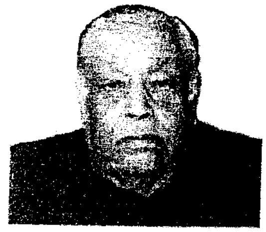
BAWANYAIR
PRODUCTS LIMITED

FOURTY FIRST
ANNUAL REPORT
2018-2019

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 in1925 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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COMPANY INFORMATION

BOARD OF DIRECTORS	Mr. Vali Mohammad M. Yahha	Chairman - Non Executive Director
	Mr. M. Hanif Y. Bawany	Chief Executive Officer
	Mrs. Momiza Hanif Bawany	Executive Director
	Mr. Mikhail Bawany	Non Executive Director
	Mr. Wazir Ahmed Jogezai	Non Executive Director
	Mr. Zakaria A. Ghaffar	Non Executive Director
	Mr. Siraj A. Kadir	Independent Director
AUDIT & HR COMMITTEE	Mr. Siraj A. Kadir	Chairman
	Mr. Vali Mohammad M. Yahha	Member
	Mr. Zakaria A. Ghaffar	Member
	Mr. Muhammad Munir	Secretary to Audit Committee
HEAD OF INTERNAL AUDIT	Mr. Muhammad Munir	
CHIEF FINANCIAL OFFICER & COMPANY SECRETARY	Mr. Muhammad Arif Dalia	
AUDITORS	S. M. SUHAIL & CO. Chartered Accountants	
BANKERS	Faysal Bank Limited United Bank Limited MCB Bank Limited National Bank of Pakistan	
SHARE REGISTRAR	C&K Management Associates (Pvt) Ltd. 404, Trade Tower, Abdullah Haroon Road, Karachi Te: 35687839-35685930	
REGISTERED OFFICE	Khasra No. 52/53 R.C.D. Highway, Mouza Pathra, Tehsil Hub, Lasbella District, Balochistan Tel: 0853 - 363289 Fax: 0853 - 363290	
CITY OFFICE	16-C, 2nd Floor, Nadir House, I.I. Chundrigar Road, Karachi Tel: 021-32400440	

NOTICE OF MEETING

Notice is hereby given that the Forty First Annual General Meeting of the Company will be held at the registered office Khasra No. 52/53, RCD Highway, Hub, Balochistan on Tuesday 27th November 2019 at 11:30 a.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the 40th Annual General Meeting held on October 29th, 2018.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2019 together with Directors and Auditor's Report thereon.
3. Corporate Briefing Session (CBS) as per requirements of PSX.
4. To appoint auditors for the year 2019-2020 and fix their remuneration.
5. To elect 7 (seven) Directors on the Company's Board of Directors as fixed by the Board for a period of three years' term. The names of retiring directors are:
   - i. Mr. M. Hanif Y. Bawany
   - ii. Mrs. Momiza Hanif Bawany
   - iii. Mr. Mikhail Bawany
   - iv. Mr. Vali Mohammad M. Yahya
   - v. Mr. Zakaria A. Ghaffar
   - vi. Mr. Siraj A. Kadir
   - vii. Mr. Wazir Ahmed Jogezai
6. Transact any other business with permission of chair.

Karachi:
October 31, 2019

By order of the Board
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 November 27, 2019.

2. The register of members of the Company shall remain closed from November 21, 2019 to November 30, 2019 (both days inclusive).

3. Members are requested not to bring spouse / children or any other accompany.

4. Attendance of Members who have deposited their shares into the Central Depository Company of Pakistan Limited shall be in accordance with the following mandatory requirements:

   a) Individual Members must bring their "Participant's ID Number", together with their Account/Sub-account number and original valid Computerised National Identity Card (CNIC) or original valid Passport at the time of attending the Meeting

   b) For corporate entity, presentation of a certified copy of the Board Resolution/ Power of Attorney with specimen signatures and attested copy of valid CNIC of the person nominated by the corporate entity to represent and vote on its behalf, shall be submitted

5. Members are requested to notify any change in their notified addresses immediately. Members holding shares in physical form are requested to notify the Company's Share Registrar promptly of changes in their notified address.

6. Members, who have not yet submitted a copy of their valid CNIC or valid Passport to the Company, are once again reminded to send the same at the earliest either to the Company or to the Share Registrar. The CNIC

number /NTN details is now mandatory and is required for checking the tax status as per the Active Tax Payers List (ATL) issued by the Federal Board of Revenue (FBR) from time to time.

7. Individual Members (including all joint holders) holding physical share certificates of the Company are therefore requested to submit a copy of their valid CNIC to the Company or its Share Registrar if not already provided. The shareholders while sending CNIC must quote their respective folio numbers.

8. In cases of non-receipt of the copy of a valid CNIC, the Company would be constrained under Section 243 (3) of the Companies Act, 2017 ("the Companies Act") to withhold dividend of such shareholders.

9. Attendance through Proxy
   a) Proxy Form(s) must be deposited at Company's Share Registrar's office not less than forty-eight (48) hours (excluding holidays) before the time of the Meeting. Proxy Form(s) received after the said fortyeight (48) hours i.e. after 11:30 AM on 25th day of November 2019 (being Monday), will not be treated as valid.

   b) Attested copies of valid CNIC or the valid Passport of the beneficial owners and the Proxy shall be furnished with the Proxy Form.

   c) In case of a corporate entity, the Board of Directors' Resolution/Power of Attorney with specimen signatures and attested copy of valid CNIC of the person nominated by the corporate entity to represent and vote on its behalf, shall be submitted to the Company's Share Registrar

   d) The Proxy shall produce his/her original valid CNIC or original valid Passport at the time of the Meeting

   e) A specimen Proxy Form is available on Company's website

CHAIRMAN'S REVIEW

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

Dear Shareholders,

I am pleased to enclose the financial statements of our company for the year ended June 30, 2019. You will notice a decline in revenues which is mainly due to lower volumes sold in the year 2018-19. The Gaddani Ship Breaking Industry is adversely affected due to devaluation of rupee against USD and uncertainty in business community over economic situation of the country. Due to these reasons, the ship breakers are reluctant to invest in ships and this has caused the decline in sales of Company. The cash flows of the Company are very stiff however, the Company has successfully managed to reduce the short-term borrowings to some extent.

The yearly analysis of financial performance of current year compared with last year is as follows:

Description	2018-19	2017-18
Sales	51,909,593	89,088,321
Cost of sales	(51,526,899)	(84,695,888)
Gross margin	382,694	4,392,433
Net Expenses	(19,404,544)	(18,804,804)
Finance cost	(796,091)	(934,697)
Tax	5,350,890	2,707,087
Loss after tax	(14,467,052)	(12,639,981)

Management has managed to reduce the expenses (Operating, Administrative and Selling) to the minimum possible level and that is the only reason that despite decrease in sales, we have managed to reduce the bottom line loss as well.

Though we are facing the most difficult times as far as financial and core operations of the Company are concerned, however, your management is very hopeful for the turn-around based on your prayers and trust in Almighty ALLAH.

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

Vali Mohammad M. Yahya
Chairman

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, 2019.

OVERVIEW

Year 2019 closed for the Company on similar lines as of last year. The revenue has declined from Rs. 89 million to Rs. 52 million which has resulted decline in gross profit from Rs. 4.39 million to Rs. 0.038 million which has led to management actions to control the expenses to minimum possible level.However, operating loss has increased as compared to last year.

During the year sales volumes were significantly declined. Reason behind the decline in volumes was significant devaluation of rupee against USD which has adversely affected the Gaddani Ship Breaking Industry. Moreover, overall uncertainty in economic situation of the country also led the decline in business activity during the year.

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

	2019	2018
	Rupees	
Sales	51,909,593	89,088,321
Cost of sales	(51,526,899)	(84,695,888)
Gross Profit	382,694	4,392,433
Distribution cost	(3,141,537)	(3,529,276)
Administrative expenses	(8,864,264)	(11,767,094)
Other operating expenses	(14,124,836)	(4,797,008)
Un-realised (loss)	(15,960)	(1,224)
Other income	6,742,053	1,289,798
Operating loss	(19,021,850)	(14,412,371)
Finance cost	(796,091)	(934,697)
Loss before taxation	(18,984,258)	(15,347,068)
Taxation	5,350,890	2,707,087
Loss after taxation	(14,467,052)	(12,639,981)

From above table, we can analyse the performance of 2019 vs 2018 as:

Revenue decreased by Rs. 37.18 mainly due to lower volumes of liquid oxygen sold during the year. We sold 1,325,635 cubic meter in 2019 as compared to 2,253,775 cubic meter in 2018.

Gross profit reduced by Rs. 4.01 million mainly due to lower volumes.

On another positive note, Administrative and Distribution cost have been brought down by Rs. 2,902,830 and Rs.387,739 respectively as compared to last year.

Finance cost in June 2019 has also come down by Rs.138,606 in comparison with June 2018.

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 adoption of IFRS 15 "Revenues from contracts with customer" which has resulted in change in accounting policy. However, the five step model provided by IFRS 15 did not affect the revenue recognition. Therefore, there was no financial impact of adoption of IFRS 15 on cash flow statement and statement of profit and loss.

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

1. The Company is suffering recurring losses and, the loss after taxation for the current year is of Rs. 14.467 million (2018: Rs.12.640 million) which has resulted in accumulated losses of Rs. 72.247 million (2018: Rs. 58.859 million) as at the end of reporting period. Liquidity position of the Company is also affected by the recurring losses and presently its current liabilities are eight times of its current assets and exceeds by Rs. 74.616 million (2018: Rs. 67.670 million). Further, the Company is unable to pay its statutory liability towards withholding of tax, under employees old age and social security amounting to Rs. 3.616 million (2018: Rs. 3.354 million). The operations of the Company is adversely affected by the breakdown of major component of its plant in financial year 2013 which has not yet repaired and had limited the commercial activities of the Company only to compressing and regasification. It has also utilized the sums received as deposits of Rs. 51.220 million (2018: Rs. 54.695 million) from its customers against tanks and cylinders and contributions of employees' provident fund of Rs. 8.284 million (2018: Rs. 7.930 million) into its business operation in contravention of section 217 and 218 of the Companies Act, 2017. Further, the Company has defaulted the terms of its banks financing facilities and is unable to serve mark up thereon. These conditions have caused us to believe that the Company shall not be able to realize its assets and settle its liabilities in normal course of business and therefore, it is no more a going concern. The going concern assumption used by the management in preparation of the annexed financial statements is inappropriate and, that the assets and liabilities should have been reported at their realizable value and settlement amount respectively.

2. The Company has been placed on the defaulters segment of the Pakistan Stock Exchange on February 07, 2019 and has received notices from Pakistan Stock Exchange (PSX), under regulation 5.11.1 (i) of the PSX rule book, for suspension of trading in shares of the Company and the Company may be subject to the actions under regulations 5.11.2 of the PSX Rule book. Management is trying its level best to remove the adverse qualification in the audit report however the 2019 audit report still carries adverse qualification by the auditors. With improvement in business and economic conditions and continuous efforts by the management, we are hopeful to get clean audit opinion from the auditors in future.

3. The Company has placed the original documents of freehold land and building as collateral against the financing facilities in the past.Since the financiers have changed their name or have merged / amalgamated therefore, it is difficult to track the holder of the original property documents. However, management is in contact with the lead financier to check and confirm that they possess the original documents.

4. As disclosed in note 1.2 to the accompanying financial statements, the Company had suffered breakdown of its plant on which no impairment charge has been recognized. Management is of the view that there is no indicator for impairment since these days the business is mainly affected due to economic turmoil, devaluation of rupee and political uncertainty which are not related to Company's plant and therefore, no impairment testing was carried out.

5. The subsidiary records maintained by the Company for customers who have deposited security deposits against cylinders and tanks is being updated. Management is also making efforts to arrange for direct balance confirmation request by the customers.

6. The Company has not deposited the amount contributed by the employees to the Employees Provident Fund (the Fund) resulting non-compliance of section 218 of the Companies Act, 2017 whereas, mark-up expense of 9% per annum is being charged. Total payable to the Fund as at reporting date is Rs. 8.28 million. Further, unclaimed dividend of Rs. 0.72 million is not yet deposited in accordance with section 244 of the Companies Act, 2017.

7. The running finance facility obtained by the Company from Faysal Bank in 2016 with the principal outstanding liability of Rs. 8.84 million against which the bank has filed a recovery suit of Rs. 13.08 million 2017. Based on legal advisors' opinion, the Company has ceased charging mark-up on the outstanding principal. Further, owing to liquidity problems, the Company has also delayed repayment of loan obtained from Orix Leasing amounting to Rs. 3.17 million.

