



**BAWANYAIR**  
PRODUCTS LIMITED

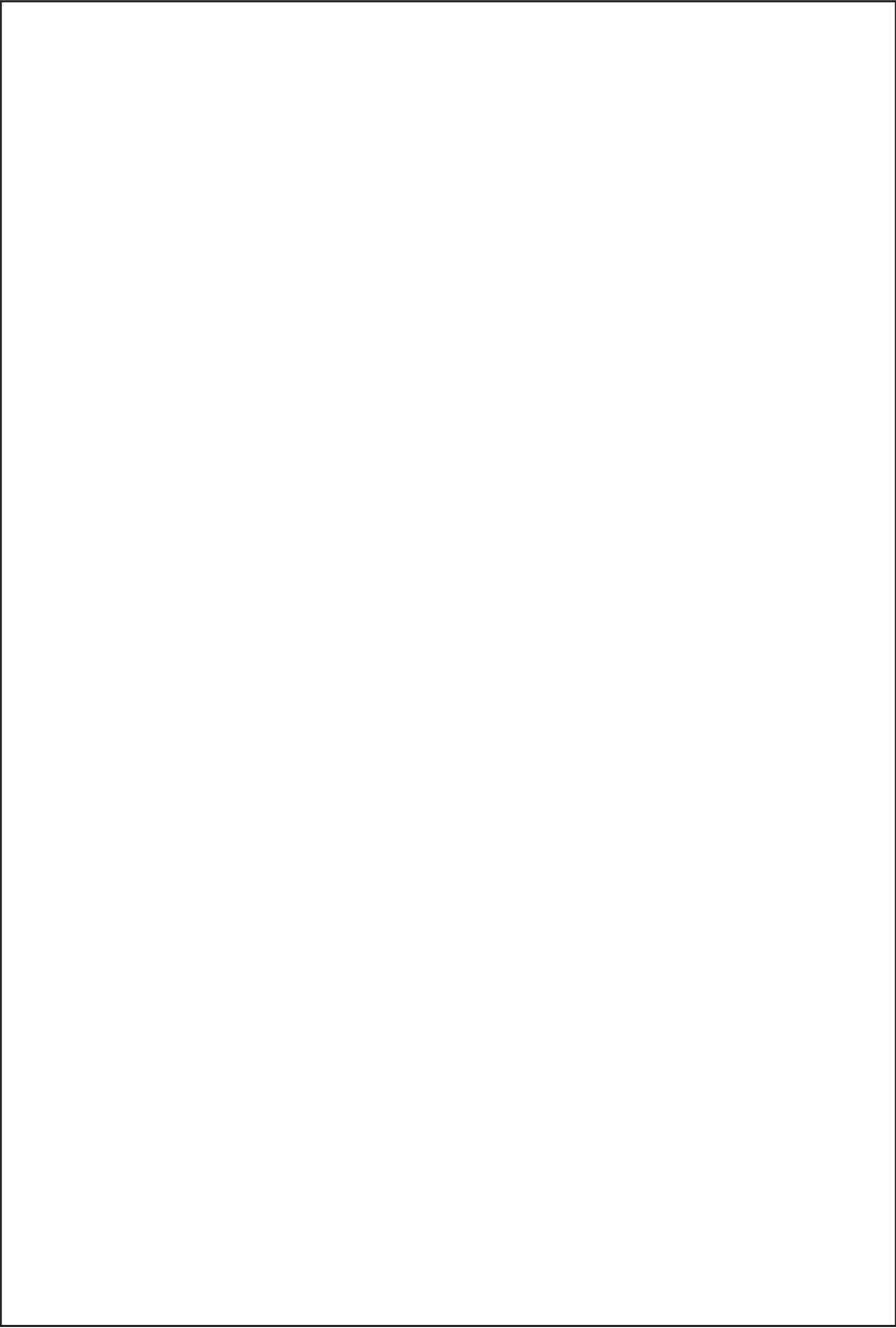
**QUARTERLY ACCOUNTS**  
**DECEMBER 31, 2016**  
**(UNAUDITED)**



