



**BAWANYAIR**  
PRODUCTS LIMITED

**FORTY THIRD**  
**ANNUAL REPORT**  
**2020-2021**

## **TRIBUTE TO HONORABLE CHAIRMAN MR. YAHYA AHMED BAWANY 1925-2009**



This is a small tribute in the honor of Mr. Yahya Ahmed Bawany (SQA). He passed away peacefully on Monday 12th January, 2009 at the age of 84. The first industry of the Bawany Group in Pakistan was set up by Seth Ahmed Ibrahim Bawany of Rangoon Burma (Myanmar) soon after Pakistan's Independence in Karachi, known as Bawany Violin Textile Mills. Thereafter his son Yahya Ahmed Bawany born in 1925 at Rangoon Burma (Myanmar) was instrumental in setting up all the other industries of the Bawany Group from 1953 to 1971 making the group an industrial giant. Some of the industries are listed here. Latif Bawany Jute Mills and Ahmed Bawany Textile Mills (These two industries employed over 10,000 workers), Eastern Chemical Industries, Eastern Tubes (Toshiba), Bella Artifitex, Oriental Water Works (barges and ship lightening), Bawany Tea Estate, Bawany Coconut Estates, ABL Brick Fields, RR Textiles Mills, Khulna Textile Mills. Further he got sanction permission to set up Bawany Sugar Mills in Badin, Balotra Textile Mills, Annoor Textile Mills and Medina Textile Mills in the Mid 1960's. After 1971 and the independence of Bangladesh he set up Al-Ameen Textile Mills, Kotri (The first Toyada Open-end Spinning in Pakistan). Then he acquired Paramount Limited (electric tube lights and bulbs). Yusuf Industries (artificial leather). He then went up to set up his last two industries namely Latif Jute Mills Limited and Bawany Air Products Limited (Industrial gases). Yahya Ahmed Bawany besides being a successful industrialist was also involved in social and philanthropic work, he established Ahmed Bawany Academy and Bawany High School in Dhaka. Ahmed Bawany Academy and Kaka Bawany Vocational Centre in Karachi. Some of his other achievements are listed below:

- " Founder and Former President of All Pakistan Jute Mills Association, East Pakistan.
- " Founder and Former President of All Pakistan textile Mills Association, Pakistan.
- " Founder and Former President of Dhaka Chamber of Commerce and Industry.
- " Founder and Former President Narayanganj Chamber of Commerce.
- " Former President Pakistan Memon Educational and Welfare Society.
- " Former President of Jetpur Memon Jamat.
- " Co-founder and serving President of United Memon Jamat.
- " Founder member of Jetpur Memon Relief Society.
- " Former Co-founder Trustee and member of World Memon Foundation.
- " Former Chairman and Member of Managing Committee of Aisha Bawany Wakf.
- " Founder Chairman AAL Bawany Foundation.
- " Served as founding member of the Managing Committee of Federation of Pakistan Chamber of Commerce & Industry (FPCCI) representing former East Pakistan.
- " Member of Advisory Council Federal Ministry of Commerce, Eastern Wing.
- " Member of Advisory Council Federal Ministry of Industry, Eastern Wing.
- " Member of Advisory Council Federal Ministry of Finance, Eastern Wing.
- " Chairman of refugees Rehabilitation and Finance Corporation Dhaka, Former East Pakistan.
- " Chairman of Lal Bagh Madrassa Dhaka.
- " Sponsor and Secretary General of Baitul Mukarram Mosque (National Mosque of Bangladesh, Dhaka). It was built under his personal supervision from inception.
- " He was awarded the SITARA-E-QUAID-E-AZAM (SQA) one of the highest Civilian Awards for his social services.

We are grateful to Jetpur Memon Relief Society for announcing of naming of a building of a block of flats in Gulshan-e-Iqbal as "Yahya Ahmed Bawany Building".

Please recite Surah-e-Fateha for his departed soul.

# **BAWANYAIR**

## **PRODUCTS LIMITED**

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## CORPORATE INFORMATION

|  |  |  |
|--|--|--|
| <b>BOARD OF DIRECTORS</b>                              | Mr. Vali Mohammad M. Yahha<br>Mr. M. Hanif Y. Bawany<br>Mrs. Momiza Hanif Bawany<br>Mr. Mikhail Bawany<br>Mr. Wazir Ahmed Jomezai<br>Mr. Zakaria A. Ghaffar<br>Mr. Muhammad Danish | Chairman - Non Executive Director<br>Chief Executive Officer<br>Executive Director<br>Non Executive Director<br>Non Executive Director<br>Non Executive Director<br>Independent Director |
| <b>AUDIT &amp; HR COMMITTEE</b>                        | Mr. Muhammad Danish<br>Mr. Vali Mohammad M. Yahha<br>Mr. Zakaria A. Ghaffar<br>Mr. Muhammad Munir  | Chairman<br>Member<br>Member<br>Secretary to Audit Committee   |
| <b>HEAD OF INTERNAL AUDIT</b>                          | Mr. Muhammad Munir   |  |
| <b>CHIEF FINANCIAL OFFICER &amp; COMPANY SECRETARY</b> | Mr. Abdul Rauf   |  |
| <b>AUDITORS</b>  | S. M. SUHAIL & CO.<br>Chartered Accountants  |  |
| <b>BANKERS</b>   | Faysal Bank Limited<br>United Bank Limited<br>MCB Bank Limited<br>National Bank of Pakistan  |  |
| <b>SHARE REGISTRAR</b>                                 | C&K Management Associates (Pvt) Ltd.<br>404, Trade Tower,<br>Abdullah Haroon Road, Karachi<br>Te: 35687839-35685930  |  |
| <b>REGISTERED OFFICE</b>                               | Khasra No. 52/53 R.C.D. Highway,<br>Mouza Pathra, Tehsil Hub,<br>Lasbella District, Balochistan<br>Tel: 0853 - 363289<br>Fax: 0853 - 363290  |  |
| <b>CITY OFFICE</b>                                     | 16-C, 2nd Floor, Nadir House,<br>I.I. Chundrigar Road,<br>Karachi<br>Tel: 021-32400440-41  |  |

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Forty Third Annual General Meeting of the Company will be held at the registered office Khasra No. 52/53, RCD Highway, Hub, Balochistan on Thursday 25th November 2021 at 12:00 p.m. to transact the following business:

### ORDINARY BUSINESS

1. To confirm the minutes of the Annual General Meeting held on October 27, 2020.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2021 together with Directors and Auditor's Reports thereon.
3. To appoint auditors for the year 2021-2022 and fix their remuneration.
4. Transact any other business with permission of chair.

**Karachi:** October 27, 2021

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 11:00 a.m. sharp on November 25, 2021.
2. The register of members of the Company will remain closed from November 19, 2021 to November 25, 2021 (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 Computerized 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, 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. Attendance through Proxy
  - a) Proxy Form(s) must be deposited at Company's Share Registrar's office not later than forty-eight (48) hours before the time of the Meeting.
  - 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, 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, 2021. The financial performance of the Company has not changed significantly from last year as there was no revenue and the expenses are to the minimum possible level.

### Overview of performance of the Company and the Board

In the current year, the management successfully settled / paid off the outstanding liability of all the banks, modarabas as well as K-Electric with negotiations and thereafter, the mortgage and charge over the assets of the Company has been released. Vacation of charge is also complete, and the Company has obtained acknowledgment from the Securities & Exchange Commission of Pakistan. It is a big achievement where all the assets of the Company are free from any charge, and this will ease the way for the Company to sell these assets. Similarly, the management successfully paid off outstanding creditors and the old outstanding liability of provident fund.

The agreement for sale of land, building and plant & machinery could not be completed as the counterparty has failed to make the due payments on agreed timelines. The Company is actively pursuing the matter to reach a consensus and conclude the sale. The management is confident that the sale transaction will occur in compliance with the terms and conditions of the agreement.

As explained in the past, management had identified an investor Fossil Energy (Private) Limited, which expressed public intention to acquire controlling shares in the Company. However, during the year, Fossil Energy (Private) Limited withdrew its intention and management has started searching a new investor and is very hopeful to materialize in near future which is good for the Company as well as the shareholders.

As far as operations of the Company are concerned, there was no significant change from last year. There was no revenue in current year since the continued devaluation of rupee, worsening economic conditions, rising inflation, and uncertainty in price of metals (especially steel in international market) are the key factors that have shaken the confidence of investors. To add to this, the new variants of COVID also hit the labor-intensive industry of Gadani Ship Breaking in the current year as it was greatly affected due to lockdown, and this led to overall decline in the financial performance of businesses nationwide.

During the year, the Company recorded Rs. 0.590 million impairment loss on building as it was revalued in line with the requirements of relevant accounting standards. The working capital of the Company was financed by disposal of items of plant and machinery.

### Future plan

We believe that after settlement of all the outstanding debts from the banks, payment of long outstanding liabilities and the vacation of charge on assets of the Company are the key achievements which will attract more reliable and strong investors.

After the withdrawal of intention to acquire shares of the Company by Fossil Energy (Private) Limited, management has started searching a new investor and is very hopeful to materialize in near future which is good for the Company as well as the shareholders.

### Performance evaluation

As required under the Code of Corporate Governance and in pursuance of SECP's guidelines, an evaluation process is carried out online internally to assess annual performance of the Board, members of the Board and its sub-committees as well as performance of the chief executive officer.

An evaluation session is carried out in the meeting of Board of Directors and individual members brief their performance and Company's expectations.

I am pleased to report that overall performance of the Board, its Committees and CEO of the Company for the year ended June 30, 2021, remained satisfactory.

### Change in the Board

During the year under review, a casual vacancy rose due to resignation of an independent director, Mr. Siraj A. Kadir on 29 December 2020 which was filled by appointment of Mr. Muhammad Danish.

Mr. Muhammad Danish brings with him rich experience in the field of operational aspects of businesses. The Board welcomes Mr. Muhammad Danish and looks forward to his valuable contributions towards the Company's business.

#### **Frequency of the meetings**

During the year (5) five meetings of the Board of Directors, four (4) meetings of its Audit Committee and four (4) meetings of the Human Resource Committee were held.

#### **Composition of the Board**

In pursuance of the Code, the Company encourages representation of Independent and Non-Executive Directors with gender diversity on its Board. The existing Board of the Company, comprising 7 (seven) members and having core competencies, diversity, requisite skills, knowledge, and experience, fulfils the criteria as considered relevant in the context of the company's operations. Details of the composition of the Board and its Committees are appearing in the "Statement of Compliance with Listed Companies Code of Corporate Governance".

#### **Role of the Chairman**

In my capacity as Chairman, I always try to ensure that:

- Board receives adequate, accurate, clear, complete, and reliable information in a timely manner.
- Board members are briefed on important and significant matters.
- All key issues are discussed in detail by the Board.

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, 2021.

### OVERVIEW

The year 2021 ended with minimal business activity similar to last year and no production or selling activity was carried out. The main reason in the declining trend is the operational problems faced by the Company due to the breakdown of its major plant in the year 2013 and due to liquidity issues, the Company was unable to finance, plant repairs were consistently carried out but the financial and economic condition did not improve since then. During the year (because of the reasons stated above) the Company suffered a loss of Rs. 18.14 million (2020: 87.19 million)

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

| Description                    | 2021         | 2020         |
|--------------------------------|--------------|--------------|
|                                | Rupees       |              |
| Sales                          | -            | 12,795,636   |
| Cost of sales                  | -            | (16,145,085) |
| Gross loss                     | -            | (3,349,449)  |
| Distribution cost              | -            | (1,492,535)  |
| Administrative expenses        | (8,215,040)  | (7,775,083)  |
| Other operating expenses       | (11,554,771) | (74,347,737) |
| Impairment of financial assets | -            | (35,507)     |
| Un-realised gain / (loss)      | 7,182        | (2,827)      |
| Other income                   | 2,885,638    | 2,408,782    |
| Operating loss                 | (16,876,991) | (84,594,355) |
| Finance cost                   | (1,261,181)  | (636,232)    |
| Loss before taxation           | (18,138,172) | (85,230,587) |
| Taxation                       | -            | (1,956,524)  |
| Loss after taxation            | (18,138,172) | (87,187,111) |

### FROM ABOVE TABLE, WE CAN ANALYSE THE PERFORMANCE AS FOLLOWS:

- The financial statements for the year ended June 30, 2021 reflect a loss after taxation of Rs.18.14 million (2020: Rs. 87.19) million, and as of that date, its accumulated losses stood at Rs.77.861 million (2020: Rs. 158.81) 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, causing the Company to face adverse liquidity position.
- The administrative expenses increased by Rs. 0.439 million which is mainly due to the professional charges paid for tax consultancy for defending the case relating to the demand of tax withheld by the Company in previous years. Please refer Note 27 to the financial statement for further details.
- The decrease in other operating expenses is due to impairment amounting to Rs. 68.6 million which was booked in the last year.
- Finance cost for the year includes final settlement / clearance of all dues and charges of banks / financial institutions.

### MATERIAL INFORMATION

#### SETTLEMENT OF THE BANK LIABILITIES

The management has successfully settled / paid off the outstanding liability of all the banks / financial institutions and thereafter, the mortgage and charge over the assets of the Company has been released. Vacation of charge is also complete, and the Company has obtained acknowledgment from the Securities & Exchange Commission of Pakistan.



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## **PAYMENT TO PROVIDENT FUND AND K-ELECTRIC**

The liability of provident fund was also paid off along-with interest. In this way, management has ensured compliance of the requirements of the SECP. Similarly, the matter of excess billing of K-Electric was also discussed in detail with them and ultimately, this matter has also concluded in favour of the Company, the management has paid off the agreed amount after the year end.

## **STATUS OF ASSETS HELD FOR SALE**

The process for completion of sale of land, building and plant & machinery is still in process as the counterparty has not made the due payments on agreed timelines and has not complied with the terms and conditions initially agreed. However, the management is in discussion with them and is hopeful that the sale transaction will materialize in near future as per the agreed terms.