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)	52.05	16.22	83.89	(1.68)
2019	51.91	0.38	(19.82)	37.89	10.53	85.14	(1.93)

WAY FORWARD

Management expects stable economic conditions in coming months in the country, which will bring stability in desired level of business activities.

BOARD OF DIRECTORS

There was no change in Board of Directors.

AUDITORS

The present auditors, M/s. S. M. Suhail & Co. Chartered Accountants have retired and being eligible have offered themselves for re-appointment as Auditors for the ensuing year.

STATEMENT OF CORPORATE AND FINANCIAL REPORTING FRAMEWORK

a) The financial statements prepared by the management of the Company present fairly the status of affairs, the result of its operations and cash flows and changes in equity;

b) Proper books of accounts of the Company have been maintained;

c) Appropriate accounting policies have been consistently applied in preparation of financial statement and accounting estimates are based on reasonable and prudent judgment;

d) International accounting standards, as applicable in Pakistan, have been followed in preparation of financial statements;

e) The system of internal control is sound in design and has been effectively implemented and monitored;

f) Auditors have shown doubts about the Company's ability to continue as a going concern whereas the management feels that there is enough strength in the Company to carry on business in future.

g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations, exceptions, if any have been notified in the Statement of Compliance with the Code of Corporate Governance;

h) Key operating and financial data for the last ten years have been summarized;

The Company contributed Rs. 582,263 in respect of direct taxes and Rs.8,962,776 in respect of indirect taxes to national ex-chequer. FBR withheld Rs. 824,547 from our bank accounts on account of sales tax pertaining to year June 2013 against which the Company has filed an appeal before Commissioner Inland Revenue Appeals where the matter is pending.

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 Jogezai	1
Mr. Zakaria A. Ghaffar	6
Mr. Siraj A. Kadir	5

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

i) The pattern of shareholding is annexed; and

j) Neither the Chief Executive Officernorany other Directors have purchased any shares of the Company.

ACKNOWLEDGEMENT

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

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

On behalf of the Board

M. Hanif Y. Bawany
Chief Executive Officer

ZAKARIA A. GHAFFAR
Director

Karachi
October 31, 2019

ڈائریکٹران کی رپورٹ

کمپنی کے ڈائریکٹران آپ کی کمپنی کی سالانہ رپورٹ کے ساتھ آڈٹ شدہ مالیاتی گوشوارے برائے مختتمہ مدت 30 جون 2019 پیش کرتے ہوئے اظہار مسرت کرتے ہیں۔

عمومی جائزہ

سال 2019 کے دوران کمپنی کی کارکردگی گزشتہ سال جیسی ہی رہی۔ فروخت 89 ملین روپے سے کم ہوکر 52 ملین روپے رہ گئی جس کے نتیجے میں خام منافع 4.39 ملین روپے سے کم ہوکر 0.038 ملین روپے رہ گیا۔ جس کے نتیجے میں انتظامیہ کو اخراجات کو ممکنہ سطح تک لانے کے لئے کارروائی کرنا پڑی۔ تاہم کاروباری خسارہ میں گزشتہ سال کی بہ نسبت اضافہ ہوا۔

سال کے دوران حجم فروخت میں قابل ذکر کمی ہوئی۔ حجم فروخت میں کمی کی وجہ USD کے مقابلے میں روپے کی قدر میں کمی ہے جس نے گڈانی شپ بریکنگ انڈسٹری کو بری طرح متاثر کیا۔ مزید برآں، ملک کی مجموعی معاشی غیر یقینی صورتحال کی وجہ سے سال کے دوران کاروباری سرگرمی تنزلی کا شکار رہی۔

سال کے دوران گزشتہ سال کے ساتھ مقابلہ مالیاتی جھلکیاں درج ذیل ہیں:

2018	2019	
روپے		
89,088,321	51,909,593	فروخت
(84,695,888)	(51,526,899)	لاگت فروخت
4,392,433	382,694	خام منافع
(3,529,276)	(3,141,537)	تقسیمی لاگت
(11,767,094)	(8,864,264)	انتظامی اخراجات
(4,797,008)	(14,124,836)	دیگر کاروباری اخراجات
(1,224)	(15,960)	غیر تسلیم شدہ (خسارہ)
1,289,798	6,742,053	دیگر آمدن
(14,412,371)	(19,021,850)	کاروباری خسارہ
(934,697)	(796,091)	مالیاتی لاگت
(15,347,068)	(18,984,258)	خسارہ قبل از ٹیکس
2,707,087	5,350,890	ٹیکس
(12,639,981)	(14,467,052)	خسارہ بعد از ٹیکس

مذکورہ بالا ٹیبل سے ہم 2018 کے مقابلے میں 2019 کی کارکردگی کا تجزیہ کر سکتے ہیں جو کہ درج ذیل ہے:

فروخت میں 37.18 ملین روپے کی کمی کی بنیادی وجہ سال کے دوران مائع آکسیجن کے حجم فروخت میں کمی تھی۔ ہم نے 2018 کے 2,253,775 کیوبک میٹرز کے مقابلے میں 2019 میں 1,325,635 کیوبک میٹرز فروخت کی۔

حجم فروخت میں کمی کی وجہ سے خام منافع کم ہوکر 4.01 ملین روپے رہ گیا۔

جبکہ دوسری جانب مثبت پہلو یہ رہا کہ انتظامی اور تقسیمی اخراجات میں گزشتہ سال کی بہ نسبت کمی ہوئی جو کہ بالترتیب 2,902,830 روپے اور 387,739 روپے رہے۔

مالیاتی لاگت جون 2018 کے مقابلے میں جون 2019 میں 138,606 سے کم رہے۔

گزشتہ چند سالوں کے مسلسل خساروں کی وجہ سے کمپنی کو مالیاتی بحران کا سامنا ہے جس کی وجہ سے کمپنی اپنے مالیاتی واجبات ادا نہ کر سکی۔ کمپنی نے ORIX لیزنگ پاکستان لمیٹڈ کو اپنی 3.17 ملین روپے کی قسطیں 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 تھا۔ 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 آزردہ ہو کر کمپنی نے اس کے خلاف موجودہ اپیل دائر کر دی اور موقف اختیار کیا کہ ڈپٹی کمشنر ان لینڈ ریونیو نے اپیل کنندہ کے مقدمہ میں کسی مناسب دائرہ اختیار کے بغیر 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 اپ کی رقم 13,077,725 کی بازیابی اور رہن شدہ اثاثوں کی فروخت کے لئے ایک قانونی مقدمہ بینکنگ کورٹ IV کراچی میں دائر کیا ہوا 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 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۔

اہم معلومات

ہم آپ کی توجہ مالیاتی گوشواروں کے نوٹ 4 کی طرف دلانا چاہتے ہیں جس میں IFRS 15 ''گاہکوں کے معاہدوں سے آمدن'' کو اختیار کیا گیا جس کے نتیجے میں اکاؤنٹنگ پالیسی میں تبدیلی ہوئی۔ تاہم پانچ قدمی ماڈل جسے IFRS 15 نے فراہم کیا ہے آمدن تسلیم کرنے پر اثرات نہیں ڈالتا۔ لہذا IFRS 15 کو اختیار کرنے سے نقدی کے بہاؤ اور منافع وخسارہ کے گوشوارے پر کوئی مالیاتی اثرات مرتب نہیں ہوئے۔

ہم آپ کی توجہ آڈٹ رپورٹ میں اٹھائے گئے اعتراض کی جانب مبذول کرانا چاہتے ہیں جو کہ درج ذیل ہے:

ا۔ کمپنی کو متواتر خساروں کا سامنا ہے اور موجودہ سال کا خسارہ بعد از ٹیکس 14.467 ملین روپے (2018 میں 12.640 ملین روپے) ہے جس کے نتیجے میں جمع شدہ خسارہ جائزہ مدت کے اختتام پر 72.247 ملین روپے ہو گیا (2018 میں 58.859 ملین روپے)۔ کمپنی کی روانیت کی پوزیشن بھی متواتر خساروں کی وجہ متاثر ہوئی اور اس وقت اس کے رواں واجبات اس کے رواں اثاثوں سے آٹھ گنا زیادہ ہیں اور اثاثوں سے 74.616 ملین روپے (2018 میں 67.670 ملین روپے) بڑھ گئے ہیں۔ مزید برآں کمپنی اپنی آئینی واجبات ودھ ہولڈنگ ٹیکس، ملازمین کے بڑھاپے کی مراعات اور سماجی تحفظ کی مد میں 3.616 ملین روپے (2018 میں 3.354 ملین روپے) ادا نہیں کر سکی ہے۔ مالیاتی سال 2013 میں کمپنی کے پلانٹ کے ایک بڑے حصے میں خرابی ہوئی جس کی تا حال مرمت نہیں کی جا سکی جس کے نتیجے میں کمپنی کے افعال پر ناموافق اثرات مرتب ہو رہے ہیں اور کمپنی کی تجارتی سرگرمیاں صرف کمپریشن اور ری گیسی فکیشن تک محدود ہو کر رہ گئی ہیں۔ کمپنی کو جو کسٹمرز کے ٹینکوں اور سلنڈرز کے زر بیعانہ کی مد میں 51.220 ملین روپے (2018 میں 54.695 ملین روپے) موصول ہوئے تھے اور ملازمین کی پروویڈنٹ فنڈ میں معاونت کی مد میں جو 8.284 ملین روپے کی رقومات جمع ہوئیں (2018 7.930 ملین) ان کو بھی اپنے کاروبار میں استعمال کر لیا ہے جو کہ کمپنیز ایکٹ 2017 کی دفعہ 217 اور 218 کی خلاف ورزی ہے۔ مزید برآں کمپنی اپنے بینکوں کی مالیاتی سہولیات کی نادہندہ ہے اور مارک اپ ادا کرنے کے لئے قابل نہیں ہے۔ ان حالات میں ہمیں یقین ہے کہ کمپنی اپنے اثاثوں کو فروخت نہیں کر پائے گی اور اپنے واجبات سے عمومی طریقہ کار کے مطابق عہدہ برآں نہیں ہو پائے گی اور لہذا یہ ایک چلتا ہوا ادارہ نہیں رہے گا۔ کمپنی کے چلتے ہوئے ادارے کے مفروضہ کی بنیاد پر مالیاتی گوشواروں کی تیاری نامناسب ہے اور یہ کہ اثاثے اور واجبات بالترتیب تسلیم شدہ مالیت اور تصفیہ کی رقم کے مطابق رپورٹ کرنے چاہئے تھے۔

۲- کمپنی کو پاکستان اسٹاک ایکسچینج نے 07 فروری 2019 کو نادہندہ شعبے میں ڈال دیا ہے اور پاکستان اسٹاک ایکسچینج سے نوٹس موصول ہوئے ہیں جن میں PSX رول بک کے ضابطہ (i) 5.11.1 کے تحت کمپنی کے حصص کی خرید و فروخت معطل کی جاسکتی ہے اور کمپنی پر PSX رول بک کا ضابطہ 5.11.2 بھی عائد کیا جاسکتا ہے- انتظامیہ آڈٹ رپورٹ کے ناموافق اعتراض کو ختم کرنے کے لئے اپنی بہترین کوششیں کر رہی ہے تاہم 2019 کی آڈٹ رپورٹ میں بھی آڈیٹرز نے ناموافق اعتراض اٹھایا ہے- کاروبار اور معاشی صورتحال میں بہتری اور انتظامیہ کی مسلسل کوششوں سے ہم پر امید ہیں کہ مستقبل میں ہمیں آڈیٹرز سے صاف ستھری آڈٹ رپورٹ موصول ہوگی-

۳- کمپنی نے غیر منقولہ زمین اور بلڈنگ کے اصل کاغذات بطور ضمانت ماضی میں ایک مالیاتی سہولیات کے حصول کے عوض رہن رکھوائے تھے- چونکہ قرضہ دینے والے دادارے نے اپنا نام تبدیل کرلیا ہے یا وہ ضم/انضمام ہوچکی ہے، اس لئے جائیداد کے دستاویزات جس زمیداران کی تحویل میں ہیں اسے تلاش کرنا مشکل ہو رہا ہے- تاہم انتظامیہ اس قرض دہندہ ادارے سے رابطے میں ہے کہ وہ چیک کرے اور تصدیق کرے کہ کس کے پاس اصل کاغذات ہیں-

