



BAWANYAIR
PRODUCTS LIMITED

THIRTY FIFTH
ANNUAL REPORT
2012-2013



TRIBUTE TO HONORABLE CHAIRMAN YAHYA AHMED BAWANY 1925-2009



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

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

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

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



BAWANYAIR
PRODUCTS LIMITED

35th ANNUAL REPORT

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COMPANY INFORMATION

BOARD OF DIRECTORS	Mr. Mohammad Ashraf Mr. M. Hanif Y. Bawany Mrs. Momiza Hanif Bawany Mr. Vali Mohammad M. Yahya Mr. Wazir Ahmed Jogezeai Mr. Zakaria A. Ghaffar Mr. Siraj A. Kadir	Chairman-Non Executive Director Chief Executive Officer Executive Director Non Executive Director Non Executive Director Non Executive Director Independent Director
AUDIT & HR COMMITTEE	Mr. Siraj A. Kadir Mr. Mohammad Ashraf Mr. Zakaria A. Ghaffar Mr. Muhammad Munir	Chairman Member Member Secretary to Audit Committee
HEAD OF INTERNAL AUDIT	Mr. Muhammad Munir	
CHIEF FINANCIAL OFFICER & COMPANY SECRETARY	Mr. Muhammad Hashim	
AUDITORS	M. Yousuf Adil Saleem & Co. Chartered Accountants	
BANKERS	Faysal Bank Limited United Bank Limited MCB Bank Limited	
SHARE REGISTRAR	C&K Management Associates (Pvt) Ltd. 404, Trade Tower, Abdullah Haroon Road, Karachi Tel: 35687839-35685930	
REGISTERED OFFICE	Khasra No. 52/53 R.C.D. Highway, Mouza Pathra, Tehsil Hub, Lasbella District, Balochistan. Tel : 0853 - 363287-8, 0853 - 363289 Fax: 0853 - 363290	
CITY OFFICE	16-C, 2nd Floor, Nadir House, I.I. Chundrigar Road, Karachi. Tel : 3240-0440 Fax : 3241-1986	



NOTICE OF MEETING

Notice is hereby given that the Thirty Fifth 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 Thursday 28th November 2013 at 12:00 Noon to transact the following business :

ORDINARY BUSINESS

1. To confirm the minutes of the 34th Annual General Meeting held on October 15, 2012.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2013 together with Directors and Auditor's Report thereon.
3. To appoint auditors for the year 2013-2014 and fix their remuneration.
4. To transact such other business as may be placed before the meeting with the permission of the chair.

Karachi
October 31, 2013

By order of the Board
Mohammad Hashim
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 November 28, 2013.
2. The register of members of the Company shall remain closed from November 16, 2013 to November 29, 2013. (Both days inclusive).
3. Proxies in order to be valid must be received at city office of the Company at Room No. 16-C, Nadir House, I. I. Chundrigar Road, Karachi not later than 48 hours before the meeting.
4. Members are requested not to bring children along with them, as they will not be allowed to sit in the meeting hall.
5. CDC account holders will further have to follow the following guide lines:

For Attending the Meeting:

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

For Appointing the Proxies:

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



CHIEF EXECUTIVE'S REVIEW

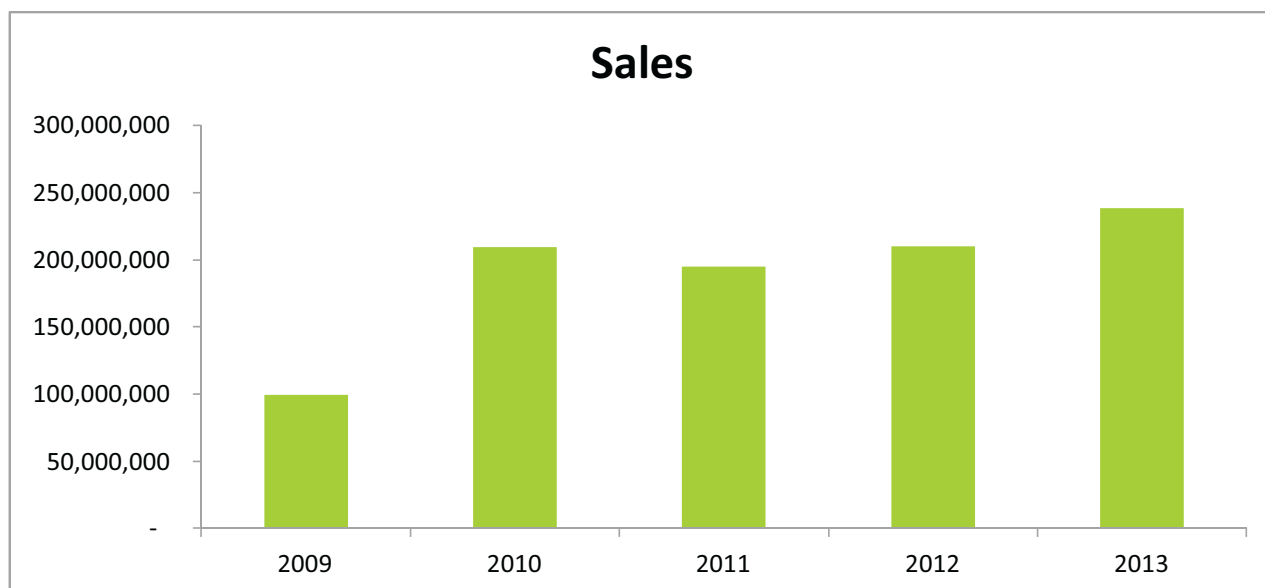
In the name of Almighty ALLAH the Most Merciful and the Most Benevolent.

My dear shareholders,

I feel extremely privileged to present you my review on the performance of your Company for the financial year ended June 30, 2013.

Year 2013 was very good for the Company as far as financial performance is concerned. Sales were the highest ever to record at Rs. 238 million. We have an ambition to grow and I believe where we are today is due to the utmost dedication, hard work and team effort of our employees.

We aim for the highest standards of performance and behavior in all our operations and aim to do business with integrity and dignity. Today we are in a perfect position to take the Company to a higher paradigm. The performance review presented in this report speaks for itself. MASHA ALLAH the stable growth in revenues as outlined in the graph below is the key achievement that we have attained by the grace of Almighty ALLAH.



The turnover crossed Rs. 230 million and infact it would have crossed Rs. 250 million mark if the last quarter disruption in plant due to electricity surge / jerks would not have happened. Unfortunately, in the last quarter of the year 2013, this growth in revenues was hindered by damage caused to one of the key components of our plant due to power fluctuations. The plant was partially shut down and the repair work was undertaken. The technical team and the engineers made rigorous efforts to complete the repair work on time but due to special nature of the component, it has taken longer. However, to date, the component has been successfully repaired and it is in process of being installed. I am quite hopeful that our plant will resume full operations soon INSHA ALLAH.

M. HANIF Y. BAWANY

Managing Director / Chief Executive Officer

Karachi: October 31, 2013



DIRECTORS' REPORT

The Directors are pleased to present their report together with the audited financial statements of the Company for the year ended June 30, 2013.

MILESTONES IN THE YEAR 2013

- Highest ever sales of Rs. 238 million - an increase of Rs. 28 million from last year;
- Un-appropriated profit has accumulated to Rs. 36 million - showing an increase of 60% from last year;
- The second hand imported plant was successfully run;
- Recovered a significant amount from doubtful trade debts;
- Long term Bank borrowings have reduced considerably as payments amounting to Rs. 19 million have been made during the year; and
- Earnings per share has improved from Rs. 1.02 in 2012 to Rs. 1.73 in 2013.

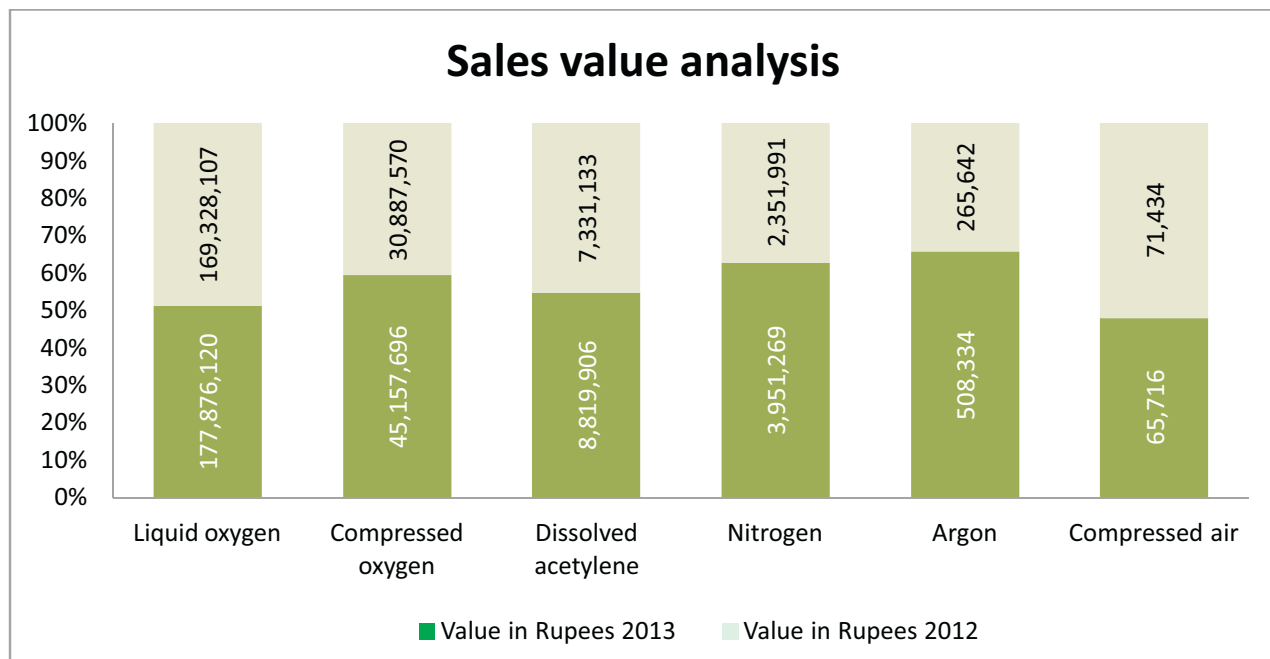
OVERVIEW

For the year ended June 30, 2013, the Company achieved a robust growth in revenues that amounted to Rs. 238 million. Similarly, gross profit was also the highest ever i.e. Rs. 58 million as against Rs. 49 million in 2012. An overview of the profit and loss account of the Company for the year ended June 30, 2013 compared with June 30, 2012 is as follows:

