BAWANYAIR
PRODUCTS LIMITED

HALF YEARLY REPORT
DECEMBER 31, 2019
(UNAUDITED)

CORPORATE INFORMATION

BOARD OF DIRECTORS	Mr. Vali Mohammad M. Yahya	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. Yahya	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 Pathara, Tehsil Hub, Lasbella District, Balochistan Tel: 0853 - 363289 Fax: 0853 - 363290	
CITY OFFICE	16-C, 2nd Floor, Nadir House, I.I. Chundrigar Road, Karachi Tel: 021-32400440	

ASSALAM-O-ALAIKUM

Your directors are pleased to present the Review Report on performance of your Company for the half year ended December 31, 2019.

These financial statements of the Company were subject to limited scope review by the external auditors, as required by the Code of Corporate Governance for Listed Companies. This review was successfully conducted and the report from auditors is also attached.

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

Description	Six months Dec 31, 2019	Six months Dec 31, 2018
Sales	10,584,144	29,946,747
Gross (loss) / profit	(1,028,859)	1,562,387
Loss before taxation	(9,518,261)	(6,704,110)

Our country's solitary ship breaking yard located at Gadani is dead silent. Lack of safety measures and frequent death incidents of workers coupled with significant devaluation of rupee has put a complete halt on the ship breaking business. Consequently, we have lost a significant chunk of our revenue. Sales for the current 6 months under review (i.e. July 2019 to Dec 2019) are Rs. 10.58 million which was Rs. 29.94 million in July 2018 to Dec 2018. In the current period, revenue has decreased even below the gross margin level i.e. we are unable to cover the fixed production expenses and consequently, there is a gross loss of Rs. 1 million.Presently, the Company is selling gases to re-rolling mills, gas dealers and hospitals. The cash flows of the Company are continuously challenging. The operating cash flows were negative by Rs. 6.77 million.

Administrative Expenses and Other Operating Expenses for July 2019 to Dec 2019 are on a higher side as compared with corresponding period July 2018 to Dec 2018. This is mainly due to increase in some legal and professional charges as well as higher depreciation expense.

With stability in the currency and expectation of safety measures from Government at Gadani, we are very hopeful that Gadani will turn around and the business will come back shortly since the demand of steel can be cheaply covered through revival of ship breaking industry.

On December 16, 2019, your Company received an intention under securities Act, 2015 and Listed Companies (Substantial Acquisition of Voting Shares and Take overs) Regulations 2017 to acquire more than 50% shares and control of your Company from Fossil Energy (Private) Limited

The management has strong faith in Almighty ALLAH and is hopeful for a turnaround in near future, courtesy to its efforts and your prayers in running the business and locating an equity partner.All the management and Directors appreciate your patience, support and trust that you have shown towards us.

On behalf of the Board

M. Hanif Y. Bawany
Chief Executive Officer

Momiza

Momiza Hanif Bawany
Director

Karachi
Dated: 25th February 2020

BAWANYAIR
PRODUCTS LIMITED

ششماہی رپورٹ

السلام علیکم

بورڈ آف ڈائریکٹرز کی جانب سے آپ کی کمپنی کی کارکردگی برائے ششماہی مختتمہ 31 دسمبر 2019 پرڈائریکٹرز کی جائزہ رپورٹ پیش کرتے ہوئے اظہار مسرت کرتا ہوں۔

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

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

تفصیل	چھ ماہ 31دسمبر2018	چھ ماہ 31دسمبر2019
فروخت	29,946,747	10,584,144
خام منافع (نقصان)	(1,562,387)	(1,028,859)
خسارہ قبل از ٹیکس	(6,704,110)	(9,518,261)