۴- جیسا کہ ملحقہ مالیاتی گوشواروں کے نوٹ 1.2 میں منکشف کیا گیا ہے کہ کمپنی کے پلانٹ میں خرابی ہوئی تھی اس لئے کسی بھی فرسودگی کو بک نہیں کیا گیا- انتظامیہ کی رائے ہے کہ فرسودگی کا کوئی اشاریہ نہیں ہے کیونکہ ان دنوں کاروبار کے متاثر ہونے کی وجہ معاشی ابتری، روپے کی قدر میں کمی اور غیر یقینی سیاسی صورتحال ہے جس کا کمپنی کے پلانٹ سے کوئی تعلق نہیں ہے اور لہذا کوئی بھی فرسودگی آزمائش نہیں کی گئی-

۵- ذیلی کمپنی کے گاہکوں کا ریکارڈ کمپنی تیار کرتی ہے جنہوں نے اپنے سلنڈرز اور ٹینکوں کے زر بیعانہ کی مد میں رقومات جمع کرائی ہیں انہیں اپ ڈیٹ کیا جا رہا ہے- انتظامیہ اس بات کی کوششیں کر رہی ہے کہ کسٹمرز سے بلاواسطہ بقایاجات کی تصدیق حاصل کی جائے-

۶- کمپنی نے ملازمین کی ''ایمپلائز پراویڈنٹ فنڈ'' میں معاونت کردہ رقم کو جمع نہیں کرایا ہے جس کے نتیجے میں کمپنیز ایکٹ 2017 کی دفعہ 218 کی عدم پاسداری ہوری ہے جبکہ مارک اپ اخراجات 9 فیصد کے حساب سے عائد کئے جا رہے ہیں- رپورٹنگ کی تاریخ تک فنڈ کے کل قابل ادا واجبات 8.28 ملین روپے تھے- مزید برآں کمپنی نے کمپنیز ایکٹ 2017 کی دفعہ 244 کے تحت غیر دعویٰ شدہ منافع منقسمہ کی رقم 0.72 ملین روپے کو وفاقی حکومت کے پاس جمع نہیں کرایا-

۷- کمپنی نے سن 2016 میں فیصل بینک سے قرضہ کی سہولت حاصل کی تھی جس کی بنیادی واجب الادا رقم 8.84 ملین روپے ہے جس کے عوض بینک نے 13.08 ملین روپے کی بازیابی کا مقدمہ دائر کیا ہے- قانونی مشیر کی رائے کی بنیاد پر کمپنی نے واجب الادا بنیادی رقم پر عائد مارک اپ روک لیا ہے- مزید برآں روانیت کے مسائل کی وجہ سے کمپنی کو ORIX لیزنگ کمپنی کے 3.17 ملین روپے کے قرضے کی رقم کی واپسی بھی تاخیر کا شکار ہے-

گزشتہ دس سالوں کے اہم کاروباری اور مالیاتی اعداد و شمار

فی حصص منافع	کل رواں واجبات	کل رواں اثاثے	حصص یافتگان کی ایکویٹی	خسارہ بعد از ٹیکس	خام منافع	خالص فروخت	سال
	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)	52.05	16.22	83.89	(1.68)
2019	51.91	0.38	(19.82)	37.89	10.53	85.14	(1.93)

آگے کی جانب

انتظامیہ کو توقع ہے کہ آنے والے مہینوں میں ملکی معاشی صورتحال میں بہتری آئے گی جس سے کاروباری سرگرمیوں میں درست سطح تک استحکام آ جائے گا۔

بورڈ آف ڈائریکٹرز

بورڈ آف ڈائریکٹرز میں کوئی تبدیلی نہیں ہوئی۔

آڈیٹرز

موجودہ آڈیٹرز میسرز ایس ایم سہیل اینڈ کو، چارٹرڈ اکاؤنٹنٹس سبکدوش ہو چکے ہیں اور اہلیت کے باعث انہوں نے نئے آنے والے سال کے لئے اپنی دوبارہ تقرری کی پیشکش کی ہے۔

ادارتی نظم وضبط کے ضابطہ اور مالیاتی رپورٹنگ کا فریم ورک

a) کمپنی کی انتظامیہ کے تیار کردہ مالیاتی گوشوارے کمپنی کے معاملات، اس کے کاروباری نتائج، نقدی کے بہاؤ اور ایکویٹی میں تبدیلیوں کو شفافیت کے ساتھ پیش کرتے ہیں۔

b) کمپنی میں حسابات کی کتابیں مناسب انداز میں رکھی گئی ہیں۔

c) درست حساباتی پالیسیوں کو تسلسل کے ساتھ مالیاتی گوشواروں کی تیاری کے دوران ملحوظ خاطر رکھا گیا ہے اور حساباتی تخمینوں کی بنیاد معقول اور مضبوط فیصلوں پر ہے۔

d) مالیاتی گوشواروں کی تیاری کے دوران عالمی مالیاتی رپورٹنگ معیارات، جو پاکستان میں لاگو ہیں، کو ملحوظ خاطر رکھا گیا ہے۔

e) اندرونی گرفت کے نظام کی شکل مضبوط ہے اور موثر انداز میں نافذ العمل ہے اور اس کی نگرانی کی جاتی ہے۔

f) کمپنی کی چلتے ہوئے ادارے کی صلاحیت سے متعلق آڈیٹرز نے شکوک وشبہات کا اظہار کیا ہے جبکہ انتظامیہ محسوس کرتی ہے کہ اس کے پاس اتنی صلاحیت ہے کہ مستقبل میں کاروبار کو جاری رکھ سکتی ہے۔

g) لسٹنگ ریگولیشنز میں دیئے گئے ادارتی نظم وضبط کے بہترین طور طریقوں سے کوئی قابل گرفت انحراف نہیں کیا گیا، سوائے اس کے جس کا تذکرہ ادارتی نظم وضبط کے ضابطوں کی پاسداری سے متعلق بیانیہ میں کیا گیا ہے۔

h) گزشتہ دس سالوں کے اہم کاروباری اور مالیاتی اعداد وشمار اس رپورٹ میں شامل کئے گئے ہیں۔

کمپنی نے بل واسطہ ٹیکسوں کی مد میں 583,263 روپے اور بلا واسطہ ٹیکسوں کی مد میں 8,962,776 کی مد میں قومی خزانے میں جمع کرائے۔ ایف بی آر نے سال 2013 کے سیلز ٹیکس کی مد میں 824,547 روپے ہمارے بینک اکاؤنٹس سے قبضہ میں کر لئے جس کے خلاف کمپنی نے ایک اپیل کمشنر ان لینڈ ریونیو اپیلز کے روبرو دائر کر دی ہے جہاں معاملہ زیرالتواء ہے۔

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 یحییٰ	6
جناب میخائل باوانی	6
جناب وزیر احمد جوگیزئی	1
جناب زکریا اے غفار	6
جناب سراج اے قادر	5

جوڈائریکٹران اجلاس میں حاضر نہ ہوسکے ان کی غیر حاضری منظور کرلی گئی۔

i) حصص داری کی ساخت منسلک ہے، اور

j) نہ تو چیف ایگزیکٹو اور نہ ہی ڈائریکٹران نے کمپنی کے حصص خریدے۔

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 ڈائریکٹران کمپنی کے ملازمین کی مخلصانہ اور انتھک محنت پر انہیں ستائش پیش کرتے ہیں۔

ہم اپنے تمام حصص یافتگان کے انتظامیہ کے ساتھ مسلسل تعاون پر ان کا مشکور ہوں۔

منجانب بورڈ

ایم حنیف وائی باوانی
چیف ایگزیکٹو آفیسر

کراچی
31 اکتوبر 2019

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 of directors 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 Jogezai 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, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has not been maintained, however we are in 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 has 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 Regulation 20(2) of the Code, 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 board has set up an effective internal audit function and its members are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

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 wit 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.

M. Hanif Y. Bawany

Zakaria A. Ghaffar

S.M. SUHAIL & CO.
Chartered Accountants

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

Review Report on the Statement of Compliance Contained in the 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(the Company) for the year ended June 30, 2019 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 instances of non compliance with the requirements of the Regulations were observed which are not stated in the statement of compliance:

a) The term of previous Board has been expired in March 2019 but due to delay in election of directors the Board is not yet reconstituted and accordingly number of independent directors remains below 2;

b) Auditors are not invited in any of the Audit Committee meeting;

c) Exemption from Commission, in respect of the directors' training program is not obtained as required under Regulation 20(2) of the Code;

d) Qualification criteria as prescribed in Regulation 24 of the Code, is not complied for appointment of Head of Internal Auditor, and the internal audit function is not effective;

e) No effective internal control system is established and implemented within the Company;

f) Offices of Company Secretary and Chief Financial Officer are being held by the same person; and

g) 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.

S.M. SUHAIL & CO.
Chartered Accountants

Based on our review, except for the above instances, 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, 2019.

Further, we highlight below instance of non-compliance with the requirement of the Regulations as reflected in the note reference where it is stated in the Statement of Compliance:

Note Reference	**Description**
05	Complete records of particulars of significant policies along with the date, on which they were approved and amended has not been maintained.

S.M. Suhail & Co.

Engagement Partner: S. M. Suhail, FCA
S.M. Suhail& Co.
Chartered Accountants
Karachi.

Our Ref: SMS-A-4262019
Date: 31, October 2019

BAWANYAIR PRODUCTS LIMITED

KEY OPERATING AND FINANCIAL DATA FOR THE DECADE

PARTICULARS	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
									Re-stated	Re-stated
FINANCIAL POSITION										
Shareholders' equity	2,777,483	16,165,826	27,638,123	58,002,888	71,159,359	90,161,368	111,064,409	97,555,521	89,337,084	72,880,918
Surplus on revaluation	35,118,869	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	51,219,943	61,007,378	62,721,588	48,221,222	44,810,956	33,153,237	49,260,469	50,876,878	66,738,250	74,644,645
Current liabilities	85,143,518	83,886,294	75,483,447	63,748,676	59,389,529	62,487,097	38,068,182	48,959,376	50,044,397	81,597,491
Total Equity and Liabilities	174,259,813	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
Property, plant and equipment	160,730,656	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
Long term deposits	3,001,494	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
Deferred tax asset	-	-	-	-	-	-	-	-	2,566,397	10,335,173
Current assets	10,527,663	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
Total Assets	174,259,813	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
FINANCIAL PERFORMANCE										
Net sales	51,909,593	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
Cost of sales	(51,526,899)	(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)
Gross (loss) / profit	382,694	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
Expenses - net of other income	(19,404,544)	(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)
(Loss) / profit before Interest and tax	(19,021,850)	(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
(Finance cost) / Income - net	(796,091)	(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
(Loss) / profit before tax	(19,817,941)	(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
Tax	5,350,890	2,707,087	3,106,789	(3,090)	(996,324)	7,416,742	(8,965,272)	(7,621,390)	(9,808,653)	15,550,948
(Loss) / profit after tax	(14,467,051)	(12,639,981)	(16,028,626)	(17,664,942)	(19,299,140)	(21,214,420)	12,983,735	7,665,644	12,464,047	50,619,328
STATISTICS AND RATIO										
Gross profit %	1%	5%	3%	5%	5%	(2%)	24%	23%	25%	23%
(Loss) / profit before tax to total sales %	(38%)	(17%)	(23%)	(19%)	(18%)	(23%)	9%	7%	11%	17%
(Loss) / profit after tax to total sales %	(28%)	(14%)	(19%)	(19%)	(19%)	(17%)	5%	4%	6%	24%
Current ratio	12%	19%	20%	28%	29%	34%	66%	43%	44%	37%
Asset turnover ratio	32%	50%	45%	55%	58%	69%	128%	109%	98%	102%
Current Assets Turnover - times	3.88	5.63	4.97	5.43	5.25	5.35	10.30	9.76	7.44	8.51
Long term debt to equity ratio	0%	0%	0%	19%	15%	12%	19%	41%	61%	104%
Return on equity before tax %	(714%)	(95%)	(69%)	(30%)	(26%)	(32%)	20%	16%	25%	48%
Return on equity after tax %	(521%)	(78%)	(58%)	(30%)	(27%)	(24%)	12%	8%	14%	69%
Interest Cover	(23.89)	(15.42)	(9.22)	(6.23)	(5.18)	(5.87)	3.31	3.17	7.41	-
Earning per share (Rs.)	(1.93)	(2.19)	(2.14)	(2.35)	(2.57)	(2.83)	1.73	1.02	1.75	7.42
Price earning ratio	(3)	(3)	(4)	(3)	(3)	(3)	9	7	4	2
Market price per share at year end	5.56	6.55	8.00	6.00	6.79	7.40	14.73	7.22	6.75	11.25
Cash dividend	-	-	-	-	-	-	-	-	-	5%
Stock dividend	-	-	-	-	-	-	-	-	-	-

