



BAWANYAIR
PRODUCTS LIMITED

THIRTYFOURTH
ANNUAL REPORT
2011-2012



TRIBUTE TO HONORABLE FOUNDER CHAIRMAN (LATE) YAHYA AHMED BAWANY

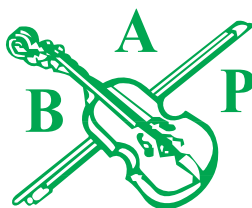


It is with great sadness that we announce the sudden demise of Yahya Ahmed Bawany (SQA). He passed away peacefully on Monday 12th January, 2009 at the age of 84+. The first industry of the Bawany Group in Pakistan was set up by Seth Ahmed Ibrahim Bawany of Rangoon Burma (Myanmar) soon after Pakistan's 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 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

34th ANNUAL REPORT

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BAWANYAIR
PRODUCTS LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. M. Hanif Y. Bawany
Ms. Momiza Kapadia
Mr. Vali Mohammad M. Yahya
Mr. Muhammad Ashraf
Mr. Wazir Ahmed Jogeza
Mr. Zakaria A. Ghaffar
Mr. Siraj A. Kadir

AUDIT COMMITTEE

Mr. Zakaria A. Ghaffar - Chairman
Mr. Mohammad Ashraf - Member
Mr. Siraj A. Kadir - Member

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Mr. Sohail Razzak

AUDITORS

M. Yousuf Adil Saleem & Co.
Chartered Accountants

BANKERS

Faysal Bank 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

16-C, 2nd Floor, Nadir House,
I.I. Chundrigar Road,
Karachi.
Tel : 32400440-43 Fax : 3241-1986



BOARD OF DIRECTORS



M. HANIF Y. BAWANY
CHIEF EXECUTIVE OFFICER



MOMIZA KAPADIA
DIRECTOR



VALI MUHAMMAD M. YAHYA
DIRECTOR



MUHAMMAD ASHRAF
DIRECTOR



WAZIR AHMED JOGEZAI
DIRECTOR



ZAKARIA A. GHAFFAR
DIRECTOR



SIRAJ A. KADIR
DIRECTOR



MANAGEMENT TEAM



M. HANIF Y. BAWANY
MANAGING DIRECTOR



SOHAIL RAZZAK
CFO & COMPANY SECRETARY



EJAZ AHMAD
GENERAL MANAGER OPERATIONS



TAUFIQUE MOTEN
MANAGER IMPORTS



MUHAMMAD TOFIQ MOOSA
PLANT MANAGER

NOTICE OF MEETING

Notice is hereby given that the Thirty Fourth Annual General Meeting of the members of Bawany Air Products Limited will be held at the registered office of the Company at Khasra No. 52/53, RCD Highway, Mouza Pathra, Tehsil Hub, Lasbella District, Balochistan on Monday, 15 October 2012 at 12:00 Noon to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the 33rd Annual General Meeting held on October 25, 2011.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2012 together with Directors and Auditor's Report thereon.
3. To appoint auditors for the year 2012-2013 and fix their remuneration.
4. To transact such other business as may be placed before the meeting with the permission of the chair.

Karachi :
September 20, 2012

By order of the Board
Sohail Razzak
Company Secretary

NOTES:

1. Transport will be provided to the members of the company. Pick-up point will be at Karachi Stock Exchange Building and departure will be at 11:00 a.m. sharp on October 15, 2012.
2. The register of members of the Company shall remain closed from October 03, 2012 to October 16, 2012 (Both days inclusive).
3. Proxies in order to be valid must be received at city office of the Company at Room No. 16-C, Nadir House, I. I. Chundrigar Road, Karachi not later than 48 hours before the meeting.
4. Members are requested not to bring children along with them, as they will not be allowed to sit in the meeting hall.



● **For Attending the Meeting:**

- a) In case of individuals, the account holder or sub-account holder shall authenticate their identity by showing original CNIC or original passport at the time of the meeting.
- b) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.

● **For Appointing the Proxies:**

- a) In case of individuals, the account holder or sub-account holder shall submit the duly filled proxy form along with attested copies of CNIC cards or passport of the beneficial owners.
- b) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be submitted along with duly filled Proxy form.
- c) Proxy shall produce original CNIC or passport at the time of the meeting.



CHIEF EXECUTIVE'S REVIEW

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

Dear shareholders,

I am honored to present to you review on the performance of your company during the year ended June 30, 2012.

With every year passing by, your Company is growing and by the grace of Almighty ALLAH, it has completed its 34th year. Over these years there were hard times coupled with financial and liquidity crisis but the faith in ALMIGHTY, hard work put in by the management, team effort throughout the organization and your belief and trust upon us has led us to stand firmly in today's world.

During the last fiscal year the stress on macroeconomic stability mainly emanated from unsustainable balance of payment position and the falling value of rupee, escalating food and non-food inflation and structural problems like power shortages, resulted in appreciable slowdown in economic activity. The domestic and regional socio political upheavals and rapidly changing global economic environment added to multifaceted problems. Moreover, the cautious tendency of investors and reduced government spending also had an impact on the overall businesses activity in the country.

The year 2012 proved very challenging for the Company due to the financial crisis being faced by our nation and the prevailing weak economic situation in the country. These factors contributed to increased cost of goods and decreased profitability for the Company. Despite these odds, your Company was able to achieve the highest turnover in its history as the turnover reached to Rs. 210 million showing an increase of 7.54% over previous year. The expenses were curtailed at a lower level as possible and the overall increase is in line with the business norms. During the year, the Company strengthened its manufacturing capacity. The second unit of the existing plant was repaired and stands operational to-date. Plus the management has negotiated terms with a foreign company for the necessary repairs of the second hand imported plant. A formal agreement is yet to be finalized in this regard. This will enable the Company to run operations with full capacity to meet the demand at a very competitive and low cost.

With the overall gap between the demand and supply situation of energy in Pakistan is the key point that our Government should focus on. The business community is willing to bear a reasonable inflation in electricity tariff but there should be a commitment to ensure continuous supply. Yet another area that requires immediate action is the deteriorating law and order situation of the country.

M. HANIF Y. BAWANY

Managing Director / Chief Executive Officer

Karachi : September 20, 2012



DIRECTORS' REPORT

The Directors are pleased to present the 2012 Annual Report together with the audited financial statements of the Company for the year ended June 30, 2012.

On top of factors like floods, low GDP growth, double digit inflation, deteriorating security environment and debilitating power cuts, which impacted businesses in Pakistan in 2012, your Company was also affected. Despite this challenging environment, the Company registered a top-line growth. Turnover was fuelled by strong volume gains in Compressed Air, Dissolved Acetylene and Nitrogen. Impact innovation, effective communication and increased efforts from the management contributed to overall positive financial results.

KEY ACHIEVEMENTS FOR THE YEAR 2012

- Successful restructuring arrangement with Invest Capital Investment Bank Limited (formerly Al-Zamin Investment Bank) being the last syndicate member;
- Un-appropriated profit has increased by 57% (i.e. from Rs. 14.3 million to Rs. 22.53 million);
- Achieved sales target of over Rs. 200 million;
- Second unit of existing plant was operational during the year for testing purpose;
- Despite liquidity concerns, loan repayments are being made regularly.

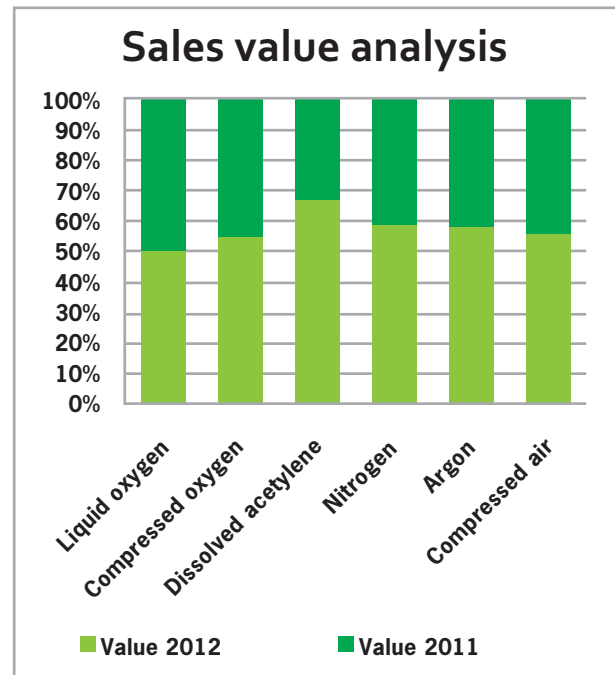
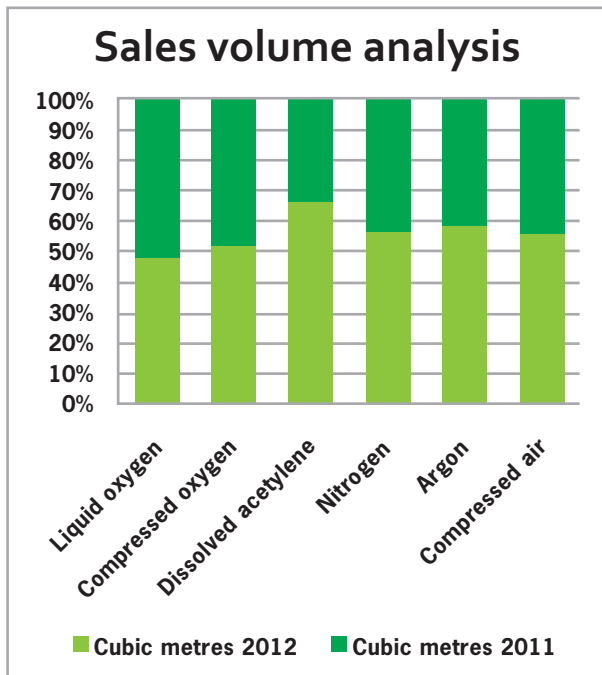
SUMMARY OF FINANCIAL PERFORMANCE

