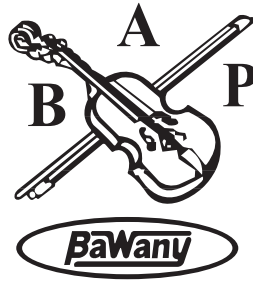




BAWANYAIR

PRODUCTS LIMITED

THIRTYTHIRD ANNUAL REPORT
2010 - 2011



BAWANYAIR

PRODUCTS LIMITED

33rd ANNUAL REPORT

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BAWANYAIR
PRODUCTS LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Mr. Sohail Razzak

AUDITORS

M. Yousuf Adil Saleem & Co.
Chartered Accountants

BANKERS

Faysal Bank Limited
United Bank Limited
MCB Bank Limited

REGISTERED OFFICE

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

CITY OFFICE

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



BAWANYAIR
PRODUCTS LIMITED

BOARD OF DIRECTORS



M. HANIF Y. BAWANY
CHIEF EXECUTIVE OFFICER



MOMIZA KAPADIA
DIRECTOR



VALI MUHAMMAD M. YAHYA
DIRECTOR



MUHAMMAD ASHRAF
DIRECTOR



WAZIR AHMED JOGEZAI
DIRECTOR



ZAKARIA A. GHAFFAR
DIRECTOR



SIRAJ A. KADIR
DIRECTOR



BAWANYAIR
PRODUCTS LIMITED

MANAGEMENT TEAM



M. HANIF Y. BAWANY
MANAGING DIRECTOR



SOHAIL RAZZAK
CFO & COMPANY SECRETARY



EJAZ AHMAD
GENERAL MANAGER OPERATIONS



TAUFIQUE MOTEN
MANAGER IMPORTS



MUHAMMAD TOFIQ MOOSA
PLANT MANAGER



BAWANYAIR
PRODUCTS LIMITED

Notice is hereby given that the Thirty Third Annual General Meeting of the members of Bawany Air Products Limited will be held at the registered office of the Company at Khasra No. 52/53, RCD Highway, Mouza Pathra, Tehsil Hub, Lasbella District, Balochistan on Tuesday, 25 October 2011 at 12:00 Noon to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the 32nd Annual General Meeting held on October 26, 2010.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2011 together with Directors and Auditor's Report thereon
3. To appoint auditors for the year 2011-2012 and fix their remuneration.
4. To transact such other business as may be placed before the meeting with the permission of the chair.

Karachi :
September 29, 2011

By order of the Board
Sohail Razzak
Company Secretary

NOTES:

1. Transport will be provided to the members of the company. Pick-up point will be at Karachi Stock Exchange Building and departure will be at 11:00 a.m. sharp on October 25, 2011.
2. The register of members of the Company shall remain closed from October 13, 2011 to October 26, 2011. (Both days inclusive).
3. Proxies in order to be valid must be received at city office of the Company at Room No. 16-C, Nadir House, I. I. Chundrigar Road, Karachi not later than 48 hours before the meeting.
4. Members are requested not to bring children along with them, as they will not be allowed to sit in the meeting hall.



● **For Attending the Meeting:**

- a) In case of individuals, the account holder or sub-account holder shall authenticate their identity by showing original NIC 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 NIC 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 NIC or passport at the time of the meeting.



BAWANYAIR
PRODUCTS LIMITED

CHIEF EXECUTIVE'S REVIEW

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

Dear Shareholders,

Our rigorous efforts to maintain our competitiveness were strengthened by a strict focus on operational effectiveness. We can look ahead to 2012 with confidence, hope and resilience. We know that there are challenges ahead, but we also have firm belief that we have the right resources to face those challenges.

With the end of 2011, your Company has completed 33 years of its existence. There were times of hardships, continuous financial losses and tough challenges but with your support and the solid commitment of management, your Company has passed all such challenges and the accumulated loss at June 30, 2009 of Rs. 46 million has been converted into un-appropriated profit of Rs. 14 million by the end of current year. The toughest challenge came in the form of shortage of electricity and deteriorating law and order situation of the entire country especially in the cities of Karachi and Hub. However, our ability to quickly adapt to the changing circumstances was crucial and we carefully rebounded as the year came to an end. Our financial performance and top line growth is an evidence of the resilience of our footing and solidity of our portfolio. Although the business was interrupted many a times for days and days owing to strikes and processions, the commitment to flourish and prosper is the only motive that is leading our nation in these hard times.

The Company continues to face financial pressures however; the successful rescheduling with banks and the regularity in repayments is a healthy sign despite of liquidity and cash-flow constraints.

The sales and profit targets have been successfully achieved from enhanced performance and regular repairs and maintenance of existing plant that is more than 50 years old. The new plant is still not operational despite of painstaking efforts by the management and our engineers. Different options are being considered to start the new plant as it will significantly reduce the manufacturing cost and the synergies with existing plant will reduce the need to purchase the semi-finished goods from market.

Last but not the least, our efforts are tuned towards your interest and we aim at optimizing satisfaction for all our customers, shareholders, employees and communities we deal in. On behalf of all our stakeholders, I wish to thank the employees both at city office as well as at factory premises for contributing to our continued success.

M. HANIF Y. BAWANY

Managing Director / Chief Executive Officer
Karachi : September 29, 2011



DIRECTORS' REPORT TO THE SHAREHOLDERS

The Board of Directors of Bawany Air Products Limited is pleased to present the annual report with the audited financial statements for the year ended June 30, 2011.

The Company is engaged in the production and trading of oxygen gas, dissolved acetylene and nitrogen gas which are mainly supplied to ship breaking industry, re-rolling mills and hospitals. Some key statistics of 2011 as compared to 2010 are as follows:

	Year ended June 30, 2011 Rupees (000's)	Year ended June 30, 2010 Rupees (000's)
Sales - net	195.248	209.508
Gross profit	48.716	48.187
Profit / (loss) before taxation	22.197	35.068
Profit / (loss) after taxation	12.388	50.619
Shareholder's equity	89.163	72.783
Total current assets	18.555	27.107
Total current liabilities	50.044	81.597
	Rupees	
Earnings / (loss) per share	1.73	7.42

Overview of National Economy

The financial year 2011 was a challenging year for the country, as the economical climate remained volatile throughout this period. This fact coped up with natural disasters in the form of floods and the deteriorating law and order situation of the entire country made the business conditions very difficult. While Pakistan's economy remained somewhat cushioned from the severest shocks of the global economic crisis, it remained susceptible to difficult domestic conditions. The Pakistani economy was burdened by stubbornly high inflation, deterioration in external accounts and declining industrial output. The State Bank of Pakistan relied on tight monetary policy to counter inflationary pressures, resulting in high interest rates. This, coupled with energy and gas shortages, resulted in a high cost of doing business and was reflected in the slowdown of the manufacturing sector, with large scale manufacturing showing a downward trend during the financial year. Despite the difficulties described above, the National economy started to show some encouraging signs during the course of the fiscal year. Pakistan was able to overcome acute shortages in its foreign currency reserves. However, by the time Pakistan received the inflow of IMF funds, the Pakistani rupee had depreciated considerably against the US\$. The exchange rate continues to depreciate and by June 2011, the Rupee had fallen to Rs. 86 / US\$.



BAWANYAIR PRODUCTS LIMITED

Your Company's achievements in the year 2011 are:

- Despite of aged plant and machinery, the production from owned existing plant during the year was 2.761 million cubic meters;
- Although the power tariff was revised throughout the year with an average increase of 17% in per unit billing, the gross profit still improved by 1.1% owing to monitoring of other components of cost of manufacturing;



NITROGEN CYLINDERS FILLING SYSTEM.



