



BAWANYAIR
PRODUCTS LIMITED

FORTIETH
ANNUAL REPORT
2017-2018

TRIBUTE TO HONORABLE CHAIRMAN

MR. YAHYA AHMED BAWANY

1925-2009

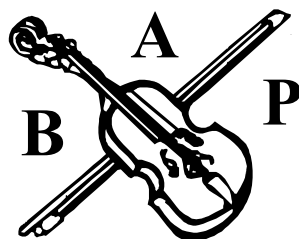


This is a small tribute in the honor of Mr. Yahya Ahmed Bawany (SQA). He passed away peacefully on Monday 12th January, 2009 at the age of 84. The first industry of the Bawany Group in Pakistan was set up by Seth Ahmed Ibrahim Bawany of Rangoon Burma (Myanmar) soon after Pakistan's Independence in Karachi, 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, Annoor 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 involved 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

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CORPORATE INFORMATION

BOARD OF DIRECTORS	Mr. Vali Mohammad M. Yahya Mr. M. Hanif Y. Bawany Mrs. Momiza Hanif Bawany Mr. Mikhail Bawany Mr. Wazir Ahmed Jogezi 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. Vali Mohammad M. Yahya 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 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	

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Fortieth Annual General Meeting of the Shareholders of Bawany Air Products Limited will be held on Monday 29th October 2018 at 11:30 a.m. at the registered office Khasra No. 52/53, RCD Highway, Hub, Baluchistan to transact the following business:

A. ORDINARY BUSINESS

1. To confirm the minutes of the 39th Annual General Meeting held on December 07, 2017.
2. To receive consider and adopt the audited accounts of the Company for the year ended June 30, 2018 together with the Auditors and Directors Report thereon.
3. To appoint auditors for the year 2018-2019 and fix their remuneration.

B. SPECIAL BUSINESS

To consider and, if thought appropriate, to pass with or without modification, the following resolution as special resolution:

1. To consider and, if deemed fit, pass a special resolution in pursuant of Section 183 (2)(i) to authorized and Chief Executive Officer of the Company to dispose of fixed asset (property, plant and equipment).

C. OTHER BUSINESS

1. To transaction any other business with the permission of the Chair.

Karachi
October 02, 2018

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 10:30 a.m. sharp on October 27, 2018.
2. The register of members of the Company shall remain closed from October 23, 2018 to October 29, 2018. (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 REVIEW

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

Dear shareholders,

The financial statements of your Company for the year ended June 30, 2018 are enclosed. This was another tough year for the Company in terms of financial crisis and operational difficulties. However, your continuous support and trust in the management has led us to survive with integrity and keeping intact the core business principles in running the Company matters. We managed to sell higher volumes in 2018 as compared to last year and this converted positively for the Company to some extent. However, the tax charge for the year (with no credit of deferred taxation), the bottom line loss has remained constant.

The key components of our financial performance and their analysis in 2018 are as follows:

Sales	89,088,321	Sales are higher on account of increase in volumes and slight variation in price
Gross Profit	4,392,433	Higher volumes sold has converted to higher margins which is a positive indicator
Loss for the year	(16,461,230)	Despite higher margins, the loss for 2018 is almost the same as in 2017 due to no credit for deferred tax
Shareholders equity	62,587,605	Despite accumulated losses, shareholders' equity is positive mainly due to surplus on revaluation and directors loan.
Loss per share	(2.19)	Loss per share is slightly higher from last year which is due to the reasons mentioned above.

Management is quite positive about the economic conditions prevailing in the country and the ship breaking industry has a great potential and can make significant contribution. The dire demand of iron and steel in the coming years can only be covered if the ship breaking industry performs with stability.

I am grateful to the courtesy and support extended by all the shareholders, my fellow employees and their families and I look forward to report positive numbers and healthy stats to you about our Company in near future.



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

Dated: October 2, 2018
Place: Karachi

DIRECTOR'S REPORT

Directors of the Company are pleased to present the Annual Report of your Company along with the audited financial statements for the year ended June 30, 2018.

OVERVIEW

Year 2018 closed for the Company on similar lines as of last year. The revenue increased from Rs. 82 million to Rs. 89 million and the gross profit improved significantly as it increased from Rs. 2.2 million to Rs. 4.3 million. Similarly, the management tried to curtail the expenses to minimum possible level and this is the reason that despite increase in revenues and higher margin, the operating loss was lower as compared to last year. However, the charge for taxation amounting to Rs. 1.1 million has kept the loss to Rs. 16 million mark.

The revenue for 2018 increased mainly due to higher volumes and better price for liquid oxygen. The Gaddani Ship breaking witnessed relatively higher number of ships arriving for wreckage. Pursuant to the fire incidents in 2016, shipbreaking industry in Gadani is now in a better position than last year. The future looks good for the ship breaking industry.

The Financial Highlights of the Company as compared to last year are as follows:

	2018	2017
	Rupees	
Sales	89,088,321	82,702,366
Cost of sales	(84,695,888)	(80,462,022)
Gross Profit	4,392,433	2,240,344
Distribution cost	(3,529,276)	(4,310,649)
Administrative expenses	(11,767,094)	(11,894,183)
Other operating expenses	(4,797,008)	(4,289,526)
Un-realised (loss) / gain	(1,224)	18,795
Other income	1,289,798	971,959
Operating loss	(14,412,371)	(17,263,260)
Finance cost	(934,697)	(1,872,155)
Loss before taxation	(15,347,068)	(19,135,415)
Taxation	(1,114,162)	3,106,789
Loss after taxation	(16,461,230)	(16,028,626)

From above table, we can analyse the performance of 2018 vs 2017 as:

- Revenue increased by Rs. 6.38 mainly due to higher volumes of liquid oxygen sold during the year. We sold 2,248,929 cubic meter in 2018 as compared to 2,399,984 cubic meter in 2017.
- Gross profit increased by Rs. 2.15 million mainly due to higher volumes.
- On another positive note, Administrative and Distribution cost have been brought down by Rs. 781,373 and Rs. 127,089 respectively as compared to last year.
- Finance costs in June 2018 has also come down by Rs. 937,458 in comparison with June 2017.
- The basic and diluted loss per share after tax is Rs. 2.19 (2017: Rs. 2.14).
- The Company due to continuous losses for last several years has been facing severe financial crises thus has not been able to fulfil its financial obligations. The Company has not been able to pay ORIX Leasing Pakistan Limited, its instalments of Rs.3.17 million which fully matured on September 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 January 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 instant appeal contesting 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 statements.
- Faysal Bank Limited has filed a law suit in the Banking Court No. IV at Karachi for recovery of their principal balance along-with mark-up on outstanding payments 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 claims / pleas taken by the bank. The matter is being heard at the banking court. The management and advisors of the Company are confident about the favourable outcome of the matter hence no provision in respect of mark-up has been made in these financial statements.

MATERIAL INFORMATION

We would like to draw your attention to note 4 to the financial statements related to change in accounting and reporting of surplus on revaluation of property, plant and equipment. The Company has complied with the requirements of Companies Act, 2017 in this regards and has accordingly restated the balances for the year ended 2017 and 2016 as per IAS 8 "Accountings policies, change in Accountings Estimates and Errors". There was no impact on cash flow statement and statement of profit and loss due to this change in accounting policy.

We draw your attention to the qualifications in the audit report as follows:

1. The Company has incurred a net loss of Rs.16,461,230 during the year ended June 30, 2018. The losses accumulated to Rs. 52,547,247 and the Company's current liabilities exceeded its current assets by Rs.63,437,964. The operations of the Company have been suffering due to breakdown of its plant that has resulted in stoppage of production of its core products. The Company is facing adverse liquidity position thus unable to meet its financial commitment with the lenders. These 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. The Company is in the process to find investors and exploring various other option which may result in improvement in its adverse liquidity and financial position of the company.
2. We draw your attention to the note 10.1 to the financial statements whereby trade debts amounting to Rs. 1.597 million are stagnant for long and therefore, Rs. 0.301 million provision has been accounted for against doubtful recovery of such trade debts. The auditors have qualified their audit report based on their view that all such trade debts are doubtful of recovery, therefore, the provision should have been made against entire amount.

However, management is of the view that provision of Rs. 0.301 million is sufficient to cover the risk of doubtful recoveries from trade debts since a significant part of long outstanding debtors comprise of government based hospitals.

3. The Company has not paid the amount contributed by the employees to "Employees Provident Fund and has obtained loan from provident fund amounting to Rs. 1.150 million. As at June 30, 2018, the total

payable to the Fund amounts to Rs. 9.080 million. However, management has recently started practice of depositing partial amounts to the provident fund. The Company is also accruing profit to provident fund @ 9% for the outstanding balance.

4. The Company has not deposited unclaimed dividend to the credit of the federal government. However, during the year, certain payments were made to the shareholders for long outstanding dividends through cash since these shareholders did not have bank accounts.
5. The running finance facility obtained by the Company from bank expired on 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 amounting to Rs. 5.096 million since the matter is pending in the banking court.
6. The long-term finance obtained by the Company from leasing company matured on September 2017, however, the payment of principal amount to Rs. 3.171 million and mark-up amount to Rs. 0.355 million is still outstanding and no mark-up / late payment surcharge is accrued on these overdue amounting to Rs. 0.357 million. The Company has plans to negotiate with the financier and all efforts are being made to repay these debts.
7. The Company could not file sales tax returns on timely basis for the period November 2017 to reporting date. However, subsequent to balance sheet date and before signing of these financial statements, all the outstanding sales tax returns were filed except for November 2017, December 2017 and January 2018 since they were pending for more than 6 months period and were blocked by FBR online system. Management has paid the partial sales tax challans for these 3 months as well and only the reporting is left. For filing of return, approval has been sought from Chief Commissioner FBR Islamabad, which is expected in due course.

KEY OPERATING AND FINANCIAL DATA FOR LAST 10 YEARS

Year	Sales - net	Gross profit	Loss before taxation	Shareholder's equity	Total current assets	Total current liabilities	Earnings per share
	----- Rupees in million -----						Rupees
2009	99.64	24.33	(9.37)	22.16	18.88	133.41	(1.37)
2010	209.51	48.19	35.07	72.88	30.56	81.60	7.42
2011	195.44	48.80	22.27	89.34	22.01	50.04	1.75
2012	209.97	49.08	15.29	97.56	21.09	48.96	1.02
2013	238.60	57.68	21.95	111.06	25.24	38.06	1.73
2014	123.79	(1.90)	(28.63)	90.16	20.99	62.49	(2.83)
2015	99.63	4.72	(18.30)	71.15	17.35	59.78	(2.57)
2016	94.43	5.12	(17.66)	58.00	17.82	63.43	(2.35)
2017	82.70	2.24	(19.14)	42.35	15.43	71.26	(2.14)
2018	89.08	4.39	15.35	62.58	16.22	79.66	(2.19)

WAY FORWARD

Repairs and maintenance contracts of faulty equipments were already finalized with different vendors but the financial side has yet to be arranged as the company is looking for investors who would come in as an equity investor rather than debt.

BOARD OF DIRECTORS

There was no change in Board of Directors.

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 have been drawn up in conformity with the requirements of the Companies Act, 2017 and present fairly state of its affairs, operating result, cash flow and changes in equity;
- b) Proper books of accounts have been maintained in the manner required under Companies Act, 2017;
- c) Appropriate accounting policies have been consistently applied except for the revaluation surplus on property, plant and equipment in preparation of financial statement and accounting estimates are based on reasonable and prudent judgment;
- d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements;
- e) The system of internal control is not established and implemented within the Company;
- 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;
- i) Outstanding duties and taxes, if any, have been disclosed in the financial statements;
- j) The Chief Executive Review dealing with the performance of the Company during the year ended June 30, 2018 future prospects and other matters of concern to the Company forms part of this report.