For the year ended June 30, 2012, the Company achieved an impressive performance with turnover nearing to Rs. 210 million mark compared to Rs. 195 million in last year representing a growth of 7.54%. Your Company was able to post highest ever gross profit of Rs. 49 million operating profit of Rs. 50.5 million. A brief analysis of financial performance is as follows:

	Year Ended June 30, 2012 Rupees	Year Ended June 30, 2011 Rupees	Variation Rupees
Sales - net	209,970,235	195,248,098	14,722,137
Cost of sales	(161,021,007)	(146,531,923)	(14,489,084)
Gross profit	48,949,228	48,716,175	233,053
Other operating income - net	1,234,187	582,354	651,833
Other operating profit	50,183,415	49,298,529	884,886
Distribution cost	(6,943,260)	(5,284,020)	(1,659,240)
Administrative expenses	(15,034,070)	(11,631,754)	(3,402,316)
Other operating expenses	(5,871,356)	(6,636,176)	764,820
Finance cost - net	(7,047,695)	(3,473,879)	(3,573,816)
Profit before taxation	15,287,034	22,272,700	(6,985,666)
Taxation	(7,621,390)	(9,808,653)	2,187,263
Profit after taxation	7,665,644	12,464,047	(4,798,403)
Earnings per share	1.02	1.75	(0.73)



Turnover increased by Rs. 14.7 million mainly on account of increase in sales of liquid oxygen (Rs. 4.2 million); Compressed Oxygen (Rs. 5.6 million) and Dissolved Acetylene (Rs. 3.7 million). The volumes also increased except for liquid oxygen. However, due to favorable rates, the overall sales of liquid oxygen also increased by 2.5%. Product wise sales analysis of volumes and values as compared to last year is shown below:



With increase in production during the year, the cost of sales also hiked but this increase was not in line with the sales owing to many factors mainly being the high power and utilities cost. Electricity is one of the main components of our cost of goods manufactured and that increased by 6 million, representing 11.5% as compared to last year. The electricity tariff was revised during the current year with an average price per unit of Rs. 8.20 in last year inclined to Rs. 9.25 per unit in the current year. Secondly the higher raw material cost has eaten into our profit margin.

This clearly shows that although in monetary terms, the raw material purchases were higher in the current year but the quantity purchased was lower and this is due to the average rate that has increased by approximately 23%. This was another important factor that led to increase the cost of goods sold. Moreover, the salary and wages cost have also increased during the year on account of bonus and compensated leaves provision.

Other operating income has significantly risen on account of disposal of gas cylinders and certain motor vehicles. Similarly, distribution cost and administrative expenses have increased by approximately 30% each mainly on account of increase in salaries and wages cost. Due to strong performance by the management staff and workers, your Company has decided to award bonus and provide compensation in lieu of un-availed leaves. The respective provisions for bonus and compensated absences have led to increase the salaries and wages cost.

Other operating expenses comprise of charge for the year in respect of workers welfare fund, workers profit participation fund and depreciation for idle plant. The variation in this account head is nominal.



60 TPD PLANT VIEW

Finance cost has increased many folds apparently but the in-depth analysis reveals that variation is mainly due to waiver of mark-up. During the year, your Company managed to negotiate with another syndicate member and the loan terms were rescheduled that resulted in a waiver of Rs. 1.5 million. Since last year, the restructuring scheme was entered into with two syndicate members that resulted in a waiver of mark-up amounting to Rs. 6.28 million. If we set-aside the impact of waiver, the gross finance cost has decreased in the current year from Rs. 9.75 million to Rs. 8.58 million.

Provision for taxation has increased by Rs. 2.1 million i.e. approximately 22.3%. The charge for current taxation is in line with last year i.e. based on the profitability and taxable income of the Company whereas the deferred tax charge has decreased owing to decrease in the carried forward tax losses since the Company is earning taxable income.

The balance sheet of the Company is showing strong performance. Mashallah the equity is strengthening as it was Rs. 89 million in last year and stands at Rs. 98 million at the end of the current year. Similarly, the liability in respect of long term loan is being paid on timely basis and has reduced from Rs. 54 million to Rs. 40 million. Income tax refundable has increased by Rs. 1.27 million as the refund for the previous tax years have been filed.

Cash flow maintenance and liquidity is still a challenge for the management. Operating cash-flows are although positive but the Company needs the support of running finance facilities to manage the working capital requirements. Net cash flow from operating activities has improved from Rs. 17.3 million to Rs. 21.3 million but this positive impact was off-set by negative cash flows in financing activities that increased from Rs. 16.8 million in last year to Rs. 20.2 million in current year.

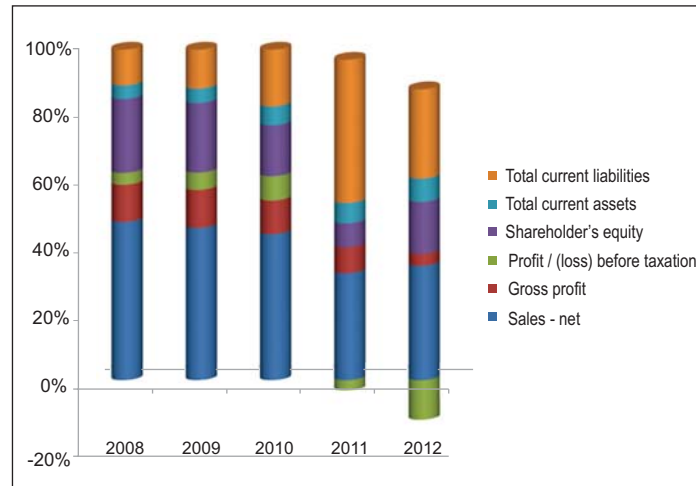
On an overall basis, year 2012 can be rated as a stable and profitable year for the Company with a note that it could have been more favorable if the political stability, inflation and law and order situation in the country remained under control.

RECTIFICATION OF PRIOR YEAR ERROR

We draw your attention to note 2.6 to the financial statements in which it has been explained that during the year, your Company has rectified prior period error relating to the classification of leasehold land and building due to which comparative figures in these financial statements have been restated in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. The error pertains to recording of other receivable from an associated company as property, plant and equipment, the impact of which has been rectified retrospectively and the comparative figures have been restated as fully elaborated in note 2.6.



KEY OPERATING AND FINANCIAL DATA OF LAST 5 YEARS



The above graph clearly depicts our performance that how we led the Company from hard times of losses towards the positive and stable equity supported by strong sales and asset base.

CONTRIBUTION TO NATIONAL EX-CHEQUER

During the current fiscal year, your Company contributed Rs.2 million to the government exchequer in the form of corporate taxes. The payment in respect of taxes was Rs. 4 million, creating sufficient tax refunds on part of taxation authorities. However, the procedural delays in the taxation department and the bribery culture prevailing over there are the main hurdles in tax refunds due to which the Company has to rely upon the running finance facilities and has to bear un-necessary mark-up.

COMMUNITY HEALTH AND SERVICES

Your Company is actively playing its part towards community health and services. The Company supplies medical gases to renowned hospitals like National Institute of Cardiovascular Diseases and National Institute of Child Health. In the current year, the Company went a step ahead by ensuring continuous supply of medical gases to these hospitals and even very low margin and at certain times below cost as well. The management had clear directions from the Chief Executive and the Board to not to compromise on supply to hospitals at any cost and by the grace of Almighty ALLAH, management did ensure the supply without any interruption. We are committed to continue our service with the same motivation in future as well.





