BAWANYAIR
PRODUCTS LIMITED

ISO 9002

NATIONAL ACCREDITATION OF CERTIFICATION BODIES

Registration Number 043

THIRTYSECOND ANNUAL REPORT

2009 – 2010

BAWANYAIR

PRODUCTS LIMITED

32nd ANNUAL REPORT

CONTENTS PAGE NO.

ISO 9002

COMPANY INFORMATION

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Mr. Sohail Razzak

AUDITORS

M. Yousuf Adil Saleem & Co.
Chartered Accountants

BANKERS

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

REGISTERED OFFICE

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

CITY OFFICE

16-C, 2nd Floor, Nadir House,
I.I. Chundrigar Road,
Karachi.
Tel : 3240-0440 Fax : 3241-1986

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Thirty Second Annual General Meting 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 Tuesday, 26 October 2010 at 12:30 Noon to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the 31st Annual General Meeting held on October 22, 2009.

2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2010 together with Directors and Auditor's Report thereon.

3. To appoint auditors for the year 2010-2011 and fix their remuneration.

4. To transact such other business as may be placed before the meeting with the permission of the chair.

By order of the Board

Sohail Razzak
Company Secretary
Karachi September 30, 2010

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 11:30 a.m. sharp on October 26, 2010.

2. The register of members of the Company shall remain closed from October 14, 2010 to October 27, 2010. (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.

5. CDC Account Holders will further have to follow the following guidelines:

- **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.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Assalam - O - Alaikum

The Directors of your company welcome you to the thirty second annual general meeting and have the pleasure in presenting annual report and the audited financial statements of the company for the year ended June 30, 2010

FINANCIAL RESULTS

	Year ended June 30, 2010 Rupees (000's)	Year ended June 30,2009 Rupees (000's)
Profit after taxation	**53,271**	(9,373)
Accumulated (loss) / profit brought forward	**(46,040)**	(36,667)
	7,231	(46,040)
Appropriations		
Transferred from general reserve	–	–
Accumulated Profit carried forward	**7,231**	(46,040)
EARNING PER SHARE	**7.81**	(1.37)

PRODUCTION AND SALES

The sales during the year was 5,670,728 M3 as compared to previous year's sales of 3,290,377 M3 which is an increase of 70%. The net turnover during the year increased to Rs.209.508 million as compared to previous year's Rs.99.447 million, up by 110% percent.

The company's sales has increased to more then double, Mashallah, as compared to previous year even though the business environment and government polices were not very favorable for the company. It was by the grace of Allmighty Allah & our dedicated and hard working team that company has improved its profitability, we indicated in last year's report that our business was highly dependent on the revival of Gaddani Ship Breaking yard, however, Mashallah, we did manage to sell all our production and further purchased raw material for processing and further sales, as we had been diversifying our sales for some times.

Still we could not start our standby plant on full capacity due to some mechanical problem. We managed to convince foreign company to visit our plant and inspect our machinery. They advised us for the overhauling of the compressors and it has been decided to send them to Italy for complete overhauling. We must under any circumstances commission the new plant in the current year.

Further unnecessary increase in power tariff has also compounded our problems and it will have a negative impact on profit. Frequent power breakdowns is affecting our production and machinery as mentioned in all our reports. Recently there was a strong power jerk which damaged the motors of our oxygen gas compressors.

Masha Allah we managed to settle and reschedule the amounts due to KASB Bank, Orix Leasing & Investment Bank, in which both institutions have been very understanding and helpful. Further by the Grace of Allah we have managed to clear all dues of Soneri Bank, Silk Bank (Saudi Pak Bank) and Grays Leasing by cash settlement. This clearly indicates that more than 65% syndicate loan has been paid off by the company. Further almost 90% of our syndicated law suits have been settled out of court.

FUTURE OUTLOOK

Our future planning is that Inshallah we will be able to continue making reasonable profits once the new plant is on. It had been pointed out in our projection last year that we will require further funds to make our plant operative for which we are arranging the amount needed. In this respect we are trying to swap our syndicate loan which remains outstanding towards Islamic banking thus also arranging further funds from them for the repairs of our plant. To further improve our cash flows we are proposing issue of right shares to help us towards raising funds.

Gaddani Ship Breaking is now also full of ships and we pray that this trend continues for the future which seems bright by the Grace of Allah.

DIVIDEND AND RIGHT SHARES

The Board has approved the decision to distribute 5% cash dividend and 10% right shares. This has been done in order to maintain cash in the company for repairs and maintenance of the plant. The minutes would be put in the AGM on 26th October 2010 for the share holders approval.

HEALTH, SAFETY AND ENVIRONMENT

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

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

BOARD OF DIRECTORS

Since the last report, there has been one change in the composition of the Board. Mr. Danish Amin has resigned from the Board due to personal reasons. We wish him all the best in his new post and thank him for his valuable contribution while he was on our Board. We welcome back Mr. Siraj A. Kadir who was in our Board in the Past.

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.

STATEMENTS ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

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

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

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

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

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

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

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

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

i) Following payment in respect of taxes was outstanding as on June 30,2010

Income tax	Rs.(4,151,282)/ -	This represent approximate provision of tax on the income earned during the year and it will be paid / adjusted at the time of income tax assessment.
Income tax	Rs. (3,705,714)	This represents outstanding refundable Income Tax for the year 2008-2009
Sales tax	Rs. 5,910,027/-	This represent net tax on the sales made during the month of May, 09 to Sept, 09 & June 2010 and it has been adjusted against Income tax refundable

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

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

Name of the Director	No. of meetings attended
Mr. M. Hanif Y. Bawany	04
Mr. Vali Mohammad M.Yahya	04
Ms. Momiza Kapadia	04
Mr. Danish Amin	04
Mr. Zakaria Ghaffar	04
Mr. Wazir Ahmed Jogejai	01
Mr. Mohammad Ashraf	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.

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

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

On behalf of the board of directors

M.Hanif Y. Bawany
Managing Director / Chief Executive Officer
Karachi: September 30, 2010

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 then ten listed companies, including this Company.

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

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

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

6. The Board has developed a vision / mission statement overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

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

8. The related party transactions have been placed before the audit committee and approved by the Board of Directors with necessary justification for non arm’s length transaction that were made on terms equivalent to those that prevails in the arm’s length 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 : September 30, 2010

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, 2010.

