>				
Current	9 (374,442)	(457,480)	(140,557)	(271,779)
<b>(Loss)/income for the period</b>	<b>(10,123,286)</b>	<b>(8,398,325)</b>	<b>(5,794,194)</b>	<b>(1,837,704)</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive (loss)/income</b>	<b>(10,123,286)</b>	<b>(8,398,325)</b>	<b>(5,794,194)</b>	<b>(1,837,704)</b>
<b>Loss per share - Basic</b>	<b>(1.35)</b>	<b>(1.12)</b>	<b>(0.77)</b>	<b>(0.24)</b>

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

## CONDENSED INTERIM BALANCE SHEET

	Note	December 31, 2015 (Un-audited)	June 30, 2015 (Audited)
		----- Rupees -----	
<b>ASSETS</b>			
<b>Non current assets</b>			
Property, plant & equipment	4	167,035,541	171,467,821
Long term deposits		3,221,358	3,215,467
<b>Current assets</b>			
Stores and spares		1,057,466	1,239,081
Stock-in-trade		1,457,974	1,305,658
Trade debts		5,776,693	3,426,603
Loans and advances		1,628,790	2,956,037
Trade deposits & other receivables		4,294,672	3,662,641
Other financial assets		27,590	174,406
Income tax refundable		3,940,715	3,940,715
Cash and bank balances		127,514	645,842
		18,311,414	17,350,983
<b>Total assets</b>		188,568,313	192,034,271

**AS AT DECEMBER 31, 2015**

	December 31, 2015 (Un-audited)	June 30, 2015 (Audited)
Note	----- Rupees -----	
<b>EQUITY AND LIABILITIES</b>		
<b>Share capital and reserves</b>		
<b>Authorised capital</b>		
15,000,000 ordinary shares □ of Rs.10/- each	<u>150,000,000</u>	<u>150,000,000</u>
Issued, subscribed and paid-up capital	<u>75,025,104</u>	75,025,104
Un-appropriated loss	<u>(13,849,379)</u>	(3,865,745)
	<b>61,175,725</b>	71,159,359
Surplus on revaluation of property, plant and equipment - net	5 <b>16,139,262</b>	16,278,914
<b>Non current liabilities</b>		
Long term financing	<b>2,379,955</b>	3,932,817
Long term deposits	<b>44,478,757</b>	40,878,139
<b>Current liabilities</b>		
Trade and other payables	<u>22,785,715</u>	20,561,768
Interest/mark-up accrued	<u>319,718</u>	375,888
Short term borrowings	<u>37,758,590</u>	35,248,510
Current portion of long term financing	<u>3,451,248</u>	3,203,363
Provision for taxation - net	<u>79,343</u>	395,513
	<b>64,394,614</b>	59,785,042
<b>Total equity and liabilities</b>	<u><b>188,568,313</b></u>	<u><b>192,034,271</b></u>

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



**CONDENSED INTERIM CASH FLOW STATEMENT - (UN-AUDITED)  
FOR THE HALF-YEAR ENDED DECEMBER 31, 2015**

	Note	December 31, 2015	December 31, 2014
----- Rupees -----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(9,748,844)	(7,940,845)
<b>Adjustments for:</b>			
Depreciation		3,048,867	3,330,208
Gain on disposal of property, plant and equipment		(628,587)	(1,500)
Unrealized gain on revaluation of other financial assets		12,259	(12,509)
Finance cost		1,289,468	1,422,715
<b>Operating cash flows before working capital changes</b>		<u>(6,026,837)</u>	<u>(3,201,931)</u>
Working capital changes	10	598,372	(2,401,399)
<b>Net cash used in from operations</b>		<u>(5,428,465)</u>	<u>(5,603,330)</u>
Finance cost		(1,345,638)	(1,624,708)
Income tax refund/(paid)		(690,612)	3,160,682
Dividen income		(60)	-
<b>Net cash used in operating activities</b>		<u>(7,464,775)</u>	<u>(4,067,356)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment in other financial assets		134,557	-
Dividend received		60	-
Proceeds from disposal of property, plant and equipment		2,012,000	32,000
<b>Net cash generated from investing activities</b>		<u>2,146,617</u>	<u>32,000</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long-term deposits - liabilities - net		3,600,618	2,674,958
Long-term deposits - assets - net		(5,891)	-
Repayment of long-term finance		(1,304,977)	1,221,221
Short-term borrowings		2,510,080	649,458
<b>Net cash generated from financing activities</b>		<u>4,799,830</u>	<u>4,545,637</u>
Net (decrease) / increase in cash and cash equivalents		(518,328)	510,281
Cash and cash equivalents at beginning of the period		645,842	501,661
<b>Cash and cash equivalents at end of the period</b>		<u>127,514</u>	<u>1,011,942</u>