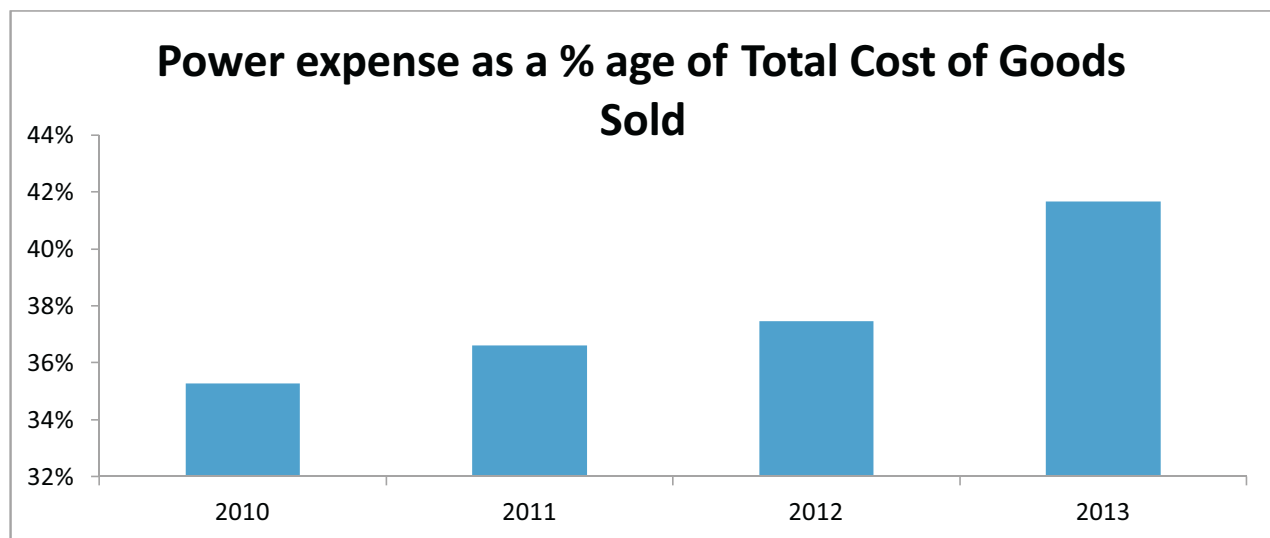
	2013 Rupees	2012 Rupees
Sales – net	238,519,422	209,970,235
Cost of sales	(180,808,699)	(161,021,007)
Gross profit	57,710,723	48,949,228
(Loss) / profit from trading activities - gases	(25,860)	132,722
Other income	921,376	1,099,391
Unrealized gain on revaluation of financial assets	59,246	2,074
Reversal of provision for doubtful debts	1,718,642	-
	60,384,127	50,183,415
Distribution cost	(6,504,045)	(6,943,260)
Administrative expenses	(16,137,009)	(15,034,070)
Other operating expenses	(6,304,552)	(5,871,356)
Finance cost - net	(9,489,514)	(7,047,695)
Profit before taxation	21,949,007	15,287,034
Taxation	(8,965,272)	(7,621,390)
Profit for the year	12,983,735	7,665,644

Turnover increased by Rs. 28 million. Compressed oxygen was the main contributor that showed an increase of Rs. 14 million. Next major increase in revenue was observed in liquid oxygen amounting to Rs. 8.5 million. The overall sales also increased.

Below analysis shows the revenue in monetary terms from individual products as compared from last year:



Although the sales increased by 14%, the cost of sales increased by 12%. This was mainly due to the fact that in current year; the Company was able to achieve better margins as compared to last year by controlling expenses and direct cost. However, the electricity tariff was increased quite a few times, this is another main factor that led to increase the cost of goods sold. Power and water expense constitute 42 % of the total cost of goods sold, in the last year, it was 37%. An analysis of power and water expense as a % age of total cost for last four years is as follows:



Other operating income has slightly decreased mainly due to lower profit on deposit kept with KESC. Distribution cost has also slightly decreased due to lower cartage expense. Administrative expenses have increased by Rs. 1.1 million i.e. approximately 7% mainly due to salary increments for both management staff and executive directors, plus the auditors remuneration was also revised to increase by Rs. 110,000.

Other operating expenses have increased mainly on account of higher charge in respect of Workers' Profit Participation Fund and Workers' Welfare Fund, which is in line with increase in profits.



60 TPD PIANT VIEW

Finance cost has increased by Rs. 2.4 million being 35%. If we look into the details (as mentioned in note 27 to these financial statements), the finance cost for last year was also approximately Rs. 9 million, it was the waiver interest / mark-up of Rs. 1.5 million on account of restructuring settlement with Invest Capital Investment Bank. Within finance cost, the interest on long term financing has increased by Rs. 1.7 million whereas the interest on short term borrowings has reduced considerably from 2012.

Provision for taxation has increased by Rs. 1.3 million i.e. approximately 18%. Despite increase in revenues, the charge for current taxation has decreased due to that fact that minimum tax was charged @ 0.5 % of turnover, earlier it was 1%. However, the charge for deferred tax has increased. This is due to increase in deferred credits on account of accelerated depreciation on property, plant and equipment.

The balance sheet has also improved. Current ratio has strengthened from 43% in 2012 to 66% in 2013. Long term borrowings have reduced by approximately Rs. 20 million. Equity has also increased by Rs. 13.5 million and has crossed the Rs. 100 million mark at end of 2013, which is a very healthy sign.

Cash flow maintenance and liquidity has improved to some extent but still it is the biggest challenge. Operating cash flows before working capital changes have increased approximately by Rs. 7 million but the working capital consumed a major portion of the cash flow and net cash generated from operating activities has decreased approximately by Rs. 4 million. Similarly, the net cash used in investing activities has increased approximately by Rs. 4 million mainly due to increase in capital expenditure incurred during the year on account of vehicles and furniture and fixtures for the office. Cash used in financing activities has decreased approximately by Rs. 8 million mainly due to increase in short term borrowings. In the last year, the running finance was utilized to the extent of Rs. 5 million whereas in the current year, it reached Rs. 8.6 million; plus new short term loans were taken from directors and an associated Company that also led to overall increase in short term borrowings. A positive sign over here is that your Company generated enough funds from its own sources to repay finance cost of Rs. 6.3 million and long term finance of Rs. 19.3 million. These bank borrowings are the main area that consumes our major cash flows.

To conclude our comments on the year 2013, we can say that overall your Company posted a strong performance in terms of revenues, profitability and the financial position.