60 TPD PLANT CONTROL PANELS.

- Successful negotiation with two syndicate members of long term loan as per which aggregate mark-up of Rs. 5.7 million was waived;
- Earnings before tax, finance cost and depreciation has increased by Rs. 3.6 million as compared to last year;
- No reportable accident occurred at the plant site in the current year thereby maintaining the record of Health and Safety standards;
- Fire and security alarms were checked and (re)installed at the plant site to allow Safe work environment to the workers.
- Customer base was enhanced and new customers were added to the clientele;
- Owing to commitment and hard-work of finance team, funds blocked in government treasury in form of income tax refundable amounting to Rs. 6.5 million were received during the year.

Financing Arrangements

As a consequence of exceptional financial burden arising from liquidity and cash-flow problems coped-up with slump in business especially in the years from 2006 to 2009, the Company prepared a comprehensive financial plan and successfully managed to renegotiate arrangements with syndicate members of long term loan. As a result, the Company is regularly making repayments of the rescheduled loans and the financial liability in this respect has reduced to Rs. 52 million at the end of 2011 and by 2014, the entire liability will be settled inshallah .

On the other hand, as a gesture of continued support and commitment, the Sponsors of the Company have provided cash injection of Rs. 6.82 million during this fiscal year, in the form of Right Shares. This financial support has enabled the Company to bridge the required funding gap for meeting the Company's financial obligations. It is extremely heartening to note that even in these trying times the Sponsoring Shareholders and the Financial Institutions have extended complete and unprecedented support to ensure operations of the Company.



BAWANYAIR
PRODUCTS LIMITED

Cash Flow & Liquidity

The Company is constantly monitoring cash flow to ensure overall liquidity. During the financial year, the Company generated Rs. 17.326 million in cash from operations. This was the result of lower working capital requirements, as the Company focused on tight inventory management and on controlling credit to customers. Cash used in investing activities was significantly reduced as compared to last year mainly due to lower capital expenditure. Similarly, the cash outflow in financing activities was also on a higher side because of payment of dividend and decrease in outstanding short term running finance facility at year end.

The Company is committed to reducing its long term debt position through scheduled repayments and therefore, it closely monitors interest rates of short term overdraft facilities to take advantage of any potential saving.

Contribution to Government Treasury

During the current year the Company contributed an amount of Rs. 2 million to the national exchequer through direct and indirect taxes as compared to Rs. 1 million in the year 2010. However, the un-necessary blockage of funds in government treasury on account of income tax refunds is creating liquidity and cash-flow constraints for the Company.

Performance Overview

Due to unfavorable business conditions and unprecedented losses incurred in the past, the Company faced severe constraints in meeting its financial obligations on due dates however, with revival of Gaddani ship breaking industry and strong financial management, the Company reasonably managed its financial obligations through tight cash flow monitoring. At this crucial phase, the Company's shareholders again showed commitment and arranged financial support amounting to Rs. 6.8 million. This enabled the Company to partially meet the required funding gap.

The Company has achieved gross sales of Rs. 227 million and net sales of Rs. 195 million during the year as compared to the gross and net sales of Rs. 241 million and Rs. 210 million respectively for the last year. The main reason behind slight decrease in turnover was the natural disaster in form of floods that hit the province. The entire road network was halted and that worsened the business conditions. However, this was well tackled by the management of the Company with reducing the cost of goods manufactured by Rs. 15 million thereby increasing the gross profit by Rs. 0.5 million.



LIQUID TRANSPORT TANK AT GADANI



BULK LIQUID TRANSPORT TANKER.



BULK LIQUID STORAGE TANK. (65000M3 CAPACITY)

During the year, the Company's net profit after taxation was Rs. 12 million as compared to a profit after taxation Rs. 51 million in the previous year. The profit after taxation for 2011 has declined primarily due to charge for taxation. In the last year, there was a credit in tax amounting to Rs. 16 million owing to deferred tax asset booked on carried forward tax losses. Since the profitability of the Company has improved, significant tax loss was absorbed in the current year thereby resulting in deferred tax charge for the current year. Another reason for lower profit is the finance cost. In the last year, Company managed to reschedule long term loan of three syndicate members thereby resulting in waiver of mark-up income of Rs. 23 million whereas the current year's rescheduling with two syndicate members resulted in a waiver of only Rs. 5.7 million. These two factors mainly contributed in decrease in overall profit as well as the earnings per share of the Company for the year ended June 30, 2011.



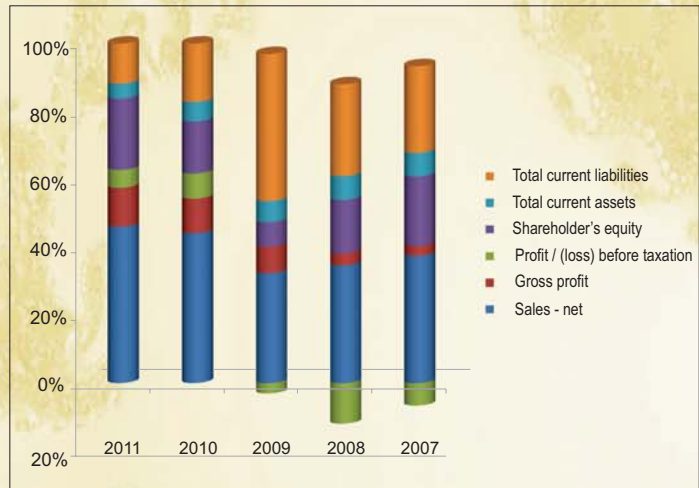
Key operating and financial data of last five years

The below chart shows the operating and financial performance of your Company. It is clearly evident that how severely the financial health of your Company was affected as of 2009 but your Company managed to survive in those hard times and has surpassed all such challenges to enter into the era of stability.

Future Plans

The management of your Company has a strong will to continue its hard earned growth in future as well. A key area to be addressed in near future is that of second hand imported plant and machinery that is not yet operational. However, despite of no contribution from new plant, your Company has once again achieved the 200 million turnover target. This fact shows the effective utilization of existing plant that is although more than 50 years old but regular overhauling and due care, repairs and maintenance by the plant engineers have kept it running. The plant capacity was not fully utilized in the current year and the production

shortage was met by purchase of semi-finished goods. In short, the management has proved that survival and profitability of your Company is not fully dependent on the operation of new plant. However, efforts are still being made to run the new plant as it will significantly reduce the cost of manufacturing.



60 TPD PLANT VIEW



BAWANYAIR
PRODUCTS LIMITED

Briefly, your Company is embarked upon a number of initiatives such as:

- Maintain the annual sales target of more than Rs. 200 million;
- Full and final settlement of syndicate members of long term loan;
- Get the desired repairs and maintenance and start the commercial production of new plant; and
- Increase the market share by strong customer base.

Environment, Health and Safety

We know that the health and safety of our people is of paramount importance, as is the safety of our processes and the sanctity of the environment. Therefore your Company has established a strategic framework for Environment, Health and Safety by adopting the following measurable objectives:



LIQUID STORAGE AND TRANSPORT TANK.



LIQUID TANK INSTALLATION AT NICVD HOSPITAL.



OXYGEN COMPRESSOR.

- An incident free work place;
- Reporting all types of safety incidents;
- Eliminating work related injuries and illnesses;
- Integrating Environment, Health and Safety with Production; and
- Increasing transparency and closer collaboration with the Community the Company operates in.

Your Company is also playing its part in medical health by supplying medical gases to hospitals like National Institute of Child Health and National Institute of Cardiovascular Diseases.

Like last many years, this year also marked its completion without a reportable occupational illness and severe accident mashallah.



NATIONAL INSTITUTE OF CARDIO VASCULAR DISESES



BOARD OF DIRECTORS

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

AUDITORS

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

STATEMENT OF CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- a) The financial statements prepared by the management of the company present fairly the status of affairs, the result of its operations and cash flows and changes in equity.
- b) Proper books of accounts of the company have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statement and accounting estimates are based on reasonable and prudent judgement.
- d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There are no significant doubts upon the company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h) Key operating and financial data for the last ten years have been summarized.
- i) Following (receipt) / payments in respect of taxes was outstanding as on June 30, 2011

Income tax	Rs. (1,277,511)	This represents advance tax net of approximate provision of tax on income earned during the year and it will be adjusted at the time of income tax assessment.
Income tax	Rs. (437,121)	This represents outstanding refundable income tax for the year 2008-2009
Sales tax	Rs. 2,392,832	This represents net tax on the sales made during the month of May 09 to June 09 and June 2011 and it has been adjusted against income tax refundable.