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Karachi : September 30, 2010

KEY OPERATING AND FINANCIAL DATA FOR THE DECADE

Rs."000"

PARTICULARS	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
FINANCIAL POSITION										
Paid up capital	**68,204**	68,204	68,204	48,718	48,718	28,657	28,657	28,657	28,657	28,657
Shareholder's equity	**96,328**	22,163	31,537	36,441	48,630	40,720	53,956	53,010	52,079	49,152
Long term loan	**75,835**	74,957	79,917	81,417	55,249	68,432	57,420	40,000	–	1,096
Lease liabilities	**–**	14,300	16,346	17,521	20,844	553	729	–	1,066	4,724
Current liabilities	**45,682**	68,791	54,387	45,640	51,147	36,943	12,760	23,518	21,704	9,432
Total liabilities	**152,161**	182,865	172,755	161,162	139,861	119,620	77,373	73,570	31,186	31,616
Fixed assets - Net	**217,679**	182,695	28,450	31,772	35,159	39,369	43,707	47,705	52,315	56,168
Capital work in progress	**–**	–	158,159	152,065	137,263	105,399	63,838	47,466	10,003	9,542
Investment Property	**–**	–	–	–	–	–	6,900	6,900	–	–
Long term deposits	**3,701**	3,454	3,559	1,481	1,566	647	585	610	762	1,880
Current assets	**27,106**	18,878	14,124	12,285	14,503	14,926	16,299	23,899	23,051	13,178
Total assets	**248,486**	205,027	204,292	197,603	188,491	160,341	131,329	126,580	86,131	80,768
INCOME										
Net sales manufacturing	**209,508**	99,444	68,816	63,744	51,122	51,792	69,000	59,712	62,761	42,941
Net sales trading	**739**	194	745	3,063	1,156	3,111	4,880	3,129	951	3,736
Total net sales	**210,247**	99,638	69,561	66,807	52,278	54,903	73,880	62,841	63,712	46,676
Gross profit	**52,507**	24,273	7,264	5,321	(2,751)	717	11,603	14,061	16,568	1,438
Trading profit	**100**	57	425	960	280	697	661	885	313	1,388
Other income	**196**	268	138	467	6,804	418	835	600	178	604
Profit before tax / (loss)	**39,149**	(9,372)	(24,062)	(11,845)	(11,885)	(12,955)	(1,279)	1,417	4,218	(8,852)
Profit after tax / (loss)	**53,271**	(9,373)	(24,391)	(12,189)	(12,150)	(13,236)	946	931	5,793	(8,084)
STATISTICS AND RATIOS										
Profitability										
Gross profit %	**25.06%**	24.41%	10.56%	8.35%	(-5.38%)	1.38%	16.82%	23.55%	26.40%	3.35%
Profit before tax to total sales %	**18.62%**	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.25%	6.62%	0.00%
Profit after tax to total sales %	**25.34%**	0.00%	0.00%	0.00%	0.00%	0.00%	1.28%	1.48%	9.09%	0.00%
Liquidity / Leverage										
Current ratio	**0.59**	0.27	0.26	0.27	0.28	0.40	1.28	1.02	1.06	1.40
Debt equity ratio	**0.79**	3.38	2.53	2.23	1.14	1.68	1.06	0.75	-	0.02
Solvency ratio	**1.63**	1.12	1.18	1.23	1.35	1.34	1.70	1.72	2.76	2.55
Return to shareholders										
Return on equity before tax %	**40.64%**	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.67%	8.10%	0.00%
Return on equity after tax %	**55.30%**	0.00%	0.00%	0.00%	0.00%	0.00%	1.75%	1.76%	11.12%	0.00%
Earning per share (Rs.)	**7.81**	(1.37)	(3.58)	(2.50)	(2.49)	(4.62)	0.33	0.32	2.02	(2.82)
Break-up value per share (Rs.)	**14.12**	3.25	4.62	7.48	9.98	14.21	18.83	18.50	18.17	17.15
Price earning ratio	**1.44**	–	–	–	–	–	–	–	3.61	–
Market price (Rs.) June 30th	**11.25**	6.75	15.64	14.50	16.75	13.00	18.50	20.75	7.30	7.95
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%	–	–	–	–	–	–	–	10%	–
Stock dividend	–	–	–	–	–	–	–	–	–	–
PRODUCTION (M3 in "000")										
Oxygen & nitrogen	**3,111**	2,892	2,396	2,566	2,464	2,628	2,858	2,283	1,906	1,688
Dissolved acetylene	**10**	7	20	19	17	17	26	21	14	9

PATTERN OF SHAREHOLDING BY THE SHARE HOLDERS
AS AT JUNE 30 2010

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

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

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. M. Hanif Y. Bawany	Director/Chief Executive Officer	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 Jogezai	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, 2010 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 except for the change as described in note 2.5 to the financial statements with which we concur;

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

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

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, 2010 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).

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

Karachi: September 30th 2010

BALANCE SHEET AS AT JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees (Restated)
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised capital 15,000,000 (2009: 15,000,000) Ordinary shares of Rs. 10 each		**150,000,000**	150,000,000
Issued, subscribed and paid-up capital	4	**68,204,640**	68,204,640
Un-appropriated profit / (accumulated losses)		**7,230,967**	(46,040,856)
		75,435,607	22,163,784
Surplus on revaluation of property, plant and equipment - net	5	**20,891,958**	–
Non Current Liabilities			
Long-term financing	6	**44,001,009**	22,902,877
Liabilities against assets subject to finance lease	7	–	1,734,207
Long-term deposits	8	**30,643,636**	24,816,019
Current Liabilities			
Trade and other payables	9	**27,777,270**	25,703,109
Interest / mark-up accrued	10	**7,721,435**	25,806,123
Short term borrowings	11	**10,184,187**	17,282,056
Current portion of			
long-term financing	6	**31,833,838**	52,054,380
liabilities against assets subject to finance lease	7	–	12,565,854
		77,516,730	133,411,522
Total Equity and Liabilities		**248,488,940**	205,028,409
CONTINGENCY	12		

The annexed notes 1 to 39 form an integral part of these financial statements.

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

SIRAJ A. KADIR
Director

	Note	**2010 Rupees**	2009 Rupees (Restated)
ASSETS			
Non Current Assets			
Property, plant and equipment	13	**208,773,716**	182,695,197
Long-term deposits		**3,701,452**	3,454,477
Deferred tax asset	14	**8,906,907**	–
Current Assets			
Stores and spares	15	**1,448,761**	1,250,589
Stock-in-trade	16	**3,258,301**	1,500,439
Trade debts	17	**12,996,320**	9,532,733
Loans and advances	18	**716,994**	1,232,039
Advance tax		**4,151,282**	3,704,391
Trade deposits	19	**576,910**	941,926
Interest accrued		**–**	1,015
Other financial assets	20	**60,625**	55,859
Income tax refundable		**3,705,714**	1,323
Cash and bank balances	21	**191,958**	658,421
		27,106,865	18,878,735
Total Assets		**248,488,940**	205,028,409

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

SIRAJ A. KADIR
Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2010

	Note	**2010 Rupees**	2009 Rupees (Restated)
Sales - net	22	**209,508,410**	99,444,707
Cost of sales	23	**(157,001,375)**	(75,171,324)
Gross profit		**52,507,035**	24,273,383
Profit from trading activities - gases	24	**100,229**	57,652
Other operating income	25	**191,278**	325,575
Unrealized gain / (loss) on revaluation of financial assets		**4,766**	(57,457)
		52,803,308	24,599,153
Distribution cost	26	**(5,656,114)**	(4,484,845)
Administrative expenses	27	**(11,959,406)**	(10,309,532)
Other operating expenses	28	**(8,192,498)**	(1,321,076)
Finance income / (cost)	29	**12,153,851**	(17,856,101)
Profit / (loss) before taxation		**39,149,141**	(9,372,401)
Taxation	30	**14,122,682**	(852)
Profit / (loss) for the year		**53,271,823**	(9,373,253)
Other comprehensive income		**–**	–
Total comprehensive income for the year		**53,271,823**	(9,373,253)
Earnings per share - basic and diluted	31	**7.81**	(1.37)