The Company contributed Rs. 1,239,056 in respect of direct taxes and Rs. 15,367,552 in respect of indirect taxes to national ex-chequer. During the year, FBR withheld Rs. 173,418 from our bank accounts on account of sales tax pertaining to year 2015-16 against which the Company has filed an appeal before Commissioner Inland Revenue Appeals where the matter is pending.

Following amounts were receivable in respect of income tax refundable that was outstanding as at June 30, 2018.

Income tax refundable	Rs. 5.45 million.	This represents outstanding refundable income tax for the previous years plus the excess tax deductions for current year.
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- k) The value of investments of provident fund is Rs.30,038 based on latest management accounts of the provident fund

- l) During the year six (6) 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	6
Mrs. Momiza Hanif Bawany	6
Mr. Vali Mohammad M. Yahya	6
Mr. Mikhail Bawany	6
Mr. Wazir Ahmed Jomezai	1
Mr. Zakaria A. Ghaffar	6
Mr. Siraj A. Kadir	1

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

- m) The pattern of shareholding is annexed; and
- n) We confirm that Directors and CFO and their spouses and minor children have made no transactions of the Company's shares during the year.
- o) The Statement of Compliance with the Code of Corporate Governance is annexed to the report.

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

ڈائریکٹران کی رپورٹ

کمپنی کے ڈائریکٹران آپ کی کمپنی سالانہ رپورٹ کے ساتھ آڈٹ شدہ مالیاتی گوشوارے برائے مختتم مدت 30 جون 2018 پیش کرتے ہوئے اظہار مسرت کرتے ہیں۔

عمومی جائزہ

سال 2018 کے دوران کمپنی کی کارکردگی گزشتہ سال جیسی ہی رہی۔ فروخت 82 ملین روپے سے بڑھ کر 89 ملین روپے ہو گئی اور خام منافع میں قابل ذکر اضافہ ہوا جو کہ 2.2 ملین روپے سے بڑھ کر 4.3 ملین روپے ہو گیا۔ اسی طرح انتظامیہ اخراجات میں کٹوتی کر کے کم ترین سطح پر لانے کی کوشش کی اور یہی وجہ تھی کہ فروخت اور منافع کی بلند شرح کے باوجود کاروباری خسارہ گزشتہ سال کی نسبت کم رہا۔ تاہم ٹیکس کے اخراجات 1.1 ملین روپے رہے جس کی وجہ سے خسارہ 16 ملین روپے ہو گیا۔

2018 کی فروخت میں اضافہ کی بنیادی وجہ بلند حجم اور مائع آکسیجن کی بہتر قیمت تھی۔ گڈانی شپ بریکنگ میں توڑنے کے لئے آنے والوں جہازوں کی آمد میں اضافے کا مشاہدہ کیا گیا۔ 2016 میں آگ لگنے کے واقعات کے بعد، گڈانی میں جہاز توڑنے کی صنعت گزشتہ سال کے مقابلے میں اس سال بہتر پوزیشن میں رہی۔ امید ہے کہ جہاز توڑنے کی صنعت کا مستقبل اچھا رہے گا۔

سال کے دوران کمپنی کی مالیاتی جھلکیاں درج ذیل ہیں:

	2018	2017
	Rupees	
Sales	89,088,321	82,702,366
Cost of sales	(84,695,888)	(80,462,022)
Gross Profit	4,392,433	2,240,344
Distribution cost	(3,529,276)	(4,310,649)
Administrative expenses	(11,767,094)	(11,894,183)
Other operating expenses	(4,797,008)	(4,289,526)
Un-realised (loss) / gain	(1,224)	18,795
Other income	1,289,798	971,959
Operating loss	(14,412,371)	(17,263,260)
Finance cost	(934,697)	(1,872,155)
Loss before taxation	(15,347,068)	(19,135,415)
Taxation	(1,114,162)	3,106,789
Loss after taxation	(16,461,230)	(16,028,626)

مذکورہ بالا ٹیبل سے ہم 2017 کے مقابلے میں 2018 کی کارکردگی کا تجزیہ کر سکتے ہیں جو کہ درج ذیل ہے:

☆ فروخت میں 6.38 ملین روپے کے اضافہ کی بنیادی وجہ سال کے دوران مائع آکسیجن کا بلند حجم فروخت تھا۔ ہم نے 2017 کے 2,399,984 کیوبک میٹر کے مقابلے میں 2018 میں 2,248,929 کیوبک میٹر فروخت کی۔

- ☆ خام منافع میں 2.15 ملین روپے کے اضافے کی بنیادی وجہ فروخت کا بلند حجم تھا۔
- ☆ جبکہ دوسری جانب دیگر مثبت نوٹ یہ سامنے آیا کہ انتظامی اور تقسیمی اخراجات میں 2017 کے مقابلے میں بالترتیب 781,373 روپے اور 127,089 روپے کی کمی ہوئی۔
- ☆ جون 2018 میں مالیاتی لاگتیں 2017 کے مقابلے میں 937,458 روپے کم ہوئیں۔
- ☆ بنیادی اور رقیق خسارہ بعد از ٹیکس فی حصص 2.19 روپے رہا (2017 میں 2.14 روپے)
- ☆ گزشتہ چند سالوں کے مسلسل خسارہ کی وجہ سے کمپنی کو مالیاتی بحران کا سامنا ہے جس کی وجہ سے کمپنی اپنے مالیاتی واجبات ادا نہ کر سکی۔ کمپنی نے اپنی 3.17 ملین روپے کی قسطیں اور کس لیزنگ پاکستان کو ادا نہیں کیں جو کہ ستمبر 2017 میں مکمل طور پر واجب الادا ہو چکی تھیں۔
- ☆ کمپنی کو جولائی 2011 سے جون 2012 کی مدت کے لئے انکم ٹیکس آڈٹ کے لئے منتخب کیا گیا۔ تشخیصی آفیسر نے زیر اعتراض حکم مورخہ 24 جنوری 2017 جاری کر دیا جس میں اپیل کنندہ کو انکم ٹیکس کے ساتھ ڈیفالٹ سرچارج اور جرمانہ کی مد میں 9.999 ملین روپے ادا کرنے کا حکم دیا گیا تھا۔ اس حکم سے آزرہ ہو کر کمپنی نے موجودہ اپیل دائر کردی اور موقف اختیار کیا کہ ڈپٹی کمشنر انڈینڈ ریوینیو نے اپیل کنندہ کے مقدمہ میں بغیر کسی مناسب دائرہ اختیار کے حکم جاری کیا ہے۔ کمپنی کی انتظامیہ اور ٹیکس مشیر پر اعتماد ہیں کہ اس معاملہ کے سازگار نتائج سامنے آئیں گے اور اسی لئے مالیاتی گوشواروں میں اس کے لئے کوئی رقم مختص نہیں کی گئی۔
- ☆ فیصل بینک لمیٹڈ نے اپنے بنیادی بقایا جات بمع مارک اپک برقم 13,077,725 کی بازیابی اور رہن شدہ اثاثوں کی فروخت کے لئے ایک قانونی مقدمہ بینکنگ کورٹ IV کراچی میں دائر کیا ہے۔ کمپنی نے ان الزامات کو بینکنگ کورٹ میں اس بنیاد پر چیلنج کیا ہے کہ بینک کی جانب سے یہ رقم حد سے زیادہ، من گھڑت اور جھوٹے دعووں/عرضیوں پر مشتمل ہے۔ کمپنی کی انتظامیہ اور ٹیکس مشیر پر اعتماد ہیں کہ اس معاملہ کے سازگار نتائج سامنے آئیں گے اور اسی لئے مارک اپ کی مد میں مالیاتی گوشواروں میں کوئی رقم مختص نہیں کی گئی۔

ٹھوس معلومات

ہم آپ کی توجہ مالیاتی گوشواروں کے نوٹ 4 کی دلانا چاہتے ہیں جو کہ پراپرٹی، پلانٹ اینڈ ایکویپمنٹ کی تشخیص مالیت پر منافع میں تبدیلی اور رپورٹنگ سے متعلق ہے۔ کمپنی نے اس سلسلے میں کمپنیز ایکٹ 2017 کی مطلوبات کی پاسداری کی ہے اور اس لئے IAS 8 ”اکاؤنٹنگ پالیسیاں، حساباتی تخمینوں اور غلطیوں میں اصلاح“ کے تحت سال ختمہ 2016 اور 2017 کے بقایا جات کا از سر نو تخمینہ لگایا ہے۔ اکاؤنٹنگ پالیسی میں اس تبدیلی کی وجہ سے نقدی کے بہاؤ اور منافع اور خسارہ کے کھاتے پر کوئی اثرات مرتب نہیں ہوئے۔

ہم آپ کی توجہ مشروط آڈٹ رپورٹ کی طرف دلانا چاہتے ہیں جو کہ درج ذیل ہے:

- ۱- ختمہ 30 جون 2018 میں کمپنی کو 16,461,230 کا خالص خسارہ ہوا۔ کل جمع شدہ خسارہ 52,547,247 روپے تک پہنچ گیا ہے اور کمپنی کے رواں واجبات اس کے رواں اثاثوں سے 63,437,964 روپے بڑھ گئے ہیں۔ کمپنی کے افعال کو اپنے پلانٹ کے بند ہو جانے کی وجہ سے شدید مشکلات کا سامنا ہے جس کی وجہ سے اس کی بنیادی مصنوعات کی پیداوار رک گئی ہے۔ کمپنی کی روانیت کی پوزیشن اتنی اچھی نہیں کہ وہ قرض دہندگان کی مالیاتی ذمہ داریوں کو پورا کر سکے۔ ان غیر یقینی حالات کی وجہ سے کمپنی کے چلتے ہوئے ادارے کی حیثیت میں قابل ذکر شکوک و

شبہات ہیں کیونکہ وہ اپنے اثاثوں کو فروخت نہیں کر سکے گی اور اپنی ذمہ داریوں سے عمومی طریقہ کار کے مطابق عہدہ برآں نہیں ہو سکے گی۔ کمپنی نے سرمایہ کاروں کے ساتھ ساتھ دیگر ذرائع تلاش کر رہی ہے تاکہ کمپنی کی ناسازگار روایت اور مالیاتی پوزیشن میں بہتری آئے۔

۲- ہم آپ کی توجہ مالیاتی گوشواروں کے نوٹ 10.1 کی طرف دلانا چاہتے ہیں جس میں 1.597 ملین روپے کے تجارتی قرضے ایک طویل عرصہ سے چھنے ہوئے ہیں، لہذا ان قرضوں کی مشکوک بازیابی کے لئے 0.301 ملین روپے کا اختصاص کیا گیا ہے۔ آڈیٹرز نے آڈٹ رپورٹ میں اپنی مشروط رائے کا اظہار کیا ہے جس میں ان قرضوں کی بازیابی مشکوک بتائی گئی ہے، لہذا اس کی کل رقم کے عوض اختصاص کیا جائے۔ تاہم انتظامیہ کی رائے ہے کہ 0.301 ملین روپے تجارتی قرضوں کی مشکوک بازیابیوں کے احاطہ کے لئے کافی ہیں کیونکہ طویل مدتی مقروضوں کی ایک بڑی تعداد سرکاری ہسپتالوں پر مشتمل ہے۔

۳- کمپنی نے ملازمین کی ”ایمپلائز پراویڈنٹ فنڈ“ میں جمع کردہ رقم کی ادائیگی نہیں کی اور پراویڈنٹ فنڈ سے 1.150 ملین روپے کا قرضہ لے لیا۔ 30 جون 2018 کو فنڈ کو واجب الادا قومات 9.080 ملین روپے تھیں۔ تاہم انتظامیہ نے حال ہی میں پراویڈنٹ فنڈ میں جزوی قومات کو جمع کرانے کا عمل شروع کر دیا ہے اور کمپنی بقایا رقم پر 9 فیصد کے حساب سے پراویڈنٹ فنڈ کا منافع کمپنی اپنے کھاتے میں لکھ رہی ہے۔