- j) The value of investments of provident fund is Rs. 6,000,000/- 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 Directors	No.of meeting attended
Mr. M. Hanif Y. Bawany	04
Ms. Momiza Kapadia	04
Mr. Vali Mohammad M. Yahya	04
Mr. Muhammad Ashraf	04
Mr. Wazir Ahmed Jomezai	01
Mr. Zakaria A. Ghaffar	04
Mr. Siraj A. Kadir	04

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

- l) The pattern of shareholding is annexed.
- m) Chief Executive and no other Director have purchased any share of the company.

Acknowledgment

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

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

On behalf of the board of directors.

M. HANIF Y. BAWANY

Managing Director / Chief Executive Officer
Karachi : September 29, 2011



BAWANYAIR
PRODUCTS LIMITED

VISION

Our vision is to be the market leader in the industrial / medical gases industry and provide highest quality products and services to our customers.

MISSION

Our mission is to be a dynamic, professional and growth oriented organization and to always strive for excellence by providing quality services and products with a customer focused strategy.

Our final goal being to produce highest quality products at minimum prices by efficiently integrating all the operations of production, procurement, logistics, financial management, human resources and safety.

Our mission statement and our motto, Best products, Best services and Best prices reflect our strategic goal and core values, may ALLAH help us in achieving this.

STATEMENT OF ETHICS AND BUSINESS PRACTICES

We the directors and staff members of Bawany Air Products Limited adhere to the best practices of business and ethics based on the following principles:

1. Respect of individuals.
2. Fair business practices.
3. Comply with all the regulatory requirements and laws of the country.
4. Transparency in transaction and following proper, acceptable accounting procedures as approved by international and national standards and regulations.
5. Anticipate integrity, honesty and responsibility from all the employees in doing business.
6. Safeguarding and proper use of company's assets.
7. Avoid political affiliations and contributions.



STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CORPORATE GOVERNANCE

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

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

1. The Company encourages representation of independent non-executive directors on its Board. At present the Board includes at least five independent non-executive directors. We shall also encourage minority representation on the board when next election is due.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment on any loan to banking company, a DFI or NBFIs or, being a member of stock exchange, has been declared as defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during this year.
5. The Company has prepared a statement of "Ethics and Business Practices", which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision / mission statement overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board. There were no new appointments of the CEO and other executive directors during this year.
8. The related party transactions have been placed before the audit committee and approved by the Board of Directors with necessary justification for non arm's length transaction that were made on terms equivalent to those that prevails in the arm's length transactions only if such terms can be substantiated.
9. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meeting, along with agenda and working papers, were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.
10. The directors of the Company have given declaration that they are aware of their duties, powers and responsibilities under the Companies Ordinance, 1984 and the listing regulations of Stock Exchanges. The directors are also encouraged to attend the workshops and seminars on the subject of Corporate Governance.
11. There was no new appointment of CFO, Company Secretary or Head of Internal Audit during the year.



12. The Director's report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. CEO and CFO duly endorsed the financial statements of the Company before approval of the Board.
14. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
15. The Company has complied with all the corporate and financial reporting requirements of the Code.
16. The Board has formed an audit committee. It comprises of three members, of whom two are non-executive directors including the chairman of the committee.
17. The meetings of the audit committee were held at least once every quarter prior to approval of the interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
18. The Board has set-up effective internal audit function.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been complied with.

M. HANIF Y.BAWANY

Managing Director / Chief Executive Officer
Karachi : September 29, 2011



BAWANYAIR
PRODUCTS LIMITED

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 Product limited (the Company) to comply with the Listing Regulations of Stock Exchange, where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We 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 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, 2011.

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Dated : September 29, 2011
Place : Karachi



KEY OPERATING AND FINANCIAL DATA FOR THE DECADE

Rs."000"

PARTICULARS	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
FINANCIAL POSITION										
Paid up capital	75,025	68,204	68,204	68,204	48,718	48,718	28,657	28,657	28,657	28,657
Shareholder's equity	109,691	93,675	22,163	31,537	36,441	48,630	40,720	53,956	53,010	52,079
Long term loan	54,639	75,835	74,957	79,917	81,417	55,249	68,432	57,420	40,000	–
Lease liabilities	–	–	14,300	16,346	17,521	20,844	553	729	–	1,066
Current liabilities	29,250	49,763	68,791	54,387	45,640	51,147	36,943	12,760	23,518	21,704
Total liabilities	116,715	156,242	182,865	172,755	161,162	139,861	119,620	77,373	73,570	31,186
Fixed assets - Net	204,637	219,109	182,695	28,450	31,772	35,159	39,369	43,707	47,705	52,315
Capital work in progress	–	–	–	158,159	152,065	137,263	105,399	63,838	47,466	10,003
Investment Property	–	–	–	–	–	–	–	6,900	6,900	–
Long term deposits	3,215	3,701	3,454	3,559	1,481	1,566	647	585	610	762
Current assets	18,554	27,106	18,878	14,124	12,285	14,503	14,926	16,299	23,899	23,051
Total assets	226,406	249,916	205,027	204,292	197,603	188,491	160,341	131,329	126,580	86,131
INCOME										
Net sales manufacturing	195,248	209,508	99,444	68,816	63,744	51,122	51,792	69,000	59,712	62,761
Net sales trading	189	739	194	745	3,063	1,156	3,111	4,880	3,129	951
Total net sales	195,437	210,247	99,638	69,561	66,807	52,278	54,903	73,880	62,841	63,712
Gross profit	48,668	48,186	24,273	7,264	5,321	(2,751)	717	11,603	14,061	16,568
Trading profit	88	100	57	425	960	280	697	661	885	313
Other income	494	196	268	138	467	6,804	418	835	600	178
Profit before tax / (loss)	22,262	35,068	(9,372)	(24,062)	(11,845)	(11,885)	(12,955)	(1,279)	1,417	4,218
Profit after tax / (loss)	12,605	50,619	(9,373)	(24,391)	(12,189)	(12,150)	(13,236)	946	931	5,793
STATISTICS AND RATIOS										
Profitability										
Gross profit %	24.93%	23.00%	24.41%	10.56%	8.35%	(-5.38%)	1.38%	16.82%	23.55%	26.40%
Profit before tax to total sales %	11.39%	16.68%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.25%	6.62%
Profit after tax to total sales %	6.45%	24.08%	0.00%	0.00%	0.00%	0.00%	0.00%	1.28%	1.48%	9.09%
Liquidity / Leverage										
Current ratio	0.63	0.54	0.27	0.26	0.27	0.28	0.40	1.28	1.02	1.06
Debt equity ratio	0.50	0.81	3.38	2.53	2.23	1.14	1.68	1.06	0.75	–
Solvency ratio	1.94	1.60	1.12	1.18	1.23	1.35	1.34	1.70	1.72	2.76
Return to shareholders										
Return on equity before tax %	20.30%	37.44%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.67%	8.10%
Return on equity after tax %	11.49%	54.04%	0.00%	0.00%	0.00%	0.00%	0.00%	1.75%	1.76%	11.12%
Earning per share (Rs.)	1.68	7.42	(1.37)	(3.58)	(2.50)	(2.49)	(4.62)	0.33	0.32	2.02
Break-up value per share (Rs.)	14.62	13.73	3.25	4.62	7.48	9.98	14.21	18.83	18.50	18.17
Price earning ratio	4.02	1.52	–	–	–	–	–	–	–	3.61
Market price (Rs.) June 30th	6.75	11.25	6.75	15.64	14.50	16.75	13.00	18.50	20.75	7.30
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	2,752	3,111	2,892	2,396	2,566	2,464	2,628	2,858	2,283	1,906
Dissolved acetylene	9	10	7	20	19	17	17	26	21	14