FORM 34

THE COMPANIES ACT, 2017
THE COMPANIES (GENERAL PROVISIONS AND FORMS) REGULATIONS, 2018
[Section 227(2)(F)]

PATTERN OF SHAREHOLDING

PART-I

1.1 Name of the Company: BAWANY AIR PRODUCTS LIMITED

PART-II

2.1 Pattern of holding of the shares held by the shareholders as at 30.06.2019

NO. OF SHARE HOLDERS	SHARE HOLDING FROM	SHARE HOLDING TO	TOTAL SHARES HELD
282	1	100	6,366
161	101	500	50,781
73	501	1000	61,382
118	1001	5000	291,373
27	5001	10000	213,257
17	10001	15000	220,274
7	15001	20000	121,205
6	20001	25000	136,000
1	25001	30000	28,000
3	30001	35000	98,300
4	35001	40000	153,700
1	40001	45000	44,105
7	45001	50000	342,390
1	50001	55000	51,100
2	55001	60000	112,000
4	60001	65000	250,274
5	70001	75000	361,914
2	75001	80000	156,808
1	80001	85000	83,500
3	95001	100000	295,302
1	100001	105000	103,164
1	105001	110000	110,000
1	135001	140000	139,531
1	160001	165000	162,110
2	195001	200000	399,330
1	205001	210000	208,500
1	220001	225000	222,149
1	230001	235000	231,500
1	280001	285000	281,570
2	315001	320000	639,500
1	330001	335000	330,028
1	370001	375000	374,001
1	1220001	1225000	1,223,096
740	Total		7,502,510

S.NO.	CATAGORIES OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
1	Directors, Chief Executive Officer and their spouse and minor children.	2,016,309	26.88%
2	Associated Companies, undertakings and related parties	222,149	2.96%
3	NIT and ICP	7,174	0.10%
4	Banks Development Financial Institutions, Non Banking Financial Institutions.	42	0.00%
5	Insurance Companies	16,260	0.22%
6	Modaraba and Mutual Funds	0	0.00%
7	Share holders holding 10%	0	0.00%
8	General Public		
	a) Local	5,240,576	69.85%
	b) Foreign	0	0.00%
9	Others (to be secified)	0	0.00%
		7,502,510	100.00%

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. Zakara Abdul Ghaffar	Director	3,581
Mrs. Momiza Hanif Bawany	Director	443,680
Mr. Wazir Ahmed Jogezai	Director	3,581
Mr. Mikhail Bawany	Director	3,010

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%

S.M. SUHAIL & CO.
Chartered Accountants

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BAWANY AIR PRODUCTS LIMITED
ON THE AUDIT OF THE FINANCIAL STATEMENTS OF JUNE 30, 2019

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, 2019, and the statement of profit or loss, statement of 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, because of the significance of the matters presented in the Basis for Adverse Opinion section of our report, the statement of financial position, statement of profit or loss, statement of 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, 2019 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 Company is suffering recurring losses and, the loss after taxation for the current year is of Rs. 14.467 million (2018: Rs. 12.640 million) which has resulted in accumulated losses of Rs. 72.248 million (2018: Rs. 58.859 million) as at the end of reporting period. Liquidity position of the Company is also affected by the recurring losses and presently its current liabilities are eight times of its current assets and exceeds by Rs. 74.616 million (2018: Rs. 67.670 million). Further, the Company is unable to pay its statutory liability towards withholding of tax, under employees old age and social security amounting to Rs. 3.616 million (2018: Rs. 3.354 million). The operations of the Company is adversely affected by the breakdown of major component of its plant in financial year 2013 which has not yet repaired and had limited the commercial activities of the Company only to compressing and regasification. It has also utilized the sums received as deposits of Rs. 51.220 million (2018: Rs. 54.695 million) from its customers against tanks and cylinders and contributions of employees' provident fund of Rs. 8.284 million (2018: Rs. 7.930 million) into its business operation in contravention of section 217 and 218 of the Companies Act, 2017. Further, the Company has defaulted the terms of its banks financing facilities and is unable to serve markup thereon. These conditions have caused us to believe that the Company shall not be able to realize its assets and settle its liabilities in normal course of business and therefore, it is no more a going concern. The going concern assumption used by the management in preparation of the annexed financial statements is inappropriate and, that the assets and liabilities should have been reported at their realizable value and settlement amount respectively.

- The Company has been placed on the defaulters segment of the Pakistan Stock Exchange on February 07, 2019 and has received notices from Pakistan Stock Exchange (PSX), under Regulation 5.11.1(i) of the PSX Rule Book, for suspension of trading in shares of the Company, if auditor's report of the financial year 2019 also contains adverse opinion or qualified opinion on going concern assumption. Subsequently, if the non compliance continues, the Company may be subject to the actions under Regulation 5.11.2(e) of the PSX Rule Book.

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Canada: info.canada@smsco.pk UAE: info.uae@smsco.pk

- Freehold land and, building on freehold land recorded at carrying value of Rs. 21.00 million and Rs. 31.75 million respectively, are in possession of the Company. However, its ownership in the name of the Company has not been established to us as the Company had placed the original documents as collateral against the financing facilities but has no records available to trace the holder of the documents. After due working, management remains unable to trace the original documents of the respective properties. Presently the said properties are under mortgage of six different financial institutions.

- As disclosed in note 1.2 to the accompanying financial statements, the Company had suffered breakdown of its plant on which no impairment charge has been recognized. Had the impairment charge recognized, the loss for the year would have been higher and carrying value of plant would have been lower by the amount of impairment which is presently undetermined due to non performance of impairment review by management.

- The Company does not have complete records of parties who have deposited security, the aggregate amount of Rs. 51.220 million to the Company, against cylinders and tanks. During the year Rs. 2.438 million had been further deposited without any subsequent sales and transfer of cylinders or tanks to respective parties. It has also written back liabilities of Rs. 6.742 million without reconciling outstanding balances from the respective parties. In the absence of complete record, we were unable to perform appropriate audit procedures further where we had been send direct confirmation request, no reply is received against any confirmation request to those customers.

- The Company has not deposited the amount contributed by the employees to the Employees Provident Fund (the Fund) resulting non compliance of section 218 of the Companies Act, 2017 whereas, markup expense of 9% per annum is being charged. Total payable to the Fund as at reporting date is Rs. 8.28 million. Further, unclaimed dividend of Rs. 0.72 million is not yet deposited in accordance with section 244 of the Companies Act, 2017.

- The running finance facility obtained by the Company from Faysal Bank, has expired on October 14, 2016 with the principal outstanding liability of Rs. 8.84 million against which the bank has filed a recovery suit of Rs. 13.08 million in June, 2017. The Company has ceased charging markup on the outstanding principal. Further, the Company has also defaulted in the loan obtained from Orix Leasing and remains unable to pay principal amount of Rs. 3.17 million and markup of Rs. 0.36 million on maturity of loan. Company has also ceased to charge markup on this loan too.

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 opinion.

Key Audit Matters

Key audit matters are those matters, in our professional judgment, were of most significant in our audit of the financial statements of the current year. 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.

In addition to the matters mentioned in Basis for adverse opinion section of our report, we have determined the matters described below to be the Key Audit Matters to be communicated in our report:

S.M. SUHAIL & CO.
Chartered Accountants

No.	Key audit matters	How they were addressed in our audit
1	Adoption of IFRS-15 "Revenue from Contracts with Customers"	
	As referred in note 4.1 of the accompanying financial statements, the IFRS-15 "Revenue from Contracts with Customers" has been notified by the Securities and Exchange Commission of Pakistan for adoption, with effect from financial year beginning on or after July 1, 2018. IFRS-15 became applicable for financial reporting of revenue and related assets and liabilities in Pakistan and the Company has adopted IFRS-15 from July 1, 2018. The IFRS-15 replaced IAS-11 "Construction Contracts", IAS-18 "Revenue", and the other related interpretations. It provided five steps model framework to recognize revenue. The framework is; identify contract, identify performance obligation, determine transaction price, allocate transaction price to each performance obligation and recognize revenue as and when the entity satisfies the performance obligation. We considered the adoption of IFRS-15 as a key audit matter because of the volume and significance of the revenue and probable impact of the change in accounting policy related to recognition criteria of revenue and related disclosures in the financial statements resulting from the adoption.	Our audit procedures which we performed include the following: We understand and assessed the adequacy of the procedures adopted by the management for identification of the required changes in the time and valuation of revenue recognition due to the application of the IFRS-15. We considered the application of IFRS 15 specific to the Company in measurement and recognition of revenue and matched the management's adopted treatment with our understanding. We also compared the outcome of changed recognition criteria of revenue based on new requirement as compared to the previous criteria. We considered the adequacy and appropriateness of the additional disclosures presented for change in accounting policy in accordance with the IAS-8 "Accounting policies, changes in accounting estimates and errors".

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

Management is responsible for other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and 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 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 the 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 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, except for the effects of the matters presented in the Basis for Adverse Opinion section of our report:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have 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 and deposited by the Company in Central Zakat Fund established under section 7 of the XVIII of 1980.

Other Matter

The financial statements of the previous year were audited by another firm of Chartered Accountants who have issued an adverse opinion in their report dated October 2, 2018.

The engagement partner on the audit resulting in this independent auditor's report is Mr. S. M. Suhail, FCA.

S.M. Suhail

Engagement Partner: S. M. Suhail, FCA
S. M. Suhail & Co.
Chartered Accountants
Karachi

Our Ref: SMS-A-4272019
Date: 31 October, 2019

STATEMENT OF FINANCIAL POSITION

	Note	2019	2018 (Restated)	2017 (Restated)
		Rupees		
ASSETS				
Non-current assets				
Property, plant and equipment	8	**160,730,656**	177,559,562	183,889,558
Long-term deposits	9.	**3,001,494**	3,161,358	3,221,357
Current assets				
Stores and spares	10	**1,000,047**	1,017,199	1,026,292
Stock-in-trade	11	**325,896**	1,295,325	705,291
Trade debts	12	**553,423**	3,603,996	4,237,910
Advances and other receivables	13	**1,795,123**	3,661,429	2,811,011
Sales tax refundable		**824,547**	824,547	824,547
Investments	14	**41,103**	57,064	58,288
Taxation - net	15	**5,386,659**	5,452,708	5,167,657
Cash and bank balances	16	**600,865**	311,062	603,378
		10,527,663	16,223,330	15,434,374
Total assets		**174,259,812**	196,944,250	202,545,289

AS AT JUNE 30, 2019

	Note	2019	2018 (Restated)	2017 (Restated)
		---------------- Rupees ----------------		
EQUITY AND LIABILITIES				
Share capital and reserves				
Authorized share capital				
15,000,000 (2018: 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	17	**75,025,100**	75,025,100	75,025,100
Capital reserve				
Surplus on revaluation of property, plant and equipment-net	18	35,118,869	35,884,752	36,702,131
Accumulated loss		(72,247,617)	(58,859,274)	(47,386,977)
		37,896,352	52,050,578	64,340,254
Non-current liabilities				
Long-term deposits	19	51,219,943	54,695,351	52,238,007
Deferred tax liability	20	-	6,312,027	10,483,581
		51,219,943	61,007,378	62,721,588
Current liabilities				
Trade and other payables	21	7,998,774	9,954,878	5,067,452
Accrued liabilities	22	18,623,399	16,299,004	14,599,231
Unclaimed dividend		717,420	717,420	1,217,407
Provisions	23	2,303,902	2,303,902	2,303,902
Payable to provident fund	24	8,284,660	7,930,339	6,864,106
Accrued mark-up	25	878,585	878,585	759,678
Due to related parties	26	34,330,107	33,795,495	31,515,000
Short-term financing	27	12,006,671	12,006,671	13,156,671
		85,143,518	83,886,294	75,483,447
Total equity and liabilities		174,259,812	196,944,250	202,545,289
Contingencies and commitments	28			

The annexed notes from 1 to 49 form an integral part of these financial statements.