MATERIAL INFORMATION

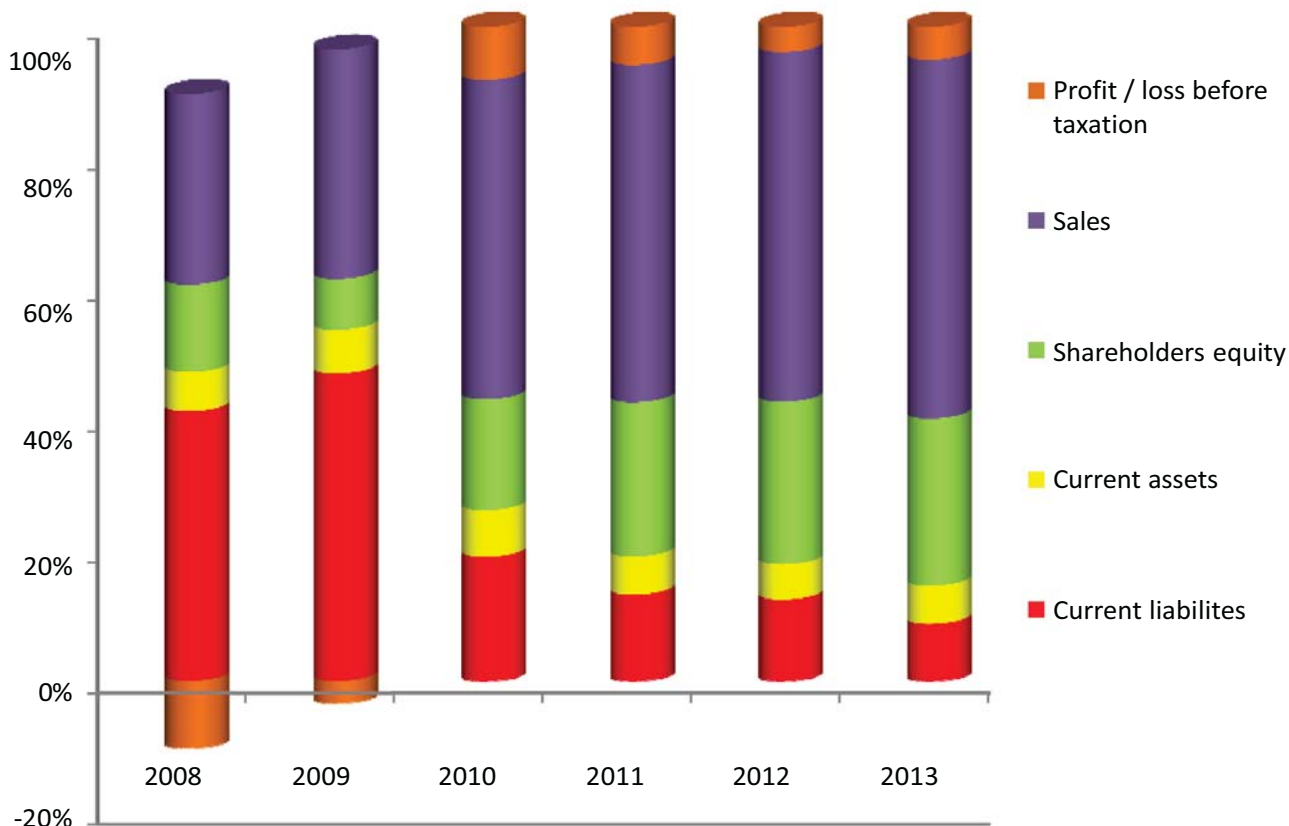
During the year, your Company was successfully able to run the second hand imported plant. This was achieved by the hard work and team effort of our technical engineers, factory workers, and management employees led by the CEO. However, after one full day of commercial production, due to frequent power outages and fluctuations in the electricity supply, the plant had to be intentionally closed on temporary basis. The management is quite hopeful that in near future, if the electricity supply gets stable, the new plant will be operated continuously.

Persuant to the election of Directors held during the year, Mr. Mohammad Ashraf was appointed as the Chairman of Board of Directors.

We draw your attention to the last paragraph of auditors report and note 1.2 to these financial statements in which it has been explained that during the last quarter, due to high electricity surge / jerks in power supply, one of the components of the Company's existing plant was damaged and the plant had to be partially closed. Due to this partial closure of plant, the production has suffered but in the meantime, the Company has managed to purchase semi-finished product from the market and then process it from its plant to sell and meet the demand of its customers.

Consequent to above condition, the revenue for the last quarter of the current year was lower than the first three quarters. Further, subsequent to the year end, the Company continued to face operational and financial problems. However, management has been making stringent efforts to repair the component and it is in process of installation. Significant efforts are being made to install the component at earliest so that the plant can resume full operations.

KEY OPERATING AND FINANCIAL DATA OF LAST 6 YEARS



From above graph, it is apparent that how your Company came out of difficult times. The red portion shows the current liabilities that were significantly higher in 2008 and 2009, with lower sales, equity and loss after tax and gradually till 2013 end, the red portion has reduced significantly and the sales, equity and profit all have improved to a great extent. This trend is expected to remain in the years ahead provided that the economic conditions in the country, inflation, power tariff and law and order situation remains stable.

CONTRIBUTION TO NATIONAL EX-CHEQUER

During the current fiscal year, the payment in respect of taxes was Rs. 5.1 million, creating sufficient tax refunds on part of taxation authorities. However, the procedural delays in the taxation department to process the refund claims and the temporary stoppage of refund claims by the present government has led to a significant amount of funds being blocked with government treasury. As at the end of year 2103, Rs. 3 million income tax refunds are due and moreover the refund for tax year 2012-13 is yet to be ascertained. Due to this blockage of funds, the Company had to arrange for the alternate sources of funds from the short term borrowings that cost additional mark-up and interest.

HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY SERVICES

Safety and well being of our people and sanctity of the environment is a permanent value. There is no compromise on this; as a result of this, like last year, there was no reportable injury in the year 2103. Your Company's management ensures that our operations are conducted to ensure that all applicable local laws are fully complied with. As a service to the community, your Company supplies medical gases to renowned hospitals like National Institute of Cardiovascular Diseases and National Institute of Child Health. We are committed to continue our service with the same motivation in future as well.



STRATEGY TO OVERCOME LIQUIDITY PROBLEMS

The management continues to make stringent efforts to overcome liquidity problems. The steps to overcome this problem include active monitoring of the working capital requirement and short-term borrowings. In addition, constant pursuit for recovery of receivables from Gaddani customers as well as Hospitals was made throughout the year. As a result of these efforts, the management was able to recover Rs. 1.7 million from doubtful trade debts.



OUR EMPLOYEES - OUR MAIN STRENGTH

Our human resource is our main strength. Infact we don't take our employees as a "resource", they are far beyond that and are an "asset" of our organisation. Our success is based on the multiplier effect of our people. Our passion for people drives us to harness their energies, cultivate and nature their talent, manage their well-being and most importantly, create a learning environment conducive for development and growth.

The continued stable performance of the Company is on accord of hard work and dedication of our management and team effort, which is led by the Managing Director.



BULK LIQUID STORAGE TANK.

ELECTRIC PANEL

LIQUID STORAGE AND TRANSPORT TANK.

BUSINESS RISKS MANAGEMENT

The Board has an overall responsibility for ensuring that an effective risk management process is in place. This encompasses identification and prioritization of strategic, financial, operational and legal business risks and ensuring appropriate controls to mitigate these risks.

WAY FORWARD

In the years ahead, we look to set ourselves new standards in terms of customer service levels and service to the communities. The energy crisis and the un-reasonable increase in power tariff coupled with deteriorating law and order situation in the country continue to remain the main challenge for industries in Pakistan. Moreover, high inflation and slow economic growth due to internal instability and external factors has created a very tough environment for the business community to survive.

We continue to monitor these challenges closely and with strict focus on product and customers. Despite all these difficulties, we are focused and determined to perform well in the year 2014 and have robust plans to continue with the growth momentum.

BOARD OF DIRECTORS

During the year, the election of directors was held and all the retiring directors have been re-elected. Therefore, there has been no change in the composition of the Board. However, as per the revised requirements of Code of Corporate governance, the Board has decided to appoint the Chairman separately from amongst the non-executive directors and accordingly, Mr. Muhammad Ashraf has been designated as the Chairman of the Board.

AUDITORS

The 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.



OTHER INFORMATION

During the year, due to the unprecedented turnover of finance department staff and senior executive of the Company and worsening law order situation in the city of hub specially where the Industrial unit of the Company and Registered Office are located, the management could not complete the books of account for the financial year ended June 30, 2013 within the prescribed time frame. Therefore, an extension in holding of Annual General Meeting was sought from the Securities and Exchange Commission of Pakistan and accordingly, the Annual General Meeting for the year 2013 is scheduled to be held on November 28, 2013.

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 judgment.
- d) International accounting standards, as applicable in Pakistan, have been followed in preparation of financial statement.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There are no significant doubts on 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, exceptions, if any have been notified in the statement of Compliance with Code of Corporate Governance;
- h) Key operating and financial data for the last ten years have been summarized.

Following amounts were receivable in respect of income tax refundable that was outstanding as at June 30, 2013.

Advance Income tax	Rs. 4,597,705	This represents advance tax net of approximate provision of tax on income earned during the year and it will be adjusted / added with income tax refundable at the time of income tax assessment for the year 2012-13.
Income tax refundable	Rs. 3,098,846	This represents outstanding refundable income tax for the years 2008-09, 2009-10 and 2010-11

- i) The value of investments of provident fund is Rs. 10,083,323 based on latest management accounts of the provident fund.
- j) During the year five (5) meetings of the Board of Directors were held. Attendance by each Director is as follows.



Name of the Directors	No of meetings attended
Mr. M. Hanif Y. Bawany	5
Mrs. Momiza Hanif Bawany	5
Mr. Vali Mohammad M. Yahha	5
Mr. Muhammad Ashraf	5
Mr. Wazir Ahmed Jomezai	1
Mr. Zakaria A. Ghaffar	5
Mr. Siraj A. Kadir	5

Leave of absence was granted to Director(s) who could not attend some of the Board meetings.

- k) The pattern of shareholding is annexed.
- l) Chief Executive and no other Directorrs have purchased any shares of the Company.

ACKNOWLEDGEMENT

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

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

Thanking you all

On behalf of the Board

M. HANIF Y. BAWANY
Chief Executive Officer
Karachi: October 31, 2013

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 (the Code) contained in the Regulation No. 35 of listing regulations 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 and directors representing minority interests on its Board of Directors (the Board). At present the board includes:

Category	Names
Independent Director	Siraj A. Kadir
Executive Directors	M. Hanif Y. Bawany (CEO) Momiza Hanif Bawany
Non-Executive Directors	Muhammad Ashraf (Chairman) Wali Mohammad Yahya Wazir Ahmed Jogezai Zakaria A. Ghaffar

The independent director meet the criteria of independence under clause (i)(b) of the Code.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loans to a banking company, a DFI or an NBF1 or, being a member of a stock exchange, has been declared as defaulter by that stock exchange.
4. No casual vacancy has occurred on the Board during the year.
5. The Company has prepared a 'Code of Conduct' and has ensured that the appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
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, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board/shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In accordance with the criteria specified in clause (xi) of the Code, all directors of the Company are exempt from the requirement of Directors' Training Program.
10. The Board has approved the appointment of the Chief Financial Officer (CFO) and the Company Secretary, including their remuneration and terms and conditions of employment.
11. The Directors' 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.