## **DECLINE OF INTIMATION FROM THE INVESTOR**

We would like to bring to your attention that prior to this year, management was approached by an investor, M/S Fossil Energy (Private) Limited, who expressed an intention to acquire controlling shares in the Company to bring the funds necessary for the revival of the business activities of the Company by involving in other businesses as well. But near the year end on, June 16, 2021, M/S Fossil Energy (Private) Limited has withdrawn its intention.

## **INTIMATION EXPECTED FROM ANOTHER INVESTOR**

The management expects that a new investor may be approaching with a fresh intention that may materialize in near future which is good for the Company as well as shareholders.

## **ADVERSE AUDIT REPORT**

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

The auditors' have issued an adverse opinion in the independent auditor's report and the following are the basis for adverse opinion in the auditor's report.

1. The going concern assumption used by the management in the preparation of the financial statements is not appropriate and the financial statement should have been prepared on Net realizable value.
2. Management was unable to provide details of the long term security deposit obtained from the customer for gas cylinders and tanks amounting to Rs 45.16 million.

## **MANAGEMENT COMMENTS ON THE AUDIT REPORT**

The Board of Directors are hopeful that the sale of assets will improve the liquidity issues of the Company and it will have ample cash reserves to start a new business of general trading, may be involving other investors and, the Directors have also assured support to the Company financially, as well as professional expertise to manage the affairs of the Company.

Further for security deposits, this amount was obtained many years back starting from early 1980 still 2012 therefore, Company was not able to provide the details of deposit in the form and manner requested by the auditors.

## KEY OPERATING AND FINANCIAL DATA FOR LAST 10 YEARS

| Year | Sales - net       | Gross profit / (loss) | Loss before taxation | Shareholder's equity | Total current assets | Total current liabilities | Earnings per share |
|------|-------------------|-----------------------|----------------------|----------------------|----------------------|---------------------------|--------------------|
|      | Rupees in million |                       |                      |                      |                      |                           | Rupees             |
| 2011 | 195.44            | 48.80                 | 22.27                | 89.34                | 22.01                | 50.04                     | 1.75               |
| 2012 | 209.97            | 49.08                 | 15.29                | 97.56                | 21.09                | 48.96                     | 1.02               |
| 2013 | 238.60            | 57.68                 | 21.95                | 111.06               | 25.24                | 38.06                     | 1.73               |
| 2014 | 123.79            | (1.90)                | (28.63)              | 90.16                | 20.99                | 62.49                     | (2.83)             |
| 2015 | 99.63             | 4.72                  | (18.30)              | 71.15                | 17.35                | 59.78                     | (2.57)             |
| 2016 | 94.43             | 5.12                  | (17.66)              | 58.00                | 17.82                | 63.43                     | (2.35)             |
| 2017 | 82.70             | 2.24                  | (19.14)              | 42.35                | 15.43                | 71.26                     | (2.14)             |
| 2018 | 89.08             | 4.39                  | 15.35                | 62.58                | 16.22                | 79.66                     | (2.19)             |
| 2019 | 51.91             | 0.38                  | (19.82)              | 37.90                | 10.53                | 85.14                     | (1.93)             |
| 2020 | 12.80             | (3.35)                | (85.23)              | 15.22                | 8.93                 | 94.14                     | (11.62)            |
| 2021 | -                 | -                     | (18.14)              | (2.92)               | 9.02                 | 93.25                     | (2.42)             |

## WAY FORWARD

The Directors of the Company are hopeful that the sale of assets will improve the liquidity issues of the Company and it will have ample cash reserves to start a new business of general trading, may be involving other investors and, the Directors have also assured support to the Company financially, as well as professional expertise to manage the affairs of the Company. The management also expects that a new investor will approach with a fresh intention that could materialize in near future.

## BOARD OF DIRECTORS

During the year a casual vacancy arose due to resignation of an independent director, Mr. Siraj A. Kadir on 29 December 2020 which was filled by appointment of Mr. Muhammad Danish. The Board appreciated the services of Mr. Siraj and thanked him for his efforts towards the development and growth of the Company for many decades.

Mr. Muhammad Danish brings with him rich experience in the field of operational aspects of businesses. The Board welcomes Mr. Muhammad Danish and looks forward to his valuable contributions towards the Company's business.

## AUDITORS

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

## STATEMENT OF CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- 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;
- Proper books of accounts of the Company have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of financial statement and accounting estimates are based on reasonable and prudent judgment;
- International accounting standards, as applicable in Pakistan, have been followed in preparation of financial statements;
- 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. 761,571 in respect of direct taxes to national ex-chequer.

During the year 5 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     | 5                        |
| Mrs. Momiza Hanif Bawany   | 5                        |
| Mr. Vali Mohammad M. Yahya | 5                        |
| Mr. Mikhail Bawany         | 1                        |
| Mr. Wazir Ahmed Jomezai    | 1                        |
| Mr. Zakaria A. Ghaffar     | 5                        |
| Mr. Muhammad Danish        | 2                        |

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 Officer nor any other Directors have purchased any shares of the Company.

#### ACKNOWLEDGEMENT

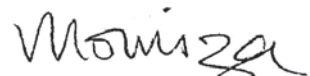
The Board wishes to express appreciation and place on record its gratitude for the faith reposed in and co-operation extended to the Company by the State Government, various Government agencies / Departments, Financial Institutions, Banks, Customers, Suppliers and Investors of the Company. Your Directors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



**MOMIZA HANIF BAWANY**  
Director

Karachi

Dated: 27 October 2021

## ڈائریکٹران کی رپورٹ

کمپنی کے ڈائریکٹران کمپنی کے سالانہ آڈٹ شدہ مالیاتی گوشوارے برائے مختتمہ مدت 30 جون 2021 بمع آڈٹ رپورٹ پیش کرتے ہوئے اظہار مسرت کرتے ہیں۔

جائزہ

سال 2021 میں گزشتہ سال کی طرح کاروباری سرگرمی میں کمی رہی اور کوئی پیداواری یا فروخت کی سرگرمی نہیں ہوئی۔ زیریں رجحان کی بنیادی وجہ سال 2013 میں کمپنی کے بڑے پلانٹ کے بندش کے نتیجے میں پیداواری مسائل تھے اور روانیت کے مسائل کی وجہ سے کمپنی پلانٹ کی مرمت تسلسل کے ساتھ نہیں کر پائی لیکن مالیاتی اور معاشی صورتحال اُس وقت سے بہتر نہیں ہوئی ہے۔ سال کے دوران مندرجہ بالا وجوہات کی بناء پر کمپنی کو 18.14 ملین روپے کا خسارہ ہوا (2020: 87.19 ملین روپے)

کمپنی کی مالیاتی جھلکیوں کا گزشتہ سال کے ساتھ موازنہ درج ذیل ہے:

| تفصیل                         | 2021         | 2020         |
|-------------------------------|--------------|--------------|
|                               | روپے         |              |
| فروخت                         | -            | 12,795,636   |
| لاگت فروخت                    | -            | (16,145,085) |
| خام (خسارہ)                   | -            | (3,349,449)  |
| تقسیمی لاگت                   | -            | (1,492,535)  |
| انتظامی اخراجات               | (8,215,040)  | (7,775,083)  |
| دیگر کاروباری اخراجات         | (11,554,771) | (74,347,737) |
| مالیاتی اثاثوں پر فرسودگی     | -            | (35,507)     |
| غیر تسلیم شدہ منافع / (خسارہ) | 7,182        | (2,827)      |
| دیگر آمدن                     | 2,885,638    | 2,408,782    |
| کاروباری خسارہ                | (16,876,991) | (84,594,355) |
| مالیاتی لاگت                  | (1,261,181)  | (636,232)    |
| خسارہ قبل از ٹیکس             | (18,138,172) | (85,230,587) |
| ٹیکس                          | -            | (1,956,524)  |
| خسارہ بعد از ٹیکس             | (18,138,172) | (87,187,111) |

مندرجہ بالا ٹیبل سے ہم کارکردگی کا درج ذیل موازنہ کر سکتے ہیں:

☆ سال مختتمہ 30 جون 2021 کے مالیاتی گوشواروں سے ظاہر ہوتا ہے کہ (خسارہ) بعد از ٹیکس (18.14) ملین روپے (2020 میں 87.19 ملین روپے) ہو گیا اور اس

تاریخ تک جمع شدہ خسارہ (77.861) ملین روپے ہو گیا (2020 میں 158.81 ملین روپے)۔ کمپنی کے پیداواری افعال پلانٹ کی بندش سے متاثر ہو رہے ہیں جس کے نتیجے میں سال کے دوران بھی مائع آکسیجن کی پیداوار بند رہی جس سے کمپنی کی روانیت کی حالت پر ناموافق اثرات مرتب ہو رہے ہیں۔

☆ انتظامی اخراجات میں 0.439 ملین روپے کا اضافہ ہوا جس کی بنیادی وجہ پیشہ ورانہ اخراجات تھے جو کہ ٹیکس مشیر کو سابقہ سالوں میں کمپنی کی ٹیکس کٹوتی کی طلب سے متعلق کیس کے دفاع کے لئے ادا کئے گئے تھے۔ مزید تفصیلات کے لئے برائے مہربانی مالیاتی گوشواروں کے نوٹ نمبر 27 ملاحظہ فرمائیں۔

☆ کاروباری اخراجات میں کمی کی وجہ 68.6 ملین روپے کی فرسودگی تھی جسے گزشتہ سال بک کیا گیا تھا۔

☆ مالیاتی لاگت میں بینکوں/مالیاتی اداروں کے واجبات اور اخراجات کی مدت میں حتمی تصفیہ/ادائیگی شامل تھی۔

## اہم معلومات

### بینک کے واجبات

انتظامیہ نے بینکوں/مالیاتی اداروں کے بقایا واجبات کا میانی سے ادا/تصفیہ کر دیئے ہیں اور بعد ازاں کمپنی کے اثاثوں پر سے قرضی اور چارج ختم ہو گیا ہے۔ چارج سے خلاصی مکمل ہو گئی ہے اور کمپنی نے سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان سے وصولی کو تسلیم کر لیا ہے۔

### پروویڈنٹ فنڈ اور کے الیکٹرک کو ادائیگی

پروویڈنٹ فنڈ بھی سود کے ساتھ ادا کر دیا گیا ہے۔ اس طرح انتظامیہ نے SECP کی ضروریات کی پاسداری کو یقینی بنایا ہے۔ اسی طرح کے الیکٹرک کا حد سے زیادہ بل کا معاملہ پر بھی ان کے ساتھ تفصیلی گفت و شنید ہوئی ہے اور جس کے نتیجے میں معاملہ کا نتیجہ کمپنی کے حق میں ہو گیا ہے۔ انتظامیہ نے طے شدہ رقم ادا کر دی ہے۔

### اثاثے برائے فروخت کی نوعیت

زمین، بلڈنگ اور پلانٹ و مشینری کی فروخت کا عمل تکمیل میں ہے اور دوسرے فریق نے طے شدہ تاریخ پر واجبات ادا نہیں کئے ہیں اور ابتدائی طے شدہ شرائط پر عمل نہیں کیا ہے۔ تاہم انتظامیہ ان کے ساتھ گفت و شنید کر رہی ہے اور امید ہے کہ طے شدہ شرائط پر کئے گئے فروخت کے سودے پر مستقبل قریب میں عملدرآمد ہو جائے گا۔

### سرمایہ کار کے اپنے ارادے پر عمل سے انکار

ہم آپ کو توجہ مبذول کرانا چاہتے ہیں کہ اس سال سے گزشتہ سال ایک سرمایہ کار میسرز فوسل انرجی (پرائیویٹ) لمیٹڈ نے انتظامیہ سے رابطہ کیا تھا جنہوں نے دیگر کاروبار کے ساتھ ساتھ کمپنی کی کاروباری سرگرمیوں کی بحالی کے لئے درکار سرمایہ فراہم کرنے کے لئے کمپنی کے کنٹرولنگ شیئرز کے حصول کا ارادہ ظاہر کیا تھا۔ لیکن سال کے اختتام کے قریب یعنی 16 جون 2021 کو میسرز فوسل انرجی (پرائیویٹ) لمیٹڈ نے اپنے ارادہ واپس لے لیا تھا۔

انتظامیہ توقع کرتی ہے کہ کوئی دوسرا سرمایہ کار نئے ارادہ کے ساتھ انتظامیہ سے رابطہ کر سکتا ہے جس پر مستقبل قریب میں عملدرآمد ہو جائے گا، جو کہ نہ صرف کمپنی بلکہ حصہ یافتگان کے لئے اچھا ہوگا۔

### ناموافق آڈٹ رپورٹ

ہم آپ کی توجہ آڈٹ رپورٹ میں دیئے گئے اعتراضی مشاہدات کی طرف دلانا چاہتے ہیں:

آڈیٹرز نے اپنی آزادانہ آڈٹ رپورٹ میں ناموافق رائے کا اظہار کیا ہے اور آڈٹ رپورٹ میں ناموافق رائے کی بنیاد درج ذیل ہیں:

- 1- مالیاتی گوشواروں کی تیاری میں انتظامیہ کا چلتے ہوئے ادارہ کا مفروضہ مناسب نہیں ہے اور مالیاتی گوشواروں کو خالص قابل تسلیم قدر پر تیار کیا گیا ہے۔
- 2- انتظامیہ کیس سلنڈرز اور ٹینکس کے گاہکوں کی طویل مدتی جمع شدہ رقومات کی تفصیلات فراہم کرنے سے قاصر رہی اور یہ رقم 45.16 ملین ہے۔

#### آڈٹ رپورٹ پر انتظامی کی آراء

بورڈ آف ڈائریکٹرز چلتے ہوئے ادارے سے متعلق آڈیٹرز سے متفق نہیں کیونکہ وہ پر امید ہیں کہ اثاثوں کی فروخت سے کمپنی کے روانیت کے مسائل میں بہتری آئے گی اور ان سے نئے عمومی خرید و فروخت کے نئے کاروبار کے آغاز کے لئے کافی نقدی کے ذخائر دستیاب ہونگے جس میں نئے سرمایہ کار بھی شامل کئے جائیں گے اور ڈائریکٹران نے کمپنی کو مالیاتی تعاون کے ساتھ ساتھ کمپنی کے معاملات پر پیشہ ورانہ مہارت فراہم کرنے کی یقین دہانی کرائی ہے۔