The annexed notes 1 to 39 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, 2010

	Note	2010 Rupees	2009 Rupees (Restated)
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		**39,149,141**	(9,372,401)
Adjustments:			
Depreciation of property, plant and equipment		**7,172,091**	4,002,374
Provision for doubtful debts		**176,293**	717,040
Finance cost		**11,337,133**	17,856,101
Unrealized (gain) / loss on revaluation of investments		**(4,766)**	57,457
Gain on disposal of property, plant and equipment		**(189,032)**	(94,716)
Waiver of accrued interest on financing facilities		**(23,414,881)**	–
Waiver of principal balance of financing facilities		**(793,379)**	–
Interest income		**(1,760)**	(11,655)
Dividend income		**(486)**	(3,204)
Provision written back		**–**	(215,000)
Operating cash flows before movements in working capital		**33,430,354**	12,935,996
Changes in working capital			
(Increase) / decrease in current assets			
Stores and spares		**(198,172)**	249,950
Stock-in-trade		**(1,757,862)**	(402,287)
Trade debtors		**(3,639,880)**	(2,133,495)
Loans and advances		**515,045**	(547,931)
Trade deposits		**365,016**	(461,679)
		(4,715,853)	(3,295,442)
Increase / (decrease) in current liabilities			
Trade and other payables		**2,074,161**	6,253,130
Net cash generated from operations		**30,788,662**	15,893,684
Finance cost paid		**(6,006,940)**	(4,297,264)
Income tax paid		**(5,201,986)**	(3,785,893)
Net cash generated from operating activities		**19,579,736**	7,810,527
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(6,158,141)**	(193,750)
Proceeds from disposal of property, plant and equipment		**255,000**	200,000
Dividend income received		**486**	3,204
Interest income received		**2,775**	11,622
Security deposits		**(246,975)**	104,607
Net cash (used in) / generated from investing activities		**(6,146,855)**	125,683

	Note	2010 Rupees	2009 Rupees (Restated)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term financing		**(19,877,922)**	(4,960,000)
Repayment of obligation under finance lease		**(2,751,170)**	(2,046,922)
Long-term deposits		**5,827,617**	2,712,000
Short term borrowings - net		**2,902,131**	(4,584,699)
Net cash used in financing activities		**(13,899,344)**	(8,879,621)
Net decrease in cash and cash equivalents		**(466,463)**	(943,411)
Cash and cash equivalents as at July 01, 2009		**658,421**	1,601,832
Cash and cash equivalents as at June 30, 2010	21	**191,958**	658,421

The annexed notes 1 to 39 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, 2010

	Issued subscribed and paid up capital	(Accumulated losses) / Un-appropriated profit	Total
	Rupees		
Balance as at June 30, 2008	68,204,640	(36,667,603)	31,537,037
Total comprehensive income for the year ended June 30, 2009 - as restated	–	(9,373,253)	(9,373,253)
Balance as at June 30, 2009 - as restated	68,204,640	(46,040,856)	22,163,784
Total comprehensive income for the year ended June 30, 2010	–	53,271,823	53,271,823
Balance as at June 30, 2010	**68,204,640**	**7,230,967**	**75,435,607**

The annexed notes 1 to 39 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, 2010

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 require 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 underlying the 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) Provision for impairment of trade debts and other receivable (note 3.10);
ii) Review of useful life and residual value of property, plant and equipment (note 3.6);
iii) Impairment of assets (note 3.12); and
iv) Provision for taxation (note 3.16)

2.5 Changes in accounting policies

2.5.1 Presentation of financial statements

Revised IAS 1 Presentation of Financial Statements (2007)' became effective from January 1, 2009. This standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement. Companies can choose either to present one performance statement (the statement of comprehensive income) or two statements (profit and loss account and statement of comprehensive income). The Company has elected to present single statement.

Comparative information has been represented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share and profit for the year.

2.5.2 Operating fixed assets

During the year, the Company has changed its accounting policy in respect of recording of freehold land and building thereon from cost to revalued amount (refer note 13.1.1). Surplus recorded on revaluation of freehold land and building thereon amounted to Rs. 27.15 million. Had there been no change in accounting policy, the carrying value of operating fixed assets would have been lower by Rs. 27.15 million, surplus on revaluation of property, plant and equipment would have been lower by Rs. 20.89 million and deferred tax asset would have been higher by Rs. 6.26 million. There is no impact of this change on the profit for the year or opening shareholders' equity.

2.6 Other standards and interpretations applicable but not relevant

In addition to the standards and interpretations as mentioned in note 2.5.1 above, there were other accounting standards, interpretations and amendments which became effective during the year. Such standards, interpretations and amendments will not result in significant impact on the Company's financial statements other than improved disclosures and presentations.

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

The following revised standards, amendments to published standards and interpretations to existing standards with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below:

Standards or interpretations		**"Effective Date (accounting period beginning on or after)**
IFRS 2	- Share-based payments (Amendment)	January 01, 2010
IFRS 5	- Non-current assets held for sale and Discontinued operations (Amendment)	January 01, 2010
IFRS 8	- Operating segments (Amendment)	January 01, 2010
IAS 1	- Presentation of financial statements (Amendment)	January 01, 2010
IAS 7	- Statement of cash flows (Amendment)	January 01, 2010
IAS 17	- Leases (Amendment)	January 01, 2010
IAS 24	- Related party disclosures (Revised)	January 01, 2010
IAS 32	- Financial instruments: Presentation (Amendment)	February 01, 2010
IAS 36	- Impairment of assets (Amendment)	January 01, 2010
IAS 39	- Financial instruments: Recognition and Measurement (Amendment)	January 01, 2010
IFRIC 14:	IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	January 01, 2011
IFRIC 19	- Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

The Company considers that the above revised standards, amendments to published standards and interpretations to existing standards are either not relevant or will have no material impact on its financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentation and disclosures in the financial statements.

2.8 Prior period error

During the year, the Company has rectified prior period error related to transfer of imported second hand plant from 'Capital work in progress' to 'Operating assets'. Due to this, the comparative figures in these financial statements have been restated in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' on account of depreciation expense for previous year amounting to Rs. 1.321 million, which has been determined based on management's assessment of the useful life of imported second hand plant as 30 years. The effects of the above restatement on financial statements for the previous year are summarized below:

	As per audited financial statements	Effect of prior period error	Restated amount
	Rupees		
Balance sheet			
Property, plant and equipment	184,016,273	(1,321,076)	182,695,197
Accumulated loss	44,719,780	1,321,076	46,040,856
Profit and loss account			
Other operating expenses	–	1,321,076	1,321,076
Loss for the year	8,052,177	1,321,076	9,373,253
Earnings per share - basic and diluted	(1.18)	(0.19)	(1.37)

Since the prior period error only affected previous year financial statements and there was no change required in the financial statements for the year ended June 30, 2008, therefore the comparative figures on the balance sheet for the year ended June 30, 2008 have not been presented.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Leases

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

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

3.2 Staff retirement benefits

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.

