



BAWANYAIR
PRODUCTS LIMITED

**HALF YEARLY REPORT
DECEMBER 31, 2017
(UNAUDITED)**

CORPORATE INFORMATION

BOARD OF DIRECTORS	<p>Mr. Vali Mohammad M. Yahya Mr. M. Hanif Y. Bawany Mrs. Momiza Hanif Bawany Mr. Mikhail Bawany Mr. Wazir Ahmed Jomezai Mr. Zakaria A. Ghaffar Mr. Siraj A. Kadir</p>	<p>Chairman - Non Executive Director Chief Executive Officer Executive Director Non Executive Director Non Executive Director Non Executive Director Independent Director</p>
AUDIT & HR COMMITTEE	<p>Mr. Siraj A. Kadir Mr. Vali Mohammad M. Yahya Mr. Zakaria A. Ghaffar Mr. Muhammad Munir</p>	<p>Chairman Member Member Secretary to Audit Committee</p>
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 Pathara, 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	

HALF YEARLY REVIEW

ASSALAM-O-ALAIKUM

On behalf of the Board of Directors, I am pleased to present the Directors' review report on performance of your Company for the half year ended December 31, 2017.

As required by the Code of Corporate Governance for Listed Companies, the financial statements of the Company were subject to limited scope review by the external auditors, therefore, the same was duly conducted and their review report is also enclosed in these financial statements.

The year 2017-18 is progressing relatively better for our Company as there has been a considerable improvement in the revenue stats and the same positive effect has passed on to the bottom line as well. Despite the fact that there is a loss of Rs. 8.0 million in the first 6 months of 2017-18 but it is comparatively on a lower side as compared to first 6 months of 2016-17 in which we incurred a loss of Rs. 9.8 million.

The revenue in the current period was over Rs. 49 million which is a positive indicator since it is around 14 million higher as compared to what we had in last period. The demand of the liquid oxygen is increasing as the Gaddani ship breaking is getting a more ships for breakage.

An analysis of the six months performance of the current period as compared with prior period is as follows:

Description	Six months Dec 31, 2017	Six months Dec 31, 2016
Sales	49,311,077	35,112,420
Gross profit	2,643,264	483,044
Loss before taxation	(8,011,370)	(9,800,880)

It has been a great challenge for the management to make both ends meet. Despite such liquidity crunch and working capital deficits, your Company paid Rs. 1.2 million worth of income taxes. The operating cash flows are still negative, which is a sign of inadequate cash generation from operations. However, your management is fully conversant and aware of these facts and accordingly, various options and investment appraisal modes are being considered and quite of these are at final stage of negotiations.

The trading in company's shares has also been suspended at Pakistan Stock Exchange Limited. The Pakistan Stock Exchange Limited had given notices where the Company was required to pay Annual Listing Fee and Penalties imposed by the Pakistan Stock Exchange before the deadline set by them. The company had managed to pay Annual Listing Fee in time as per request of the Pakistan Stock Exchange Limited on assurance that they will reconsider our request and instead they issued a notice with a deadline for the same day for clearance of dues (Penalties imposed). We have again applied for re-consideration for waiver of penalties to the Managing Director Pakistan Stock Exchange Limited and even requested them to give us payment time (installments) for whatever penalty they impose on our company. The company has been facing financial hardships since the past 3 years.

It can be argued that it's the political instability within the Country, expected general elections in near future, recent significant devaluation of rupee against USD, heavy reliance on foreign debts and worse financial indicators of our overall economy are all the factors that shake the interest of investors both local as well as foreign. Although the business conditions are very favourable but these qualitative factors have been a hindrance for the investors to enter into a joint venture or partnership (via equity injection) with the local corporations like us.