مزید یہ کہ جمع شدہ رقومات کئی سالوں قبل یعنی 1980 کے عشرے سے 2012 تک حاصل کئے گئے، کمپنی جمع شدہ رقومات کی تفصیل اس شکل میں اور اس انداز سے فراہم کرنے سے قاصر ہے جس طرح آڈیٹرز درخواست کر رہے ہیں۔

گزشتہ 10 سالوں کے اہم کاروباری اور مالیاتی اعداد و شمار

| سال  | فروخت-خالص | خام منافع/خسارہ | منافع/خسارہ قبل از ٹیکس | حصص یافتگان کی ایکویٹی | کل رواں اثاثے | کل رواں واجبات | فی حصص آمدن |
|------|------------|-----------------|-------------------------|------------------------|---------------|----------------|-------------|
|      |            |                 |                         |                        |               |                | روپے        |
| 2011 | 195.44     | 48.80           | 22.27                   | 89.34                  | 22.01         | 50.04          | 1.75        |
| 2012 | 209.97     | 49.08           | 15.29                   | 97.56                  | 21.09         | 48.96          | 1.02        |
| 2013 | 238.60     | 57.68           | 21.95                   | 111.06                 | 25.24         | 38.06          | 1.73        |
| 2014 | 123.79     | (1.90)          | (28.63)                 | 90.16                  | 20.99         | 62.49          | (2.83)      |
| 2015 | 99.63      | 4.72            | (18.30)                 | 71.15                  | 17.35         | 59.78          | (2.57)      |
| 2016 | 94.43      | 5.12            | (17.66)                 | 58.00                  | 17.82         | 63.43          | (2.35)      |
| 2017 | 82.70      | 2.24            | (19.14)                 | 42.35                  | 15.43         | 71.26          | (2.14)      |
| 2018 | 89.08      | 4.39            | 15.35                   | 62.58                  | 16.22         | 79.66          | (2.19)      |
| 2019 | 51.91      | 0.38            | (19.82)                 | 37.90                  | 10.53         | 85.14          | (1.93)      |
| 2020 | 12.80      | (3.35)          | (85.23)                 | 15.22                  | 8.93          | 94.14          | (11.62)     |
| 2021 | -          | -               | (18.14)                 | (2.92)                 | 9.02          | 93.25          | (2.42)      |

#### آگے کی جانب

کمپنی کے ڈائریکٹران پر امید ہیں کہ اثاثوں کی فروخت سے کمپنی کے روانیت کے مسائل میں بہتری آئے گی اور ان سے نئے عمومی خرید و فروخت کے نئے کاروبار کے آغاز کے لئے کافی نقدی کے ذخائر دستیاب ہونگے جس میں نئے سرمایہ کار بھی شامل کئے جائیں گے اور ڈائریکٹران نے کمپنی کو مالیاتی تعاون کے ساتھ ساتھ کمپنی کے معاملات پر پیشہ ورانہ مہارت فراہم کرنے کی یقین دہانی کرائی ہے۔ انتظامیہ توقع کرتی ہے کہ ایک نیا سرمایہ کار نئے ارادے کے ساتھ رسائی حاصل کرے گا جس پر مستقبل قریب میں عملدرآمد ہو جائے گا۔

## بورڈ آف ڈائریکٹرز

سال کے دوران 29 دسمبر 2020 کو ایک آزاد ڈائریکٹر جناب سراج اے قادر کے استعفیٰ کی وجہ سے ایک اتفاقی آسامی خالی ہو گئی تھی جسے جناب محمد دانش کی تقرری کر کے پر کیا گیا۔ بورڈ جناب سراج کی خدمات کا اعتراف کرتا ہے اور کئی عشروں تک کمپنی کی ترقی اور نمو میں ان کی کوشش پر ان کا مشکور ہے۔

جناب محمد دانش کا روبری افعال کے مختلف پہلوؤں میں عمیق تجربہ کے حامل ہیں۔ بورڈ جناب محمد دانش کو خوش آمدید کہتا ہے اور توقع کرتا ہے کہ کمپنی کے کاروبار میں ان کی قابل قدر معاونت جاری رہے گی۔

## آڈیٹرز

- موجودہ آڈیٹرز میسرز ایس ایم سہیل اینڈ کو، چارٹرڈ اکاؤنٹنٹس سبکدوش ہو چکے ہیں اور اہلیت کے باعث انہوں نے آنے والے سال کے لئے اپنی دوبارہ تقرری کی پیشکش کی ہے۔
- ادارتی اور مالیاتی رپورٹنگ فریم ورک پر بیان
- a کمپنی کی انتظامیہ کے تحت 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 تیار کی 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 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 آڈیٹرز نے چلتے ہوئے ادارے کے تسلسل پر کمپنی کی صلاحیت پر شبہات کا اظہار کیا ہے جبکہ انتظامیہ محسوس کرتی ہے کہ انتظامیہ کے پاس کافی صلاحیت ہے جس سے مستقبل میں کاروبار جاری رکھا جاسکتا ہے۔
- g لسٹنگ ریگولیشنز میں دیئے گئے ادارتی نظم و ضبط کے بہترین طور طریقوں سے کوئی قابل ذکر انحراف نہیں کیا گیا، سوائے جنہیں ادارتی نظم و ضبط کی پاسداری کے بیان میں مطلع کیا گیا ہے۔
- h گزشتہ دس سالوں کے اہم کاروباری اور مالیاتی اعداد و شمار آڈٹ شدہ مالیاتی گوشواروں میں مختصر اُشٹال کئے گئے ہیں۔
- سال کے دوران کمپنی نے بلا واسطہ ٹیکسوں کی مدت میں 761,571 روپے کی معاونت کی۔

سال کے دوران بورڈ آف ڈائریکٹرز کے پانچ اجلاس ہوئے۔ ہر ڈائریکٹر کی حاضری درج ذیل رہی:

| ڈائریکٹر کا نام           | حاضر اجلاسوں کی تعداد |
|---------------------------|-----------------------|
| جناب ایم حنیف وائی باوانی | 5                     |
| مسز مومیز احنیف باوانی    | 5                     |
| جناب ولی محمد ایم کجی     | 5                     |
| جناب میخائل باوانی        | 1                     |
| جناب وزیر احمد جوگیزئی    | 1                     |
| جناب زکریا اے غفار        | 5                     |
| جناب محمد دانش            | 2                     |

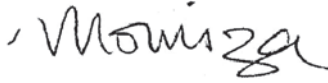
جوڈائزیکٹران حاضر نہ ہو سکے ان کی رخصت منظور کر لی گئی۔

- i- حصص داری کی ساخت منسلک ہے، اور
- j- نہ تو چیف ایگزیکٹو آفیسر نہ ہی کسی ڈائریکٹر نے کمپنی کے حصص میں کوئی خرید و فروخت کی ہے۔

#### اعتراف

بورڈ ریاستی اداروں، مختلف سرکاری اداروں/شعبوں، مالیاتی اداروں، بینکوں، گاہکوں، سپلائرز اور کمپنی کے سرمایہ کاروں کے تعاون اور اس پر اعتماد کے لئے اپنی ستائش ریکارڈ پر لانا چاہتے ہیں۔ آپ کے ڈائریکٹران کمپنی کے ملازمین کی مخلصانہ اور سرگرم خدمات پر ان کے معترف ہیں۔ ہم اپنے قابل قدر حصص یافتگان کا انتظامیہ کے ساتھ تعاون پر ان کے مشکور ہیں۔

منجانب



مومیز احفیف باوانی  
ڈائریکٹر



جناب حنیف ایچ باوانی  
چیف ایگزیکٹو آفیسر

کراچی

مورخہ: 27 اکتوبر 2021



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## 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, 2019

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:
 

| <b>Category</b>           | <b>Names</b>  |
|---------------------------|---|
| Independent Director      | Mr. Muhammad Danish   |
| Executive Directors       | M. Hanif Y. Bawany (CEO)<br>Mrs. Momiza Hanif Bawany  |
| Non – Executive Directors | Mr. Vali Mohammad M. Yahya (Chairman)<br>Mr. Mikhail Bawany<br>Mr. Wazir Ahmed Jogezi<br>Mr. Zakaria A. Ghaffar |
| Female Director           | Mrs. Momiza Hanif Bawany  |
3. The directors have confirmed that none of them is serving as a director on more than seven listed Companies including this Company.
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, the Board is in the process of developing the said policies.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. In accordance with the criteria specified in clause 20(2) of the 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. Muhammad Danish        | Chairman |
| Mr. Zakaria A. Ghaffar     | Member   |
| Mr. Vali Mohammad M. Yahya | Member   |
  - b) HR and Remuneration Committee
 

|                            |          |
|----------------------------|----------|
| Mr. Muhammad Danish        | Chairman |
| Mr. Zakaria A. Ghaffar     | Member   |
| Mr. Vali 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 of the committee were as per following:
  - a) Audit committee - Quarterly basis
  - b) HRandRemunerationCommittee – 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 and their partners are in compliance with International Federation of Accountants (IFAC) guide lines on code of ethics as adopted by the ICAP and that they and the partners of the firm involved in the audit are not closely related (spouses, parent dependent and non-dependent children) of the Chief Executive Officer, Head of Internal Audit, Company Secretary and Director of the Company.
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. We confirm that all other requirements of the Regulations 3, 6, 7, 8, 27, 32, 33 & 36 of Regulations have been complied with; and
19. Explanation of non-compliance with requirements are given below:

Management intends and is in process to complete the related record but due to the pandemic situation, it has been unintentionally deferred.



**VALI MOHAMMAD M. YAHYA**  
Chairman

Karachi

**Dated:** 27th October 2021



**M. HANIF Y. BAWANY**  
Chief Executive Officer

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## **INDEPENDENT AUDITOR'S REVIEW REPORT**

### **Review Report on the Statement of Compliance Contained in the Listed Companies (Code of Corporate Governance) Regulations, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Bawany Air Products Limited (the Company) for the year ended June 30, 2021, in accordance with the requirements of regulation # 36 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. 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.

Following instances of non-compliance with the requirements of the Regulations were observed which are not stated in the statement of compliance:

- a) Exemption from Commission, in respect of the directors' training program is not obtained as required under Regulation 18(2) of the Code;
- b) No internal audit function is established by the Company and the internal audit department consist of only one member as the Head of Internal Audit;
- c) No effective internal control system is established and implemented within the Company;
- d) Offices of Company Secretary and Chief Financial Officer are being held by the same person; and
- e) No formal and effective mechanism has put in place for an annual evaluation of the Board's own performance, members of Board and its committees.

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, 2021.

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

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| Note Reference | Description  |
|----------------|--|
| 02             | The Company does not have two independent directors in its Board of Directors  |
| 05             | Complete records of particulars of significant policies along with the date, on which they were updated and amended, has not been maintained by the Company. |

*S.M. Suhail & Co.*

**S.M. SUHAIL & CO.**  
Chartered Accountants  
Karachi.

Engagement Partner: S.M. Suhail, FCA

Our Ref: SMS-A-2672022  
Date: 27th October 2021

**KEY OPERATING AND FINANCIAL DATA FOR THE DECADE**

| PARTICULARS                          | 2021               | 2020               | 2019               | 2018               | 2017               | 2016               | 2015               | 2014               | 2013               | 2012               |
|--------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>FINANCIAL POSITION</b>            |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Shareholders' equity                 | (2,836,820)        | (83,785,181)       | 2,777,483          | 16,165,826         | 27,638,123         | 58,002,888         | 71,159,359         | 90,161,368         | 111,064,409        | 97,555,521         |
| Surplus on revaluation               | -                  | -                  | 99,007,533         | 35,118,869         | 36,702,131         | 21,295,679         | 16,278,914         | 16,576,045         | 16,887,424         | 19,757,278         |
| Non-current liabilities              | 45,166,660         | 50,063,663         | 51,219,943         | 61,007,378         | 62,721,588         | 48,221,222         | 44,810,956         | 33,153,237         | 49,260,469         | 50,876,878         |
| Current liabilities                  | 93,168,216         | 94,137,253         | 85,143,518         | 83,886,294         | 75,483,447         | 63,748,676         | 59,389,529         | 62,487,097         | 38,068,182         | 48,959,376         |
| <b>Total Equity and Liabilities</b>  | <b>135,498,056</b> | <b>159,423,268</b> | <b>174,259,813</b> | <b>196,944,250</b> | <b>202,545,289</b> | <b>191,268,465</b> | <b>191,638,758</b> | <b>202,377,747</b> | <b>215,280,484</b> | <b>217,149,053</b> |
| <b>Property, plant and equipment</b> | <b>1,034,950</b>   | <b>147,491,688</b> | <b>160,730,656</b> | <b>177,559,562</b> | <b>183,889,558</b> | <b>170,228,692</b> | <b>171,467,821</b> | <b>178,168,918</b> | <b>186,819,834</b> | <b>192,839,499</b> |
| Long term deposits                   | 2,342,084          | 3,001,494          | 3,001,494          | 3,161,358          | 3,221,357          | 3,221,357          | 3,215,467          | 3,215,467          | 3,215,467          | 3,215,467          |
| Deferred tax asset                   | -                  | -                  | -                  | -                  | -                  | -                  | -                  | -                  | -                  | -                  |
| Current assets                       | 9,020,754          | 8,930,087          | 10,527,663         | 16,223,330         | 15,434,374         | 17,818,416         | 16,955,470         | 20,993,362         | 25,245,183         | 21,094,087         |
| Non current assets held for sale     | 123,100,268        | -                  | -                  | -                  | -                  | -                  | -                  | -                  | -                  | -                  |
| <b>Total Assets</b>                  | <b>135,498,056</b> | <b>159,423,269</b> | <b>174,259,813</b> | <b>196,944,250</b> | <b>202,545,289</b> | <b>191,268,465</b> | <b>191,638,758</b> | <b>202,377,747</b> | <b>215,280,484</b> | <b>217,149,053</b> |