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

No. of Shareholders	Shareholding of Shares		Share Held
	From	To	
233	1	100	7,137
172	101	500	52,001
64	501	1,000	49,946
118	1,001	5,000	264,667
16	5,001	10,000	124,920
12	10,001	15,000	153,129
22	15,001	20,000	129,555
4	20,001	25,000	87,564
12	25,001	50,000	434,251
14	50,001	100,000	1,040,514
1	100,001	150,000	139,531
3	150,001	200,000	561,440
2	200,001	300,000	513,570
2	300,001	350,000	330,028
2	350,001	400,000	1,118,897
2	400,001	1,250,000	2,495,360
679			7,502,510

Shareholders Category	No. of Share Holders	No. of Shares of Rs.10/- each	Percentage of issued capital
Financial instituions	3	150,965	2.01%
Individual	664	5,607,897	74.75%
Insurance companies	1	16,260	0.22%
Investment companies	0	-	0.00%
Joint stock companies	13	1,328,586	17.71%
Modaraba	1	26,500	0.35%
Mutual Fund	1	22,764	0.30%
Others	4	348,538	4.66%
	687	7,502,510	100.00%



BAWANYAIR
PRODUCTS LIMITED

**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 Jomezai	Director	3,581
Mr. Mohammad Ashraf	Director	1,190
Mrs. Hanif Y. Bawany		162,110
EXECUTIVES		Nil
PUBLIC SECTOR COMPANIES & CORPORATIONS		Nil
BANKS DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS		Nil
SHAREHOLDERS HOLDING 10% MORE		Nil



BAWANYAIR
PRODUCTS LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Bawany Air Products Limited (the Company) as at June 30, 2011 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; 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, 2011 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Karachi
Date: September 29, 2011

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



BAWANYAIR
PRODUCTS LIMITED

BALANCE SHEET AS AT JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees (Restated)
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised capital 15,000,000 (2010: 15,000,000) Ordinary shares of Rs. 10 each		150,000,000	150,000,000
Issued, subscribed and paid-up capital	4	75,025,104	68,204,640
Un-appropriated profit		14,137,981	4,578,472
		89,163,085	72,783,112
Surplus on revaluation of property, plant and equipment - net	5	20,310,071	20,891,958
Non Current Liabilities			
Long-term financing	6	33,911,585	44,001,009
Long-term deposits	7	32,826,665	30,643,636
Current Liabilities			
Trade and other payables	8	17,334,140	31,858,031
Interest / mark-up accrued	9	4,402,125	7,721,435
Short-term borrowings	10	7,580,046	10,184,187
Current portion of long-term financing	6	20,728,086	31,833,838
		50,044,397	81,597,491
Total Equity and Liabilities		226,255,803	249,917,206

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

SIRAJ A. KADIR
Director



BAWANYAIR
PRODUCTS LIMITED

	Note	2011 Rupees	2010 Rupees (Restated)
ASSETS			
Non Current Assets			
Property, plant and equipment	11	201,919,202	208,773,716
Long-term deposits		3,215,467	3,701,452
Deferred tax asset	12	2,566,397	10,335,173
Current Assets			
Stores and spares	13	1,196,125	1,448,761
Stock-in-trade	14	2,780,518	3,258,301
Trade debts	15	9,081,798	12,996,320
Loans and advances	16	911,782	716,994
Advance tax		1,277,511	4,151,282
Trade deposits	17	2,526,768	576,910
Other financial assets	18	84,807	60,625
Income tax refundable		437,121	3,705,714
Cash and bank balances	19	258,307	191,958
		18,554,737	27,106,865
Total Assets		226,255,803	249,917,206

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

SIRAJ A. KADIR
Director



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees (Restated)
Sales - net	20	195,248,098	209,508,410
Cost of sales	21	(146,531,923)	(161,321,465)
Gross profit		48,716,175	48,186,945
Profit from trading activities - gases	22	88,108	100,229
Other operating income	23	470,064	191,278
Unrealized gain on revaluation of financial assets		24,182	4,766
		49,298,529	48,483,218
Distribution cost	24	(5,284,020)	(5,656,114)
Administrative expenses	25	(11,631,754)	(11,959,406)
Other operating expenses	26	(6,712,369)	(7,953,169)
Finance (cost) / income - net	27	(3,473,879)	12,153,851
Profit before taxation		22,196,507	35,068,380
Taxation	28	(9,808,653)	15,550,948
Profit for the year		12,387,854	50,619,328
Other comprehensive income		-	-
Total comprehensive income for the year		12,387,854	50,619,328
Earnings per share - basic and diluted	29	1.73	7.42

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

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

SIRAJ A. KADIR
Director



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees (Restated)
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		22,196,507	35,068,380
Adjustments:			
Depreciation of property, plant and equipment		8,068,496	7,172,091
(Reversal)/Provision for doubtful debts		(138,872)	176,293
Finance cost		8,799,155	11,337,133
Unrealized gain on revaluation of other financial assets		(24,182)	(4,766)
Gain on disposal of property, plant and equipment		(217,529)	(189,032)
Waiver of accrued interest on financing facilities		(5,706,937)	(23,414,881)
Waiver of principal balance of financing facilities		(577,004)	(793,379)
Interest income		(109,095)	(1,760)
Dividend income		(4,568)	(486)
Operating cash flows before movements in working capital		32,285,971	29,349,593
Changes in working capital			
(Increase) / decrease in current assets			
Stores and spares		252,636	(198,172)
Stock-in-trade		477,783	(1,757,862)
Trade debtors		4,053,394	(3,639,880)
Loans and advances		(194,788)	515,045
Trade deposits		(1,949,858)	365,016
		2,639,167	(4,715,853)
Increase / (decrease) in current liabilities			
Trade and other payables		(15,289,711)	6,154,922
Net cash generated from operations		19,635,427	30,788,662
Finance cost paid		(6,411,528)	(6,006,940)
Income tax recovered / (paid)		4,102,487	(5,201,986)
Net cash from operating activities		17,326,386	19,579,736
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(1,256,453)	(6,158,141)
Proceeds from disposal of property, plant and equipment		260,000	255,000
Dividend income received		4,568	486
Interest income received		109,095	2,775
Security deposits		485,985	(246,975)
Net cash used in investing activities		(396,805)	(6,146,855)



	Note	2011 Rupees	2010 Rupees (Restated)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of right shares		6,820,464	-
Repayment of long-term financing		(20,618,172)	(19,877,922)
Repayment of obligation under finance lease		-	(2,751,170)
Dividend paid		(2,644,412)	-
Long-term deposits		2,183,029	5,827,617
Short-term borrowings - net		(2,604,141)	2,902,131
Net cash used in financing activities		(16,863,232)	(13,899,344)
Net increase / (decrease) in cash and cash equivalents		66,349	(466,463)
Cash and cash equivalents at the beginning of the year		191,958	658,421
Cash and cash equivalents at the end of the year	19	258,307	191,958

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

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

SIRAJ A. KADIR
Director



STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2011

	Issued subscribed and paid up capital	(Accumulated losses) / Un-appropriated profit	Total
	Rupees		
Balance as at June 30, 2009	68,204,640	(46,040,856)	22,163,784
Total comprehensive income for the year ended June 30, 2010, as previously reported	–	53,271,823	53,271,823
Effect of prior period error (note 2.6)	–	(2,652,495)	(2,652,495)
Total comprehensive income for the year ended June 30, 2010 restated	–	50,619,328	50,619,328
Balance as at June 30, 2010 - as restated	68,204,640	4,578,472	72,783,112
Transfer from surplus on revaluation of property and equipment - net of deferred tax	–	581,887	581,887
Total comprehensive income for the year ended June 30, 2011	–	12,387,854	12,387,854
Transaction with owner in their capacity as owners			
Final dividend for the year ended June 30, 2010 @ Rs. 0.5 per share	–	(3,410,232)	(3,410,232)
Issue of 1 right share for every 10 shares held	6,820,464	–	6,820,464
	6,820,464	–	6,820,464
Balance as at June 30, 2011	75,025,104	14,137,981	89,163,085