۴- کمپنی نے غیر دعویٰ شدہ منافع منقسمہ وفاقی حکومت کی تحویل میں نہیں دیا۔ تاہم، سال کے دوران کچھ حصص یافتگان کو طویل عرصہ سے واجب الادا منافع منقسمہ کی مد میں نقد ادائیگیاں کی گئیں کیونکہ حصص یافتگان کے بینک اکاؤنٹ موجود نہیں تھے۔

۵- بینک سے لی گئی رواں قرضہ کی سہولت 14 اکتوبر 2018 کو اختتام پذیر ہو چکی ہے جس کی بنیادی واجب الادا رقم 8.836 ملین روپے ہے جس کے عوض بینک نے جون 2017 میں 13.078 ملین روپے کی بازیابی کے لئے ایک مقدمہ قائم کر دیا ہے۔ کمپنی نے واجب الادا بنیادی رقم پر 5.096 ملین روپے کا مارک اپ چارج نہیں کیا ہے کیونکہ معاملہ بینکنگ کورٹ میں زیر سماعت ہے۔

۶- طویل مدتی قرضہ کی سہولت جسے لیزنگ کمپنی سے لیا گیا تھا جو ستمبر 2017 میں واجب الادا ہو چکی ہے، تاہم، بنیادی رقم 3.171 ملین روپے اور مارک اپ کی رقم 0.355 ملین روپے ابھی تک واجب الادا ہیں اور 0.357 ملین روپے کا مارک اپ/تاخیر سے ادائیگی کا سرچارج بک نہیں کیا گیا ہے۔ کمپنی کا منصوبہ ہے کہ سرمایہ کار سے گفت و شنید کرے تاکہ ان قرضوں کی ادائیگی کی جاسکے۔

۷- کمپنی نومبر 2017 سے رپورٹنگ کی تاریخ تک سیلر ٹیکس ریٹرن وقت پر فائل نہ کر سکی۔ تاہم، میزائے کی تاریخ کے بعد اور ان مالیاتی گوشواروں پر دستخط سے قبل، بقایا تمام سیلر ٹیکس ریٹرن فائل کر دیئے گئے ہیں سوائے نومبر 2017، دسمبر 2017 اور جنوری 2018 کیونکہ وہ چھ ماہ سے زیادہ التواء میں پڑے ہوئے تھے اور انہیں FBR کے سسٹم نے بلاک کر دیا تھا۔ انتظامیہ نے ان تین مہینوں کے جزوی سیلر ٹیکس چالان ادا کر دیئے ہیں اور صرف ان کی رپورٹنگ باقی رہ گئی ہے۔ ریٹرن کو فائل کرنے کے لئے چیف کمشنر FBR اسلام آباد کی منظوری کے حصول کے درخواست دائر کی گئی ہے جو کہ توقع ہے کہ بروقت مل جائے گی۔

گزشتہ دس سالوں کے مالیاتی اور کاروباری اعداد و شمار

سال	خالص فروخت	خام منافع	خسارہ قبل از ٹیکس	حصص یافتگان کی ایکویٹی	کل رواں اثاثے	کل رواں واجبات	فی حصص منافع
Rupees in million							Rupees
2009	133.41	18.88	22.16	(9.37)	24.33	99.64	(1.37)
2010	81.60	30.56	72.88	35.07	48.19	209.51	7.42
2011	50.04	22.01	89.34	22.27	48.80	195.44	1.75
2012	48.96	21.09	97.56	15.29	49.08	209.97	1.02
2013	38.06	25.24	111.06	21.95	57.68	238.60	1.73
2014	62.49	20.99	90.16	(28.63)	(1.90)	123.79	(2.83)
2015	59.78	17.35	71.15	(18.30)	4.72	99.63	(2.57)
2016	63.43	17.82	58.00	(17.66)	5.12	94.43	(2.35)
2017	71.26	15.43	42.35	(19.14)	2.24	82.70	(2.14)
2018	79.66	16.22	62.58	15.35	4.39	89.08	(2.19)

آگے کی جانب

خراب آلات کی مرمت اور صفائی ستھرائی کے لئے مختلف ٹھیکیداروں کے ساتھ ٹھیکوں کو حتمی شکل دے دی گئی ہے لیکن مالیاتی اہتمام باقی ہے کیونکہ کمپنی ایسے سرمایہ کاروں کو تلاش کر رہی ہے جو کہ ایکویٹی کی صورت میں سرمایہ کاری کریں نہ کہ قرضہ کی شکل میں۔

بورڈ آف ڈائریکٹرز

بورڈ آف ڈائریکٹرز میں کوئی تبدیلی نہیں ہوئی۔

آڈیٹرز

موجودہ آڈیٹرز میسرز پارکر رائٹل - اے جے ایس چارٹرڈ اکاؤنٹنٹس ریٹائر ہو رہے ہیں اور اہلیت کے باعث انہوں نے نئے آنے والے سال کے لئے اپنی دوبارہ تقرری کی پیشکش کی ہے۔

ادارتی نظم و ضبط کے ضابطہ اور مالیاتی رپورٹنگ کا فریم ورک

- مالیاتی گوشوارہ کمپنیز ایکٹ 2017 کی مطلوبات کے مطابق تیار کئے گئے ہیں اور وہ کمپنی کے معاملات، اس کے کاروباری نتائج، نقدی کے بہاؤ اور ایکویٹی میں تبدیلیوں کو شفافیت کے ساتھ پیش کرتے ہیں۔
- کمپنیز ایکٹ 2017 کے مطابق حسابات کی کتابیں مناسب انداز میں رکھی گئی ہیں۔
- درست حساباتی پالیسیوں کو تسلسل کے ساتھ مالیاتی گوشواروں کی تیاری کے دوران کو ملحوظ خاطر رکھا گیا ہے سوائے پراپرٹی، پلانٹ اینڈ ایکویپمنٹ کی تشخیص مالیت پر منافع کے اور حساباتی تخمینوں کی بنیاد معقول اور مضبوط فیصلوں پر ہے۔
- مالیاتی گوشواروں کی تیاری کے دوران عالمی مالیاتی رپورٹنگ معیارات، جو پاکستان میں لاگو ہیں، کو ملحوظ خاطر رکھا گیا ہے۔
- اندرونی گرفت کا نظام نہ تو موجود ہے اور نہ ہی کمپنی میں نافذ ہے۔

- (f) آڈیٹرز نے کمپنی کے چلتے ہوئے ادارے کی صلاحیت میں شکوک و شبہات کا اظہار کیا ہے جبکہ انتظامیہ محسوس کرتی ہے کہ اس کے پاس مستقبل میں کمپنی کو چلانے کی صلاحیت موجود ہے۔
- (g) لسٹنگ ریگولیشنز میں دیئے گئے ادارتی نظم و ضبط کے بہترین طور طریقوں سے کوئی قابل گرفت انحراف نہیں کیا گیا، سوائے اس کے جس کا تذکرہ ادارتی نظم و ضبط کے ضابطوں کی پاسداری سے متعلق بیان میں کیا گیا ہے۔
- (h) گزشتہ دس سالوں کے اہم کاروباری اور مالیاتی اعداد و شمار اس رپورٹ میں شامل کئے گئے ہیں۔
- (i) واجب الادا ٹیکس اور محصولات اگر کوئی ہیں تو انہیں مالیاتی گوشواروں میں منکشف کیا گیا ہے۔
- (j) چیف ایگزیکٹو کا جائزہ جس میں مختتمہ سال 30 جون 2018 کے دوران کمپنی کی کارکردگی، مستقبل کے امکانات اور کمپنی کے دیگر معاملات کے متعلق بتایا گیا ہے، وہ اس رپورٹ کا حصہ ہے۔

کمپنی نے بلا واسطہ ٹیکسوں کی مد میں 1,239,056 روپے اور بالواسطہ ٹیکسوں کی مد میں 15,367,552 کی مد میں قومی خزانے میں جمع کرائے۔ سال کے دوران ایف بی آر نے 2015-2016 کے سلاٹیکس کی مد میں 173,418 ہمارے بینک اکاؤنٹس سے نکال کر قبضہ میں کر لئے جس کے خلاف کمپنی نے ایک ایپل کمشنران لینڈ ریوینیو اپیلز کے روبرو دائر کر دی ہے جہاں معاملہ زیر التواء ہے۔

30 جون 2018 کو مندرجہ ذیل رقومات اکٹم ٹیکس ریفرنڈ کی مد میں واجب الوصول تھیں۔

- اکٹم ٹیکس ریفرنڈ 5.45 ملین روپے اکٹم ٹیکس کی مد میں سابقہ سالوں بمع موجود سال کی اضافی ٹیکس کٹوتیوں کی مد میں واجب الوصول ہیں۔
- (k) انتظامیہ کے تیار کردہ پروویڈنٹ فنڈ کے مالیاتی گوشواروں کے مطابق پروویڈنٹ فنڈ سے کی گئی سرمایہ کاری کی مالیت 30,038 ملین روپے ہے۔
- (l) سال کے دوران بورڈ آف ڈائریکٹرز کے چھ اجلاس منعقد ہوئے جن میں ہر ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہے:

ڈائریکٹر کا نام	حاضر اجلاسوں کی تعداد
جناب ایم حنیف وائی باوانی	6
محترمہ مومیزہ حنیف باوانی	6
جناب ولی محمد ایم بکچی	6
جناب میخائل باوانی	6
جناب وزیر احمد جوگیزئی	1
جناب زکریا اے غفار	6
جناب سراج اے قادر	1

جو ڈائریکٹر ان اجلاس میں حاضر نہ ہو سکے ان کی رخصت منظور کر لی گئی۔

- (m) حصص داری کی ساخت منسلک ہے، اور
- (n) ہم تصدیق کرتے ہیں کہ سال کے دوران ڈائریکٹر ان ایف او اور ان کے شریک حیات اور ان کے چھوٹے بچوں نے کمپنی کے حصص میں کوئی خرید و فروخت نہیں کی۔

o) ادارتی نظم و ضبط کے ضابطہ کی پاسداری سے متعلق بیان اس رپورٹ کے ساتھ منسلک ہے۔

اعتراف

بورڈ اس موقع پر حکومت، مختلف سرکاری اداروں/شعبوں، مالیاتی اداروں، بینکوں، گاہکوں، سپلائرز اور کمپنی کے سرمایہ کاروں کے تعاون پر ان کے لئے ستائش کا اظہار کرتا ہے اور ان کا مشکور ہے۔ آپ کے ڈائریکٹر ان کمپنی کے ملازمین کی مخلصانہ کوششوں اور انتھک محنت کا اعتراف کرتے ہیں۔

ہم انتظامیہ کے ساتھ مسلسل تعاون پر اپنے تمام حصص یافتگان کے مشکور ہیں۔

منجانب بورڈ



ایم حنیف وائی باوانی

مینجنگ ڈائریکٹر/چیف ایگزیکٹو آفیسر

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 LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are seven (7) as per the following:

- a. Male: 6
- b. Female: 1

2. The composition of board is as follows:

Category	Names
Independent Director	Mr. Siraj A. Kadir
Executive Directors	M. Hanif Y. Bawany (CEO) Mrs. Momiza Hanif Bawany
Non - Executive Directors	Mr. Wali Mohammad M. Yahya (Chairman) Mr. Mikhail Bawany Mr. Wazir Ahmed Jogeza Mr. Zakaria A. Ghaffar

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The board has developed a vision/mission statement and overall corporate strategy. A complete record of particulars of significant policies along with the dates on which they were approved or amended has not been maintained, however, we are in the process of developing the said policies.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. 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. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. In accordance with the criteria specified in clause 20(2) of the Regulations, all directors of the Company are exempt from the requirement of Director's Training Program.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the board.