گڈانی میں واقع ہمارے ملک کا تنہا جہاز توڑنے والا یارڈ خاموش ہے۔حفاظتی اقدامات کی کمی اور مزدوروں کی متواتر موت کے واقعات اور اس کے ساتھ ساتھ روپے کی قدر میں کمی نے جہاز توڑنے والے کاروبار کو مکمل طور پر روک دیا ہے۔اس کے نتیجے میں، ہم نے اپنی آمدنی کا ایک خاص حصہ کھودیا ہے۔موجودہ 6ماہ کی فروخت زیر جائزہ (یعنی جولائی 2019 سے دسمبر 2019) میں 10.58 ملین رہا۔ جولائی 2018 سے دسمبر 2018 میں 29.94 ملین تھا۔ موجودہ مدت میں، محصولات مجموعی مارجن کی سطح سے بھی کم رہا یعنی ہم طے شدہ پیداواری اخراجات کو پورا کرنے سے قاصر ہے اور اس کے نتیجے میں مجموعی نقصان 1 ملین ہوا۔ اس وقت کمپنی ری رولنگ ملز، گیس ڈیلرز اور اسپتالوں کو گیس فروخت کررہی ہے۔کمپنی کا کیش فلو مسلسل چیلنجنگ ہیں۔آپریٹنگ کیش فلو 6.77 ملین سے منفی رہا۔

جولائی 2019 سے دسمبر 2019 تک کے انتظامی اخراجات اور دیگر آپریٹنگ اخراجات جولائی 2018 سے دسمبر 2018 تک کے اسی عرصے کے مقابلے میں اونچی طرف ہیں۔اس کی بنیادی وجہ کچھ قانونی اور پیشہ ورانہ معاوضوں کے ساتھ ساتھ زیادہ فرسودگی کے اخراجات بھی ہیں۔

کرنسی میں استحکام اور گڈانی میں حکومت سے حفاظتی اقدامات کی توقع کے ساتھ، ہمیں بہت امید ہے کہ گڈانی کا رخ موڑ جائے گا اور کاروبار جلد ہی واپس آجائے گا کیوں کہ جہاز توڑنے والی صنعت کی بحالی کے ذریعے اسٹیل کی مانگ کو سستے طور پر پورا کیا جاسکتا ہے۔

16 دسمبر، 2019 کو، آپ کی کمپنی کو سیکیورٹیز ایکٹ، 2015 اور لسٹڈ کمپنیز ریگولیشنز 2017 کے تحت فوسیل انرجی (پرائیویٹ) لمیٹڈ سے آپ کی کمپنی کے 50 فیصد سے زیادہ حصص اور کنٹرول حاصل کرنے کا ارادہ ملا۔

انتظامیہ کو اللہ سبحانہ وتعالیٰ پر پختہ یقین ہے اور وہ مستقبل قریب میں تبدیلی کے لیے پرامید ہے، کاروبار کو چلانے اور ایکوئٹی پارٹنر کا پتہ لگانے میں آپ کی کوششوں اور آپ کی دعاؤں کے مشکور ہیں۔ پوری انتظامیہ اور ڈائریکٹرز آپ کے صبر، تعاون اور اعتماد کی تعریف کرتے ہیں جو آپ نے ہماری طرف دکھایا گیا۔

بورڈ کی جانب سے

ایم حنیف وائی باوانی
چیف ایگزیکٹو آفیسر ڈائریکٹر

Momiza
مومیزہ حنیف باوانی
ڈائریکٹر

کراچی
تاریخ: 25 فروری 2020

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF BAWANY AIR PRODUCTS LIMITED
Report on Review of Interim Financial Statements

INTRODUCTION

We have reviewed the accompanying condensed interim statement of financial position of Bawany Air Products Limited("The Company") as at December 31, 2019 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in equity and notes to the financial statements for the six months period then ended (here-in-after referred as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for the interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

SCOPE OF REVIEW

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

BASIS FOR ADVERSE CONCLUSION

1- The Company is suffering recurring losses and, the loss after taxation for the current period is of Rs. 9.518 million (2018: Rs. 7.078 million) which has resulted in accumulated losses of Rs. 81.406 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. 80.306 million. Further, the Company is unable to pay its statutory liabilities towards withholding of taxes, employees old age and social security amounting to Rs. 3.616 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 been repaired and had limited the commercial activities of the Company, only to compressing and regasification. It has also utilized the sum received as deposits of Rs. 51.220 million from its customers against tanks and cylinders and contributions of employees' provident fund of Rs. 6.938 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.

2- The Company has been placed on the defaulters segment of the Pakistan Stock Exchange Limited on February 07, 2019 and has received notices from Pakistan Stock ExchangeLimited (PSX), under Regulation 5.11.1(i) of the PSX Rule Book, for suspension of trading in shares of the Company and other actions under Regulation 5.11.2 of the PSX Rule Book, if auditor's report continue to contain adverse opinion or qualified opinion on going concern assumption.