M. HANIF Y. BAWANY CHIEF EXECUTIVE OFFICER	MUHAMMAD ARIF DALIA CHIEF FINANCIAL OFFICER	ZAKARIA A. GHAFFAR DIRECTOR

STATEMENT OF PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018 (Restated)
		---------- Rupees ----------	
Sales - net	29	**51,909,593**	89,088,321
Cost of sales	30	**(51,526,899)**	(84,695,888)
Gross profit		**382,694**	4,392,433
Distribution cost	31	**(3,141,537)**	(3,529,276)
Administrative expenses	32	**(8,864,264)**	(11,767,094)
Other operating expenses	33	**(14,124,836)**	(4,797,008)
Unrealized (loss) revaluation of other financial assets		**(15,960)**	(1,224)
		(26,146,597)	(20,094,602)
Other income	34	**6,742,053**	1,289,798
		(19,404,544)	(18,804,804)
Operating loss		**(19,021,850)**	(14,412,371)
Finance cost	35	**(796,091)**	(934,697)
Loss before taxation		**(19,817,941)**	(15,347,068)
Taxation	36	**5,350,890**	2,707,087
Loss for the year		**(14,467,052)**	(12,639,981)
Loss per share - basic and diluted	37	**(1.93)**	(1.68)

The annexed notes from 1 to 49 form an integral part of these financial statements.

M. HANIF Y. BAWANY CHIEF EXECUTIVE OFFICER	MUHAMMAD ARIF DALIA CHIEF FINANCIAL OFFICER	ZAKARIA A. GHAFFAR DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
	Rupees	
Net loss for the year	**(14,467,052)**	(12,639,981)
Other comprehensive income	-	-
Total comprehensive loss	**(14,467,052)**	(12,639,981)

The annexed notes from 1 to 49 form an integral part of these financial statements.

M. HANIF Y. BAWANY
CHIEF EXECUTIVE OFFICER

MUHAMMAD ARIF DALIA
CHIEF FINANCIAL OFFICER

ZAKARIA A. GHAFFAR
DIRECTOR

BAWANYAIR PRODUCTS LIMITED

STATEMENT OF CASH FLOW FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(19,817,941)	(15,347,068)
Adjustments for non-cash items:			
Depreciation		8,035,056	6,278,946
Loss/ (Gain) on disposal (adjustments) of property, plant and equipment		4,406,046	(1,286,079)
Advance and receivable written off		3,511,405	543,577
Provision for doubtful debts		2,222,446	-
Liabilities written back		(6,742,053)	-
Dividend income		-	(3,719)
Unrealized loss on revaluation of other financial assets		15,961	1,224
Finance cost		785,009	906,376
Operating cash flows before working capital changes		(7,584,071)	(8,906,743)
Working capital changes			
Stores and spares		17,152	9,093
Stock-in-trade		969,429	(590,034)
Trade debts		(2,334,232)	633,914
Advances and other receivables		1,517,260	(1,393,995)
Trade and other payables		(906,155)	4,729,957
Accrued liabilities		2,324,395	1,699,773
Payable to provident fund		(205,688)	1,066,233
Due to related parties		534,612	1,130,495
Unclaimed dividend		-	(499,987)
		1,916,773	6,785,449
Net cash used in operations		(5,667,298)	(2,121,294)
Finance charges paid		(225,000)	-
Income tax paid		(582,263)	(1,239,056)
Net cash used in operating activities		(6,474,561)	(3,360,350)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of plant and machinary		3,501,261	-
Dividend received		-	3,719
Net cash generated from investing activities		3,501,261	3,719
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term deposits - liabilities		3,103,239	3,124,313
Long-term deposits - assets - net		159,864	(59,999)
Net cash generated from financing activities		3,263,103	3,064,314
Net increase in cash and cash equivalents		289,803	(292,317)
Cash and cash equivalents at beginning of the year		(11,695,609)	(11,403,292)
Cash and cash equivalents at end of the year	38	(11,405,806)	(11,695,609)

The annexed notes from 1 to 49 form an integral part of these financial statements.

M. HANIF Y. BAWANY
CHIEF EXECUTIVE OFFICER

MUHAMMAD ARIF DALIA
CHIEF FINANCIAL OFFICER

ZAKARIA A. GHAFFAR
DIRECTOR

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2019

	Share capital	Capital reserves	Revenue reserves	Total equity
	Issued, subscribed and paid-up capital	Surplus on revaluation of Property - net	Accumulated loss	Total
	Rupees			
Balance as at July 01, 2017 - As reported before adjustment	75,025,104	36,702,131	(36,903,396)	74,823,839
Adjustment for deferred tax	-	-	(10,483,581)	(10,483,581)
Balance as at June 30, 2017 - as restated	75,025,104	36,702,131	(47,386,977)	64,340,258
Total comprehensive income for the year	-	-	(12,639,981)	(12,639,981)
Transfer of incremental depreciation - net of deferred tax	-	(817,379)	1,167,684	350,305
Balance as at June 30, 2018	75,025,104	35,884,752	(58,859,274)	52,050,582
Total comprehensive income for the year	-	-	(14,467,052)	(14,467,052)
Transfer of incremental depreciation - net of deferred tax	-	(765,883)	1,078,708	312,825
Balance as at June 30, 2019	75,025,104	35,118,869	(72,247,617)	37,896,356

The annexed notes from 1 to 49 form an integral part of these financial statements.

M. HANIF Y. BAWANY
CHIEF EXECUTIVE OFFICER

MUHAMMAD ARIF DALIA
CHIEF FINANCIAL OFFICER

ZAKARIA A. GHAFFAR
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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.

Geographical location and address of business units;

Address	Purpose
Khasra No. 52/53 R.C.D. Highway, Mouza Pathara, Tehsil Hub, Lasbella District in the province of Balochistan.	Registered office and Factory
16-C, 2nd floor, Nadir House, I.I Chundrigar Road, Karachi.	Head office

1.2 Going Concern Assumption

The financial statements for the year ended June 30, 2019 reflect loss after taxation of Rs. 14.47 (2018: Rs. 12.64) million and as of that date its accumulated loss stood at Rs. 72.25 (2018: 58.86) million. Its current liabilities exceed its current assets by Rs. 74.62 (2018: 67.66) 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.

All current assets and all moveable fixed assets of the Company are under different charges of different banks also immoveable properties is under mortgage of different banks with either pari passu right or ranking charge. Total existing registered mortgages and charges are covering the risk of Rs. 184.355 million.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its obligations in the ordinary course of its business. However, in view of the management's 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.

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 (IFRSs) 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 IFRSs, the provisions of and directives issued under the Companies Act, 2017 shall prevail.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for the 'Investments in equity securities' which are stated at fair value through profit or loss and freehold land and building thereon which are valued on revaluation basis.

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.

3. Critical judgments and accounting estimates in applying the accounting policies

The preparation of these financial statements in conformity with approved accounting standards as applicable in Pakistan, requires management to make estimates, assumptions and use judgments that effect the reported amounts of assets and liabilities and income and expenses. It also requires managements to exercise judgment in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on, an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and applied prospectively.

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

(i) Revaluation of freehold land and building thereon (note 7.1 and 8);

(ii) Useful life and residual value of property, plant and equipment (note 7.1 and 8)

(iii) Provision for impairment of trade debts and other receivable (note 7.5 and 12);

(iv) Impairment of assets (note 7.12);

(v) Provision for taxation (note 7.17 and 36); and

(vi) Net realizable value of stock and spares (note 7.3, 7.4, 10 and 11).

4. CHANGES IN SIGNIFICANT ACCONTING POLICIES

The Company has adopted International Financial Reporting Standard - 15 (IFRS 15) 'Revenue from Contracts with Customers' from July 01, 2018 which are effective from annual periods beginning on or after July 01, 2018. There are other new standards which are effective from July 01, 2018 but they are not expected to have a material effect on the company's financial statements.

During the year, the Company has adopted IFRS 15 'Revenue from Contracts with Customers'. The detail of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

4.1 IFRS 15 'Revenue from Contracts with Customers'

"The adoption of IFRS 15 has replaced IAS 18 ""Revenue"", IAS 11 ""Construction Contracts"" and related interpretations. Previously the Company was recognizing and measuring its revenue based on the requirements of IAS 18 which requires that the revenue shall be recognized at the time when significant risk and rewards incidental to the ownership of goods is transferred to the buyer and in case of services, stage of completion as at the end of reporting period shall be followed. It further required that the revenue shall only be recognized if future economic benefit associated with goods and services is probable to flow to the entity and the amount of revenue can be measured reliably. There were different recognition criteria for goods and services. IFRS 15 provides a model of framework comprises of 5 steps. It recognizes that there shall always be a contract to generate revenue either express or implied. The five step model of IFRS 15 comprises of

1) identifying contract with customer;
2) identifying performance obligation;
3) determining transaction price;
4) allocating transaction price to each performance obligation; and
5) recognizing revenue as and when the performance obligation is satisfied.

The five step model is equally applicable on both services and goods, further IFRS 15 requires special attention towards identification of every performance obligation separately and allocation of transaction price over every identified performance obligation. "

The Company is engaged in comprising, storage and trading of liquid oxygen, compressed oxygen, nitrogen and dissolved acetylene. Generally the contracts which the Company enters into with its customers include single performance obligation. Management has concluded that revenue from sale of goods be recognized at the point in time when the control of the goods is transferred to customer which is deemed as satisfaction of performance obligation. That point of time is, when goods are dispatched/ handed over to the customer. Invoices are generated and revenue is recognized at same point of time which is at the time of dispatch of goods, as the risks and rewards associated with the ownership of goods have been transferred to the customers. The above is generally consistent with the timing and amounts of revenue, the Company recognized in accordance with the previous standard, IAS 18 Revenues. Therefore, the adoption of IFRS 15 did not have any impact on the timing and amounts of revenue recognition of the Company. Therefore, adoption of IFRS 15 at July 01, 2018, did not have an effect on the financial statements of the Company.

5. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

5.1 Standards, interpretations, amendments to published approved accounting standards that are effective in the current year

In addition to IFRS 15 "Revenue from contracts with customers", there are certain new and amended standards, interpretations and amendments, that are mandatory for the accounting periods beginning on or after July 1, 2018. These amendments do not have any significant effect on these financial statements.

5.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for the Company, for the accounting periods beginning on or after 01 July 2019:

		Effective for Annual accounting period beginning on or after
IFRS-3	Business Combinations - Re-measurement of previously held interest (Amendments)	January 1, 2019
	Amendments to clarify the definition of business	January 1, 2020

		Effective for Annual accounting period beginning on or after
IFRS-9	Financial Instruments (Original issue)	July 1, 2019
IFRS-11	Joint Arrangements - Re-measurement of previously held interest (Amendments)	January 1, 2019
IFRS-16	Leases (Original issue)	January 1, 2019
IAS-12	Income Taxes - Income tax consequences of dividends	January 1, 2019
IAS-19	Employees Benefits - Plan Amendment, Curtailment or Settlement (Amendment)	January 1, 2019
IAS-23	Borrowing Cost - borrowing costs eligible for capitalization	January 1, 2019
IAS-28	Investments in Associates and Joint Ventures - Clarifying certain fair value measurement, Long term Interest in Associates and Joint Ventures (Amendments)	January 1, 2019
IFRIC-23	Uncertainty over Income Tax Treatment	January 1, 2019
"IAS-1 & IAS - 8"	Amendments regarding the definition of concept of material	January 1, 2020
IFRS-2	Amendments to clarify the definition of a business	January 1, 2020
Conceptual Framework	Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8 , IAS 34, IAS 37, IAS, 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC 32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework	January 1, 2020

The management anticipates that adoption of above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than in presentation/ disclosures. The management is in the process of assessing the impact of changes laid down by the IFRS 9 on its financial statements.

5.3 Further, the following standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan

IFRS-1	First-time adoption of International Financial Reporting Standards
IFRS-14	Regulatory Deferral Accounts - Original issue
IFRS-17	Insurance Contracts

The following interpretations issued by the IASB have been waived off by the SECP.

IFRIC-4	Determining whether an arrangement contains lease
IFRIC-12	Service concession arrangements

6. CORRECTION OF ERROR

Due to the accelerated tax depreciation net deferred tax liability had arisen in prior years, however, the management did not recognize the net liability. According to IAS 12 "Income taxes" deferred tax liability is recognized for all the temporary differences except for arising from initial recognition of goodwill, arising from initial recognition of assets/ liabilities which do not have any effect on accounting or tax profits and temporary difference arising from investments in associates or joint venture.

Deferred tax liability arise did not belong to any of the exception provided above and the fact could have been known in prior year therefore this has been treated as error and its correction has been made retrospectively.