12. The board has formed committees comprising of members given below:

a) Audit Committee

Mr. Siraj A. Kadir	Chairman
Mr. Zakaria A. Ghaffar	Member
Mr. Wali Mohammad M. Yahya	Member

b) HR and Remuneration Committee

Mr. Siraj A. Kadir	Chairman
Mr. Zakaria A. Ghaffar	Member
Mr. Wali Mohammad M. Yahya	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

- a) Audit committee - Quarterly basis
- b) HR and Remuneration Committee - Quarterly basis

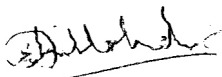
15. The Company does not have an effective internal audit function; however, the Company is in the process of inducting suitably qualified personnel to head the internal audit department.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, 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 code of ethics as adopted by the ICAP

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintaining proper record including basis for inclusion or exclusion of persons from the said list.

19. We confirm that all other requirements of the Regulations have been complied with.



WALI MOHAMMAD M. YAHYA
Chairman

INDEPENDENT AUDITOR'S MODIFIED REVIEW REPORT TO THE MEMBERS OF BAWANY AIR PRODUCTS LIMITED

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of **Bawany Air Products Limited** for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

As a part of our audit of the 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 Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Following instance(s) of non-compliance with the requirement(s) of the Regulations were observed which are not stated in the Statement of Compliance:

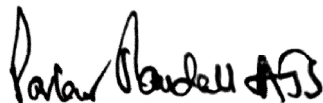
- Auditors are not invited in any Audit Committee meeting.

- No formal and effective mechanism is put in place for an annual evaluation of the board's own performance, members of board and its committees.
- Internal control system is not established and implemented within the Company.

Based on our review, except for the above instances(s), nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2018.

Further, we highlight below instance(s) of non-compliance with the requirement(s) of the Regulations as reflected in the paragraph reference where these are stated in the Statement of Compliance:

- Paragraph 5, complete records of particulars of significant policies along with dates on which they were approved and amended has not been maintained.
- Paragraph 15, internal audit function is not effective within the Company.



Chartered Accountants
Muhammad Shabbir Kasbati

Place: Karachi

Date: October 02, 2018

KEY OPERATING AND FINANCIAL DATA FOR THE DECADE

PARTICULARS	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
								Re-stated	Re-stated	Re-stated
FINANCIAL POSITION										
Shareholders' equity	26,702,853	42,346,708	58,002,888	71,159,359	90,161,368	111,064,409	97,555,521	89,337,084	72,880,918	22,163,784
Surplus on revaluation	35,884,752	36,702,131	21,295,679	16,278,914	16,576,045	16,887,424	19,757,278	20,310,071	20,891,958	-
Non-current liabilities	54,695,351	52,238,007	48,221,222	44,810,956	33,153,237	49,260,469	50,876,878	66,738,250	74,644,645	49,453,103
Current liabilities	79,661,294	71,258,443	63,748,676	59,389,529	62,487,097	38,068,182	48,959,376	50,044,397	81,597,491	133,411,522
Total Equity and Liabilities	196,944,250	202,545,289	191,268,465	191,638,758	202,377,747	215,280,484	217,149,053	226,429,802	250,015,012	205,028,409
Property, plant and equipment	177,559,562	183,889,558	170,228,692	171,467,821	178,168,918	186,819,834	192,839,499	198,640,179	205,418,500	182,695,197
Long term deposits	3,161,358	3,221,357	3,221,357	3,215,467	3,215,467	3,215,467	3,215,467	3,215,467	3,701,452	3,454,477
Deferred tax asset	-	-	-	-	-	-	-	2,566,397	10,335,173	-
Current assets	16,223,330	15,434,374	17,818,416	16,955,470	20,993,362	25,245,183	21,094,087	22,007,759	30,559,887	18,878,735
Total Assets	196,944,250	202,545,289	191,268,465	191,638,758	202,377,747	215,280,484	217,149,053	226,429,802	250,015,012	205,028,409
FINANCIAL PERFORMANCE										
Net sales	89,088,321	82,702,366	94,437,668	99,632,392	123,790,995	238,605,906	210,235,877	195,437,206	210,247,215	99,638,541
Cost of sales	(84,695,888)	(80,462,022)	(89,324,880)	(94,907,015)	(125,700,150)	(180,921,043)	(161,153,927)	(146,632,923)	(161,960,041)	(75,307,506)
Gross (loss) / profit	4,392,433	2,240,344	5,112,788	4,725,377	(1,909,155)	57,684,863	49,081,950	48,804,283	48,287,174	24,331,035
Expenses - net of other income	(18,804,804)	(19,503,604)	(20,330,959)	(20,067,038)	(22,556,860)	(26,246,342)	(26,747,221)	(23,057,704)	(25,372,645)	(15,847,335)
(Loss) / profit before interest and tax	(14,412,371)	(17,263,260)	(15,218,171)	(15,341,661)	(24,466,015)	31,438,521	22,334,729	25,746,579	22,914,529	8,483,700
(Finance cost) / Income - net	(934,697)	(1,872,155)	(2,443,681)	(2,961,155)	(4,165,147)	(9,489,514)	(7,047,695)	(3,473,879)	12,153,851	(17,856,101)
(Loss) / profit before tax	(15,347,068)	(19,135,415)	(17,661,852)	(18,302,816)	(28,631,162)	21,949,007	15,287,034	22,272,700	35,068,380	(9,372,401)
Tax	(1,114,162)	3,106,789	(3,090)	(996,324)	7,416,742	(8,965,272)	(7,621,390)	(9,808,653)	15,550,948	(852)
(Loss) / profit after tax	(16,461,230)	(16,028,626)	(17,664,942)	(19,299,140)	(21,214,420)	12,983,735	7,665,644	12,464,047	50,619,328	(9,373,253)

STATISTICS AND RATIO

Gross profit %	5%	3%	5%	5%	(2%)	24%	23%	25%	23%	24%
(Loss) / profit before tax to total sales %	(17%)	(23%)	(19%)	(18%)	(23%)	9%	7%	11%	17%	-
(Loss) / profit after tax to total sales %	(18%)	(19%)	(19%)	(19%)	(17%)	5%	4%	6%	24%	-
Current ratio	20%	22%	28%	29%	34%	66%	43%	44%	37%	14%
Asset turnover ratio	50%	45%	55%	58%	69%	128%	109%	98%	102%	55%
Current Assets Turnover - times	5.63	4.97	5.43	5.25	5.35	10.30	9.76	7.44	8.51	6.04
Long term debt to equity ratio	0%	0%	19%	15%	12%	19%	41%	61%	104%	338%
Return on equity before tax %	(57%)	(45%)	(30%)	(26%)	(32%)	20%	16%	25%	48%	-
Return on equity after tax %	(62%)	(38%)	(30%)	(27%)	(24%)	12%	8%	14%	69%	-
Interest Cover	(15.42)	(9.22)	(6.23)	(5.18)	(5.87)	3.31	3.17	7.41	-	0.48
Earning per share (Rs.)	(2.31)	(2.14)	(2.35)	(2.57)	(2.83)	1.73	1.02	1.75	7.42	(1.37)
Price earning ratio	(3)	(4)	(3)	(3)	(3)	9	7	4	2	-
Market price per share at year end	6.55	8.00	6.00	6.79	7.40	14.73	7.22	6.75	11.25	6.75
Cash dividend	-	-	-	-	-	-	-	-	5%	-
Stock dividend	-	-	-	-	-	-	-	-	-	-

PATTERN OF SHAREHOLDING BY THE SHAREHOLDERS AS AT JUNE 30, 2018

NO. OF SHARE HOLDERS	SHAREHOLDING OF SHARES			SHARE HELD
	FROM		TO	
290	1	-	100	6,521
177	101	-	500	58,351
71	501	-	1000	59,185
137	1001	-	5000	356,347
34	5001	-	10000	283,757
13	10001	-	15000	171,574
10	15001	-	20000	177,395
8	20001	-	25000	183,000
2	25001	-	30000	54,500
3	30001	-	35000	101,800
5	35001	-	40000	193,200
3	40001	-	45000	129,605
7	45001	-	50000	347,200
2	50001	-	55000	103,494
2	55001	-	60000	112,500
4	60001	-	65000	251,980
2	70001	-	75000	143,814
1	75001	-	80000	78,308
2	95001	-	100000	200,000
1	100001	-	105000	103,164
1	105001	-	110000	110,000
1	120001	-	125000	123,500
1	135001	-	140000	139,531
1	160001	-	165000	162,110
2	195001	-	200000	399,330
1	205001	-	210000	209,000
1	220001	-	225000	222,149
1	230001	-	235000	231,500
1	260001	-	265000	261,500
1	280001	-	285000	281,570
1	315001	-	320000	319,500
1	330001	-	335000	330,028
1	370001	-	375000	374,001
1	1220001	-	1225000	1,223,096
789	Total			7,502,510

S/R NO.	CATAGORIES OF SHARE HOLDERS	NUMBER OF SHARE HOLDERS	TOTAL SHARES HOLD	PERCENTAGE %
1	INDIVIDUALS	766	5,645,020	75.24
2	INVESTMENT COMPANIES	1	100	0.00
3	INSURANCE COMPANIES	1	16260	0.22
4	JOINT STOCK COMPANIES	15	1503023	20.03
5	FINANCIAL INSTITUTIONS	1	42	0.00
6	CHARITABLE TRUSTS	2	331028	4.41
7	TRADING	1	5	0.00
8	EMPLOYEES PENSION FUND	1	6794	0.09
9	EMPLOYEES BENEVOLENT FUND	1	238	0.00

789	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/Chairman	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 Jogezeai	Director	3,581
Mr. Mikhail Bawany	Director	1,505

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%
Mrs. Momiza Hanif Bawany	5.91%

INDEPENDENT AUDITOR'S REPORT

To the members of BAWANYAIR PRODUCTS LIMITED

Report on the Audit of the Financial Statements

Adverse Opinion

We have audited the annexed financial statements of **BAWANY AIR PRODUCTS LIMITED** (the Company), which comprise the statement of financial position as at June 30, 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof do not conform with the accounting and reporting standards as applicable in Pakistan and do not give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively do not give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Adverse Opinion

The financial statements for the year ended June 30, 2018 reflects loss after taxation of Rs. 16.461 million and as of that date the Company has accumulated loss of Rs. 52.547 million and facing adverse liquidity position, as its current liabilities exceed its current assets by Rs. 63.438 million. The operations of the Company have been suffering due to breakdown of its plant that has resulted in stoppage of production. Further, the Company has been using the amount contributed by its employees towards the employee provident fund and unable to pay its part to the contribution thus treating the amount of Rs. 9.080 million as loan from employees' provident fund as at June 30, 2018. Further, the Company has defaulted on its short-term and long-term banking facilities and is unable to service mark-up thereon. These conditions lead us to believe that going concern assumption used in the preparation of the financial statement is not appropriate and that the, assets and liabilities should have been reported at their realizable and settlement amounts respectively.

As disclosed in note 1.2, the Company's had suffered a breakdown of its plant and machinery on which no impairment charge has been recognised in these financial statements. Had the impairment charge recognised, the loss for the year would have been higher and net book value of plant and machinery would have been lower by an undetermined amount.

Trade debts amounting to Rs.1.597 million are stagnant for more than 730 days, against which only Rs.0.301 million provision is available as at June 30, 2018. Since these trade debts are doubtful of recovery, therefore, the provision should have been made against these. Had the provision been made, loss for the year would have been further higher by Rs.1.597 million.

The Company has not paid the amount contributed by the employees to "Employees Provident Fund"(the Fund) in contravention to section 218 of Companies Act,2017 and has obtained loan from provident fund amounting to Rs. 1.150 million. As at June 30, 2018, the total payable to the Fund amounts to Rs.9.080 million. The Company is in non-compliance with section 244 of the Company Act, 2017, has not deposited unclaimed

dividend to the credit of the federal government. Further, in non-compliance of applicable tax laws the unclaimed dividend has been paid through cash instead of payment through banking channels.