STRATEGY TO OVERCOME LIQUIDITY PROBLEMS

Your management continues to make stringent efforts to overcome liquidity problems and has formulated various strategies to overcome it. These include rigorous monitoring of the net working capital position of the Company to ensure that current asset - current liability maturities are adequately matched with temporary mismatches being covered through short-term borrowings. In addition, constant pursuit for recovery of receivables from Gaddani customers as well as Hospitals was made throughout the year.

OUR KEY RESOURCE - OUR HUMAN RESOURCE

Your Company takes pride in its people. The operating environment in Pakistan continues to be challenging, with deteriorating economic and security conditions. In 2012, these challenges grew because of the inflation and worsening law and order situation. The continued good performance of the business in the midst of such an environment demonstrates the caliber, hard work, dedication of our management and team effort, which is led by the Chief Executive.



BULK LIQUID STORAGE TANK.

ELECTRIC PANEL

LIQUID STORAGE AND TRANSPORT TANK.

BUSINESS RISKS AND FUTURE OUTLOOK

In the aftermath of the current situation of the country (especially that of Balochistan province) and increasing fiscal weakness, economic recovery will be a challenge. Growing inflationary pressure from rising commodity costs; volatility in electricity cost; security environment and the ongoing gas and electricity shortages will continue to put pressure on business performance.

Despite economic difficulties, the country provides immense opportunities for growth due to increasing population, growing middleclass, and relative increase in affluence and awareness in rural areas. The Company plans strategic investments infrastructure to tap into this potential. This could impact near term profitability.

WAY FORWARD

Since its inception, Pakistan has always been an energy deficit country. Your Company is geared to continue ensuring uninterrupted product availability to all sectors of the economy across the nation through the supply of products in a cost effective and timely manner.

Being fully aware of the global trend in development of alternative and renewable energy resources, the Company has already initiated feasibility analysis on a 25 MT new plant to be imported from China. Management is considering the viability of this option.



BOARD OF DIRECTORS

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

AUDITORS

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.

STATEMENT OF CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- a) The financial statements prepared by the management of the company present fairly the status of affairs, the result of its operations and cash flows and changes in equity.
- b) Proper books of accounts of the company have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statement and accounting estimates are based on reasonable and prudent judgement.
- 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 have been summarized.
- i) Following (receipt) / payments in respect of taxes was outstanding as on June 30, 2012.

Income tax	Rs. (1,981,860)	This represents advance tax net of approximate provision of tax on income earned during the year and it will be adjusted at the time of income tax assessment.
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Income tax	Rs. (1,714,632)	This represents outstanding refundable income tax for the year 2008-2009 and 2009-2010.
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Sales tax	Rs. 3,251,757	This represents net tax on the sales made during the month of May 09 to June 09 and June 2012 and it has been adjusted against income tax refundable.
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- j) The value of investments of provident fund is Rs. 1,700,000/- based on latest audited accounts of the provident fund.



- k) During the year four (4) meetings of the Board of Directors were held. Attendance by each Director is as follows:

Name of the Directors	No.of meeting attended
Mr. M. Hanif Y. Bawany	04
Ms. Momiza Kapadia	04
Mr. Vali Mohammad M. Yahya	04
Mr. Muhammad Ashraf	04
Mr. Wazir Ahmed Jomezai	01
Mr. Zakaria A. Ghaffar	04
Mr. Siraj A. Kadir	04

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.

Acknowledgment

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 given to the management.

On behalf of the board of directors.

M. HANIF Y. BAWANY

Managing Director/Chief Executive Officer
Karachi: 20th September, 2012

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. 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.



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 than 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 NBFIs 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 transactions 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 recorded and circulated.
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.
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 an 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 effective 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: 20th September, 2012



**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 prepared by the Board of Directors of Bawany Air Products Limited (the Company) to comply with the Listing Regulations of the respective Stock Exchanges, 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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 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, 2012.

M. YOUSUF ADIL SALEEM & CO.

Chartered Accountants

Date: September 20, 2012

Place: Karachi



KEY OPERATING AND FINANCIAL DATA FOR THE DECADE

Rs. "000"

PARTICULARS	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
FINANCIAL POSITION										
Shareholder's equity	97,556	89,337	72,880	22,163	31,537	36,441	48,630	40,720	53,955	53,009
Surplus on revaluation	19,757	20,310	20,892	—	—	—	—	—	—	—
Long term loan	40,059	54,639	75,835	74,957	79,917	81,417	55,249	68,432	57,420	40,000
Lease liabilities	—	—	—	14,300	16,346	17,521	20,844	553	729	—
Current liabilities	27,102	29,316	49,763	68,791	54,387	45,640	51,147	36,943	12,760	23,518
Deferred Tax liability	2,953	—	—	—	—	—	—	—	—	2,651
Long term deposits	29,721	32,827	30,644	24,816	22,105	16,584	12,621	13,693	6,465	7,402
TOTAL EQUITY AND LIABILITIES	217,148	226,429	250,014	205,027	204,292	197,603	188,491	160,341	131,329	126,580
Property, plant and equipment	192,839	198,640	205,418	182,695	28,450	31,772	35,159	39,369	43,707	47,705
Capital work in progress	—	—	—	—	158,159	152,065	137,263	105,399	63,838	47,466
Investment Property	—	—	—	—	—	—	—	—	6,900	6,900
Long term deposits	3,215	3,215	3,701	3,454	3,559	1,481	1,566	647	585	610
Current assets	21,094	22,008	30,560	18,878	14,124	12,285	14,503	14,926	16,299	23,899
Deferred Tax asset	—	2,566	10,335	—	—	—	—	—	—	—
TOTAL ASSETS	217,148	226,429	250,014	205,027	204,292	197,603	188,491	160,341	131,329	126,580
FINANCIAL PERFORMANCE										
Net sales manufacturing	209,970	195,248	209,508	99,444	68,816	63,744	51,122	51,792	69,000	59,712
Net sales trading	266	189	739	194	745	3,063	1,156	3,111	4,880	3,129
Total net sales	210,236	195,437	210,247	99,638	69,561	66,807	52,278	54,903	73,880	62,841
Gross profit	48,949	48,716	48,186	24,273	7,264	5,321	(2,751)	717	11,603	14,061
Trading profit	132	88	100	57	425	960	280	697	661	885
Other income	1,099	470	196	268	138	467	6,804	418	835	600
Profit before tax / (loss)	15,287	22,273	35,068	(9,372)	(24,062)	(11,845)	(11,885)	(12,955)	(1,279)	1,417
Profit after tax / (loss)	7,665	12,464	50,619	(9,373)	(24,391)	(12,189)	(12,150)	(13,236)	946	931
STATISTICS AND RATIOS										
Profitability										
Gross profit %	23.31%	24.95%	23.00%	24.41%	10.56%	8.35%	-5.38%	1.38%	16.82%	23.55%
Profit before tax to total sales %	7.27%	11.40%	16.68%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.25%
Profit after tax to total sales %	3.65%	6.38%	24.08%	0.00%	0.00%	0.00%	0.00%	0.00%	1.28%	1.48%
Liquidity / Leverage										
Current ratio	0.78	0.75	0.61	0.27	0.26	0.27	0.28	0.40	1.28	1.02
Debt equity ratio	0.41	0.61	1.04	3.38	2.53	2.23	1.14	1.68	1.06	0.75
Solvency ratio	2.18	1.94	1.60	1.12	1.18	1.23	1.35	1.34	1.70	1.72
Return to shareholders										
Return on equity before tax %	15.67%	24.93%	48.12%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.67%
Return on equity after tax %	7.86%	13.95%	69.46%	0.00%	0.00%	0.00%	0.00%	0.00%	1.75%	1.76%
Earning per share (Rs.)	1.02	1.75	7.42	1.37	(1.18)	(3.94)	(2.53)	(2.53)	(4.62)	0.33
Break-up value per share (Rs.)	15.64	14.61	13.75	3.25	4.62	7.48	9.98	14.21	18.83	18.50
Price earning ratio	7.08	3.86	1.52	4.93	—	—	—	—	—	—
Market price (Rs.) June 30th	7.22	6.75	11.25	6.75	15.64	14.50	16.75	13.00	18.50	20.75
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	—	—	5%	—	—	—	—	—	—	—
Stock dividend	—	—	—	—	—	—	—	—	—	—
PRODUCTION (M3 in "000")										
Oxygen & nitrogen	3,744	2,752	3,111	2,892	2,396	2,566	2,464	2,628	2,858	2,283
Dissolved acetylene	17	9	10	7	20	19	17	17	26	21