Compensated absences

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

3.3 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.

3.4 Provisions

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

3.5 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.

3.6 Property, plant and equipment

3.6.1 Operating assets

Property, plant and equipment except freehold land and building thereon are stated at cost less accumulated depreciation and impairment losses, if any. Free hold 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 13.1. 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. As per requirement of Companies Ordinance, 1984, surplus on revaluation does not form part of the equity and therefore the same has not been treated as a part of other comprehensive income. 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 charge 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 / un-appropriated profit.

3.6.2 Capital work-in-progress

Capital work in progress is stated at cost less impairment loss, if any, and consists of expenditure incurred and advances made in the course of their construction and installation. Transfers are made to relevant assets as and when assets are available for intended use.

3.6.3 Change in accounting estimate

During the year, the Company reviewed the estimated useful life of its old plant and machinery. As a result of this review, the Company extended the useful life to further 20 years. This extension of the plant and machinery's depreciable life qualifies for a change in accounting estimate in accordance with the requirement of International Accounting Standard 8 - 'Accounting Policies, Changes in Accounting Estimates and Errors' and accordingly the change was made on a prospective basis with effect from July 1, 2009.

Had there been no change in accounting estimate, the carrying value of operating fixed assets and profit for the year would have been lower by Rs. 879,834.

3.7 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.

3.8 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.

3.9 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.

3.10 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.

3.11 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.

3.12 Impairment

Financial assets

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

Non-financial assets

The Company assesses at each 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 for the asset in prior years. Reversal of impairment loss is recognised as income.

3.13 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.

3.14 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.

3.15 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.

3.16 Taxation

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and 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 substantially 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.

3.17 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

2010	2009		**2010**	2009
Number of shares			**Rupees**	Rupees
		Ordinary shares of Rs.10/- each :		
4,654,723	4,654,723	- Fully paid in cash	**46,547,230**	46,547,230
250,000	250,000	- For consideration other than cash	**2,500,000**	2,500,000
1,915,741	1,915,741	- Fully paid bonus shares	**19,157,410**	19,157,410
6,820,464	6,820,464		**68,204,640**	68,204,640

4.1 As at June 30, 2010, Bawany Management (Private) Limited, an associate company held 754,149 (2009: 754,149) ordinary shares of Rs. 10 each.

	Note	2010 Rupees	2009 Rupees
5. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net			
Balance as at July 01		**–**	–
Revaluation carried out during the year			
Freehold land		**9,254,210**	–
Building on freehold land		**17,904,227**	–
		27,158,437	–
Deferred tax liability as at July 01		**–**	–
Deferred tax charge on revaluation during the year		**(6,266,479)**	–
		(6,266,479)	–
Balance as at June 30		**20,891,958**	–
6. LONG-TERM FINANCING			
Secured			
From banking companies and other financial institutions			
Orix Investment Bank Limited	6.2.1	**29,871,640**	12,073,131
KASB Bank Limited	6.2.2	**13,711,911**	14,062,500
Soneri Bank Limited	6.2.3	**3,750,000**	8,238,379
Silk Bank Limited	6.2.4	**–**	3,455,000
Others	6.3 & 6.4	**19,908,246**	25,628,247
		67,241,797	63,457,257
Unsecured - interest free			
From director		**1,093,050**	1,500,000
From an associated undertaking - R. A. Management		**7,500,000**	10,000,000
		8,593,050	11,500,000
Less: Current portion			
Overdue installments		**(15,261,665)**	(29,248,628)
Installments due in next 12 months		**(16,572,173)**	(22,805,752)
		(31,833,838)	(52,054,380)
		44,001,009	22,902,877

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

6.2 In prior years, the Company had defaulted in making payments of mark-up and principal to the syndicate members of long-term loans obtained from banks and financial institutions. During the year, the Company entered into restructuring agreements with certain financers, details of which are as follows:

6.2.1 A scheme of restructuring was entered into between the Company and Orix Leasing Pakistan Limited whereby lease liability (refer note 7), syndicated loan and working capital finance (refer note 11.2) and the related mark-up were all restructured into a long-term loan of Rs. 33.7 million. The rescheduled loan is repayable in 72 equal monthly installments starting from November 2009 and carries mark-up at the rate of 15% per annum. 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 payment of rescheduled amount.

6.2.2 A scheme of restructuring was entered into between the Company and KASB Bank Limited whereby the loan and related mark-up of Rs. 19.92 million was rescheduled to a loan of Rs. 14.06 million. The rescheduled loan is repayable in 40 equal installments starting from June 2010 and carries mark-up at the rate of 13.65% per annum. This loan is secured by way of first ranking pari passu charge over land and all construction thereon.

6.2.3 A scheme of restructuring was entered into between the Company and Soneri Bank Limited whereby the loan and related mark-up of Rs. 11.68 million was rescheduled to a loan of Rs. 7.5 million. The rescheduled loan is repayable in two equal installments of Rs. 3.75 million each. The first installment was paid on June 28, 2010 and the second installment is due in September 2010.

6.2.4 A scheme of restructuring was entered into between the Company and Silk Bank Limited whereby the loan and related mark-up of Rs. 4.21 million was rescheduled to a loan of Rs. 3.1 million. The rescheduled loan was paid in one installment on December 24, 2009.

6.3 The terms of long-term financing with remaining three syndicate members have remain unchanged. These carry mark-up at the rate of six months KIBOR plus 4% and the quarterly installments are repayable by December 2010. These are secured by way of mortgage of immovable properties and all present and future assets of the Company.

6.4 Breach of loan agreement

In the year 2008, the Company defaulted in making payments of mark-up and principal balance to the syndicate members. Consequent to the default, in accordance with the terms of financing agreements, the related amount of long-term financing became due and payable by the Company immediately. Therefore, the same have been classified as current portion. The Company is in the process of entering into restructuring schemes with these syndicate members for full and final settlement of outstanding liabilities. Two out of remaining three syndicate members have filed a law suit in the Banking Court against the Company for the recovery of outstanding loan amounting to Rs. 10.98 million and mark-up thereon.

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

This represented machinery and equipments acquired under finance leases from two leasing companies. During the year, the Company entered into restructuring schemes with leasing companies. The lease liability with Orix Leasing amounting to Rs. 11.54 million and related mark-up was converted into long-term loan (refer note 6.2.1). Similarly, the lease liability with Grays Leasing Limited amounting to Rs. 3.1 million (including mark-up) was restructured to Rs. 2.6 million as a full and final settlement of lease obligation. The amount was paid to Grays Leasing Limited during the year.