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

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

SIRAJ A. KADIR
Director



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 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) Review of useful life and residual value of property, plant and equipment (note 3.5 and 11);
- (ii) Provision for impairment of trade debts and other receivable (note 3.9 and 15.1);
- (iii) Impairment of assets (note 3.11); and
- (iv) Provision for taxation (note 3.15 and 28)



2.5 New, revised and amended standards and interpretations

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after January 1, 2011. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements:

Standards or interpretations	"Effective Date (accounting period beginning on or after)
IFRS 7 Financial Instruments: Disclosures (Amendment)	January 1, 2011
IFRS 7 Financial Instruments: Disclosures (Amendment)	July 1, 2011
IAS 1 Presentation of Financial Statements (Amendment)	January 1, 2011
IAS 12 Income Taxes (Amendment)	January 1, 2012
IAS 24 Related Party Disclosures (Revised)	January 1, 2011
IAS 34 Interim Financial Reporting (Amendment)	January 1, 2011
IFRIC 13 Customer Loyalty Programmes (Amendment)	January 1, 2011
IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Requirements and Their Interaction (Amendment)	January 1, 2011

2.6 Prior period error

During the year, the Company has rectified prior period error relating to recording of electricity charges for the year ended June 30, 2010 due to which comparative figures in these financial statements have been restated in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. The error pertains to fuel adjustment surcharge of prior year, which was billed by Karachi Electric Supply Corporation in current period in accordance with SRO 387 (I)/2010 dated June 4, 2010 issued by National Electric Power and Regulatory Authority. The management was not aware of the said SRO when the financial statements of June 30, 2010 were issued, therefore, the impact of error has been rectified retrospectively and the comparative figures have been restated as follows:

	As originally reported in June 30, 2010	Effect of prior period error	As restated June 30, 2010
	Rupees		
Restatement in Balance Sheet			
Trade and other payables	(27,777,270)	(4,080,761)	(31,858,031)
Deferred tax asset	8,906,907	1,428,266	10,335,173
Un-appropriated profit	7,230,967	(2,652,495)	4,578,472

Since the error only pertains to the year ended June 30, 2010 and does not extend to earlier periods, the comparative figures on the balance sheet as at June 30, 2009 have not been presented.

	As originally reported in June 30, 2010	Effect of prior period error	As restated June 30, 2010
	Rupees		
Restatement in Profit and Loss account			
Cost of sales	(157,001,375)	(4,320,090)	(161,321,465)
Other operating expense	(8,192,498)	239,329	(7,953,169)
Taxation	14,122,682	1,428,266	15,550,948
Profit for the year	53,271,823	(2,652,495)	50,619,328
Earnings per share - basic and diluted	7.81	(0.39)	7.42



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 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.

3.2 Trade and other payables

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

3.3 Provisions

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

3.4 Borrowings and their costs

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

3.5 Property, plant and equipment

3.5.1 Operating assets

Property, plant and equipment except freehold land and building thereon are stated at cost less accumulated depreciation and impairment losses, if any. 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 11. Depreciation on additions is charged from the month the asset is available for use upto the month prior to disposal.

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

Regular way purchase or sale of investments

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

Financial assets at fair value through profit or loss

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

Derecognition

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

3.7 Stores and spares

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

3.8 Stock-in-trade

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

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

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

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

3.9 Trade debts and other receivables

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

3.10 Cash and cash equivalents

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



3.11 Impairment

Financial assets

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

Non-financial assets

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

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

3.12 Financial instruments

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

3.13 Offsetting of financial assets and financial liabilities

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

3.14 Revenue recognition

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

Interest income is recognized on a time-proportioned basis using the effective rate of return.

Dividend income is recognized when the right to receive payment is established.

3.15 Taxation

Current

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

Deferred

Deferred income tax is provided using the balance sheet liability method for all temporary differences at the balance sheet date between tax base of assets and liabilities and their carrying amounts for financial reporting purposes. The amount of deferred tax provided is based on the expected manner of realization or the settlement of the carrying amounts of assets and liabilities, using the tax rates enacted or 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.

3.16 Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved.

3.17 Foreign currencies

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

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

4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2011		2010	
Number of shares		Rupees	
Ordinary shares of Rs.10/- each :			
5,336,769	4,654,723	- Fully paid in cash	53,367,694
250,000	250,000	- For consideration other than cash	2,500,000
1,915,741	1,915,741	- Fully paid bonus shares	19,157,410
7,502,510	6,820,464		75,025,104
			68,204,640

4.1 As at June 30, 2011, Bawany Management (Private) Limited, an associate company held 1,434,797 (2010: 754,149) ordinary shares of Rs. 10 each.

	2011	2010
	Number of shares	
4.2 Reconciliation of number of ordinary shares outstanding		
At the beginning of the year	6,820,464	6,820,464
Issue of 1 Right share for every 10 shares held	682,046	-
At the end of the year	7,502,510	6,820,464

Note	2011	2010
	Rupees	

5. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net

Surplus on freehold land		9,254,210	9,254,210
Surplus on building on freehold land	5.1	11,055,861	11,637,748
Balance as at June 30		20,310,071	20,891,958



	Note	2011 Rupees	2010 Rupees
5.1 Movement of surplus on building on freehold land			
Revaluation surplus as at July 01		17,904,227	-
Surplus on revaluation recorded during the year		-	17,904,227
Transferred to unappropriated profit in respect of incremental depreciation charge during the year, net of deferred tax		(581,887)	-
Related deferred tax liability of incremental depreciation charged during the year		(313,324)	-
Revaluation surplus as at June 30		17,009,016	17,904,227
Less: Related deferred tax liability on:			
- revaluation as at July 01		(6,266,479)	-
- charge on revaluation during the year		-	(6,266,479)
- incremental depreciation charge during the year, transferred to profit and loss account		313,324	-
	12	(5,953,155)	(6,266,479)
		11,055,861	11,637,748
6. LONG-TERM FINANCING			
Secured			
From banking companies and other financial institutions			
Orix Investment Bank Limited	6.1	26,267,800	29,871,640
KASB Bank Limited	6.2	9,844,444	13,711,911
Soneri Bank Limited	6.3	-	3,750,000
Pak Oman Investment Company Limited	6.4	2,288,436	5,492,252
Escort Investment Bank Limited	6.5	4,915,249	5,492,252
Al Zamin Leasing Modaraba	6.6	8,923,742	8,923,742
		52,239,671	67,241,797
Unsecured - interest free			
From director		-	1,093,050
From an associated undertaking - R. A. Management		2,400,000	7,500,000
		2,400,000	8,593,050
Less: Current portion			
Overdue installments	6.6	(8,923,743)	(15,261,665)
Installments due in next 12 months		(11,804,343)	(16,572,173)
		(20,728,086)	(31,833,838)
		33,911,585	44,001,009



- 6.1 The rescheduled loan amount carries mark-up at the rate of 15% per annum and is repayable in 72 equal monthly installments starting from November 2009. This loan is secured by way of first ranking pari passu charge over land and all construction thereon. In addition, personal guarantees and indemnities executed by the Chief Executive in favour of Orix Leasing Pakistan Limited shall remain valid as securities till the repayment of rescheduled loan amount.
- 6.2 The rescheduled loan amount carries mark-up at the rate of 13.65% per annum and is repayable in 40 equal installments starting from June 2010. This loan is secured by way of first ranking pari passu charge over land and all construction thereon.
- 6.3 The rescheduled loan was repayable in two equal installments of Rs. 3.75 million each. The first installment was paid in June 2010 and the second installment was paid in September 2010.
- 6.4 During the year, on December 22, 2010 a scheme of restructuring was entered into between the Company and Pak Oman Investment Company Limited whereby the loan of Rs. 5.492 million has been restructured and the related mark-up of Rs. 2.691 million has been waived. The restructured loan amount carries mark-up at the rate of 14% per annum and is repayable in 12 equal monthly instalments starting from December 27, 2010. The 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 Pak Oman Investment Company Limited shall remain valid as securities till the repayment of rescheduled loan amount.
- 6.5 During the year, on May 25, 2011 a decree was issued by the Banking Court in lieu of suit filed by Escort Investment Bank Limited against the Company for the recovery of loan amounting to Rs. 5.492 million and its related mark-up of Rs. 3.016 million. According to the decree, the principal of Rs. 0.577 million and the mark-up of Rs. 3.016 million has been waived. The repayment schedule has not been finalised by the court and hence whole amount of the loan has been classified as current portion of long-term loan. The loan is secured by way of first ranking pari passu charge over land and all construction thereon.
- 6.6 This represents overdue installments pertaining to Al Zamin Invest Bank. The loan carries mark-up at the rate of six months KIBOR plus 4% and the quarterly installments were repayable by December 2010. These are secured by way of mortgage of immovable properties and all present and future assets of the Company.