12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.
13. 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.
14. The Company has complied with all the corporate and financial reporting requirements of Code.
15. The Board has formed an Audit Committee which comprises of three members, of whom all are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of 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.
17. The Board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is an independent director.
18. The Board has outsourced the internal audit function to a firm of Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
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 ICAP, 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 the code of ethics as adopted by the ICAP.
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 auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim and final results, and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to directors, employees and stock exchange.
22. Certain material / price sensitive information which were required to be disseminated among all market participants at once through Stock Exchange, were not timely disseminated.
23. We confirm that all other material principles enshrined in Code have been complied with.

Karachi
October 31, 2013

M. HANIF Y. BAWANY
Chief Executive Officer

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

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended June 30, 2013 prepared by the Board of Directors of Bawany Air Products Limited (the Company) to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all the risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, the Listing Regulation No. 35 notified by The Karachi Stock Exchange Limited require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required to ensure 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 are not required to carry 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 does not appropriately reflect the status of the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2013.

We draw attention to the paragraphs 22 of the annexed Statement wherein the company has disclosed non-compliance related to timely dissemination of certain material information to the stock exchange.

Chartered Accountants

Engagement Partner:
Nadeem Yousuf Adil

Karachi:
October 31, 2013



KEY OPERATING AND FINANCIAL DATA FOR THE DECADE

PARTICULARS	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
			Re-stated	Re-stated	Re-stated					
FINANCIAL POSITION										
Shareholders' equity	111,064,409	97,555,521	89,337,084	72,880,918	22,163,784	31,537,037	36,441,115	48,630,166	40,720,157	53,955,700
Surplus on revaluation	16,887,424	19,757,278	20,310,071	20,891,958	-	-	-	-	-	-
Non-current liabilities	49,260,469	50,876,878	66,738,250	74,644,645	49,453,103	75,202,407	99,347,231	57,703,787	62,792,464	53,454,862
Current liabilities	38,068,182	48,959,376	50,044,397	81,597,491	133,411,522	97,552,902	61,814,900	82,157,064	56,827,916	23,918,270
Total Equity and Liabilities	215,280,484	217,149,053	226,429,802	250,015,012	205,028,409	204,292,346	197,603,246	188,491,017	160,340,537	131,328,832
Property, plant and equipment	186,819,834	192,839,499	198,640,179	205,418,500	182,695,197	186,609,105	183,837,067	172,422,322	144,768,143	114,445,180
Long term deposits	3,215,467	3,215,467	3,215,467	3,701,452	3,454,477	3,559,084	1,481,084	1,566,409	646,798	584,298
Deferred tax asset	-	-	2,566,397	10,335,173	-	-	-	-	-	-
Current assets	25,245,183	21,094,087	22,007,759	30,559,887	18,878,735	14,124,157	12,285,095	14,502,286	14,925,596	16,299,354
Total Assets	215,280,484	217,149,053	226,429,802	250,015,012	205,028,409	204,292,346	197,603,246	188,491,017	160,340,537	131,328,832

FINANCIAL PERFORMANCE

Net sales	238,519,422	209,970,235	195,248,098	209,508,410	99,444,707	68,816,730	63,744,076	51,121,956	51,791,891	69,000,108
Cost of sales	(180,808,699)	(161,021,007)	(146,531,923)	(161,321,465)	(75,171,324)	(61,551,958)	(58,422,893)	(53,872,809)	(51,075,278)	(57,397,093)
Gross profit	57,710,723	48,949,228	48,716,175	48,186,945	24,273,383	7,264,772	5,321,183	(2,750,853)	7,16,613	11,603,015
Trading (loss) / profit	(25,860)	132,722	88,108	100,229	57,652	425,292	959,622	279,831	696,787	661,284
Expenses - net of other income	(26,246,342)	(26,747,221)	(23,057,704)	(25,372,645)	(15,847,335)	(15,586,102)	(14,478,919)	(7,287,917)	(13,268,238)	(12,705,028)
Profit / (loss) before interest and tax	31,438,521	22,334,729	25,746,579	22,914,529	8,483,700	(7,896,038)	(8,198,114)	(9,758,939)	(11,854,838)	(440,729)
(Finance cost) / Income - net	(9,489,514)	(7,047,695)	(3,473,879)	12,153,851	(17,856,101)	(16,166,362)	(3,646,959)	(2,126,148)	(1,099,809)	(838,701)
Profit / (loss) before tax	21,949,007	15,287,034	22,272,700	35,068,380	(9,372,401)	(24,062,400)	(11,845,073)	(11,885,087)	(12,954,647)	(1,279,430)
Tax	(8,965,272)	(7,821,390)	(9,808,653)	15,550,948	(852)	(328,718)	(343,978)	(265,094)	(280,896)	2,225,403
Profit / (loss) after tax	12,983,735	7,665,644	12,464,047	50,619,328	(9,373,253)	(24,391,118)	(12,189,051)	(12,150,181)	(13,235,543)	945,973

STATISTICS AND RATIO

Gross profit %	24%	23%	25%	23%	24%	11%	8%	-	1%	17%
Profit before tax to total sales %	9%	7%	11%	17%	-	-	-	-	-	-
Profit after tax to total sales %	5%	4%	6%	24%	-	-	-	-	-	1%
Current ratio	66%	43%	44%	37%	14%	14%	20%	18%	26%	68%
Asset turnover ratio	128%	109%	98%	102%	54%	37%	35%	30%	36%	60%
Current Assets Turnover - times	10.29	9.74	7.95	8.48	6.03	5.21	4.76	3.47	3.32	4.23
Debt equity ratio	19%	41%	61%	104%	338%	253%	223%	114%	168%	106%
Return on equity before tax %	20%	16%	25%	48%	-	-	-	-	-	-
Return on equity after tax %	12%	8%	14%	69%	-	-	-	-	-	2%
Interest Cover	3.31	3.17	7.41	-	0.48	-	-	-	-	-
Earning per share (Rs.)	1.73	1.02	1.75	7.42	(1.37)	(3.94)	(2.36)	(2.53)	(4.16)	0.33
Price earning ratio	9	7	4	2	-	-	-	-	-	56
Market price per share at year end	14.73	7.22	6.75	11.25	6.75	15.64	14.50	16.75	13.00	18.50
Cash dividend	-	-	-	5%	-	-	-	-	-	-
Stock dividend	-	-	-	-	-	-	-	-	-	-



**PATTERN OF SHAREHOLDING BY THE SHARE HOLDERS
AS AT JUNE 30 2013**

No. of Share Holders	Shareholding of Shares		Share Held
	From	To	
256	1	100	6,963
161	101	500	47,821
62	501	1,000	49,535
121	1,001	5,000	313,221
23	5,001	10,000	183,995
10	10,001	15,000	126,702
6	15,001	20,000	108,555
4	20,001	25,000	83,300
5	25,001	30,000	133,000
1	35,001	40,000	37,100
2	40,001	45,000	86,105
3	45,001	50,000	149,094
2	55,001	60,000	114,100
3	60,001	65,000	188,880
2	65,001	70,000	135,500
3	70,001	75,000	214,616
1	75,001	80,000	78,308
2	85,001	90,000	178,900
2	95,001	100,000	200,000
1	135,001	140,000	139,531
1	160,001	165,000	162,110
2	195,001	200,000	399,330
1	230,001	235,000	232,000
1	280,001	285,000	281,570
1	295,001	300,000	299,000
1	330,001	335,000	330,028
1	350,001	355,000	353,352
1	370,001	375,000	374,001
1	590,001	595,000	592,149
1	680,001	685,000	680,648
1	1,220,001	1,225,000	1,223,096
682			7,502,510

S.No.	CATAGORIES OF SHARE HOLDERS	NUMBER OF SHARE HOLDERS	NUMBER OF SHARES OF RS. 10/- EACH	PERCENTAGE OF ISSUED CAPITAL
1	INDIVIDUALS	656	4,826,854	64.34%
2	INVESTMENT COMPANIES	1	100	0.00%
3	INSURANCE COMPANIES	1	16,260	0.22%
4	JOINT STOCK COMPANIES	19	2,322,189	30.95%
5	FINANCIAL INSTITUTIONS	1	42	0.00%
6	CHARITABLE TRUSTS	1	330,028	4.40%
7	TRADING	1	5	0.00%
8	EMPLOYEES PENSION FUND	1	6,794	0.09%
9	EMPLOYEES BENEVOLENT FUND	1	238	0.00%
		682	7,502,510	100%

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

NIT/ICP

National Bank of Pakistan, Trustee Wing	150,865
Investment Corporate of Pakistan	100

DIRECTORS, CEO AND THEIR SPOUSE

Mr. M. Hanif Y. Bawany	Director/Chief Executive	1,223,096
Mr. Wali Mohammad M. Yahya	Director	338,861
Mr. Siraj A. Kadir	Director	17,945
Mr. Zakaria Abdul Ghaffar	Director	3,581
Mrs. Momiza Hanif Bawany	Director	443,680
Mr. Wazir Ahmed Jogezaei	Director	3,581
Mr. Mohammad Ashraf	Director/Chairman	1,190

EXECUTIVE

Nil

PUBLIC SECTOR COMPANIES & CORPORATION

Nil

**BANK DEVELOPMENT FINANCE INSTITUTES,
NON BANKING FINANCIAL INSTITUTION,
INSURANCE COMPANIES, MODARABAS AND
MUTUAL FUNDS**

Nil

SHAREHOLDERS HOLDING 5% MORE

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

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Bawany Air Products Limited (the Company) as at June 30, 2013 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 accounts 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, 2013 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

We draw attention to note 1.2 to the financial statements related to the status of Company's plant and machinery and the efforts being made by management to restore full production. Our opinion is not qualified in respect of this matter.