**FINANCIAL PERFORMANCE**

|   |              |              |              |              |              |              |              |               |               |               |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|
| Net sales                               | -            | 12,795,636   | 51,909,593   | 89,088,321   | 82,702,366   | 94,437,668   | 99,632,392   | 123,790,995   | 238,605,906   | 210,235,877   |
| Cost of sales                           | -            | (16,145,085) | (51,526,899) | (84,695,888) | (80,462,022) | (89,324,880) | (94,907,015) | (125,700,150) | (180,921,043) | (161,153,927) |
| Gross (loss) / profit                   | -            | (3,349,449)  | 382,694      | 4,392,433    | 2,240,344    | 5,112,788    | 4,725,377    | (1,909,155)   | 57,684,863    | 49,081,950    |
| Expenses - net of other income          | (16,797,991) | (81,244,907) | (19,404,544) | (18,804,804) | (19,503,604) | (20,330,959) | (20,067,038) | (22,556,860)  | (26,246,342)  | (26,747,221)  |
| (Loss) / profit before Interest and tax | (16,797,991) | (84,594,356) | (19,021,850) | (14,412,371) | (17,263,260) | (15,218,171) | (15,341,661) | (24,466,015)  | 31,438,521    | 22,334,729    |
| (Finance cost) / Income - net           | -1261181     | (636,232)    | (796,091)    | (934,697)    | (1,872,155)  | (2,443,681)  | (2,961,155)  | (4,165,147)   | (9,489,514)   | (7,047,695)   |
| (Loss) / profit before tax              | (18,059,172) | (85,230,588) | (19,817,941) | (15,347,068) | (19,135,415) | (17,661,852) | (18,302,816) | (28,631,162)  | 21,949,007    | 15,287,034    |
| Tax                                     | -            | (1,956,524)  | 5,350,890    | 2,707,087    | 3,106,789    | (3,090)      | (996,324)    | 7,416,742     | (8,965,272)   | (7,621,390)   |
| (Loss) / profit after tax               | (18,059,172) | (87,187,112) | (14,467,051) | (12,639,981) | (16,028,626) | (17,664,942) | (19,299,140) | (21,214,420)  | 12,983,735    | 7,665,644     |

**STATISTICS AND RATIO**

|   |         |          |         |         |        |        |        |        |       |      |
|---|---------|----------|---------|---------|--------|--------|--------|--------|-------|------|
| Gross profit %                              | -       | (26%)    | 1%      | 5%      | 3%     | 5%     | 5%     | (2%)   | 24%   | 23%  |
| (Loss) / profit before tax to total sales % | -       | (666%)   | (38%)   | (17%)   | (23%)  | (19%)  | (18%)  | (23%)  | 9%    | 7%   |
| (Loss) / profit after tax to total sales %  | -       | (681%)   | (28%)   | (14%)   | (19%)  | (19%)  | (19%)  | (17%)  | 5%    | 4%   |
| Current ratio                               | 10%     | 9%       | 12%     | 19%     | 20%    | 28%    | 29%    | 34%    | 66%   | 43%  |
| Asset turnover ratio                        | 0%      | 9%       | 32%     | 50%     | 45%    | 55%    | 58%    | 69%    | 128%  | 109% |
| Current Assets Turnover - times             | -       | 1.32     | 3.88    | 5.63    | 4.97   | 5.43   | 5.25   | 5.35   | 10.30 | 9.76 |
| Long term debt to equity ratio              | 0%      | 0%       | 0%      | 0%      | 0%     | 19%    | 15%    | 12%    | 19%   | 41%  |
| Return on equity before tax %               | 637%    | 102%     | (714%)  | (95%)   | (69%)  | (30%)  | (26%)  | (32%)  | 20%   | 16%  |
| Return on equity after tax %                | 637%    | 104%     | (521%)  | (78%)   | (58%)  | (30%)  | (27%)  | (24%)  | 12%   | 8%   |
| Interest Cover                              | (13.32) | (132.96) | (23.89) | (15.42) | (9.22) | (6.23) | (5.18) | (5.87) | 3.31  | 3.17 |
| Earning per share (Rs.)                     | (2.25)  | (2.25)   | (1.93)  | (2.19)  | (2.14) | (2.35) | (2.57) | (2.83) | 1.73  | 1.02 |
| Price earning ratio                         | (6)     | (10)     | (3)     | (3)     | (4)    | (3)    | (3)    | (3)    | 9     | 7    |
| Market price per share at year end          | 13.69   | 23.16    | 5.56    | 6.55    | 8.00   | 6.00   | 6.79   | 7.40   | 14.73 | 7.22 |
| Cash dividend                               | -       | -        | -       | -       | -      | -      | -      | -      | -     | -    |
| Stock dividend                              | -       | -        | -       | -       | -      | -      | -      | -      | -     | -    |

**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**

**1.2 Pattern of holding of the shares held by the shareholders as at**

**30.06.21**

| NO. OF<br>SHARE<br>HOLDERS | SHARE HOLDING |   |         | SHARES HELD      |
|----------------------------|---------------|---|---------|------------------|
|                            | FROM          |   | TO      |                  |
| 263                        | 1             | - | 100     | 6,155            |
| 167                        | 101           | - | 500     | 52,317           |
| 77                         | 501           | - | 1000    | 64,144           |
| 136                        | 1001          | - | 5000    | 347,256          |
| 34                         | 5001          | - | 10000   | 276,824          |
| 14                         | 10001         | - | 15000   | 183,314          |
| 7                          | 15001         | - | 20000   | 125,430          |
| 9                          | 20001         | - | 25000   | 218,394          |
| 4                          | 25001         | - | 30000   | 108,880          |
| 2                          | 30001         | - | 35000   | 63,800           |
| 2                          | 35001         | - | 40000   | 77,700           |
| 3                          | 40001         | - | 45000   | 130,500          |
| 6                          | 45001         | - | 50000   | 298,700          |
| 2                          | 50001         | - | 55000   | 106,100          |
| 3                          | 55001         | - | 60000   | 170,000          |
| 3                          | 60001         | - | 65000   | 188,880          |
| 2                          | 65001         | - | 70000   | 133,500          |
| 3                          | 70001         | - | 75000   | 218,213          |
| 3                          | 75001         | - | 80000   | 236,008          |
| 3                          | 80001         | - | 85000   | 247,900          |
| 1                          | 90001         | - | 95000   | 95,000           |
| 3                          | 95001         | - | 100000  | 296,501          |
| 1                          | 100001        | - | 105000  | 104,000          |
| 1                          | 120001        | - | 125000  | 121,003          |
| 1                          | 135001        | - | 140000  | 139,531          |
| 1                          | 160001        | - | 165000  | 162,110          |
| 1                          | 190001        | - | 195000  | 193,500          |
| 2                          | 195001        | - | 200000  | 399,330          |
| 2                          | 220001        | - | 225000  | 446,149          |
| 1                          | 225001        | - | 230000  | 225,177          |
| 1                          | 230001        | - | 235000  | 231,500          |
| 1                          | 280001        | - | 285000  | 281,570          |
| 1                          | 330001        | - | 335000  | 330,028          |
| 1                          | 1220001       | - | 1225000 | 1,223,096        |
| <b>761</b>                 | <b>Total</b>  |   |         | <b>7,502,510</b> |

| S.No. | CATAGORIES OF SHARS HOLDERS   | 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   | 100         | 0.00%      |
| 4     | Banks Development Financial Institutions, Non Banking Financial Institutions. | 7,074       | 0.09%      |
| 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  | 5,240,618   | 69.85%     |
|       | b) Foreign  | 0           | 0.00%      |
| 9     | Others (to be specified)  | 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. Zakaria Abdul Ghaffar  | Director                         | 3,581     |
| Mrs. Momiza Hanif Bawany   | Director                         | 443,680   |
| Mr. Wazir Ahmed Jogezi     | 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** 23,334

### SHAREHOLDERS HOLDING 5% MORE

|                          |        |
|--------------------------|--------|
| Mr. M. Hanif Y. Bawany   | 16.30% |
| Mrs. Momiza Hanif Bawany | 5.91%  |



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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, 2021**

#### **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, 2021, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, 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 and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof do not conform with the accounting and reporting standards as applicable in Pakistan and, do not give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively do not give a true and fair view of the state of the Company's affairs as at June 30, 2021 and of the (loss) and other comprehensive income, 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. 18.14 million (2020: Rs. 87.19 million) which has resulted in accumulated losses of Rs. 77.94 million (2020: Rs. 158.81 million) as at the end of reporting year. Liquidity position of the Company is also affected by the recurring losses and presently, its current liabilities are ten times of its current assets and exceed by Rs. 84.23 million (2020: Rs. 85.21 million). Further, the Company is unable to pay its statutory liabilities towards withholding of tax, EOBI and SESSI amounting to Rs. 3.23 million (2020: Rs. 3.76 million). The operations of the Company are adversely affected by the breakdown of major component of its plant in the financial year 2013, which has not yet repaired, and no production and selling activity has carried during the year under review. It has also utilized the sums received as deposits of Rs. 45.17 million (2020: Rs. 50.06 million) from its customers against tanks and cylinders without complying the requirements of section 217 of the Companies Act, 2017.
- 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 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, the assets and liabilities should have been reported at their realizable value and settlement amount respectively.
- The Company does not have complete records of parties who have deposited securities, aggregate amount of Rs. 45.17 million (2020: Rs. 50.06 million) to the Company, against gas cylinders and tanks. In absence of complete record, we were unable to perform appropriate audit procedures on these deposits.

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**

The 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.

There are no key audit matters other than those explained in basis for adverse opinion paragraph.

### **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 objective is 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 audit 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 and other 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) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

*S. M. Suhail & Co.*  
**S. M. SUHAIL & CO.**  
Chartered Accountants  
Karachi


Our Ref: SMS-A-2662022  
Date: 27th October 2021


## STATEMENT OF FINANCIAL POSITION

### AS AT JUNE 30, 2021

|   | Note | 2021               | 2020               |
|---|------|--------------------|--------------------|
|   |      | ----- Rupees ----- |                    |
| <b>ASSETS</b>   |      |                    |                    |
| <b>Non-current assets</b>                                     |      |                    |                    |
| Property, plant and equipment                                 | 6    | 1,034,950          | 147,491,688        |
| Long-term deposits  | 7    | 2,342,084          | 3,001,494          |
| <b>Current assets</b>   |      |                    |                    |
| Stores and spares   | 8    | -                  | 996,322            |
| Stock-in-trade  | 9    | -                  | 50,179             |
| Trade debts   | 10   | -                  | 106,520            |
| Advances and other receivables                                | 11   | 2,077,141          | 1,630,970          |
| Sales tax refundable  |      | 824,547            | 824,547            |
| Investments   | 12   | 45,458             | 38,276             |
| Taxation - net  | 13   | 5,999,431          | 5,237,860          |
| Cash and bank balances  | 14   | 74,177             | 45,413             |
|   |      | 9,020,754          | 8,930,087          |
| Non current assets held for sale                              | 15   | 123,100,268        | -                  |
| <b>Total assets</b>   |      | <u>135,498,056</u> | <u>159,423,269</u> |
| <b>EQUITY AND LIABILITIES</b>                                 |      |                    |                    |
| <b>Share capital and reserves</b>                             |      |                    |                    |
| <b>Authorized share capital</b>                               |      |                    |                    |
| 15,000,000 (2020: 15,000,000) ordinary shares of Rs.10/- each |      | <u>150,000,000</u> | <u>150,000,000</u> |
| <b>Share capital</b>  |      |                    |                    |
| Issued, subscribed and paid-up capital                        | 16   | 75,025,100         | 75,025,100         |
| <b>Capital reserve</b>  |      |                    |                    |
| Surplus on revaluation of property, plant and equipment-net   | 17   | -                  | 99,007,533         |
| Accumulated loss  |      | (77,940,920)       | (158,810,281)      |
|   |      | <u>(2,915,820)</u> | <u>15,222,352</u>  |
| <b>Non-current liabilities</b>                                |      |                    |                    |
| Long-term deposits  | 18   | 45,166,660         | 50,063,663         |
| Deferred tax liability  | 19   | -                  | -                  |
|   |      | 45,166,660         | 50,063,663         |
| <b>Current liabilities</b>                                    |      |                    |                    |
| Trade and other payables                                      | 20   | 3,883,021          | 6,678,568          |
| Accrued liabilities   | 21   | 21,308,011         | 21,089,121         |
| Unclaimed dividend  |      | 717,420            | 717,420            |
| Provision - K Electric  | 22   | 2,303,902          | 2,303,902          |
| Payable to provident fund                                     | 23   | -                  | 6,858,961          |
| Accrued mark-up   | 24   | -                  | 878,585            |
| Due to related parties  | 25   | 28,606,062         | 43,604,026         |
| Short-term financing  | 26   | -                  | 12,006,671         |
| Liabilities against non current assets for sale               | 15   | 36,428,800         | -                  |
|   |      | 93,247,216         | 94,137,254         |
| Contingencies and commitments                                 | 27   | -                  | -                  |
| <b>Total equity and liabilities</b>                           |      | <u>135,498,056</u> | <u>159,423,269</u> |

The annexed notes from 1 to 47 form an integral part of these financial statements.