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

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

**ZAKARIA A. GHAFFAR**  
Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY - (UN-AUDITED)  
FOR THE HALF-YEAR ENDED DECEMBER 31, 2015**

	Issued subscribed & paid-up capital	Un- appropriated profit	Total
	----- (Rupees) -----		
<b>Balance as at July 1, 2014</b>	75,025,104	15,136,264	90,161,368
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	146,348	146,348
Total comprehensive loss for the period	-	(8,398,325)	(8,398,325)
	-	(8,251,977)	(8,251,977)
<b>Balance as at December 31, 2014</b>	<b>75,025,104</b>	<b>6,884,287</b>	<b>81,909,391</b>
<b>Balance as at July 1, 2015</b>	<b>75,025,104</b>	<b>(3,865,745)</b>	<b>71,159,359</b>
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	139,652	139,652
Total comprehensive loss for the period	-	(10,123,286)	(10,123,286)
	-	(9,983,634)	(9,983,634)
<b>Balance as at December 31, 2015</b>	<b>75,025,104</b>	<b>(13,849,379)</b>	<b>61,175,725</b>

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

## SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER AND HALF-YEAR ENDED DECEMBER 31, 2015

### 1. THE COMPANY AND ITS OPERATIONS

- 1.1** Bawany Air Products Limited ("the Company") is a public limited Company incorporated in Pakistan on August 16, 1978. The Company is currently listed on the 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 Pathra, Tehsil Hub, Lasbella District, Balochistan.
- 1.2** During the year ended 30 June 2014, the Company continued to suffer from break-down of one of the key components that has resulted in partial closure of the plant and restored to purchase semi-finished product from the market to process it further to meet the demand of the Company's customers which has resulted in lower margins. The production of compressed oxygen, dissolved acetyne, nitrogen and compressed air are however, normal. As at December 31, 2015 Company has accumulated loss of Rs. 13,849,379 (June 30, 2015: 3,865,745) and current liabilities exceed its current assets by Rs. 46,083,200 (June 30, 2015: 42,434,059)

Management is in advance stage towards contract to repair the faulty components. Quotations have been invited from vendors, evaluation has been completed and is under final negotiation as to the warranties and after sales services.

### 2. BASIS OF PREPARATION

This interim financial information has been prepared in condensed form in accordance with the requirements of International Accounting Standard (IAS) 34 "Interim Financial Reporting" and is being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984 and the listing regulations of the Pakistan Stock Exchange. This condensed interim financial information does not include all the information required for annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended June 30, 2015.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates, judgments and methods of computation adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Company for the year ended June 30, 2015.

Note	<b>December 31, 2015 (Un-audited)</b>	<b>June 30, 2015 (Audited)</b>
	----- Rupees -----	

### 4. PROPERTY, PLANT AND EQUIPMENT

- |   |     |                           |                           |
|---|-----|---------------------------|---------------------------|
| Operating property, plant and equipment   | 4.1 | <u><b>167,035,541</b></u> | <u><b>171,467,821</b></u> |
| <br>  |     |                           |                           |
| <b>4.1</b> Additions to property, plant and equipment during the period were Rs. Nil (June 30, 2015: Rs. 65,000) and disposals there from at net book value were Rs. 1,383,413 (June 30, 2015: Rs. 30,500). |     |                           |                           |

	Note	December 31, 2015 (Un-audited)	June 30, 2015 (Audited)
----- Rupees -----			
<b>5. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET</b>			
Surplus on freehold land		10,754,210	10,754,210
Surplus on building on freehold land	5.1	5,385,052	5,524,704
		<u>16,139,262</u>	<u>16,278,914</u>
<b>5.1 Movement of surplus on building on freehold land</b>			
Revaluation surplus as at July 01, 2015		8,337,395	8,869,570
Restatement of opening liability due to change in tax rate		(139,652)	(297,131)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year, net of deferred tax		-	(88,696)
Related deferred tax liability of incremental depreciation charged during the year		(68,784)	(146,348)
<b>Revaluation surplus</b>		<b>8,128,959</b>	<b>8,337,395</b>
<b>Less: Related deferred tax liability on:</b>			
Revaluation surplus as at July 01, 2015		(2,812,691)	(3,047,735)
Difference arising due to change in rate of tax		-	88,696
Incremental depreciation charged during the year on related assets transferred to profit and loss account		68,784	146,348
		<u>(2,743,907)</u>	<u>(2,812,691)</u>
		<u>5,385,052</u>	<u>5,524,704</u>