Chartered Accountants

Audit Engagement Partner
Nadeem Yousuf Adil

Date:
Place:Karachi


BALANCE SHEET AS AT JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised capital 15,000,000 (2012: 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	75,025,104
Unappropriated profit		36,039,305	22,530,417
		111,064,409	97,555,521
Surplus on revaluation of property, plant and equipment - net	5	16,887,424	19,757,278
LIABILITIES			
Non Current Liabilities			
Deferred tax liability	6	8,654,652	2,952,633
Long-term financing	7	9,803,859	18,203,666
Long-term deposits	8	30,801,958	29,720,579
		49,260,469	50,876,878
Current Liabilities			
Trade and other payables	9	13,146,829	21,978,153
Interest / mark-up accrued	10	3,264,946	87,235
Short-term borrowings	11	10,783,013	5,036,712
Current portion of long-term financing	7	10,873,394	21,857,276
		38,068,182	48,959,376
Total Liabilities		87,328,651	99,836,254
Total Equity and Liabilities		215,280,484	217,149,053

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

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

SIRAJ A. KADIR
 Director



	Note	2013 Rupees	2012 Rupees
ASSETS			
Non Current Assets			
Property, plant and equipment	12	186,819,834	192,839,499
Long-term deposits		3,215,467	3,215,467
		190,035,301	196,054,966
Current Assets			
Stores and spares	13	1,405,692	1,095,613
Stock-in-trade	14	2,717,983	1,477,922
Trade debts	15	6,947,148	8,244,778
Loans and advances	16	1,318,100	1,447,695
Advance tax		4,597,705	1,981,860
Trade deposits and other receivables	17	4,185,283	4,187,870
Other financial assets	18	146,127	86,881
Income tax refundable		3,098,846	1,714,632
Cash and bank balances	19	828,299	856,836
		25,245,183	21,094,087
Total Assets		215,280,484	217,149,053

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

SIRAJ A. KADIR
 Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 ----- Rupees -----	2012 ----- Rupees -----
Sales - net	20	238,519,422	209,970,235
Cost of sales	21	(180,808,699)	(161,021,007)
Gross profit		57,710,723	48,949,228
(Loss) / profit from trading activities - gases	22	(25,860)	132,722
Other income	23	921,376	1,099,391
Unrealized gain on revaluation of financial assets		59,246	2,074
Reversal of provision for doubtful debts	15.1	1,718,642	-
		60,384,127	50,183,415
Distribution cost	24	(6,504,045)	(6,943,260)
Administrative expenses	25	(16,137,009)	(15,034,070)
Other operating expenses	26	(6,304,552)	(5,871,356)
Finance cost - net	27	(9,489,514)	(7,047,695)
Profit before taxation		21,949,007	15,287,034
Taxation	28	(8,965,272)	(7,621,390)
Profit for the year		12,983,735	7,665,644
Other comprehensive income		-	-
Total comprehensive income for the year		12,983,735	7,665,644
Earnings per share - basic and diluted	29	1.73	1.02

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, 2013

	Note	2013 ----- Rupees -----	2012 -----
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		21,949,007	15,287,034
Adjustments:			
Depreciation of property, plant and equipment		7,315,482	7,406,872
Gain on disposal of property, plant and equipment		(907,996)	(1,000,913)
Waiver of accrued mark-up on financing facilities		-	(1,539,345)
Unrealised gain on revaluation of other financial assets		(59,246)	(2,074)
Finance cost		9,489,514	8,587,040
Provision for compensated absences		334,773	1,083,964
Reversal of provision for doubtful debts		(1,718,642)	-
Interest income		(7,000)	(98,100)
Dividend income		(6,380)	(378)
Operating cash flows before working capital changes		36,389,512	29,724,100
Working capital changes			
(Increase) / decrease in current assets			
Stores and spares		(310,079)	100,512
Stock-in-trade		(1,240,061)	1,302,596
Trade debts		3,016,272	837,020
Loans and advances		129,595	(535,913)
Trade deposits and other receivables		2,587	1,791,920
		1,598,314	3,496,135
Increase / (decrease) in current liabilities			
Trade and other payables		(9,166,097)	3,560,049
Net cash generated from operations		28,821,729	36,780,284
Finance cost paid		(6,311,803)	(11,362,585)
Income tax paid		(5,193,089)	(4,084,220)
Net cash generated from operating activities		17,316,837	21,333,479
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(5,854,745)	(1,923,279)
Proceeds from disposal of property, plant and equipment		1,052,000	1,318,000
Dividend income received		6,380	378
Interest income received		7,000	98,100
Net cash used in investing activities		(4,789,365)	(506,801)



	Note	2013 ----- Rupees -----	2012 -----
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term deposits - liabilities - net		1,081,379	(3,106,086)
Repayment of long-term finance		(19,383,689)	(14,578,729)
Short-term borrowings - net		5,746,301	(2,543,334)
Net cash used in financing activities		(12,556,009)	(20,228,149)
Net decrease in cash and cash equivalents (A+B+C)		(28,537)	598,529
Cash and cash equivalents at beginning of the year		856,836	258,307
Cash and cash equivalents at end of the year		828,299	856,836

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, 2013

	Issued, subscribed and paid-up capital	Unappropriated profit	Total
	----- Rupees -----		
Balance as at July 1, 2011	75,025,104	14,311,980	89,337,084
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	552,793	552,793
Total comprehensive income for the year ended June 30, 2012			
Profit for the year	-	7,665,644	7,665,644
Other comprehensive income for the year	-	-	-
	-	7,665,644	7,665,644
Balance as at June 30, 2012	75,025,104	22,530,417	97,555,521
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	525,153	525,153
Total comprehensive income for the year ended June 30, 2013			
Profit for the year	-	12,983,735	12,983,735
Other comprehensive income for the year	-	-	-
	-	12,983,735	12,983,735
Balance as at June 30, 2013	75,025,104	36,039,305	111,064,409

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

1. GENERAL INFORMATION

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

1.2 During the last quarter of the current year, due to high electricity surge / jerks in power supply, one of the components of the Company's existing plant was damaged and the plant had to be partially closed. Due to this partial closure of plant, the production has suffered but in the meantime, the Company has managed to purchase semi-finished product from the market and then process it from its plant to sell and meet the demand of its customers, however, it is earning lower margins on these sales.

Consequent to above condition, the revenue for the last quarter of the current year was lower than the first three quarters resulting in the Company incurring a loss before tax in the last quarter. Further, subsequent to the year end, the Company continued to face operational and financial problems and has incurred a loss in the first quarter of financial year 2013-14.

Management has been making efforts to repair the component and is hopeful that the plant will resume full operations shortly and the profits of the Company will improve.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Critical judgments and accounting estimates in applying the accounting policies

The preparation of financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis



of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

- (i) Revaluation of freehold land and building and review of useful life and residual value of property, plant and equipment (note 3.5 and 12);
- (ii) Provision for impairment of trade debts and other receivable (note 3.9 and 15.1);
- (iii) Impairment of assets (note 3.11); and
- (iv) Provision for taxation (note 3.15, 6 and 28).

2.5 New, revised and amended standards and interpretations

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

The amendment to following standard is effective for the year ended June 30, 2013. This amendment does not have significant impact on the Company's financial statements other than certain additional disclosures.

Amendment to IAS 1	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
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2.5.2 Standards, amendments and interpretations to the published approved accounting standards not yet effective

The following standards, amendments and interpretations are effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Standards/Amendments/Interpretations	Effective Date (accounting periods beginning on or after)
Amendments to IAS 1	Presentation of Financial Statements – Clarification of Requirements for Comparative information
Amendments to IAS 16	Property, Plant and Equipment – Classification of servicing equipment
Amendments to IAS 19	Employee Benefits
Amendments to IAS 32	Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity
	January 1, 2013
	January 1, 2013
	January 1, 2013
	January 1, 2013



		Effective Date (accounting periods beginning on or after)
Amendments to IAS 32	Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	January 1, 2014
Amendments to IAS 34	Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities	January 1, 2013
Amendments to IFRS 7	Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities	January 1, 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Employee benefits

3.1.1 Defined contribution plan

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

3.1.2 Compensated absences

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

3.2 Trade and other payables

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

3.3 Provisions

Provisions are recognised 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 amortised cost. Borrowing costs are recognised 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 capitalised as part of the cost of that asset.

3.5 Property, plant and equipment

3.5.1 Operating assets

Property, plant and equipment except freehold land and building thereon are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land is stated at revalued amount and building on freehold land is stated at revalued amount less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the asset.