Keeping strong and utmost faith in Almighty ALLAH, we are more than confident that the turnaround for our Country and our Company is definite to come. In-Sha-Allah. We strongly appreciate your support and trust that you have shown towards our management and look forward to an even better 2nd half of the year 2017-18

On behalf of the Board



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

Karachi
Dated: February 21, 2018

ششماہی رپورٹ

السلام علیکم

بورڈ آف ڈائریکٹرز کی جانب سے آپ کی کمپنی کی کارکردگی برائے ششماہی مختتمہ 31 دسمبر 2017 پر ڈائریکٹرز کی جائزہ رپورٹ پیش کرتے ہوئے اظہار مسرت کرتا ہوں۔

درج فہرست کمپنیوں کے ادارتی گمراں ضابطوں کے تحت جائزہ مدت کے مالیاتی گوشوارے بیرونی آڈیٹرز کے محدود دائرے میں آتے ہیں جس کا انہوں نے باضابطہ اہتمام کیا اور ان کی جائزہ رپورٹ مالیاتی گوشواروں کے ساتھ منسلک ہے۔

سال 2017-2018 میں ہماری کمپنی قدرے بہتر انداز میں تسلسل کے ساتھ ارتقاء پذیر ہے جس کی بنیادی وجہ آمدنی میں قابل ذکر اضافہ ہے اور اس کے مثبت اثرات نیچے تک جا رہے ہیں۔ اس حقیقت کے باوجود کہ 2017-2018 کے پہلے چھ ماہ میں 8.0 ملین روپے کا خسارہ نسبتاً کمی کی جانب مائل رہا اگر اس کا موازنہ 2016-17 کے پہلے چھ ماہ سے کیا جائے جس میں 9.8 ملین روپے کا خسارہ ہوا۔

موجودہ مدت کی آمدنی 49 ملین روپے ہوئی جو کہ گزشتہ سال اسی مدت سے تقریباً 14 ملین زیادہ ہے جس سے مثبت اشارہ کا عندیہ ملتا ہے۔ گڈائی شپ بریکنگ میں ٹوٹنے کے لئے آنے والے جہازوں کی تعداد میں اضافہ کے ساتھ مائع آکسیجن کی طلب میں اضافہ ہو رہا ہے۔

موجودہ مدت کی پہلی ششماہی کی کارکردگی کا گزشتہ مدت پہلی ششماہی کے ساتھ تقابلی جائزہ درج ذیل ہے:

تفصیل	چھ ماہ 2017 دسمبر 31	چھ ماہ 2018 دسمبر 31
فروخت	49,311,077	35,112,420
خام منافع	2,643,264	483,044
خسارہ قبل آرٹیکس	(8,011,370)	(9,800,880)

دونوں کناروں کو آپس میں ملانا ایک بڑا چیلنج ہے۔ عدم روانی اور جاری سرمائے میں خسارے کے باوجود، آپ کی کمپنی نے 1.2 ملین روپے کے بھاری بھر کم انکم ٹیکس ادا کئے۔ کاروبار چلانے کے لئے نقدی کا بہاؤ اب بھی منفی ہے جو کہ اس بات کی علامت ہے کہ کاروباری افعال سے ناکافی نقدی پیدا ہو رہی ہے۔ تاہم آپ کی انتظامیہ ان تمام حقائق سے بخوبی آگاہ ہے، لہذا مختلف آپشنز اور سرمایہ کاری کی چارج کے مختلف طریقے زیر غور ہیں اور ان میں سے کچھ گفت شنید کے آخری مراحل میں ہیں۔

پاکستان اسٹاک ایکسچینج نے کمپنی کے حصص کی خرید و فروخت معطل کر دی ہے۔ پاکستان اسٹاک ایکسچینج نے سالانہ سٹینڈنگ فیس اور پاکستان اسٹاک ایکسچینج کے عائد کردہ جرمانوں کی مقررہ تاریخ سے قبل ادائیگی کے لئے مراسلے جاری کر دیئے تھے۔ کمپنی نے سالانہ سٹینڈنگ فیس وقت پر ادا کر دی ہے اس بات کی یقین دہانی کے ساتھ پاکستان اسٹاک ایکسچینج ہماری درخواست پر از سر نو غور کرے گا لیکن انہوں نے اسی دن مقررہ تاریخ پر واجبات (عائد شدہ جرمانوں) کی ادائیگی کا مراسلہ جاری کر دیا۔ ہم نے جرمانوں کے ختم کرانے کے لئے دو بارہ از سر نو غور کے لئے پاکستان اسٹاک ایکسچینج کے مینجنگ ڈائریکٹر کو درخواست دی ہے اور یہاں تک استدعا کی ہے جتنا بھی جرمانہ عائد ہوگا ہم ادا کریں گے مگر ہمیں (منظوں پر) ادائیگی کے لئے وقت دیا جائے۔ کمپنی کو گزشتہ تین سالوں سے مالیاتی مشکلات کا سامنا ہے۔