7. LONG-TERM DEPOSITS

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



	Note	2011 Rupees	2010 Rupees
8. TRADE AND OTHER PAYABLES			
Creditors		905,702	2,159,375
Accrued liabilities		7,304,021	13,570,041
Advance from customers		124,567	402,830
Payable to Provident Fund	8.1	3,489,883	4,817,708
Provision for compensated absences	8.2	-	1,500,000
Retention money payable		253,973	253,973
Sales tax payable		2,392,832	5,910,027
Unclaimed dividend		1,217,834	452,014
Withholding income taxes		259	84,683
Payable to Workers' Profit Participation Fund	8.3	1,192,079	2,036,413
Payable to Workers' Welfare Fund		452,990	670,967
		<u>17,334,140</u>	<u>31,858,031</u>

8.1 This represents equal contribution of the Company and the employees. Interest is charged @ 12% (2010: 12%) per annum on the funds utilized by the Company.

8.2 The Company has decided not to compensate its employees for compensated absences during the year. Therefore no provision has been made in the financial statements.

8.3 Workers' Profits Participation Fund

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



	Note	Long-term loans	Short-term borrowings Rupees	Total
9. INTEREST / MARK-UP ACCRUED				
Balance as at July 1, 2010		7,702,966	18,469	7,721,435
Mark-up accrued during the year		7,963,290	835,865	8,799,155
Mark-up paid during the year		(5,624,799)	(786,729)	(6,411,528)
Waiver of mark-up	9.1 & 27	(5,706,937)	-	(5,706,937)
Balance as at June 30, 2011		4,334,520	67,605	4,402,125

9.1 Pursuant to restructuring schemes as disclosed in note 6.4 and 6.5 accrued mark-up as at the respective dates of restructuring was waived by the financiers.

	Note	2011 Rupees	2010 Rupees
10. SHORT-TERM BORROWINGS			
Secured - From Banking Companies			
Running finance	10.1	7,580,046	9,684,187
Unsecured - interest free			
From an associated undertaking - Bawany Management (Private) Limited		-	500,000
		7,580,046	10,184,187

10.1 This represents short term running finance facility availed from a commercial bank. The limit of running finance facility is Rs. 10 million (2010: 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 (2010: three months KIBOR + 2%). The facility expires on October 14, 2011.



11. PROPERTY PLANT AND EQUIPMENT
June 30, 2011

Particulars	Note	Cost/Revalued		Accumulated Depreciation		Net book value at June 30, 2011	Rate of Dep. %
		At July 01, 2010	At July 30, 2011	At July 01, 2010	For the year / (Disposal)		
Rupees							
Land freehold leasehold	11.1 11.2	9,600,000 307,500	- -	9,600,000 307,500	- -	9,600,000 307,500	- -
Factory building on: freehold land leasehold land	11.1 11.2	21,314,595 13,768,199	259,930 -	21,574,525 13,768,199	784 428,105	20,500,543 13,006,592	5 2.5
Plant and machinery		223,634,765	926,923	224,561,688	68,067,826	150,978,337	3.33 - 5
Gas cylinders		8,279,395	(88,420)	8,180,975	6,636,468	1,451,600	10
Electric installation		9,244,070	-	9,244,070	6,155,831	2,779,415	10
Furniture and fixture		1,376,757	-	1,376,757	985,164	352,434	10
Office equipment		2,340,218	69,600	2,409,818	1,758,367	590,171	10
Vehicles		5,828,347	-	5,828,347	2,887,585	2,352,610	20
		295,693,846	1,256,453 (88,420)	296,851,879	86,920,130	201,919,202	
					8,068,496 (55,949)	94,932,677	



June 30, 2010

Particulars	Note	Cost/Revalued			Accumulated Depreciation		Net book value at June 30, 2010	Rate of Dep. %
		At July 01, 2009	Revaluation Surplus	At June 30, 2010	At July 01, 2009	For the year / (Disposal)		
Rupees								
Land freehold leasehold	11.1 11.2	345,790 307,500	9,254,210 -	9,600,000 307,500	- -	- -	9,600,000 307,500	- -
Factory building on: freehold land leasehold land	11.1 11.2	8,589,530 13,768,199	12,599,765 -	21,314,595 13,768,199	173,682 342,054	(5,304,462) -	21,313,811 13,340,094	5 2.5
Plant and machinery		220,452,460	-	223,634,765	5,583,122	-	155,566,939	3.33 - 5
Gas cylinders		8,279,395	-	8,279,395	182,547	-	1,642,927	10
Electric installation		9,244,070	-	9,244,070	343,138	-	3,088,239	10
Furniture and fixture		1,266,807	-	1,09,950	947,762	-	391,593	10
Office equipment		2,301,478	-	38,740	1,697,408	-	581,851	10
Vehicles		3,500,001	-	2,701,846 (373,500)	449,187 (307,532)	-	2,940,762	20
		268,055,230	21,853,975	6,158,141 (373,500)	85,360,033	7,172,091 (307,532)	86,920,130	208,773,716

11.1 As at June 30, 2010, free hold land and building thereon were revalued. Revaluation was carried out by independent value, 'M/s. Danish Enterprise' Resulting in an aggregate surplus of Rs.27.158 million, over book values. Free hold 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
	Rupees		
Freehold land	345,790	-	345,790
Building on freehold land	8,974,760	5,483,233	3,491,527
June 30, 2011	9,320,550	5,483,233	3,837,317
June 30, 2010	9,060,620	5,305,246	3,755,374

11.2 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 the Company.

Note	2011 Rupees	2010 Rupees
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11.3 Depreciation for the year has been allocated as under:

Cost of sales	21	2,312,604	1,378,755
Administrative expenses	25	688,592	547,548
Other operating expenses	26	5,067,300	5,245,788
		8,068,496	7,172,091

11.4 Disposal of operating fixed assets

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

	Cost	Accumulated depreciation	Net book value	Sale price	Mode of disposal	Particulars of buyers
	Rupees					
Gas cylinder	98,420	55,949	42,471	260,000	Negotiation	Sami Pharma (Private) Limited
			Note	2011 Rupees		2010 Rupees (Restated)

12. DEFERRED TAX ASSET

Deferred debits arising due to:

- provision for bad debts	706,853	755,459
- long outstanding liabilities written back for tax purposes	-	1,273,352
- carried forward tax losses	8,658,748	16,926,422
	9,365,601	18,955,233

Deferred credits arising due to:

- accelerated depreciation on property, plant and equipment	(846,049)	(2,353,581)
- surplus on revaluation of property, plant and equipment	5.1 (5,953,155)	(6,266,479)
	(6,799,204)	(8,620,060)
	2,566,397	10,335,173