**PATTERN OF SHAREHOLDING BY THE SHARE HOLDERS
AS AT JUNE 30 2012**

No. of Shareholders	Shareholding of Shares		Share Held
	From	To	
238	1	100	7,137
175	101	500	52,001
64	501	1,000	49,946
118	1,001	5,000	264,667
16	5,001	10,000	124,920
12	10,001	15,000	153,129
22	15,001	20,000	129,555
4	20,001	25,000	87,564
12	25,001	50,000	434,251
14	50,001	100,000	1,040,514
1	100,001	150,000	139,531
3	150,001	200,000	561,440
2	200,001	300,000	513,570
2	300,001	350,000	330,028
2	350,001	400,000	1,118,897
2	400,001	1,250,000	2,495,360
<u>687</u>			<u>7,502,510</u>

Shareholders Category	No. of Share Holders	No. of Shares of Rs.10/- each	Percentage of issued capital
Financial instituions	3	150,965	2.01%
Individual	664	5,607,897	74.75%
Insurance companies	1	16,260	0.22%
Investment companies	0	-	0.00%
Joint stock companies	13	1,328,586	17.71%
Modaraba	1	26,500	0.35%
Mutual Fund	1	22,764	0.30%
Others	4	349,538	4.66%
	<u>687</u>	<u>7,502,510</u>	<u>100.00%</u>



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

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



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Bawany Air Products Limited (the Company) as at June 30, 2012 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.

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) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) 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;
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) 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, 2012 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Karachi
Date: September 20, 2012

M. YOUSUF ADIL SALEEM & CO.
Chartered Accountants
Audit Engagement Partner: Nadeem Yousuf Adil



BALANCE SHEET AS AT JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees (Restated)	2010 Rupees (Restated)
EQUITY AND LIABILITIES				
Share Capital and Reserves				
Authorised capital 15,000,000 (2011: 15,000,000) Ordinary shares of Rs. 10 each		150,000,000	150,000,000	150,000,000
Issued, subscribed and paid-up capital	4	75,025,104	75,025,104	68,204,640
Unappropriated profit		22,530,417	14,311,980	4,676,278
		97,555,521	89,337,084	72,880,918
Surplus on revaluation of property, plant and equipment - net	5	19,757,278	20,310,071	20,891,958
LIABILITIES				
Non Current Liabilities				
Deferred tax liability	6	2,952,633	-	-
Long-term financing	7	18,203,666	33,911,585	44,001,009
Long-term deposits	8	29,720,579	32,826,665	30,643,636
		50,876,878	66,738,250	74,644,645
Current Liabilities				
Trade and other payables	9	21,978,153	17,334,140	31,858,031
Interest / mark-up accrued	10	87,235	4,402,125	7,721,435
Short-term borrowings	11	5,036,712	7,580,046	10,184,187
Current portion of long-term financing	7	21,857,276	20,728,086	31,833,838
		48,959,376	50,044,397	81,597,491
Total Liabilities		99,836,254	116,782,647	156,242,136
Total Equity and Liabilities		217,149,053	226,429,802	250,015,012

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

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

SIRAJ A. KADIR
Director



	Note	2012 Rupees	2011 Rupees (Restated)	2010 Rupees (Restated)
ASSETS				
Non Current Assets				
Property, plant and equipment	12	192,839,499	198,640,179	205,418,500
Long-term deposits		3,215,467	3,215,467	3,701,452
Deferred tax asset	6	-	2,566,397	10,335,173
		196,054,966	204,422,043	219,455,125
Current Assets				
Stores and spares	13	1,095,613	1,196,125	1,448,761
Stock-in-trade	14	1,477,922	2,780,518	3,258,301
Trade debts	15	8,244,778	9,081,798	12,996,320
Loans and advances	16	1,447,695	911,782	716,994
Advance tax		1,981,860	1,277,511	4,151,282
Trade deposits and other receivables	17	4,187,870	5,979,790	4,029,932
Other financial assets	18	86,881	84,807	60,625
Income tax refundable		1,714,632	437,121	3,705,714
Cash and bank balances	19	856,836	258,307	191,958
		21,094,087	22,007,759	30,559,887
Total Assets		217,149,053	226,429,802	250,015,012

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

SIRAJ A. KADIR
Director



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees (Restated)
Sales - net	20	209,970,235	195,248,098
Cost of sales	21	(161,021,007)	(146,531,923)
Gross profit		48,949,228	48,716,175
Profit from trading activities - gases	22	132,722	88,108
Other operating income	23	1,099,391	470,064
Unrealized gain on revaluation of financial assets		2,074	24,182
		50,183,415	49,298,529
Distribution cost	24	(6,943,260)	(5,284,020)
Administrative expenses	25	(15,034,070)	(11,631,754)
Other operating expenses	26	(5,871,356)	(6,636,176)
Finance cost - net	27	(7,047,695)	(3,473,879)
Profit before taxation		15,287,034	22,272,700
Taxation	28	(7,621,390)	(9,808,653)
Profit for the year		7,665,644	12,464,047
Other comprehensive income		-	-
Total comprehensive income for the year		7,665,644	12,464,047
Earnings per share - basic and diluted	29	1.02	1.75

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

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

SIRAJ A. KADIR
Director



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees (Restated)
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		15,287,034	22,272,700
Adjustments:			
Depreciation of property, plant and equipment		7,406,872	7,992,303
Reversal of provision for doubtful debts		-	(138,872)
Finance cost		8,587,040	8,799,155
Unrealized gain on revaluation of other financial assets		(2,074)	(24,182)
Gain on disposal of property, plant and equipment		(1,000,913)	(217,529)
Waiver of accrued interest on financing facilities		(1,539,345)	(5,706,937)
Waiver of principal balance of financing facilities		-	(577,004)
Interest income		(98,100)	(109,095)
Dividend income		(378)	(4,568)
Operating cash flows before movements in working capital		28,640,136	32,285,971
Changes in working capital (Increase) / decrease in current assets			
Stores and spares		100,512	252,636
Stock-in-trade		1,302,596	477,783
Trade debtors		837,020	4,053,394
Loans and advances		(535,913)	(194,788)
Trade deposits		1,791,920	(1,949,858)
		3,496,135	2,639,167
Increase / (decrease) in current liabilities			
Trade and other payables		4,644,013	(15,289,711)
Net cash generated from operations		36,780,284	19,635,427
Finance cost paid		(11,362,585)	(6,411,528)
Income tax (paid) / recovered		(4,084,220)	4,102,487
Net cash from operating activities		21,333,479	17,326,386
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(1,923,279)	(1,256,453)
Proceeds from disposal of property, plant and equipment		1,318,000	260,000
Dividend income received		378	4,568
Interest income received		98,100	109,095
Security deposits		-	485,985
Net cash used in investing activities		(506,801)	(396,805)



	Note	2012 Rupees	2011 Rupees (Restated)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of right shares		-	6,820,464
Repayment of long-term financing		(14,578,729)	(20,618,172)
Dividend paid		-	(2,644,412)
Long-term deposits		(3,106,086)	2,183,029
Short-term borrowings - net		(2,543,334)	(2,604,141)
Net cash used in financing activities		(20,228,149)	(16,863,232)
Net increase in cash and cash equivalents		598,529	66,349
Cash and cash equivalents at the beginning of the year		258,307	191,958
Cash and cash equivalents at the end of the year	19	856,836	258,307

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

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

SIRAJ A. KADIR
Director



STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2012

	Issued subscribed and paid up capital	Un-appropriated profit	Total
	Rupees		
Balance as at June 30, 2010 as previously reported	68,204,640	4,578,472	72,783,112
Effect of prior period error	-	97,806	97,806
Balance as at June 30, 2010 as restated	68,204,640	4,676,278	72,880,918
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	581,887	581,887
Total comprehensive income for the year ended June 30, 2011 - Restated	-	12,464,047	12,464,047
Transaction with owners in their capacity as owners			
Final dividend for the year ended June 30, 2010 @ Rs. 0.5 per share	-	(3,410,232)	(3,410,232)
Issue of 1 right share for every 10 shares held	6,820,464	-	6,820,464
	6,820,464	(3,410,232)	3,410,232
Balance as at June 30, 2011 as restated	75,025,104	14,311,980	89,337,084
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	552,793	552,793
Total comprehensive income for the year ended June 30, 2012	-	7,665,644	7,665,644
Balance as at June 30, 2012	75,025,104	22,530,417	97,555,521

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

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

SIRAJ A. KADIR
Director



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

1. GENERAL INFORMATION

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.

2. BASIS OF PREPARATION

2.1 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.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except that 'other financial assets' are stated at fair value and freehold land and building thereon are stated at revalued amounts.