  
**M. HANIF Y. BAWANY**  
 Chief Executive officer


  
**ABDUL RAUF**  
 Chief Financial Officer


  
**MOMIZA HANIF BAWANY**  
 Director

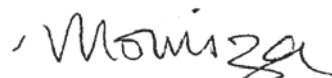
## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2021

|  | Note | 2021               | 2020         |
|--|------|--------------------|--------------|
|  |      | ----- Rupees ----- |              |
| Sales - net  | 28   | -                  | 12,795,636   |
| Cost of sales  | 29   | -                  | (16,145,085) |
| Gross profit   |      | -                  | (3,349,449)  |
| Distribution cost  | 30   | -                  | (1,492,535)  |
| Administrative expenses  | 31   | (8,215,040)        | (7,775,083)  |
| Impairment of financial assets   |      | -                  | (35,507)     |
| Other operating expenses   | 32   | (11,554,771)       | (74,347,737) |
| Unrealized gain / (loss) revaluation of other financial assets           |      | 7,182              | (2,827)      |
|  |      | (19,762,629)       | (83,653,689) |
| Other income   | 33   | 2,885,638          | 2,408,782    |
|  |      | (16,876,991)       | (81,244,907) |
| Operating loss   |      | (16,876,991)       | (84,594,355) |
| Finance cost   | 34   | (1,261,181)        | (636,232)    |
| Loss before taxation   |      | (18,138,172)       | (85,230,587) |
| Taxation   | 35   | -                  | (1,956,524)  |
| (Loss) for the year  |      | (18,138,172)       | (87,187,111) |
| <b>OTHER COMPREHENSIVE INCOME</b>  |      |                    |              |
| Items that will not be reclassified to profit or loss                    |      |                    |              |
| Impairment on building to the extent of available surplus on revaluation |      | -                  | (6,195,102)  |
| Related deferred tax   |      | -                  | 1,796,579    |
|  |      | -                  | (4,398,523)  |
| Revaluation increase on non depreciable assets                           |      | -                  | 69,000,000   |
| Total other comprehensive income   |      | -                  | 64,601,477   |
| Total comprehensive loss for the year                                    |      | (18,138,172)       | (22,585,634) |
| Loss per share - basic and diluted                                       | 36   | (2.42)             | (11.62)      |

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**M. HANIF Y. BAWANY**  
 Chief Executive officer

  
**ABDUL RAUF**  
 Chief Financial Officer

  
**MOMIZA HANIF BAWANY**  
 Director

## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED JUNE 30, 2021

|  | 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 June 30, 2019                                | 75,025,100                             | 35,118,869                               | (72,335,983)     | 37,807,986   |
| Total loss for the year                                    | -                                      | -  | (87,187,112)     | (87,187,112) |
| Total other comprehensive income                           | -                                      | 64,601,478                               | -                | 64,601,478   |
| Transfer of incremental depreciation - net of deferred tax | -                                      | (712,814)                                | 712,814          | -            |
| Balance as at June 30, 2020                                | 75,025,100                             | 99,007,533                               | (158,810,281)    | 15,222,352   |
| Total loss for the year                                    | -                                      | -  | (18,138,172)     | (18,138,172) |
| Transferred during the year                                |  | (99,007,533)                             | 99,007,533       | -            |
| Balance as at June 30, 2021                                | 75,025,100                             | -  | (77,940,920)     | (2,915,820)  |

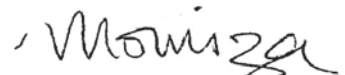
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**M. HANIF Y. BAWANY**  
Chief Executive officer



**ABDUL RAUF**  
Chief Financial Officer



**MOMIZA HANIF BAWANY**  
Director

## STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED JUNE 30, 2021

|   | Note | 2021               | 2020         |
|---|------|--------------------|--------------|
|   |      | ----- Rupees ----- |              |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                       |      |                    |              |
| Loss before taxation  |      | (18,138,172)       | (85,230,587) |
| <b>Adjustments for non-cash items:</b>                            |      |                    |              |
| Depreciation  |      | 842,507            | 7,036,587    |
| Impairment on non financial assets                                |      | 1,204,888          | 68,615,198   |
| Gain on disposal (adjustments) of property, plant and equipment   |      | (1,874,809)        | (1,160,060)  |
| Provision for doubtful debts                                      |      | 82,458             | 35,507       |
| Liabilities written back  |      | (560,829)          | (379,457)    |
| Unrealized (gain) / loss on revaluation of other financial assets |      | (7,182)            | 2,827        |
| Finance cost  |      | 1,261,181          | 636,232      |
| <b>Operating cash flows before working capital changes</b>        |      | (17,189,958)       | (10,443,753) |
| <b>Working capital changes</b>                                    |      |                    |              |
| Stores and spares   |      | 996,322            | 3,725        |
| Stock-in-trade  |      | 50,179             | 275,717      |
| Trade debts   |      | 584,891            | 790,853      |
| Advances and other receivables                                    |      | (446,171)          | 75,790       |
| Trade and other payables  |      | (2,795,547)        | (1,320,207)  |
| Accrued liabilities   |      | 218,890            | 2,465,722    |
| Payable to provident fund   |      | (6,858,961)        | (1,025,699)  |
|   |      | (8,250,397)        | 1,265,901    |
| <b>Net cash used in operations</b>                                |      | (25,440,355)       | (9,177,852)  |
| Finance charges paid  |      | (2,139,766)        | (636,232)    |
| Advance tax paid  |      | (761,571)          | (11,146)     |
| <b>Net cash used in operating activities</b>                      |      | (28,341,692)       | (9,825,230)  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                       |      |                    |              |
| Proceeds from disposal of plant and machinery                     |      | 23,183,884         | -            |
| <b>Net cash generated from investing activities</b>               |      | 23,183,884         | -            |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                       |      |                    |              |
| Long-term deposits - liabilities                                  |      | (4,897,003)        | (4,141)      |
| Re-paid / receipts of loan from related parties                   |      | (14,997,964)       | 9,273,919    |
|   |      | 36,428,800         | -            |
|   |      | 659,410            | -            |
| Long-term deposits - assets - net                                 |      | 17,193,243         | 9,269,778    |
| <b>Net cash generated from financing activities</b>               |      | 17,193,243         | 9,269,778    |
| <b>Net increase in cash and cash equivalents</b>                  |      | 12,035,435         | (555,452)    |
| Cash and cash equivalents at beginning of the year                |      | (11,961,258)       | (11,405,806) |
| <b>Cash and cash equivalents at end of the year</b>               | 37   | 74,177             | (11,961,258) |

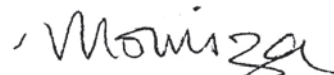
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**M. HANIF Y. BAWANY**  
Chief Executive officer



**ABDUL RAUF**  
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**MOMIZA HANIF BAWANY**  
Director



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### 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 Act 1913 [Repealed with the enactment of Companies Ordinance 1984, and subsequently, by the 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.

**1.2** Geographical location and address of business units;

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

**1.3** The financial statements for the year ended June 30, 2021 reflect a (loss) after taxation of Rs.18.138 million (2020: Rs. 87.19) million, and as of that date its accumulated losses stood at (Rs.77.940) million (2020: Rs. 158.81) million. The operations of the Company have been suffering due to breakdown of its plant that has resulted in stoppage few years back, the production of liquid oxygen, causing the Company in facing adverse liquidity position.

**1.4** 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, described in the ensuing paragraphs, from a) to e) these financial statements have been prepared using the going concern assumption, that may result in improvement in its adverse liquidity and financial position of the Company.

a) During prior year, management had approached by an investor, M/S Fossil Energy (Private) Limited who expressed an intention to acquire controlling shares in the Company and could bring the funds necessary for the revival of the business activities by involving in other businesses as well. But on, June 16, 2021 the investor withdrawn his intention. The management expects another investor may be approaching with a fresh intension that may be materialize in near future.

b) During the year under review, the Company has also entered into an agreement to sell its Property, Plant and equipment and, has received an advance amount which was utilized to release legal encumbrances on the property and bank charges but, due to the other legal issues, the sales has not materialized till the year end, and the property, plant and equipment are now been classified as assets held for sale.

c) The management has successfully settled and paid the outstanding liability of all the banks and thereafter, the mortgage and charge over the assets of the Company have been vacated, and the Company has obtained acknowledgment from the Securities & Exchange Commission of Pakistan in this regard.

The liability of provident fund was also paid off along-with interest. In this way, management has ensured compliance of the requirements of the SECP and the matter with K-Electric has also been settled subsequently and the Company has paid the agreed amount.

d) The Directors are hopeful that the sale of assets will improve the liquidity issues of the Company and it will have ample cash reserves to start a new business of general trading or any other suitable business

and, may be involving other investors and as the situation permits. The Directors have also assured to support the Company financially as well as professional expertise to manage the affairs of the Company.

- e) In view of the management's claim to deal with the adverse situation based on above points, the management is very hopeful that it will result in improvement in its adverse liquidity and financial position of the Company. A comprehensive plan to be made in this regard after completing necessary formalities and holding of the upcoming AGM.

## **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 Basis of measurement**

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. Use of estimates and judgements**

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 5.1 and 9);
- (ii) depreciation method, useful lives and residual value of property, plant and equipment (note 5.1 and 15)

- (iii) provision for impairment of trade debts and other receivable (note 5.5, 10 and 11);
- (iv) allowance for expected credit losses (notes 5.16.1 and 10)
- (v) provision of slow moving and obsolete stores, spares and loose tools
- (vi) impairment of assets (note 5.2);
- (vii) provision for taxation (note 5.9 and 35); and
- (viii) contingencies (notes 5.13 and 27)

#### **4 APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED ACCOUNTING AND REPORTING STANDARDS**

##### **4.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2021**

The following standards, amendments and interpretations are effective for the year ended June 30, 2021. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the financial statements other than certain additional disclosures.

|   | <b>Effective date<br/>(Annual periods<br/>beginning on or after)</b> |
|---|--|
| <b>a)</b> 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 different version of the Conceptual Framework.   |  |
| Amendments to IFRS 3 'Business Combinations' - Definition of a business   | January 01,2020  |
| Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform.   | January 01,2020  |
| Amendments to IFRS 16 'Leases' - Covid - 19 related rent concessions.   | June, 01,2020  |
| Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material   | January 01,2020  |
| Certain annual improvements have also been made to a number of IFRSs.<br>New accounting standards, amendments and interpretations that are not yet effective  |  |
| <b>b)</b> The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures. |  |

**Effective date  
(Annual periods  
beginning on or after)**

Interest Rate Benchmark Reform - Phase 2

(Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) January 1, 2021

Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework January 1, 2021

Amendments to IFRS 16 'Leases' - Extended practical relief regarding Covid-19 related rent concessions. April 01, 2021

Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current. January 1, 2023

Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies January 1, 2023

Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates. January 1, 2023

Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction. January 1, 2023

Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use January 1, 2022

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a Contract. January 1, 2022

**c) 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-17 Insurance Contracts

**5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless stated otherwise.

**5.1 Property, plant and equipment**

**a) 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.

#### **b) Depreciation on property, plant and equipment**

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 addition is charged from the date when the asset is available for use and on disposal upto the date when the asset is classified as 'held for sale' in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' or the date when the asset is derecognized, whichever is earlier. Asset's residual values and useful lives are reviewed, and adjusted, if appropriate at each reporting date.

#### **c) Subsequent costs**

"Subsequent costs 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 asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognized. Normal maintenance and repairs are charged to statement of profit or loss as and when incurred whereas major renewals and improvements are capitalized if criteria is met.

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."

#### **d) Disposal**

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and is recognized in statement of profit or loss, and the related surplus on revaluation of property, plant and equipment, if any, is transferred directly to retained earnings / unappropriated profit.

### **5.2 Impairment of non-financial assets**

The carrying amounts of non-financial assets other than stock in trade and deferred tax asset, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense in the statement of profit or loss, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### **5.3 Stores, spare parts and loose tools**

These are stated at lower of cost (calculated on weighted average basis) and net realizable value, less provision for dead and slow moving stores and spares. Store and spares in transit are valued at invoice value plus other charges incurred thereon as on the reporting date.

Provision for dead and slow moving stores, spare parts and loose tools is determined based on management's estimate regarding their future usability.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated cost necessary to be incurred to make the sale.

### **5.4 Stock-in-trade**

Stock of raw and packing material, work in process and finished goods are valued at the lower of cost or net realizable value. Cost in relation to work in process and finished goods includes prime cost and appropriate proportion of production overheads incurred in bringing the inventory to their present location and condition. Stocks of raw and packing material are valued at cost on weighted average basis. Stocks in transit are valued at cost comprising of invoice value plus other charges directly attributable to the acquisition of related purchase incurred upto the reporting date.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and cost necessary to be incurred in order to make the sale.

### **5.5 Trade debts and other receivables**

Trade debts and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method. The Company is required to recognize allowance for doubtful debts on all financial assets carried at amortized cost in accordance with Expected Credit Loss (ECL) requiring to recognize the loss irrespective whether the loss event has occurred. Bad debts are written off when considered irrecoverable. Due to short term nature, trade and other receivables are not discounted.

### **5.6 Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents comprises of cash in hand, cash with banks in current, PLS and deposit accounts net of short term borrowings under mark-up arrangements, if any.

### **5.7 Employee Benefits**

The Company's employees benefits comprise of Provident fund and leave encashment for eligible employees.

#### **5.7.1 Employee retirement 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.

### **5.8 Borrowings and finance cost**

Loans and borrowings are recorded as and when the proceeds are received.

Borrowing cost incurred on long term finances directly attributable to the construction / acquisition of qualifying asset are capitalized up to the date, the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to statement of profit or loss.

## **5.9 Taxation**

### **a) Current**

Provision for current taxation is computed in accordance with the provisions of Income Tax Ordinance, 2001. The charge for current income tax is recorded after adjustment, if any, to the provision for tax made in prior years including those arising from assessment and amendments in assessments during the year in such years.

### **b) Deferred**

The Company accounts for deferred taxation on all temporary differences using liability method. Deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available and the credits can be utilized.

## **5.10 IFRIC-23 "Uncertainty over income tax treatments"**

The company has adopted IFRIC-23 - Uncertainty over income tax treatment which clarifies how the recognition and measurement requirement of IAS-12 Income taxes are applied when there is uncertainty over income tax treatment. IFRIC-23 explains how the recognition and measurement of deferred and current income tax assets and liabilities when there is uncertainty over tax treatment.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over income tax that will be accepted by tax authorities. IFRIC-23 applies to all aspect of income tax accounting, when there is a uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

While there are new disclosure requirements, entities are reminded of the general requirement to provide information about judgment and estimates made in preparing the financial statement.

The Company is already in compliance with the requirement of IFRIC-23.

## **5.11 Trade and other payables**

These are recognized and carried at cost which is fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

## **5.12 Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation \ as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at the reporting date and adjusted to reflect the best estimate.

## **5.13 Contingencies**

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot



be measured with sufficient reliability.