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## CORPORATE INFORMATION

<b>BOARD OF DIRECTORS</b>	<p>Mr. Vali Mohammad M. Yahya</p> <p>Mr. M. Hanif Y. Bawany</p> <p>Mrs. Momiza Hanif Bawany</p> <p>Mr. Mikhail Bawany</p> <p>Mr. Wazir Ahmed Jogezeai</p> <p>Mr. Zakaria A. Ghaffar</p> <p>Mr. Siraj A. Kadir</p>	<p>Chairman-Non Executive Director</p> <p>Chief Executive Officer</p> <p>Executive Director</p> <p>Non Executive Director</p> <p>Non Executive Director</p> <p>Non Executive Director</p> <p>Independent Director</p>
<b>AUDIT &amp; HR COMMITTEE</b>	<p>Mr. Siraj A. Kadir</p> <p>Mr. Vali Mohammad M. Yahya</p> <p>Mr. Zakaria A. Ghaffar</p> <p>Mr. Muhammad Munir</p>	<p>Chairman</p> <p>Member</p> <p>Member</p> <p>Secretary to Audit Committee</p>
<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>	Faysal Bank Limited United Bank Limited MCB Bank Limited National Bank of Pakistan	
<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 : 3240-0440 Fax : 3241-1986	



## 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, 2016 along-with the limited reviewed but un-audited financial statements of your Company. 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 from the auditors is also included for your perusal.

The business conditions in the period from July to December 2016 (especially the second quarter of year 2016-17) were greatly affected due to an unforeseen and very tragic incident as the fire was caught in an oil storage tanker of a ship. That tragedy at the Gadani Ship breaking Yard took the lives of at least 26 workers and the business activities were put on complete halt by the government and law regulatory institutions until a detailed probe was carried out to identify the cause and reasons of this incidence. With all precautions set aside, it was a calamity just waiting to happen. The workers trapped inside the ship never made it out as it burned for over two days until the oil inside lasted. There was no chance rescuing them alive or recovering their bodies during that time.

We as a Company, management and all the employees feel great sorrow and express our sympathies towards the families of deceased.

This was a great blow to the financial health of your Company. Volumes dropped significantly and so did the profitability. An analysis of the six months performance of the current period as compared with prior period is as follows:

<b>Description</b>	<b>Six months Dec 31, 2016</b>	<b>Six months Dec 31, 2015</b>
Sales	35,112,420	37,444,165
Gross profit	483,044	1,625,224
Loss before taxation	(9,800,880)	(9,748,844)

The downward trend continues as of today as well as the business conditions have not been restored completely in Gadani.

On the financing side, the Company has made significant development to attract the equity financiers rather than conventional / Islamic borrowings. This will release the pressure over management for repayment of further long term loans, mark-up costs and other stringent conditions of the debt providers. The equity injectors will obviously get an equitable share in the profits and the funds will be utilised to operate the plant.

The economic indicators are all positive for the Country with stock exchange reaching record high points, foreign investors showing keen interest in different projects, analysts and experts having positive predictions, etc. but the dark side is the turmoil which has started building in terms of deteriorating political situation. The much awaited panama judgment has just been announced and the verdict from top most court of the Country is being taken as a victory by all the political parties. One can say that this is one of the only verdicts where both appellant and the defendant are claiming their victory. We are very hopeful that this verdict should bring some stability in political condition so that the economy grows and businesses can restore flourishing especially our ship breaking industry and take advantage of the China Pakistan Economic Corridor (CPEC).

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

Karachi.