استدلال کے طور پر یہ کہا جاسکتا ہے کہ ملک میں سیاسی عدم استحکام، مستقبل قریب میں متوقع عام انتخابات، حال ہی میں ڈالر کے مقابلہ میں روپے کی قدر میں قابل ذکر کمی، بیرونی قرضوں پر بھاری انحصار اور مجموعی معیشت کی بدترین مالیاتی اشارہ سازیاں ایسے عناصر ہیں جن سے نہ صرف مقامی بلکہ غیر ملکی سرمایہ کاروں کے مفادات کو بھروسہ ہو رہے ہیں۔ اگرچہ کہ کاروباری حالات بہت زیادہ سازگار ہیں لیکن یہ عناصر ہماری طرح دیگر مقامی کارپوریشنز کے ساتھ سرمایہ کاروں کی مشترکہ سرمایہ کاری یا شراکت داری (برائے سرمایہ کو داخل کرنے) میں بڑی رکاوٹ ہیں۔

اللہ رب العزت پر مضبوط یقین اور بھروسہ کرتے ہوئے ہم پر اعتماد ہیں کہ ہمارے ملک اور ہماری کمپنی کے حالات انشاء اللہ بہتری کی طرف گامزن ہو جائیں گے۔ ہماری انتظامیہ کے ساتھ آپ نے جس تعاون اور اعتماد کا مظاہرہ کیا اس کی ہم پر زور تائید کرتے ہیں اور امید کرتے ہیں کہ سال 2017-2018 کے دوسرے چھ ماہ میں مزید بہتری آئے گی۔

برائے دستخط



ایم حنیف وانی باوانی

چیئرمین ڈائریکٹرز/ چیف ایگزیکٹو آفیسر

کراچی

مورخہ: 21 فروری 2018

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** (the Company) as at December 31, 2017, the related condensed interim statement of profit and loss, condensed interim statement of comprehensive income, condensed interim statement of cash flow, condensed interim statement of changes in equity and notes to the accounts (here-in-after referred to as the condensed interim financial information) for the six months period then ended. Management of the Company is responsible for the preparation and presentation of the 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. The figures of the condensed interim statement of profit and loss and condensed interim statement of comprehensive income for the quarters ended December 31, 2017 and 2016 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2017.

Scope of Review

We condensed 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.

Basis of 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, 2017, the Company incurred net loss of Rs.8.628 million. The Company sustained losses during the last 3 years and its accumulated losses amounted to Rs.45.134 million and its current liabilities exceeds its current assets by Rs.59.829 million. Mainly for the reason that, the operations of the Company have been suffering due to breakdown of its plant that has resulted in stoppage of production of liquid oxygen.

The running finance facility obtained by the Company from Faysal Bank in previous years expired in October 14, 2016 with the principal outstanding liability of Rs.8.836 million against which the bank has filed a recovery suit of Rs.13.078 million in June 2017. The Company has not charged mark-up on the outstanding principal balance after June 30, 2017.

The long-term finance obtained by the Company from Orix Leasing Pakistan Limited matured in September 2017, however, the payment of installments amounting to Rs.3.171 million and mark-up amounting to Rs.0.252 million is still outstanding and no mark-up or period mark-up / late payment surcharge is charged on the overdue installments.

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.7.766 million, mark-up on Staff Provident Fund of Rs.0.382 million and borrowing from Staff Provident Fund of Rs.1.15 million, which are in violation of Section 227 of the repealed Companies Ordinance, 1984.