3- As disclosed in note 1.1 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 period 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.

4- 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. In the absence of complete record, these deposits are remained unverified at the status they were in annual audit of financial statements for the year ended June 30, 2019.

5- The Company has deposited Rs. 2.043 million out of total liability of Rs. 8.981 million being 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 the reporting date, is Rs. 6.938 million. Further, unclaimed dividend of Rs. 0.72 million has not yet deposited in accordance with section 244 of the Companies Act, 2017.

6- 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.

ADVERSE CONCLUSION

Our review indicates that, because of the significance of matters as mentioned in basis for adverse conclusion, the accompanying interim condensed financial statements does not present fairly, in all material respect, the financial position of the Company as at December 31, 2019 and of its financial performance, and cash flows for the period of six months then ended in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

OTHER MATTERS

The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for quarters ended December 31, 2019 and 2018 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2019.

The condensed interim financial information of the Company for the six months' period ended December 31, 2018 has been reviewed by another firm of Chartered Accountants who have issued an adverse opinion in their report dated February 26, 2019.

The Company has been able to identify the holder of ownership documents of its land and building and the holder has confirmed his holding of documents as collateral against the financing facilities.

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

S. M. Suhail & Co.

S.M. Suhail & Co.
Chartered Accountants
Karachi.

Our Ref: SMS-A-0492020
Dated: 25h February, 2020

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (Un-Audited)
AS AT DECEMBER 31, 2019

	Note	December 31, 2019 Un-Audited	June 30, 2019 Audited
		---------------- Rupees	----------------
ASSETS			
Non-current Assets			
Property, plant and equipment	5	**156,902,549**	160,730,656
Long-term deposits		**3,001,494**	3,001,494
		159,904,043	163,732,150
Current Assets			
Stores and spares		**996,322**	1,000,047
Stock-in-trade		**145,044**	325,896
Trade debts		**193,744**	553,423
Advances and other receivables		**1,735,126**	1,795,123
Sales tax refundable		**824,547**	824,547
Investments		**58,104**	41,103
Taxation - net		**5,260,691**	5,386,659
Cash and bank balances	6	**1,847,266**	600,865
		11,060,844	10,527,663
Total Assets		**170,964,887**	174,259,813
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital			
15,000,000 (June, 2019: 15,000,000) Ordinary Shares of Rs.10/- each		**150,000,000**	150,000,000
Share capital			
Issued, subscribed and paid-up capital		**75,025,100**	75,025,100
Capital reserve			
Surplus on revaluation of property, plant and equipment-net	7	**34,758,904**	35,118,869
Accumulated loss		**(81,405,913)**	(72,247,617)
		28,378,091	37,896,352
Non-current Liabilities			
Long-term deposits		**51,219,943**	51,219,943
Current Liabilities			
Trade and other payables		**7,102,730**	7,998,774
Accrued liabilities		**20,471,067**	18,623,399
Unclaimed dividend		**717,420**	717,420
Provisions		**2,303,902**	2,303,902
Payable to provident fund		**6,937,770**	8,284,660
Accrued mark-up		**878,585**	878,585
Due to related parties		**40,948,704**	34,330,107
Short-term financing		**12,006,675**	12,006,671
		91,366,853	85,143,518
Total Equity and Liabilities		**170,964,887**	174,259,813
Contingencies and commitments	8	-	-

The annexed notes from 1 to 18 form an integral part of these condensed interim financial information.

M. HANIF Y. BAWANY	**M. ARIF DALIA**	**MOMIZA HANIF BAWANY**
Chief Executive Officer	**Chief Financial Officer**	**Director**

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (Un-Audited)
FOR THE HALF YEAR ENDED ON DECEMBER 31, 2019

