



BAWANYAIR
PRODUCTS LIMITED

HALF YEARLY ACCOUNTS
DECEMBER 31, 2012
(UNAUDITED)

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. M. Hanif Y. Bawany	Chief Executive Officer
Ms. Momiza Kapadia	Executive Director
Mr. Vali Mohammad M. Yahya	Non Executive Director
Mr. Muhammad Ashraf	Non Executive Director
Mr. Wazir Ahmed Jomezai	Non Executive Director
Mr. Zakaria A. Ghaffar	Non Executive Director
Mr. Siraj A. Kadir	Independent Director

AUDIT & HR COMMITTEE

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

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

HALF YEARLY REVIEW

Assalam-o-Alaikum

Directors of your Company are pleased to present the unaudited financial statements of your Company for the half year ended December 31, 2012. These accompanying financial statements were subject to a limited scope review by the statutory auditors.

You must be aware that our nation's economy has been impacted by number of factors including global economic downturn, continuing militant insurgency and intensification of war on terror, circular debt and energy crisis which resulted in lower growth, high debts, high food inflation, inadequate employment opportunities, increasing economic inequality and public unrest. Notwithstanding these challenges, the Gross Domestic Product growth is improving gradually as compared to the last year and your Company also continues to display a healthy performance and achieved a substantial profit growth over the same period last year.

Overall financial position of your Company as at December 31, 2012 has improved significantly in comparison with the preceding period and in comparison with June 2012 as well. Borrowings are being paid with sufficient regularity and in-fact your Company paid off Rs. 10 million in these 6 months and even after that, your Company has managed its cash flows with such an optimum utilization that there is no outstanding over draft facility at period end. Operating cash flows for the period are positive and stand at Rs. 14 million as against 1 million in comparative period. The financial results of your Company in this challenging scenario for the six months period ended December 31, 2012 have improved substantially in comparison with previous year. Sales have enhanced by 36% as a result of high demand and favorable sales price especially for liquid oxygen. Contrary to this, the cost of sales only increased by 20% owing to controlled cost of goods manufactured. The gross profit has increased from Rs. 20 million to Rs. 39 million. This increase can be attributed to high margin in sale of liquid oxygen that prevailed during the period under review. Brief facts about the financial performance of the Company in the six months under review are as follows:

Description	December 2012	December 2011
	Rupees in million	
Sales	128.88	94.98
Gross Profit	38.88	20.06
Profit before taxation	20.98	3.43
Profit after taxation	16.26	1.28
Earnings per share - rupees	2.17	0.17

A worsening power and gas supply situation throughout the nation has increased the frequency of repairs and maintenance, power outages and plant shutdowns, which leads to lower production and accordingly lower sales. Despite these challenges during the half year the Company was able to record a substantially good profit after tax of Rs. 16 million and Earnings per Share of Rs. 2.17 in just first half of 2012-13. For the upcoming half, the business and political environment of the nation remains very challenging and therefore it is an imperative for your Company to take steps that will help and prepare it to meet these challenges in future. The management is quite confident to start the new plant and for this, different options are being analyzed one of which is to use both our old compressors in place of the damaged compressors of the new plant.

It may be noted that your Company has agreed to the repayment schedule for all the outstanding dues of Rs. 4.9 million as per Court decree of Escort Investment Bank Limited by giving Rs. 1 million advance and balance over six months in equal installments. To date Rs. 2.95 Million has been repaid and only three installments are left.

Your Board expects that your Company will continue to achieve sustainable and improved growth in the remaining part of the current financial year as well to record highest ever revenues and profitability.

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

On behalf of the Board

Karachi:
Dated: February 21, 2013

M. Hanif Y. Bawany
Managing Director/ Chief Executive Officer

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of Bawany Air Products Limited ("the Company") as at December 31, 2012 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof for the six months then ended (here-in-after referred to as "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended December 31, 2012 and 2011 have not been reviewed, as we are required to review only the cumulative figures for the six months ended December 31, 2012.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the six months ended December 31, 2012 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Karachi:
Dated: February 21, 2013