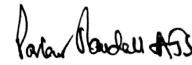
Also, counting of physical inventories of stock-in-trade and stores and spares as at June 30, 2017 were not carried out by us and we were unable to satisfy ourselves by alternative means concerning the opening inventory of stock-in-trade and stores and spares quantities held as at July 01, 2017 which are stated in the statement of financial position at net value of Rs.1.732 million

Trade debts amounting to Rs.1.693 million are stagnant for more than 365 days, against which only Rs.0.301 million provision is available as at December 31, 2017. Since these trade debts are doubtful of recovery, therefore, the provision should have been created against these. Had the provision been made, loss for the period would have been higher by Rs.1.392 million

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 a non-going concern 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, 2017, its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRS).



Perker Randall - A.J.S.
Chartered Accountants
Muhammad Shabbir Kasbati
Engagement Partner:

Karachi
Date: February 21, 2018

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

		Un-audited	Audited
		December 31,	June 30,
		2017	2017
Note		--- Rupees ---	
ASSETS			
Non-current assets			
			183,889,558
Property, plant and equipment	4	180,750,087	
Long-term deposits		<u>3,221,357</u>	<u>3,221,357</u>
		183,971,444	187,110,915
Current assets			
Stores and spares		1,024,891	1,026,292
Stock-in-trade		629,944	705,291
Trade debts		5,907,065	4,237,910
Loans and advances		4,949,292	2,080,474
Trade deposits and other receivables		1,544,684	1,555,084
Other financial assets		48,934	58,288
Taxation - net		5,317,423	5,167,657
Cash and bank balances		48,255	603,378
		19,470,488	15,434,374
Total assets		<u>203,441,932</u>	<u>202,545,289</u>

The annexed notes from 1 to 15 form an integral part of these condensed interim financial information.

AS AT DECEMBER 31, 2017

	Un-audited December 31, 2017	Audited June 30, 2017
Note	--- Rupees ---	
EQUITY AND LIABILITIES		
Share capital and reserves		
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	<u>75,025,104</u>	75,025,104
Loan from directors	<u>4,225,000</u>	4,225,000
Accumulated loss	<u>(45,133,977)</u>	(36,903,396)
	34,116,127	42,346,708
Surplus on revaluation of property, plant and equipment - net	5 36,304,954	36,702,131
Non-current liabilities		
Long-term financing	<u>-</u>	-
Long-term deposits	<u>53,721,905</u>	52,238,007
	53,721,905	52,238,007
Current liabilities		
Trade and other payables	<u>36,874,486</u>	30,052,094
Interest / mark-up accrued	<u>775,224</u>	759,678
Short-term borrowings	<u>38,478,384</u>	37,275,819
Current portion of long-term financing	<u>3,170,852</u>	3,170,852
	79,298,946	71,258,443
Contingencies and commitments	11	
Total equity and liabilities	<u>203,441,932</u>	<u>202,545,289</u>

M. HANIF Y. BAWANY
 Chief Executive Officer

MOHAMMD HASHIM
 Chief Financial Officer

ZAKARIA A. GHAFAR
 Director

**CONDENSED INTERIM STATEMENT OF PROFIT AND LOSS (UN-AUDITED)
 FOR THE HALF YEAR ENDED DECEMBER 31, 2017**

	Note	Six months period ended		Quarter ended	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
		----- Rupees -----			
Sales - net		49,311,077	35,112,420	24,554,067	14,277,484
Cost of sales	6	(46,667,813)	(34,629,376)	(23,101,682)	(14,234,051)
Gross profit		2,643,264	483,044	1,452,385	43,433
Other operating income		9,232	977,858	2,932	323,414
Unrealized gain / (loss) on revaluation of other financial assets		(9,354)	18,417	(9,354)	5,908
		(122)	996,275	(6,422)	329,322
		2,643,142	1,479,319	1,445,963	372,755
Distribution cost		(1,906,244)	(2,120,519)	(947,238)	(1,053,107)
Administrative expenses		(6,289,022)	(6,007,910)	(3,087,980)	(2,927,223)
Other operating expenses	7	(2,050,007)	(2,134,763)	(1,025,287)	(1,069,881)
Finance cost	8	(409,239)	(1,017,007)	(202,973)	(905,039)
		(10,654,512)	(11,280,199)	(5,263,478)	(5,955,250)
Loss before taxation		(8,011,370)	(9,800,880)	(3,817,515)	(5,582,495)
Provision for taxation - current	9	(616,388)	(351,124)	(306,926)	(142,775)
Loss for the period		(8,627,758)	(10,152,004)	(4,124,441)	(5,725,270)
Loss per share - basic and diluted		(1.15)	(1.35)	(0.55)	(0.76)

The annexed notes from 1 to 15 form an integral part of these condensed interim financial information.

