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BAWANYAIR
PRODUCTS LIMITED

ISO 9002

THIRTYFIRST ANNUAL REPORT

2008 – 2009

BAWANYAIR
PRODUCTS LIMITED

ISO 9002

FORM OF PROXY

The Directors,
BAWANY AIR PRODUCTS LIMITED
City Office,
16-C, Nadir House,
I.I. Chundrigar Road,
Karachi.

Please quote Folio No.

No. of Shares ________

I/We ____

of ____

member(s) of Bawany Air Products Limited do hereby appoint ____________________

____

of ____

(or failing him) ____

of ____

Who is also a member of the Company as a proxy to vote on my/our behalf at the 31st Annual General Meeting of the Company to be held on October 22, 2009 at 12.00 noon and at any adjournment thereof.

Signed this ____________________ day of ____________ 2009

Witness ____________________

____

____

____

Signature Across
Revenue Stamp

IMPORTANT : Instruments of Proxy will not be considered as valid unless they are deposited at the Company's city office at least 48 hours before the time of holding the meeting.

33. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is not subject to any externally imposed Capital requirements.

34. PLANT CAPACITY AND ACTUAL PRODUCTION

	2009	2008
	Cubic Meter	
Production Capacity (Tripple Shift)		
Oxygen	**4,233,000**	4,233,000
Nitrogen	**252,000**	252,000
Dissolved acetylene	**144,000**	144,000
	4,629,000	4,629,000
Actual Production		
Oxygen	**3,344,704**	2,227,597
Nitrogen	**118,332**	179,858
Dissolved acetylene	**6,555**	8,233
	3,469,591	2,415,688

Under utilization of available capacity of oxygen, nitrogen and dissolved acetylene is due to lack of market share because of competitive prices offered by other manufacturers.

35. RECLASSIFICATION

Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions for the purposes of comparison. Significant reclassifications made are as follows:

From	To	Nature	2008 Rupees
Sales tax payable	Trade and other payable	Sales tax payable	359,085
Other operating income	Unrealized loss on revaluation of financial assets	Unrealized loss	1,885

36. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the board of directors of the Company and authorised for issue on October 01, 2009.

M. HANIF Y. BAWANY
Managing Director/Chief Executive Officer

DANISH AMIN
Director

Credit risk related to receivables

To reduce the exposure to credit risk the management continuously monitors the credit exposure towards the customers, limits significant exposure to any individual customer and obtains advance from customers in certain cases. A significant amount of Company's sales are to Ship Breaking Industry in the area of Gadani, Pakistan, however, the Company is not exposed to concentration of credit risk from these sales as the recovery of receivables from these customers is faster than other customers.

Aging of past due but not impaired trade debts and impaired trade debts are disclosed in notes 16.1.1 and 16.3 to the financial statements.

Ratings of banks in which deposits are placed

Majority of bank balances are kept with United Bank Limited which has short term credit rating of A1+ and long term credit rating of AA+ assigned by JCR-VIS.

32.2.3 Liquidity risk

Liquidity risk is the risk the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risks arises because of the possibility that the Company could be required to pay its liabilities earlier or difficulty in raising funds to meet commitments associated with the financial liabilities as they fall due. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Within 1 year	1-2 years	2-3 years	More than 3 years	Total
2009					
Long-term financing	60,799,515	14,276,400	-	11,500,000	86,575,915
Liabilities against assets subject to finance lease	16,389,889	1,779,785	-	-	18,169,674
Long-term deposits	-	-	-	24,816,019	24,816,019
Trade and other payables	25,703,109	-	-	-	25,703,109
Interest / mark-up accrued	25,806,123	-	-	-	25,806,123
	128,698,636	16,056,185	-	36,316,019	181,070,840
2008					
Long-term financing	40,195,138	30,787,765	16,391,634	11,500,000	98,874,537
Liabilities against assets subject to finance lease	12,071,000	6,307,950	1,703,445	-	20,082,395
Long-term deposits	-	-	-	22,104,019	22,104,019
Trade and other payables	19,925,199	-	-	-	19,925,199
Interest / mark-up accrued	12,247,287	-	-	-	12,247,287
	84,438,624	37,095,715	18,095,079	33,604,019	173,233,437

32.3 Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction.

The carrying value of all the financial instruments reported in the financial statements approximate their fair value.

assets. The Company's exposure to risk of changes in market interest / mark-up rates relates primarily to the Company's long-term debt, finance lease obligations and short term borrowings with floating interest rates. At the balance sheet date the interest rate profile of the Company's interest bearing financial liabilities is:

Variable rate instruments at carrying amount:

	2009 **Rupees**	2008 Rupees
Long term financing	**63,457,257**	68,417,257
Liabilities against assets subject to finance lease	**14,300,061**	16,346,983
Short term borrowings	**15,282,056**	19,866,755
	93,039,374	104,630,995

At June 30, 2009, if interest rates on the Company's aforementioned borrowings had been higher / lower by 100 basis points with all other variables held constant, loss for the year would have been higher / lower by Rs. 930,394/- (2008: Rs. 1,046,310/-). This analysis assumes that all other variables 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 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.

32.2.2 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Concentration of credit risk arises when a number of counter parties 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 of the Company arises principally from the trade debts and long-term deposits. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2009 **Rupees**	2008 Rupees
Long-term deposits	**2,804,477**	2,529,474
Trade debts	**9,532,733**	8,116,278
Loans and advances	**41,250**	46,500
Trade deposits	**562,316**	480,247
Cash and bank balances	**508,158**	1,533,517
	13,448,934	12,706,016

32. FINANCIAL RISK MANAGEMENT

32.1 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

	2009 Rupees	2008 Rupees
FINANCIAL ASSETS		
Loans and receivables		
Long-term deposits	**2,804,477**	2,529,474
Trade debts	**9,532,733**	8,116,278
Loans and advances	**41,250**	46,500
Trade deposits	**562,316**	480,247
Accrued mark-up	**1,015**	983
Cash and bank balances	**658,421**	1,601,832
Fair value through profit or loss (FVTPL)		
Other financial assets	**55,859**	113,316
FINANCIAL LIABILITIES		
At amortized cost		
Long-term financing	**92,308,251**	86,548,578
Liabilities against assets subject to finance lease	**18,491,136**	19,093,267
Long-term deposits	**24,816,019**	22,104,019
Short term borrowings	**21,546,110**	24,736,437
Trade and other payables	**23,853,718**	19,566,114

32.2 Financial risk factors

The Company's activities expose it to a variety of financial risks, i.e., market risk, credit risk and liquidity risk. The Company's overall risk management strategy seeks to minimize adverse effects from the unpredictability of financial markets on the Company's financial performance.

The Board of Directors has overall responsibility for the oversight of financial risk management of the Company. To assist the Board in discharging its oversight responsibility, management has been made responsible for identifying, monitoring and managing the Company's financial risk exposures.

The main financial risks that the Company is exposed to and how they are managed are set out below:

32.2.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: currency risk, interest / mark-up rate risk and other price risk. The exposure to these risks and their management is explained below:

a) Foreign 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 transactions in foreign currencies are not significant.

b) Interest/mark-up rate risk

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no significant interest bearing

30. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	Chief Executive		Director		Executives		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	Rupees							
Remuneration	**580,644**	580,644	**580,644**	580,644	–	870,968	**1,161,288**	2,032,256
Meeting Fee	**6,000**	7,500	**30,000**	36,000	–	–	**36,000**	43,500
House rent	**261,288**	261,288	**261,288**	261,288	–	391,941	**522,576**	914,517
Exgratia	**75,000**	75,000	**75,000**	75,000	–	150,000	**150,000**	300,000
Retirement benefits	–	–	–	–	–	87,102	–	87,102
Utilities	**58,068**	58,068	**58,068**	58,068	–	87,102	**116,136**	203,238
Earned leave	**75,000**	75,000	**75,000**	75,000	–	150,000	**150,000**	300,000
	1,056,000	1,057,500	**1,080,000**	1,086,000	–	1,737,113	**2,136,000**	3,880,613
Number of persons	1	1	1	1	–	1	2	3

The Chief Executive and the director are provided with free use of Company maintained vehicles, residential utility and telephone bills, the monetary value of which is Rs. 534,833/- (2008: Rs. 325,700/-) .