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	Note	2011 Rupees	2010 Rupees
13. STORES AND SPARES			
Stores		570,632	771,466
Spares		625,493	677,295
		<u>1,196,125</u>	<u>1,448,761</u>
14. STOCK-IN-TRADE			
Raw materials		799,273	733,913
Finished goods		1,910,305	2,478,928
Trading stock		70,940	45,460
		<u>2,780,518</u>	<u>3,258,301</u>
15. TRADE DEBTS - unsecured			
Considered good		9,081,798	12,996,320
Considered doubtful		2,019,581	2,158,453
		<u>11,101,379</u>	<u>15,154,773</u>
Provision for doubtful debts	15.1	<u>(2,019,581)</u>	<u>(2,158,453)</u>
		<u>9,081,798</u>	<u>12,996,320</u>
15.1 Provision for doubtful debts			
Opening balance		2,158,453	1,982,160
Reversal of provision for doubtful debts	23 & 25	<u>(138,872)</u>	<u>176,293</u>
Closing balance		<u>2,019,581</u>	<u>2,158,453</u>
15.2 Aging of past due but not impaired			
30-60 days		1,544,282	1,548,272
61-90 days		650,922	1,136,973
91-180 days		184,343	449,047
Over 180 days		384,312	384,312
		<u>2,763,859</u>	<u>3,518,604</u>
16. LOANS AND ADVANCES - Considered good			
Due from employees		218,500	61,500
Advances to suppliers		693,282	655,494
		<u>911,782</u>	<u>716,994</u>



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			2011 Rupees	2010 Rupees	
17. TRADE DEPOSITS					
Margin against bank guarantee			1,917,202	6,767	
Others			609,566	570,143	
			<u>2,526,768</u>	<u>576,910</u>	
18. OTHER FINANCIAL ASSETS - At fair value through profit or loss					
Fully paid listed shares / certificates of Rs. 10 each.					
	No. of Shares / Certificates				
	2011	2010	Company's Name		
			2011 Rupees	2010 Rupees	
	10,250	10,250	Schon Textile Mills Limited	6,663	6,662
	134	112	Fayal Bank Limited	1,241	1,597
	5,850	5,850	Schon Modaraba Limited	3,510	3,510
	1,103	883	Sui Southern Gas Pipelines Limited	23,902	14,049
	1,398	1,398	First Fidelity Leasing Modaraba Limited	2,041	2,097
	1,311	1,311	First Equity Modaraba Limited	1,639	1,639
	3,000	3,000	Crescent Fibers Limited	38,850	24,750
	419	419	Karachi Electric Supply Corporation Limited	901	934
	143	143	Bankers Equity Limited	-	-
	54	54	BOC Pakistan Limited	5,178	4,216
	516	516	SAMBA Bank Limited (formerly Crescent Commercial Bank Limited)	882	1,171
			<u>84,807</u>	<u>60,625</u>	
19. CASH AND BANK BALANCES					
Cash at bank					
- in current accounts			152,665	73,342	
- in PLS account			677	677	
Cash in hand			104,965	117,939	
			<u>258,307</u>	<u>191,958</u>	
20. SALES - NET					
Sales			226,589,632	240,916,820	
Less: Trade discount			368,603	211,516	
Sales tax			30,972,931	31,196,894	
			<u>(31,341,534)</u>	<u>(31,408,410)</u>	
			<u>195,248,098</u>	<u>209,508,410</u>	



	Note	2011 Rupees	2010 Rupees
21. COST OF SALES			
Raw material consumed	21.1	61,436,895	74,559,450
Salaries, wages and benefits	21.2	12,476,646	14,852,384
Power and water		53,645,553	56,927,089
Stores and spares consumed		4,341,633	4,342,090
Repairs, maintenance and handling		8,446,528	8,941,440
Insurance		1,519,652	972,463
Vehicles running and maintenance		489,520	526,611
Depreciation	11.3	2,312,604	1,378,755
Others		2,135,466	2,220,463
		146,804,497	164,720,745
Maintenance and other charges recovered		(841,197)	(1,935,582)
Cost of goods manufactured		145,963,300	162,785,163
Finished goods			
As at July 01,		2,478,928	1,015,230
As at June 30,		(1,910,305)	(2,478,928)
		568,623	(1,463,698)
		146,531,923	161,321,465
21.1 Raw material consumed			
Opening stock		733,913	439,749
Purchases		61,502,255	74,853,614
		62,236,168	75,293,363
Closing stock		(799,273)	(733,913)
		61,436,895	74,559,450
21.2	This includes charge in respect of staff retirement benefits amounting to Rs. 378,916 (2010: Rs. 385,862).		
22. PROFIT FROM TRADING ACTIVITIES - GASES			
Sales		221,256	857,014
Less: Sales tax		(32,148)	(118,209)
		189,108	738,805
Cost of sales	22.1	(101,000)	(638,576)
		88,108	100,229
22.1 Cost of sales			
Opening stock		45,460	45,460
Purchases		126,480	638,576
		171,940	684,036
Closing stock		(70,940)	(45,460)
		101,000	638,576



	Note	2011 Rupees	2010 Rupees
23. OTHER OPERATING INCOME			
From financial assets:			
Dividend income		4,568	486
Profit on deposit		109,095	1,760
Gain on disposal of property, plant and equipment		217,529	189,032
Reversal of provision for doubtful debts		138,872	-
		<u>470,064</u>	<u>191,278</u>
24. DISTRIBUTION COST			
Salaries and benefits	24.1	2,413,758	2,832,641
Transportation charges		274,673	294,535
Vehicles running and maintenance		633,254	590,688
Cooly and cartage		1,919,884	1,892,138
Insurance		40,051	40,812
Others		2,400	5,300
		<u>5,284,020</u>	<u>5,656,114</u>
24.1	This includes charge in respect of staff retirement benefits amounting to Rs. 153,686 (2010: Rs. 119,562).		
25. ADMINISTRATIVE EXPENSES			
Directors' remuneration and meeting fees		2,450,000	2,516,000
Salaries and benefits	25.1	4,323,329	5,206,055
Electricity, gas and water		529,275	383,505
Repairs and maintenance		486,227	550,468
Insurance		63,007	50,021
Rent, rates and taxes		137,359	104,575
Traveling and conveyance		723,440	358,420
Vehicles running and maintenance		664,921	576,032
Entertainment		105,991	130,933
Communication		334,352	319,948
Printing and stationery		242,336	189,611
Legal and professional charges		101,050	77,150
Auditors' remuneration	25.2	350,500	330,500
Fees, subscription and periodicals		296,338	313,651
Advertisement		75,210	57,902
Provision for doubtful debts	15.1	-	176,293
Donation	25.3	48,080	51,500
Depreciation	11.3	688,592	547,548
Others		11,747	19,294
		<u>11,631,754</u>	<u>11,959,406</u>
25.1	This includes charge in respect of staff retirement benefits amounting to Rs. 262,490 (2010: Rs. 234,306).		



		2011 Rupees	2010 Rupees
25.2 Auditors' remuneration			
Statutory audit fee		225,000	225,000
Half year review fee		75,000	75,000
Other services		20,000	-
Out of pocket expenses		30,500	30,500
		<u>350,500</u>	<u>330,500</u>
25.3	None of directors or their spouses had any interest in the donee.		
	Note	2011 Rupees	2010 Rupees (Restated)
26. OTHER OPERATING EXPENSES			
Workers' Welfare Fund		452,990	670,968
Workers' Profit Participation Fund	8.3	1,192,079	2,036,413
Depreciation of idle plant	11.3	5,067,300	5,245,788
		<u>6,712,369</u>	<u>7,953,169</u>
27. FINANCE COST	Note	2011 Rupees	2010 Rupees
Interest / mark-up on:			
Long-term financing		7,963,290	9,740,392
Liabilities against assets subject to finance lease		-	996,432
Short term borrowings		835,865	600,309
Provident fund		760,510	646,275
Workers' Profit Participation Fund	8.3	134,595	-
Interest / mark-up waived	9	(5,706,937)	(23,414,881)
Principal waived		(577,004)	(793,379)
Bank charges		63,560	71,001
		<u>3,473,879</u>	<u>(12,153,851)</u>
28. TAXATION	Note	2011 Rupees	2010 Rupees (Restated)
Current year			
For the year	28.1	2,039,876	1,051,236
Prior year		-	(532)
Deferred		7,768,777	(16,601,652)
		<u>9,808,653</u>	<u>(15,550,948)</u>



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	Note	2011 Rupees	2010 Rupees (Restated)
28.1	Relationship between income tax expense and accounting profit		
	Profit before taxation	<u>22,196,507</u>	<u>35,068,380</u>
	Tax at the enacted tax rate of 35%	7,768,777	12,273,933
	Tax effect of opening net deductible temporary differences	-	(28,875,585)
	Tax effect of minimum tax	2,039,876	1,051,236
	Prior year tax	-	(532)
		<u>9,808,653</u>	<u>(15,550,948)</u>

28.2 Income tax assessments of the Company have been finalised up to and including the tax year 2010 and are deemed to be assessment order u/s 120 of the Income Tax Ordinance, 2001.