M. Yousuf Adil Saleem & Co.
Chartered Accountants
Nadeem Yousuf Adil
Engagement Partner

CONDENSED INTERIM BALANCE SHEET

		Unaudited December 31, 2012	Audited June 30, 2012
EQUITY AND LIABILITIES	Note	----- Rupees -----	
Share Capital and Reserves			
Authorized capital 15,000,000 Ordinary shares (June 30, 2012: : 15,000,000) of Rs.10/- each		150,000,000	150,000,000
Issued, subscribed and paid-up capital 7,502,510 Ordinary shares (June 30, 2012: 7,502,510) of Rs.10/- each		75,025,104	75,025,104
Un-appropriated profit		39,056,748	22,530,417
		114,081,852	97,555,521
Surplus on revaluation of property, plant and equipment - net	4	19,494,701	19,757,278
LIABILITIES			
Non Current Liabilities			
Deferred tax liability	5	3,804,729	2,952,633
Long-term financing	6	13,013,032	18,203,666
Long-term deposits		32,688,579	29,720,579
		49,506,340	50,876,878
Current Liabilities			
Trade and other payables		21,519,260	21,978,153
Interest / mark-up accrued	7	233,014	87,235
Short-term borrowings	8	-	5,036,712
Current portion of long-term financing	6	16,850,087	21,857,276
		38,602,361	48,959,376
Total Liabilities		88,108,701	99,836,254
Total Equity and Liabilities		221,685,254	217,149,053

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

AS AT DECEMBER 31, 2012

		Unaudited December 31, 2012	Audited June 30, 2012
	Note	----- Rupees -----	
ASSETS			
Non Current Assets			
Property, plant and equipment	9	190,853,334	192,839,499
Long-term deposits		3,215,467	3,215,467
		194,068,801	196,054,966
Current Assets			
Stores and spares		1,360,916	1,095,613
Stock-in-trade		3,114,396	1,477,922
Trade debts		13,032,628	8,244,778
Loans and advances		878,543	1,447,695
Advance tax		271,301	1,981,860
Trade deposits and other receivables		5,648,222	4,187,870
Other Financial assets		133,464	86,881
Income tax refundable		1,714,632	1,714,632
Cash and bank balances		1,462,351	856,836
		27,616,453	21,094,087
Total Assets		221,685,254	217,149,053

M. Hanif Y. Bawany
Managing Director/ Chief Executive Officer

SIRAJ A. KADIR
Director

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2012**

	Note	Six Months Ended		Three Months Ended	
		December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
		----- Rupees -----	----- Rupees -----	----- Rupees -----	----- Rupees -----
Sales - net		128,881,391	94,987,385	59,937,294	49,858,676
Cost of sales	10	(90,000,719)	(74,922,618)	(37,399,015)	(36,149,673)
Gross profit		38,880,672	20,064,767	22,538,279	13,709,003
Profit from trading activities - gases		305,128	107,576	156,131	83,158
Other operating income		3,507	13,783	3,399	109
Unrealized gain on revaluation of other financial assets		46,583	2,074	46,583	(1)
		39,235,890	20,188,200	22,744,392	13,792,269
Distribution cost		(3,318,136)	(3,161,896)	(886,701)	(1,614,539)
Administrative expenses		(7,935,641)	(7,893,408)	(4,165,462)	(5,138,233)
Other operating expenses	11	(3,990,125)	(2,712,215)	(2,831,268)	(2,712,215)
Finance cost - net	12	(3,008,398)	(2,985,334)	(560,755)	(928,899)
Profit before taxation		20,983,590	3,435,347	14,300,206	3,398,383
Provision for taxation					
- current		(3,867,740)	(951,133)	(3,178,299)	(499,336)
- deferred		(852,096)	(1,202,052)	(922,790)	(1,267,572)
Profit for the period		16,263,754	1,282,162	10,199,117	1,631,475
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		16,263,754	1,282,162	10,199,117	1,631,475
Earnings per share - basic and diluted		2.17	0.17	1.36	0.22

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

M. Hanif Y. Bawany
Managing Director/ Chief Executive Officer

SIRAJ A. KADIR
Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2012**

	Note	Six Months Ended	
		December 31, 2012	December 31, 2011
		----- Rupees -----	
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		20,983,590	3,435,347
Adjustments for:			
Depreciation		3,598,220	3,843,016
Gain on disposal of property, plant and equipment		-	(13,674)
Waiver of accrued mark-up on financing facilities		-	(1,539,345)
Unrealized gain on revaluation of other financial assets		(46,583)	(2,074)
Finance cost		3,008,398	4,524,679
Operating cash flows before working capital changes		27,543,625	10,247,949
Working capital changes	14	(8,039,720)	812,897
Net cash from operations		19,503,905	11,060,846
Finance cost paid		(2,862,619)	(7,199,942)
Income tax paid		(1,543,114)	(2,693,202)
Net cash from operating activities		15,098,172	1,167,702
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,612,055)	(310,000)
Proceeds from disposal of property, plant and equipment		-	260,000
Net cash used in investing activities		(1,612,055)	(50,000)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term deposits - liabilities		2,968,000	(871,557)
Repayment of long-term finance		(10,197,823)	(6,372,675)
Short-term borrowings - net		(5,036,712)	6,101,591
Net cash used in financing activities		(12,266,535)	(1,142,641)
Net increase / (decrease) in cash and cash equivalents (A+B+C)		1,219,582	(24,939)
Cash and cash equivalents at the beginning of the period		856,836	258,307
Cash and cash equivalents at the end of the period		2,076,418	233,368