As per the Fourth Schedule of the Companies Ordinance, 1984, the criterion limit for executive has been set to Rs. 500,000/-. During the year no executives fall under this limit.

31. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated undertakings, directors of the Company, key management personnel and staff retirement fund. The Company in the normal course of business carries out transactions with various related parties. Remuneration of directors and key management personnel is disclosed in note 30. Other significant transactions with related parties are as follows:

Relationship with the Company	Nature of Transactions	2009 Rupees	2008 Rupees
Associated Undertakings	Organization charges paid	**87,120**	94,380
	Loan from Bawany Management (Pvt.) Ltd.	–	2,000,000
	Right shares issued	–	5,990,800
Director	Loan from director-received	–	1,500,000
	Loan repaid to director	–	3,000,000
	Right shares issued	–	7,541,490

	2009 Rupees	2008 Rupees
27. FINANCE COST		
Interest / mark-up on		
Long term financing-Syndicated loan	**11,973,990**	9,642,459
Liabilities against assets subject to finance lease	**1,755,388**	2,235,665
Short-term borrowings	**3,350,935**	2,746,559
Provident fund	**743,026**	580,909
Late payment surcharge (27.1)	**–**	828,561
Bank charges	**32,762**	132,209
	17,856,101	16,166,362

27.1 This represent surchage @ 0.1% per day on overdue lease rentals.

28. PROVISION FOR TAXATION

	2009 Rupees	2008 Rupees
Current Year	**852**	347,809
Prior year	**–**	(19,091)
	852	328,718

28.1 Until last year charge for the taxation was based upon higher of taxable income for relevant year or minimum taxation at the rate of one-half percent of turnover. However, the Finance Act 2008, has removed the applicability of minimum taxation. Consequently, the relationship between tax expense and accounting profit has not been presented in these financial statements.

28.2 In accordance with the Company's accounting policy disclosed in note 4.4.16, deferred tax asset amounting to Rs. 26,676,761/- (2008: Rs. 25,528,022/-) has not been recognised.

29. EARNING PER SHARE - Basic & Diluted

There is no dilutive effect on the basic earning per share of the Company which is based on :-

		2009	2008
Loss after taxation	Rs.	**(8,052,177)**	(24,391,118)
Weighted average number of Ordinary shares outstanding during the year		**6,820,464**	6,185,133
Earning per share	Rs.	**(1.18)**	(3.94)

	Note	2009 Rupees	2008 Rupees
26. ADMINISTRATIVE EXPENSES			
Directors' remuneration and meeting fees		**2,286,000**	2,143,500
Salaries and benefits	26.1	**4,250,907**	4,745,493
Electricity, gas and water		**268,798**	243,831
Repairs and maintenance		**456,843**	355,707
Insurance		**14,789**	124,804
Rent, rates and taxes		**125,706**	206,070
Travelling and conveyance		**65,015**	168,080
Vehicles running and maintenance		**516,301**	522,976
Entertainment		**60,499**	95,266
Communication		**350,773**	389,949
Printing and stationery		**183,873**	256,678
Legal and professional charges		**94,050**	356,300
Auditors' remuneration	26.2	**322,500**	180,000
Fees, subscription and periodicals		**151,721**	207,739
Advertisement		**111,466**	115,567
Provision for doubtful debts	16.2	**717,040**	664,497
Donation	26.3	**8,500**	60,000
Depreciation	13.1.1	**236,826**	641,416
Others		**87,925**	4,586
		10,309,532	11,482,459

26.1 It includes Rs. 201,856/- (2008: Rs. 211,763/_ in respect of staff retirement benefits.

26.2 Auditors' remuneration

	2009	2008
Statutory audit fee	**225,000**	150,000
Half year review fee	**75,000**	30,000
Out of pocket expenses	**22,500**	–
	322,500	180,000

26.3 None of directors or their spouses had any interest in the donee organizations.

	Note	2009 Rupees	2008 Rupees
24. OTHER OPERATING INCOME			
From financial assets			
Dividend income		**3,204**	8,425
Profit on deposit - net		**11,655**	15,605
Gain on disposal of investment		**–**	14,739
Liabilities written back		**215,000**	–
Gain on disposal of property, plant and equipment		**94,716**	101,363
Others		**1,000**	–
		325,575	140,132
25. DISTRIBUTION COST			
Salaries and benefits	25.1	**2,026,581**	1,832,052
Transportation charges		**259,550**	267,970
Vehicles running and maintenance		**479,991**	172,479
Cooly and cartage		**1,693,158**	1,912,461
Insurance		**15,615**	44,728
Others		**9,950**	12,200
		4,484,845	4,241,890

25.1 This includes employees' retirement benefit amounting to Rs. 106,152/- (2008: Rs. 98,197/-).

	Note	2009 Rupees	2008 Rupees
22. COST OF SALES			
Raw material consumed	22.1	**13,907,703**	4,149,461
Salaries, wages and benefits	22.2	**11,209,664**	10,971,730
Power and water		**35,418,081**	32,342,671
Stores and spares consumed		**3,564,816**	2,296,001
Repairs, maintenance and handling		**7,944,761**	6,989,416
Insurance		**828,715**	1,562,197
Vehicles running and maintenance		**458,724**	549,529
Depreciation	13.1.1	**2,444,472**	2,705,437
Others		**1,747,447**	1,457,197
		77,524,383	63,023,639
Maintenance and other charges recovered		**(1,694,833)**	(1,375,062)
Cost of good manufactured		**75,829,550**	61,648,577
Finished goods			
As at July 01,		**357,004**	260,385
As at June 30,		**(1,015,230)**	(357,004)
		(658,226)	(96,619)
		75,171,324	61,551,958

22.1 Raw material consumed

	2009 Rupees	2008 Rupees
Opening stock	**633,883**	577,227
Purchases - net	**13,713,569**	4,206,117
	14,347,452	4,783,344
Closing Stock	**(439,749)**	(633,883)
	13,907,703	4,149,461

22.2 This includes employees' retirement benefit amounting to Rs. 316,881/- (2008: Rs. 334,579/-).

22.3 During the year, the Company received electricity bill of Rs.11,069,537/- from KESC pertaining to arrears. The Company was subject to double unit charges, however, it was erroneously being billed at single unit. The Company negotiated with KESC and agreed to pay arrears in 15 equal monthly instalments. The Company is recording the expense on the basis of payments. The Company has paid Rs. 6,569,520 and recorded them as an expense and the remaining amount of Rs. 4,500,017 will be recorded in the ensuing period.