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 the profit and loss account applying the reducing balance method over assets estimated useful lives at the rates mentioned in note 12.1. Depreciation on additions is charged from the month the asset is available for use upto the month prior to disposal.

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

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



3.5.2 Capital work-in-progress

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

3.6 Investments

Regular way purchase or sale of investments

All purchase and sale of investments that require delivery within the time frame established by regulations or market convention are recognised 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 recognised 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-recognised 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 realisable 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 realisable 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 realisable 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 recognised 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 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 recognised when the Company becomes a party to the contractual provisions of the instrument and de-recognised 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 recognised amounts and the Company intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

3.14 Revenue recognition

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

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

Dividend income is recognised 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. For income covered under final tax regime, taxation is based on applicable tax rates under such regime. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year.

Deferred

Deferred income tax is recognised 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.

Deferred income tax asset is recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, if any, to the extent that it is probable that taxable profits or taxable temporary differences will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised. 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

3.16 Dividend and appropriation to reserves

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

3.17 Foreign currencies

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

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

4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2013	2012		2013	2012
No. of Shares			Rupees	Rupees
Ordinary shares of Rs.10/- each :				
5,336,769	5,336,769	- Fully paid in cash	53,367,694	53,367,694
250,000	250,000	- For consideration other than cash	2,500,000	2,500,000
1,915,741	1,915,741	- Fully paid bonus shares	19,157,410	19,157,410
7,502,510	7,502,510		75,025,104	75,025,104



4.1 As at June 30, 2013, Bawany Management (Private) Limited, an associate company held 1,626,149 (2012: 1,626,149) ordinary shares of Rs. 10/- each.

	Note	2013 Rupees	2012 Rupees
5. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net			
Surplus on freehold land	5.1	10,754,210	9,254,210
Surplus on building on freehold land	5.2	6,133,214	10,503,068
Balance as at June 30		16,887,424	19,757,278
5.1 Movement of surplus on freehold land			
Revaluation surplus as at July 01		9,254,210	9,254,210
Surplus arising on revaluation carried out during the year		1,500,000	-
		10,754,210	9,254,210
5.2 Movement of surplus on building on freehold land			
Revaluation surplus as at July 01		16,158,565	17,009,016
Deficit arising on revaluation carried out during the year		(5,914,924)	-
		10,243,641	17,009,016
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of tax		(525,153)	(552,793)
Related deferred tax liability on incremental depreciation charged during the year		(282,775)	(297,658)
Revaluation surplus as at June 30		9,435,713	16,158,565
Less: Related deferred tax liability on:			
- revaluation as at July 01		(5,655,497)	(5,953,155)
- deficit arising on revaluation during the year		2,070,223	-
- incremental depreciation charged during the year on related assets transferred to profit and loss account		282,775	297,658
	6	(3,302,499)	(5,655,497)
		6,133,214	10,503,068



6. DEFERRED TAX LIABILITY	Note	2013 Rupees	2012 Rupees
Deferred debits arising due to:			
- provision for bad debts		(105,329)	(706,853)
- carried forward tax losses		(228,849,924)	(1,639,901)
- accelerated depreciation on property, plant and equipment		-	(356,110)
- Provision for liabilities		(496,558)	-
		(23,451,811)	(2,702,864)
Deferred credits arising due to:			
- accelerated depreciation on property, plant and equipment		28,803,964	-
- surplus on revaluation of property, plant and equipment	5.2	3,302,499	5,655,497
		32,106,463	5,655,497
		8,654,652	2,952,633
7. LONG-TERM FINANCING			
Secured			
From banking companies and other financial institutions			
Orix Investment Bank Limited	7.1	16,466,891	21,322,527
KASB Bank Limited	7.2	1,406,332	5,273,800
Invest Capital Investment Bank	7.3	2,804,030	7,649,371
Escort Investment Bank Limited	7.4	-	4,915,244
		20,677,253	39,160,942
Unsecured - interest free			
From an associated undertaking - R. A. Management			
		-	900,000
		20,677,253	40,060,942
Less: Current portion			
Overdue installments	7.5	(2,473,590)	-
Installments due in next 12 months		(8,399,804)	(21,857,276)
		(10,873,394)	(21,857,276)
		9,803,859	18,203,666

7.1 The rescheduled loan amount carries mark-up at the rate of 15% per annum and is repayable in 72 equal monthly installments starting from November 2009. This loan is secured by way of first ranking pari passu charge over land and all construction thereon. In addition, personal guarantees and indemnities executed by the Chief Executive in favour of Orix Leasing Pakistan Limited shall remain valid as securities till the repayment of rescheduled loan amount.



- 7.2 The rescheduled loan amount carries mark-up at the rate of 14% per annum and is repayable in 40 equal installments starting from June 2010. This loan is secured by way of first ranking pari passu charge over land and all construction thereon.
- 7.3 In the previous year, the loan was restructured / rescheduled and is repayable in 24 monthly installments starting from September 24, 2011. The loan is secured by way of mortgage of immovable properties and all present and future assets of the Company and carries interest at the rate of 25.60% per annum.
- 7.4 During the year on November 14, 2012, the Sindh High Court issued an order whereby the Company was directed to deposit installments so as to discharge the entire liability within a period of six months from the order date. Accordingly, the Company has paid the entire outstanding principal amount. In addition, due to the delay in the principal repayment in the previous years, the company is also required to make payment of Rs. 4.069 million in respect of cost of funds out of which Rs. 1.3 million as been paid during the year.
- 7.5 As at June 30, 2013, the Company has not paid on due dates one installment each of Orix Investment Bank Limited constituting principal and markup amounting to Rs. 475,212 and Rs. 205,836 respectively and of KASB Bank Limited constituting principal and markup amounting to Rs. 351,588 and Rs. 16,407 respectively and three installments of Invest Capital Investment Bank constituting principal and markup amounting to Rs. 1,646,790 and Rs. 144,810 respectively. The overdue principal is included in the current maturity.

Subsequent to year end, the Company has also made part payments and up to the date of authorisation of these financial statements the aggregate overdue amount of principal and markup amounts to Rs. 3,340,263 and Rs. 612,765 respectively.

8. LONG-TERM DEPOSITS

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

	Note	2013 Rupees	2012 Rupees
9. TRADE AND OTHER PAYABLES			
Creditors		1,307,777	471,119
Accrued liabilities		5,659,737	12,543,714
Advance from customers		1,006,175	163,913
Payable to Provident Fund	9.1	593,057	1,776,398
Provision for compensated absences		1,418,737	1,083,964
Retention money payable		-	253,973
Sales tax payable		379,226	3,251,767
Unclaimed dividend		1,217,429	1,217,429
Withholding income taxes		35,710	82,895
Payable to Workers' Profit Participation Fund	9.2	1,178,787	821,001
Payable to Workers' Welfare Fund		350,194	311,980
		13,146,829	21,978,153

- 9.1 This represents equal contribution of the Company and the employees. Interest is charged @ 12% (2012: 12%) per annum on the funds utilized by the Company.



	Note	2013 Rupees	2012 Rupees
9.2 Workers' Profits Participation Fund (WPPF)			
At the beginning of the year		821,001	1,192,079
Allocation for the year	26	1,178,787	821,001
Allocation for prior year	26	102,570	-
		2,102,358	2,013,080
Interest on funds utilised in Company's business	27	151,043	-
		2,253,401	2,013,080
Less: amount paid		(1,074,614)	(1,192,079)
At the end of the year		1,178,787	821,001
10. INTEREST / MARK-UP ACCRUED			
On long-term loans	10.1	3,136,417	-
On short-term borrowings		128,529	87,235
		3,264,946	87,235
10.1 This includes Rs. 2.769 million payable to Escort Investment Bank Limited (note 7.4)			
11. SHORT-TERM BORROWINGS			
Secured - From Banking Companies			
Running finance	11.1	8,658,013	5,036,712
Unsecured - From Related Parties			
Associated undertaking - Bawany Management (Private) Limited	11.2	950,000	-
Directors	11.3	1,175,000	-
		2,125,000	-
		10,783,013	5,036,712
11.1 This represents short term running finance facility availed from a commercial bank. The limit of running finance facility is Rs. 10 million (2012: Rs. 10 million) and is secured against first pari passu charge over plant and machinery of the Company and first ranking charge over stocks and receivables. The mark-up rate is three months KIBOR + 2.5 % per annum (2012: three months KIBOR + 2.5 %). The facility was renewed on April 15, 2013.			
11.2 This represents an interest free loan obtained from an associated undertaking that is payable within a period of 12 months.			
11.3 This represents the short term loans obtained by the Company from two directors amounting to Rs. 875,000 and Rs. 300,000. These are interest free and are payable within a period of 12 months.			
12. PROPERTY, PLANT AND EQUIPMENT			
Operating property, plant and equipment	12.1	186,819,834	192,203,274
Capital work in progress	12.2	-	636,225
		186,819,834	192,839,499