	Note	Six months ended December 31, 2019	Six months ended December 31, 2018	Quarter ended December 31, 2019	Quarter ended December 31, 2018
		Rupees	Rupees	Rupees	Rupees
Sales - net		**10,584,144**	29,946,748	**5,193,847**	15,380,602
Cost of sales	9	**(11,613,003)**	(28,384,361)	**(5,956,453)**	(14,809,064)
Gross (loss) / profit		**(1,028,859)**	1,562,387	**(762,606)**	571,538
Distribution cost		**(838,990)**	(1,474,131)	**(466,361)**	(743,256)
Administrative expenses	10	**(5,487,091)**	(4,337,165)	**(3,080,090)**	(2,189,831)
Other operating expenses	11	**(2,844,329)**	(2,014,968)	**(1,422,165)**	(980,015)
		(9,170,410)	(7,826,264)	**(4,968,616)**	(3,913,102)
Other income		**1,135,528**	-	**969,316**	-
Unrealized gain / (loss) on revaluation of investments		**17,000**	(10,481)	**17,000**	(10,481)
		(8,017,882)	(7,836,745)	**(3,982,300)**	(3,923,583)
Finance cost	12	**(339,218)**	(429,752)	**(165,465)**	(221,921)
Loss before taxation		**(9,385,959)**	(6,704,110)	**(4,910,371)**	(3,573,966)
Provision for taxation - current	13	**(132,302)**	(374,334)	**(64,923)**	(192,258)
Loss for the period		**(9,518,261)**	(7,078,444)	**(4,975,294)**	(3,766,224)
Earnings per share - basic and diluted		**(1.27)**	(0.94)	**(0.66)**	(0.50)

The annexed notes from 1 to 18 form an integral part of these condensed interim financial information.

M. HANIF Y. BAWANY	M. ARIF DALIA	MOMIZA HANIF BAWANY
Chief Executive Officer	Chief Financial Officer	Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-Audited)
FOR THE HALF YEAR ENDED DECEMBER 31, 2019

	Six months ended		Quarter ended	
	December 31, 2019	December 31, 2018	**December 31, 2019**	December 31, 2018
	Rupees		Rupees	
Loss for the period	**(9,518,261)**	(7,078,444)	**(4,975,294)**	(3,766,224)
Total comprehensive loss for the period	**(9,518,261)**	(7,078,444)	**(4,975,294)**	(3,766,224)

The annexed notes from 1 to 18 form an integral part of these condensed interim financial information.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-Audited)
FOR THE HALF YEAR ENDED DECEMBER 31, 2019

	Issued, subscribed and paid-up capital	Surplus on revaluation of property, plant and equipment - net	Accumulated loss	Total
	Rupees			
Balance as at July 1, 2018	75,025,100	35,884,752	(52,547,247)	58,362,605
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax		(382,942)	382,942	-
Total comprehensive income for the six months period ended December 31, 2018			(7,078,444)	(7,078,444)
Balance as at December 31, 2018	**75,025,100**	**35,501,810**	**(59,242,749)**	**51,284,161**
Balance as at July 1, 2019	75,025,100	35,118,869	(72,247,617)	37,896,352
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	(359,965)	359,965	-
Total comprehensive income for the six months period ended December 31, 2019	-	-	(9,518,261)	(9,518,261)
Balance as at December 31, 2019	**75,025,100**	**34,758,904**	**(81,405,913)**	**28,378,091**
				-

The annexed notes from 1 to 18 form an integral part of these condensed interim financial information.

M. HANIF Y. BAWANY **Chief Executive Officer**	**M. ARIF DALIA** **Chief Financial Officer**	**MOMIZA HANIF BAWANY** **Director**

CONDENSED INTERIM STATEMENT OF CASH FLOWS (Un-Audited)
FOR THE HALF YEAR ENDED DECEMBER 31, 2019

	Note	December 31, 2019	December 31, 2018
		---------------- Rupees ----------------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		**(9,385,959)**	(6,704,110)
Adjustments for:			
Depreciation		**3,563,608**	2,995,576
(Gain)/ Loss on revaluation of other financial assets		**(17,000)**	10,481
Gain on disposal of assets		**(1,135,499)**	-
Finance cost		**337,288**	429,752
Operating cash flows before working capital changes		**(6,637,562)**	(3,268,301)
Working capital changes	14	**208,987**	726,308
Net cash used in operations		**(6,428,575)**	(2,541,993)
Finance cost paid		**(337,288)**	(429,752)
Income tax paid		**(6,333)**	346,527
Net cash used in operating activities		**(6,772,196)**	(2,625,218)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of assets		**1,400,000**	-
		1,400,000	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term deposits - liabilities - net		-	1,970,851
Long-term deposits - assets - net		-	(31,000)
Short-term advances		-	1,633,765
Short-term financing		**6,618,597**	(923,500)
Net cash generated from financing activities		**6,618,597**	2,650,116
Net increase in cash and cash equivalents		**1,246,401**	24,898
Cash and cash equivalents at beginning of the period		**600,865**	48,255
Cash and cash equivalents at end of the period		**1,847,266**	73,153

The annexed notes from 1 to 18 form an integral part of these condensed interim financial information.