	Note	2009 Rupees	2008 Rupees
23. PROFIT FROM TRADING ACTIVITIES - GASES			
Sales		**233,535**	856,743
Less: Sales Tax		**(39,701)**	(111,749)
		193,834	744,994
Cost of sales	23.1	**(136,182)**	(319,702)
		57,652	425,292

23.1 Cost of sales

	2009 Rupees	2008 Rupees
Opening stock	**107,265**	83,945
Purchases	**74,377**	343,022
	181,642	426,967
Closing stock	**(45,460)**	(107,265)
	136,182	319,702

19. OTHER FINANCIAL ASSETS - At fair value through profit or loss

Fully paid listed shares / certificates of Rs. 10/- each

No. of Shares/ Certificates 2009	2008	Company's Name	2009 Rupees	2008 Rupees
10,250	10,250	Schon Textile Mills Limited	**6,663**	6,663
112	98	Faysal Bank Ltd.	**1,083**	3,434
5,850	5,850	Schon Modaraba Limited	**3,510**	3,510
883	883	Sui Southern Gas Pipelines Ltd.	**12,362**	24,777
1,398	1,398	First Fidelity Leasing Modaraba Limited	**3,635**	6,976
1,311	1,311	First Equity Modaraba Limited	**1,298**	3,867
3,000	3,000	Crescent Fibres Limited	**18,450**	44,550
419	419	Karachi Electric Supply Corporation Ltd.	**1,110**	2,292
143	143	Bankers Equity Ltd.	–	–
54	54	BOC Pakistan Ltd.	**6,210**	11,803
516	516	SAMBA Bank Limited (formerly Crescent Commercial Bank)	**1,538**	5,444
			55,859	113,316

20. CASH AND BANK BALANCES

	2009	2008
Cash at bank		
- in current accounts	**497,355**	1,528,174
- in PLS account	**10,803**	5,343
Cash in hand	**150,263**	68,315
	658,421	1,601,832

21. SALES - Net

	2009	2008
Sales	**116,834,576**	81,216,588
Less: Trade discount	**1,552,547**	1,806,390
Sales Tax	**15,837,322**	10,593,468
	(17,389,869)	(12,399,858)
	99,444,707	68,816,730

	Note	2009 Rupees	2008 Rupees
14. STORES AND SPARES			
Stores		**564,913**	730,656
Spares		**685,676**	769,883
		1,250,589	1,500,539
15. STOCK IN TRADE			
Raw material		**439,749**	633,883
Finished goods		**1,015,230**	357,004
Trading stock		**45,460**	107,265
		1,500,439	1,098,152
16. TRADE DEBTS - Unsecured			
Considered good		**8,812,022**	8,116,278
Considered doubtful		**2,702,871**	1,265,120
		11,514,893	9,381,398
Provision for doubtful debts	16.2	**(1,982,160)**	(1,265,120)
		9,532,733	8,116,278
16.1.1 Aging of past due but not impaired			
30-60 days		**1,705,064**	2,036,802
61-90 days		**790,774**	1,238,838
91-180 days		**232,825**	558,823
Over180 days		**557,707**	1,468,564
		3,286,370	5,303,027
16.2 Opening balance		**1,265,120**	600,623
Provision made during the year		**717,040**	664,497
Closing balance		**1,982,160**	1,265,120
16.3 Aging of impaired trade receivables			
0-30 days		**40,955**	21,391
30-60 days		**34,425**	–
61-90 days		**38,660**	43,821
91-180 days		–	190
Over 180 days		**2,588,831**	1,199,718
		2,702,871	1,265,120
17. LOANS AND ADVANCES - Considered goods			
Due from employees		**41,250**	46,500
Advances to suppliers		**1,190,789**	637,607
Advance income tax		**3,704,391**	238,288
		4,936,430	922,395
18. TRADE DEPOSITS			
Margin against bank guarantee		**236,000**	236,000
Lease deposit		**379,610**	–
Others		**326,316**	244,247
		941,926	480,247

	Note	2009 Rupees	2008 Rupees
13.1.1 Depreciation for the year has been allocated as under:			
Cost of sales	22	**2,444,472**	2,705,437
Administrative expenses	26	**236,826**	641,416
		2,681,298	3,346,853

13.1.2 Detail of disposal of operating assets

Description	Cost Rupees	Accumulated depreciation Rupees	Written down value Rupees	Sale proceeds Rupees	Model of disposal	Particulars of buyer
Vehicle	324,000	218,716	105,284	200,000	Negotiation	Mr. Khuram Ali Gohar (Ex-employee)
2009	324,000	218,716	105,284	200,000		
2008	359,000	330,363	28,637	130,000		

	Note	2009 Rupees	2008 Rupees
13.2 Capital work in progress			
Land and building	13.2.1	**3,453,022**	3,453,022
Plant and machinery		**121,452,394**	121,452,394
Equipment held under finance lease		**20,592,190**	20,592,190
Civil works		**10,622,677**	10,607,927
Advance for electrical installations		**2,052,781**	2,052,781
	13.2.2 & 13.2.3	**158,173,064**	158,158,314

13.2.1 This land and building at Winder is currently in the name of Winder Industries (Private) Limited and not yet transferred in the name of the Company.

13.2.2 This represents cost and expenses incurred on an imported second hand plant, which was imported few years back and its installation was substantially completed. However, the trial production of the said plant could not be started because Karachi Electric Supply Corporation Limited (K.E.S.C.) had not approved electricity load for the plant due to which plant remained inoperatable. K.E.S.C. approved the electricity load for the plant in the current year. However, the plant is not yet operative because in order to bring the plant into working condition, a comprehensive overhauling expenditure is required that has not been completed as at year end. The plant will be transferred to operating assets after it has been overhauled and becomes operative.

13.2.3 The valuation of plant appearing in CWIP, was carried out by an independent valuer in 2007, which approximated its carrying value and management believes that its fair value has not changed significantly since 2007 due to devaluation of Pakistani Rupee.

Particulars	Cost				Accumulated Depreciation				Net book value	Rate of Dep.
	At July 01, 2007	Additions/ (Deletion)	*Transfer	At June 30, 2008	At July 01, 2007	Transfers	For the year/ (Adjustment)	At June 30, 2008	at June 30, 2008	%
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Company Owned										
Freehold land	345,790	–	–	345,790	–	–	–	–	345,790	–
Factory building on freehold land	8,589,530	–	–	8,589,530	4,757,989	–	191,577	4,949,566	3,639,964	5
Plant and machinery	78,407,876	–	–	78,407,876	57,288,275	–	2,111,960	59,400,235	19,007,641	10
Gas cylinders	8,279,395	–	–	8,279,395	6,025,724	–	225,367	6,251,091	2,028,304	10
Electric installation	7,191,289	–	–	7,191,289	5,425,960	–	176,533	5,602,493	1,588,796	10
Furniture and fixture	1,266,807	–	–	1,266,807	872,925	–	39,388	912,313	354,494	10
Office equipment	2,211,478	54,000	–	2,265,478	1,249,248	–	383,596	1,632,844	632,634	10
Vehicles	3,195,001	(359,000)	*845,000	3,681,001	2,440,876	498,888	218,432 (330,363)	2,827,833	853,168	20
	109,487,166	54,000 (359,000)	845,000	110,027,166	78,060,997	498,888	3,346,853 (330,363)	81,576,375	28,450,791	
Leased										
Vehicles	845,000	–	*(845,000)	–	*498,888	*(498,888)	–	–	–	20
2008	**110,332,166**	**54,000 (359,000)**	**–**	**110,027,166**	**78,559,885**	**–**	**3,346,853 (330,363)**	**81,576,375**	**28,450,791**	

* Transfer from lease assets to owned assets on completion of the lease arrangement.

13.1 Operating assets

Particulars	Cost			Accumulated Depreciation			Net book value	Rate of Dep.
	At July 01, 2008	Additions/ (Deletion)	At June 30, 2009	At July 01, 2008	For the year/ (Adjustment)	At June 30, 2009	at June 30, 2009	%
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Company Owned								
Freehold land	345,790	–	345,790	–	–	–	345,790	–
Factory building on freehold land	8,589,530	–	8,589,530	4,949,566	181,998	5,131,564	3,457,966	5
Plant and machinery	78,407,876	–	78,407,876	59,400,235	1,900,764	61,300,999	17,106,877	10
Gas cylinders	8,279,395	–	8,279,395	6,251,091	202,830	6,453,921	1,825,474	10
Electric installation	7,191,289	–	7,191,289	5,602,493	158,880	5,761,373	1,429,916	10
Furniture and fixture	1,266,807	–	1,266,807	912,313	35,449	947,762	319,045	10
Office equipment	2,265,478	36,000	2,301,478	1,632,844	64,564	1,697,408	604,070	10
Vehicles	3,681,001	143,000 (324,000)	3,500,001	2,827,833	136,813 (218,716)	2,745,930	754,071	20
2009	**110,027,166**	**179,000** **(324,000)**	**109,882,166**	**81,576,375**	**2,681,298** **(218,716)**	**84,038,958**	**25,843,209**	

	Note	2009 Rupees	2008 Rupees
10. INTEREST / MARK-UP ACCRUED ON LOANS			
Markup on			
Long term financing		**17,350,994**	6,631,321
Short term borrowings		**4,264,054**	2,869,682
Late payment surcharge		–	828,561
Liabilities against assets subject to finance lease		**4,191,075**	1,917,723
		25,806,123	12,247,287
11. SHORT TERM BORROWINGS			
Secured - From Banking Companies			
Running finance	11.1	**5,282,056**	9,866,755
Working capital finances	11.2	**10,000,000**	10,000,000
		15,282,056	19,866,755
Unsecured - interest free			
From associated undertaking		**2,000,000**	2,000,000
		17,282,056	21,866,755

11.1 The limit of running finance facility is Rs. 10 million (2008: Rs. 10 million). The borrowing is secured against pari passu charge over fixed assets of the Company and hypothecation over stocks. The mark-up rate is three month KIBOR+3.5% per annum (2008: three month KIBOR + 2%). The effective interest rate on running finance is 16.29% per annum (2008: 12.81% per annum).