29. EARNINGS PER SHARE - BASIC AND DILUTED

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

		2011	2010 (Restated)
Profit for the year - (2011)	Rupees	<u>12,387,854</u>	<u>50,619,328</u>
Weighted average number of Ordinary shares outstanding during the year		<u>7,139,998</u>	<u>6,820,464</u>
Earnings per share - (2011)	Rupees	<u>1.73</u>	<u>7.42</u>

30. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	Chief Executive		Director		Executive		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	Rupees							
Remuneration	735,480	735,480	812,904	735,480	1,080,000	1,256,000	2,628,384	2,726,960
Meeting fee	8,000	8,000	42,000	38,000	-	-	50,000	46,000
House rent	330,972	330,972	365,808	330,972	-	-	696,780	661,944
Exgratia	-	95,000	-	95,000	-	-	-	190,000
Utilities	73,548	73,548	81,288	73,548	-	-	154,836	147,096
Earned leave	-	-	-	-	-	-	-	-
	<u>1,148,000</u>	<u>1,243,000</u>	<u>1,302,000</u>	<u>1,273,000</u>	<u>1,080,000</u>	<u>1,256,000</u>	<u>3,530,000</u>	<u>3,772,000</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>3</u>	<u>3</u>

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. 749,107 (2010: Rs. 561,833).



31. TRANSACTIONS WITH RELATED PARTIES

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

Relationship with the Company	Nature of Transactions	2011 Rupees	2010 Rupees
Associated undertakings	Organization charges paid	103,430	87,120
	Loan repaid to Bawany Management (Private) Limited	500,000	1,500,000
	Loan repaid to R.A. Management	5,100,000	2,500,000
	Right Issue subscribed by Bawany Management (Private) Limited	6,806,480	-
Director	Loan repaid	1,500,000	406,950
	Loan received	406,950	-
Staff retirement fund	Loan received	5,000,000	-
	Loan repaid	(5,000,000)	-

32. FINANCIAL RISK MANAGEMENT

32.1 Financial instruments by category

FINANCIAL ASSETS

Loans and receivables

	2011 Rupees	2010 Rupees (Restated)
Long-term deposits	3,215,467	3,701,452
Trade debts	9,081,798	12,996,320
Loans and advances	218,500	61,500
Trade deposits	2,526,768	576,910
Cash and bank balances	258,307	191,958
	<u>15,300,840</u>	<u>17,528,140</u>

Fair value through profit or loss (FVTPL)

Other financial assets

	<u>84,807</u>	<u>60,625</u>
	<u>15,385,647</u>	<u>17,588,765</u>

FINANCIAL LIABILITIES

At amortized cost

Long-term deposits	32,826,665	30,643,636
Long-term financing	54,639,671	75,834,847
Trade and other payables	13,171,413	22,753,111
Interest / mark-up accrued	4,402,125	7,721,435
Short-term borrowings	7,580,046	10,184,187
	<u>112,619,920</u>	<u>147,137,216</u>



32.2 Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's financial risk management. The responsibility includes developing and monitoring the Company's risk management policies. To assist the Board in discharging its oversight responsibility, management has been made responsible for identifying, monitoring and managing the Company's financial risk exposures. The Company's exposure to the risks associated with the financial instruments and the risk management policies and procedures are summarised as follows:

32.2.1 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

a) Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The Company is not exposed to foreign currency risk as transactions in foreign currencies are not significant.

b) Interest rate risk

The interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not have significant interest bearing assets. Majority of the interest rate risk arises from Company's long-term debt and short-term borrowings from financial institutions. At the balance sheet date the interest rate profile of the Company's interest bearing financial liabilities is:

	Carrying Amount	
	2011 Rupees	2010 Rupees
Fixed rate instruments		
Long-term financing	43,315,929	47,333,551
Variable rate instruments		
Long-term financing	8,923,742	19,908,246
Short-term borrowings	7,580,046	9,684,187
	16,503,788	29,592,433
Fair value sensitivity analysis for fixed rate instruments		

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rate at the reporting date would not affect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by Rs. 165,038 (2010: Rs. 295,924). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.



c) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not significantly exposed to equity securities price risk because it has very small quantum of investment in equity securities that has been classified as fair value through profit or loss and have already been marked to market.

32.2.2 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. The Company does not have any significant exposure to a single customer.

Credit risk of the Company arises principally from long-term deposits and trade debts. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2011	2010
	Rupees	Rupees
Long-term deposits	3,215,467	3,701,452
Trade debts	9,081,798	12,996,320
Loans and advances	218,500	61,500
Trade deposits	2,526,768	576,910
Cash and bank balances	153,342	74,019
	<u>15,195,875</u>	<u>17,410,201</u>

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 are disclosed in note 15.2.

32.2.3 Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet commitments. The Company manages liquidity risk by maintaining sufficient cash and bank balances and the availability of financing through banking arrangements. As disclosed in note 6 to the financial statements, during prior year and current year, the Company has entered into various restructuring and settlement agreements with financial institutions to manage the liquidity. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:



	Rupees			Total
	Within 1 year	1 - 5 years	over 5 years	
2011				
Long-term financing	25,529,847	40,240,930	–	65,770,777
Long-term deposits	–	–	32,826,665	32,826,665
Trade and other payables	13,171,413	–	–	13,171,413
Interest / mark-up accrued	4,402,125	–	–	4,402,125
Short-term borrowings	7,580,046	–	–	7,580,046
	50,683,431	40,240,930	32,826,665	123,751,026
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	22,753,711	–	–	22,753,711
Interest / mark-up accrued	7,721,435	–	–	7,721,435
Short term borrowings	10,184,187	–	–	10,184,187
	78,316,342	54,991,412	30,643,636	163,951,390

33. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

Fair value hierarchy

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

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

As at June 30, 2011, other financial assets were categorised in level 1.

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



34. CAPITAL RISK MANAGEMENT

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

	2011	2010
	Cubic Meter	
35. PLANT CAPACITY AND ACTUAL PRODUCTION		
Production capacity (Triple Shift)		
Oxygen	4,233,000	4,233,000
Nitrogen	252,000	252,000
Dissolved acetylene	144,000	144,000
	<u>4,629,000</u>	<u>4,629,000</u>
Actual production		
Oxygen	3,966,625	3,010,803
Nitrogen	100,877	100,877
Dissolved acetylene	9,698	9,698
	<u>4,077,200</u>	<u>3,121,378</u>

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

36. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the board of directors of the Company and authorized for issue on September 29, 2011.

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

SIRAJ A. KADIR
Director



BAWANYAIR
PRODUCTS LIMITED

FORM OF PROXY

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

Please quote Folio No.

No. of Shares _____

I/We _____

of _____

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

of _____

(or failing him) _____

of _____

Who is also a member of the Company as a proxy to vote on my/our behalf at the 33rd Annual General Meeting of the Company to be held on October 25, 2011 at 12.00 noon and at any adjournment thereof.

Signed this _____ day of _____ 2011

Witness _____

Signature Across
Revenue Stamp

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



BAWANYAIR PRODUCTS LIMITED



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A BAWANY GROUP COMPANY