M. HANIF Y. BAWANY
 Chief Executive Officer

MOHAMMAD HASHIM
 Chief Financial Officer

ZAKARIA A. GHAFAR
 Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2017**

	<u>Six months period ended</u>		<u>Quarter ended</u>	
	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
	Rupees			
Loss for the period	(8,627,758)	(10,152,004)	(4,124,441)	(5,725,270)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	<u>(8,627,758)</u>	<u>(10,152,004)</u>	<u>(4,124,441)</u>	<u>(5,725,270)</u>

The annexed notes from 1 to 15 form an integral part of these condensed interim financial information.

M. HANIF Y. BAWANY
Chief Executive Officer

MOHAMMD HASHIM
Chief Financial Officer

ZAKARIA A. GHAFAR
Director

**CONDENSED INTERIM STATEMENT OF CASH FLOW (UN-AUDITED)
 FOR THE HALF YEAR ENDED DECEMBER 31, 2017**

	December 31, 2017	December 31, 2016
Note	--- Rupees ---	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(8,011,370)	(9,800,880)
Adjustments for:		
Depreciation	3,139,470	2,967,749
Gain/(loss) on revaluation of other financial assets	9,354	(18,416)
Gain on disposal of property, plant and equipment	-	(934,667)
Finance cost	409,239	1,017,007
Operating cash flows before working capital changes	<u>(4,453,307)</u>	<u>(6,769,207)</u>
Working capital changes	10 <u>2,371,567</u>	<u>5,351,745</u>
Net cash used in operations	<u>(2,081,740)</u>	<u>(1,417,462)</u>
Finance cost paid	(393,693)	(705,535)
Income tax paid	<u>(1,259,264)</u>	<u>(866,877)</u>
Net cash used in operating activities	<u>(3,734,697)</u>	<u>(2,989,874)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	-	1,051,011
	<u>-</u>	<u>1,051,011</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term deposits - liabilities - net	1,483,898	1,433,695
Repayment of long-term finance	-	(743,267)
Short-term borrowings - net	1,202,565	725,000
Net cash generated from financing activities	<u>2,686,463</u>	<u>1,415,428</u>
Net decrease in cash and cash equivalents	<u>(1,048,234)</u>	<u>(523,435)</u>
Cash and cash equivalents at beginning of the period	<u>603,378</u>	<u>600,259</u>
Cash and cash equivalents at end of the period	<u>(444,856)</u>	<u>76,824</u>

The annexed notes from 1 to 15 form an integral part of these condensed interim financial information.

 M. HANIF Y. BAWANY
 Chief Executive Officer

 MOHAMMD HASHIM
 Chief Financial Officer

 ZAKARIA A. GHAFAR
 Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
 FOR THE HALF YEAR ENDED DECEMBER 31, 2017**

	Issued, subscribed and paid-up capital	Loans from directors	Unappropriated loss	Total
	----- Rupees -----			
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)
	-	-	(9,968,766)	(9,968,766)
Balance as at December 31, 2016	75,025,104	4,225,000	(31,215,982)	48,034,122
Balance as at July 1, 2017	75,025,104	4,225,000	(36,903,396)	42,346,708
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	397,177	397,177
Total comprehensive income for the six months period ended December 31, 2017	-	-	(8,627,758)	(8,627,758)
	-	-	(8,230,581)	(8,230,581)
Balance as at December 31, 2017	75,025,104	4,225,000	(45,133,977)	34,116,127

The annexed notes from 1 to 15 form an integral part of these condensed interim financial information.

M. HANIF Y. BAWANY
 Chief Executive Officer

MOHAMMD HASHIM
 Chief Financial Officer

ZAKARIA A. GHAFAR
 Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2017**

1. THE COMPANY AND ITS OPERATIONS

Bawany Air Products Limited (the Company) is a public limited Company incorporated in Pakistan on August 16, 1978 under the repealed companies ordinance 1984. The Company is 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. 8.628 million during the half year ended December 31, 2017. Further, as of the reporting date, its accumulated losses amounted to Rs. 45.134 million and its current liabilities exceeded the current assets by Rs. 59.829 million.