12.1 Operating property, plant and equipment

Particulars	Note	Cost/Revalued Amount			Accumulated depreciation		Net book value at June 30, 2013	Rate of Depreciation %	
		At July 01, 2012	Additions (Disposals)	Revaluation adjustment	At June 30, 2013	At July 01, 2012			Charge for the year / (Disposal)
Freehold land	12.1.1	9,600,000	-	1,500,000	11,100,000	-	-	11,100,000	-
Factory building on freehold land	12.1.1	32,278,702	-	(5,914,924)	26,363,778	2,913,159	1,198,692	22,251,927	2.5 - 5
Plant and machinery		225,767,242	999,961	-	226,767,203	78,860,489	5,155,746	142,750,968	3.33 - 5
Gas cylinders		7,948,975	150,000 (20,720)	-	8,078,255	6,687,455	134,574 (14,037)	1,270,263	10
Electric installation		9,244,070	-	-	9,244,070	6,730,205	240,177	2,273,688	10
Furniture and fixtures		1,376,757	1,076,351	-	2,453,108	1,057,995	39,424	1,355,689	10
Office equipment		2,409,818	570,653 (72,700)	-	2,907,771	1,876,032	57,447 (55,745)	1,030,037	10
Vehicles		5,409,427	3,694,005 (1,389,000)	-	7,714,432	3,706,382	489,422 (1,268,634)	4,787,262	20
		294,034,991	6,490,970 (1,482,420)	(4,414,924)	294,628,617	101,831,717	7,315,482 (1,338,416)	186,819,834	



Particulars	Note	Cost/Revalued Amount			Accumulated depreciation		Net book value at June 30, 2013	Rate of Depreciation %	
		At July 01, 2011	Additions (Disposals)	Revaluation adjustment	At June 30, 2012	Charge for the year / (Disposal)			At July 01, 2011
----- Rupees -----									
Freehold land		9,600,000	-	-	9,600,000	-	-	9,600,000	-
Factory building on freehold land		32,197,202	81,500	-	32,278,702	1,661,590	1,251,569	29,365,543	2.5 - 5
Plant and machinery		224,561,688	1,205,554	-	225,767,242	73,583,351	5,277,138	146,906,753	3.33 - 5
Gas cylinders		8,180,975	(232,000)	-	7,948,975	6,729,375	136,043 (177,963)	1,261,520	10
Electric installation		9,244,070	-	-	9,244,070	6,464,655	265,550	2,513,865	10
Furniture and fixtures		1,376,757	-	-	1,376,757	1,024,323	33,672	318,762	10
Office equipment		2,409,818	-	-	2,409,818	1,819,647	56,385	533,786	10
Vehicles		5,828,347	(418,920)	-	5,409,427	3,475,737	386,515 (155,870)	1,703,045	20
		293,398,857	1,287,054 (650,920)	-	294,034,991	94,758,678	7,406,872 (333,833)	192,203,274	



12.1.1 During the year, the company has revalued its freehold land and building thereon. Revaluation was carried out by an independent valuer, 'M/s. Danish Enterprises and Construction' resulting in a net deficit of Rs. 4.414 million, over book value. Freehold land and building thereon, have been stated at revalued amounts and the related deficit has been debited (net of deferred taxation) to 'Surplus on revaluation of property, plant and equipment - net' - (refer note 5).

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

	Cost	Accumulated Depreciation	Written down value
	----- Rupees -----		
Freehold land	345,790	-	345,790
Building on freehold land	9,056,260	5,807,324	3,248,936
June 30, 2013	9,402,050	5,807,324	3,594,726
June 30, 2012	9,402,050	5,636,327	3,765,723

	Note	2013 Rupees	2012 Rupees
12.1.2 Depreciation for the year has been allocated as under:			
Cost of sales	21	2,153,933	2,191,925
Administrative expenses	25	586,293	476,572
Other operating expenses	26	4,575,256	4,738,375
		7,315,482	7,406,872

12.1.3 Disposal of operating property, plant and equipment

Aggregate value of assets having book value of below Rs. 50,000 each

	Cost	Accumulated Depreciation	Net book value	Sale price	Mode of disposal	Particulars of buyers
	-----Rupees-----					
Gas cylinders	20,720	14,037	6,683	96,000	Adjustment	Sandrill
Office equipment	72,700	55,745	16,955	5,000	Negotiation	Mr. Nasir
Vehicles	1,389,000	1,268,634	120,366	951,000	Negotiation	M. Tahir
Total	1,482,420	1,338,416	144,004	1,052,000		



12.2 Capital work in progress	Note	2013 Rupees	2012 Rupees
Opening balance		636,225	-
Additions during the year		914,679	636,225
Transferred to operating property, plant and equipment		(1,550,904)	-
		-	636,225
13. STORES AND SPARES			
Stores		939,300	836,401
Spares		466,392	259,212
		1,405,692	1,095,613
14. STOCK-IN-TRADE			
Raw materials	21.1	1,415,602	1,099,909
Finished goods	21	1,256,921	291,753
Trading stock	22.1	45,460	86,260
		2,717,983	1,477,922
15. TRADE DEBTS - unsecured			
Considered good		6,947,148	8,244,778
Considered doubtful		300,939	2,019,581
		7,248,087	10,264,359
Provision for doubtful debts	15.1	(300,939)	(2,019,581)
		6,947,148	8,244,778
15.1 Provision for doubtful debts			
Opening balance		2,019,581	2,019,581
Reversal of provision for doubtful debts		(1,718,642)	-
Closing balance		300,939	2,019,581
15.2 Ageing of past due but not impaired			
30-60 days		823,943	812,615
61-90 days		450,262	207,647
91-180 days		281,189	279,885
Over 180 days		188,296	1,263,733
		1,743,690	2,563,880

Management considers that no provision is required against these overdue amounts based on previous payment history of the parties.



	Note	2013 Rupees	2012 Rupees
16. LOANS AND ADVANCES - Considered good			
Due from employees		351,060	180,000
Advances to suppliers		967,040	1,267,695
		1,318,100	1,447,695
17. TRADE DEPOSITS AND OTHER RECEIVABLES			
Margin against bank guarantee		-	221,432
Receivable from Winder Industries (Private) Limited - a related party	17.1	3,453,022	3,453,022
Others		732,261	513,416
		4,185,283	4,187,870
17.1 This represents payment made by the company on behalf of the related party for purchase of land.			
18. OTHER FINANCIAL ASSETS - At fair value through profit or loss			
Fully paid listed shares / certificates of Rs. 10 each.			
		2013	2012
		No. of Shares / Certificates	Company's Name
		10,250	10,250
		134	134
		5,850	5,850
		1,103	1,103
		1,398	1,398
		1,311	1,311
		3,000	3,000
		419	419
		143	143
		54	54
		516	516
			Schon Textile Mills Limited
			Faysal Bank Limited
			Schon Modaraba Limited
			Sui Southern Gas Company Limited
			First Fidelity Leasing Modaraba Limited
			First Equity Modaraba Limited
			Crescent Fibers Limited
			Karachi Electric Supply Corporation Limited
			Bankers Equity Limited
			Linde Pakistan Limited
			SAMBA Bank Limited
			6,663
			1,258
			-
			21,531
			4,683
			5,244
			93,150
			2,606
			-
			9,666
			1,326
			6,663
			1,466
			3,510
			23,312
			2,041
			1,639
			38,850
			1,358
			-
			6,855
			1,187
			146,127
			86,881
19. CASH AND BANK BALANCES			
Cash at bank			
- in current accounts		577,932	680,046
- in PLS account		1,177	677
		579,109	680,723
Cash in hand		249,190	176,113
		828,299	856,836



	Note	2013 Rupees	2012 Rupees
20. SALES - NET			
Sales		273,783,664	241,459,083
Less: Trade discount		(9,266)	-
Sales tax		(35,254,976)	(31,488,848)
		(35,264,242)	(31,488,848)
		238,519,422	209,970,235
21. COST OF SALES			
Raw material consumed	21.1	70,533,357	65,179,593
Salaries, wages and benefits	21.2	16,227,213	17,212,773
Power and water		75,312,303	60,322,725
Stores and spares consumed		4,093,293	3,973,329
Repairs, maintenance and handling		9,959,335	9,494,362
Insurance		1,609,168	242,152
Vehicles running and maintenance		426,643	460,355
Depreciation	12.1.2	2,153,933	2,191,925
Others		2,959,054	2,101,760
		183,274,299	161,178,974
Maintenance and other charges recovered		(1,500,432)	(1,776,519)
Cost of goods manufactured		181,773,867	159,402,455
Finished goods			
As at July 01		291,753	1,910,305
As at June 30	14	(1,256,921)	(291,753)
		(965,168)	1,618,552
		180,808,699	161,021,007
21.1 Raw material consumed			
Opening stock		1,099,909	799,273
Purchases		70,849,050	65,480,229
		71,948,959	66,279,502
Closing stock	14	(1,415,602)	(1,099,909)
		70,533,357	65,179,593



21.2 This includes charge in respect of staff retirement benefits amounting to Rs. 515,770 (2012: Rs. 383,896). The Company's staff retirement benefits consist of Provident Fund - a defined contribution plan. The Company has established a separate provident Fund. The information related to provident fund is as follows:

	Note	2013 Rupees	2012 Rupees
Number of employees		48	55
Size of provident fund (Rupees)		10,492,066	10,208,997
Cost of investments made (Rupees)		10,083,323	9,787,256
Percentage of investments made		96%	96%
Fair value of investment (Rupees)		10,083,323	9,787,256
Break-up of investments:			
- Balance in savings accounts			
Amount of investment (Rupees)		3,490,266	2,010,858
Percentage of size of investment		34%	21%
- Barkat monthly income certificates			
Amount of investment (Rupees)		6,000,000	6,000,000
Percentage of size of investment		60%	61%
- Receivable from Bawany Air Products Limited			
Amount of investment (Rupees)		593,057	1,776,398
Percentage of size of investment		6%	18%