2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

2.4 Critical judgments and accounting estimates in applying the accounting policies

The preparation of financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

- (i) Revaluation of freehold land and building and review of useful life and residual value of property, plant and equipment (note 3.5 and 12);
- (ii) Provision for impairment of trade debts and other receivable (note 3.9 and 15.1);
- (iii) Impairment of assets (note 3.11); and
- (iv) Provision for taxation (note 3.15 and 28)



2.5 New, revised and amended standards and interpretations

2.5.1 Adoption of new standards, amendments and interpretations to the published approved accounting standards

During the year, the following standards, amendments to standards and interpretations including amendments to interpretations became effective, however, the application of these amendments and interpretations did not have material impact on the financial statements of the Company:

Standards/Amendments/Interpretations		"Effective Date (accounting period beginning on or after)
Amendment to IAS 1	Presentation of Financial Statements	January 1, 2011
IAS 24 (as revised in 2009)	Related Party Disclosures	January 1, 2011
Amendment to IAS 34	Interim Financial Reporting	January 1, 2011
Amendment to IFRS 7 Disclosures	Transfer of Financial Assets	July 1, 2011
Amendment to IFRIC 13	Customer Loyalty Programmes	January 1, 2011
Amendment to IFRIC 14	Prepayments of a Minimum Funding Requirement	January 1, 2011

2.5.2 Standards, amendments and interpretations to the published approved accounting standards not yet effective

The following standards, amendments and interpretations are 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.

Standards/Amendments/Interpretations		"Effective Date (accounting period beginning on or after)
Amendments to IAS 1	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income	July 1, 2012
Amendments to IAS 12	Income Taxes – Deferred Tax: Recovery of Underlying Assets	January 1, 2012
Amendments to IAS 19	Employee Benefits	January 1, 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 27 (Revised 2011) – Separate Financial Statements, due to non-adoption of IFRS 10 and IFRS 11
- IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures, due to non- adoption of IFRS 10 and IFRS 11



2.6 Prior period error

During the year, the Company has rectified prior period error relating to the recording of other receivable from an associated company as property, plant and equipment for land purchased by the associated company but paid for by the Company. As a result, comparative figures in these financial statements have been restated in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. The impact of the error is as follows:

	As originally reported in June 30, 2010	Effect of prior period error	As restated June 30, 2010
--	--	---	--

Rupees

Restatement in Balance Sheet

Property, plant and equipment	208,773,716	(3,355,216)	205,418,500
Trade deposits and other receivables	576,910	3,453,022	4,029,932
Unappropriated profit	4,578,472	97,806	4,676,278

	As originally reported in June 30, 2010	Effect of prior period error	As restated June 30, 2010
--	--	---	--

Rupees

Restatement in Profit and Loss account

Other operating expense	7,953,169	(97,806)	7,855,363
Profit for the year	50,619,328	97,806	50,717,134
Earnings per share	7.42	0.01	7.43

	As originally reported in June 30, 2011	Effect of prior period error	As restated June 30, 2011
--	--	---	--

Rupees

Restatement in Balance Sheet

Property, plant and equipment	201,919,202	(3,279,023)	198,640,179
Trade deposits and other receivables	2,526,768	3,453,022	5,979,790
Unappropriated profit	14,137,981	173,999	14,311,980

	As originally reported in June 30, 2011	Effect of prior period error	As restated June 30, 2011
--	--	---	--

Rupees

Restatement in Profit and Loss account

Other operating expense	6,712,369	(76,193)	6,636,176
Profit for the year	12,387,854	76,193	12,464,047
Earnings per share	1.73	0.02	1.75

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below and have been consistently applied to all years presented.



3.1 Employee benefits

3.1.1 Defined contribution plan

The Company operates a recognised provident fund for all eligible employees of the Company. Equal monthly contributions are required to be made both by the Company and the employees at the rate of 10% of the basic salary. The Company's required contribution to the fund is charged to profit and loss account.

3.1.2 Compensated absences

The liability for accumulated compensated absences of employees is recognised in the period in which employees render their service.

3.2 Trade and other payables

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

3.3 Provisions

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

3.4 Borrowings and their costs

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently at amortized cost. Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of that asset.

3.5 Property, plant and equipment

3.5.1 Operating assets

Property, plant and equipment except freehold land and building thereon are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land is stated at revalued amount and building on freehold land is stated at revalued amount less accumulated depreciation.

Assets useful lives and residual values that are significant in relation to the total cost of the assets are reviewed, and adjusted if appropriate, at each balance sheet date.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and its costs can be reliably measured. Normal repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

Depreciation is charged to income applying the reducing balance method over assets estimated useful lives at the rates mentioned in note 12. Depreciation on additions is charged from the month the asset is available for use upto the month prior to disposal.

Surplus on revaluation of freehold land and building is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of the assets does not differ materially from the fair value. To the extent of incremental depreciation charged on revalued assets, the related surplus on revaluation (net of deferred taxation) is transferred directly to retained earnings / unappropriated profit.



Gains or losses on disposal of property, plant and equipment are recognized in the profit and loss account, and the related surplus on revaluation of property, plant and equipment, if any, is transferred directly to retained earnings / unappropriated profit.

3.5.2 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.

3.6 Investments

Regular way purchase or sale of investments

All purchase and sale of investments that require delivery within the time frame established by regulations or market convention are 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 dealer's 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.

Derecognition

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

3.7 Stores and spares

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

3.8 Stock-in-trade

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

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

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

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

3.9 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.



3.10 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.

3.11 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.

Non-financial assets

The Company assesses at each balance sheet date whether there is any indication that assets except inventories and deferred tax asset may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account. The recoverable amount is the higher of an asset's 'fair value less costs to sell' and 'value in use'.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised. Reversal of impairment loss is recognised as income.

3.12 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses 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.

3.13 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.

3.14 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.

3.15 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 exemptions available, if any, or minimum tax on turnover, whichever is higher. 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 balance sheet liability method for all temporary differences at the balance sheet date between tax base of assets and liabilities and their carrying amounts for financial reporting purposes. The amount of deferred tax provided is based on the expected manner of realization or the settlement of the carrying amounts of assets and liabilities, using the tax rates enacted or substantively enacted at the balance sheet date.

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. The Company also recognises deferred tax liability on surplus on revaluation of certain items of property, plant and equipment, which is adjusted against related surplus.

3.16 Dividend and appropriation to reserves

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

3.17 Foreign currencies

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

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

4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2012		2011		2012		2011	
Number of shares				Rupees		Rupees	
Ordinary shares of Rs.10/- each :							
5,336,769	5,336,769	- Fully paid in cash		53,367,694		53,367,694	
250,000	250,000	- For consideration other than cash		2,500,000		2,500,000	
1,915,741	1,915,741	- Fully paid bonus shares		19,157,410		19,157,410	
7,502,510	7,502,510			75,025,104		75,025,104	

4.1 As at June 30, 2012, Bawany Management (Private) Limited, an associate company held 1,626,149 (2011: 1,434,797) ordinary shares of Rs. 10/- each.

		2012	2011
		Number of shares	
4.2 Reconciliation of number of ordinary shares outstanding			
At the beginning of the year		7,502,510	6,820,464
Issue of 1 Right share for every 10 shares held		-	682,046
At the end of the year		7,502,510	7,502,510



	Note	2012 Rupees	2011 Rupees
5. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net			
Surplus on freehold land		9,254,210	9,254,210
Surplus on building on freehold land	5.1	10,503,068	11,055,861
Balance as at June 30		<u>19,757,278</u>	<u>20,310,071</u>
5.1 Movement of surplus on building on freehold land			
Revaluation surplus as at July 01		17,009,016	17,904,227
Transferred to unappropriated profit in respect of incremental depreciation charge during the year, net of deferred tax		(552,793)	(581,887)
Related deferred tax liability of incremental depreciation charged during the year		(297,658)	(313,324)
Revaluation surplus as at June 30		16,158,565	17,009,016
Less: Related deferred tax liability on:			
- revaluation as at July 01		(5,953,155)	(6,266,479)
- incremental depreciation charge during the year, transferred to profit and loss account		297,658	313,324
	6	<u>(5,655,497)</u>	<u>(5,953,155)</u>
		<u>10,503,068</u>	<u>11,055,861</u>
6. DEFERRED TAX (LIABILITY) / ASSET			
Deferred debits arising due to:			
- provision for bad debts		706,853	706,853
- carried forward tax losses		1,639,901	8,658,748
- accelerated depreciation on property, plant and equipment		356,110	-
		<u>2,702,864</u>	<u>9,365,601</u>
Deferred credits arising due to:			
- accelerated depreciation on property, plant and equipment		-	(846,049)
- surplus on revaluation of property, plant and equipment	5.1	(5,655,497)	(5,953,155)
		<u>(5,655,497)</u>	<u>(6,799,204)</u>
		<u>(2,952,633)</u>	<u>2,566,397</u>