Dated: July 07, 2017

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

### **Introduction**

We have reviewed the accompanying condensed interim statement of financial position of **BAWANY AIR PRODUCTS LIMITED** (here-in after referred to as the "Company") as at December 31, 2016 the related condensed statement of profit and loss, condensed interim statement of comprehensive income, condensed interim statement of cash flow, condensed interim statements of changes in equity and notes to be account (here-in-after referred to as the 'interim financial information') for the six month period than ended. Management of the company is responsible for the preparation and presentation of this condensed 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 condensed interim financial information based on our review.

### **Scope of Review**

We conduct our review in accordance with International Standards 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 procedure. 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.

### **Basis for Adverse Opinion**

As explained in note 1.1 of the condensed interim financial information, the Company has prepared the annexed financial statements on the going concern assumption. However, for the period ended December 31, 2016, the Company incurred net loss of Rs. 10.152 million. The Company sustained losses during the last 3 years and its accumulated losses amounted to Rs. 31.216 million and its current liabilities exceeds its current assets by Rs. 52.271 million.

In addition to the above, the Company has failed to bring its plant to normal production due to its liquidity crisis as the funding has not been made available for necessary repairs from any source despite the appointment of financial consultants in order to raise financing for the Company as mentioned in note 1.1 of the condensed interim financial information

The running finance facility obtained by the Company from Faysal Bank in previous years expired on 14 October, 2016 with the outstanding liability of Rs. 8.836 million along with the mark-up of Rs, 0.148 million against which the bank has filed a recovery suit in June 2017.

Further, in order to meet its working capital requirements, the Company resorted to different short term measures such as withholding payment to Staff Provident Fund of Rs. 5.985 million, mark up on Provident Fund of Rs. 0.302 million and borrowing from Staff Provident Fund of Rs. 1.15 million, which are in violation of Section 227 of Companies Ordinance, 1984.

Based on the audit evidence obtained, we believe that the Company will not be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, we do not agree with management's preparation and presentation of the financial statements, on a going concern basis. Had the financial statements been prepared on the liquidation basis of accounting, we believe that it would have had a significant negative effect on the Company's financial position and financial performance.

### **Adverse Opinion**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying condensed interim financial information do not present fairly the financial position of the Company as at December 31, 2016, its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRS).

### **Other matter**

The figures of the condensed interim statement of profit and loss and condensed interim statement of comprehensive income for the quarters ended December 31, 2016 and 2015 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2016.



**Parker Randall-A.J.S.**  
Chartered Accountants  
Muhammad Shabbir Kasbati  
Engagement Partners

**Place:** Karachi

**Dated:** 07 July 2017

## CONDENSED INTERIM STATEMENT OF

	<b>Unaudited</b>	<b>Audited</b>
	<b>December 31,</b>	<b>June 30,</b>
	<b>2016</b>	<b>2016</b>
<b>Note</b>	<b>----- Rupees -----</b>	
<b>ASSETS</b>		
<b>Non Current Assets</b>		
Property, plant and equipment	4      167,144,598	170,228,692
Long-term deposits	3,221,358	3,221,357
	170,365,956	173,450,049
<b>Current Assets</b>		
Stores and spares	1,049,058	1,053,370
Stock-in-trade	790,698	896,412
Trade debts	4,226,199	3,665,142
Loans and advances	1,677,662	2,683,134
Trade deposits and other receivables	5,002,476	4,622,924
Other financial assets	57,909	39,493
Taxation - net	4,773,435	4,257,682
Cash and bank balances	76,824	600,259
	17,654,261	17,818,416
<b>Total Assets</b>	<b>188,020,217</b>	<b>191,268,465</b>