11.2 The aggregate financing facility amounts to Rs. 10 million (2008: Rs. 10 million). This is secured by way of mortgage over immovable properties and first pari passu charges over present and future fixed assets of the Company. The mark-up rate is six month KIBOR + 4.5% (2008: six month KIBOR + 4.5%) per annum payable quarterly and principal will be repaid in four equal installments with five months grace period. The effective interest rate on working capital finances is 18.83% per annum (2008: 14.55% per annum).

11.3 Breach of loan agreement

Since last year, the Company has defaulted in making payments of mark-up and principal installments of its working capital finance. Consequent to the default, the entire amount of working capital finance has become due on demand. The facility was expired on December 31, 2008. However no repayment of principal or mark-up is made.

	Note	2009 Rupees	2008 Rupees
12. CONTINGENCY			
Bank guarantees on behalf of the Company for security supplies to Pakistan Steel Mills		236,000	–
13. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	13.1	**25,843,209**	28,450,791
Capital work in progress	13.2	**158,173,064**	158,158,314
		184,016,273	186,609,105

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Future minimum lease payments under finance lease together with the present value of the net minimum lease payments are as follows:

	2009		2008	
	——Rupees——		----------Rupees----------	
	Minimum lease payments	**Present value**	Minimum lease payments	Present value
Within one year	**16,389,889**	**12,565,854**	12,071,000	8,957,225
After one year but not more than five years	**1,779,785**	**1,734,207**	8,011,395	7,389,758
Total minimum lease payments	**18,169,674**	**14,300,061**	20,082,395	16,346,983
Less : Amount representing finance charges	**(3,869,613)**	**–**	(3,735,412)	–
Present value of minimum lease payments	**14,300,061**	**14,300,061**	16,346,983	16,346,983
Less : Payable within one year	**(5,559,975)**	**(5,559,975)**	(5,358,947)	(5,358,947)
Less : Installments overdue	**(7,005,879)**	**(7,005,879)**	(3,598,278)	(3,598,278)
	1,734,207	**1,734,207**	7,389,758	7,389,758

This represents machinery and equipments acquired under finance leases from leasing companies. The discount rate implicit ranges from 19.88% to 20.11% (2008: from 15.26% to 17.15%) per annum. These are secured by demand promissory notes and personal guarantee of director. The Company intends to exercise its option to purchase above assets upon completion of the lease period.

Breach of lease agreements

Since last year, the Company has defaulted in making payments of lease rentals to leasing companies. Consequent to the default, in accordance with the terms of leasing agreements, the related amounts of lease liabilities have become due and payable by the Company immediately.

8. LONG TERM DEPOSITS

These deposits for storage tanks and cylinders are non-interest bearing and are repayable to customers on return of tanks / cylinders or on termination of sale agreement.

9. TRADE AND OTHER PAYABLES

	Note	**2009 Rupees**	2008 Rupees
Creditors		**523,163**	993,855
Accrued liabilities		**14,923,221**	10,631,129
Advance from customers		**430,344**	67,031
Provident fund	9.1	**6,116,667**	6,006,683
Retention money		**253,973**	253,973
Capital expenditure payable		**1,140,234**	1,140,234
Sales tax payable		**1,849,391**	359,085
Unclaimed dividend		**452,014**	456,339
Withholding income taxes		**14,102**	16,870
		25,703,109	19,925,199

9.1 It represent equal contribution of the company and the employees and interest @ 12% (2008: 12%) per annum on the fund utilized by the company.

	Note	2009 Rupees	2008 Rupees
6. LONG TERM FINANCING			
Secured			
From banking companies and other financial institutions	6.2 & 6.3	**63,457,257**	68,417,257
Less: Current portion			
Overdue installments		**(29,248,628)**	(11,402,876)
Installments due in next 12 months		**(22,805,752)**	(22,805,751)
		(52,054,380)	(34,208,627)
		11,402,877	34,208,630
Unsecured-interest free			
From director		**1,500,000**	1,500,000
From associated undertaking		**10,000,000**	10,000,000
		11,500,000	11,500,000
		22,902,877	45,708,630

6.1 There were no unavailed long-term financing facilities as at year end.

6.2 Syndicated loan is subject to mark-up at six month KIBOR plus 4% (2008: six month KIBOR plus 4%) per annum. The loan is repayable by December 2010 in 12 quarterly installments commencing from March 2008. This is secured by way of mortgage of immovable properties and all present and future fixed assets of the Company. The effective interest rate on syndicate loan is 15.18% per annum (2008: 14.09% per annum).

Breach of loan agreement

6.3 Since last year, the Company has defaulted in making payments of mark-up and principal to the Syndicate. Consequent to the default, in accordance with the terms of financing agreement, the related amount of long-term financing has become due and payable by the Company immediately.

Five out of seven Syndicate members have filed a law suit in the Banking Court against the Company for the recovery of outstanding loan amount of Rs. 45.36 million and mark-up thereon of Rs. 1.75 million.

4.4.16 Taxation

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available, if any However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

Deferred income tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit for the foreseeable future will be available against which such temporary differences and tax losses can be utilized.

Deferred income tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled. based on tax rates that have been enacted or substantively enacted at the balance sheet date.

4.4.17 Foreign currencies

Transactions in currencies other than Pakistani Rupees are recorded at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities that are denominated in foreign currencies are translated into Pakistani Rupees at the rates prevailing on the balance sheet date.

Exchange differences arising on translation are included in profit and loss account.

5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2009 Number of	2008 shares		**2009** Rupees	2008 Rupees
		Ordinary shares of Rs. 10/- each		
4,654,723	4,654,723	Fully paid in cash	**46,547,230**	46,547,230
250,000	250,000	For consideration other than cash	**2,500,000**	2,500,000
1,915,741	1,915,741	Fully paid bonus shares	**19,157,410**	19,157,410
6,820,464	6,820,464		**68,204,640**	68,204,640

5.1 At June 30, 2009, Bawany Management (Private) Limited, an associate held 754,149 (2008: 754,149) ordinary share of Rs. 10/- each.

Non-financial assets

The carrying amount of non-financial assets other than inventories 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 profit and loss account, 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 lower levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been 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.

4.4.12 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a part to the contractual provisions of the instrument and de-recognized when the Company looses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

4.4.13 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set-off the recognized amounts and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

4.4.14 Revenue recognition

Revenue from sale of goods is recognized when significant risks and rewards of ownership are transferred to buyer, that is, when goods are delivered and title has passed.

Interest income is recognized on a time-proportioned basis using the effective rate of return. Dividend income is recognized when the right to receive payment is established.

4.4.15 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of the respective assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized as an expense in the period in which they are incurred.