8. LONG-TERM DEPOSITS

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

9. TRADE AND OTHER PAYABLES

	Note	2010 Rupees	2009 Rupees
Creditors		**2,159,375**	523,163
Accrued liabilities		**9,249,950**	15,613,455
Advance from customers		**402,830**	430,344
Payable to Provident Fund	9.1	**4,817,708**	6,116,667
Provision for compensated absences		**1,500,000**	450,000
Retention money payable		**253,973**	253,973
Sales tax payable		**5,910,027**	1,849,391
Unclaimed dividend		**452,014**	452,014
Withholding income taxes		**84,683**	14,102
Payable to Workers Profit Participation Fund		**2,104,793**	–
Payable to Workers Welfare Fund		**841,917**	–
		27,777,270	25,703,109

9.1 This represents equal contribution of the Company and the employees. Interest is charged @ 12% (2009: 12%) per annum on the funds utilized by the Company.

10. INTEREST / MARK-UP ACCRUED

	Note	Long-term loans	Short-term borrowings	Lease liabilities	Total
		Rupees			
Balance as at July 1, 2009		17,350,994	4,264,054	4,191,075	25,806,123
Mark-up accrued during the year		9,740,392	600,309	996,432	11,337,133
Mark-up paid during the year		(4,982,060)	(339,421)	(685,459)	(6,006,940)
Less: waiver of mark-up	10.1	(14,406,360)	(4,506,473)	(4,502,048)	(23,414,881)
Balance as at June 30, 2010		**7,702,966**	**18,469**	**-**	**7,721,435**

10.1 Pursuant to restructuring schemes as disclosed in note 6.2 and note 7, accrued mark-up as at the respective dates of restructuring was waived by the financiers.

	Note	**2010 Rupees**	2009 Rupees
11. SHORT TERM BORROWINGS			
Secured - From Banking Companies			
Running finance	11.1	**9,684,187**	5,282,056
Working capital finances	11.2	**–**	10,000,000
		9,684,187	15,282,056
Unsecured - interest free			
From an associated undertaking			
- Bawany Management (Private) Limited		**500,000**	2,000,000
		10,184,187	17,282,056

11.1 This represents short term running finance facility availed from a commercial bank. The limit of running finance facility is Rs. 10 million (2009: Rs. 10 million) and is secured against pari passu charge over fixed assets of the Company and hypothecation over stocks. The mark-up rate is three months KIBOR + 2% per annum (2009: three months KIBOR + 3.5%).

11.2 In the last year, the Company had utilised an aggregate working capital finance facility amounting to Rs. 10 million. Consequent to default in repayments of principal and mark-up, during the year, this facility has been restructured and converted into long-term loan (refer note 6.2.1 for details).

12. CONTINGENCY

	Note	**2010 Rupees**	2009 Rupees
Bank Guarantee on behalf of the Company for security supplies to Pakistan Steel Mills		**–**	236,000

13. PROPERTY, PLANT AND EQUIPMENT

	Note	**2010 Rupees**	2009 Rupees
Operating assets	13.1	**208,773,716**	182,695,197
Capital work-in-progress	13.2	**–**	–
		208,773,716	182,695,197

13.1 Operating assets

Particulars	Note	Cost: At July 01, 2009 (Restated)	Cost: Revaluation Surplus	Cost: Additions/ (Disposals)	Cost: At June 30, 2010	Accumulated Depreciation: At July 01, 2009 (Restated)	Accumulated Depreciation: For the year / (Adjustment)	Accumulated Depreciation: Revaluation Adjustment	Accumulated Depreciation: At June 30, 2010	Net book value at June 30, 2010	Rate of Dep. %
		Rupeees									
Land											
freehold	13.1.1	345,790	9,254,210	-	9,600,000	-	-	-	-	9,600,000	-
leasehold	13.1.2	307,500	-	-	307,500	-	-	-	-	307,500	-
Factory building on:											
freehold land	13.1.1	8,589,530	12,599,765	125,300	21,314,595	5,131,564	173,682	(5,304,462)	784	21,313,811	5
leasehold land	13.1.2	13,768,199	-	-	13,768,199	86,051	342,054	-	428,105	13,340,094	2.5
Plant and machinery		220,452,460	-	3,182,305	223,634,765	62,484,704	5,583,122	-	68,067,826	155,566,939	3.33 - 5
Gas cylinders		8,279,395	-	-	8,279,395	6,453,921	182,547	-	6,636,468	1,642,927	10
Electric installation		9,244,070	-	-	9,244,070	5,812,693	343,138	-	6,155,831	3,088,239	10
Furniture and fixture		1,266,807	-	109,950	1,376,757	947,762	37,402	-	985,164	391,593	10
Office equipment		2,301,478	-	38,740	2,340,218	1,697,408	60,959	-	1,758,367	581,851	10
Vehicles		3,500,001	-	2,701,846 (373,500)	5,828,347	2,745,930	449,187 (307,532)	-	2,887,585	2,940,762	20
2010		268,055,230	21,853,975	6,158,141 (373,500)	295,693,846	85,360,033	7,172,091 (307,532)	(5,304,462)	86,920,130	208,773,716	

Particulars	Note	Cost: As July 01, 2008	Cost: Transfer from CWIP (Restated)	Cost: Additions/ (Disposals)	Cost: At June 30, 2009 (Restated)	Accumulated Depreciation: At July 01, 2008	Accumulated Depreciation: For the year / (Adjustment) (Restated)	Accumulated Depreciation: At June 30, 2009 (Restated)	Net book value at June 30, 2009 (Restated)	Rate of Dep. %
		Rupeees								
Land										
freehold		345,790	-	-	345,790	-	-	-	345,790	-
leasehold	13.1.2	-	307,500	-	307,500	-	-	-	307,500	-
Factory building on:										
freehold land		8,589,530	-	-	8,589,530	4,949,566	181,998	5,131,564	3,457,966	5
leasehold land	13.1.2	-	13,768,199	-	13,768,199	-	86,051	86,051	13,682,148	2.5
Plant and machinery		78,407,876	142,044,584	-	220,452,460	59,400,235	3,084,469	62,484,704	157,967,756	3.33 - 10
Gas cylinders		8,279,395	-	-	8,279,395	6,251,091	202,830	6,453,921	1,825,474	10
Electric installation		7,191,289	2,052,781	-	9,244,070	5,602,493	210,200	5,812,693	3,431,377	10
Furniture and fixture		1,266,807	-	-	1,266,807	912,313	35,449	947,762	319,045	10
Office equipment		2,265,478	-	36,000	2,301,478	1,632,844	64,564	1,697,408	604,070	10
Vehicles		3,681,001	-	143,000 (324,000)	3,500,001	2,827,833	136,813 (218,716)	2,745,930	754,071	20
2009		110,027,166	158,173,064	179,000 (324,000)	268,055,230	81,576,375	4,002,374 (218,716)	85,360,033	182,695,197	

13.1.1 As at June 30, 2010, freehold land and building thereon were revalued. Revaluation was carried out by independent valuer, 'M/s. Danish Enterprises' resulting in an aggregate surplus of Rs. 27.158 million, over book values. 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, costs and written down values of freehold land and building thereon would have been as follows:

	Cost	Accumulated depreciation	Written down value as at June 30, 2010
	Rupees		
Freehold land	345,790	–	345,790
Building on freehold land	8,714,830	5,305,246	3,409,584
	9,060,620	5,305,246	3,755,374