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 realize 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 developments 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 is working on the plans to increase the level of capital employed into the business. In this respect, the management has appointed a consultant 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 components of the plant which will enable the Company to produce liquid oxygen at a cost lower than its current purchase cost that is expected to improve the financial position of the Company.

2. BASIS OF PREPARATION

The condensed interim financial information has been prepared for the six months period ended December 31, 2017 in accordance with the requirements of International Accounting Standard (IAS) 34 "Interim Financial Reporting" and provisions of and directives issued under the repealed Companies Ordinance, 1984. In case where the requirements differ, the provisions of or directives issued under the repealed Companies Ordinance, 1984 shall prevail.

The condensed interim financial information is being submitted to the shareholders as required by the listing regulation of Pakistan Stock Exchange vide section 245 of the repealed Companies Ordinance, 1984.

The condensed interim financial information does not include all the information and disclosures required in an annual financial statements and should be read in conjunction with the annual audited financial statement as at and for the year ended June 30, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial information requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reporting amounts of assets and liabilities, income and expenses. Actual results may differ from these estimate.

The accounting policies, estimates, judgments and methods of computation adopted for the preparation of the condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Company as at and for the year ended June 30, 2017.

		Un-audited December 31, 2017	Audited June 30, 2017
	Note	---- Rupees ----	
4. PROPERTY, PLANT AND EQUIPMENT			
Operating property, plant and equipment		<u>180,750,087</u>	<u>183,889,558</u>
4.1	Additions to property, plant and equipment during the period were Rs. Nil (June 30, 2017: Rs.Nil) and disposals there from at net book value were Rs. Nil (June 30, 2017: Rs.1,419,120).		
5. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT-net			
Surplus on freehold land	5.1	20,654,210	20,654,210
Surplus on building on freehold land	5.2	15,650,744	16,047,921
		<u>36,304,954</u>	<u>36,702,131</u>
5.1	Movement of surplus on freehold land during the period		
Revaluation surplus as at July 01		20,654,210	14,054,210
Surplus arising on revaluation carried out during the year		-	6,600,000
		<u>20,654,210</u>	<u>20,654,210</u>
5.2	Movement of surplus on building on freehold land during the period		
Revaluation surplus as at July 01		23,024,753	10,778,675
Surplus arising on revaluation carried out during the year		-	13,112,711
		23,024,753	23,891,386
Transferred to unappropriated profit in respect of incremental depreciation charged during the period, net of deferred tax		(397,177)	(372,446)
Restatement of opening liability due to change in tax rate		(230,248)	(334,567)
Related deferred tax liability of incremental depreciation charged during the period		(178,442)	(159,620)
Revaluation surplus		<u>22,218,886</u>	<u>23,024,753</u>
Less: Related deferred tax liability on:			
- revaluation as at July 1		(6,976,832)	(3,537,206)
- surplus arising on revaluation carried out during the year		-	(3,933,813)
- restatement of opening liability due to change in tax rate		230,248	334,567
- incremental depreciation charged during the period, transferred to statement of profit and loss account		178,442	159,620
		<u>(6,568,142)</u>	<u>(6,976,832)</u>
		<u>15,650,744</u>	<u>16,047,921</u>