7. LONG-TERM FINANCING	Note	2012 Rupees	2011 Rupees
Secured			
From banking companies and other financial institutions			
Orix Investment Bank Limited	7.1	21,322,527	26,267,800
KASB Bank Limited	7.2	5,273,800	9,844,444
Pak Oman Investment Company Limited	7.3	-	2,288,436
Escort Investment Bank Limited	7.4	4,915,244	4,915,249
Invest Capital Investment Bank	7.5	7,649,371	8,923,742
		39,160,942	52,239,671
Unsecured - interest free			
From an associated undertaking - R. A. Management			
		900,000	2,400,000
		900,000	2,400,000
Less: Current portion			
Overdue installments	7.5	-	(8,923,743)
Installments due in next 12 months		(21,857,276)	(11,804,343)
		(21,857,276)	(20,728,086)
		18,203,666	33,911,585

- 7.1 The rescheduled loan amount carries mark-up at the rate of 15% per annum and is repayable in 72 equal monthly installments starting from November 2009. This loan is secured by way of first ranking pari passu charge over land and all construction thereon. In addition, personal guarantees and indemnities executed by the Chief Executive in favour of Orix Leasing Pakistan Limited shall remain valid as securities till the repayment of rescheduled loan amount.
- 7.2 The rescheduled loan amount carries mark-up at the rate of 13.65% per annum and is repayable in 40 equal installments starting from June 2010. This loan is secured by way of first ranking pari passu charge over land and all construction thereon.
- 7.3 The restructured loan amount carries mark-up at the rate of 14% per annum and was repayable in 12 equal monthly installments starting from December 27, 2010. The loan was fully repaid during the year.
- 7.4 This includes installments pertaining to Escort Investment Bank Limited (the lender) amounting to Rs. 4.915 million. During the financial year ended June 30, 2011, a decree was issued by the Banking Court in lieu of suit filed by the lender against the Company for recovery of loan. As per the decree dated May 25, 2011, the loan was rescheduled but since the repayment schedule has not yet been finalised by the Court, the entire amount of rescheduled loan has been classified as current portion. The loan is secured by way of first ranking pari passu charge over land and all construction thereon.
- 7.5 During the year, a scheme of restructuring was entered into through a Supplemental Agreement between the Company and Invest Capital Investment Bank (Formerly: Al-Zamin Investment Bank) whereby the loan of Rs. 8.924 million and related mark-up of Rs. 4.213 million has been rescheduled to a loan of Rs. 11.598 million. Accordingly, the mark-up amounting to Rs. 1.539 million has been waived. The rescheduled loan is repayable in 24 monthly installments starting from September 24, 2011. The loan is secured by way of mortgage of immovable properties and all present and future assets of the Company and carries interest at the rate of 25.60% per annum.



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.

	Note	2012 Rupees	2011 Rupees
9. TRADE AND OTHER PAYABLES			
Creditors		471,119	905,702
Accrued liabilities		12,543,714	7,304,021
Advance from customers		163,913	124,567
Payable to Provident Fund	9.1	1,776,398	3,489,883
Provision for compensated absences		1,083,964	-
Retention money payable		253,973	253,973
Sales tax payable		3,251,767	2,392,832
Unclaimed dividend		1,217,429	1,217,834
Withholding income taxes		82,895	259
Payable to Workers' Profit Participation Fund	9.2	821,001	1,192,079
Payable to Workers' Welfare Fund		311,980	452,990
		21,978,153	17,334,140

9.1 This represents equal contribution of the Company and the employees. Interest is charged @ 12% (2011: 12%) per annum on the funds utilized by the Company.

9.2 Workers' Profits Participation Fund

At the beginning of the year		1,192,079	2,036,413
Allocation for the year	26	821,001	1,192,079
		2,013,080	3,228,492
Interest on funds utilized in Company's business	27	-	134,595
		2,013,080	3,363,087
Less: Amount paid to the Fund		(1,192,079)	(2,171,008)
At the end of the year		821,001	1,192,079



	Note	Long-term loans	Short-term borrowings Rupees	Total
10. INTEREST / MARK-UP ACCRUED				
Balance as at July 1, 2011		4,334,520	67,605	4,402,125
Mark-up accrued during the year		7,039,185	1,028,575	8,067,760
Mark-up paid during the year		(7,160,289)	(1,008,945)	(8,169,234)
Transferred to loan principal	7.5	(2,674,071)	-	(2,674,071)
Waiver of mark-up	7.5 & 27	(1,539,345)	-	(1,539,345)
Balance as at June 30, 2012		-	87,235	87,235

	Note	2012 Rupees	2011 Rupees
11. SHORT-TERM BORROWINGS			
Secured - From Banking Companies			
Running finance	11.1	5,036,712	7,580,046

11.1 This represents short term running finance facility availed from a commercial bank. The limit of running finance facility is Rs. 10 million (2011: Rs. 10 million) and is secured against first pari passu charge over plant and machinery of the Company and first ranking charge over stocks and receivables. The mark-up rate is three months KIBOR + 2.5 % per annum (2011: three months KIBOR + 2%). The facility was availed through an agreement made on February 08, 2012 but was subsequently revised with an agreement made on July 16, 2012 to include letter of credit facilities as sub-facility of running finance limit.

	Note	2012 Rupees	2011 Rupees (Restated)
12. PROPERTY, PLANT AND EQUIPMENT			
Operating property, plant and equipment	12.1	192,203,274	198,640,179
Capital work in progress	12.2	636,225	-
		192,839,499	198,640,179



12.1. PROPERTY PLANT AND EQUIPMENT
June 30, 2012

Particulars	Note	Cost/Revalued		Accumulated Depreciation		Net book value at June 30, 2012	Rate of Dep. %
		At July 01, 2011	At July 30, 2012	At July 01, 2011	For the year / (Disposal)		
Freehold land	12.1.1	9,600,000	9,600,000	-	-	9,600,000	-
Factory building on freehold land	12.1.1	32,197,202	32,278,702	1,661,590	1,251,569	29,365,543	2.5 - 5
Plant and machinery		224,561,688	225,767,242	73,583,351	5,277,138	146,906,753	3.33 - 5
Gas cylinders		8,180,975	7,948,975	6,729,375	136,043 (177,963)	1,261,520	10
Electric installation		9,244,070	9,244,070	6,464,655	265,550	2,513,865	10
Furniture and fixture		1,376,757	1,376,757	1,024,323	33,672	318,762	10
Office equipment		2,409,818	2,409,818	1,819,647	56,385	533,786	10
Vehicles		5,828,347	5,409,427	3,475,737	386,515 (155,870)	1,703,045	20
		293,398,857	294,034,991	94,758,678	7,406,872 (333,833)	192,203,274	

Rupees



June 30, 2011 Restated

Particulars	Note	Cost/Revalued		Accumulated Depreciation		Net book value at June 30, 2011	Rate of Dep. %
		At July 01, 2010	At June 30, 2011	At July 01, 2010	For the year / (Disposal)		
Rupees							
Freehold land	12.1.1	9,600,000	9,600,000	-	-	9,600,000	-
Factory building on freehold land	12.1.1	31,937,272	259,930	331,083	1,330,507	30,535,612	2.5 - 5
Plant and machinery		223,634,765	926,923	68,067,826	5,515,525	150,978,337	3.33 - 5
Gas cylinders		8,279,395	-	6,636,468	148,856 (55,949)	1,451,600	10
Electric installation		9,244,070	-	6,155,831	308,824	2,779,415	10
Furniture and fixture		1,376,757	-	985,164	39,159	352,434	10
Office equipment		2,340,218	69,600	1,758,367	61,280	590,171	10
Vehicles		5,828,347	-	2,887,585	588,152	2,352,610	20
		292,240,824	1,256,453 (98,420)	86,822,324	7,992,303 (55,949)	198,640,179	

12.1.1 As at June 30, 2010, freehold land and building thereon were revalued. Revaluation was carried out by independent valuer, 'M/s. Danish Enterprise' Resulting in an aggregate surplus of Rs. 27.158 million, over book value. Freehold land and building thereon, have been stated at revalued amounts and the related surplus has been credited (net of deferred taxation) to 'Surplus on revaluation of property, plant and equipment - net - (refer note 5).