#### **5.14 Transactions with related parties**

Transactions in relation to sales, purchases and services with related parties are made at arm's length prices except for Business Support Services for which the pricing mechanism is subject to approval of the Board of Directors.

#### **5.15 Revenue recognition**

Revenue is recognized when control of a promised goods passes to a customer. It is measured at the fair value of the consideration received or receivable, sales tax and other duties collected on behalf of third parties are not taken into account.

The revenue is recorded on the basis of the consideration defined in the contract with the customer, including variable consideration such as discount, volume rebates or other contractual price reductions; if any.

Interest and rental / other income is recognized on accrual basis.

#### **5.16 Financial assets and liabilities**

##### **5.16.1 Amortized cost**

Assets that are held for collection of contractual cash flows where those cash flow represents solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognized directly in statement of profit or loss.

##### **Impairment**

The Company recognize an allowance for expected credit loss on all financial assets carried at amortized cost irrespective whether a loss event has occurred. For trade debts, the Company applies IFRS 9 simplified approach to measure the expected credit losses (loss allowance) which uses a life time expected loss allowance while general 3-stage approach for other financial assets (deposits, other receivables and cash and bank balances) 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, and if otherwise, ECL to measure at life time expected credit losses.

The Company measures, at each reporting date, the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. Where the credit risk on a financial instrument has not increased significantly since the initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Company recognizes the amount of expected credit losses (or reversal), that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized, in the statement of profit or loss.

##### **5.16.2 Financial liabilities**

Financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortized cost are initially measured at fair value less transaction costs. Financial liabilities at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in statement of profit or loss.



Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortized cost using the effective yield method.

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

#### **5.17 Offsetting of financial assets and financial liabilities**

A financial asset and financial liability is 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 intends either to settle on a net basis or to realize the asset and discharge the liability simultaneously. Corresponding income on assets and charge on liability is also offset.

## 6 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets

### 6.1 Operating fixed assets :

| Note | 2021      | 2020        |
|------|-----------|-------------|
|      | Rupees    |             |
| 6.1  | 1,034,950 | 147,491,688 |

|                                |      | Accumulated depreciation and impairment |                          |                                    |  |   |                                    |                   |                         |                          |                                    |
|--------------------------------|------|---|--------------------------|------------------------------------|--|---|------------------------------------|-------------------|-------------------------|--------------------------|------------------------------------|
|                                |      | Cost / Revalued amount                  |                          |                                    |  |   |                                    |                   |                         |                          |                                    |
| Particulars                    | Note | As at beginning of year                 | Disposal during the year | Assets classified as held for sale | Adjustment for accumulated depreciation on revaluation | Revaluation surplus/ (reversal) during the year | Impairment Charged during the year | As at end of year | As at beginning of year | Disposal during the year | Assets classified as held for sale |
| Rupees                         |      |   |                          |                                    |  |   |                                    |                   |                         |                          |                                    |
| <b>For financial year 2021</b> |      |   |                          |                                    |  |   |                                    |                   |                         |                          |                                    |
| Freehold land                  | 6.2  | 90,000,000                              | -                        | (90,000,000)                       | -  | -   | -                                  | -                 | -                       | -                        | -                                  |
| Building on freehold land      | 6.2  | 24,061,425                              | -                        | (24,061,425)                       | -  | -   | -                                  | -                 | -                       | (300,768)                | -                                  |
| Plant and machinery            |      | 30,938,575                              | -                        | (30,938,575)                       | -  | -   | -                                  | -                 | -                       | (386,732)                | -                                  |
| Gas cylinders                  |      | 1,560,350                               | -                        | (1,560,350)                        | -  | -   | -                                  | -                 | 1,394,358               | -                        | -                                  |
| Electric installation          |      | 9,382,294                               | -                        | (9,382,294)                        | -  | -   | -                                  | -                 | 8,213,177               | -                        | -                                  |
| Furniture and fixture          |      | 2,343,158                               | -                        | -                                  | -  | -   | -                                  | 2,343,158         | 1,711,871               | -                        | -                                  |
| Office equipment               |      | 2,851,131                               | -                        | -                                  | -  | -   | -                                  | 2,851,131         | 2,385,556               | -                        | -                                  |
| Vehicles                       |      | 623,834                                 | -                        | -                                  | -  | -   | -                                  | 623,834           | 564,117                 | -                        | -                                  |
|                                |      | 161,760,767                             | -                        | (155,942,644)                      | -  | -   | -                                  | 5,818,123         | 14,269,079              | -                        | 842,507                            |
|                                |      |   |                          |                                    |  |   |                                    |                   | 614,231                 | (10,942,644)             | 4,783,173                          |
|                                |      |   |                          |                                    |  |   |                                    |                   |                         |                          | 1,034,950                          |
| <b>For financial year 2020</b> |      |   |                          |                                    |  |   |                                    |                   |                         |                          |                                    |
| Freehold land                  |      | 21,000,000                              | -                        | -                                  | -  | 69,000,000                                      | -                                  | 90,000,000        | -                       | -                        | -                                  |
| Building on freehold land      |      | 34,902,499                              | -                        | -                                  | (4,645,973)  | (6,195,101)                                     | -                                  | 24,061,425        | 3,150,705               | -                        | -                                  |
| Plant and machinery            |      | 170,382,753                             | -                        | -                                  | (70,828,979)   | -   | (68,615,199)                       | 30,938,575        | 65,589,307              | -                        | -                                  |
| Gas cylinders                  |      | 3,529,329                               | (1,968,979)              | -                                  | -  | -   | -                                  | 1,560,350         | 3,174,093               | (1,810,715)              | -                                  |
| Electric installation          |      | 9,382,294                               | -                        | -                                  | -  | -   | -                                  | 9,382,294         | 8,083,275               | -                        | -                                  |
| Furniture and fixture          |      | 2,343,158                               | -                        | -                                  | -  | -   | -                                  | 2,343,158         | 1,641,728               | -                        | -                                  |
| Office equipment               |      | 2,851,131                               | -                        | -                                  | -  | -   | -                                  | 2,851,131         | 2,333,826               | -                        | -                                  |
| Vehicles                       |      | 1,331,674                               | (707,840)                | -                                  | -  | -   | -                                  | 623,834           | 1,019,248               | (474,023)                | -                                  |
|                                |      | 245,722,838                             | (2,676,819)              | -                                  | (75,474,952)   | 62,804,899                                      | -                                  | 161,760,767       | 84,992,182              | (2,284,738)              | 7,036,587                          |
|                                |      |   |                          |                                    |  |   |                                    |                   |                         |                          | (75,474,952)                       |
|                                |      |   |                          |                                    |  |   |                                    |                   |                         |                          | 147,491,688                        |

6.2 For details, Please refer note 15.1 of these financial statements.

- 6.3** 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.
- 6.4** All items of property, plant and equipment of the Company were under registered mortgage / charge of different banks, which was completely settled / paid off and, the process of vacating the charge has been completed and acknowledged by SECP during the year.

|   | Note | 2021               | 2020             |
|---|------|--------------------|------------------|
|   |      | ----- Rupees ----- |                  |
| <b>6.5 Depreciation for the year has been allocated as under:</b> |      |                    |                  |
| Cost of sales   | 29   | -                  | 1,207,165        |
| Administrative expenses   | 31   | 121,629            | 140,765          |
| Other operating expenses  | 32   | 720,878            | 5,688,657        |
|   |      | <u>842,507</u>     | <u>7,036,587</u> |
| <b>7. LONG-TERM DEPOSITS</b>                                      |      |                    |                  |
| Electricity   |      | 2,184,400          | 2,184,400        |
| Orix Leasing  |      | -                  | 650,000          |
| Others  |      | 157,684            | 167,094          |
|   |      | <u>2,342,084</u>   | <u>3,001,494</u> |
| <b>8. STORES AND SPARES</b>                                       |      |                    |                  |
|   |      | -                  | 395,201          |
| Stores  |      | -                  | 601,121          |
| Spares  |      | -                  | 996,322          |
|   |      | <u>-</u>           | <u>-</u>         |
| <b>9. STOCK-IN-TRADE</b>  |      |                    |                  |
| Raw materials   |      | -                  | 50,179           |
| Finished goods  |      | -                  | -                |
|   |      | <u>-</u>           | <u>50,179</u>    |
| <b>10. TRADE DEBTS</b>  |      |                    |                  |
| Unsecured   |      |                    |                  |
| Considered good   |      | -                  | 106,520          |
| Considered doubtful   |      | 1,526,652          | 1,980,961        |
|   |      | <u>1,526,652</u>   | <u>2,087,481</u> |
| Provision for doubtful debts                                      |      | (1,526,652)        | (1,945,454)      |
| Loss allowance  |      | -                  | (35,507)         |
|   |      | <u>-</u>           | <u>106,520</u>   |

**10.1 Age analysis is as follows:**

Neither past due nor impaired  
 0-30 days  
 Past due but not impaired  
 31-90 days  
 91-180 days  
 180-365 days  
 Over 365 days

|  | 2021               | 2020             |
|--|--------------------|------------------|
|  | ----- Rupees ----- |                  |
|  | -                  | -                |
|  | -                  | -                |
|  | -                  | -                |
|  | 142,027            | 142,027          |
|  | 1,384,625          | 1,945,454        |
|  | <u>1,526,652</u>   | <u>2,087,481</u> |

**10.2 Provision for doubtful debts**

Balance at beginning of year  
 Written back during the year  
  
 Provision made during the year

|  |                  |                  |
|--|------------------|------------------|
|  | 1,945,454        | 2,324,911        |
|  | (560,829)        | (379,457)        |
|  | <u>1,384,625</u> | <u>1,945,454</u> |
|  | 142,027          | -                |
|  | <u>1,526,652</u> | <u>1,945,454</u> |

**11. ADVANCES AND OTHER RECEIVABLES**
**Unsecured**

Advances to suppliers - Considered good  
 Advances to suppliers - Considered doubtful  
 Other receivables - Considered good  
  
 Provision against doubtful Advances

|  |                  |                  |
|--|------------------|------------------|
|  | 1,665,511        | 1,580,974        |
|  | -                | 88,366           |
|  | 499,996          | 49,996           |
|  | <u>2,165,507</u> | <u>1,719,336</u> |
|  | (88,366)         | (88,366)         |
|  | <u>2,077,141</u> | <u>1,630,970</u> |

**12. INVESTMENTS**
**FAIR VALUE THROUGH PROFIT OR LOSS**

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

| 2021                         | 2020         |                                      |               |               |
|------------------------------|--------------|--------------------------------------|---------------|---------------|
| No. of shares / certificates |              | Company's name                       |               |               |
| 268                          | 268          | Faysal Bank Ltd.                     | 4,548         | 3,733         |
| 603                          | 603          | Sui Southern Gas Pipelines Ltd.      | 8,020         | 8,044         |
| 1,398                        | 1,398        | First Fidelity Leasing Modaraba Ltd. | 4,208         | 4,907         |
| 1,311                        | 1,311        | First Equity Modaraba Ltd.           | 8,849         | 3,920         |
| 419                          | 419          | K-Electric Ltd.                      | 1,751         | 1,261         |
| 100                          | 84           | Pakistan Oxygen Ltd.                 | 15,500        | 13,957        |
| 290                          | 290          | SAMBA Bank Ltd.                      | 1,937         | 2,265         |
| 13                           | 12           | Ghani Gases Ltd.                     | 645           | 189           |
| <u>4,402</u>                 | <u>4,385</u> |                                      | <u>45,458</u> | <u>38,276</u> |

|   | Note | 2021               | 2020             |
|---|------|--------------------|------------------|
|   |      | ----- Rupees ----- |                  |
| <b>13. TAXATION - NET</b>                   |      |                    |                  |
| Income tax refundable                       |      | <b>5,237,860</b>   | 5,386,659        |
| Advance income tax deducted during the year |      | <b>761,571</b>     | 11,146           |
| Provision for taxation - current            | 35   | -                  | (159,945)        |
|   |      | <b>5,999,431</b>   | <b>5,237,860</b> |
| <b>14. CASH AND BANK BALANCES</b>           |      |                    |                  |
| Cash at bank - current accounts             |      | <b>7,200</b>       | 8,659            |
| Cash in hand                                |      | <b>66,977</b>      | 36,754           |
|   |      | <b>74,177</b>      | <b>45,413</b>    |

**15. NON CURRENT ASSETS HELD FOR SALE**

| Description               | Written Down Value | Fair Value Less cost to sell | Lower of carrying value or fair value | Diposal during the year | Closing balance    |
|---------------------------|--------------------|------------------------------|---------------------------------------|-------------------------|--------------------|
| Freehold land             | 90,000,000         | 90,000,000                   | 90,000,000                            | -                       | 90,000,000         |
| Building on freehold land | 23,760,657         | 23,170,000                   | 23,170,000                            | -                       | 23,170,000         |
| Plant and machinery       | 30,551,843         | 39,287,500                   | 30,551,843                            | (20,621,575)            | 9,930,268          |
| Gas cylinders             | 161,842            | 1,368,000                    | 161,842                               | (161,842)               | -                  |
| Electric installation     | 525,658            | 715,500                      | 525,658                               | (525,658)               | -                  |
|                           | <b>145,000,000</b> | <b>154,541,000</b>           | <b>144,409,343</b>                    | <b>(21,309,075)</b>     | <b>123,100,268</b> |

- 15.1** During the year under review the Company has transferred its land, building, plant and machinery, gas cylinders and electric installations to Non-current assets held for sale. After the approval in the members' meetings the Company's management has started negotiations with the prospective buyers and an agreement was concluded and token money was also obtained and is reflected as liability against non current asset held for sale.

These assets are measured at the lower of carrying amount and fair value less cost to sell.