## FINANCIAL POSITION AS AT DECEMBER 31, 2016

	<b>Unaudited December 31, 2016</b>	Audited June 30, 2016
Note	----- Rupees -----	
<b>EQUITY AND LIABILITIES</b>		
<b>Share Capital and Reserves</b>		
Authorised Share capital 15,000,000 Ordinary shares of Rs.10/- each	<u>150,000,000</u>	<u>150,000,000</u>
Issued, subscribed and paid-up capital	75,025,104	75,025,104
Loan from directors	4,225,000	4,225,000
Accumulated loss	(31,215,982)	(21,247,216)
	<b>48,034,122</b>	<b>58,002,888</b>
Surplus on revaluation of plant and equipment - net	5 21,112,441	21,295,679
<b>Non Current Liabilities</b>		
Long-term financing	-	706,927
Long-term deposits	48,947,990	47,514,295
	<b>48,947,990</b>	<b>48,221,222</b>
<b>Current Liabilities</b>		
Trade and other payables	27,802,956	22,626,100
Interest / mark-up accrued	494,912	183,440
Short-term borrowings	37,945,819	37,220,819
Current portion of long-term financing	3,681,977	3,718,317
Contingencies and commitments	11 69,925,664	63,748,676
<b>Total Equity and Liabilities</b>	<u><b>188,020,217</b></u>	<u><b>191,268,465</b></u>

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.

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

**ZAKARIA A. GHAFFAR**  
Director

## CONDENSED INTERIM STATEMENT OF TOTAL COMPREHENSIVE INCOME (UNAUDITED) HALF YEAR ENDED DECEMBER 31, 2016

	Note	Six months ended		Quarter ended	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
		Rupees		Rupees	
Sales - net		35,112,420	37,444,165	14,277,484	14,055,658
Cost of sales	6	<b>(34,629,376)</b>	(35,818,941)	<b>(14,234,051)</b>	(14,004,528)
Gross profit		<b>483,044</b>	1,625,224	<b>43,433</b>	51,130
Other operating income		<b>977,858</b>	628,648	<b>323,414</b>	186,784
Unrealized gain / (loss) on revaluation of other financial assets		<b>18,417</b>	(12,259)	<b>5,908</b>	(126,065)
		<b>996,275</b>	616,389	<b>329,322</b>	60,719
		<b>1,479,319</b>	2,241,613	<b>372,755</b>	111,849
Distribution cost		<b>(2,120,519)</b>	(2,076,618)	<b>(1,053,107)</b>	(980,527)
Administrative expenses		<b>(6,007,910)</b>	(6,433,521)	<b>(2,927,223)</b>	(3,085,343)
Other operating expenses	7	<b>(2,134,763)</b>	(2,190,850)	<b>(1,069,881)</b>	(1,082,425)
Finance cost	8	<b>(1,017,007)</b>	(1,289,468)	<b>(905,039)</b>	(617,191)
		<b>(11,280,199)</b>	(11,990,457)	<b>(5,955,250)</b>	(5,765,486)
Loss before taxation		<b>(9,800,880)</b>	(9,748,844)	<b>(5,582,495)</b>	(5,653,637)
Provision for taxation - current	9	<b>(351,124)</b>	(374,442)	<b>(142,775)</b>	(140,557)
Loss for the period		<b>(10,152,004)</b>	(10,123,286)	<b>(5,725,270)</b>	(5,794,194)
Other comprehensive income		-	-	-	-
Total comprehensive loss		<b>(10,152,004)</b>	(10,123,286)	<b>(5,725,270)</b>	(5,794,194)
Loss per share - basic and diluted		<b>(1.35)</b>	(1.35)	<b>(0.76)</b>	(0.77)

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.



**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2016**

	Issued, subscribed and paid-up capital	Loans from directors	Un-appropriated loss	Total
	----- Rupees -----			
Balance as at July 1, 2015	75,025,104	-	(3,865,745)	71,159,359
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	139,652	139,652
Total comprehensive income for the six months period ended December 31, 2015	-	-	(10,123,286)	(10,123,286)
	-	-	<b>(9,983,634)</b>	<b>(9,983,634)</b>
<b>Balance as at December 31, 2015</b>	<b>75,025,104</b>	<b>-</b>	<b>(13,849,379)</b>	<b>61,175,725</b>
Balance as at July 1, 2016	75,025,104	4,225,000	(21,247,216)	58,002,888
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	183,238	183,238
Total comprehensive income for the six months period ended December 31, 2016	-	-	(10,152,004)	(10,152,004)
	-	-	<b>(9,968,766)</b>	<b>(9,968,766)</b>
<b>Balance as at December 31, 2016</b>	<b>75,025,104</b>	<b>4,225,000</b>	<b>(31,215,982)</b>	<b>48,034,122</b>

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.