	Un-audited		Un-audited	
	Half year ended		Quarter ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	----- Rupees -----			
6. COST OF SALES				
Raw material consumed	41,537,381	29,089,121	20,809,414	11,805,456
Salaries, wages and benefits	1,970,742	2,056,992	976,805	1,015,509
Power, fuel and water	15,180	332,404	7,720	114,265
Stores and spares	14,651	111,866	6,108	7,630
Repairs, maintenance and handling	1,117,856	961,514	545,662	339,006
Insurance	75,738	473,649	33,234	241,212
Vehicles running and maintenance	147,202	115,773	96,900	53,869
Depreciation	971,547	728,538	410,049	361,892
Others	923,524	875,565	475,104	480,522
Maintenance and other charges recovered	(181,355)	(214,376)	(90,913)	(116,421)
	<u>46,592,466</u>	<u>34,531,046</u>	<u>23,270,083</u>	<u>14,302,940</u>
Finished goods				
Opening stock	362,045	545,312	118,297	378,093
Closing stock	(286,698)	(446,982)	(286,698)	(446,982)
	<u>75,347</u>	<u>98,330</u>	<u>(168,401)</u>	<u>(68,889)</u>
	<u>46,667,813</u>	<u>34,629,376</u>	<u>23,101,682</u>	<u>14,234,051</u>
7. OTHER OPERATING EXPENSES				
Depreciation on idle plant and related assets	2,040,007	2,089,763	1,020,287	1,044,881
Sales tax penalties	10,000	35,000	5,000	25,000
Bad debt	-	10,000	-	-
	<u>2,050,007</u>	<u>2,134,763</u>	<u>1,025,287</u>	<u>1,069,881</u>
8. FINANCE COST				
Interest / markup on:				
Long-term financing	15,546	247,138	-	526,072
Short-term borrowings				
- Bank	-	448,279	-	254,118
- Provident Fund	381,826	301,930	195,513	116,093
	<u>381,826</u>	<u>750,209</u>	<u>195,513</u>	<u>370,211</u>
Bank charges	11,867	19,660	7,460	8,756
	<u>409,239</u>	<u>1,017,007</u>	<u>202,973</u>	<u>905,039</u>

8.1 This represents interest on loan and contributions payable to the Staff Provident Fund.

9. TAXATION

Charge for the current taxation is based on minimum tax on turnover @ 1.25% under section 113 of the Income Tax Ordinance, 2001.

	Un-audited December 31, 2017	Un-audited December 31, 2016
	— Rupees —	
10. WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets		
Stores and spares	1,401	4,312
Stock-in-trade	75,347	105,714
Trade debts	(1,669,155)	(561,057)
Loans and advances	(2,868,818)	1,005,472
Trade deposits and other receivables	10,400	(379,552)
Increase in current liabilities		
Trade and other payables	6,822,392	5,176,856
	<u>2,371,567</u>	<u>5,351,745</u>

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

11.1.1 In the year 2016-2017, the Company was selected for income tax audit for the period from July 2011 to June 2012. The assessing officer issued impugned order dated 24.01.2017 wherein the Appellant was ordered to pay income tax amount to Rs.9.999 million along with default surcharge and penalty.

Being aggrieved with the order, the Company preferred the appeal contesting 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

11.1.2 During last year, Faysal Bank Limited has filed a law suit in the Banking Court No. IV Karachi for the recovery of principal balance along-with mark-up and other charges amounting to Rs. 13,077,725 and sale of hypothecated assets.

The Company has challenged these allegations in the banking court on the basis that the amount is exaggerated, misconceived and false claim / pleas taken by the bank. The matter is being heard at the banking court, Karachi.

11.1.3 The long term finance from Orix Leasing Pakistan Limited matured in september 2017. The installments of Rs. 3.171 million along with the mark-up of Rs. 0.252 million are outstanding. The Company has made no provision in these interim information on account of late payment surcharge on the overdue installments.

11.2 Commitments

11.2.1 There were no commitments as at December 31, 2017 (June 30, 2017: 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:

	Un-audited December 31, 2017	Un-audited December 31, 2016
	— Rupees —	
Associated undertakings		
Organization charges paid	144,517	-
Long-term loan taken from associated undertaking	-	680,000
Long-term loan re-paid to associated undertaking	7,435	-
Transactions with key management personnel		
Salaries, benefits and other allowances	1,302,000	1,257,000
Other related parties		
Contribution made by the Company to retirement benefit plan	340,181	342,823
Mark-up accrued on loan from retirement benefits plan	52,174	52,174

13. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended June 30, 2017.

14. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial information was authorised for issue on February 21, 2018 by the Board of Directors of the Company.

15. GENERAL

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

M. HANIF Y. BAWANY
 Chief Executive Officer

MOHAMMD HASHIM
 Chief Financial Officer

ZAKARIA A. GHAFAR
 Director



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