The running finance facility obtained by the Company from bank 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 amounting to Rs. 5.096 million. The long-term finance obtained by the Company from leasing company matured on September 2017, however, the payment of principal amount to Rs. 3.171 million and mark-up amount to Rs. 0.355 million is still outstanding and no mark-up / late payment surcharge is accrued on these overdue amounting to Rs. 0.357 million. The Company has not filed sales tax returns and discharged its liability in respect of sales tax payable to the government from November 2017 to reporting date amounting to Rs. 1.568 million.

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Key Audit Matter(s)

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Basis for Adverse Opinion section, we have determined the matter described below to be the key audit matter to be communicated in our report.

KEY AUDIT MATTERS HOW OUR AUDIT ADDRESSES THE KEY AUDIT MATTERS

Preparation and Presentation of Financial Statements under the Companies Act, 2017.

<p>The Companies Act, 2017 (the Act) became applicable for the first time for the preparation and presentation of annual financial statements for the year ended June 30, 2018. The Act forms an integral part of financial reporting framework as applicable in Pakistan and further prescribe nature and content of disclosures in relation to various elements of financial statements.</p> <p>In case of the Company, a summary of key additional disclosures and changes to additional disclosures has been described in note 2.1 to the financial statements. Further, as a result, the Company has also changed its accounting policy with respect to presentation and measurement of surplus on revaluation of property, plant and equipment as disclosed in note 4 to the financial statements which has been accounted for retrospectively.</p>	<p>Our audit procedures include but are not limited to the following;</p> <p>We identified the procedures applied by management for identification of changes required by the Companies Act, 2017 and assessed the adequacy and sufficiency of disclosures of provided by management in accordance with the new reporting requirements as required by Companies Act, 2017.</p> <p>We further evaluated the sources of information used by management for the preparation of additional disclosures. We assessed the consistency of such disclosures with other information as provided in financial statements.</p>
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The changes and enhanced disclosures are assessed as a key audit matter due to transition to new reporting requirements and first time applicability of Companies Act, 2017.

With respect to change in accounting policy, we assessed the accounting implication with respect to applicable financial reporting framework.

Information Other than the Financial Statements and Auditor's Report Thereon

The management is responsible for the other information.

The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is

sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

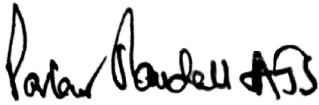
Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) except for the effects of matters referred to in Basis for Adverse Opinion-above; the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have not been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was not deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance

The engagement partner on the audit resulting in independent auditors' report is Muhammad Shabbir Kasbati.



Chartered Accountants
Audit Engagement Partner:
Muhammad Shabbir Kasbati

Date: October 02, 2018
Place: Karachi

STATEMENT OF FINANCIAL POSITION - (RESTATED)

	Note	2018	2017 (Restated)	2016 (Restated)
		-----	Rupees -----	-----
ASSETS				
Non-current assets				
Property, plant and equipment	6	177,559,562	183,889,558	170,228,692
Long-term deposits	7	3,161,358	3,221,357	3,221,357
Current assets				
Stores and spares	8	1,017,199	1,026,292	1,053,370
Stock-in-trade	9	1,295,325	705,291	896,412
Trade debts	10	3,603,996	4,237,910	3,665,142
Advances and other receivables	11	4,485,976	3,635,558	7,306,058
Other financial assets	12	57,064	58,288	39,493
Taxation -net	13	5,452,708	5,167,657	4,257,682
Cash and bank balances	14	311,062	603,378	600,259
		16,223,330	15,434,374	17,818,416
Total assets		<u><u>196,944,250</u></u>	<u><u>202,545,289</u></u>	<u><u>191,268,465</u></u>

AS AT JUNE 30, 2018

EQUITY AND LIABILITIES

Share capital and reserves

Authorised share capital

15,000,000 (2017: 15,000,000) ordinary shares of Rs.10/- each **150,000,000** 150,000,000 150,000,000

Share capital

Issued, subscribed and paid-up capital 15 **75,025,100** 75,025,100 75,025,100

Capital reserve

Surplus on revaluation of property, plant and equipment-net 16 **35,884,752** 36,702,131 21,295,679

Accumulated loss **(52,547,247)** (36,903,396) (21,247,216)

Directors' subordinated loan **4,225,000** 4,225,000 4,225,000

62,587,607 79,048,835 79,298,563

Non-current liabilities

Long-term financing

-

-

 706,927

Long-term deposits 17 **54,695,351** 52,238,007 47,514,295

Deferred tax liability 18

-

-

 -

54,695,351 52,238,007 48,221,222

Current liabilities

Trade and other payables 19

35,062,274

 28,196,311 21,408,693

Unclaimed dividend

717,420

 1,217,407 1,217,407

Accrued mark-up 20

2,304,434

 1,398,058 183,440

Due to related parties 21

28,420,495

 27,290,000 37,220,819

Short-term financing 22

13,156,671

 13,156,671 3,718,317

79,661,294 71,258,447 63,748,676

Contingencies and commitments 23

Total equity and liabilities **196,944,250** 202,545,289 191,268,465

The annexed notes from 1 to 44 form an integral part of these financial statements.

M. HANIF Y. BAWANY
CHIEF EXECUTIVE OFFICER

MUHAMMAD HASHIM
CHIEF FINANCIAL OFFICER

ZAKARIA A. GHAFAR
DIRECTOR

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 ----- Rupees -----	2017
Sales - net	24	89,088,321	82,702,366
Cost of sales	25	(84,695,888)	(80,462,022)
Gross profit		<u>4,392,433</u>	<u>2,240,344</u>
Distribution cost	26	(3,529,276)	(4,310,649)
Administrative expenses	27	(11,767,094)	(11,894,183)
Other operating expenses	28	(4,797,008)	(4,289,526)
Unrealized (loss) / gain on revaluation of other financial assets		(1,224)	18,795
		<u>(20,094,602)</u>	<u>(20,475,563)</u>
Other income	29	1,289,798	971,959
		<u>(18,804,804)</u>	<u>(19,503,604)</u>
Operating loss		<u>(14,412,371)</u>	<u>(17,263,260)</u>
Finance cost	30	(934,697)	(1,872,155)
Loss before taxation		<u>(15,347,068)</u>	<u>(19,135,415)</u>
Taxation	31	(1,114,162)	3,106,789
Loss for the year		<u><u>(16,461,230)</u></u>	<u><u>(16,028,626)</u></u>
Loss per share - basic and diluted	32	<u><u>(2.19)</u></u>	<u><u>(2.14)</u></u>

The annexed notes from 1 to 44 form an integral part of these financial statements.

M. HANIF Y. BAWANY
CHIEF EXECUTIVE OFFICER

MUHAMMAD HASHIM
CHIEF FINANCIAL OFFICER

ZAKARIA A. GHAFAR
DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME - (RESTATED) FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017 (Restated)
	----- Rupees -----	
Net loss for the year	(16,461,230)	(16,028,626)
Other comprehensive income	-	-
Items that will not be reclassified to statement of profit or loss in subsequent periods		
Gain on revaluation of freehold land and building on freehold land	-	19,712,711
Related deferred tax	-	(3,933,813)
Other comprehensive income, net of tax	-	15,778,898
Total comprehensive loss	(16,461,230)	(249,728)

The annexed notes from 1 to 44 form an integral part of these financial statements.

M. HANIF Y. BAWANY
CHIEF EXECUTIVE OFFICER

MUHAMMAD HASHIM
CHIEF FINANCIAL OFFICER

ZAKARIA A. GHAFAR
DIRECTOR

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
		----- Rupees -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(15,347,068)	(19,135,415)
Adjustments for non-cash items:			
Depreciation		6,278,946	5,935,502
Gain on disposal of property, plant and equipment		(1,286,079)	(971,513)
Advance written off		543,577	-
Dividend income		(3,719)	(440)
Unrealised loss / (gain) on revaluation of other financial assets		1,224	(18,795)
Finance cost		934,697	1,872,155
Operating cash flows before working capital changes		(8,878,422)	(12,318,506)
Working capital changes			
Stores and spares		9,093	27,078
Stock-in-trade		(590,034)	191,121
Trade debts		633,914	(572,768)
Advances and other receivables		(1,393,995)	3,670,500
Trade and other payables		7,495,963	6,751,617
Due to related parties		1,130,495	-
Unclaimed dividend		(499,987)	-
		6,785,449	10,067,548
Net cash used in operations		(2,092,973)	(2,250,958)
Finance cost paid		(28,321)	(621,540)
Income tax paid		(1,239,056)	(1,737,000)
Net cash used in operating activities		(3,360,350)	(4,609,498)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		-	1,087,858
Dividend income received		3,719	440
Net cash generated from investing activities		3,719	1,088,298
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term deposits - liabilities		3,124,313	4,723,712
Repayment of long-term deposits		(59,999)	(1,254,392)
Short-term financing		-	80,000
Net cash generated from financing activities		3,064,314	3,549,320
Net increase in cash and cash equivalents		(292,317)	28,120
Cash and cash equivalents at beginning of the year		(8,232,440)	(8,260,560)
Cash and cash equivalents at end of the year	33	(8,524,757)	(8,232,440)

The annexed notes from 1 to 44 form an integral part of these financial statements.

M. HANIF Y. BAWANY
 CHIEF EXECUTIVE OFFICER

MUHAMMAD HASHIM
 CHIEF FINANCIAL OFFICER

ZAKARIA A. GHAFAR
 DIRECTOR

STATEMENT OF CHANGES IN EQUITY - (RESTATED) FOR THE YEAR ENDED JUNE 30, 2018

	Share capital	Capital reserves	Accumulated loss	Directors' subordinated loan	Total equity
	Issued, subscribed and paid-up capital	Surplus on revaluation of property, plant and equipment - net	Accumulated loss	Directors' subordinated loan	Total
----- Rupees -----					
Balance as at July 01, 2016 as previously reported		-			
Impact of restatement	-	21,295,679	-	-	-
Balance as at July 01, 2016 - as restated	75,025,104	21,295,679	(21,247,216)	4,225,000	79,298,567
Net loss for the year	-	-	(16,028,626)	-	(16,028,626)
Other comprehensive income for the year					
Gain on revaluation of freehold land and building on freehold land - net	-	19,712,711	-	-	-
Deferred tax gain on revaluation of building on freehold land - net	-	(3,933,813)	-	-	-
Other comprehensive income, net of tax		15,778,898			
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	(372,446)	372,446	-	-
Balance as at June 30, 2017 - as restated	75,025,104	36,702,131	(36,903,396)	4,225,000	79,048,839
Net loss for the year	-	-	(16,461,230)	-	(16,461,230)
Other comprehensive income for the year					
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	(817,379)	817,379	-	-
Balance as at June 30, 2018	75,025,104	35,884,752	(52,547,247)	4,225,000	(62,587,609)

M. HANIF Y. BAWANY
CHIEF EXECUTIVE OFFICER

MUHAMMAD HASHIM
CHIEF FINANCIAL OFFICER

ZAKARIA A. GHAFAR
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

1. STATUS AND NATURE OF BUSINESS

- 1.1** Bawany Air Products Limited (the Company) is a public limited Company incorporated in Pakistan on August 16, 1978 and registered under the Companies Ordinance, 1984 [Repealed with the enactment of Companies Act, 2017 (the Act)]. The Company is listed on Pakistan Stock Exchange Limited. The principal activities of the Company are production and trading of oxygen gas, dissolved acetylene and nitrogen gas.

The geographical location and address of the Company's offices and factory are as under:

- The registered office and factory of the Company is situated at Khasra No. 52/53 R.C.D. Highway, Mouza Pathara, Tehsil Hub, Lasbella District in the province of Balochistan.
- The head office is located at 16-C, 2nd floor, Nadir House, I.I Chundrigar Road, Karachi.