De-recognition

All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

4.4.7 Stores and spares

These are valued at lower of cost and net realizable value. The cost is determined using moving average method. Items in transit are valued at invoice values plus other charges incurred thereon up to the balance sheet date.

4.4.8 Stock-in-trade

These are valued at the lower ofcost and net realizable value. Cost is determined as follows:-

- Raw material	Weighted average cost
- Finished goods	At average manufacturing cost
- Trading stock	Weighted average cost

Average manufacturing cost in relation to finished goods, comprises direct materials and, where applicable, direct labor cost and those overheads that have been incurred in bringing the inventories to their present location and condition.

Net realizable value represents the estimated selling price in the ordinary course of business less estimated cost of completion and selling expenses.

4.4.9 Trade debts and other receivables

Trade debts and other receivables are recognized initially at fair value and subsequently measured at amortized cost less provision for impairment, if any. A provision for impairment is established when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

4.4.10 Cash and cash equivalents

Cash and cash equivalents for cash flow purposes include cash in hand, current and deposit accounts held with banks and book overdraft.

4.4.11 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.4.5 Property, plant and equipment

Company owned

Property, plant and equipment (except land and capital work-in-progress) are stated at cost less accumulated depreciation and impairment in value, if any. Land, capital work-in-progress and stores held for capital expenditure are stated at cost less impairment in value, if any.

Assets residual values, if significant and their useful lives are reviewed and adjusted, if appropriate at each balance sheet date.

Repair and maintenance costs are charged to income during the period in which they are incurred.

Depreciation is charged to income applying the reducing balance method over its estimated useful life at the rates mentioned in note 13.1. Depreciation on additions is charged from the month the asset is available for use upto the month prior to disposal.

Gains or losses on disposal of property, plant and equipment if any, are recognized in the profit and loss account as and when incurred.

Capital work-in-progress

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these assets are available for intended use.

Assets subject to finance lease

Assets subject to finance lease are depreciated over their expected useful lives on the same basis as owned assets.

4.4.6 Investments

Regular way purchase or sale of investments

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognized at trade date. Trade date is the date on which the Company commits to purchase or sell the investments.

Financial assets at fair value through profit or loss

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

and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

i) Appropriateness of using going concern assumption in prepartion of financial statements;
ii) Provision for impairment of trade debts and other receivable (note 4.4.9);
iii) Provision for net realizable value (NRV) of stock in trade (note 4.4.8);
iv) Review of useful life and residual value of property, plant and equipment (note 4.4.5);
v) Impairment of non-financial assets (note 4.4.11);
vi) Classification of investment (note 4.4.6).

4.4 The principal accounting policies adopted are set out below:

4.4.1 Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as liabilities against assets subject to finance lease. The minimum lease payments are apportioned between finance charges and reduction of the liabilities against assets subject to finance lease so as to achieve a constant rate of interest/markup on the remaining balance of the liability. Finance charges are charged to profit and loss account, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs.

4.4.2 Employee benefit costs

The Company operates an approved funded contributory provident fund scheme for all its employees eligible for benefit. Equal monthly contributions are made both by the Company and the employees at the rate of 10% of the basic salary. The Company's contribution to the fund is charged to profit and loss account.

4.4.3 Trade and other payable

Trade and other pavables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

4.4.4 Provisions

Provisions are recognized when the Company has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Adoption of new International Financial Reporting Standards

In the current year, the Company has adopted all new Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB and as notified by the Securities and Exchange Commission of Pakistan that are relevant to its operations and effective for Company's accounting period beginning on July 01, 2008. The adoption of these new Standards and Interpretations has resulted in changes to the Company's financial statements in the following areas:

IFRS 7 - Financial Instruments: Disclosures

The Company has adopted IFRS-7 'Financial Instruments: Disclosures' from the financial year beginning July 01, 2008 and its initial application has led to extensive disclosures in the Company's financial statements. This standard requires disclosures that enables users of the financial statements to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements.

4.2 Standard. interpretations and amendments to published approved accounting standards that are not yet effective

The following Standards Interpretations and amendments are effective for accounting periods, beginning on or after the date mentioned against each of them.

	effective for annual periods beginning on or after
Revised IAS - Presentation of financial statements	January 01,2009
Revised IAS 23 - Borrowing costs	January 01,2009

The Company considers that the above standards will have no material impact on its financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentation and disclosures in the financial statements.

4.3 Critical judgments and accounting estimates in applying the accounting policies

The preparation of financial statements in conformity with the approved accounting standards require management to make judgments, estimates and assumptions that affect the application of policies

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

1. GENERAL INFORMATION

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

1.2 The Company has been incurring losses since last few years and in the current year the loss for the year is Rs. 7,312,638 (2008: Rs. 24,391,118). As at June 30, 2009, accumulated losses amounted to Rs. 43,980,241 (2008: Rs. 36,667,603) and the current liabilities exceeded the current assets by Rs. 113,793,247 (2008 Rs. 83,428,745). Further, the Company has defaulted in making loan payments as disclosed in notes 6.3, 7 and 11.3 due to which certain financial institutions have filed lawsuits against the Company. Management believes that the significance of these conditions is mitigated by the following factors:

- The sales of the Company have increased by Rs. 30,627,977 (up by 45%) compared to prior year, which is a significant increase that has resulted from revival of the Ship Breaking industry in Gadani, Pakistan. The Ship Breaking industry in this area is growing at a high rate due to which the demand of Company products has increased in the current year and it is expected that the demand will further grow in the future.

- The sales of the Company mainly increased in the third and fourth quarters of the year and the trend continued in the months subsequent to year end. Consequent to the increase in demand during this period, the selling prices of Company products have also increased resulting in higher gross profit margin during the year and subsequent to year end.

- The Company has generated positive operating cash flows during the year as a result of increase in gross profit margin.

- Management is making efforts to start the production (after performing overhauling expenditure) from the second unit of the old plant and the plant that was imported few years ago.

- Further, based on the forecast prepared by management, it is expected that the sales would grow further due to increase in demand and start up of second unit of old plant and the new plant. The increase in sales with steady gross margins would improve the profitability and operating cash flows of the Company that would help the Company to repay its debt obligations.

Based on the above mitigating factors, management believes that the Company is a going concern. Accordingly. these financial statements have been prepared on a going concern basis.

2. BASIS OF PREPARATION

2.1 These financial statements have been prepared under the historical cost convention except that other financial assets are stated at fair value.

2.2 The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2009

	Issued, subscribed and paid up capital Rupees	Accumulated losses Rupees	Total Rupees
Balance at June 30, 2007	48,717,600	(12,276,485)	36,441,115
Issue of 1,948,704 ordinary shares of Rs. 10/- each fully paid in cash	19,487,040	–	19,487,040
Loss for the year ended June 30, 2008	–	(24,391,118)	(24,391,118)
Balance at June 30, 2008	68,204,640	(36,667,603)	31,537,037
Loss for the year ended June 30, 2009	–	(8,052,177)	(8,052,177)
Balance as at June 30, 2009	**68,204,640**	**(44,719,780)**	**23,484,860**

The annexed notes 1 to 36 form an integral part of these financial statements.

M. HANIF Y. BAWANY
Managing Director/Chief Executive Officer

DANISH AMIN
Director

	Note	2009 Rupees	2008 Rupees
C. CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of right shares		–	19,487,040
Long term finances obtained		–	1,500,000
Repayments of long term finances		**(4,960,000)**	(3,000,000)
Repayment of principal portion of finance lease		**(2,046,922)**	(1,174,186)
Long term deposits		**2,712,000**	5,519,874
Short term borrowings - net		**(4,584,699)**	1,921,490
Net cash used in financing activities		**(8,879,621)**	24,254,218
Net increase/(decrease) in cash and cash equivalents		**(943,411)**	1,520,176
Cash and cash equivalents at July 1, 2008		**1,601,832**	81,656
Cash and cash equivalents at June 30, 2009	20	**658,421**	1,601,832

The annexed notes 1 to 36 form an integral part of these financial statements.