Effect of correction of error is

	June 30, 2017		
	------Rupees------		
	As previously reported	Impact due to correction of	As restated
Deferred tax liability	-	10,483,581	10,483,581
Accumulated losses	(36,903,396)	(10,483,581)	(47,386,977)

	2018	2017
	------ Rupees ------	
Effect on statement of financial position		
Increase in deferred tax liability	6,312,027	10,483,581
Increase in accumulated losses	(6,312,027)	(10,483,581)
Effect on profit and loss and other comprehensive income		
Decrease in tax expense cause in decrease in loss for the year	3,821,249	10,483,581
Effect on statement of changes in equity		
Increase in accumulated losses due to cumulative impact of prior period correction	(10,483,581)	-
Decrease in total comprehensive loss for the year	3,821,249	-
Loss per share is reduced due to the retrospective application of correction of error by.	0.51	1.40

There is no impact on statement of other comprehensive income and statement of cash flows due to the correction of error.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

7.1 Property, plant and equipment

Operating fixed assets - owned

These are stated at cost less accumulated depreciation and impairment loss except for Freehold land and building thereon which are valued on revaluation model. The revaluation model requires assets to be valued 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 recognized 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 or loss of 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 reporting date.

Depreciation is charged to profit or loss for the year applying the reducing balance method after taking into account the impact of residual value, if any, whereby the depreciable amount of an asset is written off over estimated useful life at the rates mentioned in the relevant note 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 recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be recognized in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

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 directly without taking any effect in profit or loss for the year.

Gains or losses on disposal of property, plant and equipment are recognized in profit or loss for the year, 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 or acquisition. These are transferred to specific class of assets as and when these assets are available for intended use.

7.2 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 recognized at trade date. Trade date is the date on which the Company commits to purchase or sell the investments.

Financial assets held for trading

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

Derecognition

All investments are de-recognized 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.

7.3 Stores and spares

These are stated at lower of cost and net realizable 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 reporting date.

7.4 Stock-in-trade

These are valued at the lower of cost and net realizable 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 reporting date.

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

7.5 Trade debts and other receivables

Trade debts and other receivables are recognized initially at cost which is equivalent to its fair value and subsequently measured at 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.

7.6 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.

7.7 Employee benefits

Defined contribution plan

The Company operates a recognized 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 employees' basic salary. The Company's required contribution to the fund is charged to the profit or loss for the year.

7.8 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.

7.9 Provisions

Provisions are recognized 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 reporting date and adjusted to reflect the current best estimate.

7.10 Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred, and subsequently at amortized cost. Borrowing costs are recognized 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 capitalized as part of the cost of that asset.

7.11 Capital contribution from directors

The Institute of Chartered Accountants of Pakistan has explained the accounting and reporting of director's loan through its Technical Release-32 (Accounting Directors' Loan), which is a further explanation of requirements of IAS 39 "Financial Instruments: Recognition and Measurement". In accordance with Technical Release-32, directors' interest free, unsecured loans that are repayable at the discretion of the Company do not qualify the criteria of liability therefore should be accounted for in equity and presented separately. Any subsequent payment/ settlement through financial assets shall be deemed as direct deduction in equity. The Company has adopted the Technical Release-32 for its financial reporting, however any subsequent settlement through non-financial assets too shall also be treated as direct debit to equity.

7.12 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 recognized in the statement of profit or loss. 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 amortization or depreciation) had no impairment loss been recognized. Reversal of impairment loss is recognized as income.

7.13 Financial instruments

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

7.14 Mark-up bearing borrowings

Markup bearing borrowings are recognized 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 recognized amounts (as reduced by periodic payments) and redemption value is recognized in the statement of profit or loss over the period of borrowings on an effective rate basis. The borrowing cost on qualifying asset is included in the cost of related asset.

7.15 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 only when the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

7.16 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized 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, and sales returns and trade discounts, and is recognized at point on time or over period of time when significant risks and rewards of ownership are transferred to the buyer i.e. when performance obligation is settled. Performance obligation is deemed settled when deliveries are made to and accepted by the customer .

Dividend income is recognized when the right to receive dividend is established that is when dividend is declared.

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

7.17 Taxation

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

Current

Provision for current taxation is based on taxable income at the applicable rates of taxation after taking into account tax credits and tax rebates, if any. Income tax expense is recognized in statement of profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Deferred

Deferred income tax is accounted for using the statement of financial position liability method in respect of all temporary differences arising between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, un-used tax losses and tax credits can be utilized. Deferred tax is calculated at the rates that are substantially expected to apply to the period when the differences reverse based on the tax rates that have been enacted. Deferred tax is charged or credited to income except in the case of items credited or charged directly to equity in which case it is included in equity.

7.18 Dividend and appropriation to reserves

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

7.19 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 rates applicable on reporting date, are charged to the profit or loss for the year.

7.20 Related party transactions

Related parties comprises of major shareholders, associated companies and undertakings 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 (provided fund) are made as per the rules of the fund. 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
Bawany Management (Private) Limited	Common directorship	-
Winder Industries (Private) Limited	Common Key management personnel	-
Ebrhamiyan Enterprises	Common Key management personnel	-
Ebrhamiyan Company (Private) Limited	Common Key management personnel	-

8. PROPERTY, PLANT AND EQUIPMENT

	Note	2019	2018
		Rupees	
Operating fixed assets	8.1	160,730,656	177,559,562

8.1 Operating fixed assets :

Particulars	Note	Cost / Revalued amount: As at beginning of year	Adjustment/ Disposal	As at end of year	Accumulated depreciation: As at beginning of year	Elimination on disposal	Charge for the year	As at end of year	Net Book Value as at end of year	Rate %
		Rupees								
For financial year 2019										
Freehold land	8.3.3	21,000,000	-	21,000,000	-	-	-	-	21,000,000	-
Building on freehold land	8.3.3	34,902,499	-	34,902,499	1,479,558	-	1,671,147	3,150,705	31,751,794	5
Plant and machinery		225,658,005	(55,275,252)	170,382,753	106,234,555	(46,600,318)	5,955,070	65,589,307	104,793,446	5
Gas cylinders		5,102,658	(1,573,329)	3,529,329	4,577,524	(1,454,413)	50,982	3,174,093	355,236	10
Electric installation		9,382,294	-	9,382,294	7,938,939	-	144,336	8,083,275	1,299,019	10
Furniture and fixture		2,343,158	-	2,343,158	1,563,791	-	77,937	1,641,728	701,430	10
Office equipment		2,851,131	-	2,851,131	2,276,348	-	57,478	2,333,826	517,305	10
Vehicles		1,331,674	-	1,331,674	941,142	-	78,106	1,019,248	312,426	20
		302,571,419	**(56,848,581)**	**245,722,838**	**125,011,857**	**(48,054,731)**	**8,035,056**	**84,992,182**	**160,730,656**	
For financial year 2018										
Freehold land	8.3.3	21,000,000	-	21,000,000	-	-	-	-	21,000,000	-
Building on freehold land	8.3.3	34,902,499	-	34,902,499	-	-	1,479,558	1,479,558	33,422,941	5
Plant and machinery		225,658,005	-	225,658,005	101,911,957	-	4,322,598	106,234,555	119,423,450	5
Gas cylinders		5,436,934	(334,276)	5,102,658	4,831,140	(314,196)	60,580	4,577,524	525,134	10
Electric installation		9,382,294	-	9,382,294	7,778,566	-	160,373	7,938,939	1,443,355	10
Furniture and fixture		2,343,158	-	2,343,158	1,477,195	-	86,596	1,563,791	779,367	10
Office equipment		2,851,131	-	2,851,131	2,212,483	-	63,865	2,276,348	574,783	10
Vehicles		2,176,674	(845,000)	1,331,674	1,649,796	(814,030)	105,376	941,142	390,532	20
		303,750,695	**(1,179,276)**	**302,571,419**	**119,861,137**	**(1,128,226)**	**6,278,946**	**125,011,857**	**177,559,562**	

8.2 Reconciliation of Net Book Value

	Net Book Value at beginning of year	Disposals	Depreciation charged	Net Book Value at end of year
	Rupees			
For financial year 2019				
Freehold land	21,000,000	-	-	21,000,000
Building on freehold land	33,422,941	-	(1,671,147)	31,751,794
Plant and machinery	119,423,450	(8,674,934)	(5,955,070)	104,793,446
Gas cylinders	525,134	(118,916)	(50,982)	355,236
Electric installation	1,443,355	-	(144,336)	1,299,019
Furniture and fixture	779,367	-	(77,937)	701,430
Office equipment	574,783	-	(57,478)	517,305
Vehicles	390,532	-	(78,106)	312,426
	177,559,562	**(8,793,850)**	**(8,035,056)**	**160,730,656**
For financial year 2018				
Freehold land	21,000,000	-	-	21,000,000
Building on freehold land	34,902,499	-	(1,479,558)	33,422,941
Plant and machinery	123,746,048	-	(4,322,598)	119,423,450
Gas cylinders	605,794	(20,080)	(60,580)	525,134
Electric installation	1,603,728	-	(160,373)	1,443,355
Furniture and fixture	865,963	-	(86,596)	779,367
Office equipment	638,648	-	(63,865)	574,783
Vehicles	526,878	(30,970)	(105,376)	390,532
	183,889,558	**(51,050)**	**(6,278,946)**	**177,559,562**

8.3 Particulars of asset having net book value of Rs. 500,000 or above which were disposed off during the year.

	Cost	Net Book Value	Sale proceeds Net of Sales tax	Gain / loss	Particulars of purchaser	Mode of disposal	Relationship
	Rupees						
1) Scrap related to old oxygen plant and accessories	38,770,318	4,987,407	3,501,261	(1,486,147)	Sharif Ahmed	Negotiation (Scrap)	None
2) Scrap of oxygen tanks and related parts	9,246,968	2,788,879	424,370	(2,364,509)	Y.K. Scrape	Negotiation (Scrap)	Customer
3) Scrap of air compressor and fittings	7,257,966	898,648	462,174	(436,474)	Pak Foundry	Negotiation (Scrap)	Customer
	55,275,252	8,674,934	4,387,804	(4,287,130)			

8.3.1 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. All assets including land are duly registered in the name of and are in the possession of the Company.

8.3.2 All items of property, plant and equipment of the Company are under registered mortgage/ charges of either equal or ranking status of different banks. Total risk covered through these mortgages and charges amounts to Rs. 172.355 million.

8.3.3 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). The basis of valuation was present market value of similer sized plots in the vicinity for land replacement value of the similer typed building based on present cost of construction (Level-2). This revaluation resulted in net surplus of Rs. 19.713 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.

8.3.4 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	9,852,841	9,826,096
June 30, 2019	**20,024,727**	**9,852,841**	**10,171,886**
June 30, 2018	20,024,727	9,300,827	11,386,079

	Note	2019	2018
		-------- Rupees --------	
8.1.6 Depreciation for the year has been allocated as under:			
Cost of sales	30	3,881,599	1,943,095
Administrative expenses	32	213,521	255,837
Other operating expenses	33	3,939,936	4,080,013
		8,035,056	6,278,945

8.1.7 The plant and machinery of the Company is temporarily idle due to the fact disclosed in note 1.2. However refilling and compressing activities are being carried.

	2019	2018
	-------- Rupees --------	
9. LONG-TERM DEPOSITS		
Electricity	2,184,400	2,184,400
Orix leasing	650,000	650,000
Others	167,094	326,958
	3,001,494	3,161,358
10. STORES AND SPARES		
Stores	398,926	403,835
Spares	601,121	613,364
	1,000,047	1,017,199

		2019	2018
		---------- Rupees ----------	
11.	**STOCK-IN-TRADE**		
	Raw materials	**50,179**	343,246
	Finished goods	**275,717**	952,079
		325,896	1,295,325
12.	**TRADE DEBTS**		
	Unsecured		
	Considered good	**553,423**	3,603,996
	Considered doubtful	**2,324,911**	300,939
		2,878,334	3,904,935
	Provision for doubtful debts	**(2,324,911)**	(300,939)
		553,423	3,603,996
12.1	**Age analysis is as follows:**		
	Neither past due nor impaired		
	0-30 days	**532,955**	340,296
	Past due but not impaired		
	31-90 days	**20,468**	348,693
	91-180 days	-	168,293
	180-365 days	-	1,149,697
	Over 365 days	**2,324,911**	1,597,017
		2,878,334	3,603,996
12.2	**Provision for doubtful debts**		
	Balance at beginning of year	300,939	300,939
	Written off during the year	(198,474)	-
		102,465	300,939
	Provision made for the year	2,222,446	-
		2,324,911	300,939
13.	**ADVANCES AND OTHER RECEIVABLES**		
	Unsecured - considered good		
	Advances to suppliers	**1,745,130**	3,310,225
	Other receivables	**49,993**	351,204
		1,795,123	3,661,429

14. INVESTMENTS

Held for trading

Investment in equity securities having par value of Rs. 10 each.