1.2 Going Concern Assumption

The financial statements for the year ended June 30, 2018 reflect loss after taxation of Rs. 16.461 (2017: 16.029) million and as of that date its accumulated loss stood at Rs. 52.547 (2017: 36.903) million. Its current liabilities exceed its current assets by Rs. 63.438 (2017: 55.824) million. 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 Company is facing adverse liquidity position and is unable to finance repair and replacement of its faulty equipments. The Company has also defaulted with its lender.

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 claim to deal with the above situation, these financial statements have been prepared using the going concern assumption due to the fact that Company is in the process to find investors and exploring various other options which may result in improvement in its adverse liquidity and financial position of the Company.

1.3 Summary of significant events and transactions in the current reporting period

- 1.3.1** Due to the applicability of Companies Act 2017, certain changes with respect to the preparation and presentation of financial statements have been made (Refer note 2.1).

- 1.3.2** The Company changed its accounting policy and has restated prior period reported figures as a result of applicability of Companies Act, 2017 (Refer note 4).

- 1.3.3** For detailed information about the Company performance please, refer to the Directors' Report.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- "International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- "Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

The Act has also brought certain changes with regard to the preparation and presentation of these financial statements. The disclosure requirements contained in the fourth schedule of the Act have been revised, resulting in elimination of duplicative disclosure with the IFRS disclosure requirements and incorporation of additional amended disclosures including, but not limited to, particulars of immovable assets of the Company (refer note 6.1.1), management assessment of sufficiency of tax provision (refer note 31.2), change in threshold for identification of executives (refer note 34), additional disclosure requirements for related parties (refer note 5.20 & 35), presentation of unclaimed dividend as a separate line item and change in accounting policy with respect to presentation of revaluation surplus (refer note 3).

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 on freehold land 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 on freehold land and review of useful life and residual value of property, plant and equipment (note 5.5 and 6);
- (ii) Provision for impairment of trade debts and other receivable (note 5.9 and 10);
- (iii) Impairment of assets (note 5.12); and
- (iv) Provision for taxation (note 5.17 and 31)

3. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

- 3.1** 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 amendments:

Standards/ amendments/ interpretations		Effective date (accounting periods beginning on or after)
IAS 19	Employee Benefits (Amendments)	January 01, 2019
IAS 28	Investment in Associates and Joint Ventures (Amendments)	January 01, 2019
IAS 40	Investment Property (Amendments)	January 01, 2018
IFRS 2	Share-based Payment (Amendments)	January 01, 2018
IFRS 4	Insurance Contracts (Amendments)	January 01, 2018
IFRS 9	Financial Instruments	July 01, 2018
IFRS 15	Revenue from Contracts with Customers	July 01, 2018
IFRS 16	Leases	January 01, 2019
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 01, 2018
IFRIC 23	Uncertainty over Income Tax	January 01, 2019
IFRS 15	Revenue from Contracts with Customers	January 01, 2018
IFRS 16	Leases	January 01, 2019

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016 and December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018 and 01 January 2019 respectively.

The above standards, amendments and improvements to the standards are not expected to have any material impact on the Company's financial statements in the period of initial application except for IFRS 15 - Revenue from contracts with customers. The Company is currently evaluating the impact of the said standard.

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 Framework.
 IFRS 14 Regulatory Deferral Accounts
 IFRS 17 Insurance Contracts

The Company expects that above new standards will not have any material impact on the Company's financial statements in the period of initial application.

3.2 Standards, amendments and interpretations adopted during the year

The Company has adopted the following standards and amendments to published accounting standards which become effective during the year and have been adopted by the Company.

IAS 7 Statement of Cash Flows - Disclosure Initiative - (Amendment)
 IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)

The adoption of the above amendments to accounting standards did not have any effect on the financial statements.

4. CHANGE IN ACCOUNTING POLICY

Accounting and reporting of surplus on revaluation of property, plant and equipment

The Company changed its accounting policy during the year for the revaluation surplus on property, plant and equipment, in accordance with requirements of the accounting and reporting standards as applicable in Pakistan under the Companies Act, 2017. Previously, the Company's accounting policy for surplus on revaluation of property, plant and equipment was in accordance with the provisions of section 235 of the repealed Companies Ordinance, 1984. Further, the revaluation surplus on property, plant and equipment was shown as a separate item below equity, in accordance with the presentation requirement of the repealed Companies Ordinance, 1984.

The Companies Act, 2017 has not retained the above mentioned specific accounting and presentation requirements of revaluation surplus on property, plant and equipment. Consequently, this impacted the Company's accounting policy for revaluation surplus on property, plant and equipment, and now the related accounting and presentation requirements set out in IAS 16 "Property, plant and equipment", is followed by the Company. The new accounting policy is explained under note 5.5, below. Further, the revaluation surplus on property, plant and equipment is now presented in the statement of financial position and statement of changes in equity as capital reserve i.e. part of equity.

In these financial statements, the above explained change in accounting policy has been accounted for retrospectively in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors", with the restatement of the comparative information.

The effect of change in accounting policy is summarised below:

Statement of financial position:

Retrospective impact of change in accounting policy

Effect on SOFP

	As at June 30, 2016			As at June 30, 2017		
	As previously reported	Adjustments / (decrease)	As restated	As previously reported	Adjustments / (decrease)	As restated
Surplus on revaluation of property plant and equipment	21,295,679	(21,295,679)	-	36,702,131	(36,702,131)	-

Effect on SCE

	As at June 30, 2016			As at June 30, 2017		
	As previously reported	Adjustments / increase	As restated	As previously reported	Adjustments / increase	As restated
Revaluation surplus on property, plant and equipment	-	21,295,679	21,295,679	-	36,702,131	36,702,131

Effect on statement of comprehensive income

	For the year ended June 30, 2017		
	As previously reported	As restated	Re-statement
	-----Rupees-----		
Gain on revaluation of freehold land and building on freehold land net of deferred tax	-	15,778,898	15,778,898

There was no cash flow impact as a result of the retrospective application of change in accounting policy.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 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 the profit and loss account.

5.2 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.

5.3 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 date of statement of financial position and adjusted to reflect the current best estimate.

5.4 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.

5.5 Property, plant and equipment

Operating fixed assets - owned

These are stated at cost less accumulated depreciation and impairment loss. 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, mark-up and borrowing costs 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 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 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 the note 6.1 to these financial statements. Depreciation on additions is charged from the month the asset is available for use upto the month prior to disposal.

Any revaluation increase arising on the revaluation of freehold land and building on freehold land is recognised in other comprehensive income and presented as a separate component of equity as "Revaluation surplus on property, plant and equipment", except to the extent that it reverses a revaluation decrease for

the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation of freehold land and building on freehold land is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation surplus on property, plant and equipment relating to a previous revaluation of that asset. The revaluation reserve is not available for distribution to the Company's shareholders. The surplus on revaluation of building on freehold land to the extent of incremental depreciation charged (net of deferred tax) is transferred to unappropriated profit.

During the year, the Company changed its accounting policy in respect of the accounting and presentation of revaluation surplus on property, plant and equipment. Previously, the Company's accounting policy was in accordance with the provisions of repealed Companies Ordinance, 1984. Those provisions and resultant previous policy of the Company was not in alignment with the accounting treatment and presentation of revaluation surplus as prescribed in the IAS 16 "Property, plant and equipment". However, the Companies Act, 2017 has not specified any accounting treatment for revaluation surplus, accordingly, the Company has changed the accounting policy and is now following the IAS 16 "Property, plant and equipment" prescribed accounting treatment and presentation of revaluation surplus. The detailed information and impact of this change in policy is provided in note 4 above.

Gains or losses on disposal of property, plant and equipment are recognised in 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.

5.6 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 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 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.

5.7 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 upto the date of the statement of financial position.

5.8 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 Lower of average manufacturing cost or net realizable value

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 upto 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.

5.9 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.

5.10 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 and current accounts held with banks and bank overdraft / short-term financing.

5.11 Directors' subordinated loan

The Company has adopted Technical Release-32 (Accounting Directors' Loan) issued by the Institute of Chartered Accountants of Pakistan. In accordance with TR- 32, directors' interest free, unsecured loans that are repayable at the discretion of the Company have been accounted for in equity and presented separately as "Directors' subordinated loan". These loans are also subordinate to short-term running finances.

5.12 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 recognised in the 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.

5.13 Financial instruments

All the financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised 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 recognised 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 recognised at fair value, and transaction cost are charged to profit and loss account for that year. These are subsequently measured at fair value, amortised cost or cost, as the case may be. Any gains or losses on derecognition of financial assets and financial liabilities are taken to the profit and loss account currently.

5.14 Mark-up bearing borrowings

Markup bearing borrowings are recognised initially at cost representing the fair value of consideration received less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at original cost less subsequent repayments, while the difference between the original recognised amounts (as reduced by periodic payments) and redemption value is recognised in the profit and loss account over the period of borrowings on an effective rate basis. The borrowing cost on qualifying asset is included in the cost of related asset.

5.15 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 recognised amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5.16 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably.

Revenue from sale of goods is measured net of sales tax, returns, trade discounts and volume rebates, and is recognised when significant risks and rewards of ownership are transferred to the buyer, that is, when deliveries are made and recovery of the consideration is probable.

Rental income is recognised over the period of relevant agreement based on agreed rate and other service income is recognised in profit and loss account on rendering of relevant services.

Return on bank deposits is recognised on time proportion using the effective rate of return.

5.17 Taxation

The tax expense for the year comprises of current and deferred income tax, and is recognised in income for the year, except to the extent that it relates to items recognised directly in other comprehensive income, in which case the related tax is also recognised 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 recognised, using the balance sheet liability 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 for financial reporting purposes. Deferred tax assets are recognised 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 utilised. Deferred tax liabilities are recognised 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 realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of statement of financial position.

5.18 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.

5.19 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 the profit and loss account.

5.20 Related party transactions

Related parties comprises of parent company, major shareholders, associated companies with or without common directorship, other companies with common directorship, retirement benefit fund, directors, key management personnel and their close family members. Contribution to defined contribution plan (providend fund) are made as per the terms of employment. Remuneration of key management personnel are in accordance with their term of engagements. Transactions with other related parties are entered into at rates negotiated with them (agreed terms). Following are the related parties of the Company:

Name of related party	Basis of relationship	% of share holding 3%
Bawany Management (Private) Limited	Common directorship	-
Winder Industries (Private) Limited	Key management personnel	-
Ebrhamiyan Enterprises	Key management personnel	-
Ebrhamiyan Company (Private) Limited	Key management personnel	-

6.1.1 Freehold land and building on freehold land is situated at part of Khasra No. 53, Mouza Pathra, Tehsil HUB, District Lasbella, Balochistan measuring 6 acres duly registered in the name of the Company.

6.1.2 All assets are duly registered in the name of and are in the possession of the Company.

6.1.3 Freehold land and building on freehold land were revalued as on March 31, 2017 by an independent valuator, Iqbal A.Nanjee & Co. (Pvt.) Ltd, an approved professional valuator on the panel of Pakistan Banks' Association (PBA). This revaluation resulted in net surplus of Rs. 10.564 million. The forced sales value in respect of freehold land, building on freehold land and plant and machinery have not been assessed by the independent valuator as at the date of valuation.

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

	Cost	Accumulated depreciation	Written down value
	-----Rupees-----		
Freehold land	345,790	-	345,790
Building on freehold land	19,678,937	9,300,827	10,378,110
June 30, 2018	20,024,727	9,300,827	10,723,900
June 30, 2017	20,024,727	8,638,648	11,386,079
		2018	2017
Note		----- Rupees -----	

6.1.6 Depreciation for the year has been allocated as under:

Cost of sales :			
Depreciation expense	25	1,943,095	1,457,077
Administrative expenses	27	255,837	298,899
Other operating expenses	28	4,080,013	4,179,526
		6,278,945	5,935,502

6.1.7 The carrying amount of temporarily idle property, plant and equipment as at June 30, 2018 is Rs. 119.163 (2017: Rs. 121.450) million.