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

	Note	2010 Rupees	2009 Rupees
13.1.3 Depreciation for the year has been allocated as under:			
Cost of sales	23	**1,378,755**	2,444,472
Administrative expenses	27	**547,548**	236,826
Other operating expenses	28	**5,245,788**	1,321,076
		7,172,091	4,002,374

13.1.4 Detail of disposal of operating assets

Description	Cost	Accumulated depreciation	Written down value as at June 30, 2010	Sale proceeds	Mode of disposal	Particulars of buyer
	Rupees					
Vehicle	373,500	307,532	65,968	255,000	Negotiation	Mr. Inam Khan (Private Party)
2010	**373,500**	**307,532**	**65,968**	**255,000**		
2009	324,000	218,716	105,284	200,000		

	Cost			
	As at July 01, 2009 as previously stated	**Effect of correction of error (Note 2.8)**	**As at July 01, 2010 restated**	**As at June 30, 2010**
13.2 Capital work-in-progress				
Land and building	3,453,022	(3,453,022)	–	–
Plant and machinery	142,044,584	(142,044,584)	–	–
Civil works	10,622,677	(10,622,677)	–	–
Electrical installations	2,052,781	(2,052,781)	–	–
	158,173,064	(158,173,064)	–	–

		Note	2010 Rupees	2009 Rupees
14.	**DEFERRED TAX ASSET**			
	Deferred debits arising due to:			
	- provision for bad debts		**755,459**	–
	- long outstanding liabilities written back for tax purposes		**1,273,352**	–
	- carried forward tax losses	14.1	**15,498,156**	–
			17,526,967	–
	Deferred credits arising due to:			
	- accelerated depreciation on property, plant and equipment		**(2,353,581)**	–
	- surplus on revaluation of property, plant and equipment	5	**(6,266,479)**	–
			(8,620,060)	–
			8,906,907	–

14.1 Consequent to increase in sales and profitability of the Company as reflected in profit and loss account, management reassessed the availability of future taxable profits against which unused carry forward losses can be utilized. Hence, previously unrecognized deferred tax asset has been recognized as at the reporting date.

		Note	2010 Rupees	2009 Rupees
15.	**STORES AND SPARES**			
	Stores		**771,466**	564,913
	Spares		**677,295**	685,676
			1,448,761	1,250,589
16.	**STOCK-IN-TRADE**			
	Raw materials		**733,913**	439,749
	Finished goods		**2,478,928**	1,015,230
	Trading stock		**45,460**	45,460
			3,258,301	1,500,439
17.	**TRADE DEBTS - unsecured**			
	Considered good		**12,996,320**	8,812,022
	Considered doubtful		**2,158,453**	2,702,871
			15,154,773	11,514,893
	Provision for doubtful debts	17.1	**(2,158,453)**	(1,982,160)
			12,996,320	9,532,733

		Note	2010 Rupees	2009 Rupees
17.1	**Provision for doubtful debts**			
	Opening balance		**1,982,160**	1,265,120
	Provision made during the year		**176,293**	717,040
	Closing balance		**2,158,453**	1,982,160
17.2	**Aging of past due but not impaired**			
	30-60 days		**1,548,272**	1,705,064
	61-90 days		**1,136,973**	790,774
	91-180 days		**449,047**	232,825
	Over 180 days		**384,312**	557,707
			3,518,604	3,286,370
17.3	**Aging of impaired trade debts**			
	0-30 days		**114,509**	40,955
	31-60 days		**89,011**	34,425
	61-90 days		**69,411**	38,660
	91-180 days		**77,125**	–
	Over 180 days		**1,808,397**	2,588,831
			2,158,453	2,702,871

		Note	2010 Rupees	2009 Rupees
18.	**LOANS AND ADVANCES - Considered good**			
	Due from employees		**61,500**	41,250
	Advances to suppliers		**655,494**	1,190,789
			716,994	1,232,039
19.	**TRADE DEPOSITS**			
	Margin against bank guarantee		**6,767**	236,000
	Lease deposit		–	379,610
	Others		**570,143**	326,316
			576,910	941,926

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

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

No. of Shares / Certificates 2010	2009	Company's Name	2010 Rupees	2009 Rupees
10,250	10,250	Schon Textile Mills Limited	**6,662**	6,663
112	112	Faysal Bank Limited	**1,597**	1,083
5,850	5,850	Schon Modaraba Limited	**3,510**	3,510
883	883	Sui Southern Gas Pipelines Limited	**14,049**	12,362
1,398	1,398	First Fidelity Leasing Modaraba Limited	**2,097**	3,635
1,311	1,311	First Equity Modaraba Limited	**1,639**	1,298
3,000	3,000	Crescent Fibers Limited	**24,750**	18,450
419	419	Karachi Electric Supply Corporation Limited	**934**	1,110
143	143	Bankers Equity Limited	**–**	–
54	54	BOC Pakistan Limited	**4,216**	6,210
516	516	SAMBA Bank Limited (formerly Crescent Commercial Bank Limited)	**1,171**	1,538
			60,625	55,859

21. CASH AND BANK BALANCES

	2010	2009
Cash at bank		
- in current accounts	**73,342**	497,355
- in PLS account	**677**	10,803
Cash in hand	**117,939**	150,263
	191,958	658,421

22. SALES - NET

	2010	2009
Sales	**240,916,820**	116,834,576
Less: Trade discount	**211,516**	1,552,547
Sales tax	**31,196,894**	15,837,322
	(31,408,410)	(17,389,869)
	209,508,410	99,444,707

		Note	2010 Rupees	2009 Rupees
23.	**COST OF SALES**			
	Raw material consumed	23.1	**74,559,450**	13,907,703
	Salaries, wages and benefits	23.2	**14,852,384**	11,209,664
	Power and water		**52,606,999**	35,418,081
	Stores and spares consumed		**4,342,090**	3,564,816
	Repairs, maintenance and handling		**8,941,440**	7,944,761
	Insurance		**972,463**	828,715
	Vehicles running and maintenance		**526,611**	458,724
	Depreciation	13.1.3	**1,378,755**	2,444,472
	Others		**2,220,463**	1,747,447
			160,400,655	77,524,383
	Maintenance and other charges recovered		**(1,935,582)**	(1,694,833)
	Cost of goods manufactured		**158,465,073**	75,829,550
	Finished goods			
	As at July 01,		**1,015,230**	357,004
	As at June 30,		**(2,478,928)**	(1,015,230)
			(1,463,698)	(658,226)
			157,001,375	75,171,324

	2010	2009
23.1 Raw material consumed		
Opening stock	**439,749**	633,883
Purchases	**74,853,614**	13,713,569
	75,293,363	14,347,452
Closing stock	**(733,913)**	(439,749)
	74,559,450	13,907,703

23.2 This includes charge in respect of staff retirement benefits amounting to Rs. 385,862 (2009: Rs. 316,881).

		Note	2010	2009
24.	**PROFIT FROM TRADING ACTIVITIES - GASES**			
	Sales		**857,014**	233,535
	Less: Sales tax		**(118,209)**	(39,701)
			738,805	193,834
	Cost of sales	24.1	**(638,576)**	(136,182)
			100,229	57,652