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

	Cost	Accumulated depreciation	Written down value
	Rupees		
Freehold land	345,790	-	345,790
Building on freehold land	9,056,260	5,636,327	3,419,933
June 30, 2012	9,402,050	5,636,327	3,765,723
June 30, 2011	9,320,550	5,483,233	3,837,317

	Note	2012 Rupees	2011 Rupees (Restated)
12.1.2 Depreciation for the year has been allocated as under:			
Cost of sales	21	2,191,925	2,312,604
Administrative expenses	25	476,572	688,592
Other operating expenses	26	4,738,375	4,991,107
		7,406,872	7,992,303

12.1.3 Disposal of operating fixed assets

Items with book value below Rs. 50,000 each.

	Cost	Accumulated depreciation	Net book value	Sale price	Mode of disposal	Particulars of buyers
	Rupees					
Motorcycle	35,500	18,460	17,040	26,000	Insurance Claim	Crescent Star Insurance Company (Private) Limited.

Items with book value above Rs. 50,000 each.

	Cost	Accumulated depreciation	Net book value	Sale price	Mode of disposal	Particulars of buyers
	Rupees					
Gas cylinders	232,000	177,963	54,037	1,032,000	Negotiation	Attock Cement
Car	383,420	137,410	246,010	260,000	Negotiation	M. Ibrahim

12.2 This represents the civil works expenditure being carried out in the new office premises.



	Note	2012 Rupees	2011 Rupees
13. STORES AND SPARES			
Stores		836,401	570,632
Spares		259,212	625,493
		<u>1,095,613</u>	<u>1,196,125</u>
14. STOCK-IN-TRADE			
Raw materials		1,099,909	799,273
Finished goods		291,753	1,910,305
Trading stock		86,260	70,940
		<u>1,477,922</u>	<u>2,780,518</u>
15. TRADE DEBTS - unsecured			
Considered good		8,244,778	9,081,798
Considered doubtful		2,019,581	2,019,581
		<u>10,264,359</u>	<u>11,101,379</u>
Provision for doubtful debts	15.1	<u>(2,019,581)</u>	<u>(2,019,581)</u>
		<u>8,244,778</u>	<u>9,081,798</u>
15.1 Provision for doubtful debts			
Opening balance		2,019,581	2,158,453
Reversal of provision for doubtful debts	23	-	(138,872)
Closing balance		<u>2,019,581</u>	<u>2,019,581</u>
15.2 Aging of past due but not impaired			
30-60 days		812,615	1,544,282
61-90 days		207,647	650,922
91-180 days		279,885	184,343
Over 180 days		1,263,733	384,312
		<u>2,563,880</u>	<u>2,763,859</u>
Management considers that no provision is required against these overdue amounts, as deposits of equal amount or more are held against them.			
16. LOANS AND ADVANCES - Considered good			
Due from employees		180,000	218,500
Advances to suppliers		1,267,695	693,282
		<u>1,447,695</u>	<u>911,782</u>



	Note	2012 Rupees	2011 Rupees (Restated)		
17. TRADE DEPOSITS AND OTHER RECEIVABLES					
Margin against bank guarantee		221,432	1,917,202		
Others	17.1	3,966,438	4,062,588		
		<u>4,187,870</u>	<u>5,979,790</u>		
17.1 This includes Rs. 3,453,022 receivable from Winder Industries (Private) Limited - an associated company for payment made on their behalf (refer note 2.6).					
18. OTHER FINANCIAL ASSETS - At fair value through profit or loss					
Fully paid listed shares / certificates of Rs. 10 each.					
	No. of Shares / Certificates				
	2012	2011	Company's Name		
			2012 Rupees		
			2011 Rupees		
	10,250	10,250	Schon Textile Mills Limited	6,663	6,663
	134	134	Fayal Bank Limited	1,466	1,241
	5,850	5,850	Schon Modaraba Limited	3,510	3,510
	1,103	1,103	Sui Southern Gas Pipelines Limited	23,312	23,902
	1,398	1,398	First Fidelity Leasing Modaraba Limited	2,041	2,041
	1,311	1,311	First Equity Modaraba Limited	1,639	1,639
	3,000	3,000	Crescent Fibers Limited	38,850	38,850
	419	419	Karachi Electric Supply Corporation Limited	1,358	901
	143	143	Bankers Equity Limited	-	-
	54	54	Linde Pakistan Limited (formerly BOC Pakistan Limited)	6,855	5,178
	516	516	SAMBA Bank Limited (formerly Crescent Commercial Bank Limited)	1,187	882
				<u>86,881</u>	<u>84,807</u>
19. CASH AND BANK BALANCES					
Cash at bank					
- in current accounts				680,046	152,665
- in PLS account				677	677
Cash in hand				176,113	104,965
				<u>856,836</u>	<u>258,307</u>
20. SALES - NET					
Sales				241,459,083	226,589,632
Less: Trade discount				-	368,603
Sales tax				31,488,848	30,972,931
				<u>(31,488,848)</u>	<u>(31,341,534)</u>
				<u>209,970,235</u>	<u>195,248,098</u>



	Note	2012 Rupees	2011 Rupees
21. COST OF SALES			
Raw material consumed	21.1	65,179,593	61,436,895
Salaries, wages and benefits	21.2	17,212,773	12,476,646
Power and water		60,322,725	53,645,553
Stores and spares consumed		3,973,329	4,341,633
Repairs, maintenance and handling		9,494,362	8,446,528
Insurance		242,152	1,519,652
Vehicles running and maintenance		460,355	489,520
Depreciation	12.1.2	2,191,925	2,312,604
Others		2,101,760	2,135,466
		161,178,974	146,804,497
Maintenance and other charges recovered		(1,776,519)	(841,197)
Cost of goods manufactured		159,402,455	145,963,300
Finished goods			
As at July 01		1,910,305	2,478,928
As at June 30	14	(291,753)	(1,910,305)
		1,618,552	568,623
		161,021,007	146,531,923
21.1 Raw material consumed			
Opening stock		799,273	733,913
Purchases		65,480,229	61,502,255
		66,279,502	62,236,168
Closing stock	14	(1,099,909)	(799,273)
		65,179,593	61,436,895
21.2	This includes charge in respect of staff retirement benefits amounting to Rs. 383,896 (2011: Rs. 378,916).		
22. PROFIT FROM TRADING ACTIVITIES - GASES			
Sales		308,197	221,256
Less: Sales tax		(42,555)	(32,148)
		265,642	189,108
Cost of sales	22.1	(132,920)	(101,000)
		132,722	88,108
22.1 Cost of sales			
Opening stock		70,940	45,460
Purchases		148,240	126,480
		219,180	171,940
Closing stock	14	(86,260)	(70,940)
		132,920	101,000



	Note	2012 Rupees	2011 Rupees
23. OTHER OPERATING INCOME			
From financial assets:			
Dividend income		378	4,568
Profit on deposit		98,100	109,095
Gain on disposal of property, plant and equipment		1,000,913	217,529
Reversal of provision for doubtful debts	15.1	-	138,872
		1,099,391	470,064
24. DISTRIBUTION COST			
Salaries and benefits	24.1	3,803,153	2,413,758
Transportation charges		212,165	274,673
Vehicles running and maintenance		694,047	633,254
Cooly and cartage		2,187,975	1,919,884
Insurance		43,020	40,051
Others		2,900	2,400
		6,943,260	5,284,020
24.1	This includes charge in respect of staff retirement benefits amounting to Rs. 164,775 (2011: Rs. 153,686).		
25. ADMINISTRATIVE EXPENSES			
Directors' remuneration and meeting fees		2,630,000	2,450,000
Salaries and benefits	25.1	7,076,507	4,323,329
Electricity, gas and water		369,427	529,275
Repairs and maintenance		240,615	486,227
Insurance		94,443	63,007
Rent, rates and taxes		431,771	137,359
Traveling and conveyance		887,598	723,440
Vehicles running and maintenance		659,562	664,921
Entertainment		108,121	105,991
Communication		332,627	334,352
Printing and stationery		261,821	242,336
Legal and professional charges		429,050	101,050
Auditors' remuneration	25.2	330,500	350,500
Fees, subscription and periodicals		523,669	296,338
Advertisement		65,801	75,210
Donation	25.3	105,200	48,080
Depreciation	12.1.2	476,572	688,592
Others		10,786	11,747
		15,034,070	11,631,754
25.1	This includes charge in respect of staff retirement benefits amounting to Rs. 265,405 (2011: Rs. 262,490).		