**16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**

| 2021             | 2020             |                                     |                   |
|------------------|------------------|-------------------------------------|-------------------|
| No. of shares    |                  |                                     |                   |
|                  |                  | Ordinary shares of Rs.10/- each :   |                   |
| <b>5,336,769</b> | 5,336,769        | - Fully paid in cash                | <b>53,367,690</b> |
| <b>250,000</b>   | 250,000          | - For consideration other than cash | <b>2,500,000</b>  |
| <b>1,915,741</b> | 1,915,741        | - Fully paid bonus shares           | <b>19,157,410</b> |
| <b>7,502,510</b> | <b>7,502,510</b> |                                     | <b>75,025,100</b> |

|   | 2021   | 2020         |
|---|--|--------------|
|   | ----- Rupees -----   |              |
| <b>16.1 Shares held by the related parties of the Company</b>                                     |  |              |
| Name of the shareholders:   |  |              |
| Mr. M. Hanif Y. Bawany  | 1,223,096  | 1,223,096    |
| Mrs. Momiza Hanif Bawany  | 443,680  | 443,680      |
| Mr. Vali Mohammad M. Yahya  | 338,861  | 338,861      |
| Bawany Management (Pvt.) Ltd.   | 222,149  | 222,149      |
| Mr. Zakaria Abdul Ghaffar   | 3,581  | 3,581        |
| Mr. Wazir Ahmed Jomezai   | 3,581  | 3,581        |
| Mr. Mikhail Bawany  | 3,010  | 3,010        |
| Mr. Muhammad Danish   | 17,945   | 17,945       |
| <b>16.2</b>   | 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. |              |
| <b>17. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT- NET</b>                           |  |              |
| The surplus revaluation is presented as a separate capital reserve in these financial statements. |  |              |
| Surplus on freehold land  | 89,654,210   | 89,654,210   |
| Surplus on building on freehold land  | 9,353,322  | 9,353,323    |
| Transferred to retained earnings  | (99,007,532)   | -            |
| Balance as at reporting date  | -  | 99,007,533   |
| <b>18. LONG-TERM DEPOSITS</b>   |  |              |
| Received against processing tanks and cylinders   | 45,166,660   | 50,063,663   |
| <b>18.1</b>   | These are non-interest bearing and are repayable to customers on return of processing tanks and cylinders or on termination of sale agreement.   |              |
| <b>18.2</b>   | 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.   |              |
| <b>19. DEFERRED TAX LIABILITY</b>   |  |              |
| <b>Taxable temporary differences:</b>   |  |              |
| Accelerated depreciation on property, plant and equipment   | (10,345,321)   | 4,921,849    |
| Surplus on revaluation of property, plant and equipment-net                                       | 3,727,341  | 3,727,340    |
|   | (6,617,980)  | 8,649,189    |
| <b>Deductible temporary differences:</b>  |  |              |
| Doubtful receivables and other provisions   | (442,729)  | (574,479)    |
| Minimum tax paid  | (4,042,266)  | (4,531,191)  |
| Carried forward tax losses  | (50,698,791)   | (46,319,135) |
|   | (55,183,786)   | (51,424,805) |
| Net deferred tax (asset)/ liability   | (61,801,766)   | (42,775,616) |
| Deferred tax asset not recognized   | 61,801,766   | 42,775,616   |
|   | -  | -            |

|                                      | Note | 2021               | 2020             |
|--------------------------------------|------|--------------------|------------------|
|                                      |      | ----- Rupees ----- |                  |
| <b>20. TRADE AND OTHER PAYABLES</b>  |      |                    |                  |
| Trade creditors - unsecured          |      | <b>45,619</b>      | 2,036,125        |
| Insurance payable                    |      | <b>1,006,123</b>   | 1,006,123        |
| Contract liability - Unsecured       |      | <b>215,098</b>     | 259,992          |
| Provision for compensated absences   | 20.1 | <b>450,000</b>     | 732,946          |
| Sales tax payable                    |      | -                  | 196,887          |
| Withholding tax on suppliers         |      | <b>1,746,734</b>   | 2,029,017        |
| Withholding tax on salaries of staff |      | <b>419,447</b>     | 417,477          |
|                                      |      | <b>3,883,021</b>   | <b>6,678,567</b> |

**20.1** With effect from financial year 2015, the policy has been discontinued by the Company. The outstanding balance relates to directors of the Company.

|                                    | Note | 2021               | 2020              |
|------------------------------------|------|--------------------|-------------------|
|                                    |      | ----- Rupees ----- |                   |
| <b>21 ACCRUED LIABILITIES</b>      |      |                    |                   |
| Payable to related parties         | 21.1 | <b>16,466,231</b>  | 14,597,477        |
| Salaries payable                   |      | <b>1,377,964</b>   | 1,116,099         |
| EOBI and SESSI payable             |      | <b>1,059,185</b>   | 1,317,347         |
| Bonus payable                      |      | <b>270,000</b>     | 789,453           |
| Arrears payable                    |      | -                  | 579,189           |
| Security charges payable           |      | <b>93,000</b>      | 93,000            |
| Lubricant charges payable          |      | -                  | 481,517           |
| Audit fee payable                  |      | <b>349,000</b>     | 300,000           |
| Central Depository charges payable |      | <b>567,825</b>     | 474,600           |
| Listing fee payable                |      | -                  | 30,000            |
| Other accrued liabilities          |      | <b>1,124,806</b>   | 1,310,439         |
|                                    |      | <b>21,308,011</b>  | <b>21,089,121</b> |

|  |  |                   |                   |
|--|--|-------------------|-------------------|
| <b>21.1 Payable to Related Parties</b> |  |                   |                   |
| Remuneration payable to directors      |  | <b>15,254,719</b> | 13,385,965        |
| Rent payable to Associate              |  | <b>1,211,512</b>  | 1,211,512         |
|  |  | <b>16,466,231</b> | <b>14,597,477</b> |

|                                   |      |                  |           |
|-----------------------------------|------|------------------|-----------|
| <b>22 PROVISIONS - K ELECTRIC</b> |      |                  |           |
| K-Electric excess billing         | 22.1 | <b>2,303,902</b> | 2,303,902 |

**22.1** 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 bearing reference EI-HUB/I&P/Pet-4/887 dated 28 November 2011, for 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 has settled in subsequent period July 2021.

|  | Note | 2021               | 2020             |
|--|------|--------------------|------------------|
|  |      | ----- Rupees ----- |                  |
| <b>23 PAYABLE TO PROVIDENT FUND</b>          |      |                    |                  |
| Payable to provident fund - interest bearing | 23.1 | -                  | 4,239,026        |
| Mark-up on due to provident fund             |      | -                  | 2,619,935        |
|  |      | -                  | <b>6,858,961</b> |

- 23.1** This represented equal contribution by the Company and the employees. This carried mark-up at the rate of 9% (2020: 9%) per annum.

|                                 | 2021               | 2020    |
|---------------------------------|--------------------|---------|
|                                 | ----- Rupees ----- | -----   |
| <b>24 ACCRUED MARK-UP</b>       |                    |         |
| Mark up on overdue installments | -                  | 251,620 |
| Mark up on short-term financing | -                  | 626,965 |
|                                 | -----              | -----   |
|                                 | -                  | 878,585 |

**25 DUE TO RELATED PARTIES**

**Un-secured**

|                               |                   |            |
|-------------------------------|-------------------|------------|
| Related parties (individuals) | -                 | 12,499,162 |
| Bawany Management (Pvt.) Ltd. | <b>24,322,954</b> | 26,835,774 |
| Loan from director            | <b>4,283,108</b>  | 4,269,090  |
|                               | -----             | -----      |
|                               | <b>28,606,062</b> | 43,604,026 |

- 25.1** These are unsecured, non-interest bearing loans which are repayable on demand.

|   | 2021               | 2020       |
|---|--------------------|------------|
|   | ----- Rupees ----- | -----      |
| <b>26. SHORT-TERM FINANCING</b>         |                    |            |
| Secured, interest bearing               |                    |            |
| Overdue installments - Orix leasing     | -                  | 3,170,852  |
| Running finance from bank - Faysal bank | -                  | 8,835,819  |
|   | -----              | -----      |
|   | -                  | 12,006,671 |

**27. CONTINGENCIES AND COMMITMENTS**

**Contingencies**

The Company was selected for monitoring of withholding income tax under section 161 / 205 of the Income Tax Ordinance, 2001 in respect of tax years 2017, 2018 and 2019. The concerned commissioner passed an order for tax year 2017 and raised a demand of Rs. 1,535,186. The Company deposited 10% of the amount being Rs. 153,518 and challenged this order before Commissioner Appeals. Subsequently on 09 September 2021, the Commissioner Appeals decided the case and restricted the tax demand and default surcharge to the extent of Rs. 135,262. This resulted in a net refundable balance of Rs. 18,256 by the Company in respect of tax year 2017.

The proceedings for tax year 2018 and 2019 are in process, the Company has submitted required information to the Commissioner. The management is confident that the decision of the Commissioner will be in favor of the Company and the exposure in case of any adverse decision will not be material therefore no provision is made in the financial statements.

**Commitments**

There was no commitments as at June 30, 2021 (2020: Nil).



|                                       | Note | 2021               | 2020        |
|---------------------------------------|------|--------------------|-------------|
|                                       |      | ----- Rupees ----- |             |
| <b>28. SALES - NET</b>                |      |                    |             |
| Sales                                 |      | -                  | 15,083,783  |
| Less: sales tax                       |      | -                  | (2,288,147) |
|                                       |      | -                  | 12,795,636  |
| <b>29. COST OF SALES</b>              |      |                    |             |
| Liquid oxygen consumed                |      | -                  | 9,655,895   |
| Salaries and other benefits           | 29.1 | -                  | 2,928,236   |
| Electricity, gas and water            |      | -                  | 336,935     |
| Stores and spares consumed            |      | -                  | 3,725       |
| Repairs, maintenance and handling     |      | -                  | 380,610     |
| Depreciation                          | 6.5  | -                  | 1,207,165   |
| Security                              |      | -                  | 1,116,000   |
| Others                                |      | -                  | 240,802     |
|                                       |      | -                  | 15,869,368  |
| Maintenance & other charges recovered |      | -                  | -           |
| Cost of goods processed               |      | -                  | 15,869,368  |
| Processed goods - opening             |      | -                  | 275,717     |
| Processed goods - closing             | 9    | -                  | -           |
|                                       |      | -                  | 275,717     |
|                                       |      | -                  | 16,145,085  |

**29.1** Salaries, wages and other benefits include contributions of Rs.0.000 (2020: 0.109) million in respect of defined contribution plan.

|                              | Note | 2021               | 2020      |
|------------------------------|------|--------------------|-----------|
|                              |      | ----- Rupees ----- |           |
| <b>30. DISTRIBUTION COST</b> |      |                    |           |
| Salaries and other benefits  | 30.1 | -                  | 1,119,098 |
| Transportation charges       |      | -                  | 352,610   |
| Others                       |      | -                  | 20,827    |
|                              |      | -                  | 1,492,535 |

**30.1** Salaries and other benefits include contributions of Rs.0.000 (2020: 0.068) million in respect of defined contribution plan.

|                                    | Note | 2021               | 2020             |
|------------------------------------|------|--------------------|------------------|
|                                    |      | ----- Rupees ----- |                  |
| <b>31. ADMINISTRATIVE EXPENSES</b> |      |                    |                  |
| Salaries and other benefits        | 31.1 | 4,333,552          | 4,352,323        |
| Electricity, gas and water         |      | 96,190             | 155,237          |
| Repairs and maintenance            |      | 168,116            | 148,284          |
| Communication                      |      | 127,327            | 136,472          |
| Vehicle running and maintenance    |      | 110,923            | 225,421          |
| Fees, subscription and periodicals |      | 812,947            | 1,017,311        |
| Rent, rates and taxes              |      | 648,588            | 546,996          |
| Auditors' remuneration             | 31.2 | 400,000            | 381,000          |
| Traveling and conveyance           |      | 44,555             | 146,370          |
| Printing and stationery            |      | 59,408             | 74,404           |
| Legal and professional charges     |      | 648,000            | 358,000          |
| Advertisement                      |      | 41,800             | 92,500           |
| Others                             |      | 602,005            | -                |
| Depreciation                       | 6.5  | 121,629            | 140,765          |
|                                    |      | <u>8,215,040</u>   | <u>7,775,083</u> |

**31.1** Salaries and other benefits include contributions of Rs.0.107 (2020: 0.175) million in respect of defined contribution plan.

|                                    | Note | 2021               | 2020           |
|------------------------------------|------|--------------------|----------------|
|                                    |      | ----- Rupees ----- |                |
| <b>31.2 Auditors' remuneration</b> |      |                    |                |
| Audit fee                          |      | 300,000            | 300,000        |
| Half year review fee               |      | 100,000            | 81,000         |
|                                    |      | <u>400,000</u>     | <u>381,000</u> |

**32. OTHER OPERATING EXPENSES**

|   |      |                   |                   |
|---|------|-------------------|-------------------|
| Depreciation of idle plant                            | 6.5  | 720,878           | 5,688,657         |
| Impairment on idle plant                              |      | -                 | 68,615,199        |
| Impairment on stores & spares and stock               |      | 1,046,501         | -                 |
| Impairment on non-financial assets                    |      | 1,204,888         | -                 |
| Sales tax expense                                     |      | -                 | 43,881            |
| Expenses related idle plant and machinery and factory | 32.1 | 8,582,504         | -                 |
|   |      | <u>11,554,771</u> | <u>74,347,737</u> |

**32.1 Expenses Related to Idle Plant and Factory**

|                             |                  |          |
|-----------------------------|------------------|----------|
| Salaries and other benefits | 3,043,504        | -        |
| Utilities                   | 89,920           | -        |
| Repair and Maintenance      | 1,422,700        | -        |
| Security                    | 1,116,000        | -        |
| Transportation Charges      | 210,380          | -        |
| Others                      | 2,700,000        | -        |
|                             | <u>8,582,504</u> | <u>-</u> |

**33. OTHER INCOME**

**From financial assets:**

|  |         |         |
|--|---------|---------|
| Dividend income                        | -       | 29      |
| Written back of provision for doubtful | 560,829 | 379,457 |