	Note	**2010 Rupees**	2009 Rupees
24.1 Cost of sales			
Opening stock		**45,460**	107,265
Purchases		**638,576**	74,377
		684,036	181,642
Closing stock		**(45,460)**	(45,460)
		638,576	136,182

25. OTHER OPERATING INCOME

	Note	**2010 Rupees**	2009 Rupees
From financial assets:			
Dividend income		**486**	3,204
Profit on deposit		**1,760**	11,655
Liabilities written back		**–**	215,000
Gain on disposal of property, plant and equipment		**189,032**	94,716
Others		**–**	1,000
		191,278	325,575

26. DISTRIBUTION COST

	Note	**2010 Rupees**	2009 Rupees
Salaries and benefits	26.1	**2,832,641**	2,026,581
Transportation charges		**294,535**	259,550
Vehicles running and maintenance		**590,688**	479,991
Cooly and cartage		**1,892,138**	1,693,158
Insurance		**40,812**	15,615
Others		**5,300**	9,950
		5,656,114	4,484,845

26.1 This includes charge in respect of staff retirement benefits amounting to Rs. 119,562 (2009: Rs. 106,152).

27. ADMINISTRATIVE EXPENSES

	Note	**2010 Rupees**	2009 Rupees
Directors' remuneration and meeting fees		**2,516,000**	2,136,000
Salaries and benefits	27.1	**5,206,055**	4,400,907
Electricity, gas and water		**383,505**	268,798
Repairs and maintenance		**550,468**	456,843
Insurance		**50,021**	14,789
Rent, rates and taxes		**104,575**	125,706
Traveling and conveyance		**358,420**	65,015
Vehicles running and maintenance		**576,032**	516,301
Entertainment		**130,933**	60,499
Communication		**319,948**	350,773
Printing and stationery		**189,611**	183,873
Legal and professional charges		**77,150**	94,050
Auditors' remuneration	27.2	**330,500**	322,500
Fees, subscription and periodicals		**313,651**	151,721
Advertisement		**57,902**	111,466
Provision for doubtful debts	17.2	**176,293**	717,040
Donation	27.3	**51,500**	8,500
Depreciation	13.1.3	**547,548**	236,826
Others		**19,294**	87,925
		11,959,406	10,309,532

27.1 This includes charge in respect of staff retirement benefits amounting to Rs. 234,306 (2009: Rs. 201,856).

	Note	2010 Rupees	2009 Rupees
27.2 Auditors' remuneration			
Statutory audit fee		**225,000**	225,000
Half year review fee		**75,000**	75,000
Out of pocket expenses		**30,500**	22,500
		330,500	322,500

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

	Note	2010 Rupees	2009 Rupees restated
28. OTHER OPERATING EXPENSES			
Worker's Welfare Fund		**841,917**	–
Worker's Profit Participation Fund		**2,104,793**	–
Depreciation of idle plant	13.1.3	**5,245,788**	1,321,076
		8,192,498	1,321,076

	Note	2010 Rupees	2009 Rupees
29. FINANCE COST			
Interest / mark-up on:			
Long-term financing		**9,740,392**	11,973,990
Liabilities against assets subject to finance lease		**996,432**	1,755,388
Short term borrowings		**600,309**	3,350,935
Provident fund		**646,275**	743,026
Interest / mark-up waived during the year	10	**(23,414,881)**	–
Principal waived during the year		**(793,379)**	–
Bank charges		**71,001**	32,762
		(12,153,851)	17,856,101

	Note	2010 Rupees	2009 Rupees
30. PROVISION FOR TAXATION			
Current year	30.1	**1,051,236**	852
Prior year		**(532)**	–
Deferred		**(15,173,386)**	–
		(14,122,682)	852

30.1 Pursuant to reinstatement of section 113 to the Income Tax Ordinance, 2001 by Finance Act 2009, the charge for current year tax is based on higher of taxable income or minimum taxation at the rate of one half percent of turnover.

	Note	2010 Rupees	2009 Rupees
30.2 Relationship between income tax expense and accounting profit			
Profit before taxation		**39,149,141**	
Tax at the enacted tax rate of 35%		**13,702,199**	
Tax effect of opening net deductible temporary differences		**(28,875,585)**	
Tax effect of income subject to lower tax rate		**1,051,236**	
Prior year tax		**(532)**	
		(14,122,682)	

30.3 The relationship between income tax expense and accounting profit for previous year is not presented because there was no charge for minimum tax (refer note 30.1) and deferred tax asset was not recognized in accordance with the Company's accounting policy.

30.4 Income tax assessments of the Company have been finalised upto and including the tax year 2009 and are deemed to be assessment order u/s 120 of the Income Tax Ordinance, 2001.

31. EARNINGS PER SHARE - BASIC AND DILUTED

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

		2010	2009
Profit / (loss) for the year - (2009: as restated)	Rupees	**53,271,823**	(9,373,253)
Weighted average number of Ordinary shares outstanding during the year		**6,820,464**	6,820,464
Earnings per share - (2009: as restated)	Rupees	**7.81**	(1.37)

32. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	Chief Executive		Director		Executive		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	Rupees							
Remuneration	**735,480**	580,644	**735,480**	580,644	**1,256,000**	-	**2,726,960**	1,161,288
Meeting fee	**8,000**	6,000	**38,000**	30,000	**-**	-	**46,000**	36,000
House rent	**330,972**	261,288	**330,972**	261,288	**-**	-	**661,944**	522,576
Exgratia	**95,000**	75,000	**95,000**	75,000	**-**	-	**190,000**	150,000
Utilities	**73,548**	58,068	**73,548**	58,068	**-**	-	**147,096**	116,136
Earned leave	**-**	75,000	**-**	75,000	**-**	-	**-**	150,000
	1,243,000	1,056,000	**1,273,000**	1,080,000	**1,256,000**	-	**3,772,000**	2,136,000
Number of persons	**1**	1	**1**	1	**1**	-	**3**	2

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. 561,833 (2009: Rs. 534,833).

33. 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 32. Other significant transactions with related parties are as follows:

Relationship with the Company	Nature of Transactions	2010 Rupees	2009 Rupees
Associated undertakings	Organization charges paid	**87,120**	87,120
	Loan repaid to Bawany Management (Private) Limited	**1,500,000**	–
	Loan repaid to R.A Management	**2,500,000**	–
Director	Loan repaid	**406,950**	–

34. FINANCIAL RISK MANAGEMENT

34.1 Financial instruments by category

FINANCIAL ASSETS

Loans and receivables

	2010	2009
Long-term deposits	**3,701,452**	3,454,477
Trade debts	**12,996,320**	9,532,733
Loans and advances	**61,500**	41,250
Trade deposits	**576,910**	941,926
Interest accrued	–	1,015
Cash and bank balances	**191,958**	658,421
	17,528,140	14,629,822
Fair value through profit or loss (FVTPL)		
Other financial assets	**60,625**	55,859
	17,588,765	14,685,681

FINANCIAL LIABILITIES

At amortized cost

	2010	2009
Long-term financing	**75,834,847**	74,957,257
Liabilities against assets subject to finance lease	–	14,300,061
Long-term deposits	**30,643,636**	24,816,019
Trade and other payables	**18,433,020**	23,409,272
Interest / mark-up accrued	**7,721,435**	25,806,123
Short term borrowings	**10,184,187**	17,282,056
	142,817,125	180,570,788

34.2 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:

34.2.1 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	
	2010	2009
	Rupees	Rupees
Fixed rate instruments		
Long-term financing	**47,333,551**	–
Variable rate instruments		
Long-term financing	**19,908,246**	63,457,257
Liabilities against assets subject to finance lease	**–**	14,300,061
Short term borrowings	**9,684,187**	15,282,056
	29,592,433	93,039,374

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 rates 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. 295,924 (2009: Rs. 930,394). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

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.