M. HANIF Y. BAWANY	**M. ARIF DALIA**	**MOMIZA HANIF BAWANY**
Chief Executive Officer	**Chief Financial Officer**	**Director**

BAWANY AIR PRODUCTS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Uu-Audited)
FOR THE HALF YEAR ENDED DECEMBER 31, 2019

1 THE COMPANY AND ITS OPERATIONS

Bawany Air Products Limited (the Company) is a public limited Company incorporated in Pakistan on August 16, 1978. The Company is currently listed on the Pakistan Stock Exchange Limited. The principal activities of the Company are production and trading of oxygen gas, dissolved acetylene and nitrogen gas. The manufacturing facilities are located at Hub Industrial Estate, Tehsil Hub in the province of Balochistan. The registered office of the Company is situated at Khasra No. 52/53 R.C.D. Highway, Mouza Pathara, Tehsil Hub, Lasbella District, Balochistan.

1.1 GOING CONCERN ASSUMPTION

The Company has incurred a net loss of Rs. 9.52 million during the half year ended December 31, 2019. Further, as of the reporting date, its accumulated losses amounted to Rs. 81.41 million and its current liabilities exceeded the current assets by Rs.80.31 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 to the 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, the immoveable properties are 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 existance 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, to cope up with the aforementioned liquidity issues, the management is working on the plans to increase the level of capital employed into the business. In this respect, in addition to management's efforts and as result of potential acquisition of shares, the Company is expecting some positive changes as to its going concern ability. In view of the aforementioned management's plan, this condensed interim financial information has been prepared using the going concern assumption.

2 SIGNIFICANT EVENT

During the period on December 16, 2019, the Company has received an intimation from an acquirer for acquiring control of the Company and more than 50% of shareholding into the Company. For details refer directors report.

3 BASIS OF PREPARATION

The condensed intertim financial information has been prepared for the six months period ended December 31, 2019 in accordance with the requirement of International Accounting Standard (IAS) 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Act, 2017. In case where the requirements differ, the provisions of or directives issued under the Companies Act, 2017 are being prevailed.

These condensed interim financial information are unaudited and are being circulated to the shareholders in accordance with the listing regulations of Pakistan Stock Exchange Limited and Section 237 of the Companies Act, 2017.

The condensed interim financial information does not include all the information and disclosures as rerquired for preparation of annual financial statements therefore, it should be read in conjuction with the annual audited financial statement for the year ended June 30, 2019.

4 SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

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

The accounting policies, estimates, judgments and methods of computation adopted for the preparation of the condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Company as at and for the year ended June 30, 2019.

4.1 Changes in significant accounting policies

During the period, the Company has adopted International Financial Reporting Standard 9 (IFRS 9) "Financial Instruments" and IFRS 16 "Leases". The detail of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

IFRS 16 'Leases'

IFRS 16, 'Leases' has been adopted by the Company from July 1, 2019 for interim and annual reporting. IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on statement of financial position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company has not entered into any lease agreement under the scope of IFRS 16. Accordingly the applicability of this standard did not have any impact on the Company during the period

IFRS 9 'Financial Instruments'

IFRS 9 “Financial Instruments” (IFRS 9) replaces IAS 39 “Financial Instruments: Recognition and Measurement”. It introduces new requirements for the classification and measurement of financial assets and financial liabilities and impairment for financial assets.

IFRS 9 permits either a full retrospective or a modified retrospective approach for adoption. The Company has adopted the standard using the modified retrospective approach for classification, measurement and impairment. This means that the cumulative impact, if any, of the adoption is recognized in unappropriated profit as of July 1, 2019 and comparatives are not restated. Details of these new requirements as well as their impact on the Company’s financial statements are described below:

i) Classification and measurement of financial assets and financial liabilities

IFRS 9 no longer has an “Available-for-sale” classification for financial assets. The new standard has different requirements for debt or equity financial assets. It requires the Company to assess the classification of financial assets on its statement of financial position in accordance with the cash flow characteristics of the financial assets and the relevant business model that the Company has for a specific class of financial assets.