**From other than financial assets:**

|   |                  |                  |
|---|------------------|------------------|
| (loss) / Gain on disposal of non-current assets held for sale | 1,874,809        | 1,160,060        |
| Receipts against sale of scrap                                | -                | 869,236          |
| Rental Income   | 450,000          | -                |
|   | <u>2,885,638</u> | <u>2,408,782</u> |

|                                  | Note | 2021               | 2020           |
|----------------------------------|------|--------------------|----------------|
|                                  |      | ----- Rupees ----- |                |
| <b>34. FINANCE COST</b>          |      |                    |                |
| Mark-up on due to provident fund |      | 135,663            | 634,077        |
| Short term borrowings            |      | 1,064,744          | -              |
| Bank charges                     |      | 60,774             | 2,155          |
|                                  |      | <u>1,261,181</u>   | <u>636,232</u> |

### 35 TAXATION

|            |      |          |                  |
|------------|------|----------|------------------|
| Current    | 35.1 | -        | 159,945          |
| Prior year |      | -        | -                |
| Deferred   |      | -        | 1,796,579        |
|            |      | <u>-</u> | <u>1,956,524</u> |

**35.1** Since the Company did not earn any taxable income, there is no charge of taxation for current year.

### 36. LOSS PER SHARE - BASIC AND DILUTED

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

|   | Note | 2021               | 2020             |
|---|------|--------------------|------------------|
|   |      | ----- Rupees ----- |                  |
| Loss for the year - Rupees                          |      | (18,138,172)       | (87,187,112)     |
| Weighted average number of ordinary shares (Number) |      | <u>7,502,510</u>   | <u>7,502,510</u> |
| Loss per share - Rupees                             |      | <u>(2.42)</u>      | <u>(11.62)</u>   |

### 37. CASH & CASH EQUIVALENT

|  |    |               |                     |
|--|----|---------------|---------------------|
| Cash and bank balances                 | 14 | 74,177        | 45,413              |
| Short-term financing - running finance | 26 | -             | (12,006,671)        |
|  |    | <u>74,177</u> | <u>(11,961,258)</u> |

### 38. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTOR AND EXECUTIVE

|                | Chief Executive Officer |                  | Director         |                  |
|----------------|-------------------------|------------------|------------------|------------------|
|                | 2021                    | 2020             | 2021             | 2020             |
|                | ----- Rupees -----      |                  |                  |                  |
| Remuneration   | 967,742                 | 967,742          | 1,045,161        | 1,045,161        |
| House rent     | 435,484                 | 435,484          | 470,322          | 470,322          |
| Utilities      | 96,774                  | 96,774           | 104,517          | 104,517          |
|                | <u>1,500,000</u>        | <u>1,500,000</u> | <u>1,620,000</u> | <u>1,620,000</u> |
| No. of persons | <u>1</u>                | <u>1</u>         | <u>1</u>         | <u>1</u>         |

- 38.1** 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.0.310 (2020: Rs. 0.363) million.
- 38.2** No fees have been paid to any of the directors during the year (2020: nil) for attending boards' meetings.
- 38.3** No remuneration has been paid to non-executive directors of the Company during the year (2020: Nil).

### 39 TRANSACTIONS WITH RELATED PARTIES

Detail relationship with related parties and percentage of holdings, if any, are disclosed in note 16.1 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          | 2021                | 2020               |
|-----------------------------------|---------------------------------|---------------------|--------------------|
|                                   |                                 | ----- Rupees -----  | ----- Rupees ----- |
| Ebrhaimyan Enterprises            | Rent charges paid               | <b>546,996</b>      | 546,996            |
| Related Parties (Individuals)     | Loan (paid) / obtained          | <b>(12,499,162)</b> | 9,649,162          |
| Directors                         | Repayment                       | <b>14,018</b>       | (11,757)           |
| Bawany Management (Pvt) Ltd.      | Loan repaid                     | <b>(2,512,820)</b>  | (363,486)          |
| Employees retirement benefit plan | Contribution to provident fund  | <b>107,334</b>      | 612,370            |
|                                   | Interest charged to the Company | <b>135,663</b>      | 634,077            |

### 40. PROVIDENT FUND

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

|                                 | June 30,<br>2021<br>(Un-audited) | June 30,<br>2020<br>(Un-audited) |
|---------------------------------|----------------------------------|----------------------------------|
|                                 | ----- Rupees -----               | ----- Rupees -----               |
| Size of the fund - total assets | <b>1,671,115</b>                 | 6,889,823                        |
| Cost of the investment made     | -                                | -                                |
| Percentage of investments made  | <b>0%</b>                        | 0%                               |
| Fair value of investments       | -                                | -                                |

#### 40.1 The break-up of fair value of investments is:

|                             |                  |           |
|-----------------------------|------------------|-----------|
| Bank balances/deposits      | <b>1,671,115</b> | 29,337    |
|                             | <b>100.00%</b>   | 0.43%     |
| Receivable from the Company | -                | 6,858,961 |
|                             | <b>0.00%</b>     | 99.55%    |

|   | 2021               | 2020               |
|---|--------------------|--------------------|
|   | ----- Rupees ----- |                    |
| <b>41. FINANCIAL RISK MANAGEMENT</b>          |                    |                    |
| <b>41.1 Financial instruments by category</b> |                    |                    |
| <b>FINANCIAL ASSETS</b>                       |                    |                    |
| <b>Loans and receivables</b>                  |                    |                    |
| Long-term deposits                            | 2,342,084          | 3,001,494          |
| Trade debts                                   | -                  | 106,520            |
| Other receivables                             | 49,996             | 49,996             |
| Cash and bank balances                        | 74,177             | 45,413             |
|   | <u>2,466,257</u>   | <u>3,203,423</u>   |
| <br>Balance brought forward                   | <br>2,466,257      | <br>3,203,423      |
| <b>FAIR VALUE THROUGH PROFIT OR LOSS</b>      |                    |                    |
| <br>Other financial assets                    | <br>45,458         | <br>38,276         |
|   | <u>2,511,715</u>   | <u>3,241,699</u>   |
| <br><b>FINANCIAL LIABILITIES</b>              |                    |                    |
| <b>Through Amortized Cost</b>                 |                    |                    |
| Long-term deposits                            | 45,166,660         | 50,063,663         |
| Trade and other payables                      | 1,501,742          | 3,775,194          |
| Accrued liabilities                           | 20,248,826         | 19,771,774         |
| Unclaimed dividend                            | 717,420            | 717,420            |
| Payable to K-Electric                         | 2,303,902          | 2,303,902          |
| Payable to provident fund                     | -                  | 6,858,961          |
| Accrued markup                                | -                  | 878,585            |
| Due to related parties                        | 28,606,062         | 43,604,026         |
| Short-term financing                          | -                  | 12,006,671         |
|   | <u>98,544,612</u>  | <u>139,980,196</u> |

#### 41.2 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:

##### 41.2.1 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.

|                                  | 2021               | 2020      |
|----------------------------------|--------------------|-----------|
|                                  | ----- Rupees ----- |           |
| <b>Fixed rate instruments</b>    |                    |           |
| Long-term financing              | -                  | 3,170,852 |
| <b>Variable rate instruments</b> |                    |           |
| Short-term borrowings            | -                  | 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. Nil (2020: Rs. 88,365). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

#### 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.

### 41.2.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

#### a) 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. 2.916 million (2020: 3.2) 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:

|                    | 2021             | 2020             |
|--------------------|------------------|------------------|
|                    | Rupees           |                  |
| Long-term deposits | 2,342,084        | 3,001,494        |
| Other receivables  | 499,996          | 49,996           |
| Trade debts        | -                | 106,520          |
| Bank balances      | 74,177           | 45,413           |
|                    | <u>2,916,257</u> | <u>3,203,423</u> |

The trade debts are due from local customers for sale of liquid oxygen, nitrogen and dissolved acetylene. Management assesses the credit quality of customers, taking into account their financial position, past experience and other factors and limits significant exposure to any individual customer by obtaining advance from customers in certain cases. As at reporting date, the Company is not significantly exposed to credit risk on accounts of trade receivable.

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

|                |  | 2021             | 2020             |
|----------------|--|------------------|------------------|
|                |  | Rupees           |                  |
| <b>Parties</b> | <b>Credit Quality</b>  |                  |                  |
| 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          |
| Others         | Deposits to vendors from whom services are being obtained (Considered good)  | 157,684          | 167,094          |
|                |  | <u>2,342,084</u> | <u>3,001,494</u> |

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

The credit quality of Company's bank balances assessed with reference to Pakistan Credit Rating Agency (PACRA) as at June 30, 2021 is as follows:

|                  |                                   | 2021         | 2020         |
|------------------|-----------------------------------|--------------|--------------|
|                  |                                   | Rupees       |              |
| <b>Banks</b>     | <b>Credit Rating (Short term)</b> |              |              |
| MCB Bank Limited | A1 +                              | 647          | 647          |
| UBL Bank Limited | A-1 +                             | 4,150        | 6,573        |
| NBP Bank Limited | A-1 +                             | 2,403        | 2,403        |
|                  |                                   | <u>7,200</u> | <u>9,623</u> |

#### 41.2.3 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 to 5 years | over 5 years      | Total              |
|--|-------------------|--------------|-------------------|--------------------|
| <b>June 30, 2021</b>                           |                   |              |                   |                    |
| Long-term deposits                             | -                 | -            | 45,166,660        | 45,166,660         |
| Trade and other payables                       | 3,883,021         | -            | -                 | 3,883,021          |
| Accrued liabilities other than related parties | 4,841,780         | -            | -                 | 4,841,780          |
| Unclaimed dividend                             | 717,420           | -            | -                 | 717,420            |
| Liability to K-Electric                        | 2,303,902         | -            | -                 | 2,303,902          |
| Due to related parties                         | 45,072,293        | -            | -                 | 45,072,293         |
|  | <u>56,818,416</u> | <u>-</u>     | <u>45,166,660</u> | <u>101,985,076</u> |

**June 30, 2020**

|  |                   |          |                   |                    |
|--|-------------------|----------|-------------------|--------------------|
| Long-term deposits                             | -                 | -        | 50,063,663        | 50,063,663         |
| Trade and other payables                       | 3,775,194         | -        | -                 | 3,775,194          |
| Accrued liabilities other than related parties | 5,174,297         | -        | -                 | 5,174,297          |
| Unclaimed dividend                             | 717,420           | -        | -                 | 717,420            |
| Payable to K-Electric                          | 2,303,902         | -        | -                 | 2,303,902          |
| Payable to provident fund                      | 6,858,961         | -        | -                 | 6,858,961          |
| Accrued markup                                 | 878,585           | -        | -                 | 878,585            |
| Due to related parties                         | 58,201,503        | -        | -                 | 58,201,503         |
| Short-term financing                           | 12,006,671        | -        | -                 | 12,006,671         |
|  | <u>89,916,533</u> | <u>-</u> | <u>50,063,663</u> | <u>139,980,196</u> |

## 42. 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.

|                              | 2021               | 2020               |
|------------------------------|--------------------|--------------------|
|                              | ----- Rupees ----- |                    |
| Total debts                  | 73,772,722         | 105,674,357        |
| Less: Cash & cash equivalent | (74,177)           | (45,413)           |
| Net debt                     | 73,698,545         | 105,628,944        |
| Total Equity                 | (2,915,820)        | 15,222,352         |
| Total debt and equity        | <u>70,782,725</u>  | <u>120,851,296</u> |
| Gearing ratio                | <u>104%</u>        | <u>87%</u>         |



**2021**
**2020**
**Rupees**
**43. PLANT CAPACITY AND ACTUAL PRODUCTION**
**Production capacity (Triple Shift)**

|                                |   |           |
|--------------------------------|---|-----------|
| Regasification of liquid gases | - | 4,485,000 |
| Oxygen/ Nitrogen               | - | 4,485,000 |
| Dissolved acetylene            | - | 144,000   |
|                                | - | 9,114,000 |

**Actual production**

|                                |   |         |
|--------------------------------|---|---------|
| Regasification of liquid gases | - | 333,248 |
| Oxygen/ Nitrogen               | - | -       |
| Dissolved acetylene            | - | -       |
|                                | - | 333,248 |

**Reason for Shortfall**

There was no production during the year.

**44. SUBSEQUENT EVENTS**
**Release of Mortgage and Charges**

Subsequent to the year the company has released all of its mortgaged and charged properties by clearing all its outstanding debts to different lenders.

**45. NUMBER OF EMPLOYEES**

Total number of employees including factory at the year ended were 13 (2020: 13) and average number of employees during the year were 14 (2020: 14).

The numbers of employees working at factory at the year ended were 07 (2020: 07) and average number of employees during the year were 07 (2020: 07).

**46. AUTHORISATION FOR ISSUE**

These financial statements were approved on October 27, 2021 by the Board of Directors of the Company.

**47. GENERAL**

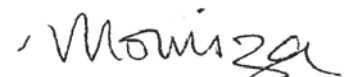
Figures in these financial statements have been made off to the nearest rupee, unless otherwise stated.



**M. HANIF Y. BAWANY**  
 Chief Executive officer



**ABDUL RAUF**  
 Chief Financial Officer



**MOMIZA HANIF BAWANY**  
 Director



# Form of Proxy

The Director,  
 BAWANY AIR PRODUCTS LIMITED  
 City Office, 16-C, 2nd Floor, Nadir House,  
 I.I. Chundrigar.

Please quote Folio No.

## Reason for Shortfall

No. of Shares. \_\_\_\_\_

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 43rd Annual General Meeting of the Company to be held on  
 the 25th day of November 2021 and at any every adjournment thereof.

Signed by \_\_\_\_\_

Signed under my / our hand this the \_\_\_\_\_ day of \_\_\_\_\_, 2021

Witness - 1

Witness - 2

Name : \_\_\_\_\_  
 CNIC : \_\_\_\_\_  
 Address : \_\_\_\_\_  
 \_\_\_\_\_

Name : \_\_\_\_\_  
 CNIC : \_\_\_\_\_  
 Address : \_\_\_\_\_  
 \_\_\_\_\_

## NOTE:

**Signature Across  
 Revenue Stamp**

- The signature should match with the specimen signature registered with the company.
- A Proxy need not be a member of the Company
- 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:

- 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.
- The Proxy Form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the Form.
- The Proxy shall produce his / her original and valid CNIC or Passport at the time of the Meeting.
- 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.



















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