**CONDENSED INTERIM STATEMENT OF CASH FLOW (UNAUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2016**

	December 31, 2016	December 31, 2015
Note	----- Rupees -----	
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	<b>(9,800,880)</b>	(9,748,844)
<b>Adjustments for:</b>		
Depreciation	<b>2,967,749</b>	3,048,867
Gain on revaluation of other financial assets	<b>(18,416)</b>	12,259
Gain on disposal of Property, plant and equipment	<b>(934,667)</b>	(628,587)
Finance cost	<b>1,017,007</b>	1,289,468
Operating cash flows before working capital changes	<b>(6,769,206)</b>	(6,026,837)
<b>Working capital changes</b>	<b>10 5,351,745</b>	598,372
<b>Net cash used in operations</b>	<b>(1,417,462)</b>	(5,428,465)
Finance cost paid	<b>(705,535)</b>	(1,345,638)
Income tax paid	<b>(866,877)</b>	(690,612)
Dividend income	-	(60)
<b>Net cash used in operating activities</b>	<b>(2,989,874)</b>	(7,464,775)
<b>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	<b>1,051,011</b>	2,012,000
	<b>1,051,011</b>	<b>2,146,617</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long-term deposits - liabilities - net	<b>1,433,695</b>	3,600,618
Long-term deposits - assets - net	-	(5,891)
Repayment of long-term finance	<b>(743,267)</b>	(1,304,977)
Short-term borrowings - net	<b>725,000</b>	2,510,080
<b>Net cash generated from financing activities</b>	<b>1,415,428</b>	4,799,830
<b>Net decrease in cash and cash equivalents (A+B+C)</b>	<b>(523,435)</b>	(518,328)
Cash and cash equivalents at beginning of the period	<b>600,259</b>	645,842
<b>Cash and cash equivalents at end of the period</b>	<b>76,824</b>	127,514

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.

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

**ZAKARIA A. GHAFAR**  
Director

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## **NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2016**

### **1 THE COMPANY AND ITS OPERATIONS**

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 Pathara, Tehsil Hub, Lasbella District, Balochistan.

#### **1.1 GOING CONCERN ASSUMPTION**

The Company has incurred a net loss of Rs. 10.152 million during the half year ended December 31, 2016. Further, as of the reporting date, its accumulated losses amounted to Rs. 31.216 million and its current liabilities exceeded the current assets by Rs. 52.271 million.

In addition, the running finance facility obtained from Faysal Bank limited has expired and, as of the reporting date, the outstanding liability of the Company in respect of the finance is Rs. 8.984 million (inclusive of markup of Rs. 0.148 million). In June 2017, the bank, in order to recover the said outstanding amount, filed a suit against the Company in a court of law.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its obligations in the ordinary course of its business. However, in view of the management's plan to deal with the above situation and the subsequent development detailed below, this condensed interim financial information has been prepared using the going concern assumption.

To cope up with the aforementioned solvency and liquidity issues, the management plans to increase the level of capital employed into the business. In this respect, the management has appointed Core advisor and Tamkeen Capital to act as its financial consultant and advocate. Besides making arrangements for working capital financing, the consultant will also be responsible for raising sufficient funds through equity injection to finance the planned capital expenditure on overhauling of certain component of the plant which will enable the Company to produce liquid oxygen at a cost lower than its current purchase cost. This arrangement is expected to be finalized in about next one year and would improve significantly the current gross margin position of the Company.

Further, subsequent to the reporting date, a favourable swing in the turnover of the Company has been noted and its revenue for the second half of the financial year 2016-17 are projected to exceed Rs. 46 million. This will further improve the profitability position of the Company.