	2018	2017
	----- Rupees -----	
7 LONG-TERM DEPOSITS		
Electricity	2,184,400	2,184,400
Lease	650,000	650,000
Others	326,958	386,957
	3,161,358	3,221,357
8 STORES AND SPARES		
Stores	403,835	412,928
Spares	613,364	613,364
	1,017,199	1,026,292

	Note	2018	2017
		----- Rupees -----	
9. STOCK-IN-TRADE			
Raw materials		343,246	343,246
Finished goods		952,079	362,045
		<u>1,295,325</u>	<u>705,291</u>
10. TRADE DEBTS			
Unsecured			
Considered good		3,603,996	4,237,910
Considered doubtful		300,939	300,939
		<u>3,904,935</u>	<u>4,538,849</u>
Provision for doubtful debts		(300,939)	(300,939)
		<u>3,603,996</u>	<u>4,237,910</u>
10.1	As at June 30, 2018, the ageing analysis of unimpaired trade debts is as follow:		
Neither past due nor impaired			
0-30 days		340,296	651,285
Past due but not impaired			
31-90 days		348,693	409,915
91-180 days		168,293	475,568
180-365 days		1,149,697	1,244,968
Over 365 days		1,597,017	1,456,174
		<u>3,603,996</u>	<u>4,237,910</u>
11. ADVANCES AND OTHER RECEIVABLES			
Unsecured - considered good			
Advances to suppliers		3,310,225	2,080,474
Related party - Winder Industries (Private) Limited	11.1	-	543,577
Others		1,175,751	1,011,507
		<u>4,485,976</u>	<u>3,635,558</u>
11.1	This represents interest free advances against purchase of land which has been written off during the year.		

			2018	2017
	Note		----- Rupees -----	
12		OTHER FINANCIAL ASSETS		
		At fair value through profit or loss		
		Fully paid listed shares / certificates of Rs. 10 each.		
		2018	2017	Company's name
		No. of shares / certificates		
		215	215	Faysal Bank Ltd.
		603	603	Sui Southern Gas Pipelines Ltd.
		1,398	1,398	First Fidelity Leasing Modaraba Ltd.
		1,311	1,311	First Equity Modaraba Ltd.
		419	419	K-Electric Ltd.
		54	54	Linde Pakistan Ltd.
		290	290	SAMBA Bank Ltd.
		12	12	Ghani Gases Ltd.
		4,302	4,302	
			6,968	5,288
			19,790	21,955
			7,703	4,544
			4,851	8,207
			2,380	2,891
			12,960	13,015
			2,219	2,072
			193	316
			57,064	58,288
13.		TAXATION - NET		
		Income tax refundable	1,734,512	1,734,512
		Advance income tax	4,832,358	4,260,169
		Provision for taxation - current	(1,114,162)	(827,024)
			5,452,708	5,167,657
14.		CASH AND BANK BALANCES		
		Cash at bank - current accounts	306,291	494,211
		Cash in hand	4,771	109,167
			311,062	603,378
15.		ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
		2018	2017	
		No. of shares		
				Ordinary shares of Rs.10/- each :
		5,336,769	5,336,769	- Fully paid in cash
		250,000	250,000	- For consideration other than cash
		1,915,741	1,915,741	- Fully paid bonus shares
		7,502,510	7,502,510	
			53,367,690	53,367,690
			2,500,000	2,500,000
			19,157,410	19,157,410
			75,025,100	75,025,100
15.1		Shares held by the related parties of the Company		
		Name of the shareholders:		
		Mr. M. Hanif Y. Bawany	1,223,096	1,223,096
		Mrs. Momiza Hanif Bawany	443,680	443,680
		Mr. Vali Mohammad M. Yahya	338,861	338,861
		Bawany Management (Pvt.) Ltd.	222,149	222,149
		Mr. Zakaria Abdul Ghaffar	3,581	3,581
		Mr. Wazir Ahmed Jogezeai	3,581	3,581
		Mr. Mikhail Bawany	1,505	1,505
		Mr. Siraj A. Kadir	500	500

- 15.2** All ordinary shares rank equally with regard to residual assets of the Company. The ordinary shareholders are entitled to receive all distributions including dividends and other entitlements in the form of bonus and right shares as and when declared by the Company. Voting rights, board selection, right of first refusal and block voting are in proportion to shareholding.

16. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT- NET

The surplus revaluation is restated and now presented as a separate capital reserve in these financial statements as referred to in note 4.

	Note	2018	2017
		----- Rupees -----	
Surplus on freehold land	16.1	20,654,210	20,654,210
Surplus on building on freehold land	16.2	15,230,542	16,047,921
Balance as at June 30		35,884,752	36,702,131

16.1 Movement of surplus on freehold land

Revaluation surplus as at July 01	20,654,210	14,054,210
Surplus arising on revaluation carried out during the year	-	6,600,000
Balance as at June 30	20,654,210	20,654,210

16.2 Movement of surplus on building on freehold land

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
Restatement of opening liability due to change in tax rate	(299,336)	(334,567)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year, net of deferred tax	(817,379)	(372,446)
Related deferred tax liability of incremental depreciation charged during the year	(333,859)	(159,620)
Revaluation surplus as at June 30	21,574,179	23,024,753

Less: Related deferred tax on:

Revaluation as at July 01	(6,976,832)	(3,537,206)
Surplus arising on revaluation during the year	-	(3,933,813)
Difference arising due to change in rate	299,336	334,567
Incremental depreciation charged during the year, transferred to statement of profit and loss	333,859	159,620
	(6,343,637)	(6,976,832)
	15,230,542	16,047,921

17. LONG-TERM DEPOSITS

- 17.1** These are non-interest bearing and are repayable to customers on return of cylinders or on termination of sale agreement.

	2018	2017
	----- Rupees -----	
18. DEFERRED TAX LIABILITY		
Deductible temporary differences:		
Doubtful receivables and other provisions	(87,272)	(90,282)
Minimum tax paid	(1,113,604)	(827,024)
Carried forward tax losses	(27,179,047)	(24,446,587)
	(28,379,923)	(25,363,893)
Taxable temporary differences:		
Accelerated depreciation on property, plant and equipment	28,348,313	28,688,811
Surplus on revaluation of property, plant and equipment-net	6,343,637	7,158,663
	34,691,950	35,847,474
	6,312,027	10,483,581
Deferred tax not recognised	(6,312,027)	(10,483,581)
	-	-

18.1 Due to future projections, continued losses and adverse operational conditions as disclosed in note 1.2, the Company has not recognised deferred tax income amounting to Rs. 4.229 million during the year.

	Note	2018	2017
		----- Rupees -----	
19. TRADE AND OTHER PAYABLES			
Trade creditors - unsecured		2,651,539	2,051,895
Accrued liabilities	19.1	21,660,285	16,903,133
Advance from customers - unsecured		1,525,976	384,957
Payable to provident fund - interest bearing	19.2	6,504,490	6,225,726
Provision for compensated absences	19.3	744,790	767,790
Sales tax payable		1,560,763	1,559,022
Other liabilities		414,431	303,788
		35,062,274	28,196,311

19.1 This includes an amount of Rs. 0.144 (2017: 0.144) million payable to associated undertaking, Ebrhaimyan Enterprises in respect of rent.

19.2 This represents equal contribution by the Company and the employees. This carries mark-up at the rate of 9% (2017: 9%) per annum.

19.3 With effect from financial year 2015, the policy has been discontinued by the Company.

	Note	2018	2017
		----- Rupees -----	
20. ACCRUED MARK-UP			
Mark up on overdue instalments		354,981	236,074
Mark up on short-term financing		523,604	523,604
Mark-up on due to provident fund		1,425,849	638,380
		2,304,434	1,398,058

	2018	2017
	----- Rupees -----	
21. DUE TO RELATED PARTIES		
Mr. Danish Ameen - related party	1,200,000	-
Bawany Management (Pvt.) Ltd.	27,220,495	27,290,000
	<u>28,420,495</u>	<u>27,290,000</u>

21.1 These represent unsecured, non-interest bearing advances which are repayable on demand.

	2018	2017
	----- Rupees -----	
22. SHORT-TERM FINANCING		
	Note	
Long-term financing - overdue instalments - secured	22.1	3,170,852
Running finance from bank - secured	22.2	8,835,819
Loan from provident fund	22.4	1,150,000
		<u>13,156,671</u>

22.1 This represents outstanding amount of long-term finance obtained by the Company amounting to Rs.7.550 million. The facility is secured by way of first pari passu charge over the immovable assets and personal guarantee of chief executive officer of the Company.

22.2 This represents running finance facility obtained from Faysal Bank Limited of Rs. 10.000 (2017 : Rs. 10.000) million carrying mark-up @ the rate of 3 months KIBOR + 4% per annum (2017 : 3 months KIBOR + 4% per annum). This facility is secured against first pari passu hypothecation charge over plant and machinery, first hypothecation charge over stocks and receivables and personal guarantees of the directors of the Company. The facility has not been renewed by the bank since the expiry of the facility on October 14, 2016.

22.3 No mark-up has been accrued on account of the above facilities amounting to Rs. 1.211 million as at reporting date.

22.4 This carries mark-up at the rate of 9% (2017: 9%) per annum.

23. CONTINGENCIES AND COMMITMENTS

Contingencies

23.1 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 instant appeal contesting 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.

23.2 Faysal Bank Limited has filed a law suit in the Banking Court No. IV at Karachi for recovery of their principal balance along-with mark-up on outstanding payments and liquidation damages amounting to Rs. 13,077,725. The Company has challenged these allegations in the banking court on the basis that the amount is exaggerated, misconceived and false claims / pleas taken by the bank. The matter is being heard at the banking court. The management of the Company is confident about the favourable outcome of the matter.

Commitments

There were no commitments as at June 30, 2018 (2017: Nil).

	Note	2018	2017
		----- Rupees -----	
24. SALES - NET			
Sales		104,455,873	96,966,431
Less: sales tax		<u>(15,367,552)</u>	<u>(14,264,065)</u>
		<u>89,088,321</u>	<u>82,702,366</u>
25. COST OF SALES			
Liquid oxygen purchased		75,353,832	69,286,894
Salaries and other benefits	25.1	3,838,852	4,218,621
Electricity and water		376,492	549,267
Stores and spares consumed		248,343	181,632
Repairs, maintenance and handling		2,172,221	2,038,892
Insurance		-	945,833
Vehicles running and maintenance		287,127	245,432
Rent, rates and taxes		322,930	346,990
Depreciation	6.1.6	1,943,095	1,457,077
Security		948,000	948,000
Others		117,205	461,919
		<u>85,608,097</u>	<u>80,680,557</u>
Maintenance & other charges recovered		<u>(322,175)</u>	<u>(401,802)</u>
Cost of goods processed		<u>85,285,922</u>	<u>80,278,755</u>
Processed goods - opening		<u>362,045</u>	<u>545,312</u>
Processed goods - closing	9	<u>(952,079)</u>	<u>(362,045)</u>
		<u>(590,034)</u>	<u>183,267</u>
		<u>84,695,888</u>	<u>80,462,022</u>
25.1	Salaries, wages and other benefits include contributions of Rs.0.178 (2017: 0.317) million in respect of defined contribution plan.		
26. DISTRIBUTION COST			
Salaries and other benefits	26.1	3,096,898	3,783,920
Transportation charges		383,736	450,558
Insurance		-	24,630
Others		48,642	51,541
		<u>3,529,276</u>	<u>4,310,649</u>
26.1	Salaries and other benefits include contributions of Rs.0.180 (2017: 0.222) million in respect of defined contribution plan.		