2019	2018	Company's name	2019	2018
No. of shares / certificates				
268	215	Faysal Bank Ltd.	**5,767**	6,968
603	603	Sui Southern Gas Pipelines Ltd.	**12,470**	19,790
1,398	1,398	First Fidelity Leasing Modaraba Ltd.	**6,011**	7,703
1,311	1,311	First Equity Modaraba Ltd.	**2,832**	4,851
419	419	K-Electric Ltd.	**1,839**	2,380
70	54	Pakistan Oxygen Ltd.	**10,500**	12,960
290	290	SAMBA Bank Ltd.	**1,592**	2,219
12	12	Ghani Gases Ltd.	**92**	193
4,371	4,302		**41,103**	57,064

	Note	2019	2018
		---------- Rupees ----------	
15. TAXATION - NET			
Income tax refundable		**5,452,708**	1,734,512
Advance income tax deducted during the year		**582,263**	4,832,358
Provision for taxation - current	36	**(648,312)**	(1,114,162)
		5,386,659	5,452,708
16. CASH AND BANK BALANCES			
Cash at bank - current accounts		**9,623**	306,291
Cash in hand		**591,242**	4,771
		600,865	311,062

17. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2019	2018		2019	2018
No. of shares				
		Ordinary shares of Rs.10/- each :		
5,336,769	5,336,769	- Fully paid in cash	**53,367,690**	53,367,690
250,000	250,000	- For consideration other than cash	**2,500,000**	2,500,000
1,915,741	1,915,741	- Fully paid bonus shares	**19,157,410**	19,157,410
7,502,510	7,502,510		**75,025,100**	75,025,100

17.1 Shares held by the related parties of the Company

Name of the shareholders:	2019	2018
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 Jogezai	**3,581**	3,581
Mr. Mikhail Bawany	**3,010**	3,010
Mr. Siraj A. Kadir	**500**	500

17.2 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.

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

The surplus revaluation is presented as a separate capital reserve in these financial statements.

	Note	2019	2018
Surplus on freehold land	18.1	**20,654,210**	20,654,210
Surplus on building on freehold land	18.2	**14,464,659**	15,230,542
Balance as at reporting date		**35,118,869**	35,884,752

	Note	2019	2018
		------------ Rupees ------------	

18.1 Movement of surplus on freehold land

Revaluation surplus at beginning of year		**20,654,210**	20,654,210
Surplus arising on revaluation carried out during the year		**-**	-
Balance as at reporting date		**20,654,210**	20,654,210

18.2 Movement of surplus on building on freehold land

Revaluation surplus at beginning of year		**21,574,179**	23,024,753
Surplus arising on revaluation carried out during the year		**-**	-
		21,574,179	23,024,753
Restatement of opening liability due to change in tax rate		**(215,742)**	(299,336)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year, net of deferred tax		**(765,883)**	(817,379)
Related deferred tax liability of incremental depreciation charged during the year		**(312,826)**	(333,859)
Revaluation surplus as at reporting date		**20,279,729**	21,574,179
Less: Related deferred tax on:			
Revaluation at beginning of year		**(6,343,637)**	(6,976,832)
Difference arising due to change in rate		**215,742**	299,336
Incremental depreciation charged during the year, transferred to statement of profit and loss		**312,826**	333,859
		(5,815,070)	(6,343,637)
		14,464,659	15,230,542

19. LONG-TERM DEPOSITS

Received against processing tanks and cylinders		**51,219,943**	54,695,351

19.1 These are non-interest bearing and are repayable to customers on return of processing tanks and cylinders or on termination of sale agreement.

19.2 The amount of security deposit has been fully utilized by the Company in its business activity without complying the requirements of section 217 of the Companies Act, 2017.

20. DEFERRED TAX LIABILITY

Taxable temporary differences:			
Accelerated depreciation on property, plant and equipment		**19,475,190**	28,348,313
Surplus on revaluation of property, plant and equipment-net		**5,815,070**	6,343,637
		25,290,260	34,691,950
Deductible temporary differences:			
Doubtful receivables and other provisions		**(674,224)**	(87,272)
Minimum tax paid		**(3,882,321)**	(1,113,604)
Carried forward tax losses		**(24,450,914)**	(27,179,047)
		(29,007,459)	(28,379,923)
Net deferred tax (asset)/ liability		**(3,717,199)**	6,312,027
Deferred tax asset not recognized		**3,717,199**	-
		-	6,312,027

20.1 The carried forward tax losses for past six years amounts to Rs. 80.355 million (2018: Rs. 90.597

	Note	2019	2018
		Rupees	
21. TRADE AND OTHER PAYABLES			
Trade creditors - unsecured		**2,584,855**	2,651,539
Insurance payable		**1,006,123**	1,006,123
Contract liability - Unsecured		**233,622**	1,525,976
Provision for compensated absences	21.1	**744,790**	744,790
Sales tax payable		**950,899**	1,560,763
Withholding tax on suppliers		**2,058,496**	2,051,256
Withholding tax on salaries of staff		**419,989**	414,431
		7,998,774	9,954,878

21.1 With effect from financial year 2015, the policy has been discontinued by the Company. The outstanding relates to directors to the extent of Rs. 550,000 (2018: Rs. 550,000)

	Note	2019	2018
		Rupees	
22 ACCRUED LIABILITIES			
Payable to related parties	22.1	**11,723,198**	8,787,361
Salaries payable		**2,239,944**	2,623,648
EOBI and SESSI payable		**1,137,297**	888,084
Bonus payable		**830,228**	847,828
Arrears payable		**616,850**	616,850
Security charges payable		**93,000**	123,000
Lubricant charges payable		**530,820**	530,821
Audit fee payable		**270,000**	200,000
Central Depository charges payable		**214,700**	214,700
Listing fee payable		**104,514**	-
Other accrued liabilities		**862,848**	1,466,712
		18,623,399	16,299,004
22.1 Payable to Related Parties			
Remuneration payable to directors		**10,511,686**	7,621,432
Rent payable to Associate		**1,211,512**	1,165,929
		11,723,198	8,787,361
23 PROVISIONS			
K-Electric excess billing	23.1	**2,303,902**	2,303,902

23.1 This represents provision recorded for the expected liability to be paid under the appeal filed by K-Electric against the order of NEPRA by order reference EI-HUB/I&P/Pet-4/887 dated 28 November 2011 granting waiver to the Company for payment excess billing made by the K-Electric. The total amount of the excess bill is Rs. 1,754,503.

		Note	2019	2018
			------------- Rupees -------------	
24	**PAYABLE TO PROVIDENT FUND**			
	Payable to provident fund - interest bearing	24.1	**6,298,802**	6,504,490
	Mark-up on due to provident fund		**1,985,858**	1,425,849
			8,284,660	7,930,339

24.1 This represents equal contribution by the Company and the employees. This carries mark-up at the rate of 9% (2018: 9%) per annum.

		Note	2019	2018
25	**ACCRUED MARK-UP**			
	Mark up on overdue installments		**354,981**	354,981
	Mark up on short-term financing		**523,604**	523,604
			878,585	878,585
26	**DUE TO RELATED PARTIES**			
	Un-secured			
	Related parties (individuals)		**2,850,000**	1,200,000
	Bawany Management (Pvt.) Ltd.		**27,199,260**	27,220,495
	Loan from director		**4,280,847**	4,225,000
	Loan from provident fund	26.2	**-**	1,150,000
			34,330,107	33,795,495

26.1 The above payable except for loan from provident fund are unsecured, non-interest bearing loans which are repayable on demand.

26.2 This carries mark-up at the rate of 9% (2018: 9%) per annum.

		Note	2019	2018
27.	**SHORT-TERM FINANCING**			
	Secured, interest bearing			
	Overdue installments - Orix leasing	27.1	**3,170,852**	3,170,852
	Running finance from bank - Faysal bank	27.2	**8,835,819**	8,835,819
			12,006,671	12,006,671

27.1 This represents outstanding amount of financing facility obtained from Orix Leasing Pakistan Limited at markup rate of 15% (2018: 15%) per annum. The facility is secured by way of first pari passu charge of Rs. 101.02 million and second ranking charge of Rs. 13.33 million over the fixed assets including immoveable assets, in addition personal guarantee of chief executive officer of the Company has been issued to the Orix Leasing. The Company has defaulted the terms of repayment of the loan and now due to adverse financial position has ceased charging markup on the outstanding principal.

27.2 This represents running finance facility obtained from Faysal Bank Limited of Rs. 10.000 (2018 : Rs. 10.000) million carrying mark-up @ the rate of 3 months KIBOR + 4% per annum (2018 : 3 months KIBOR + 4% per annum). This facility is secured against first pari passu hypothecation charge over plant and machinery to the extent of Rs. 14.5 million, first hypothecation charge over stocks and receivables to the extent of Rs. 12 million 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.

27.3 If markup had been charged the profit for the year would had been reduced by Rs. 1.978 million (2018: Rs. 0.353 million) and liability of markup would have been reported at reporting date by Rs. 3.129 million (2018: Rs. 1.211 million).

28. CONTINGENCIES AND COMMITMENTS

Contingencies

28.1 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 amounting to Rs.9.999 million along with default surcharge and penalty. Being aggrieved with the order, the Company preferred the instant appeal before Commissioner Inland Revenue Appeal contesting that the Deputy Commissioner Inland Revenue passed the order without proper jurisdiction over the appellant's case.

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

28.2 The Company has been selected for monitoring of withholding tax under section 161/205 of the Income Tax ordinance, 2001 in respect of the tax year 2014 to 2018 and for the period from July 1, 2018 to March 15, 2019. The monitoring is in progress and no liability is yet ascertain. The monitoring is being initiated by the Deputy Commissioner Inland Revenue (Enforcement & Collection). The Company has also been selected for overall audit under section 214D read with section 177 of the Income Tax Ordinance , 2001 in respect of tax year 2016, no liability has yet been ascertained and the audit is still in progress.

28.3 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 favorable outcome of the matter and hence, no provision has been made in these financial statement on this account.

Commitments

There were no commitments as at June 30, 2019 (2018: Nil).

	Note	2019	2018
		------------- Rupees -------------	
29. SALES - NET			
Sales		60,872,372	104,455,873
Less: sales tax		(8,962,779)	(15,367,552)
		51,909,593	89,088,321
30. COST OF SALES			
Liquid oxygen consumed		41,347,996	75,353,832
Salaries and other benefits	30.1	3,251,613	3,838,852
Electricity, gas and water		382,995	376,492
Stores and spares consumed		17,152	248,343
Repairs, maintenance and handling		822,371	2,172,221
Vehicles running and maintenance		-	287,127
Rent, rates and taxes		-	322,930
Depreciation	8.1.6	3,881,599	1,943,095
Security		1,060,000	948,000
Others		289,285	117,205
		51,053,011	85,608,097
Maintenance & other charges recovered		(202,474)	(322,175)
Cost of goods processed		50,850,537	85,285,922
Processed goods - opening		952,079	362,045
Processed goods - closing	11	(275,717)	(952,079)
		676,362	(590,034)
		51,526,899	84,695,888

30.1 Salaries, wages and other benefits include contributions of Rs.0.141 (2018: 0.178) million in respect of defined contribution plan.

	Note	2019	2018
31. DISTRIBUTION COST		------------ Rupees	------------
Salaries and other benefits	31.1	**2,494,493**	3,096,898
Transportation charges		**616,079**	383,736
Others		**30,965**	48,642
		3,141,537	3,529,276

31.1 Salaries and other benefits include contributions of Rs.0.150 (2018: 0.180) million in respect of defined contribution plan.

32. ADMINISTRATIVE EXPENSES

	Note	2019	2018
Salaries and other benefits	32.1	**6,489,292**	8,663,194
Electricity, gas and water		**153,332**	239,984
Repairs and maintenance		**147,284**	144,205
Communication		**127,587**	128,485
Vehicle running and maintenance		**233,504**	454,798
Fees, subscription and periodicals		**339,776**	488,685
Rent, rates and taxes		**546,996**	552,894
Auditors' remuneration	32.2	**329,000**	275,000
Traveling and conveyance		**156,790**	171,070
Printing and stationery		**81,547**	131,892
Legal and professional charges		**10,800**	240,800
Advertisement		**34,835**	20,250
Depreciation	8.1.6	**213,521**	255,837
		8,864,264	11,767,094

32.1 Salaries and other benefits include contributions of Rs.0.181 (2018: 0.294) million in respect of defined contribution plan.