### **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, 2016.

### 3 SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

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, 2016.

	Note	Unaudited December 31, 2016	Audited June 30, 2016
----- Rupees -----			
<b>4 PROPERTY, PLANT AND EQUIPMENT</b>			
Operating property, plant and equipment		<b>167,144,598</b>	170,228,692
4.1 Additions to property, plant and equipment during the period were Rs. Nil (June 30, 2016: Rs.138,224) and disposals there from at net book value were Rs. 116,344 (June 30, 2016: Rs.3,782,523).			
<b>5 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net</b>			
Surplus on freehold land	5.1	<b>14,054,210</b>	14,054,210
Surplus on building on freehold land	5.2	<b>7,058,231</b>	7,241,469
		<b>21,112,441</b>	21,295,679
5.1 Movement of surplus on freehold land during the period			
Revaluation surplus as at July 01		<b>14,054,210</b>	10,754,210
Surplus arising on revaluation carried out during the year		-	3,300,000
		<b>14,054,210</b>	14,054,210
5.2 Movement of surplus on building on freehold land during the period			
Revaluation surplus as at July 01		<b>10,778,675</b>	8,337,395
Surplus arising on revaluation carried out during the year		-	2,941,523
		<b>10,778,675</b>	11,278,918
Transferred to unappropriated profit in respect of incremental depreciation charged during the period, net of deferred tax		<b>(183,238)</b>	(283,471)
Restatement of opening liability due to change in tax rate		-	(83,374)
Related deferred tax liability of incremental depreciation charged during the period		<b>(86,230)</b>	(133,398)
Revaluation surplus		<b>10,509,207</b>	10,778,675
Less: Related deferred tax liability on:			
- revaluation as at July 1		<b>(3,537,206)</b>	(2,812,691)
- surplus arising on revaluation carried out during the year		-	(941,287)
- restatement of opening liability due to change in tax rate		-	83,374
- incremental depreciation charged during the period, transferred to profit and loss account		<b>86,230</b>	133,398
		<b>(3,450,976)</b>	(3,537,206)
		<b>7,058,231</b>	7,241,469

6	Note	Un-audited Half year ended		Un-audited Quarter ended	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
		----- Rupees -----		----- Rupees -----	
	<b>COST OF SALES</b>				
	Raw material consumed	29,089,121	29,492,705	11,805,456	10,888,499
	Salaries, wages and benefits	2,056,992	2,443,502	1,015,509	1,089,822
	Power, fuel and water	332,404	902,618	114,265	448,691
	Stores and spares	111,866	296,105	7,630	107,391
	Repairs, maintenance and handling	961,514	904,683	339,006	400,848
	Insurance	473,649	467,970	241,212	186,597
	Vehicles running and maintenance	115,773	190,198	53,869	104,449
	Depreciation	728,538	698,581	361,892	350,914
	Others	875,565	778,214	480,522	408,436
	Maintenance and other charges recovered	(214,376)	(203,319)	(116,421)	(103,424)
		<b>34,531,046</b>	<b>35,971,257</b>	<b>14,302,940</b>	<b>13,882,223</b>
	<b>Finished goods</b>				
	Opening stock	545,312	954,558	378,093	1,229,179
	Closing stock	(446,982)	(1,106,874)	(446,982)	(1,106,874)
		<b>98,330</b>	<b>(152,316)</b>	<b>(68,889)</b>	<b>122,305</b>
		<b>34,629,376</b>	<b>35,818,941</b>	<b>14,234,051</b>	<b>14,004,528</b>
	<b>7 OTHER OPERATING EXPENSES</b>				
	Depreciation on idle plant & related assets	2,089,763	2,164,850	1,044,881	1,082,425
	Sales tax penalties	35,000	26,000	25,000	-
	Bad debt	10,000	-	-	-
		<b>2,134,763</b>	<b>2,190,850</b>	<b>1,069,881</b>	<b>1,082,425</b>
	<b>8 FINANCE COST</b>				
	<b>Interest/markup on</b>				
	Long-term financing	247,138	462,195	526,072	218,635
	<b>Short-term borrowings</b>				
	Bank	448,279	543,815	254,118	266,617
	Provident Fund	301,930	266,618	116,093	129,160
		<b>750,209</b>	<b>810,433</b>	<b>370,211</b>	<b>395,777</b>
	Bank charges	19,660	16,840	8,756	2,779
		<b>1,017,007</b>	<b>1,289,468</b>	<b>905,039</b>	<b>617,191</b>