M. HANIF Y. BAWANY
Managing Director/Chief Executive Officer

DANISH AMIN
Director

STATEMENT OF CHANGES IN FINANCIAL POSITION (CASH FLOW STATEMENT) FOR THE YEAR ENDED JUNE 30, 2009

	2009 Rupees	2008 Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(8,051,325)	(24,062,400)
Adjustments :		
Depreciation of property, plant and equipment	2,681,298	3,346,853
Provision for doubtful debts	717,040	664,497
Finance cost	17,856,101	16,166,362
Unrealized loss on revaluation of investments	57,457	1,885
Gain on disposal of property, plant & equipment	(94,716)	(101,363)
Gain on disposal of investment	–	(14,739)
Interest income	(11,655)	(15,605)
Dividend income	(3,204)	(8,425)
Provision written back	(215,000)	–
Operating cash flows before movements in working capital	12,935,996	(4,022,935)
Changes in working capital		
(Increase) / decrease in current assets		
Stores and spares	249,950	(237,388)
Stock in trade	(402,287)	(176,595)
Trade debtors	(2,133,495)	(1,472,041)
Loans and advances	(547,931)	(277,357)
Trade deposits	(461,679)	109,849
Other receivables	–	1,078
Income tax refundable	–	97,709
	(3,295,442)	(1,954,745)
Increase/(decrease) in current liabilities		
Trade and other payables	4,502,604	1,354,345
Sales tax	1,750,526	(233,658)
	6,253,130	1,120,687
Net cash from/(used in) operations	15,893,684	(4,856,993)
Finance cost paid	(4,297,264)	(9,882,143)
Tax paid	(3,785,893)	(335,997)
Net cash from/(used in) operating activities	7,810,527	(15,075,133)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(193,750)	(6,147,528)
Proceeds from disposal of property, plant and equipment	200,000	130,000
Proceeds from disposal of investment	–	412,589
Dividend income received	3,204	8,425
Interest income received	11,622	15,605
Security deposits	104,607	(2,078,000)
Net cash from/(used in) investing activities	125,683	(7,658,909)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009 Rupees	2008 Rupees
Sales - net	21	**99,444,707**	68,816,730
Cost of sales	22	**(75,171,324)**	(61,551,958)
Gross profit		**24,273,383**	7,264,772
Profit from trading activities - gases	23	**57,652**	425,292
Other operating income	24	**325,575**	140,132
Unrealized loss on revaluation of financial assets		**(57,457)**	(1,885)
		24,599,153	7,828,311
Distribution cost	25	**(4,484,845)**	(4,241,890)
Administrative expenses	26	**(10,309,532)**	(11,482,459)
Finance cost	27	**(17,856,101)**	(16,166,362)
Loss before taxation		**(8,051,325)**	(24,062,400)
Provision for taxation	28	**(852)**	(328,718)
Loss for the year		**(8,052,177)**	(24,391,118)
Earnings per share - Basic & diluted	29	**(1.18)**	(3.94)

The annexed notes 1 to 36 form an integral part of these financial statements.

M. HANIF Y. BAWANY
Managing Director/Chief Executive Officer

DANISH AMIN
Director

	Note	2009 Rupees	2008 Rupees
NON CURRENT ASSETS			
Property, plant and equipment	13	**184,016,273**	186,609,105
Long term deposits		**3,454,477**	3,559,084
CURRENT ASSETS			
Stores and spares	14	**1,250,589**	1,500,539
Stock in trade	15	**1,500,439**	1,098,152
Trade debts	16	**9,532,733**	8,116,278
Loans and advances	17	**4,936,430**	922,395
Trade deposits	18	**941,926**	480,247
Accrued mark-up		**1,015**	983
Other financial assets	19	**55,859**	113,316
Income tax refundable		**1,323**	30,194
Sales tax refundable		**–**	260,221
Cash and bank balances	20	**658,421**	1,601,832
		18,878,735	14,124,157
		206,349,485	204,292,346

M. HANIF Y. BAWANY
Managing Director/Chief Executive Officer

DANISH AMIN
Director

BALANCE SHEET AS AT JUNE 30, 2009

	Note	2009 Rupees	2008 Rupees
SHARE CAPITAL AND RESERVES			
Authorised Capital			
15,000,000 (2008 : 15,000,000)			
Ordinary shares of Rs. 10/- each		**150,000,000**	150,000,000
Issued, subscribed and paid up capital	5	**68,204,640**	68,204,640
Accumulated loss		**(44,719,780)**	(36,667,603)
		23,484,860	31,537,037
NON CURRENT LIABILITIES			
Long term financing	6	**22,902,877**	45,708,630
Liabilities against assets subject to finance lease	7	**1,734,207**	7,389,758
Long term deposits	8	**24,816,019**	22,104,019
CURRENT LIABILITIES			
Trade and other payables	9	**25,703,109**	19,925,199
Interest / Mark-up accrued	10	**25,806,123**	12,247,287
Short term borrowing	11	**17,282,056**	21,866,755
Current portion of:			
long term financing	6	**52,054,380**	34,208,627
liabilities against assets subject to finance lease	7	**12,565,854**	8,957,225
Taxation		**–**	347,809
		133,411,522	97,552,902
CONTINGENCY	12		
		206,349,485	204,292,346

The annexed notes 1 to 36 form an integral part of these financial statements.

M. HANIF Y. BAWANY
Managing Director/Chief Executive Officer

DANISH AMIN
Director

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of BAWANY AIR PRODUCTS LIMITED (the Company) as at June 30, 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

Except as discussed in paragraph "a" below, we conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a. As disclosed in note 13.2.2 to the financial statements, management has not transferred the imported second hand plant from capital work-in-progress to operating assets after the approval of electricity load. As a result, no depreciation has been charged during the year on this plant. International Accounting Standard 16 (IAS-16) "Property, Plant and Equipment" requires an asset to be depreciated when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. We believe that the aforementioned plant is available for use because it is properly installed and electricity load has been sanctioned and depreciation should be charged on this plant since then. However in the absence of estimates of residual values and the life of plant by the management, we are not able to assess the depreciation charge. Further, as disclosed in note 13.2.2 to the financial statements, the said plant is not operative and the management has not carried out latest valuation of this plant. We were unable to verify whether the carrying amount of the aforementioned plant exceeds its recoverable amount and whether any adjustment to the carrying value of the plant is necessary.

b. As disclosed in notes 6.3 and 7 to the financial statements, despite the defaults in repayments to financial institutions, long-term financing of Rs. 11,402,877 and liabilities against assets subject to finance lease of Rs. 1,734,207 have been classified as non-current liabilities. International Accounting Standard 1 (IAS 1) "Presentation of Financial Statements" requires a long-term loan to be classified as current if there is a breach of agreement, consequent to which, the loan becomes due on demand.

c. As disclosed in note 22.3 to the financial statements, the Company has not recorded the arrear billing of electricity on accrual basis, rather it is being recorded on payment basis. This practice is in contravention of applicable financial reporting framework. Had the electricity bill arrears were recorded on accrual basis, the loss for the period and accumulated losses would have increased by Rs. 4,500,017.

d. except for the effect of the matter referred to in paragraph "a" above, if any, and effects of the matters referred to in paragraphs "b" and "c" above on the financial statements, in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

e. in our opinion :

   i. except for the effect of the matter referred to in paragraph "a" above, if any, and effects of the matters referred to in paragraphs "b" and "c" the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   ii. the expenditure incurred during the year was for the purpose of the Company's business; and

   iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

f. except for the effect of the matter referred to in paragraph "a" above, if any, and effects of the matters referred to in paragraphs "b" and "c" on the financial statements, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2009 and of the loss, its cash flows and changes in equity for the year then ended; and,

g. in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Without further qualifying our opinion, we draw attention to note 1.2 to the financial statements that describes the adverse financial condition of the Company. The conditions described in the above said note indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Management has also disclosed the mitigating factors in the above said note therefore, these financial statements have been prepared using going concern assumption.