	Half-year ended		Quarter ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	----- Rupees -----		----- Rupees -----	
<b>6. COST OF SALES</b>				
Raw material consumed	29,492,705	34,250,767	10,888,499	18,305,379
Salaries, wages and benefits	2,443,502	2,496,778	1,089,822	1,243,587
Power, fuel and water	902,618	1,194,530	448,691	611,713
Stores and spares	296,105	196,966	107,391	127,394
Repairs, maintenance and handling	904,683	1,034,405	400,848	633,008
Insurance	467,970	451,846	186,597	65,839
Vehicles running and maintenance	190,198	288,817	104,449	113,357
Depreciation	698,581	729,938	350,914	362,402
Others	778,214	740,042	408,436	382,409
Maintenance & other charges recovered	(203,319)	(319,031)	(103,424)	(133,119)
	<b>35,971,257</b>	<b>41,065,058</b>	<b>13,882,223</b>	<b>21,711,969</b>
<b>Finished goods</b>				
Opening stock	954,558	1,187,817	1,229,179	1,783,126
Closing stock	(1,106,874)	(379,395)	(1,106,874)	(379,395)
	<b>(152,316)</b>	<b>808,422</b>	<b>122,305</b>	<b>1,403,731</b>
	<b>35,818,941</b>	<b>41,873,480</b>	<b>14,004,528</b>	<b>23,115,700</b>
<b>7. OTHER OPERATING EXPENSES</b>				
Depreciation on idle plant & related assets	2,164,850	2,226,753	1,082,425	1,108,526
Others	26,000	77,184	-	-
	<b>2,190,850</b>	<b>2,303,937</b>	<b>1,082,425</b>	<b>1,108,526</b>
<b>8. FINANCE COST</b>				
<b>Interest/markup on</b>				
Long-term financing	462,195	625,479	218,635	278,866
<b>Short-term borrowings</b>				
Bank	543,815	661,745	266,617	331,924
Other related party	266,618	128,844	129,160	76,526
	<b>810,433</b>	<b>790,589</b>	<b>395,777</b>	<b>408,450</b>
Bank charges	16,840	6,647	2,779	5,754
	<b>1,289,468</b>	<b>1,422,715</b>	<b>617,191</b>	<b>693,070</b>

## 9. TAXATION

Charge for the current taxation represents higher of taxable income charged to tax at the rate of 32% or turnover tax @ 1% under section 113 of the Income Tax Ordinance, 2001.

December 31, 2015 (Un-audited)	December 31, 2014 (Un-audited)
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----- Rupees -----

## 10. WORKING CAPITAL CHANGES

### (Increase)/decrease in current assets

Stores and spares	181,615	11,666
Stock-in-trade	(152,316)	446,511
Trade debts	(2,350,090)	642,627
Loans and advances	1,327,247	208,959
Trade deposits and other receivables	(632,031)	(861,733)

### (Decrease)/increase in current liabilities

Trade and other payables	2,223,947	(2,849,429)
	<u>598,372</u>	<u>(2,401,399)</u>

## 11. TRANSACTIONS WITH RELATED PARTIES

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

December 31, 2015 (Un-audited)	December 31, 2014 (Un-audited)
--------------------------------------	--------------------------------------

----- Rupees -----

### Associated undertakings

Organization charges paid	170,352	210,344
Long-term loan taken from associated undertaking	2,500,000	3,215,000

### Transactions with key management personnel

Salaries, benefits and other allowances	1,206,000	1,158,000
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### Other related parties

Contribution made by the Company to retirement benefit plan	342,194	339,264
Mark-up accrued on loan from retirement benefits plan	223,327	121,578

**12. DATE OF AUTHORIZATION FOR ISSUE**

This condensed interim financial information was authorised for issue on February 22, 2016 by the board of directors of the Company.

**13. GENERAL**

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

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

**ZAKARIA A. GHAFAR**  
Director









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