	Note	2018	2017
		----- Rupees -----	
27. ADMINISTRATIVE EXPENSES			
Salaries and other benefits	27.1	9,246,477	9,544,371
Electricity, gas and water		239,984	225,996
Repairs and maintenance		144,205	164,289
Insurance		-	28,871
Rent, rates and taxes		552,894	586,594
Traveling and conveyance		171,070	170,206
Printing and stationery		131,892	110,438
Legal and professional charges		240,800	91,000
Auditors' remuneration	27.2	275,000	275,000
Fees, subscription and periodicals		508,935	398,519
Depreciation	6.1.6	255,837	298,899
		<u>11,767,094</u>	<u>11,894,183</u>
27.1 Salaries and other benefits include contributions of Rs. 0.294 (2017: 0.307) million in respect of defined contribution plan.			
27.2 Auditors' remuneration			
Audit fee		200,000	200,000
Half year review fee		50,000	50,000
Out of pocket expenses		25,000	25,000
		<u>275,000</u>	<u>275,000</u>
28. OTHER OPERATING EXPENSES			
Depreciation of idle plant	6.1.6	4,080,013	4,179,526
Penalty		173,418	100,000
Advance written off	11.1	543,577	10,000
		<u>4,797,008</u>	<u>4,289,526</u>
29. OTHER INCOME			
From financial assets:			
Dividend income		3,719	440
From other than financial assets:			
Gain on disposal of property, plant and equipment		1,286,079	971,519
		<u>1,289,798</u>	<u>971,959</u>
30. FINANCE COST			
Mark-up on short term financing		118,907	1,197,778
Mark-up on due to provident fund		787,469	638,380
Bank charges		28,321	35,997
		<u>934,697</u>	<u>1,872,155</u>

	Note	2018	2017
		----- Rupees -----	
31 TAXATION			
Current	31.1	1,114,162	827,024
Deferred		-	(3,933,813)
		<u>1,114,162</u>	<u>(3,106,789)</u>

31.1 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 and prior year is based on minimum tax on turnover under section 113 of the Income Tax Ordinance, 2001.

31.2 Returns filed by the Company upto the tax year 2017, have been assessed under the self-assessment scheme envisaged in section 120 of the Income Tax Ordinance, 2001 (the Ordinance) except for tax year as disclosed in note 23.1. The Company computes tax based on the generally accepted interpretations of the tax laws to ensure that sufficient provision for the purpose of taxation is available which can be analysed as follows:

	Accounting provision	Tax return
Accounting year 2017 (Tax year 2017/2016)	827,024	827,024
Accounting year 2016 (Tax year 2016/2015)	944,377	944,377
Accounting year 2015 (Tax year 2015/2014)	996,324	996,324

32. LOSS PER SHARE - BASIC AND DILUTED

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

Loss for the year - Rupees	<u>(16,461,230)</u>	<u>(16,028,626)</u>
Weighted average number of ordinary shares (Number)	<u>7,502,510</u>	<u>7,502,510</u>
Loss per share - Rupees	<u>(2.19)</u>	<u>(2.14)</u>

33. CASH & CASH EQUIVALENT

Cash and bank balances	14	311,062	603,378
Short-term financing - running finance	22	<u>(8,835,819)</u>	<u>(8,835,819)</u>
		<u>(8,524,757)</u>	<u>(8,232,441)</u>

34. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTOR AND EXECUTIVE

	Chief Executive Officer		Director		Executive	
	2018	2017	2018	2017	2018	2017
	----- Rupees -----					
Remuneration	967,742	967,742	1,045,161	1,045,161	1,014,839	1,107,097
House rent	435,484	435,484	470,322	470,322	456,677	498,194
Utilities	96,774	96,774	104,516	104,516	101,484	110,709
	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,619,999</u>	<u>1,619,999</u>	<u>1,573,000</u>	<u>1,716,000</u>
No. of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

- 34.1** The chief executive officer and the director are provided with free use of company maintained vehicles, residential utility and telephone bills, the monetary value of which is Rs. 0.576 (2017: Rs. 0.455) million.
- 34.2** No fees have been paid to any of the directors during the year (2017: nil) for attending boards' meetings.
- 34.3** No remuneration has been paid to non-executive directors of the Company during the year (2017: Nil).

35. TRANSACTIONS WITH RELATED PARTIES

Detail relationship with related parties and percentage of holdings, if any, are disclosed in note 5.20 to the financial statements. Remuneration of chief executive officer, directors and executives of the Company are disclosed in note 34. Transactions with related parties during the year, other than those disclosed elsewhere in these financial statements are as follows:

Name of related party	Nature of transactions	2018	2017
		----- Rupees -----	
Ebrhaimyan Enterprises	Rent charges paid	144,517	144,333
Mr. Danish Ameen	Advances obtained	1,200,000	-
Bawany Management (Pvt) Ltd.	Loan obtained	-	80,000
Bawany Management (Pvt) Ltd.	Loan Repaired	69,505	-
Employees retirement benefit plan	Contribution to provident fund	1,035,032	221,000
Employees retirement benefit plan	Interest charged to the Company	787,469	638,380

36. PROVIDENT FUND

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

	June 30, 2018 (Un-audited)	June 30, 2017 (Un-audited)
	----- Rupees -----	
Size of the fund - total assets	9,113,713	8,034,704
Cost of the investment made	9,113,713	8,034,704
Percentage of investments made	100%	100%
Fair value of investments	9,113,713	8,034,704

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

Bank balances/deposits	30,038	9,452
	0.33%	0.12%
Receivable from the company	9,080,339	8,014,106
	99.63%	99.74%

- 36.2** As at June 30, 2018, the investments out of provident fund have not been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

2018 2017
 ----- Rupees -----

37. FINANCIAL RISK MANAGEMENT

37.1 Financial instruments by category

FINANCIAL ASSETS

Loans and receivables

Long-term deposits	3,161,358	3,221,357
Trade debts	3,603,996	4,237,910
Other receivables	1,175,751	1,555,084
Cash and bank balances	<u>311,062</u>	<u>603,378</u>
	<u>8,252,167</u>	<u>9,617,729</u>

Fair value through profit or loss

Other financial assets	<u>57,064</u>	<u>58,288</u>
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FINANCIAL LIABILITIES

Long-term deposits	54,695,351	52,238,007
Trade and other payables	33,536,298	27,811,354
Unclaimed dividend	717,420	1,217,407
Accrued mark-up	2,304,434	759,678
Due to related parties	28,420,495	27,290,000
Short-term financing	<u>13,156,671</u>	<u>13,156,671</u>
	<u>132,830,669</u>	<u>122,473,117</u>

37.2 Financial risk management

The board of directors have an 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, the 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:

37.2.1 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 at the date of statement of financial position

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.

Presently, the Company has KIBOR based short-term running finance facility from a bank that exposes the Company to immaterial cashflow interest rate risk as at the date of statement of financial position.

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 a 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.

37.2.2 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. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

Concentration of credit risk

Concentration of credit risk arise when a number of counterparties 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.

Credit risk arise from bank balances and credit exposures to customers, including trade debts. The financial assets of the Company that are subject to credit risk amounted to Rs. 8.075 (2017: 8.402) million

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:

	2018	2017
	----- Rupees -----	
Long-term deposits	3,161,358	3,221,357
Other receivables	1,175,751	1,555,084
Trade debts	3,603,996	4,237,910
Bank balances	311,062	603,378
	<u>8,252,167</u>	<u>9,617,729</u>

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. As at reporting date, the Company is exposed to credit risk on accounts of trade receivable from certain customers.

Ageing of past due but not impaired trade debts are disclosed in note 10.1.

The credit quality of Company's bank balances can be assessed with reference to external credit rating agencies as follows:

	2018	2017
	----- Rupees -----	
Bank balances		
A1+	647	1,050
A-1+	970,556	486,152
A1+	2,403	7,009
	<u>973,606</u>	<u>494,211</u>

37.2.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure to always have sufficient liquidity to meet its liabilities when due. As at reporting date, the Company is exposed to liquidity risk, however, the Company is in the process of negotiating credit lines to meet its financial obligation.

The details of company's interest/mark-up and non-interest mark-up bearing liabilities are as follows:

	Within 1 year	1 - 5 years	over 5 years	Total
	----- Rupees -----			
June 30, 2018				
Long-term deposits	-	-	54,695,351	54,695,351
Trade and other payables	35,062,274	-	-	35,062,274
Unclaimed dividend	717,420	-	-	717,420
Accrued mark-up	2,304,434	-	-	2,304,434
Due to related parties	28,420,495	-	-	28,420,495
Short-term financing	13,156,671	-	-	13,156,671
	<u>79,661,294</u>	<u>-</u>	<u>54,695,351</u>	<u>134,356,645</u>
June 30, 2017				
Long-term deposits	-	-	52,238,007	52,238,007
Trade and other payables	28,196,311	-	-	28,196,311
Unclaimed dividend	1,217,407	-	-	1,217,407
Accrued mark-up	1,398,058	-	-	1,398,058
Due to related parties	27,290,000	-	-	27,290,000
Short-term financing	13,156,671	-	-	13,156,671
	<u>71,258,447</u>	<u>-</u>	<u>52,238,007</u>	<u>123,496,454</u>

38. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The estimated fair value of all financial assets and liabilities is considered not significantly different from book values as the items are either short-term in nature or repriced periodically.

International Financial Reporting Standard 13, 'Fair Value Measurements' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

Currently, there are financial assets which are measured at their fair value in the statement of financial position. (Refer note 12)

Certain categories of operating fixed assets (freehold land and building on freehold land) are carried at revalued amounts (level 2 measurement) determined by a professional valuator based on their assessment of the market values as disclosed in note 6 to these financial statements.

39. CAPITAL RISK MANAGEMENT

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debts.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balances. Total capital is calculated as equity as shown in the statement of financial position plus net debt.

	June 30, 2018	June 30, 2017
	----- Rupees -----	
Total debts	42,777,166	40,446,671
Less: Cash & cash equivalent	(8,524,757)	(8,232,441)
Net debt	34,252,409	32,214,230
Total Equity	62,587,605	79,048,835
Total debt and equity	96,840,014	111,263,065
Gearing ratio	35%	29%

2018 2017
Cubic Meter

40. PLANT CAPACITY AND ACTUAL PRODUCTION

Production capacity (Triple Shift)

Regasification of Liquid gases	4,485,000	4,485,000
Oxygen and Nitrogen	4,485,000	4,485,000
Dissolved acetylene	144,000	144,000
	<u>9,114,000</u>	<u>9,114,000</u>

Actual production

Regasification of Liquid gases	2,253,775	2,404,380
Oxygen and Nitrogen	-	-
Dissolved acetylene	-	-
	<u>2,253,775</u>	<u>2,404,380</u>

40.1 Due to break down of plant, as disclosed in note 1.2, no production has been carried out by the Company during the year.

41. NUMBER OF EMPLOYEES

The numbers of employees at the year ended were 23 (2017: 27) and average number of employees during the year were 27 (2017: 26).

The numbers of employees working at factory at the year ended were 15 (2017: 18) and average number of employees during the year were 18 (2017: 17).

42. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, where necessary, for the purpose of comparison and better presentation. Material reclassification other than those required by the Companies Act, 2017 are as follows:

Reclassified from	Reclassified to	Note	-----Rupees-----
Short-term financing	Due to related parties	21	28,420,495

43. AUTHORISATION FOR ISSUE

These financial statements were approved on October 02, 2018 by the board of directors of the Company.

44. GENERAL

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

M. HANIF Y. BAWANY
CHIEF EXECUTIVE OFFICER

MUHAMMAD HASHIM
CHIEF FINANCIAL OFFICER

ZAKARIA A. GHAFAR
DIRECTOR

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 40th Annual General Meeting of the Company to be held on December 29, 2018 at 11:30 am and at any adjournment there of.

Signed this _____ day of _____ 2018

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
Phone : (92-21) 32400440-3 Fax: (92-21) 32411986
www.bawanyair.com