Karachi: October 01, 2009

M. YOUSUF ADIL SALEEM & CO.,
NADEEM YOUSUF ADIL
Chartered Accountants

DETAILS OF PATTERN OF SHAREHOLDING AS PER REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE

		Shares Held
NIT / ICP		
National Bank of Pakistan, Trustee Wing		150,865
Investment Corporation of Pakistan		100
DIRECTORS, CEO AND THEIR SPOUSE		
Mr. M. Hanif Y. Bawany	Director / Chief Executive	1,223,096
Mr. Wali Mohammad M. Yahya	Director	338,861
Mr. Danish Mohammad Amin	Director	17,945
Mr. Zakaria Abdul Ghaffar	Director	3,581
Ms. Momiza Kapadia	Director	281,570
Mr. Wazir Ahmed Jogezai	Director	3,581
Mr. Mohammad Ashraf	Director	1,190
Mrs. M. Hanif Y. Bawany		162,110
EXECUTIVES		Nil
PUBLIC SECTOR COMPANIES & CORPORATIONS		Nil
BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS		Nil
SHAREHOLDERS HOLDING 10% OR MORE		Nil

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2009

No. of Shareholders	Size of Holding of Shares of Rs. 10/- each From		To	Total Shares Held
213	1	--	100	6,848
184	101	--	500	55,392
68	501	--	1,000	54,679
123	1,001	--	5,000	289,227
19	5,001	--	10,000	151,560
8	10,001	--	15,000	101,135
21	15,001	--	20,000	109,055
8	20,001	--	25,000	178,089
14	25,001	--	50,000	495,999
17	50,001	--	100,000	1,252,177
2	100,001	--	150,000	272,531
3	150,001	--	200,000	561,440
3	200,001	--	300,000	773,558
1	300,001	--	350,000	330,028
1	350,001	--	400,000	374,001
2	400,001	--	1,250,000	1,814,745
687				6,820,464

Shareholders Category	No. of Share Holders	No. of Shares of Rs. 10/- each	Percentage of Issued Capital
Financial institutions	3	150,965	2.21%
Individuals	664	4,927,249	72.24%
Insurance companies	1	16,260	0.24%
Investment companies	0	–	0.00%
Joint Stock companies	13	1,328,586	19.48%
Modaraba	1	26,500	0.39%
Mutual Fund	1	22,764	0.33%
Others	4	348,140	5.10%
	687	6,820,464	100.00%

KEY OPERATING AND FINANCIAL DATA FOR THE DECADE

Rs. "000"

PARTICULARS	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
FINANCIAL POSITION										
Paid up capital	68,204	68,204	48,718	48,718	28,657	28,657	28,657	28,657	28,657	28,657
Shareholder's equity	23,484	31,537	36,441	48,630	40,720	53,956	53,010	52,079	49,152	57,236
Long term loan	74,957	79,917	81,417	55,249	68,432	57,420	40,000	–	1,096	2,704
Lease liabilities	14,300	16,346	17,521	20,844	553	729	–	1,066	4,724	7,474
Current liabilities	68,791	54,387	45,640	51,147	36,943	12,760	23,518	21,704	9,432	18,683
Total liabilities	182,865	172,755	161,162	139,861	119,620	77,373	73,570	31,186	31,616	35,312
Fixed assets - Net	25,843	28,450	31,772	35,159	39,369	43,707	47,705	52,315	56,168	61,200
Capital work in progress	158,173	158,159	152,065	137,263	105,399	63,838	47,466	10,003	9,542	9,473
Investment Property	–	–	–	–	–	6,900	6,900	–	–	–
Long term deposits	3,454	3,559	1,481	1,566	647	585	610	762	1,880	1,827
Current assets	18,878	14,124	12,285	14,503	14,926	16,299	23,899	23,051	13,178	20,047
Total assets	206,348	204,292	197,603	188,491	160,341	131,329	126,580	86,131	80,768	92,548
INCOME										
Net sales manufacturing	99,444	68,816	63,744	51,122	51,792	69,000	59,712	62,761	42,941	52,743
Net sales trading	194	745	3,063	1,156	3,111	4,880	3,129	951	3,736	7,892
Total net sales	99,638	69,561	66,807	52,278	54,903	73,880	62,841	63,712	46,676	60,634
Gross profit/(loss)	24,273	7,264	5,321	(2,751)	717	11,603	14,061	16,568	1,438	6,724
Trading profit	57	425	960	280	697	661	885	313	1,388	2,983
Other income	268	138	467	6,804	418	835	600	178	604	491
(Loss)/Profit before tax	(8,051)	(24,062)	(11,845)	(11,885)	(12,955)	(1,279)	1,417	4,218	(8,852)	(1,239)
(Loss)/Profit after tax	(8,052)	(24,391)	(12,189)	(12,150)	(13,236)	946	931	5,793	(8,084)	(1,880)
STATISTICS AND RATIOS										
Profitability										
Gross profit %	24.41%	10.56%	8.35%	(5.38%)	1.38%	16.82%	23.55%	26.40%	3.35%	12.75%
Profit before tax to total sales %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.25%	6.62%	0.00%	0.00%
Profit after tax to total sales %	0.00%	0.00%	0.00%	0.00%	0.00%	1.28%	1.48%	9.09%	0.00%	0.00%
Liquidity / Leverage										
Current ratio	0.27	0.26	0.27	0.28	0.40	1.28	1.02	1.06	1.40	1.07
Debt equity ratio	3.19	2.53	2.23	1.14	1.68	1.06	0.75	–	0.02	0.05
Solvency ratio	1.13	1.18	1.23	1.35	1.34	1.70	1.72	2.76	2.55	2.62
Return to shareholders										
Return on equity before tax %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.67%	8.10%	0.00%	0.00%
Return on equity after tax %	0.00%	0.00%	0.00%	0.00%	0.00%	1.75%	1.76%	11.12%	0.00%	0.00%
Earning per share (Rs.)	(1.18)	(3.58)	(2.50)	(2.49)	(4.62)	0.33	0.32	2.02	(2.82)	(0.66)
Break-up value per share(Rs.)	3.44	4.62	7.48	9.98	14.21	18.83	18.50	18.17	17.15	19.97
Price earning ratio	–	–	–	–	–	–	–	3.61	–	–
Market price (Rs.) June 30th	6.75	15.64	14.50	16.75	13.00	18.50	20.75	7.30	7.95	11.00
Paid-up value per share (Rs.)	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
DIVIDEND										
Cash dividend	–	–	–	–	–	–	–	10%	–	–
Stock dividend	–	–	–	–	–	–	–	–	–	–
PRODUCTION (M3 in "000")										
Oxygen & nitrogen	3,462	2,585	2,566	2,464	2,628	2,858	2,283	1,906	1,688	2,198
Dissolved acetylene	7	20	19	17	17	26	21	14	9	11

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Statement) prepared by the Board of Directors of Bawany Air Products Limited (the Company) to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of 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's 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.

Further, Sub- Regulation (xiii a) of Listing Regulations 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, 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 best practices contained in the Code of Corporate Governance, as applicable to the Company for the year ended June 30, 2009.

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Karachi: October 01, 2009

14. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

15. The Company has complied with all the corporate and financial reporting requirements of the Code.

16. The Board has formed and audit committee. It comprises of three members, of whom two are non-executive directors including the chairman of the committee.

17. The meetings of the audit committee were held at least once every quarter prior to approval of the interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

18. The Board has set-up an internal audit function.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. We confirm that all other material principles contained in the Code have been complied with.

M. HANIF Y. BAWANY
Managing Director / Chief Executive Officer
Karachi : October 01, 2009

STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulation of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the code in the following manner:

1. The Company encourages representation of independent non-executive directors on its Board. At present the Board includes at least five independent non-executive directors. We shall also encourage minority representation on the board when next election is due.

2. The Directors have confirmed that none of them is serving as a director in more then ten listed companies, including this Company.

3. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment on any loan to banking company, a DFI or NBFI or, being a member of stock exchange, has been declared as defaulter by that stock exchange.

4. No casual vacancy occurred in the Board during this year.

5. The Company has prepared a statement of "Ethics and Business Practices", which has been signed by all the directors and employees of the Company.

6. 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 been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board. There were no new appointments of the CEO and other executive directors during this year.

8. The related party transactions have been placed before the audit committee and approved by the Board of Directors with necessary justification for non arm's length transaction that were made on terms equivalent to those that prevails in the arm's length transaction only if such terms can be substantiated.

9. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meeting, along with agenda and working papers, were circulated at least seven days before the meeting. The minutes of the meetings were appropriately.

10. The directors of the Company have given declaration that they are aware of their duties, powers and responsibilities under the Companies Ordinance, 1984 and the listing regulations of Stock Exchanges. The directors are also encouraged to attend the workshops and seminars on the subject of Corporate Governance.

11. There was no new appointment of CFO. Company Secretary or Head of Internal Audit during the year.

12. The Director's report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

13. CEO and CFO duly endorsed the financial statements of the Company before approval of the Board.

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. Comply 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.

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 focussed 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.

d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.

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

f) There are no significant doubts upon the company's ability to continue as a going concern.

g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

h) Key operating and financial data for the last ten years has been summarized.

i) Following payment in respect of taxes was outstanding as on June 30,2009

Income tax	Rs.(3,704,391)/ -	This represent approximate provision of tax on the income earned during the year and it will be paid / adjusted at the time of income tax assessment.
Sales tax	Rs. 1,849,391/-	This represent net tax on the sales made during the month of May 2009 & June 2009 and it has been adjusted against Income tax refundable

j) The value of investments of provident fund is Rs. 4,000,000/- based on latest audited accounts of the provident fund.

k) During the year five (5) meetings of the Board of Directors were held. Attendance by each Director is as follows:

Name of the Director	No. of meetings attended
Mr. M. Hanif Y. Bawany	05
Mr. Vali Mohammad M.Yahya	05
Ms. Momiza Kapadia	05
Mr. Danish Amin	04
Mr. Zakaria Ghaffar	05
Mr. Wazir Ahmed Jogejai	-
Mr. Mohammad Ashraf	05

Leave of absence was granted to Directors who could not attend some of the Board meetings.

l) The pattern of shareholding is annexed.

m) Chief Executive and no other Director have purchased any share of the company.

The directors of your company are pleased to place on record their appreciation to the members of the staff and workers for their efforts and hard work.

We are grateful to our valued shareholders for the continuos support given to the management.

On behalf of the board of directors

M.Hanif Y. Bawany
Managing Director / Chief Executive
Karachi: October 01, 2009

FUTURE OUTLOOK

Our three year projectioned financials show that Inshallah we will be able to make reasonable profits once the new plant is on. It is pointed out in our projection that we will require further funds to make our plant operative for which we have already arranged the amount needed. Though the company has suffered loss during this financial year, we are confident that Inshallah our project will be able to turn around and come into profit in the next financial year i.e. 2009-2010. This is because our new plant is capable of producing other gases i.e. high purity Nitrogen and Argon for which the demand is increasing. We also hope to run on or above break even point with our standby plant running on full capacity, hence the company will be able to continue as a going concern.

I would like to point out here that as our Annual Report for the year 2008-2009 are being finalized and approved the first quarter of the year 2009-2010 has been completed. We have the pleasure of giving very good news to our shareholders that our company has gone above break even point and on final completion of accounts there may be slight profit.

DIVIDEND

Due to loss for the year, the Board members are of the view that no dividend for the year be declared.

HEALTH, SAFETY AND ENVIRONMENT

The company strictly follows safety rules and regulations. The basic raw materials are air from atmosphere and electricity, which are obviously environment friendly. Our wastes are oxygen and nitrogen, which are released into atmosphere.

We are committed to play a role in environment friendly operations therefore due care is taken in selecting material and supplies.

BOARD OF DIRECTORS

Since the last report, there has been no change in the composition of the Board.

AUDITORS

The statutory auditors of the Company have modified their report on certain issues on which management has provided explanation in note 1.2, 13.2.2, 13.2.3, 6.3, 7 and 22.3 to the financial statements with which the Board agrees.

Present auditors M.Yousuf Adil Saleem & Co. Chartered Accountants have retired and being eligible have offered themselves for reappointment as Auditors for the ensuing year.

STATEMENTS ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

a) The financial statements prepared by the management of the company, present fairly its state of affairs, the result of its operations and cash flows and changes in equity.

b) Proper books of account of the company have been maintained.

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

DIRECTORS' REPORT TO THE SHAREHOLDERS

Assalam - O - Alaikum

The Directors of your company welcome you to the thirty first annual general meeting and have the pleasure in presenting annual report and the audited financial statements of the company for the year ended June 30, 2009

FINANCIAL RESULTS

	Year ended June 30, 2009 Rupees (000's)	Year ended June 30, 2008 Rupees (000's)
Loss after taxation	(8,052)	(24,391)
Accumulated (loss) / profit brought forward	(36,667)	(12,276)
	(44,719)	(36,667)
Appropriations		
Transferred from general reserve	-	-
Accumulated loss carried forward	(44,719)	(36,667)
EARNING PER SHARE	(1.18)	(3.94)

PRODUCTION AND SALES

The production during the year was 3,469,591 M3 as compared to previous year's production of 2,415,688 M3. The net turnover during the year was Rs.99.447 million as compared to previous year's Rs.69.562 million.

As mentioned above that the company's production as well as sales has increased as compared to previous year that clearly indicates that company will improve its profitability with the revival of Gaddani Ship Breaking yard as we indicated in last year report that our business was highly dependent on that revival however, Mashallah we did manage to sell all our production as we had been diversifying our sales for some times.

Unfortunately we could not start our standby plant on full capacity but we managed Gaddani market demand through trade to improve our sales soon we hope to run our standby plant on full capacity until we start up our new plant.

The increase in power tariff has also compounded our problems and it will have a negative impact on profit. Frequent power breakdowns and is affecting our production and machinery as mentioned earlier. Further it may be noted that KESC had made a mistake in their last years billing which they have since then corrected. It will now reflect in our current year's balance sheet.

EXPANSION PROJECT

The expansion project is in the final stages of startup and our extension load has been finally energized by the KESC in August, 08, but we could not start our new plant due to the financial crises. Business environment of the country was also not favorable for the past 2 years. As gaddani ship breaking has re-restarted it has given us some positive cash flow to start up our plant and we do hope and pray that the Government will give some incentives to the Shipbreaking Industry to continue this revival which will help the people of Balochistan. Work is being carried out for the commissioning of our new project and in the meantime we are trying to run our standby plant on full capacity Inshallla soon, we hope to have all things in order.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. M. Hanif Y. Bawany
Ms. Momiza Kapadia
Mr. Vali Mohammad M. Yahya
Mr. Danish Amin
Mr. Wazir Ahmed Jogezai
Mr. Zakaria A. Ghaffar
Mr. Mohammad Ashraf

AUDIT COMMITTEE

Mr. Zakaria A. Ghaffar	- Chairman
Mr. Danish Amin	- Member
Mr. Mohammad Ashraf	- Member

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Mr. Sohail Razzak

AUDITORS

M. Yousuf Adil Saleem & Co.
Chartered Accountants

BANKERS

The Royal Bank of Scotland Limited
United Bank Limited
MCB Bank Limited

REGISTERED OFFICE

Khasra No. 52/53 R.C.D. Highway,
Mouza Pathra, Tehsil Hub,
Lasbella District, Balochistan.
Tel : 0853 - 363287-8, 0853 - 363289, Fax : 0853 - 363290

CITY OFFICE

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BAWANYAIR

PRODUCTS LIMITED

31st ANNUAL REPORT

CONTENTS PAGE NO.

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