32.2 Auditors' remuneration

	2019	2018
Audit fee	**270,000**	200,000
Half year review fee	**59,000**	50,000
Out of pocket expenses	-	25,000
	329,000	275,000

33. OTHER OPERATING EXPENSES

	Note	2019	2018
Depreciation of idle plant	8.1.6	**3,939,936**	4,080,013
Trade debts written off		**3,162,359**	-
Provision for doubtful debts		**2,222,446**	-
Advance written off		**349,046**	543,577
Loss on disposal of assets		**4,406,049**	-
Penalty		**45,000**	173,418
		14,124,836	4,797,008

	Note	2019	2018
		---------- Rupees ----------	
34. OTHER INCOME			
From financial assets:			
Dividend income		-	3,719
Liabilities written back		6,742,053	-
From other than financial assets:			
Gain on disposal of property, plant and equipment		-	1,286,079
		6,742,053	1,289,798
35. FINANCE COST			
Mark-up on short term financing		-	118,907
Mark-up on due to provident fund		785,009	787,469
Bank charges		11,082	28,321
		796,091	934,697
36 TAXATION			
Current	36.1	648,870	1,114,162
Prior year		(558)	-
Deferred		(5,999,202)	(3,821,249)
		(5,350,890)	(2,707,087)

36.1 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.

37. LOSS PER SHARE - BASIC AND DILUTED

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

		2019	2018
Loss for the year - Rupees		(14,467,052)	(12,639,981)
Weighted average number of ordinary shares (Number)		7,502,510	7,502,510
Loss per share - Rupees		(1.93)	(1.68)
38. CASH & CASH EQUIVALENT			
Cash and bank balances	16	600,865	311,062
Short-term financing - running finance	27	(12,006,671)	(12,006,671)
		(11,405,806)	(11,695,609)

39. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTOR AND EXECUTIVE

	Chief Executive Officer		Director		Other Executives	
	2019	2018	2019	2018	2019	2018
	Rupees					
Remuneration	**967,742**	967,742	**1,045,161**	1,045,161	-	1,014,839
House rent	**435,484**	435,484	**470,322**	470,322	-	456,677
Utilities	**96,774**	96,774	**104,517**	104,517	-	101,484
	1,500,000	1,500,000	**1,620,000**	1,620,000	-	1,573,000
No. of persons	1	1	1	1	0	1

39.1 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. 0.349 (2018: Rs. 0.576) million.

39.2 No fees have been paid to any of the directors during the year (2018: nil) for attending boards' meetings.

39.3 No remuneration has been paid to non-executive directors of the Company during the year (2018: Nil).

40 TRANSACTIONS WITH RELATED PARTIES

Detail relationship with related parties and percentage of holdings, if any, are disclosed in note 6.20 to the financial statements. Remuneration of chief executive officer, directors and executives of the Company are disclosed in note 38. 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	2019	2018
		Rupees	
Ebrhaimyan Enterprises	Rent charges paid	**501,413**	144,517
Related Parties (Individuals)	Loan obtained	**1,650,000**	1,200,000
Directors	Loan obtained	**55,847**	-
Bawany Management (Pvt) Ltd.	Loan repaid	**21,235**	69,505
Employees retirement benefit plan			
	Contribution to provident fund	**987,214**	1,035,032
	Repayment of loan	**1,150,000**	-
	Interest charged to the Company	**785,009**	787,469

41. PROVIDENT FUND

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

	June 30, 2019 (Un-audited)	June 30, 2018 (Un-audited)
	Rupees	
Size of the fund - total assets	**8,310,098**	9,113,713
Cost of the investment made	**8,310,098**	9,113,713
Percentage of investments made	**100%**	100%
Fair value of investments	**8,310,098**	9,113,713

	Note	2019	2018
		------------ Rupees ------------	

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

		2019	2018
Bank balances/deposits		25,438	30,038
		0.31%	0.33%
Receivable from the Company		8,284,660	9,080,339
		99.69%	99.63%

41.2 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.

42. FINANCIAL RISK MANAGEMENT

42.1 Financial instruments by category

	2019	2018
FINANCIAL ASSETS		
Loans and receivables		
Long-term deposits	3,001,494	3,161,358
Trade debts	553,423	3,603,996
Other receivables	49,993	351,204
Cash and bank balances	600,865	311,062
	4,205,775	7,427,620
Balance brought forward	4,205,775	7,427,620
Held for trading (FVTPL)		
Other financial assets	41,103	57,064
	4,246,878	7,484,684
FINANCIAL LIABILITIES		
Through Amortized Cost		
Long-term deposits	51,219,943	54,695,351
Trade and other payables	4,335,768	4,402,452
Accrued liabilities	17,486,102	15,410,920
Unclaimed dividend	717,420	717,420
Payable to K-Electric	2,303,902	2,303,902
Payable to provident fund	8,284,660	7,930,339
Accrued markup	878,585	878,585
Due to related parties	34,330,107	28,420,495
Short-term financing	12,006,671	13,156,671
	131,563,158	127,916,135

42.2 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 summarized as follows:

42.2.1 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 banks that exposes the Company to interest rate risk.

	2019	2018
	Rupees	
Fixed rate instruments		
Long-term financing	3,170,852	3,170,852
Variable rate instrument		
Short-term borrowings	8,835,819	8,835,819

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by Rs.88.365 (2018: Rs. 88,356). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

The Company is not charging any markup on its financial liabilities towards bank. The impact on loss for the year and equity, had there been markup charged, is disclosed in note 26.3.

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.

42.2.2 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 credit worthiness 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. 4.205 (2018: 7.428) 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:

	2019	2018
	Rupees	
Long-term deposits	3,001,494	3,161,358
Other receivables	49,993	351,204
Trade debts	553,423	3,603,996
Bank balances	600,865	311,062
	4,205,775	7,427,620

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 not significantly exposed to credit risk on accounts of trade receivable.

The deposits are exposed to credit risk and details of their quality is as follows:

Parties	Credit Quality	2019	2018
		Rupees	
Electricity	Adjustable against liability towards K-Electric amounting to Rs. 2.3 million	2,184,400	2,184,400
Orix leasing	Uncertain to recover due to default in repayment of loan	650,000	650,000
Others	Deposits to vendors from whom services are being obtained (Considered good)	167,094	326,958
		3,001,494	3,161,358

Ageing of past due but not impaired trade debts are disclosed in note 11.1.

The credit quality of Company's bank balances assessed with reference to Pakistan Credit Rating Agency (PACRA) as at June 30, 2019 is as follows:

Banks	Credit Rating (Short term)	2019	2018
		---- Rupees ----	
MCB Bank Limited	A1+	647	647
UBL Bank Limited	A-1+	6,573	303,241
NBP Bank Limited	A-1+	2,403	2,403
		9,623	306,291

42.2.3 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
June 30, 2019	---- Rupees ----			
Long-term deposits	-	-	51,219,943	51,219,943
Trade and other payables	4,335,768	-	-	4,335,768
Accrued liabilities other than related parties	5,762,904	-	-	5,762,904
Unclaimed dividend	717,420	-	-	717,420
Liability to K-Electric	2,303,902	-	-	2,303,902
Payable to provident fund	8,284,660	-	-	8,284,660
Accrued mark-up	878,585	-	-	878,585
Due to related parties	46,053,305	-	-	46,053,305
Short-term financing	12,006,671	-	-	12,006,671
	80,343,215	-	51,219,943	131,563,158
June 30, 2018				
Long-term deposits	-	-	54,695,351	54,695,351
Trade and other payables	4,402,452	-	-	4,402,452
Accrued liabilities other than related parties	6,623,559	-	-	6,623,559
Unclaimed dividend	717,420	-	-	717,420
Payable to K-Electric	2,303,902	-	-	2,303,902
Payable to provident fund	7,930,339	-	-	7,930,339
Accrued markup	878,585	-	-	878,585
Due to related parties	37,207,856	-	-	37,207,856
Short-term financing	13,156,671	-	-	13,156,671
	73,220,784	-	54,695,351	127,916,135

43. 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 reprised 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 categorized 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 only investment in equity securities which are measured at their fair value (level 1) in the statement of financial position. (Refer note 13)

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 7 to these financial statements.

44. 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, 2019	June 30, 2018
	------------ Rupees ------------	
Total debts	**97,556,721**	100,497,517
Less: Cash & cash equivalent	**(600,865)**	(311,062)
Net debt	**96,955,856**	100,186,455
Total Equity	**37,896,352**	52,050,578
Total debt and equity	**134,852,208**	152,237,033
Gearing ratio	72%	66%

45. PLANT CAPACITY AND ACTUAL PRODUCTION

	2019	2018
	Cubic Meter	
Production capacity (Triple Shift)		
Regasification of liquid gases	**4,485,000**	4,485,000
Oxygen/ Nitrogen	**4,485,000**	4,485,000
Dissolved acetylene	**144,000**	144,000
	9,114,000	9,114,000
Actual production		
Regasification of liquid gases	**1,325,635**	2,253,775
Oxygen/ Nitrogen	-	-
Dissolved acetylene	-	-
	1,325,635	2,253,775

Reason for Shortfall

The operations of the Company have been suffering due to breakdown of its plant that has resulted in stoppage of production of liquid oxygen and nitrogen. Also regasification capacity is under-utilized due to low demand from customers as result of adverse conditions of ship-breaking industry in Pakistan.

46. NUMBER OF EMPLOYEES

The numbers of employees at the year ended were 16 (2018: 23) and average number of employees during the year were 26 (2018: 27).

The numbers of employees working at factory at the year ended were 10 (2018: 15) and average number of employees during the year were 13 (2018: 18).

47. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, where necessary, for the purpose of comparison and better presentation. Material reclassifications are as follows:

Nature	Reclassified from	Reclassified to	Amounts in Rupees	Reason
Loan from directors classified as current liabilities	Equity	Due to related parties	4,225,000	Loan does not meet the criteria of subordination and it is payable on demand
Loan from provident fund	Short-term financing	Due to related parties	1,150,000	For better presentation
Mark-up on due to provident fund	Accrued mark-up	Payable to provident fund	1,425,849	For better presentation
Accrued liabilities	Trade and other payables	Accrued liabilities	16,299,004	For better presentation
Payable to provident fund - principle	Trade and other payables	Payable to provident fund	6,298,802	As per the requirement of 4th schedule of Companies Act, 2017
K-Electric excess billing liability	Trade and other payables	Provisions	2,303,902	For better presentation

48. AUTHORISATION FOR ISSUE

These financial statements were approved on October 31, 2019 by the board of directors of the Company.

49. 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 ARIF DALIA
CHIEF FINANCIAL OFFICER

ZAKARIA A. GHAFFAR
DIRECTOR


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BAWANYAIR
PRODUCTS LIMITED

FORM OF PROXY

I / We ____ of ____ being a member(s) of Bawany Air Products Limited ("Company"), holding ________________ Ordinary Share(s) as per Register Folio No.________________ hereby appoint Mr./Ms.______________________________ Folio No. (if member) ______________ of ______________________________ or failing him / her, Mr. Ms. ____ Folio No. (if member) ______________________________________ as my / our proxy in my / our absence to attend and vote for me / us, and on my / our behalf at 41st Annual General Meeting of the Company to be held on the 27th day of November 2019 and at any every adjournment thereof.

Signed by ____

Signed under my / our hand this __________ day of __________ , 2019

Witness - 1

Name : ____________________

CNIC : ____________________

Address : ____________________

____

Witness - 2

Name : ____________________

CNIC : ____________________

Address : ____________________

____

NOTE:

a. The signature should match with the specimen signature registered with the company.
b. A Proxy need not be a member of the Company
c. Proxy Forms properly completed should be deposited at the office of the Company's Share Registrar, C & K Management Associates (Pvt) Limited, 404 Trade Tower, Abdullah Haroon Road, Near Metropole Hotel, Karachi not later than 48 hours (excluding closed days) before the time for holding the Meeting for adjourned Meeting and in default the instrument of Proxy shall not be treated as valid.

For Beneficial Owners as per CDC List

In addition to the above, the following requirements must be met:

a. Attested copies of valid CNIC or the Passport of the beneficial owners and the Proxy shall be submitted with the Company's Share Registrar not less than 48 hours (excluding closed days) before the Meeting.
b. The Proxy Form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the Form.
c. The Proxy shall produce his / her original and valid CNIC or Passport at the time of the Meeting.
d. In case of corporate entity, the Board of Director's Resolution / Power of Attorney with specimen signature shall be submitted along with Proxy Form to the Company's Registrar.

BAWANYAIR
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