Debt instruments are classified and measured either at:

- Amortized cost, where the effective interest rate method will apply;
- Fair value through other comprehensive income, with subsequent recycling to the profit or loss upon disposal of the financial asset; or
- Fair value through profit or loss.
  Investments in equity instruments, other than those to which consolidation or equity accounting apply, should be classified and measured either at:
- Fair value through other comprehensive income, with no subsequent recycling to the profit or loss upon disposal of the financial asset; or that are highly liquid, readily convertible to known amounts of cash with insignificant risk of changes in value and have original maturity period of less than three months from the date of acquisition; or
- Fair value through profit or loss.
  Application of IFRS 9 had no impact on financial liabilities of the company.

Assessment of financial impact of measurement requirements on adoption of IFRS 9 as at July 1, 2019 is as follows:

	Measurement Under IAS 39	**Under IFRS 9 (New adoption)**	**Carrying Under IAS 39**	**Under IFRS 9**	**Difference**
Financial Assets					
Deposits	Loans and receivable	Amortized Cost	3,001,494	3,001,494	-
Trade debts	Loans and receivable	Amortized Cost	193,744	193,744	-
Advances and other receivables	Loans and receivable	Amortized Cost	1,735,126	1,735,126	-
Investments	FVTPL	FVTPL	58,104	58,104	-
Cash and bank balance	Loans and receivable	Amortized Cost	1,847,266	1,847,266	-

There is no impact on financial liabilities of the company as result of application of IFRS 09.

ii) Impairment of financial assets

IFRS 9 introduces the Expected Credit Loss (ECL) model, which replaces the incurred loss model of IAS 39 whereby an allowance for doubtful debt was required only in circumstances where a loss event has occurred. By contrast, the ECL model requires the Company to recognize an allowance for doubtful debt on all financial assets carried at amortized cost (including, for example, trade debts and other receivables), as well as debt instruments classified as financial assets carried at fair value through other comprehensive income, since initial recognition, irrespective whether a loss event has occurred. For trade receivables and other receivables, the Company applies IFRS 9 simplified approach to measure the expected credit losses (loss allowance) which uses a lifetime expected loss allowance while general 3-stage approach for other financial assets i.e. to measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. If risk has significantly increased then credit loss over the whole life of the assets shall be recognized and in case of happening of actual event the impairment shall be recorded.

4.2.3 Financial Instruments

All financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. All the financial assets are derecognized at the time when the Company looses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on de-recognition of the financial assets and financial liabilities are taken to the statement of profit or loss.

Financial assets

Classification

Effective July 1, 2019, the Company classifies its financial assets in the following measurement categories:

a) Amortized cost where the effective interest rate method will apply;

b) fair value through profit or loss;

c) fair value through other comprehensive income.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in statement of profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this depends on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVTOCI). The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in statement of profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

a) Amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other operating gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

b) Fair value through other comprehensive income (FVTOCI)

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to statement of profit or loss and recognized in other income/charges. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/charges and impairment expenses are presented as separate line item in the statement of profit or loss.

c) Fair value through profit or loss (FVTPL)

Assets that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in the statement of profit or loss and presented net within other operating gains/(losses) in the period in which it arises.

De-recognition of financial assets

A financial asset (or, where applicable part of a financial asset or part of a group of similar financial assets) is derecognized when:

The rights to receive cash flows from the asset have expired

The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

Effective July 1, 2019, the Company assesses on a forward looking basis the Expected Credit Losses (ECL) associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Following are financial instruments that are subject to the ECL model:

Trade debts
Loans, advances, deposits, prepayments and other receivables
Cash and bank balances

Simplified approach for trade debts

The Company recognizes lifetime ECL on trade debts, using the simplified approach. The measurement of ECL reflects:
an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Trade debts are separately assessed for ECL measurement. The lifetime expected credit losses are estimated using the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Recognition of loss allowance

The Company recognizes an impairment gain or loss in the statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making a contractual payment.