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

M. Hanif Y. Bawany
Managing Director/ Chief Executive Officer

SIRAJ A. KADIR
Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2012**

	Issued, subscribed and paid-up capital	Un-appropriated 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	-	276,397	276,397
Total comprehensive income for the six months ended December 31, 2011	-	1,282,162	1,282,162
Balance as at December 31, 2011	75,025,104	15,870,539	90,895,643
Balance as at July 1, 2012	75,025,104	22,530,417	97,555,521
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	262,577	262,577
Total comprehensive income for the six months ended December 31, 2012	-	16,263,754	16,263,754
Balance as at December 31, 2012	75,025,104	39,056,748	114,081,852

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

M. Hanif Y. Bawany
Managing Director/ Chief Executive Officer

SIRAJ A. KADIR
Director

**SELECTED EXPLANATORY NOTES TO THE CONDENSED
INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2012**

1. THE COMPANY AND ITS OPERATIONS

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

2. BASIS OF PREPARATION

This interim financial information has been prepared in condensed form in accordance with the requirements of International Accounting Standard (IAS) 34 "Interim Financial Reporting" and is being submitted to the shareholders as required by section 245 of the Companies Ordinance, 1984 and the listing regulations of the Karachi Stock Exchange. This condensed interim financial information does not include all the information required for annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended June 30, 2012.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates, judgments and methods of computation adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Company for the year ended June 30, 2012.

		Unaudited	Audited
		December 31,	June 30,
		2012	2012
	Note	-----	-----
		Rupees	
4. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net			
Surplus on freehold land		9,254,210	9,254,210
Surplus on building on freehold land	4.1	10,240,491	10,503,068
		19,494,701	19,757,278

Note	Unaudited December 31, 2012	Audited June 30, 2012
	----- Rupees -----	
4.1 Movement of surplus on building on freehold land during the six months ended December 31, 2012		
Revaluation surplus as at July 1	16,158,565	17,009,016
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year, net of tax	(262,577)	(552,793)
Related deferred tax liability on incremental depreciation charged during the period / year	(141,387)	(297,658)
Revaluation surplus as at December 31	15,754,601	16,158,565
Less: related deferred tax liability on:		
- revaluation as at July 1	(5,655,497)	(5,953,155)
- incremental depreciation charged during the period / year, transferred to profit and loss account	141,387	297,658
	(5,514,110)	(5,655,497)
	10,240,491	10,503,068
5. DEFERRED TAX (LIABILITY) / ASSET		
Deferred debits arising due to:		
- provision for bad debts	706,853	706,853
- carried forward tax losses	-	1,639,901
- accelerated depreciation on property, plant and equipment	1,002,528	356,110
	1,709,381	2,702,864
Deferred credits arising due to surplus on revaluation of property, plant and equipment	(5,514,110)	(5,655,497)
	(3,804,729)	(2,952,633)

		Unaudited	Audited
		December 31,	June 30,
		2012	2012
Note	----- Rupees -----		
6. LONG-TERM FINANCING			
Secured			
From banking companies and other financial institutions	6.1 & 6.2	29,863,119	39,160,942
Unsecured - interest free			
From associated undertaking		-	900,000
		29,863,119	40,060,942
Less: current maturity		(16,850,087)	(21,857,276)
		13,013,032	18,203,666

- 6.1** This includes financing from Escorts Investment Bank Limited (the lender) amounting to Rs. 2.615 million (June 30, 2012: Rs. 4.915 million). During the period, the Sindh High Court issued an order on November 14, 2012 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 Rs. 2.300 million during the period. The loan is secured by way of first ranking pari passu charge over land and all construction thereon.
- 6.2** The terms and conditions of long-term financing with other syndicate members and banks are same as disclosed in annual financial statements for the year ended June 30, 2012.

	-----Unaudited-----		
	Long-term loans	Short-term borrowings	Total
	----- Rupees -----		
7. INTEREST / MARK-UP ACCRUED			
Balance as at July 1, 2012	-	87,235	87,235
Mark-up accrued during the period	2,658,074	252,528	2,910,602
Mark-up paid during the period	(2,491,635)	(273,188)	(2,764,823)
Balance as at December 31, 2012	166,439	66,575	233,014

		Unaudited December 31, 2012	Audited June 30, 2012
	Note	----- Rupees -----	
8. SHORT-TERM BORROWINGS			
Running finance from Bank - secured	8.1	-	5,036,712

8.1 This represents short term running finance facility obtained from a commercial bank. The limit of running finance facility is Rs. 10 million (June 30, 2012: Rs. 10 million) and is secured against first pari passu charge over plant and machinery and first ranking charge over stocks. The mark-up rate is three months KIBOR + 2.5% per annum (June 30, 2012: three months KIBOR + 2.5%). It also includes letter of credit facilities as sub facility of running finance limit.