		2012 Rupees	2011 Rupees
25.2	Auditors' remuneration		
	Statutory audit fee	225,000	225,000
	Half year review fee	75,000	75,000
	Other services	-	20,000
	Out of pocket expenses	30,500	30,500
		330,500	350,500
25.3	None of directors or their spouses had any interest in the donee.		
	Note	2012 Rupees	2011 Rupees (Restated)
26.	OTHER OPERATING EXPENSES		
	Workers' Welfare Fund	311,980	452,990
	Workers' Profit Participation Fund	821,001	1,192,079
	Depreciation of idle plant	4,738,375	4,991,107
		5,871,356	6,636,176
	Note	2012 Rupees	2011 Rupees
27.	FINANCE COST		
	Interest / mark-up on:		
	Long-term financing	7,039,185	7,963,290
	Short -term borrowings:		
	- Bank	1,028,575	835,865
	- Provident fund	484,104	760,510
	Workers' Profit Participation Fund	-	134,595
	Interest / mark-up waived	(1,539,345)	(5,706,937)
	Principal waived	-	(577,004)
	Bank charges	35,176	63,560
		7,047,695	3,473,879
28.	TAXATION		
	Current year		
	For the year	2,102,359	2,039,876
	Deferred	5,519,031	7,768,777
		7,621,390	9,808,653



	Note	2012 Rupees	2011 Rupees (Restated)
28.1	Relationship between income tax expense and accounting profit		
	Profit before taxation	15,287,034	22,272,700
	Tax at the enacted tax rate of 35%	5,350,462	7,795,445
	Tax effect of minimum tax	2,102,359	2,039,876
	Other	168,569	(26,668)
		7,621,390	9,808,653
28.2	Income tax assessments of the Company have been finalised up to and including the tax year 2011 and are deemed to be assessment order u/s 120 of the Income Tax Ordinance, 2001.		

29. EARNINGS PER SHARE - BASIC AND DILUTED

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

		2012	2011 (Restated)
Profit for the year	Rupees	7,665,644	12,464,047
Weighted average number of Ordinary shares outstanding during the year		7,502,510	7,139,998
Earnings per share	Rupees	1.02	1.75

30. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVE

	Chief Executive		Director		Executive		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	Rupees							
Remuneration	851,616	735,480	812,904	812,904	1,392,000	1,080,000	3,056,520	2,628,384
Meeting fee	8,000	8,000	42,000	42,000	-	-	50,000	50,000
House rent	383,232	330,972	365,808	365,808	-	-	749,040	696,780
Utilities	85,162	73,548	81,288	81,288	-	-	166,450	154,836
	1,328,010	1,148,000	1,302,000	1,302,000	1,392,000	1,080,000	4,022,010	3,530,000
Number of persons	1	1	1	1	2	1	4	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. 651,922 (2011: Rs. 749,107).



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 carries out transactions with various related parties in the normal course of business. 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	2012 Rupees	2011 Rupees
Associated undertakings	Organization charges paid	412,393	103,430
	Loan repaid to Bawany Management (Private) Limited	-	500,000
	Loan repaid to R.A. Management	1,500,000	5,100,000
	Right Issue subscribed by Bawany Management (Private) Limited	-	6,806,480
Director	Loan repaid	-	1,500,000
	Loan received	-	406,950
Staff retirement fund	Loan received	3,550,000	5,000,000
	Loan repaid	(3,550,000)	(5,000,000)
		2012 Rupees	2011 Rupees (Restated)

32. FINANCIAL RISK MANAGEMENT

32.1 Financial instruments by category

FINANCIAL ASSETS

Loans and receivables

Long-term deposits	3,215,467	3,215,467
Trade debts	8,244,778	9,081,798
Loans and advances	180,000	218,500
Trade deposits and other receivables	4,187,870	5,979,790
Cash and bank balances	856,836	258,307
	16,684,951	18,753,862

Fair value through profit or loss (FVTPL)

Other financial assets	86,881	84,807
	16,771,832	18,838,669

FINANCIAL LIABILITIES

At amortized cost

Long-term deposits	29,720,579	32,826,665
Long-term financing	40,060,942	54,639,671
Trade and other payables	17,346,597	13,171,413
Interest / mark-up accrued	87,235	4,402,125
Short-term borrowings	5,036,712	7,580,046
	92,252,065	112,619,920



32.2 Financial risk management

The Board of Directors has 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, management has been made responsible for identifying, monitoring and managing the Company's financial risk exposures. The Company's exposure to the risks associated with the financial instruments and the risk management policies and procedures are summarised as follows:

32.2.1 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 transactions in foreign currencies are not significant.

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. Majority of the interest rate risk arises from Company's long-term debt and short-term borrowings from financial institutions. At the balance sheet date the interest rate profile of the Company's interest bearing financial liabilities is:

	Carrying Amount	
	2012 Rupees	2011 Rupees
Fixed rate instruments		
Long-term financing	<u>39,160,942</u>	<u>43,315,929</u>
Variable rate instruments		
Long-term financing	-	8,923,742
Short-term borrowings	<u>5,036,712</u>	<u>7,580,046</u>
	<u>5,036,712</u>	<u>16,503,788</u>

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 profit and loss account.

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. 50,367 (2011: Rs. 165,038). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011.



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 fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. 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. The Company does not have any significant exposure to a single customer.

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:

	2012 Rupees	2011 Rupees (Restated)
Long-term deposits	3,215,467	3,215,467
Trade debts	8,244,778	9,081,798
Loans and advances	180,000	218,500
Trade deposits	4,187,870	5,979,790
Cash and bank balances	680,723	153,342
	<u>16,508,838</u>	<u>18,648,897</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. 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 are disclosed in note 15.2.

32.2.3 Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet commitments. The Company manages liquidity risk by maintaining sufficient cash and bank balances and the availability of financing through banking arrangements. As disclosed in note 7 to the financial statements, during prior year and current year, the Company has entered into various restructuring and settlement agreements with financial institutions to manage the liquidity. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:



	Within 1 year	1 - 5 years	over 5 years	Total
Rupees				
2012				
Long-term financing	25,893,701	21,343,146	–	47,236,847
Long-term deposits	–	–	29,720,579	29,720,579
Trade and other payables	17,346,597	–	–	17,346,597
Interest / mark-up accrued	87,235	–	–	87,235
Short-term borrowings	5,036,712	–	–	5,036,712
	<u>48,364,245</u>	<u>21,343,146</u>	<u>29,720,579</u>	<u>99,427,970</u>
2011				
Long-term financing	25,529,847	40,240,930	–	65,770,777
Long-term deposits	–	–	32,826,665	32,826,665
Trade and other payables	13,171,413	–	–	13,171,413
Interest / mark-up accrued	4,402,125	–	–	4,402,125
Short-term borrowings	7,580,046	–	–	7,580,046
	<u>50,683,431</u>	<u>40,240,930</u>	<u>32,826,665</u>	<u>123,751,026</u>

33. 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 other than in a forced or liquidation sale.

The carrying values of all the financial assets and liabilities reported in the financial statements approximate their fair value.

Fair value hierarchy

The following table provided an analysis of financial instrument that are measured subsequent to initial recognition at fair value, grouped into level 1 to 3 based on the degree to which the fair value is observable.

- **Level 1** fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2** fair value measurement are those derived from inputs other than quoted prices included inputs for the asset or liability that are not based on observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3** fair value measurement are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at June 30, 2012, other financial assets were categorised in level 1.

There were no transfers between Level 1 and 2 in the year.



34. CAPITAL RISK MANAGEMENT

The objective of the Company in managing capital, i.e., its shareholders' equity is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares. There is no requirement on the Company to maintain minimum amount of capital.

	2012	2011
	Cubic Meter	
35. PLANT CAPACITY AND ACTUAL PRODUCTION		
Production capacity (Triple Shift)		
Oxygen	4,233,000	4,233,000
Nitrogen	252,000	252,000
Dissolved acetylene	144,000	144,000
	<u>4,629,000</u>	<u>4,629,000</u>
Actual production		
Oxygen	3,660,754	3,966,625
Nitrogen	83,182	100,877
Dissolved acetylene	17,035	9,698
	<u>3,760,971</u>	<u>4,077,200</u>

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.

36. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the board of directors of the Company and authorized for issue on September 20, 2012.

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

SIRAJ A. KADIR
Director



BAWANYAIR
PRODUCTS LIMITED

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 34th Annual General Meeting of the Company to be held on October 15, 2012 at 12.00 noon and at any adjournment thereof.

Signed this _____ day of _____ 2012.

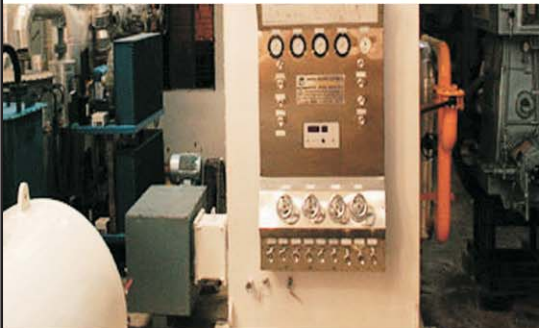
Witness _____

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.



BAWANYAIR
PRODUCTS LIMITED



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