Write-off

The Company write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount.

ii) Financial liabilities

Classification, initial recognition and subsequent measurement

The Company classifies its financial liabilities in the following categories:

at fair value through profit or loss; and

other financial liabilities

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, also include directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification, as follows:

a) Fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as being at fair value through profit or loss. The Company has not designated any financial liability upon recognition as being at fair value through profit or loss.

b) Amortized cost

After initial recognition, other financial liabilities which are interest bearing are subsequently measured at amortized cost, using the effective interest rate method. Gain and losses are recognized in the statement of profit or loss, when the liabilities are derecognized as well as through effective interest rate amortization process.

De-recognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit or loss.

iii) Off-setting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position, if the Company has a legally enforceable right to set off the recognized amounts, and the Company either intends to settle on a net basis, or realize the asset and settle the liability simultaneously. Legally enforceable right must not be contingent on future events and must be enforceable in normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counter party.

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

There are certain new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after July 1, 2020 but are considered not to be relevant or will not have any significant effect on the Company's operations and are, therefore, not detailed in these condensed interim financial statements.

	Un-audited December 31, 2019	Audited June 30, 2019
	---------------- **Rupees** ----------------	
5 PROPERTY, PLANT AND EQUIPMENT		
Operating property, plant and equipment	**156,902,549**	160,730,656

	Half year ended		**Quarter ended**	
	December 31, 2019	December 31, 2018	**December 31, 2019**	December 31, 2018
	------------------------------**Rupees**------------------------------			
Depreciation charged for the period	3,563,608	2,995,576	1,781,039	1,503,224
Disposal made during the period Carrying value	264,501	-	30,684	-

		Un-audited December 31, 2019	Audited June 30, 2019
6	**CASH AND BANK BALANCES**	---------------- Rupees	----------------
	Cash in hand	**1,763,654**	9,623
	Cash at bank	**83,612**	591,242
		1,847,266	600,865

		Note	Unaudited December 31, 2019	Audited June 30, 2019
7	**SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net**	**Note**	---------------- Rupees	----------------
	Surplus on freehold land	**7.1**	**20,654,210**	20,654,210
	Surplus on building on freehold land	**7.2**	**14,104,694**	14,464,659
			34,758,904	35,118,869
7.1	Movement of surplus on freehold land during the period			
	Revaluation surplus as at July 01		**20,654,210**	20,654,210
	Surplus arising on revaluation carried out during the year		**-**	-
			20,654,210	20,654,210
7.2	Movement of surplus on building on freehold land during the period			
	Revaluation surplus as at July 01		**20,279,728**	21,574,179
	Surplus arising on revaluation carried out during the year		**-**	-
			20,279,728	21,574,179
	Transferred to unappropriated profit in respect of incremental depreciation charged during the period, net of deferred tax		**(359,965)**	(765,883)
	Restatement of opening liability due to change in tax rate		**(202,797)**	(215,742)
	Related deferred tax liability of incremental depreciation charged during the period		**(147,028)**	(312,826)
	Revaluation surplus		**19,569,938**	20,279,728
	Less: Related deferred tax liability on:			
	- revaluation as at July 1		**(5,815,069)**	(6,343,637)
	- restatement of opening liability due to change in tax rate		**202,797**	215,742
	- incremental depreciation charged during the period, transferred to profit and loss account		**147,028**	312,826
			(5,465,244)	(5,815,069)
			14,104,694	14,464,659

8 CONTINGENCIES AND COMMITMENTS

Contingencies

8.1 The Company was selected for income tax audit for the Tax Year June 2012. The assessing officer issued impugned order dated 24.01.2017 wherein the Company was ordered to pay imunged income tax demand amount to Rs.9.999 million along with default surcharge and penalty. Being aggrieved with the order, the Company preferred the instant appeal before the Commissioner Inland Revenue (Appeal), contesting that the Deputy Commissioner Inland Revenue passed the order without proper jurisdiction over the 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 interim financial statement on this account.

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

Commitments

There were no commitments as at December 31, 2019 (June 30, 2019: Nil).