9. PROPERTY, PLANT AND EQUIPMENT

Operating property, plant and equipment	9.1	189,564,196	192,203,274
Capital work in progress	9.2	1,289,138	636,225
		190,853,334	192,839,499

9.1 Operating property, plant and equipment

	----- Unaudited -----			
	Additions / transfers Six Months Ended		Disposals at cost Six Months Ended	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
	----- Rupees -----			
Plant and machinery	809,142	310,000	-	-
Gas cylinders	150,000	-	-	-
Vehicles	-	-	-	418,920
	959,142	310,000	-	418,920

9.2 Additions to capital work in progress during the period were Rs. 652,913 (Dec 31, 2011: nil).

----- Unaudited -----			
Six Months Ended		Three Months Ended	
December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
----- Rupees -----			

10. COST OF SALES

Raw material consumed	34,959,790	32,230,660	12,576,002	15,361,547
Salaries, wages and benefits	8,262,400	7,613,272	2,511,748	4,469,876
Power, fuel and water	38,807,026	28,591,417	17,104,218	13,829,387
Stores and spares consumed	1,921,325	1,703,799	981,951	951,466
Repairs, maintenance and handling	4,889,628	4,298,047	2,430,830	1,918,776
Insurance	782,422	799,589	413,373	407,232
Vehicles running and maintenance	224,723	227,121	87,715	115,534
Depreciation	1,085,491	1,115,970	540,647	561,739
Others	1,795,290	870,795	358,713	393,982
	92,728,095	77,450,670	37,005,197	38,009,539
Maintenance and other charges recovered	(747,726)	(950,391)	(363,927)	(604,428)
Cost of goods manufactured	91,980,369	76,500,279	36,641,270	37,405,111

Finished goods

Opening stock	291,753	1,910,305	3,029,148	2,232,528
Closing stock	(2,271,403)	(3,487,966)	(2,271,403)	(3,487,966)
	(1,979,650)	(1,577,661)	757,745	(1,255,438)
	90,000,719	74,922,618	37,399,015	36,149,673

11. OTHER OPERATING EXPENSES

Worker's Welfare Fund	539,267	71,014	539,267	71,014
Worker's Profit Participation Fund	1,127,638	184,545	1,127,638	184,545
Donation	15,600	12,000	15,600	12,000
Depreciation on idle plant and related assets	2,307,620	2,444,656	1,148,763	2,444,656
	3,990,125	2,712,215	2,831,268	2,712,215

	----- Unaudited -----			
	Six Months Ended		Three Months Ended	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
	----- Rupees -----			
12. FINANCE COST - net				
Interest / markup on:				
Long-term financing	2,658,074	3,694,106	374,631	1,987,357
Short-term borrowings				
- Bank	252,528	584,015	130,481	332,569
- Related party	79,361	240,100	37,208	141,907
	331,889	824,115	167,689	474,476
Bank charges	18,435	6,458	18,435	6,411
Waiver of mark-up	-	(1,539,345)	-	(1,539,345)
	3,008,398	2,985,334	560,755	928,899

13. Taxation

Current tax expense includes the credit for minimum tax under section 113 of the Income Tax Ordinance, 2001 paid in prior years.

----- Unaudited -----	
----- Six Months Ended -----	
December 31, 2012	December 31, 2011
----- Rupees -----	

14. WORKING CAPITAL CHANGES

(Increase) / decrease in current assets

Stores and spares	(265,303)	(24,353)
Stock-in-trade	(1,636,474)	(999,293)
Trade debts	(4,787,850)	(4,383,957)
Loans and advances	569,152	(250,286)
Trade deposits	(1,460,352)	785,639

(Decrease) / increase in current liabilities

Trade and other payables	(458,893)	5,685,147
	(8,039,720)	812,897

15. 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. Significant transactions with related parties are as follows:

	Unaudited	
	----- Six Months Ended -----	
	December 31,	December 31,
	2012	2011
	----- Rupees -----	
Associated undertakings		
Organization charges paid	199,596	157,124
Long-term loan repaid to associated undertaking	900,000	500,000
Transactions with key management personnel		
Salaries, benefits and other allowances	1,551,750	1,563,768
Other related parties		
Contribution made by the Company to retirement benefit plan	603,094	365,360
Short-term loan obtained from retirement benefit plan	-	2,750,000
Mark-up accrued on loan from retirement benefits	79,361	240,100

16. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on February 21, 2013 by the Board of Directors of the Company.

M. Hanif Y. Bawany
Managing Director/ Chief Executive Officer

SIRAJ A. KADIR
Director



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PRINTED MATTER

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PRODUCTS LIMITED

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