34.2.2 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:

	2010	2009
	Rupees	Rupees
Long-term deposits	**3,701,452**	3,454,477
Trade debts	**12,996,320**	9,532,733
Loans and advances	**61,500**	41,250
Trade deposits	**576,910**	941,926
Interest accrued	**–**	1,015
Cash and bank balances	**74,019**	508,158
	17,410,201	14,479,559

The trade debts are due from local customers for sales 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 and impaired trade debts are disclosed in notes 17.2 and 17.3 to the financial statements.

34.2.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. As disclosed in note 6 to the financial statements, during the 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:

	Rupees			
	Within 1 year	1 - 5 years	over 5 years	Total
2010				
Long-term financing	37,657,609	54,991,412	–	92,649,021
Long-term deposits	–	–	30,643,636	30,643,636
Trade and other payables	18,433,020	–	–	18,433,020
Interest / mark-up accrued	7,721,435	–	–	7,721,435
Short term borrowings	10,184,187	–	–	10,184,187
	73,996,251	54,991,412	30,643,636	159,631,299
2009				
Long-term financing	64,620,234	25,776,400	–	90,396,634
Liabilities against assets subject to finance lease	12,565,854	1,779,785	–	14,345,639
Long-term deposits	–	–	24,816,019	24,816,019
Trade and other payables	25,703,109	–	–	25,703,109
Interest / mark-up accrued	25,806,123	–	–	25,806,123
Short term borrowings	17,282,056	–	–	17,282,056
	145,977,376	27,556,185	24,816,019	198,349,580

35. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

36. 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.

	2010	2009
	Cubic Meter	
37. 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
	4,629,000	4,629,000
Actual production		
Oxygen	**3,010,803**	2,774,307
Nitrogen	**100,877**	118,332
Dissolved acetylene	**9,698**	6,555
	3,121,378	2,899,194

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.

38. RECLASSIFICATION

Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions for the purpose of comparison. Significant reclassification was made from 'Loans and advances' to 'Advance tax' amounting to Rs. 3,704,391.

39. GENERAL

39.1 NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Company in the meeting held on September 30, 2010 has proposed a final cash dividend of Rs. 0.5 per share (2009: Rs. Nil) and right issue in the ratio of ten shares for every hundred shares held i.e 10% at par, for approval of the member at the Annual General Meeting to be held on October 26, 2010.

The financial statements for the year ended June 30, 2010 do not include the effect of the proposed cash dividend and right issue, which will be accounted for in the financial statements for he year ending June 30, 2011.

39.2 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 30, 2010.

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

SIRAJ A. KADIR
Director

BAWANYAIR
PRODUCTS LIMITED

ISO 9002

FORM OF PROXY

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

Please quote Folio No.

No. of Shares ____________

I/We ____

of ____

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

____

of ____

(or failing him) ____

of ____

Who is also a member of the Company as a proxy to vote on my/our behalf at the 32 nd Annual General Meeting of the Company to be held on October 26, 2010 at 12.00 noon and at any adjournment thereof.

Signed this ____________________ day of ______________ 2010

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.

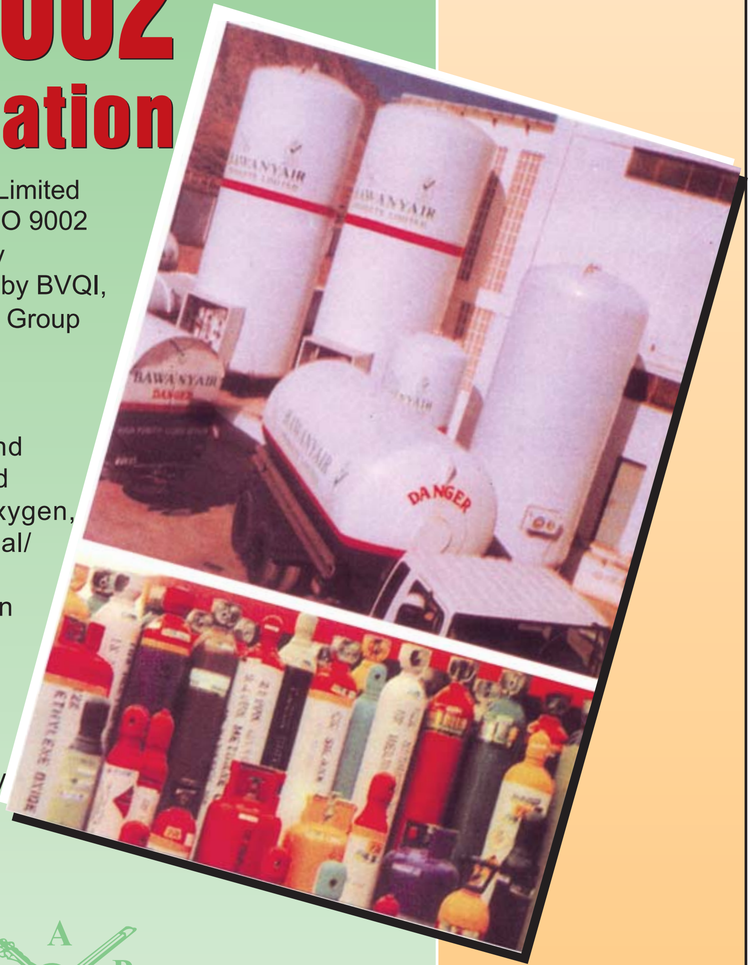
BAWANYAIR PRODUCTS

The first Industrial/Medical Gas Manufacturing Company in Pakistan to achieve

ISO 9002 Certification

Bawany Air Products Limited has been accorded ISO 9002 certification for Quality Management System by BVQI, part of Bureau Veritas Group founded in 1828, for:

- Production, Testing, Handling, Storage and Distribution of Liquid Industrial/Medical Oxygen, Compressed Industrial/ Medical Oxygen, Compressed Nitrogen and Dissolved Acetylene
- Imports, Local Purchase & Distribution of Highly Purified Gases such as Argon, Hydrogen and Helium.



BVQI ISO 9002

NATIONAL ACCREDITATION OF CERTIFICATION BODIES

B A P

BaWany

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A BAWANY GROUP COMPANY