		Half year ended		Quarter ended	
		December 31, 2019	December 31, 2018	**December 31, 2019**	December 31, 2018
		----------Rupees----------			
9	**COST OF SALES**				
	Raw material consumed	**8,020,150**	24,275,238	**3,950,252**	12,642,191
	Salaries, wages and benefits	**1,497,992**	1,703,181	**743,552**	879,119
	Electricity and water	**-**	9,650	**(22,240)**	1,930
	Stores and spares consumed	**3,725**	12,702	**3,725**	-
	Repairs, maintenance and handling	**296,100**	506,460	**53,035**	255,350
	Vehicles running and maintenance	**-**	132,220	**-**	70,530
	Depreciation	**650,481**	918,847	**324,473**	461,449
	Others	**963,703**	815,192	**624,444**	440,593
	Maintenance and other charges recovered	**-**	(125,467)	**-**	(56,995)
		11,432,151	28,248,023	**5,677,241**	14,694,167
	Finished goods				
	Opening stock	**275,717**	952,079	**374,077**	930,638
	Closing stock	**(94,865)**	(815,741)	**(94,865)**	(815,741)
		180,852	136,338	**279,212**	114,897
		11,613,003	28,384,361	**5,956,453**	14,809,064
10	**ADMINISTRATIVE EXPENSES**				
	Directors' remuneration and meeting fees	**1,746,498**	1,726,739	**850,585**	855,739
	Salaries and benefits	**1,562,133**	1,531,239	**786,137**	721,989
	Electricity, gas and water	**89,768**	81,930	**50,164**	40,429
	Repairs and maintenance	**81,090**	73,414	**45,330**	36,964
	Rent, rates and taxes	**273,498**	273,498	**136,749**	136,749
	Traveling and conveyance	**76,870**	81,610	**41,390**	41,680
	Vehicles running and maintenance	**146,810**	120,098	**77,051**	60,952
	Entertainment	**2,705**	830	**2,085**	140
	Communication	**70,603**	44,042	**40,115**	16,953
	Printing and stationery	**41,931**	56,380	**35,243**	49,869
	Legal and professional charges	**358,000**	10,800	**350,000**	10,800
	Auditors' remuniration	**75,000**	59,000	**75,000**	55,000
	Fees, subscription and periodicals	**862,156**	206,367	**524,226**	60,137
	Advertisement	**24,000**	34,835	**24,000**	34,835
	Depreciation	**68,798**	106,761	**34,399**	106,761
	Others	**7,231**	(70,378)	**7,616**	(39,166)
		5,487,091	4,337,165	**3,080,090**	2,189,831
11	**OTHER OPERATING EXPENSES**				
	Depreciation on idle plant & related assets	**2,844,329**	1,969,968	**1,422,165**	980,015
	Others	**-**	45,000	**-**	-
		2,844,329	2,014,968	**1,422,165**	980,015
12	**FINANCE COST**				
	Short term borrowing from Provident Fund	**337,288**	424,138	**163,535**	219,577
	Bank charges	**1,930**	5,614	**1,930**	2,344
		339,218	429,752	**165,465**	221,921

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

13 TAXATION

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

14 WORKING CAPITAL CHANGES

	Unaudited December 31, 2019	December 31, 2018
	---------------- Rupees	----------------
(Increase) / decrease in current assets		
Stores and spares	**3,725**	12,702
Stock-in-trade	**180,852**	131,338
Trade debts	**359,679**	(109,056)
Advances and other receivables	**59,997**	1,745,264
(Decrease) / Increase in current liabilities		
Trade and other payables	**(896,044)**	(1,053,940)
Accrued liabilities	**1,847,668**	-
Payable to provident fund	**(1,346,890)**	-
	208,987	726,308

15 TRANSACTIONS WITH RELATED PARTIES

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

Associated undertakings		
Organization charges paid	**273,498**	227,915
Long-term loan re-paid to associated undertaking	**347,851**	16,235
Transactions with key management personnel		
Salaries, benefits and other allowances	**1,746,498**	1,726,739
Other related parties		
Amount received as liability	**6,618,597**	1,633,765
Contribution made by the Company to retirement benefit plan	**179,411**	250,289
Payment made to retirement benefit plan	**2,043,000**	156,799
Mark up accrued on loan from retirement benefits plan	**-**	52,174

16 FINANCIAL RISK MANAGEMENT

The Company's financial management objectives and policies are consistent with those disclosed in the financial statements for the year ended June 30, 2019.

17 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorised for issue on February 25, 2020 by the Board of Directors of the Company.

18 GENERAL

Figures presented in these condensed interim financial information have been rounded off to the near est of a Rupee, unless otherwise stated.

M. HANIF Y. BAWANY
Chief Executive Officer

M. ARIF DALIA
Chief Financial Officer

MOMIZA HANIF BAWANY
Director

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