21.2.1 As at June 30, 2013, Investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

22. (LOSS) / PROFIT FROM TRADING ACTIVITIES - GASES

Sales		100,321	308,197
Less: sales tax		(13,837)	(42,555)
		86,484	265,642
Cost of sales	22.1	(112,344)	(132,920)
		(25,860)	132,722
22.1 Cost of sales			
Opening stock		86,260	70,940
Purchases		71,544	148,240
		157,804	219,180
Closing stock	14	(45,460)	(86,260)
		112,344	132,920



	Note	2013 Rupees	2012 Rupees
23. OTHER INCOME			
From financial assets:			
- Dividend income		6,380	378
- Profit on deposit		7,000	98,100
From other than financial assets:			
- Gain on disposal of property, plant and equipment		907,996	1,000,913
		921,376	1,099,391
24. DISTRIBUTION COST			
Salaries and benefits	24.1	3,604,755	3,803,153
Transportation charges		129,450	212,165
Vehicles running and maintenance		930,033	694,047
Cooly and cartage		1,830,891	2,187,975
Insurance		1,916	43,020
Others		7,000	2,900
		6,504,045	6,943,260
24.1	This includes charge in respect of staff retirement benefits amounting to Rs. 188,675 (2012: Rs. 164,775). For details refer note 21.2.		
25. ADMINISTRATIVE EXPENSES			
Directors' remuneration and meeting fees		3,457,500	2,808,453
Salaries and benefits	25.1	7,578,487	7,094,507
Electricity, gas and water		217,847	190,974
Repairs and maintenance		423,147	240,615
Insurance		140,565	94,443
Rent, rates and taxes		556,791	431,771
Traveling and conveyance		167,230	869,598
Vehicles running and maintenance		805,275	659,562
Entertainment		48,163	108,121
Communication		350,696	332,627
Printing and stationery		291,109	261,821
Legal and professional charges		577,630	429,050
Auditors' remuneration	25.2	440,000	330,500
Fees, subscription and periodicals		283,569	523,669
Advertisement		125,785	65,801
Donation	25.3	41,000	105,200
Depreciation	12.1.2	586,293	476,572
Others		45,922	10,786
		16,137,009	15,034,070



		2013	2012
		Rupees	Rupees
25.1	This includes charge in respect of staff retirement benefits amounting to Rs. 292,502 (2012: Rs. 265,405). For details refer note 21.2.		
25.2	Auditors' remuneration		
	Statutory audit fee	300,000	225,000
	Half year review fee	100,000	75,000
	Out of pocket expenses	40,000	30,500
		440,000	330,500
25.3	None of directors or their spouses had any interest in the donee.		
26.	OTHER OPERATING EXPENSES		
	Workers' Welfare Fund	447,939	311,980
	Workers' Profit Participation Fund	1,281,357	821,001
	Depreciation of idle plant	4,575,256	4,738,375
		6,304,552	5,871,356
27.	FINANCE COST		
	Interest / mark-up on:		
	Long-term financing	8,702,977	7,039,185
	Short -term borrowings		
	- Bank	428,870	1,028,575
	- Provident fund	125,546	484,104
	Workers' Profit Participation Fund	151,043	-
	Interest / mark-up waived	-	(1,539,345)
	Bank charges	81,078	35,176
		9,489,514	7,047,695
28.	TAXATION		
	Current - for the year	1,193,030	2,102,359
	Deferred	7,772,242	5,519,031
		8,965,272	7,621,390
28.1	Relationship between income tax expense and accounting profit		
	Profit before taxation	21,949,007	15,287,034
	Applicable tax rate	35%	35%
	Tax at the enacted tax rate	7,682,152	5,350,462
	Tax effect of minimum tax	1,193,030	2,102,359
	Other	90,090	168,569
		8,965,272	7,621,390



28.2 Income tax assessments of the Company have been finalised up to and including the tax year 2012 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:

	2013 Rupees	2012 Rupees
Profit for the year	12,983,735	7,665,644
Weighted average number of ordinary shares outstanding during the year	7,502,510	7,502,510
Earnings per share	1.73	1.02

30. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	Chief Executive		Director		Executives		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	----- Rupees -----							
Remuneration	967,742	851,616	1,045,161	812,904	352,000	1,392,000	2,364,903	3,056,520
Meeting fee	15,000	8,000	75,000	42,000	-	-	90,000	50,000
House rent	435,484	383,232	470,323	365,808	-	-	905,807	749,040
Utilities	96,774	85,162	104,516	81,288	-	-	201,290	166,450
Earned leaves	132,000	-	115,500	-	-	-	247,500	-
	1,647,000	1,328,010	1,810,500	1,302,000	352,000	1,392,000	3,809,500	4,022,010
Number of persons	1	1	1	1	2	2	4	4

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. 843,556 (2012: Rs. 651,922). Further, both the executives have left the company during the year.

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	2013 Rupees	2012 Rupees
Associated undertakings	Organization charges paid	369,946	412,393
	Loan received from Bawany Management (Private) Limited	950,000	-
	Loan repaid to R.A. Management	900,000	1,500,000
Director	Loan received (Hanif Bawany)	300,000	-
	Loan received (Momiza Kapadia)	875,000	-
Staff retirement fund	Loan received	-	3,550,000
	Loan repaid	-	(3,550,000)


32. FINANCIAL RISK MANAGEMENT
32.1 Financial instruments by category
FINANCIAL ASSETS
Loans and receivables

	2013 Rupees	2012 Rupees
Long-term deposits	3,215,467	3,215,467
Trade debts	6,947,148	8,244,778
Loans and advances	351,060	180,000
Trade deposits and other receivables	4,185,283	4,187,870
Cash and bank balances	828,299	856,836

15,527,257

16,684,951
Fair value through profit or loss (FVTPL)

Other financial assets	146,127	86,881
------------------------	---------	--------

15,673,384

16,771,832
FINANCIAL LIABILITIES
At amortized cost

Long-term deposits	30,801,958	29,720,579
Long-term financing	20,677,253	40,060,942
Trade and other payables	10,196,737	17,346,597
Interest / mark-up accrued	3,264,946	87,235
Short-term borrowings	10,783,013	5,036,712

75,723,907

92,252,065
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	
	2013 Rupees	2012 Rupees
Fixed rate instruments		
Long-term financing	20,677,253	39,160,942
Variable rate instruments		
Short-term borrowings	8,658,013	5,036,712

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 or 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. 86,580 (2012: Rs. 50,367). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

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:



	2013	2012
	Rupees	Rupees
Long-term deposits	3,215,467	3,215,467
Trade debts	6,947,148	8,244,778
Loans and advances	351,060	180,000
Trade deposits and other receivables	4,185,283	4,187,870
Cash and bank balances	579,109	680,723
	15,278,067	16,508,838

The trade debts are due from local customers for sale of liquid oxygen, nitrogen and dissolved acetylene. Management assesses the credit quality of customers, taking into account their financial position, past experience and other factors and limits significant exposure to any individual customer by obtaining advance from customers in certain cases. A significant amount of Company's sales are to Ship Breaking Industry in the area of Gadani, Pakistan, however, the Company is not exposed to concentration of credit risk from these sales as the recovery of receivables from these customers is faster than other customers.

Ageing of past due but not impaired trade debts are disclosed in note 15.2.

The credit risk on liquid funds (cash and bank balances) is limited because the counter parties are banks with good credit rating.

Long-term deposits are not significantly exposed to credit risk as they have been paid as security deposits to receive future services.

32.2.3 Liquidity risk

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

	Within 1 year	1 - 5 years	over 5 years	Total
	----- Rupees -----			
2013				
Long-term financing	12,919,953	10,875,973	-	23,795,926
Long-term deposits	-	-	30,801,958	30,801,958
Trade and other payables	10,196,737	-	-	10,196,737
Interest / mark-up accrued	3,264,946	-	-	3,264,946
Short-term borrowings	10,783,013	-	-	10,783,013
	37,164,649	10,875,973	30,801,958	78,842,580
2012				
Long-term financing	25,893,701	21,343,146	-	47,236,847
Long-term deposits	-	-	29,720,579	29,720,579
Trade and other payables	17,346,597	-	-	17,346,597
Interest / mark-up accrued	87,235	-	-	87,235
Short-term borrowings	5,036,712	-	-	5,036,712
	48,364,245	21,343,146	29,720,579	99,427,970



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 is the detail 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, 2013, other financial assets were categorised in level 1.

There were no transfers between Levels 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.

35. PLANT CAPACITY AND ACTUAL PRODUCTION

	2013	2012
	Cubic Meter	
Production capacity (Triple Shift)		
Oxygen	4,233,000	4,233,000
Nitrogen	252,000	252,000
Dissolved acetylene	144,000	144,000
	4,629,000	4,629,000
Actual production		
Oxygen	3,157,697	3,660,754
Nitrogen	106,026	83,182
Dissolved acetylene	19,366	17,035
	3,283,089	3,760,971

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 and partial closure of the plant in the last quarter of the year.

36. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been approved by the board of directors of the Company and authorised for issue on October 31, 2013.

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

SIRAJ A. KADIR
Director



FORM OF PROXY

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

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 35th Annual General Meeting of the Company to be held on November 28, 2013 at 12.00 noon and at any adjournment thereof.

Signed this _____ day of _____ 2013.

Witness _____

**Signature Across
Revenue Stamp**

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



BAWANYAIR PRODUCTS LIMITED