8.1 This represents interest on loan from Provident Fund of Rs. 1,150,000 and contributions payable to Provident Fund of Rs. 5,984,506.

## 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.

10 WORKING CAPITAL CHANGES	Unaudited	
	December 31, 2016	December 31, 2015
	----- Rupees -----	
<b>(Increase) / decrease in current assets</b>		
Stores and spares	4,312	181,615
Stock-in-trade	105,714	(152,316)
Trade debts	(561,057)	(2,350,090)
Loans and advances	1,005,472	1,327,247
Trade deposits and other receivables	(379,552)	(632,031)
<b>Increase in current liabilities</b>		
Trade and other payables	5,176,856	2,223,947
	<u>5,351,745</u>	<u>598,372</u>

## 11 CONTINGENCIES AND COMMITMENTS

### 11.1 Contingencies

**11.1.1** As disclosed in audited financial statements for the year ended June 30, 2016, 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 an 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.

During the period, FBR via its assessment order number 03 of 2017 has ordered for the recovery of inadmissible input tax which was claimed by the Company amounting to Rs. 42,673. However, charges for levy of penalty u/s 33 ibid were withdrawn.

**11.1.2** During the period, the Company received notice from FBR under section 122(1) of Income Tax Ordinance, 2001 whereby the Company was ordered to pay Rs. 782,983, Rs. 452,990, and Rs. 9,999,947 for the tax year 2010, 2011 and 2012 respectively.

Being aggrieved with the order, the Company preferred and appealed against the order. 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 interim financial information

**11.1.3** The Company had obtained running finance facility from Faysal Bank up to the limit of Rs.10 million in previous years. The facility expired on 14 October, 2016 with the outstanding liability of Rs. 8.836 million along with the mark-up of Rs. 0.148 million. Subsequent to the period end, a suit has been filed by the bank for the recovery of Rs. 13.077 million.



**11.1.4** There were no change in contingencies and commitments as at December 31, 2016 other than disclosed as above.

**11.2 Commitments**

**11.2.1** There were no commitments as at December 31, 2016 (June 30, 2016: Nil).

**12 TRANSACTIONS WITH RELATED PARTIES**

The related parties include a subsidiary Company, entities having directors in common with the Company, major shareholders of the Company, directors and other key management personnel and retirement benefit plans. Transactions with related parties, other than those disclosed elsewhere in the financial statements are as under:

	<b>Unaudited</b>	
	<b>December 31,</b>	December 31,
	<b>2016</b>	2015
	----- Rupees -----	
<b>Associated undertakings</b>		
Organization charges paid	-	170,352
Long-term loan taken from associated undertaking	<b>680,000</b>	2,500,000
<b>Transactions with key management personnel</b>		
Salaries, benefits and other allowances	<b>1,257,000</b>	1,206,000
<b>Other related parties</b>		
Contribution made by the Company to retirement benefit plan	<b>342,823</b>	342,194
Mark up accrued on loan from retirement benefits plan	<b>52,174</b>	223,327

**13 DATE OF AUTHORIZATION FOR ISSUE**

This condensed interim financial information was authorised for issue on July 07, 2017 by the Board of Directors of the Company.

**14 GENERAL**

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

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

**ZAKARIA A. GHAFFAR**  
Director



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